Center for Social Development
GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| AUGUST 2017 | CSD POLICY REPORT 17-30 |

Statewide Child Development Account Policies: Key Design Elements

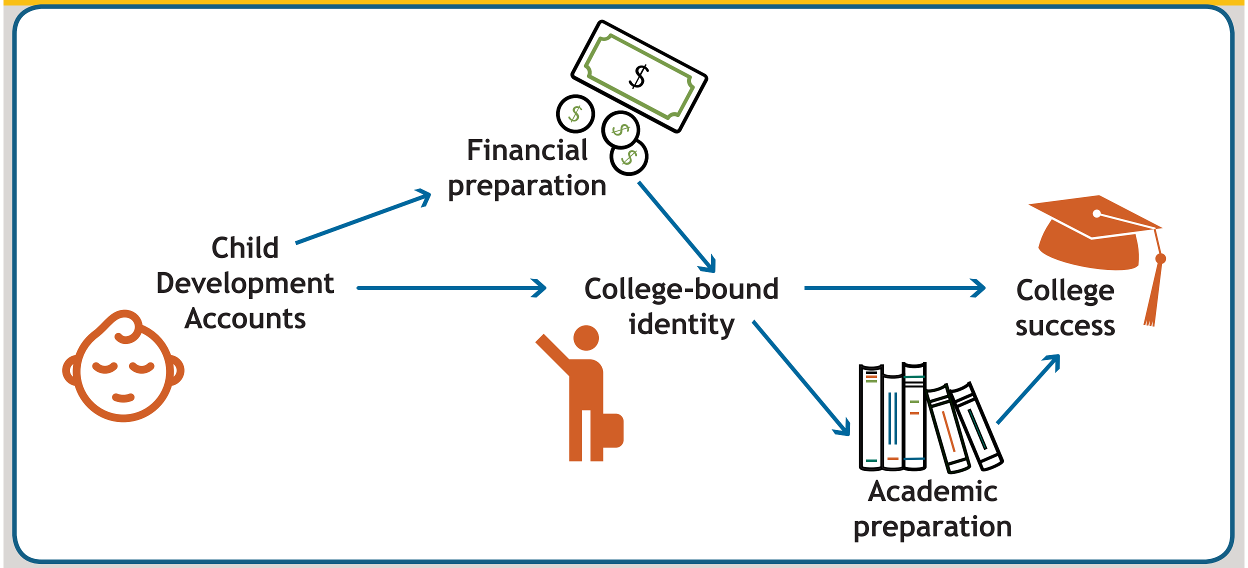
By Margaret M. Clancy and Sondra G. Beverly

Child Development Accounts (CDAs) aim to build assets for postsecondary education. Unlike many asset-building programs, CDAs were explicitly conceived to be universal (every child is included) and progressive (greater support for disadvantaged children). The broad policy vision is for the federal government to automatically enroll every newborn and make a substantial initial deposit (e.g., $500 to $1,000), and provide additional subsidies for low-income children.[1] By providing assets for postsecondary education very early in life, CDAs increase financial preparation for college and, over time, may engender a college-bound identity, thereby improving educational outcomes, including success in college (Figure 1).[2] The ultimate goal of CDA policy includes reducing inequality by giving all children the opportunity to benefit from asset accumulation.

SEED for Oklahoma Kids (SEED OK), a rigorous research test of social policy begun in 2007, demonstrated that it is possible to implement universal, automatic, and progressive CDAs beginning at birth.[3] Experimental evidence from SEED OK indicates that a CDA automatically opened with an initial deposit of $1,000 has financial and nonfinancial benefits for children and their families, including such positive impacts as improving mothers' expectations for their children's education, mothers' mental health, and disadvantaged children's early social-emotional development. These impacts are often due to automatic program deposits rather than parents' saving behavior.[4] This research has had direct impact on policy.

Four states have created statewide CDAs—Baby Scholars in Connecticut, the Harold Alfond College Challenge in Maine, College Kick Start in Nevada, and CollegeBound*baby* in Rhode Island. Each is available in every city across the state, unlike other CDAs offered throughout the country. In this policy report, we describe these CDAs to provide perspective and inform new initiatives. We begin by identifying 10 key CDA policy design elements originally modeled by the CDA in SEED OK.

Figure 1. Likely Pathways from Child Development Accounts to College Success



Reprinted with permission from Beverly, Elliott, & Sherraden (2013).

Key CDA Policy Design Elements

Table 1 identifies 10 key policy design elements and cross references them with the state CDAs noted above. The first four elements—universal eligibility; automatic, opt-out enrollment; initial deposits; and progressive subsidies—are essential to address inequality. Eligibility policies define *who* may have a CDA; with universal eligibility, no child is excluded. Enrollment policies determine *how* participation is initiated; with automatic, opt-out enrollment, *all children* are enrolled unless parents elect otherwise. Evidence indicates that, without the first three elements, the vast majority of low-income children will not have designated college savings.[5] Without additional, progressive subsidies, the value of college savings for those low-income children who do have savings will be much lower than those for middle- and upper-income children.[6]

Other important CDA policy elements include an at-birth start, a centralized savings plan, targeted investment options with the potential for market growth, restricted withdrawals, and exclusions of CDA deposits from public benefit eligibility calculations. An at-birth start gives deposits time to grow, offers parents time to make contributions, and maximizes the period for children to develop a college-bound identity. Using a centralized savings plan—that is, having all children in the same system, with a state or state-contracted organization responsible for accounting and recordkeeping—creates coherence and economies of scale for CDAs.[7] Offering targeted investment options, rather than a myriad of investments, simplifies decision making at account opening. Also, age-based funds, which automatically adjust to become more conservative as the beneficiary ages, offer a "set-it-and-forget-it" feature that removes decision making over the long term.[8] Market appreciation can add substantially to the total amount of CDA savings accumulated for the child over time.[9] Holding CDA program funds in accounts with restricted withdrawals ensures that the money is used for approved purchases. Earmarking funds for postsecondary education may make the goal of saving for college more salient.

The first four elements—universal eligibility; automatic, opt-out enrollment; initial deposits; and progressive subsidies—are essential to address inequality.

The last element is public benefit exclusions for CDA deposits, both program and personal. A key tenet of asset building for all is that low-income families can save and own assets without reducing means-tested public assistance. But most states impose an asset limit for at least one public assistance program, restricting the amount of savings a family can have and still qualify for benefits. Asset limits penalize saving, jeopardize benefits, and may make families wary of CDAs. Federal and often state governments can remove asset limits or exclude certain types of assets from limits. Exclusions for CDA deposits protect family savings and enhance the effectiveness of the CDA.[10]

It is noteworthy that some of these policy elements are particularly powerful in combination. For example, a sizable initial deposit, at-birth start, and potential for investment growth *together* can produce meaningful asset accumulation over time. Then, when children and parents observe the growth of designated college savings, their belief that college is important and expected may grow stronger, which may lead to behavioral changes with positive impacts on educational engagement and achievement.[11]

CDAs and 529 College Savings Plans

In the United States, state 529 college savings plans offer centralized administration, targeted investment options, the potential for investment growth, and restricted withdrawals. Each 529 plan offers a limited selection of investment choices and allows accounts to be opened by adult U.S. citizens (or resident aliens) or certain entities, such as 501(c)(3) organizations and state or local governments, for a child or an adult. In many states, contributions are deductible from state income taxes.[12] Earnings grow tax-deferred and are not taxed if used for qualified postsecondary expenses at community colleges, trade and vocational schools, 4-year colleges, and other postsecondary institutions. The earnings portion of a *nonqualified* withdrawal is taxable and also subject to a 10% federal tax penalty.[13]

All four of the statewide CDAs use state 529 plans. Nationwide, about 86% of all CDA accounts are built on a 529 platform, and this percentage continues to grow.[14] Many state 529 plans have inclusive features such as low or no minimum contributions, automatic initial deposits, statewide outreach, exclusion from some public benefit calculations, and progressive savings matches to encourage participation by low- and moderate-income families. However, a 529 plan with inclusive features is not necessarily a CDA. For example, West Virginia's 529 plan has inclusive features: It deposits $100 into accounts opened for state resident babies before their first birthday. Also, the plan allows parents to open an account without making a personal deposit (there are no minimum contribution requirements), but the enrollment process is neither automatic nor facilitated.[15] Other CDAs, such as Promise Indiana, are not currently offered statewide.[16]

Table 1. Ten Key CDA Policy Design Elements

		Connecticut CHET Baby Scholars	Maine Harold Alfond College Challenge	Nevada College Kick Start	Rhode Island CollegeBound*baby*
1	**Universal Eligibility**	Yes	Yes	No, excludes kindergarteners not enrolled in public school	Yes
2	**Automatic Opt-Out Enrollment**	No	Yes	Yes	After parents check box on form to register birth certificates.*
3	**Automatic Initial Deposit**	Yes	Yes	Yes	Yes
4	**Automatic Progressive Subsidy**	No	No	No	No
5	**At-Birth Start**	Yes	Yes	No	Yes
6	**Centralized Savings Plan**	Yes	Yes	Yes	Yes
7	**Targeted Investment Options**	Yes	Yes	Yes	Yes
8	**Potential for Investment Growth**	Yes	Yes	Yes	Yes
9	**Restricted Withdrawals**	No	Yes	Yes	Yes
10	**State Public Benefit Exclusions****				
	Program Deposits	Yes	Yes	Yes	Yes
	Personal Deposits	Yes	Not from TANF	Yes	Not from TANF

* This check-box approach has been called streamlined enrollment (see Clancy, Lassar, & Miller, 2009).
** The public benefit programs considered here, all means-tested, are Medicaid, the Children's Health Insurance Program (CHIP), the Supplemental Nutrition Assistance Program (SNAP), the Low-Income Home Energy Assistance Program (LIHEAHP), and Temporary Assistance to Needy Families (TANF). See State Public Benefits Exclusions table for more details. Not considered here is the Supplemental Security Income (SSI) program, which, by federal law, has a $2,000 asset limit for individuals and a $3,000 limit for couples. States have no power to revise or remove this SSI asset limit. See Beverly & Clancy (2017).

Characteristics of Statewide CDAs

In this section, we outline the characteristics of the four statewide CDAs, all of which are long-term asset-building programs starting early in a child's life.[17] These characteristics are described in detail in seven subsections: 1) CDA Origins and Partnerships; 2) CDA Account Structure, Eligibility, and Enrollment; 3) CDA Initial Deposits; 4) Individual 529 Plans; 5) Savings Match Incentives; 6) State Public Benefit Exclusions for CDA Savings; and 7) CDA Communications and Account Access.

CDA Origins and Partnerships

Maine's Harold Alfond College Challenge, the oldest statewide CDA, was created by a private foundation, the Harold Alfond Foundation (HAF). The College Challenge is administered by the nonprofit Alfond Scholarship Foundation (ASF) and a quasigovernmental organization, the Finance

Table 2. CDA Origins and Partnerships

	Connecticut CHET Baby Scholars	Maine Harold Alfond College Challenge	Nevada College Kick Start	Rhode Island CollegeBound*baby*
Year Established	2014	2008*	2013**	2010
Method of Establishment	Legislation	Philanthropy	Administrative rule	Administrative rule
Administering Agency	State Treasurer's office	Alfond Scholarship Foundation (ASF) and Finance Authority of Maine (FAME)	State Treasurer's office	State Treasurer's office
529 Savings Platform* **	Connecticut Higher Education Trust (CHET)	NextGen College Investing Plan	SSGA Upromise 529 plan	CollegeBound Saver
State-contracted 529 Plan Program Manager	TIAA-CREF Tuition Financing, Inc.	Merrill Lynch	Ascensus College Savings	Ascensus College Savings

* In 2008, a pilot program was open to infants born at two hospitals in Maine; infants across the state became eligible in 2009.
** College Kick Start was piloted in 13 rural communities in 2013 and expanded to public kindergarten students statewide in 2014.
*** These are the states' direct-sold 529 plans. In addition, all four states offer an advisor-sold plan.

Authority of Maine (FAME), on which board the state treasurer serves.[18] The other three CDAs were established by state legislation or administrative rule and are administered by the state treasurer's office (Table 2).

Because the CDAs use their state college savings plans—Connecticut Higher Education Trust (CHET), NextGen College Investing Plan in Maine, SSGA Upromise 529 plan in Nevada, and CollegeBound Saver in Rhode Island—each has an important partnership with the state-contracted 529 plan program manager. Activities differ by state; however, the 529 plan program manager can be responsible for the plan marketing, website, recordkeeping, and customer service. Sometimes these responsibilities include managing the plan's investments.

CDA Account Structure, Eligibility, Enrollment and Data Sharing

Two important characteristics of CDA policy are eligibility and method of enrollment. Together, these characteristics determine how inclusive a CDA is. Inseparable from enrollment is account structure, which determines ownership of the CDA funds (see Table 3).

Dual- or Single-Account Structure. Three of the four states—Maine, Nevada, and Rhode Island—have a dual-account structure, with (1) a master (or "omnibus") 529 account for program deposits, such as initial deposits and savings matches, and (2) optional, individual accounts for personal savings. A master account holds program funds for *all children* and is typically owned by a state government or a 501(c)(3) organization, which controls withdrawals. In these three CDAs, individual 529 plan accounts are necessary if parents, grandparents, or others want to save for the child. (For simplicity, we assume individual accounts are opened by parents.)[19]

Connecticut's CDA, Baby Scholars, has a single-account structure. To participate in the CDA, children must open a CHET 529 account. Both Baby Scholar deposits and personal savings are owned by the family, and there are no withdrawal restrictions on either type of funds, beyond those imposed by the CHET 529 plan.

The ideal CDA account structure is a single, automatically-opened account holding deposits from all sources with program and personal deposits tracked and owned separately. Yet, this account structure is not yet attainable.[20] In the absence of

Table 3. CDA Account Structure, Eligibility, and Enrollment

	Connecticut CHET Baby Scholars	Maine Harold Alfond College Challenge	Nevada College Kick Start	Rhode Island CollegeBound*baby*
Account Structure	Single	Dual	Dual	Dual
Entity-owned Master (or Omnibus) Account	No	Yes, owned by ASF	Yes, owned by Nevada College Savings Trust	Yes, owned by State Treasurer's office
Individual 529 Plan Account	Required	Encouraged	Encouraged	Encouraged
Universal Eligibility	Yes, all state-resident newborns and newly adopted children	Yes, all state-resident newborns and newly adopted infants	No, public school kindergarten students only	Yes, all state-resident newborns and newly adopted children
Enrollment Method	Opt-in: Parents (or others) must open a CHET 529 account and either check a box on the paper application or submit an additional online form.	Automatic Opt-out: Maine resident newborns are automatically enrolled if named on state birth records.*	Automatic Opt-out: Public kindergarten students are automatically enrolled using information from school records.	Streamlined Opt-in: Parents enroll infants by checking a box on the birth worksheet.*
Enrollment Deadline	Within 1 year of birth or adoption	N/A	N/A	Within 1 year of birth or adoption
Data Sharing	Requires parents to check a box and return a letter from the State Treasurer's office to the hospital registrar	Memorandum of Understanding (MOU) allows the Bureau of Vital Records to share birth and contact information with FAME without parent action.	MOUs between the State Treasurer's Office and the Department of Education allow administrative data sharing.	Parent signature on birth worksheet allows the child's birth and health records and SSN to be shared.

* Before 2014 in Maine and 2015 in Rhode Island, children were enrolled in the CDA only if parents or others opened a state 529 plan account for the children before their first birthday or within one year of adoption. Parents of adopted children still must complete an application for their children.

the ideal, there are very good reasons for a dual account structure. When families open and own their own account, they retain control of their own savings, which allows them to (1) choose an investment that is more or less aggressive than the state-selected option; (2) easily withdraw personal savings during a financial crisis or for other reasons; and (3) benefit from a state tax deduction.

Eligibility and Enrollment. Only CDAs with both universal eligibility and automatic, opt-out enrollment are fully inclusive. The use of statewide public records and partnerships between state agencies make this ideal CDA design possible.

The statewide CDAs in Connecticut, Maine, and Rhode Island have universal eligibility (and an at-birth start): All state-resident newborns are eligible, and there are provisions for including newly adopted children.[21] Nevada's CDA is not universal: all public school kindergartners are eligible, but private school and homeschool students are not.

Maine's College Challenge combines universal eligibility with automatic, opt-out enrollment (using state birth records) and is therefore fully inclusive.[22] Nevada College Kick Start also has opt-out enrollment: Kindergarten students at public schools are automatically enrolled, using school records. However, because private school and homeschool students are not included, the CDA does not yet have universal eligibility.

In Rhode Island and Connecticut, all state-resident newborns are eligible for the CDA, but families must opt in. In Rhode Island, a check box on the form required to register all births in the state triggers a streamlined, opt-in enrollment in CollegeBound*baby*.[23] Infants participate and automatically receive a deposit when a parent checks the box and provides a signature authorizing state departments to share key data elements (including the child's social security number [SSN]). Sharing specific, identifying information early has benefits for the state and for families, which are outlined below.

Connecticut requires parents (or others) to open an individual CHET 529 plan account for a child to participate in Baby Scholars. This is a large hurdle that substantially reduces participation and inclusion. However, CDAs can facilitate individual account-opening, which Baby Scholars does. (These efforts are described under Individual 529 Plans.) In addition, if parents open an individual CHET account, opting in to Baby Scholars is fairly straightforward. Those who fill out a paper application may check a box to opt in; those who complete an online application must submit a short supplemental online form.[24]

Only CDAs with both universal eligibility and automatic, opt-out enrollment are fully inclusive.

Data Sharing. The use of statewide public records and partnerships between state agencies is central to universal eligibility and automatic, opt-out enrollment because automatically enrolling all state-resident children efficiently requires electronic data sharing. Essential information is recorded at birth, including an infant's SSN, which requires collaboration between hospitals and federal and state agencies.[25] Key design questions are: What information will be shared with the agency that administers the CDA and how will data sharing be authorized?

Memoranda of Understanding (MOUs) between FAME and the Bureau of Vital Records in Maine and between the state treasurer's office and the Department of Education in Nevada permit certain data sharing without parent action. In Rhode Island, parents authorize the Department of Health to provide the state treasurer's office with information from children's birth and health records, and the child's SSN, when they sign the birth worksheet. (Also to authorize data sharing, parents must check a box to enroll their child in Baby Scholars).[26]

Sharing statewide identifying, demographic, and contact information (and securing the child's SSN early) has three benefits to states and families:

1. Establishing proper beneficiary identification. A child's SSN is not required to automatically open a 529-based CDA (the CDAs in Maine and Nevada do not do so), but obtaining this key identifier is important: Having an SSN establishes accurate identification, ensures that any individual account opened in the future for the child is properly linked to the program funds, and expedites withdrawals. The federal government provides newborns' SSNs to each state.[27] Thus, this information is available and can be shared, with proper agreements. SSNs might be shared at birth either through legislation or administrative rule that authorizes limited data sharing, or parental approval (as in Rhode Island).

2. Facilitating future communication with families. If CDAs obtain a parent's mailing address, email address, and perhaps cell number (for text messaging), then CDA and 529 plan representatives may contact families to encourage individual account opening and saving (at tax time or birthdays, for example), remind families about savings matches and other incentives, and offer parenting and educational resources.

3. Evaluating outcomes and expanding knowledge. Certain birth record information (e.g., zip code) and demographic information (e.g., race, ethnicity, education, primary language) may be used to examine CDA participation within various demographic groups. For example, CDA staff could determine whether parents' primary language is associated with account opening, saving, use of program funds, and more. This information about participation might identify the need for additional outreach efforts or other CDA improvements. Ultimately, having basic demographic information for a large number of CDA participants would allow researchers to evaluate the success of CDAs for various demographic groups.

In sum, the different characteristics of the four statewide CDAs illustrate how important certain design elements are to inclusivity. Automatic enrollment combined with universal eligibility—as in Maine's College Challenge—achieves full inclusion. Including one design element without the other

Key design questions are: What information will be shared with the agency that administers the CDA and how will data sharing be authorized?

does not achieve this goal. Ideally, CDAs would obtain key information through a disclosure statement at birth (similar to Rhode Island, but without a parental signature requirement) *and* make an initial deposit into an automatically opened account (as in Maine). These design features, in combination, would ensure that every child receives the CDA and the state has information required to efficiently administer the CDA from enrollment through withdrawal. State privacy laws differ, and legislation may be required to eliminate the need for parent authorization of information sharing, but the upfront work could have important, long-term benefits.

CDA Initial Deposits

Initial deposits are another essential feature of CDA policy. Without them, only the most advantaged children will have designated college savings.[28] Initial deposits also jump-start asset accumulation, especially if held in a savings vehicle with the potential for market growth. Children who receive sizable initial deposits early in life may accumulate meaningful levels of assets over time, even if their families do not save.[29] Moreover, initial deposits may trigger attitude and behavior changes with long-lasting impacts on academic performance and educational achievement.[30] For example, research from the SEED OK experiment shows that an automatic CDA with a $1,000 automatic initial deposit at birth improves disadvantaged children's social-emotional development (measured at age 4) whether or not parents opened and contributed to an Oklahoma college savings plan account.[31]

The four statewide CDAs' initial deposits range from $50 to $500 and are automatically deposited when a child is enrolled (Table 4). Funding sources are varied. For example, Baby Scholars is funded by residual money from the defunct Connecticut Student Loan Foundation.

In Maine, Nevada, and Rhode Island, initial deposits are held in a master account and invested in age-based funds. When students are ready to use the money, initial deposits (and earnings) are sent directly to any accredited college, university, or vocational school in the country (including some foreign schools). Money must be used by the time children reach their mid-20s so that unused funds may be released for the benefit of younger children.[32] In Connecticut, initial deposits are held in the individual CHET account; therefore, the account owner chooses the investment and can withdraw from it at his or her discretion. That is, there are no rules about withdrawing initial deposits beyond those governing the CHET 529 plan. In Connecticut, Maine, and Rhode Island, distributions are available to students regardless of residency. Nevada is the only state that imposes a residency requirement when the funds are claimed.

Individual 529 Plans

As noted above, Connecticut requires children to be the beneficiary of an individually-owned CHET account to participate in the CDA. The other three states encourage but do not require families to open individual 529 plan accounts for children. Table 5 summarizes characteristics of the individual 529 plans available in these four states.

Nationwide, very few low- and moderate-income families participate in a 529 plan; several barriers discourage their participation. For example, many cannot afford to save for future college expenses,[33] but even those who can may be unfamiliar with 529 plans or may not understand the investment options. The tax benefits of 529 plans—tax-free growth and any state income tax deduction or credit—may not provide financial assistance to low-income families who often have little or no federal income tax liability. Therefore, the tax benefits do not incentivize—or subsidize—participation by low-income families.[34] However, the 529 plans in Connecticut, Maine, Nevada, and Rhode Island have elements designed to facilitate enrollment and support saving and asset accumulation by low- and moderate-income families.

As is typical across the country, all four states 529 plans have online account-opening forms that typically ask a few questions per page, presumably making them less daunting than paper forms, which are also available. All four plans also offer age-based funds that appeal broadly to those with little investment experience or time to monitor the investments. Moreover, each has a principal-plus-interest option, for those families with low tolerance for risk.[35]

Default investment options—allowing individuals to open a 529 account without selecting an investment—can simplify enrollment and could be especially helpful to those with limited financial knowledge. In Maine, parents of children in the

Table 4. CDA Initial Deposits

	Connecticut CHET Baby Scholars	Maine Harold Alfond College Challenge	Nevada College Kick Start	Rhode Island CollegeBound*baby*
Subsidy	$100	$500	$50	$100
Automatic Deposit	Yes	Yes	Yes	Yes
Funding Source	Residual state funds	Harold Alfond Foundation	Fees from 529 program managers	Ascensus College Savings
Initial Deposit Ownership	Individual account	Master account	Master account	Master account
Investment	Selected by family	Age-based fund	Age-based fund	Age-based fund
Distribution Requirements*	None, beyond the CHET 529 plan rules	Withdrawals are for qualified education expenses; funds are sent directly to the higher education institution and must be used by the child's 28th birthday. Students do not have to be state residents to claim the grant.	Withdrawals are for qualified education expenses; funds are sent directly to the higher education institution and must be used by the child's 25th birthday. Students must be Nevada residents to claim the grant.	Withdrawals are for qualified education expenses; funds are sent directly to the higher education institution and must be used by the child's 25th birthday. Students do not have to be state residents to claim the grant.

* These requirements are for CDA initial deposits only.

College Challenge can open a NextGen account without making an investment choice, and funds are automatically invested in an age-based fund. However, this option is available only to prospective account owners who complete a paper form; those who open accounts online must choose an investment.

Contribution requirements deter low-income families from participating in 529 plans,[36] so having no or low contribution minimums is an important feature to promote inclusivity. The 529 plans in these four states have taken steps to reduce this financial barrier to account opening. In Maine and Connecticut, parents of children enrolled in the CDAs can open a 529 plan account with no initial contribution. The Rhode Island CollegeBound Saver plan reduced its minimum initial contribution requirement from $250 to $25 and then set the minimum to zero, allowing all account owners to decide how little or much to contribute.[37] The minimum initial contribution in Nevada's SSGA Upromise 529 plan is $15, below the national median of $25.[38]

> These design features, in combination, would ensure that every child receives the CDA and the state has information required to efficiently administer the CDA from enrollment through withdrawal.

Though all 529 plans allow families to make deposits by check, electronic transfer, or payroll deduction, low-income families may not have the necessary accounts to write a check or make a transfer and they may not work for employers who offer payroll deduction. An innovation introduced in California in late 2016 makes cash and credit card deposits possible if families purchase "Gift of College" cards at certain retail stores and redeem them via a transfer to a new or existing 529 plan.[39]

Table 5. Individual 529 Plans

	Connecticut Higher Education Trust (CHET)	Maine NextGen College Investing Plan	Nevada SSGA Upromise 529 plan	Rhode Island CollegeBound Saver
Online Account Opening	Yes	Yes	Yes	Yes
Investment Options	Age-based, money market, principal-plus-interest, and more	Age-based, principal-plus-interest, and more	Age-based, principal-plus-interest, FDIC-insured savings, and more	Age-based, principal-plus-interest, and more
Default Investment	No	For paper applications, the default investment is an age-based fund.*	No	No
Minimum Initial Contribution	None for Baby Scholars participants ($25 for others)	None for College Challenge participants ($25 for others)	$15	None
Deposit Options	Electronic transfer, check, or payroll deduction (cash or credit card **)	Electronic transfer, check, or payroll deduction (cash or credit card**)	Electronic transfer, check, or payroll deduction (cash or credit card**)	Electronic transfer, check, or payroll deduction (cash or credit card**)
Facilitation of Gifting	eGift website allows families to send invitations via email or letter.	The NextGen website offers printable contribution coupons.	Ugift allows families to send invitations via email or social media and use a unique deposit code.	Ugift allows families to send invitations via email or social media and use a unique deposit code.
Facilitation by CDA Program	At most hospitals, volunteers talk with new parents about Baby Scholars. If parents authorize the release of contact information, then CHET tracks account opening.	FAME and ASF work with employers, Head Start, and other local partners on outreach to encourage account opening. In some cases, third-party funders provide financial incentives.	College Kick Start encourages families to open an account through email and direct mailing.	Eight weeks after a child's birth, CollegeBound*baby* sends a letter encouraging account opening to all mothers who enrolled their child in the CDA.

* Those submitting online applications must select an investment.
** Cash and credit card deposits are possible only if families purchase "Gift of College" cards at Toys R Us and Babies R Us stores nationwide (or via credit card online) and redeem them through a transfer to a new or existing 529 plan. See https://giftofcollege.com. Though intended to facilitate gifting by friends and extended family members, this late 2016 innovation also allows unbanked families to make cash deposits into 529 plan accounts.

This option is now available nationwide. Though intended to facilitate gifting by friends and extended family members, this offering allows unbanked families[40] to make cash deposits into 529 plan accounts.

The primary way 529 plans facilitate gift deposits is by inviting people to encourage others to contribute to their college savings accounts in lieu of traditional gifts. Plans often highlight electronic gifting options at certain times of the year and for special occasions (e.g., graduation, winter holidays, birthdays). The 529 plans in Connecticut, Nevada, and Rhode Island allow families to create and send invitations from the plan website. Nevada and Rhode Island further facilitate gift contributions by allowing them to send invitations through social media and by providing unique codes that eliminate the need to disclose account numbers or any other identifying information.[41]

These are features offered by 529 plans to encourage participation by families throughout the state. In addition, the four state *CDAs* take steps to encourage parents to open and save in their own 529 plan accounts. Maine, Nevada, and Rhode Island—the states that do not require individual 529 plan accounts—send materials encouraging account opening to parents of children in the CDAs. Nevada goes a step further for parents who attend a College Kick Start event, provide some basic information, and express interest in opening an individual account: College Kick Start representatives use the parent-provided information to prefill an online 529 account-opening form and then email a unique web link to this partially complete form. There is potential for other CDAs to prefill individual 529 account-opening forms using birth record information.

Together, automatic enrollment and authorized release of certain birth record information, including the child's SSN, could be an ideal CDA design combination.

In Connecticut, facilitating individual account opening is particularly important because CDA participation *requires* individual accounts. As of 2016, when new parents receive a birth certificate application, they also receive a letter from the state treasurer describing Baby Scholars. By checking a box and returning this letter to the hospital's birth registrar, they give the state permission to release their contact information to the CHET 529 plan program manager. A CHET representative then contacts parents, offers help with account opening, and tracks whether or not accounts have been opened.[42] In addition, at most hospitals, volunteers with a nonprofit organization promoting early childhood literacy talk face-to-face with new parents about Baby Scholars.

Savings Match Incentives

To incentivize saving, some state 529 plans match deposits for state residents, but these incentives are not always progressive. They are rarely automatic: Most state 529 plans with a match require families to complete a separate match application, and when the match is progressive, states typically require families to supply tax returns each year. These requirements likely greatly reduce participation, particularly by families with less financial knowledge. (Note that 401(k) owners are not required to apply annually for match money.)

Three of the four statewide CDAs have an associated savings match (Table 6). The match in Connecticut is part of Baby Scholars, and only the accounts of children enrolled in the CDA are eligible. The matches in Maine and Nevada are part of the state 529 plan and are therefore available to all state resident 529 account owners, not just children in the CDAs.

None are both progressive and automatic. Nevada's savings match is progressive—only children in households with income below $75,000 are eligible—but families must submit a match application and federal income tax return each year.[43] Maine's NextGen match was formerly progressive, but the plan removed income thresholds in 2011 to eliminate the paper match application.[44] Match funds are now available to state residents of all income levels and are automatically deposited (no application is necessary). The automatically deposited match in Connecticut is available to Baby Scholars participants of all income levels.

The terms of the savings match vary widely across the three states. To receive the maximum match of $150, families in Connecticut must save $150 in the first 4 years. Families in Nevada receive the maximum match of $1,500 if they save $300 in each of 5 years. In Maine, accounts must receive at least $50 in deposits in a calendar year to trigger the automatic 0.5-to-1 match. There is no lifetime maximum; families maximize the benefit by saving $600 every year.

Table 6. Saving Match Incentives

	Connecticut CHET Baby Scholars	Maine Harold Alfond College Challenge	Nevada College Kick Start	Rhode Island CollegeBound*baby*
Sponsor	Baby Scholars	State 529 plan	State 529 plan	N/A
Progressivity	No, children of all income levels are eligible for the same benefit.	No, Maine residents of all income levels are eligible for the same benefit.*	Yes, only Nevada resident children with household income below $75,000 are eligible.	N/A
Automatic Receipt	Yes	Yes	No, annual match application and federal income tax verification required.	N/A
Other Eligibility Requirements	Child must be enrolled in Baby Scholars.	Either account owner or beneficiary must be a Maine resident when match is awarded.	Beneficiary must be 13 or younger at first application. Account owner must be a Nevada resident.	N/A
Terms	$150 match if account receives at least $150 in first 4 years.	0.5-to-1 match if account receives at least $50 in a calendar year. Annual maximum is $300. There is no lifetime maximum.	1-to-1 match for up to 5 years. Annual maximum is $300.	N/A
Match Ownership	Individual account	Master match account	Restricted subaccount linked to individual account	N/A
Investment	Selected by family	Principal-plus-interest portfolio	Selected by family	N/A
Funding Source	Residual state funds	FAME, via administrative fees charged to out-of-state NextGen account owners**	Ascensus College Savings***	N/A
Distribution Requirements ****	None, beyond the CHET 529 plan rules.	Withdrawals are for qualified education expenses.	Withdrawals are for qualified education expenses; funds are sent directly to the higher education institution and must be used by the child's 26th birthday.	N/A

*Until 2011, parents had to meet income guidelines to qualify for the match.

**The NextGen 529 plans have a large number of out-of-state account owners. Some fees from these accounts fund the savings match available to in-state NextGen account owners.

*** Ascensus College Savings agreed to fund the match program as part of their contract with the state to manage the 529 plan.

**** These requirements are for match deposits only. (Withdrawals of personal savings are subject to 529 plan rules. For example, by federal law, the earnings portion of a *nonqualified* 529 withdrawal is taxable and subject to an additional 10% federal tax penalty.)

Maine holds match funds in a principle-plus-interest portfolio in a single, master account for all savings match recipients, and account owners must certify that withdrawals are used for qualified higher education expenses.[45] Nevada holds funds in a restricted subaccount linked to the individual account. Funds are sent directly to the institute of higher education and must be used by the child's 26th birthday. Connecticut deposits matches into individual accounts, and there are no rules about withdrawals beyond those governing the CHET 529 plan.

Ideal savings match incentives are both automatic and progressive, but income requirements can make an automatic match more difficult to administer. The Louisiana 529 plan models a match that is both progressive and automatic—and therefore maximizes inclusion. This 529 plan uses state tax records to automatically calculate and deposit a progressive annual match. Families do not have to apply for the match and can open an account with as little as $10.[46]

Progressive and automatic savings match incentives have some potential to incentivize and subsidize saving by low-income families. Yet, it is likely that substantial, automatic initial deposits and targeted milestone deposits will have a much larger impact on asset accumulation than a savings match.[47]

State Public Benefit Exclusions for CDA Savings

Because families do not own the savings, CDA deposits held in master accounts have no impact on their eligibility for means-tested public assistance. But CDA deposits held in accounts owned by individuals may affect assistance. It is important for CDA proponents to determine the impact of CDA savings held in individual accounts on public assistance and identify opportunities to reform asset limits. Modifying federal legislation is ideal because changes apply nationwide. The federal government took important steps in this direction by (1) excluding 529 savings when determining eligibility for the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), and (2) abolishing asset limits for parents and children in Medicaid and the Children's Health Insurance Program (CHIP). States can also act. Twenty-three states and the District of Columbia (DC) have either eliminated asset limits or excluded 529 savings from asset limits for their Temporary Assistance for Needy Families (TANF) programs, and 41 states and DC have done so for the Low-Income Home Energy Assistance Program (LIHEAP).[48]

Table 7 shows whether CDA savings in individual 529 plans are excluded from public assistance eligibility calculations in the four states with statewide CDAs. Because of the federal statutes just described, such savings have no impact on Medicaid, CHIP, and SNAP benefits. In Connecticut, these accounts have no impact on LIHEAP and TANF benefits because the state excludes 529 savings from those asset tests. Maine, Nevada, and Rhode Island have abolished asset limits for LIHEAP but not for TANF. Nevada excludes 529 savings from the TANF asset limit, but Maine and Rhode Island do not. Thus, across these four CDAs, the only instances when savings in individual accounts are *not* excluded from state means-tested public assistance eligibility calculations are in the TANF programs in Maine and Rhode Island.[49]

Table 7. State Public Benefit Exclusions for CDA Savings in Individual 529 Plan Accounts*

	Connecticut CHET Baby Scholars	Maine Harold Alfond College Challenge	Nevada College Kick Start	Rhode Island CollegeBound*baby*
Medicaid/CHIP	No asset limit for children and parents, by federal statute			
SNAP	529 savings excluded from asset limit, by federal statute			
LIHEAP	529 savings excluded from state asset limit	No state asset limit	No state asset limit	No state asset limit
TANF	529 savings excluded from state asset limit	Savings above $2,000 impact eligibility	529 savings excluded from asset limit	Savings above $1,000 impact eligibility

* CDA program deposits held in master accounts have no impact on public assistance because families do not own the savings.
Note. CHIP = Children's Health Insurance Program; SNAP = Supplemental Nutrition Assistance Program; LIHEAP = Low-Income Home Energy Assistance Program; TANF = Temporary Assistance for Needy Families.

CDA Communications and Account Access

Communication between CDAs and families may increase the impact of CDAs on educational outcomes. Account statements—which may be distributed by the 529 plan program manager or the CDA—are a basic but important form of communication. By nature, account statements remind families about the presence of designated college savings for the child. And account statements may include messages about the importance of college and saving for college, reminders about available savings incentives, and provide age-based education tips. These messages and reminders may shape the attitudes and behaviors of family members in ways that increase children's academic and financial preparation for college.[50] To allow families to see the total value of CDA savings for their child, it is desirable to display transactions and savings balances for program and personal deposits together. Communication by mail is costly, so most 529 plans and CDAs encourage electronic delivery of account statements and other materials.

Most 529 plans and many CDAs offer online account access, which allows families to view balances any time. Also through online access, families with checking, savings, or other investment accounts may save via electronic transfer. CDAs sometimes send other communications to educate families and promote engagement. These materials might include postcards, newsletters, calendars, and age-appropriate books.[51] Most 529 plans and some CDAs have web portals with college- and career-planning information, savings calculators, and other resources.

Table 8 summarizes CDA communications and account access for the four statewide CDAs. As is true nationwide, in all four states, families with individual 529 plan accounts receive quarterly 529 account statements that show personal deposits. Through collaboration between 529 plans and CDAs, these statements often show program deposits as well. Sometimes families must link their individual 529 account to their CDA account to view deposits from all sources on one statement. For families who have not made personal deposits, statements must come from the CDA (and will show the value of program deposits only). Families in Maine receive quarterly statements from the College Challenge, and families in Nevada receive occasional Kick Start statements. The CDA in Rhode Island does not send paper statements, yet all four states allow families to view program and personal deposits and account

Table 8. CDA Communications and Account Access

	Connecticut CHET Baby Scholars	Maine Harold Alfond College Challenge	Nevada College Kick Start	Rhode Island CollegeBound*baby*
Account Statements	Quarterly 529 statement shows personal and program deposits.	Quarterly Alfond Grant Update shows program deposits. Quarterly 529 statement shows personal and program deposits.*	Occasional Kick Start summary shows program deposits. Quarterly 529 statement shows personal deposits and, if parents have linked accounts, program deposits.	Quarterly 529 statement shows personal deposits.**
Online Account Access	All parents may view program and personal deposits.	All parents may view program deposits. Parents with a NextGen account may view personal deposits.	Parents who register the Kick Start account online may view program deposits. Parents who link an SSGA account with the CDA may view both personal and program deposits.	All parents may view program deposits. Parents who link a CollegeBound Saver account with the CDA may view both personal and program deposits.

* Clancy & Sherraden (2014) show a sample quarterly statement (with age-based education tips and encouragement to save) from the College Challenge.

** Account owners may choose to receive statements monthly or annually instead of quarterly.

balances online (Nevada's CDA requires parents to first register their Kick Start account). In Maine, other communications and resources include electronic newsletters and online parenting resources.[52] College Challenge quarterly statements include age-related tips for parents across four content areas: literacy, science and math, health and wellness, and financial literacy.[53]

Evolution and Progress in the States

As discussed above, together, the four statewide CDAs described in this publication provide almost all of the key design elements. Maine's College Challenge stands as a shining example, modeling eight of the 10. Of particular note, the College Challenge automatically enrolls all state resident newborns and automatically provides a $500 grant, and the state 529 plan automatically matches limited personal contributions. Yet there are opportunities for improvement. Maine's 529 plan provides up to a $300 match for all state residents, regardless of household income, so the match is not progressive. A progressive subsidy would direct more funds to families in need. It is also possible to implement a state policy protecting personal savings in Maine's 529 plan from TANF eligibility calculations (although the initial $500 grant *is* excluded).

It is noteworthy that the statewide CDAs are evolving. Policy changes have made the CDAs more accessible, efficient, and inclusive. The most striking change occurred in 2014, when the College Challenge began enrolling newborns automatically.[54] Another important example is Rhode Island's 2015 action to streamline enrollment in CollegeBound*baby* and authorize data sharing at birth.[55] Together, automatic enrollment and authorized release of certain birth record information, including the child's SSN, could be an ideal CDA design combination.

The 10 design elements identified in this policy report (see Table 1) highlight the value of partnerships between CDAs and state 529 plans. For example, because 529 plans are *centralized* and statewide, a single financial provider (the state-contracted 529 program manager) can cover all children in the state, facilitating *universal eligibility*. Because 529 plans are overseen by states (typically the treasurer's office), collaboration between state agencies is fostered, which simplifies *automatic enrollment, automatic deposits*, and an *at-birth start*. (Executed agreements between FAME, which administers the state 529 plan, and the Registry of Vital Records and Statistics makes possible at-birth, automatic enrollment and deposits in Maine's College Challenge.) *Targeted investments* (that offer the *potential for investment growth*) and *withdrawals restricted* for postsecondary education are fundamental features of state 529 plans. Some 529 plans provide a *progressive savings match*, which means that CDA staff do not have to expend developmental, administrative, and political effort to create such a subsidy. Finally, some states have *public benefit exclusions* for 529 savings.

Reciprocal influence of CDAs on 529 plans is another example of evolution in the field: CDAs can shape 529 plans in ways that make them more inclusive—to potentially benefit all low-income families, not just those with children in CDAs. For example, Rhode Island's 529 plan reduced its minimum initial contribution from $250 to $25 and ultimately eliminated it altogether when researchers advised stakeholders that initial contributions likely deterred 529 *and* CDA participation by low-income families.

> By modeling key design elements, forging partnerships, and resolving challenges, the statewide CDAs have made significant advancements toward an efficient, sustainable, and fully inclusive CDA policy that reaches all children nationwide.

New statewide CDAs using 529 plans are being contemplated. The Vermont state legislature voted in 2015 to create a statewide CDA built on their 529 plan.[56] Pennsylvania's newly elected state treasurer has proposed automatic college or vocational-training accounts for every child born in the state, using the 529 plan.[57] And Promise Indiana, a 529-based CDA that exists in some counties intends to expand statewide.

Because of the statewide CDAs in Connecticut, Maine, Nevada, and Rhode Island, thousands of children have accounts and assets designated for postsecondary education, a remarkable accomplishment. New and expanded CDAs will provide savings for many more children. As we have noted elsewhere, "states have served a historic role as 'laboratories for democracy,' very often creating social policy models that are later adopted as national policy."[58] If in the future the federal government funds a national policy, it will

The 10 design elements identified in this policy report highlight the value of partnerships between CDAs and state 529 plans.

undoubtedly be informed by and perhaps modeled after the statewide CDAs.

By modeling key design elements, forging partnerships, and resolving challenges, the statewide CDAs have made significant advancements toward an efficient, sustainable, and fully inclusive CDA policy that reaches all children nationwide. The great potential is that, through CDAs, the United States can transform an exclusive, regressive 529 college savings plan platform into inclusive, progressive asset-building policy.

Endnotes

1. CDAs were first proposed in Sherraden (1991). See also Sherraden (2014). The policy vision has always been lifelong, universal accounts. Universal policies often have more political support and thus greater political sustainability than targeted policies (see Sherraden et al., 2016).
2. See, for example, Beverly, Elliott, & Sherraden (2013); Elliott, Choi, Destin, & Kim (2011); and Oyserman (2013).
3. See Beverly, Kim, Sherraden, Nam, & Clancy (2015) and Nam, Kim, Clancy, Zager, & Sherraden (2013). Although SEED OK is not a statewide policy, the sampling frame consisted of birth records for all children born in Oklahoma during certain periods in 2007, and the SEED OK CDA was the first in the United States to model *all* of the design elements identified in Table 1.
4. See Huang, Kim, Sherraden, & Clancy (2017); Huang, Sherraden, Kim, & Clancy (2014; 2017); Huang, Sherraden, & Purnell (2014); and Kim, Sherraden, Huang, & Clancy (2015). Beverly, Clancy, & Sherraden (2016) provide a summary of SEED OK research to date.
5. See Beverly, Kim, Nam, Sherraden, & Clancy (2015), Government Accountability Office (2012), Sallie Mae & Gallup (2015), and U.S. Department of Treasury (2009).
6. For more on the importance of universal eligibility, automatic enrollment, automatic initial deposits, and progressive subsidies, see Beverly et al. (2015), Clancy, Beverly, Sherraden, & Huang (2016), Clancy & Sherraden (2014), Nam et al. (2013), and Sherraden (2014).
7. See Clancy, Sherraden, & Beverly (2015).
8. Age-based funds shift assets from more aggressive to more conservative investments as children age. They are the most popular 529 investment choice (Acheson, 2017; Clancy & Jovanovich, 2009; U.S. Department of the Treasury, 2009.
9. Investment growth for the SEED OK 529 assets (invested in late 2007 or early 2008) has been substantial. In 2014, the median value of earnings on the initial $1,000 seed was $426 for treatment children. At that time, investment earnings represented about 30% of the total $1,426 in college assets, despite the Great Recession (Clancy, Beverly, Sherraden, & Huang, 2016). After about 9 years, the $1,000 initial SEED OK deposit had increased by more than 60% (July 6, 2017 communication with Oklahoma State Treasurer's office).
10. Beverly & Clancy (2017) discuss asset limits and the impact of CDA savings on public assistance in detail.
11. For more on the importance of choosing a vehicle with the potential for investment growth, see Beverly, Clancy, Huang, & Sherraden (2015); Clancy, Beverly, Sherraden, & Huang (2016); and Clancy, Sherraden, & Beverly (2015). For more on the possible links between CDAs and college success, see Beverly, Elliott, & Sherraden (2013).
12. Thirty-four states and the District of Columbia offer a state tax deduction or credit for 529 contributions. See www.savingforcollege.com, compare 529 plans.
13. Qualified education expenses include tuition, fees, and books at any college, university, or vocational school that is eligible to participate in a U.S. Department of Education student aid program. Computer purchases and related expenses are covered, with certain restrictions. Room and board is also a qualified expense for students enrolled at least half-time. See www.irs.gov/publications/p970/ch08.html. State 529 plan administrators report withdrawals to the Internal Revenue Service.
14. Personal communications with Prosperity Now! (formerly CFED), October, 19, 2016. Of note, Pennsylvania's state treasurer has proposed automatic college or vocational-training accounts for every child born in the state, and these accounts would be built on the state 529 plan (Platt, 2016).

15. For more about SMART529, West Virginia's College Saving Plan, and the Bright Babies program, see www.smart529.com/cs/Satellite?pagename=College_Savings/Page/CS_CommonPage&cid=1287794310134.
16. See www.promiseindiana.org. In addition to Promise Indiana, other noteworthy regional CDAs include College Kids in St. Louis and San Francisco Kindergarten to College, and in-development initiatives in New York City and Oakland, California.
17. For more information on Maine's CDA program, see Clancy & Lassar (2010); Clancy & Sherraden (2014); Huang, Beverly, Clancy, Lassar, & Sherraden (2013); and www.500forbaby.org. For information on Connecticut's program, see www.aboutchet.com/buzz/baby.shtml. For Nevada's program, see collegekickstart.nv.gov. For Rhode Island's program, see www.collegeboundsaver.com/cbb.html.
18. The FAME board of directors includes Maine's state treasurer (see www.famemaine.com/about/board-members).
19. Although most 529 plan accounts are opened by parents, it is not unusual for grandparents to open accounts, and many states market to grandparents as well as parents.
20. See Nam et al. (2013).
21. For example, babies who become Maine residents by adoption and babies who are born out of state but move to Maine are eligible for the grant if a NextGen account is opened for them by their first birthday. In addition, babies who are born out of state to Maine resident mothers (e.g., babies of Maine resident mothers serving in the military) are also eligible for the grant, whether or not they are beneficiaries of an individual NextGen account. Parents do, however, need to provide information establishing eligibility.
22. Children automatically receive the College Challenge grant if named on a state birth record. As the previous note indicates, enrollment is not fully automatic under certain circumstances (Clancy & Sherraden, 2014).
23. See Clancy, Lassar, & Miller (2009), which examines innovations in streamlined enrollment and default investment in Alaska's college savings plan.
24. Although this check box approach may seem similar to the check-box approach in Rhode Island, the differences are substantial. In Rhode Island, all parents have access to the check box because it is on the birth worksheet, and parents do not have to do anything to opt in to the CDA other than check the box and provide a signature. In Connecticut, parents must open an individual CHET account and only parents in this self-selected group are presented the opt-in check box.
25. About 96% of SSNs for infants are assigned when parents complete applications as part of the hospital birth registration process. Hospitals collect data and send it to their state vital records agency, which then electronically transmits the information to the Social Security Administration, which then issues a Social Security card. See https://secure.ssa.gov/poms.nsf/lnx/0110205505.
26. The Mother's Worksheet for Child's Birth Certificate reads as follows: "I authorize the Rhode Island Department of Health to provide the Rhode Island General Treasurer with information and to provide updated information from my child's birth and health record, including my child's social security number, for the sole purpose of awarding the $100 CollegeBoundbaby grant and communicating with me about the grant." The CollegeBoundbaby website states "All confidential information collected will be used exclusively to establish the CollegeBoundbaby Grant and for purposes of communication about CollegeBoundbaby, CollegeBound Saver and CollegeBound 529, and other age-appropriate tips. Confidential information will not be shared with additional parties" (see www.collegeboundsaver.com/cbb/q--a.html).
27. The states use information from SSN applications to administer and evaluate public health and income maintenance programs, such as the Women, Infants and Children nutrition program, "Healthy Start," and other health maintenance programs (see www.ssa.gov/legislation/EAB.pdf).
28. See Beverly et al. (2013), Government Accountability Office (2012), Sallie Mae & Gallup (2015), and U.S. Department of Treasury (2009).
29. Through market growth, the SEED OK CDA automatic initial deposit in the Oklahoma 529 plan was valued at about $1,620 on June 30, 2017. This is the case even if the account received no deposit other than the initial $1,000 seed (July 6, 2017 communication with Oklahoma State Treasurer's office).
30. Beverly, Elliott, & Sherraden (2013).
31. See Huang, Sherraden, Kim, & Clancy (2014). SEED OK uses a rigorous research design with probability sampling from a full state population and random assignment to CDA and non-CDA groups.
32. Having a deadline for the use of funds is different than having an automatic deposit expire if parents do not "claim" it soon after it is granted. The ultimate policy vision is for CDAs to be automatic and lifelong so that funds may be used for different purposes throughout the life course

(see Sherraden, 1991; 2014). Even under the current policy design, when CDAs are designated for postsecondary education, allowing automatic deposits to expire before the child has had the opportunity to use the funds for that purpose is counterproductive. Parents may become more interested in saving for college as children age. With market growth, automatic CDA deposits will likely appreciate, and this increase in value may attract parents' attention. In short, parents and children may engage with CDAs more over time.

33. See Gray, Clancy, Sherraden, Wagner, & Miller-Cribbs (2012).

34. See Dynarski (2004), Government Accountability Office (2012), and U.S. Department of the Treasury (2009). Of note, high-income families have relatively high rates of participation in 529 plans, often hold accounts with sizable balances, and receive large tax benefits; therefore, as a group, high-income families receive substantial public subsidies for saving in 529 plans.

35. Principal-plus-interest options, also known as interest accumulation options, aim to preserve principal and avoid market volatility.

36. See General Accounting Office (2012).

37. The Center for Social Development recommended that Rhode Island greatly reduce the minimum initial 529 plan contribution for state residents and streamline enrollment in CollegeBound*baby* (see Center for Social Development [2014]). Since 2004, when Nebraska had the only 529 plan with no minimum initial contribution (Clancy, Orszag, & Sherraden, 2004), seven more states have set their minimum initial contribution to zero and others have significantly reduced their minimums (see www.savingforcollege.com).

38. See Clancy, Lassar, & Taake (2010) and Clancy, Sherraden, & Beverly (2015).

39. Gift of College cards may be purchased by cash or credit card at Toys R Us and Babies R Us stores. Also, families may buy the cards online and elect to receive them by email, mobile device, or mail. Card purchasers incur charges for this service (see www.scholarshare.com/tools/gift/index2.shtml and www.scholarshare.com/buzz/?id=540).

40. The Federal Deposit Insurance Corporation estimates that 9 million households in the United States (7%) do not have an account at an insured institution, or are "unbanked" (see www.fdic.gov/householdsurvey).

41. Nevada and Rhode Island use Ugift (see www.ugift529.com). Connecticut uses eGift (see www.aboutchet.com/gift/contributions.shtml) There is no charge to families for either service.

42. Connecticut intends to move the check box from a separate letter to the birth worksheet. This will likely increase the number of people releasing contact information to CHET, which may in turn increase account opening.

43. Nevada's program also has age requirements.

44. See Clancy, Han, Mason, & Sherraden (2006) and Lassar, Clancy, & McClure (2011).

45. The savings match in Maine is funded by FAME, while the initial deposit is funded by ASF. Therefore, savings match funds and initial deposits are held in separate master accounts. But families see both types of incentives (and earnings) on quarterly account statements and through the on-line platform for NextGen (see Clancy & Sherraden [2014]).

46. The Louisiana START Saving 529 "earnings enhancement" ranges from 2% to 14%, with the lowest-income families receiving the largest match (see www.startsaving.la.gov/savings/index.jsp). Specific language on the START 529 account-opening form authorizes Louisiana to access state and federal income tax returns to verify federal adjusted gross income to determine eligibility for earnings enhancements (see www.startsaving.la.gov/savings/pdf/enrolldn.pdf). Lassar, Clancy, & McClure (2011) discuss this process in Louisiana specifically and other savings match programs associated with 529 plans across the country. A progressive, automatic savings match was also modeled in the SEED OK experiment (see Nam et al. [2013] and Zager et al. [2010]).

47. Because matches are available only to those who can save for college, they have only limited ability to impact the most vulnerable families (see Beverly, Clancy, Huang, & Sherraden [2015]).

48. For details about the impact of CDA savings on public assistance and opportunities for state policy reform, see Beverly & Clancy (2017). Asset limits may be modified by passing legislation or changing administrative rules. One model for state policy change comes from work by the Center for Social Development to reform asset limits in Oklahoma before implementing the SEED OK experiment (see Mason, Clancy, & Lo, 2008). Other publications related to state-level asset-limit reform include Corporation for

Enterprise Development (2014); Lassar, Clancy, & McClure (2010); and Rand (2007).

49. See Beverly & Clancy (2017). Not considered here is the Supplemental Security Income (SSI) program, which, by federal law, has a $2,000 asset limit for individuals and a $3,000 limit for couples. SSI is funded and administered solely by the federal government, and states have no power to revise or remove this asset limit. In addition to means-tested public assistance, another important resource for low-income families is need-based college financial aid. Personal CDA deposits in individual accounts are very unlikely to affect need-based aid for most dependent students. When assets count, savings in 529s have less impact on need-based aid than savings in basic savings accounts (Clancy & Beverly, 2017).
50. See Beverly, Elliott, & Sherraden (2013); Gray et al. (2012), and Karlan, McConnell, Mullainathan, & Zinman (2010).
51. The Center for Social Development provides examples of materials sent to families in the SEED OK experiment (see www.csd.wustl.edu/OurWork/FinIncl/InclAssetBuild/SEEDOK/Pages/SEEDOKMgmtComm.aspx).
52. See, for example, https://www.500forbaby.org/parent-resources and www.MyAlfondGrant.org.
53. Clancy & Sherraden (2014) show a sample quarterly College Challenge statement (with age-based education tips and encouragement to save).
54. See Clancy & Sherraden (2014).
55. See Center for Social Development (2014).
56. VTdigger (2015).
57. See Platt (2016).
58. Clancy, Sherraden, & Beverly (2015), p. 2.

References

Acheson, L. (2017, May 25). What's new with 529 plans. Morningstar.

Beverly, S., & Clancy, M. (2017). Asset Limits for Means-tested Public Assistance: A Summary for Child Account Proponents. (CSD Policy Brief No. 17-24). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PB17-24.pdf

Beverly, S. G., Clancy, M. M., Huang, J., & Sherraden, M. (2015). The SEED for Oklahoma Kids Child Development Experiment: Accounts, assets, earnings, and savings (CSD Research Brief No. 15-29). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/RB15-29.pdf

Beverly, S. G., Clancy, M. M., & Sherraden, M. (2016). Universal accounts at birth: Results from SEED for Oklahoma Kids. (CSD Research Summary No. 16-07). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/RS16-07.pdf

Beverly, S. G., Elliott, W., III, & Sherraden, M. (2013). Child Development Accounts and college success: Accounts, assets, expectations, and achievements (CSD Perspective No. 13-27). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/P13-27.pdf

Beverly, S. G., Kim, Y., Sherraden, M., Nam, Y., & Clancy, M. (2015). Can Child Development Accounts be inclusive? Early evidence from a statewide experiment. Children and Youth Services Review, 53, 92–104. doi:10.1016/j.childyouth.2015.03.003

Center for Social Development. (2014).Rhode Island newborns get college savings. Retrieved from www.csd.wustl.edu/newsroom/news/Pages/RhodeIsland-Dec2014.aspx

Clancy, M., & Beverly, S. (2017). Do savings and assets reduce need-based aid for dependent students? (CSD Policy Brief 17-10). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PB17-10.pdf

Clancy, M. M., Beverly, S. G., Sherraden, M., & Huang, J. (2016). Testing universal Child Development Accounts: Financial effects in a large social experiment. Social Service Review, 90(4), 683–708. doi:10.1086/689756

Clancy, M., Han, C.-K., Mason, L. R., & Sherraden, M. (2006). Inclusion in college savings plans: Participation and saving in Maine's matching grant program (CSD Research Report 06-03). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/RP06-03.pdf

Clancy, M., & Jovanovich, J. (2009). College savings plans: Investment options, safety, and policy implications (CSD Policy Brief No. 09-18). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PB09-18.pdf

Clancy, M. & Lassar, T. (2010). College savings plan accounts at birth: Maine's statewide program (CSD Policy Brief 10-16). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/publications/documents/pb10-16.pdf

Clancy, M., Lassar, T., & Miller, R. (2009). Streamlined enrollment and default investment: Innovations in Alaska's College Savings Plan (CSD Policy Brief No. 09-65). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PB09-65.pdf

Clancy, M., Lassar, T., & Taake, K. (2010). Saving for college: A policy primer. (CSD Policy Brief 10-27). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PB10-27.pdf

Clancy, M., Orszag, P., & Sherraden, M. (2004). College savings plans: A platform for inclusive saving policy? St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/publications/documents/perspective-529andinclusion.pdf

Clancy, M., & Sherraden, M. (2014). Automatic deposits for all at birth: Maine's Harold Alfond College Challenge (CSD Policy Report 14-05). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PR14-05.pdf

Clancy, M. M., Sherraden, M., & Beverly, S. G. (2015). College savings plans: A platform for inclusive and progressive Child Development Accounts (CSD Policy Brief 15-07). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PB15-07.pdf

Dynarski, S. M. (2004). Who benefits from the education saving incentives? Income, educational expectations and the value of the 529 and Coverdell. *National Tax Journal*, *57*(2, pt. 2), 359–383. doi:10.3386/w10470

Elliott, W., Choi, E. H., Destin, M., & Kim, K. (2011). The age old question, which comes first? A simultaneous test of children's savings and children's college-bound identity. Children & Youth Services Review, 33(7), 1101–1111. doi:10.1016/j.childyouth.2011.02.001

Government Accountability Office. (2012). A small percentage of families save in 529 Plans. (GAO Publication No. 13-64). Washington, D.C.: U.S. Government Printing Office. Retrieved from www.gao.gov/products/GAO-13-64

Gray, K., Clancy, M., Sherraden, M. S., Wagner, K., & Miller-Cribbs, J. (2012). Interviews with mothers of young children in the SEED for Oklahoma Kids college savings experiment (CSD Research Report No. 12-53). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/RP12-53.pdf

Huang, J., Beverly, S., Clancy, M., Lassar, T., & Sherraden, M. (2013). Early program enrollment in a statewide Child Development Account Program. Journal of Policy Practice 12(1), 62–81. doi: 10.1080/15588742.2012.739124

Huang, J., Kim, Y., Sherraden, M., & Clancy, M. (2017). Unmarried mothers and children's social-emotional development: The role of Child Development Accounts. Journal of Child and Family Studies, 26(1), 234-247. doi:10.1007/s10826-016-0551-1

Huang, J., Sherraden, M., Kim, Y., & Clancy, M. (2014). Effects of Child Development Accounts on early social-emotional development: An experimental test. JAMA Pediatrics, 168(3), 265–271. doi:10.1001/jamapediatrics.2013.4643

Huang, J., Sherraden, M., & Purnell, J. (2014). Impacts of Child Development Accounts on maternal depressive symptoms: Evidence from a randomized statewide policy experiment. Social Science & Medicine, 112, 30–38. doi:10.1016/j.socscimed.2014.04.023

Karlan, D., McConnell, M., Mullainathan, S., & Zinman, J. (2010). Getting to the top of mind: How reminders increase saving. New York, NY: Financial Access Initiative.

Kim, Y., Sherraden, M., Huang, J., & Clancy, M. (2015). Child Development Accounts and parental educational expectations for young children: Early evidence from a statewide social experiment. Social Service Review, 89(1), 99–137. doi:10.1086/680014

Lassar, T., Clancy, M., & McClure, S. (2010). Toward more inclusive college savings plans: Sample state legislation (CSD Policy Brief No. 10-03). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PB10-03.pdf

Lassar, T., Clancy, M., & McClure, S. (2011). College savings match programs: Design and policy (CSD Policy Report No. 11-28). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/RP11-28.pdf

Mason, L. R., Clancy, M., & Lo, S. (2008). Excluding 529 College Savings Plan accounts from Oklahoma public assistance asset limit tests (CSD Policy Brief 08-14). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/PR08-14.pdf

Nam, Y., Kim, Y., Clancy, M., Zager, R., & Sherraden, M. (2013). Do Child Development Accounts promote account holding, saving, and asset accumulation for children's future? Evidence from a statewide randomized experiment. Journal of Policy Analysis and Management, 32(1), 6–33. doi:10.1002/pam.21652

Oyserman, D. (2013). Not just any path: Implications of identity-based motivation for disparities in school outcomes. Economics of Education Review, 33, 179-190. doi:10.1016/j.econedurev.2012.09.002

Platt, L. (2016, July 18). College savings for every baby. The Philadelphia Citizen. Retrieved from http://thephiladelphiacitizen.org/baby-savings-accounts-joe-torsella-529-plans/

Rand, D. (2007). Reforming state rules on asset limits: How to remove barriers to saving and asset accumulation in public benefit programs. Clearinghouse Review Journal of Poverty Law and Policy, March-April 2007: 625-635. Retrieved from http://www.povertylaw.org/clearinghouse/articles/reforming-state-rules-asset-limits-how-remove-barriers-saving-and-asset-accumu

Sallie Mae & Gallup. (2015). How America saves for college: Sallie Mae's national study of parents with children under age 18. Retrieved from www.news.salliemae.com/sites/salliemae.newshq.businesswire.com/files/doc_library/file/HowAmericaSaves2015_FINAL.pdf

Sherraden, M. (1991). Assets and the poor: A new American welfare policy. Armonk, NY: M. E. Sharpe.

Sherraden, M. (2014). Asset building research and policy: Pathways, progress, and potential of a social innovation. In R. Cramer & T. R. Williams Shanks (Eds.), The assets perspective: The rise of asset building and its impact on social policy (pp. 263–284). New York, NY: Palgrave Macmillan.

Sherraden, M., Clancy, M., Nam, Y., Huang, J. Kim, Y., Beverly, S., . . . Purnell, J. Q. (2016) Universal and progressive Child Development Accounts: A policy innovation to reduce educational disparity. Urban Education, 1–28. doi: 10.1177/0042085916682573

U.S. Department of the Treasury. (2009). An analysis of section 529 college savings and prepaid tuition plans: A report prepared by the Department of Treasury for the White House Task Force on Middle Class Working Families (Report). Washington, DC. Retrieved from https://www.treasury.gov/resource-center/economic-policy/Documents/09092009TreasuryReportSection529.pdf

VTdigger. (2015, May 26). Bill creates college savings account for every Vermont child. Retrieved from https://vtdigger.org/2015/05/26/bill-creates-college-savings-account-for-every-vermont-child/

Zager, R., Kim, Y., Nam, Y., Clancy, M., & Sherraden, M. (2010). The SEED for Oklahoma Kids Experiment: Initial account opening and savings (CSD Research Report 10-14). St. Louis, MO: Washington University, Center for Social Development. Retrieved from www.csd.wustl.edu/Publications/Documents/RP10-14.pdf

Acknowledgments

Support for this work comes from the Charles Stewart Mott Foundation. The authors are grateful to Emily Bjornberg, Director of Financial Education for the Connecticut State Treasurer's Office; Linda J. English, former Deputy Treasurer for College Savings for the State Treasurer of Nevada; Dana Peterson-Fatuda, Program Administrator, Rhode Island General Treasurer's Office; Gail Mance-Rios, Deputy Director Rhode Island Higher Education Assistance; and Colleen J. Quint, President & CEO, Alfond Scholarship Foundation, for sharing their expertise and experience with their respective state CDAs. We thank Patricia Roberts and Elizabeth McLoughlin for providing plan details, John Gabbert for careful reviewing the text, and Jill Young Miller for contributing to the graphics.

Authors

Margaret M. Clancy
CSD Policy Director

Sondra G. Beverly
Senior Scholar

Contact Us

Center for Social Development
George Warren Brown School of Social Work
Washington University in St. Louis
Campus Box 1196
One Brookings Drive
St. Louis, MO 63130
csd.wustl.edu

Suggested Citation

Clancy, M. M., & Beverly, S. G. (2017). *Statewide Child Development Account Policies: Key Design Elements*. (CSD Policy Report 17-30). St. Louis, MO: Washington University, Center for Social Development.

Washington University in St. Louis
George Warren Brown School of Social Work