An In-Depth Look at the CSA Field: State and Local Policy

October 2018

This document is the second in a series of in-depth scans of the CSA field. The first document discusses funding sources for CSA programs and the third document will provide a deep dive into data about CSA program models.

Over the past several years, state and locally-supported CSA programs have grown across the country. In the first half of 2018 alone, Pennsylvania passed legislation to create a statewide CSA program for newborns, and new mayors in Saint Paul, Minnesota and Atlanta, Georgia announced their intentions to create CSA programs in their cities.

Using data from Prosperity Now’s 2017 CSA program survey and interviews with five CSA program managers, this paper explores the CSA policy landscape. The first section provides an overview of the public sector’s role in supporting CSA programs. The second section explores key findings about CSA policy from interviews with CSA program managers, and the final section discusses the implications of these findings for the field.

Overview of Publicly-Supported CSA Programs

Public support for CSA programs takes a range of forms, including:

- **Funding** — State and local governments provide funding for some CSA programs, but overall, only 17% of programs receive city or county funding and 10% receive state funding.\(^1\) At the same time, despite the low overall percentage of programs that receive public funding, many of the largest CSA programs do receive public funding. Most programs that receive government funding supplement it with private fundraising.

- **Program Management** — In some cases, government agencies, such as state and city treasurer’s offices, take a direct role in managing CSA programs, including enrolling children and managing accounts. Overall, 33% of CSA programs are run by government agencies.

- **Partnership** — Government agencies and other public entities often work closely with CSA programs. For example, state health departments share information from birth certificates and school districts provide kindergarten rosters to facilitate automatic enrollment.

In some cases, the public sector plays all these roles. For example, the City and County of San Francisco manages the Kindergarten to College (K2C) program through the Office of Financial Empowerment and

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\(^1\) The source for this and other data in this report (unless otherwise noted) is Prosperity Now’s 2017 CSA Program Survey, which was fielded August-September 2017. Thirty-six programs responded to the survey (out of an estimated 57 CSA programs in operation at the time), and data for 18 other programs were incorporated based on their responses to Prosperity Now’s 2016 CSA Program survey, publicly-available program information and email correspondence.
provides funding for program operations and initial deposits through general appropriations. The San Francisco Unified School District provides kindergarten rosters to facilitate enrollment and helps with outreach to parents and children. In other cases, the public sector’s role is more limited but still vital. Although the Harold Alfond College Challenge in Maine is funded and run by the private Alfond Scholarship Foundation, the program would not be able to automatically enroll babies without the partnership of the Finance Authority of Maine and the state’s Bureau of Vital Records. Table 1 provides additional examples of public support for CSA programs.

Table 1: Examples of Public Support for State and Local CSA Programs

<table>
<thead>
<tr>
<th>State or City</th>
<th>Program Name</th>
<th>Type of Public Support Received by Program</th>
<th>Funding</th>
<th>Program Management</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada</td>
<td>College Kick Start</td>
<td>Uses 529 fees paid to Treasurer’s Office by 529 plan manager (also receives private funding)</td>
<td>Nevada State Treasurer’s Office</td>
<td>Run by private foundation</td>
<td>NV Department of Education and school districts provide enrollment data</td>
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<tr>
<td>Maine</td>
<td>Harold Alfond College Challenge</td>
<td>Privately funded</td>
<td>Run by private foundation</td>
<td>Run by private foundation</td>
<td>ME Bureau of Vital Records (BVR) provides enrollment data; Finance Authority of Maine coordinates with BVR, maintains database</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>CollegeBound-baby</td>
<td>RI required that 529 plan manager fund initial deposits when selecting a new plan manager</td>
<td>Rhode Island Treasurer’s Office</td>
<td>Run by private nonprofit with city officials on the board</td>
<td>RI Department of Health includes check box for CSA program on birth certificate form</td>
</tr>
<tr>
<td>Boston, MA</td>
<td>Boston Saves</td>
<td>Privately funded</td>
<td>Boston Office of Workforce Development</td>
<td>Boston Office of Workforce Development</td>
<td>Boston Public Schools provide enrollment data and assist with outreach</td>
</tr>
<tr>
<td>New York City, NY</td>
<td>NYC Kids RISE Save for College</td>
<td>Privately funded</td>
<td>Run by private nonprofit with city officials on the board</td>
<td>NYC Department of Education provides enrollment data and assists with outreach</td>
<td></td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>Kindergarten to College</td>
<td>Annual appropriation covers administrative costs and initial deposits (also receives private funding)</td>
<td>Office of Financial Empowerment in Treasurer’s Office</td>
<td>San Francisco Unified School District provides enrollment data and assists with outreach</td>
<td></td>
</tr>
<tr>
<td>St. Louis, MO</td>
<td>College Kids</td>
<td>Parking revenues (also receives private funding)</td>
<td>Office of Financial Empowerment in Treasurer’s Office</td>
<td>St. Louis Public Schools provide enrollment data and assist with outreach</td>
<td></td>
</tr>
</tbody>
</table>

www.savingsforkids.org
Key Findings from Interviews

Staff from five programs—Boston Saves, CHET Baby Scholars (Connecticut), Nevada College Kick Start, NYC Kids RISE, and $eed/$oar MA—were interviewed about CSA policy.² Here are key findings from the interviews.

Having an elected official who is a strong champion for the program helps facilitate development of publicly-supported CSA programs, but broader support is needed to maintain them.

Three of the interviewed programs had powerful elected officials championing them from the outset. In Nevada, then-Treasurer Kate Marshall was the driving force behind College Kick Start. Boston Mayor Martin Walsh announced the Boston Saves CSA program in his 2015 State of the City address, which jumpstarted the design and implementation process. Connecticut Governor Dannel Malloy was the primary champion for CHET Baby Scholars. He announced the program during the 2014 State of the State address and pushed for legislation. These champions had powerful platforms from which to advocate for CSAs. Treasurer Marshall was even able to launch the program independently through administrative action without going through the state legislature.

However, as the experiences in these places illustrate, CSA programs need broader support to thrive. The long time horizon of CSA programs—children are often in the program at least 13 to 18 years—is a mismatch for the terms of elected officials, who often serve for only four or eight years. In Nevada, Treasurer Kate Marshall, a Democrat, left office in 2014 due to term limits—just one year after College Kick Start started. She was replaced by a Republican, Dan Schwartz, who ultimately decided to continue the program but made changes to the program rules.

Additionally, it takes a variety of stakeholders, including schools, various government agencies and community organizations to support a CSA program and ensure its success. A Boston Saves staff member stated that the design team embedded the program within other institutions, such as the Boston Public Schools, to help ensure more buy-in and engagement. In Nevada, though Treasurer Marshall could independently create the CSA program through administrative action, her staff still needed the cooperation of school districts to provide information for the children in order to automatically enroll them in the program. For CHET Baby Scholars, its partnerships with the state’s Department of Health (which added check boxes for the program to the state’s birth certificate form) and hospitals led to a significant jump in participation.

Related public policies—such as asset limits—and account features can impact whether or not CSA programs are accessible to families with low-incomes.

Both Boston Saves and NYC Kids RISE staff cited asset limits for public benefits as a challenge for their programs. In determining account structure, the program designers for Boston Saves were concerned that families with low-incomes could lose eligibility for benefits if they saved too much in an account in their own

² Prosperity Now staff interviewed CSA program staff in November-December 2017 to augment the CSA survey data with detailed qualitative information exploring key trends and challenges. A range of programs were selected for interviews to reflect variations in CSA program models, but they are not intended to be fully representative of the field.
name. They came up with a workaround for potentially-impacted families, by having accounts owned by a third-party custodian, rather than families. However, it is far from a perfect solution. A better solution would be to remove asset limits for public benefits or exclude CSAs from asset calculations for public benefits so that families can save for their children’s futures without losing their eligibility for benefits.\(^3\) For example, several states have removed 529s from asset limit tests for Temporary Assistance for Needy Families (TANF), including California, the District of Columbia, Indiana, Nevada and Utah.

NYC Kids RISE also described how several aspects of the New York 529 plan impeded the inclusivity and accessibility of 529 accounts for families with low-incomes. Program staff worked with the state’s 529 plan to make changes, including removing the minimum deposit requirements for initial and ongoing deposits and confirming that Individual Taxpayer Identification Numbers (ITINs) could be used in place of Social Security Numbers for account owners and beneficiaries who are undocumented immigrants. In the future, staff hope additional changes can be made, such as simplifying enrollment and disclosure forms, increasing deposit options and offering a guaranteed principal investment option.

**Having an identified, non-appropriations source of funding—such as from other types of public funding or private funding—can make programs easier to launch, but these funding sources may not be sustainable for the long-term.**

Four of the five publicly-supported CSA programs interviewed did not receive general appropriations:\(^4\)

- **Nevada College Kick Start** uses fees paid to the Treasurer’s Office by the state’s 529 plan manager.
- **CHET Baby Scholars (Connecticut)** uses funds the state legislature reallocated from a defunct scholarship program.
- **Boston Saves** uses grants from foundations, including Eos Foundation, for its pilot program.
- **NYC Kids RISE Save for College program** uses a grant from the Gray Foundation for its pilot.

As some of the program managers interviewed pointed out, having an identified, non-appropriations source of funding—whether from a public or private source—made their programs an easier sell to policymakers. At the same time, this funding strategy may also pose challenges for sustainability, particularly when programs are launched entirely with private grants that often provide funding for only a few years. Although CHET Baby Scholars’ funding is from a public source, it may face a similar challenge, because the funds reallocated from the defunct scholarship will eventually run out and an alternate funding stream will need to be identified.

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\(^3\) Asset limit policies vary across states, and some states have eliminated asset limits for some or all state-run benefits. More information on asset limit policies in particular states is available in the [Prosperity Now Scorecard](https://www.prosperitynow.org/scorecard).

\(^4\) While the programs interviewed do not receive general appropriations, other programs, such as San Francisco’s Kindergarten to College, do receive government appropriations.
Implications

CSA programs need to build broad support from the outset, even when a powerful champion is able to shepherd the program through to launch.

As the examples described earlier show, an elected official can be enormously helpful in creating CSA policy and programs, but that support alone is not sufficient to successfully operate and maintain a CSA program. Programs need to ensure that they are building support from a variety of stakeholders and potential program partners—such as schools, government agencies and community organizations—from the outset.

Removing asset limit policies for public benefits and changing some aspects of 529 plans would help CSA programs to be more inclusive and accessible for families with low-incomes.

Ensuring that families with low-incomes will not lose benefits as a result of saving in their child’s CSA makes it easier for them to participate in a CSA program. In addition, changes to 529 plans, such as removing minimum deposit requirements, would enable broader participation and savings by families with low-incomes in CSA programs that use 529s as their account vehicle.5

For CSA programs to continue to grow and scale at the state and local levels, additional sources of long-term funding are needed.

In addition to non-appropriations sources of funding, such as fees paid by 529 plan managers and grants from foundations, CSA programs will need to secure resources through endowments, general appropriations, corporations and individuals to support ongoing program operations and incentives.

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5 529 plan features vary across states. Savingsforcollege.com provides detailed information on each state’s 529 plan options and features.