POLICY BRIEF

State-Sponsored Child Investment Accounts

Helping Parents Save for College, Helping Students Avoid Loan Debt

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State-Sponsored Child Investment Accounts

College tuition at public institutions across the country rose by 36.2 percent on average over the decade 2008-09 to 2018-19.[1] The average total cost of college, accounting for all expenses such as room and board, across all institutions public and private grew by 22.4 percent.[2] Students and their families are borrowing an enormous amount of money to pay for these costs: total student loan debt increased by 149.4 percent, from $577 billion to more than $1.4 trillion, over this same time period.[3]

Many proposals to forgive existing student loan debt have been proposed and such policies were prominent components of campaign platforms among Democratic candidates for the 2020 presidential nomination. Indeed, in his first eight months in office, President Joe Biden cancelled approximately $9.5 billion in outstanding student loan debt for more than a half-million borrowers,[4] including students who attended institutions engaged in fraudulent practices,[5] certain members of the armed forces,[6] and severely disabled borrowers.[7] Additionally, President Biden's administration simplified and expanded programs for student loan forgiveness,[8] and paused interest accrual and repayments on federal student loans during the COVID-19 pandemic.[9]

One of the surest ways to alleviate the burdens of student loan debt, however, is to avoid borrowing in the first place.

Sponsored Child Investment Accounts (SCIAs), a relatively recent state innovation spreading rapidly across the country with bipartisan support, incentivizes parents to save for college costs with dual goals of stimulating college going and preventing students from incurring untenable levels of loan debt. These state initiatives focus on distinct populations, are supported by assorted funding sources, were created by different legislative approaches, and follow various administrative practices. Examining the programs and their particular strengths offers New York State the opportunity to build on best practices to construct its own successful SCIA initiative.

State Incentives for Families to Save for College

Sponsored Child Investment Accounts, sometimes referred to as Child Savings Accounts or Child Development Accounts, are investment programs specially designed to help young people and their families save funds to cover the future cost of college and career training programs.[10] Most SCIAs are constructed as an extension of states' existing "529 Plan" college savings programs. These 529 Plans allow investments to grow tax free and funds can be used to cover qualified education expenses including college tuition, room and board, textbooks, student fees, and more.[11]

Incentivized College Savings Programs

529 Plan	Sponsored Child Investment Accounts	Prepaid Tuition	Education Savings Accounts
A state-run tax-advantaged investment plan designed to help families save and pay for college. (Some states, but not New York, expanded allowable expenses to include K-12 education and apprenticeship programs.) Investments grow tax deferred and withdrawals are tax free if they are used for qualified education expenses. Currently, 49 states and the District of Columbia offer some form of a 529 Plan.	Typically, a 529 Plan account that is seeded by a deposit from the state or where a parent's initial deposit is matched by the state. These accounts may be established by the state on behalf of a young child, or the state may require a parent to set up an account on their own to participate in the program. Fourteen states (not New York) have some type of an SCIA. (Four other states have state-incentivized 529 Plan programs that are not age specific and thus not specifically geared toward early-childhood investing.)	Prepaid tuition plans allow parents (and others) to pay in advance for tuition at designated colleges and universities, locking in the cost for the designated beneficiary at today's rates. Prepaid tuition programs typically run through a state's 529 Plan structure. Eleven states (but not New York) currently use their 529 Plan structure (or something similar) to offer a prepaid college tuition plan.	Commonly referred to as a Coverdell IRA or Education IRA, ESA plans were the precursor to the more-advantaged 529 Plans. Investments in ESAs grow tax deferred, and withdrawals can be used tax free to cover qualified education expenses (including K-12). There are income limits on who is qualified to establish an ESA and there are annual limits on contributions to the account.

While 529 Plans—named after the section of the Internal Revenue Service Code enacted to create these accounts—have existed for 25 years and are now offered by 49 states and the District of Columbia,[12] participation by families in these tax-advantaged college savings programs has been modest, particularly among low-income households. Nationally, very few families participate in a 529 Plan account, and the average account balances for those who do skews significantly toward the 95th percentile of the income distribution.[13] The median income of families with a 529 Plan is more than three times the median income of those without.[14] Clearly, the benefits offered by these plans are realized more by higher earners and families that have more disposable income to invest. Due in part to this divide, however, millions of middle- and lower-income students lacking sufficient resources to pay for college

decide either not to enroll or determine that incurring student loan debt is a necessary step to pursue a degree.

To encourage families to open investment accounts and start saving for college, 14 states have created SCIAs since 2008, offering a state-funded initial deposit for parents who open one of these accounts.[15] New York City also started a similar pilot program in a school district in Queens in 2017 and announced in June 2021 that the program would be expanded citywide.[16] This report explores these initiatives. Each program design is different, but as research and practice on the SCIA approach has expanded over the past 15 years, political and popular support has grown as well, and evidence of their positive impact is building.

The Research: Stimulating College Savings and Sparking College Going

Child Investment Accounts are one of the primary features of the asset-based approach to social policy popularized in Michael Sherraden's influential work *Assets and the Poor*.[17] Sherraden argues that creating certain saving incentives for low- and middle-income families offers a vital step towards long-term financial stability. Traditionally, tax-advantaged investment vehicles tend to benefit wealthier families with the disposable income available to make such investments. Thus, this tax-favored structure has contributed to growing income inequality. Child-specific incentivized education savings accounts such as SCIAs, however, are regarded as a more progressive alternative because of the value of college as a tool for upward social and economic mobility for low- and moderate-income families.

A primary barrier to college access is the high cost of attendance, supported by the fact that fewer low- and middle-income children attend and graduate from college or career training programs relative to their wealthier peers: the college graduation rate for children from high-income households is 60 percent, compared to just 11 percent for low-income students.[18]

The high price tag also has indirect consequences for potential college students: it lowers the expectations about going to college for young people who are often conscious of the financial burden borne by family. The substantial unmet financial need faced by low-income students even after accounting for grants and other aid, work-study programs, and scholarships is evidenced by the fact that low-income students, who are disproportionately students of color, carry a greater average student loan debt burden compared to their higher-income, majority white peers.[19] In fact, Black students are more than twice as likely to carry debt as their white counterparts, and they hold more of it over the course of lifetimes.[20] As William Elliott at the University of Michigan School of Social Work explains, "Student debt is not only a consequence of wealth inequality…student borrowing *contributes* to inequality by negatively affecting children's educational outcomes on the way to college,"[21] discouraging enrollment for those who are hesitant to take on debt and negatively impacting lifetime net earnings. SCIAs offer a preferable college-financing option to student loans for such students by helping them avoid taking on debt in the first place.

Multiple studies have shown that household wealth, parental savings for higher education, and student school savings are all contributing factors to young people staying on course through college and attaining the economic benefits a degree affords.[22] State-sponsored investment vehicles for children from lower- and middle-income families can help bridge both these direct and indirect gaps in financial need.

Research has found that saving for college when a child is young has a strong correlation to college going, persistence, and completion, and both parental and youth assets set aside for education are highly associated with college-going expectations, which in turn helps overcome some of the disparity in higher education access.[23] This means that savings and investing for education starting at an early age, in combination with the demonstrated behavioral shifts in families that this practice incurs, is likely to help young adults complete college at higher rates. Indeed, in one 2013 study, researchers found that among low- to middle-income children with as little as $500 in a designated school savings account are over three times more likely to enroll in college and four times more likely to graduate.[24] Targeted education investment accounts such as SCIAs have a far greater impact than general savings accounts, and both parental investment and child account holdings are shown to be predictive of increased college attendance and persistence.[25] Beyond simply functioning as an entry into states' available 529 Plans, effective SCIAs can facilitate ease of enrollment, offer matching incentives, and provide education and resources to help families begin planning for postsecondary options from an early age.

Parents in the treatment group, who received no additional interventions other than information about their 529 Plan accounts and education savings and investing generally, reported more positive parenting practices, active savings habits, and fewer symptoms of depression, while their children are more hopeful about the future and exhibit fewer behavioral and academic issues.

The SEED for Oklahoma Kids (SEED OK) initiative was one of the nation's earliest SCIA programs, and researchers structured an effort around it to provide a comprehensive randomized control trial to evaluate the short- and long-term impact of SCIA programs for children and families. Beginning in 2007, the project collected a statewide sample of children at birth and assigned these 2,704 participants to a control group (no initial seed deposit into an SCIA) and a treatment group (received an initial $1,000 deposit into an SCIA). The study is ongoing, but early results are clear and significant. Nearly 100 percent of children in the treatment group who received that initial subsidy intervention continued to possess a 529 Plan account at the time of evaluation, compared to just 4 percent of students in the control group who had an account; savings were larger, too, with children in the treatment group having 3.4 times the average account assets of the control group. Due in part to universal and automatic enrollment features (discussed further below), 529 Plan asset holding increased by 99 and 98 percentage points among low-income and children of color, respectively. Parents of children in the program also were five times more likely to have independently opened a separate 529 Plan account.[26] Research on the initiative also has shown that the presence of an SCIA has modest but statistically significant impacts on the educational expectations of parents, which may in turn motivate both parents and children to become more engaged in school. Parents in the treatment group, who received no additional interventions other than information about their 529 Plan accounts and education savings and investing generally, reported more positive parenting practices, active savings habits, and fewer symptoms of depression, while their children are more hopeful about the future and exhibit fewer behavioral and academic issues.[27]

SEED OK also demonstrates the ability for states to successfully design an SCIA program to automatically enroll children (using birth records at the state level), coordinate and incorporate existing state 529 Plans into the SCIA effort, and implement progressive subsidies that target low-income children. Participants in the first cohort are currently enrolled in high school. In the coming years, researchers will be able to measure the impacts of SEED OK on college-going behaviors and completion.

The most significant impact of SCIA programs is not that the public investment is a donation to help offset the cost of college; indeed, the $100 or so offered by most states would not go particularly far in that regard. Rather, as noted by the research cited above, participation in SCIAs is linked to behavioral and mindset shifts that contribute to successful postsecondary outcomes, and even small-dollar savings that are specifically targeted for education increase the likelihood that children will enroll in and persist through college.

Growth of Child Investment Account Programs Across the States

Maine's Alfond Grant (formerly the Harold Alfond College Challenge) was the earliest statewide SCIA effort in the country, begun in 2008. Funded with private philanthropy through the Alfond Scholarship Foundation, the program's mission is to grant every Maine baby $500 towards their future college education.[28] The effort grew, evolving from a program with voluntary opt-in by parents to one with automatic enrollment of all children born in the state, and expanded again recently with additional matching grants available to account holders through Maine's publicly funded NextGen529 program.[29] As a public-private partnership, Foundation investments make use of the state's existing 529 infrastructure to streamline access, and supplemental public funds and waivers of minimum-deposit requirements serve as additional incentives for families to participate.[30]

Pennsylvania enacted a "universal" SCIA program in 2018, providing every newborn in the state a $100 seed deposit for their 529 Plan account. The Keystone Scholars Program was the first program enacted through state legislation and it passed with bipartisan support.[31] While the projected cost of the program is $14 million annually (for an average of 140,000 births in the state), no taxpayer dollars are used to fund the program, as the surplus carried by the state's 529 Guaranteed Savings Plan is redirected to pay for investments in the Keystone Scholars starter fund.[32] State Treasurer Joe Torsella has acknowledged that despite the initial successes of the initiative, education and outreach remain as persistent challenges, and the greatest participation gaps exist among the highest-need populations. Torsella also noted the state's hopes that philanthropic partnerships will help to strengthen the progressive element of the program by increasing participation among low-income families across the state in the future.[33]

Following Pennsylvania's lead, California, Nebraska, and Illinois each passed SCIA legislation in 2019 that included automatic enrollment and universal statewide eligibility.[34]

Some state SCIA programs offer a more substantial savings incentive than others. Tennessee Investments Preparing Scholars (TIPS) is an example of a generous progressive savings-match program targeted to that state's low- and moderate-income families. Families with total earnings up to 250 percent of the federal poverty threshold are eligible for a 4-to-1 match on their contributions to a TNStars 529 Plan account, with a lifetime maximum state match of $1,500. Children are not automatically enrolled in the program, however, and families are required to open an account and then apply for the state match.[35]

Variations of SCIAs have been proposed at the federal level on multiple occasions, too, often with bipartisan support. The America Saving for Personal Investment, Retirement, and Education (ASPIRE) Act[36] and the US-Accounts: Investing in America's Future Act[37] both proposed to open accounts with a progressive savings match for every newborn in the country. While the proposals did not mandate that the savings be used solely for postsecondary education—investments could also be used to pay for homeownership or retirement costs, for example—they indicated a broader national interest in universal SCIAs.[38] Ultimately, however, these national proposals never advanced.

In all, 18 states have created incentive programs that stimulate college savings and investing for their families; of these, 14 are specifically designed to start this education investment when children are young. The structure of each existing state-SCIA program is summarized in the table below.

State *(Year First Effective)*	Program	Match or Seed	Structure	Eligibility
California (2020; 2018)	California KIDS (Kids Investment and Development Savings)[39]	Seed	Beginning July 1, 2020, each child born in the state is provided a CalKIDS account with a $25 seed deposit. Families are encouraged to create and link their own ScholarShare 529 Plan accounts.	**Universal:** Beginning July 1, 2020, every child born in California is eligible. **Automatic at-birth enrollment.**
	ScholarShare529 Matching Grant[40]	Match	The ScholarShare529 program provides eligible participants a dollar-for-dollar match up to $200, and a one-time $25 bonus for setting up automatic contributions.	**Income:** Household annual AGI must be $75,000 or less. **Age:** Beneficiary must be under age 14.
Colorado (2020; 2015)	CollegeInvest First Step[41]	Seed	Beginning January 1, 2020, The First Step program provides a $100 grant to all children born in the state with a 529 CollegeInvest account.	**Universal:** Beginning January 1, 2020, every child born in Colorado is eligible to claim the grant if they open a 529 Plan account before their 5th birthday.
	CollegeInvest Matching Grant[42]	Match	The CollegeInvest Matching Grant allows eligible residents to apply for up to $500 dollars in matching funds per year, for 5 years in total. Participants must reapply each year.	**Income:** Household annual AGI must be $104,800 or less for a family of four **Age:** Beneficiary must be under age eight at the time of initial application.
Connecticut (2020)	CHET Baby Scholars Program[43]	Seed and Match	CHET Baby Scholars grants $100 to all newborns in the state if they open a 529 Plan account within one year of birth/adoption. If at least $150 in contributions are made before the child turns 4, there is an additional $150 match.	**Universal:** Every child born in Connecticut is eligible, but must open an account to claim the funds.
Illinois (2021)	Bright Start[44]	Seed	Bright Start provides a $50 seed deposit for all children born or adopted in the state after January 1, 2021.	**Universal:** Beginning January 1, 2021, every child born in Illinois is eligible. **Automatic at-birth enrollment.**

State (Year First Effective)	Program	Match or Seed	Structure	Eligibility
Maine (2013; 2019)	Alfond Grant[45]	Seed	The Alfond Grant program provides a $500 deposit to all children born in the state.	**Universal:** Beginning January 1, 2013, every child born in Maine is eligible for the Alfond Grant. Those born before 2013 are eligible only if they independently opened a 529 Plan account. **Automatic at-birth enrollment.**
	NextGen 529 Grants for Maine Residents[46]	Match	NextGen participants receive a $100 Matching Grant after an initial $25 contribution in their 529 Plan accounts. They receive a $100 deposit after setting up automatic contributions and up to a 30 percent NextStep Matching Grant up to $300 per year.	**Universal:** There are no restrictions to participation. Families can use the Alfond Grant as an initial account deposit.
Massachusetts (2020)	BabySteps U.Fund 529 Savings Plan[47]	Seed	Every baby born to or adopted by a Massachusetts resident is eligible for a $50 seed deposit from the BabySteps program provides into a U.Fund College Investing Plan account.	**Age:** Participants must enroll in the BabySteps Saving Plan before the child's first birthday or within one year of adoption.
Nebraska (2020; 2022)	Meadowlark Savings Pledge[48]	Seed	Beginning in 2020, all babies born in the state are automatically enrolled and receive a $50 deposit.	**Universal:** Beginning January 1, 2020, every child born in Nebraska is eligible. **Automatic at-birth enrollment.**
	Nest 529 Match[49]	Match	Beginning 2022, there will be a 100-200 percent match for low-income families up to $1,000 per participant per year.	**Income:** Household income at or below 200 percent of the federal poverty level receives a 200 percent match. Household income between 200-250 percent of the poverty level receives a 100 percent match.
Nevada (2014; 2017)	Nevada College Kick Start[50]	Seed	The Nevada Kick Start program automatically awards all kindergarteners in the state a $50 seed fund, though families must set up a separate 529 Plan account.	**Universal:** All Nevada kindergarten students are eligible. **Automatic enrollment at kindergarten.**
	Silver State Matching Grant[51]	Match	The Silver State Matching Grant Program matches contributions dollar-for-dollar, up to $300 per year, with a lifetime maximum of $1,500 over five years per participant.	**Income:** Household adjusted gross income must not exceed $74,999 **Age:** Beneficiary must be 13 or younger as of December 31 the year the account owner first applies for the matching grant.

State *(Year First Effective)*	Program	Match or Seed	Structure	Eligibility
North Dakota (2020; 2021; 2014)	College SAVE: New Baby Match[52]	Match	The New Baby Match offers a $200 matching grant to participants who contribute at least $200 in the child's first year.	**Age:** Beneficiary must contribute sufficient funds before turning one year old to claim the match.
	College SAVE: Kindergarten Kickoff Match[53]	Match	The Kindergarten Kickoff Match offers a $100 matching grant to a new or existing College SAVE account for participants who contribute at least $100 before the child turns 7.	**Age:** Beneficiary must contribute sufficient funds before turning seven years old to claim the match.
	College SAVE: BND Match[54]	Match	The BND Match offers a one-time matching grant up to $300 to low-income families for all contributions made within 12 months of opening a College SAVE account.	**Income:** Household adjusted gross income must not exceed $120,000. **Age:** Beneficiary must contribute sufficient funds before turning 15 years old to claim the match.
Oregon (2015; 2019)	Baby Grad[55]	Seed	The Baby Grad program offers a $25 one-time seed bonus for participants opening a new Oregon College Savings Plan account for a newborn.	**Age:** Participants must open an account before the child's first birthday to be eligible.
	Kinder Grad[56]	Seed	Oregon's Kinder Grad program offers a $25 one-time seed bonus for participants opening a new Oregon College Savings Plan account for a child under six.	**Age:** Participants must be enrolled in kindergarten and under age six to be eligible.
Pennsylvania (2019)	Keystone Scholars[57]	Seed	Keystone Scholars offers a $100 grant to all children born in the state. Families must open and link their own PA 529 Plan account in order to access the funds.	**Universal:** Beginning December 31, 2018, every child born in Pennsylvania is eligible. **Automatic at-birth enrollment.**
Rhode Island (2015)	CollegeBound*baby*[58]	Seed	Collegebound*baby* offers a one-time $100 grant for children born or adopted in Rhode Island. The program is opt-in and funds are held until the child is of college-going age.	**Age**: Participants must opt-in to the program within one year of the child's birth or adoption.
Tennessee (2014)	TIPS Program[59]	Match	TIPS (TN Investments Preparing Scholars) offers a 4-to-1 funds match for deposits up to $125/year for each beneficiary (for a matching grant of $500).	**Income**: Household annual AGI must be below 250 percent of the federal poverty line. **Age:** Beneficiary must be under age 15 at the time of application.

State *(Year First Effective)*	Program	Match or Seed	Structure	Eligibility
West Virginia (2015)	SMART529 Bright Babies[60]	Seed	The SMART529 Bright Babies program offers a $100 grant to each when a new account is opened within the first year of birth.	**Universal:** Participants must opt-in to the program within one year of the child's birth or adoption.
Additional 529 Incentive Programs (Not Age Specific)				
Kansas (2015)	K.I.D.S. Matching Grant Program[61]	Match	The K.I.D.S. Matching Grant program provides matching funds for participants on eligible contributions up to $600. Families must reapply each year.	**Income:** Household annual AGI must be less than 200 percent of the federal poverty guidelines based on family size.
Louisiana (2011)	S.T.A.R.T. Match[62]	Match	Louisiana matches up to 14 percent of contributions, offers diverse portfolio choices, and a deduction of up to $2,400 per beneficiary per year for single heads of household and $4,800 for married.	**Income:** The earnings-enhancement rate is determined by household income and account category, from a 14 percent match for participants with an AGI below $30,000, to 2 percent for those above $100,000.
Maryland (2016)	Save4College State Contribution Program[63]	Match	Save4College participants must open an account and make a minimum contribution dependent on income ($25, $100, or $250) to receive the matching grant funding (up to $500). Participants can apply for match each year but cannot exceed $9,000 total in funding.	**Income:** $112,500 individual or $175,000 married filing jointly. Participants must either open a new account or have opened one after 2016.
Utah (2014)	529 Day[64]	Match	Special May enrollment window: Open a new my529 Plan account in the month of May and receive a matching $25 grant after depositing $25. Receive an additional $15 after setting up automatic deposits.	**Promotional Restriction:** Only valid during the month of May. No match during the rest of the year.

There are five primary design characteristics that distinguish states' SCIA programs:

1. **Seed funding**—The majority of existing SCIA programs offer a small grant or scholarship as "seed money" to encourage families to open or link a 529 Plan account for their child. Many of these programs offer just $25, $50, or $100 grants, but are often linked with other matching initiatives designed to motivate families to develop a habit of contribution.

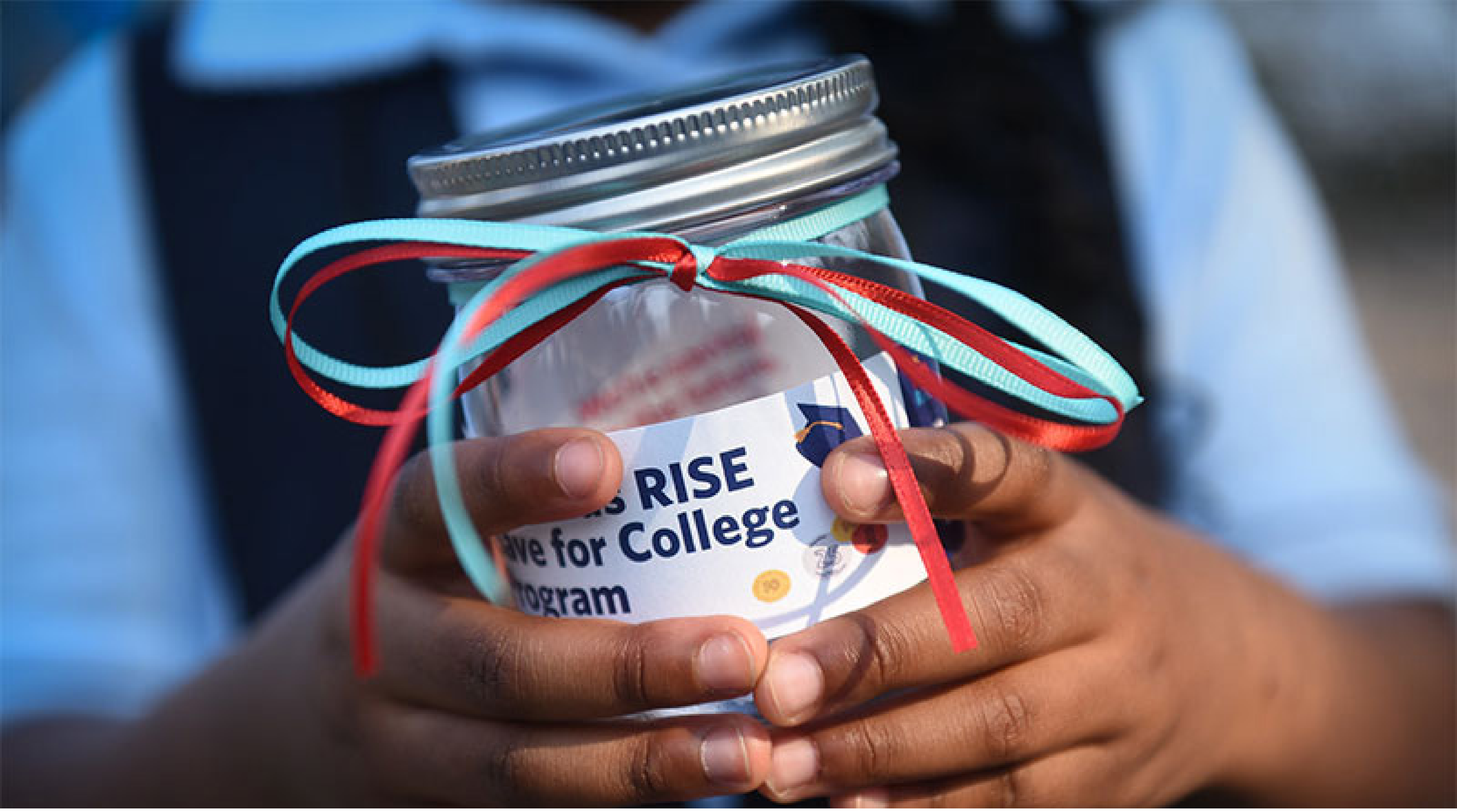
2. **Matching grants**—Several states offer matching grants for families' personal investments in a 529 Plan account. In general, these programs have lifetime or annual caps on the total match the state will make per child. Some are tiered, offering a graduated match that falls as income rises, while others offer a flat cap on matching funds. Others provide additional incentives, such as a monetary reward for setting up automatic deposits or connecting an additional 529 Plan account.

3. **Income eligibility**—Some state SCIA programs restrict eligibility to families below a certain income threshold, and in doing so specifically target their college savings incentive to low- to middle-income families. Most such means-test eligibility standards are tied to a multiple of the poverty threshold, and while some states offer progressive matches dependent on income (see Nebraska and Louisiana), others have firm match cutoffs based on annual adjusted gross income (see Kansas, Maryland, and Nevada).

4. **Age eligibility**—Some more recent SCIA initiatives have embraced universal eligibility, though the programs are typically not retroactively implemented for children born before the legislation's enactment, and, therefore, may exclude some young people (see Colorado, Illinois, and Pennsylvania); others require enrollment in the program and the establishment of an account within one year of a child's birth or adoption (see Massachusetts, Rhode Island, and West Virginia). Some states, such as North Dakota and Oregon, offer program incentives only at specific developmental stages in life (e.g., kindergarten enrollment).

5. **Automatic enrollment**—Six state SCIA programs include a feature where children are automatically enrolled in the program and a college savings account opened in their name, often at birth. Early indication from the OK SEED initiative shows that automatic enrollment has the potential to dramatically increase sustained family participation in the program.

Certain administrative requirements can act as barriers to broad participation in a state's SCIA program. Many matching programs, including those in Colorado and Kansas, for example, require that families reapply each year and demonstrate their continued income eligibility. While Connecticut, Massachusetts, and Rhode Island now have universal eligibility, families are not automatically granted access to the incentive grants. Many programs require that families "opt-in" or claim their funds by first opening or linking an account on their own.



SCIA in New York: NYC Kids RISE

In 2014, the New York City Department of Consumer Affairs, the New York City Department of Education, and the private philanthropic Gray Foundation partnered to create new pathways for families to access higher education and expand economic opportunity. With extensive collaboration between the program partners, community stakeholders, families, researchers, and practitioners from around the country, the "Save for College Program" was developed with many similarities to state-SCIA programs. The initiative's goals were twofold:

1. All New York City public elementary school students will graduate from high school prepared with a financial asset to be applied toward college and career training, and
2. Expectations of college going and career training for all children will be increased at the family, school, and community levels.[65]

The Save for College Program was designed to address a series of college-affordability challenges that are widespread nationally but experienced acutely in New York City's low-income communities. Lower college graduation rates[66] for low- and middle-income children relative to their wealthier peers, disproportionate levels of student debt for low-income students,[67] and structural barriers—including minimum deposit requirements, the need to have a bank account, and English-only enrollment materials and documentation requirements—combined with a lack of disposable income help prevent less-wealthy families from saving and investing for college through 529 Plans and other tax-advantaged accounts. In New York City in 2014, just one in every 91 children in low-income communities had a 529 Plan account, compared to one in every four in the highest-income neighborhoods.[68]

The nonprofit organization NYC Kids RISE was created to manage the Save for College Program as a "universal, community driven wealth-building platform" for New York City's students and families.[69] In 2017, the organization launched a three-year pilot program in School District 30 in Queens with the intent to reduce wealth and income inequality by helping families save for higher education. NYC Kids RISE automatically granted each public school kindergartener in the district a $100 initial deposit into an individual NYC Scholarship Account, with an offer of up to an additional $200 in rewards for new and active savings. Families were encouraged through school-community outreach to open their own child investment account aligned with their particular financial needs (either a 529 Plan account or a traditional savings account) and link it to this new scholarship account. The nonprofit's fundraising efforts, partnerships, and projects also encourage direct community-based contributions to student accounts as part of the community scholarship aspect described below.

The NYC Kids RISE Save for College Program model is based on six foundational pillars:

1. **Universal Scholarship and Savings Accounts**

   Beginning in kindergarten, every child enrolled in a New York City public school is automatically enrolled in the NY 529 Direct Plan with an initial $100 deposit and up to $200 in scholarship rewards. The universal eligibility for children in the selected schools and automatic enrollment (parents can opt-out if they choose to) makes early college savings and investing an intrinsic part of being a New York City public school student.

2. **Community Scholarships**

   Community organizations, businesses, and diverse public and private institutions can contribute directly to the educational savings of children in the neighborhood. This allows for local connections, a visible culture of higher-education investment, and ongoing asset building at the community level to increase social capital. Recognizing that different communities have different types of assets, the community scholarships have taken the form of concert fundraisers that partnered church groups and schools; corporate donation campaigns like Seamless's "Donate the Change," which allowed New Yorkers to round up on their purchases and contribute to NYC Scholarship Accounts; and parent-to-parent scholarships that facilitated direct wealth redistribution between high-income and low-income families in the city. In the long run, this is intended to help reduce debt, change attitudes, and combat the racial wealth divide in the program's target region.

3. **Integration with the Social Infrastructure**

   The NYC Kids RISE model recognizes that schools can serve an essential function at the heart of the local ecosystem. School leadership, parent coordinators, and educators all incorporate the Save for College Program platform into their day-to-day communications and activities with families by setting up classes, appointments, and open houses to help spread program awareness. By creating common language and goals around saving for higher education, these separate partners can collaborate more effectively. Community-based organizations, social service providers, employers, and businesses then network with schools and families to integrate these accounts into the fabric of the neighborhood. When economic mobility trends are analyzed by zip code, significant discrepancies appear, but the Save for College Program attempts to increase social capital and opportunity at the community level, as well as the individual.[70]

4. **Democratizing Capital Markets**

   NYC Kids RISE advocates for greater inclusive changes to the NY 529 Direct Plan to increase access to investment benefits, markets, and tax incentives for all by removing structural barriers to participation, such as the requirement to possess a checking or savings account. The organization partners with mainstream financial institutions to offer different savings opportunities to meet the needs of low-income households, families of color, and immigrant communities by addressing challenges for the unbanked and under-banked. They have also translated and simplified enrollment materials to streamline participation.

5. **Financial Empowerment and Education**

   To increase college-going expectations and financial literacy, schools impacted by the program are encouraged to incorporate financial education into the classroom. Program partners offer workshops, coaching, and counseling for free to increase visibility and uptake of the platform within the community.

6. **Convening and Organizing**

   As the program expands, communities are encouraged to connect, learn from one another, and organize for shared goals. Diverse stakeholders can advocate for larger policy efforts that advance educational and economic opportunities for students in all communities, and the Save for College platform helps to facilitate that discussion.

The pilot phase of the Save for College Program realized a great deal of success:[71]

- 10,000 students in grades K-2 (95 percent of all those eligible) received a NYC Scholarship Account.
- 1,600 (16 percent of all enrollees) opened a linked savings account.
- Altogether, students in the program accumulated more than $3.5 million ($350 per student) in savings for college.
- Students participating in Save for College are four times more likely to have their own 529 Plan account than they were before the program.
- Schools are hosting new college-access and financial-empowerment workshops, as well as one-on-one counseling sessions, to integrate the program into their family engagement practices.

- At the state level, NYC Kids RISE and its partners helped remove structural barriers to participation in the NY 529 Direct Plan by expanding language accessibility, eliminating minimum contribution requirements, and simplifying the application process.

With this track record of success as a foundation, in June 2021, New York City Mayor Bill de Blasio announced the New York City Juneteenth Economic Justice Plan to build generational wealth, with a core component of the plan the expansion of NYC Kids RISE's Save For College program to include kindergarteners in all public schools citywide beginning in the fall of 2021. The city plans to invest $15 million annually through 2025, with each public dollar expected to leverage 15 to 20 times its worth in investment returns, family savings, community scholarships, and philanthropic donations by the time each student graduates from high school.[72]

Program Participation and Investments

Because many states' SCIA programs are relatively new, data on participation, costs, and longer-term benefits are limited. Also because of the recent enactment of many of these programs, several states currently have only several thousand families participating and thus overall program costs have remained low. Still, early enrollment data is available for several state programs.

- The **California** Matching Grant Program awarded 1,386 total matching grants between 2018 and 2020. The majority of recipients are under five years old, highlighting the program's success as an SCIA initiative. Of the eligible applicants, 17.73 percent fell into the $0-$25,000 income range, compared to 45.17 percent in the $50,000-$75,000 bracket. Parents or guardians who had attended or completed college were far more likely to open an account than their peers with less formal education.[73]

- **Colorado** has a record 1,409 families now participating in its Matching Grant Program and approximately 1,300 families in the First Step Program.[74] A 2020 expansion of the program may increase participation rates for the approximately 63,000 eligible children born in the state each year.[75]

- As of July 2021, the **Massachusetts** BabySteps program has funded 9,180 accounts for babies born in the state since 2020, with an initial investment totaling $459,000. The rate of enrollment for eligible 2020 children is 12 percent, but because families have a full year from the date of birth to open an account, these numbers are expected to grow by the end of the year. Notably, while eligibility is universal across the state, enrollment is not automatic. Families are required to check a box at the hospital and then independently open a U.Fund 529 Plan account in order to receive the deposit.[76]

- The **Nevada** College Kick Start Program has created 275,399 accounts for kindergarteners in the state since 2013. Children are automatically enrolled as kindergarteners, but families must claim the account before the child enters into the fifth grade to take advantage of the $50 seed deposit. The claim rate has fallen in the last several years, from a high of 18.8 percent (6,351 of 33,782 accounts) in 2015, to 3.2 percent in 2019. Uptake in 2020 was extremely limited (0.9 percent) due to COVID-related school restrictions that limited outreach events and activities that typically promote enrollment. On average, program participation stands at 12.2 percent.[77]

- Since its inception in 2014, there have been 733 enrollees in **Tennessee**'s TIPS program, with contributions of $862,863 receiving matching grants of $712,736. Average household income of those participating in the program has risen, from $33,196 in 2015 to $48,716 in 2020, with an average contribution amount of $549 per account.[78]

- **West Virginia**'s Bright Babies $100 incentive program has seen a steady year-over-year enrollment increase since 2015; as of 2020, the program had 739 participants.[79] With slightly more than 18,000 births in the state in 2019,[80] however, the data suggest that the uptake of the program is still limited overall.

If New York State created a means-tested SCIA program that, for example, automatically enrolled and provided $100 in state-funded seed money in a college investment account to all children born to Medicaid-qualifying mothers, the maximum cost of this incentive program would total approximately $11.3 million per year.[81]

Coordination with Free-Tuition Programs

Several states have initiatives where students from families below a certain annual income threshold can attend the state's colleges and universities tuition free, such as New York's Excelsior Scholarship program.[82] These programs need not conflict with or discourage participation in an SCIA program, as the cost of attending college includes many expenses beyond tuition. Room and board, books, lab fees, and other similar costs play a role in how accessible college is to a student and whether or not that individual can avoid taking out student loans even with the attractive offer of free tuition.

Also, while New York does not yet offer a program where parents can prepay for college tuition at current rates, 11 states do,[83] and of these states, five also offer SCIA programs. Even if families take advantage of a prepaid tuition program, similar to when students take advantage of free-tuition programs, the savings accumulated in an SCIA can be paired with a prepaid tuition program to cover nontuition costs, possibly making a student's college experience financially burden free.

Implications and Options for New York State

The success of the NYC Kids RISE program and its expansion citywide in fall 2021, and the early promising signs for SCIA programs in other states, signals an opportunity to develop a statewide SCIA program for New York that will have a broad positive impact. Washington University's Center for Social Development (CSD) has been a leader in research on SCIAs and has identified several key design elements important for a successful and far-reaching program. The CSD offers sample state legislation,[84] and outlines the most essential components of an SCIA framework:[85]

- **Universal, Automatic Enrollment**

  To maximize participation and ensure that the SCIA program is truly inclusive, every child should be eligible for the seed funding and the account should follow an "opt-out" protocol, rather than a sign-up or "opt-in" requirement. These two elements help ensure that all children, particularly those who are low-income, have fewer barriers to participation and greater ease of enrollment.

- **At-Birth Start**

  Besides that every additional year of participation is overwhelmingly likely to increase the overall investment return, an at-birth enrollment has the potential to impact behavior and develop positive, future-planning mindsets. Additionally, state birth records provide an efficient pathway to universal participation and ongoing access to enrollment data without the challenge of navigating disparate, school-based sources or establishing policy differences between them.

- **Seed Deposits; Restricting Withdrawals for Postsecondary Education**

  Providing for an initial deposit in each account, rather than a match that is only realized when a parent can contribute, will have the greatest impact on behavioral shifts that prepare children for college and career-training programs. Seed deposits of $500 to $1,000 will of course have more impact in both the short and long term than deposits of $25 or $50. To achieve the mindset changes outlined previously, all SCIA funds should also be restricted until the child reaches postsecondary age and only then allocated for approved education-related purchases.

- **Automatic Progressive Structure**

  In addition to universal enrollment for every child, a progressive subsidy for lower-income students would help ameliorate wealth gaps and the associated negative consequences. Implementing automatic, means-tested progressive benefits and removing burdensome application and eligibility procedures ensures that children most in need of assistance see enhanced asset development in their SCIA. This could be time staggered, as seen in the Oregon and North Dakota programs, or targeted like California's additional $500 kindergarten subsidy for foster youth and homeless students.[86] For instance, beyond at-birth enrollment, children below a certain poverty threshold at the start of kindergarten could be eligible for additional grants.

- **Centralized Savings Infrastructure**

  New York State already operates the largest direct-to-consumer 529 Plan, managing more than $25 billion in assets.[87] Building an SCIA program off the administrative structure of the existing 529 Plan, the state can facilitate universal participation, improve partnership opportunities, and take advantage of economies of scale that benefit all enrollees.

In addition to the research-based recommendations of the Center for Social Development, the design of a New York State SCIA program also can be informed by the wealth of lessons learned from the successful piloting of NYC Kids RISE's Save for College program. Structuring an SCIA program to allow for public-private partnerships and philanthropic investment in the initiative could be particularly useful in providing progressive subsidies that help low-income families contribute to their account, for example. Community organizations, local social service providers, and area business leaders also could be encouraged as part of the program design to provide matching grants for eligible families making deposits in the 529 Plan. These important links can expand participation and provide the type of ongoing community investment that improves college-persistence behaviors. Outreach partnerships with local financial institutions, particularly in low-income areas, can also help generate awareness, facilitate family contributions, encourage automatic deposits, and improve financial literacy. Coordinated programs such as assisted tax preparation services also may contribute to increased benefit uptake, and such an effort could be incorporated into the state's rollout to help ensure that tax filers are participating in the SCIA program and realizing its rewards for their children.[88]

A few hundred dollars of state investment in an SCIA can change a family's attitudes and expectations about sending their children to college and will enhance their financial ability to do so. While it is still too early to tell if these innovative state programs will generate long-term positive impacts, some of the early signs are quite promising. In more than a dozen states, and in New York City, policymakers have decided to make investments in children's higher education futures through sponsored child investment accounts. New York has an opportunity to join these states, to explore and evaluate the various program designs, and to promote an SCIA program of its own.

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