RESOURCE GUIDE:
COLLEGE SAVINGS INCENTIVES

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OVERVIEW

Postsecondary education is one of the best investments an individual can make in his or her economic future. A college degree means higher earning potential—up to 75% higher[1]—and can be a stepping stone to building wealth and achieving economic security. College graduates are, for example, more likely to have jobs that provide health insurance and offer retirement plans.[2] Yet escalating costs discourage many from pursuing postsecondary education.

Along with adequate government investment in postsecondary education institutions and targeted financial aid, another important way to make postsecondary education more affordable, as well as increase participation among lower-income individuals, is to help families save for college in tax-free 529 college savings accounts. A 529 savings plan (named for the relevant section of the federal tax code) is a state-sponsored, tax-preferred savings plan for qualified post-secondary education expenses. There are two types of 529 plans: "college savings" plans and prepaid tuition plans. College savings plans offer more flexibility, as well as potential for higher returns; however, they may involve greater risks, subject to investment performance. Prepaid plans allow families to lock in current tuition and fees for future education expenses, but typically limit the choice of schools to those in the state's system. While prepaid plans were initially more prevalent, college savings plans are much more common today.

Both types of plans have great potential as savings vehicles for children's future education. Research has shown that children with a savings account in their name dedicated for college are seven times more likely to attend college than children without savings.[3] Unfortunately, data available on participation in 529 plans suggest they are underutilized by families with the greatest need. Data from Texas—one of the few states to report enrollment characteristics—show that very few low-income families, households of color and parents without a bachelor's degree or higher use 529s.[4]

WHAT STATES CAN DO

States have the flexibility to design many features of the 529 plan, including whether to offer financial incentives to encourage saving. Incentives can take many forms, including seeding accounts with an initial deposit and providing direct dollar-for-dollar matches or state income tax credits for continued contributions.

States can also reach more low-income families and encourage saving in 529 plans by offering accounts in partnership with a large-scale state program or system. For example, states can work through the public K-12 school system to offer seeded accounts to all kindergartners, or through their state human services

[1] Over 40 years, the projected earnings for those with a bachelor's degree are 75% higher than for those with only a high school diploma. Margaret Clancy, Chang-Keun Han, Lisa Reyes Mason, Michael Sherraden, Inclusion in College Savings Plans: Participation and Saving in Maine's Matching Grant Program, (St. Louis, MO: Center for Social Development, 2006).

[2] Margaret Clancy, Reid Cramer and Leslie Parrish, *Section 529 Savings Plans, Access to Post-Secondary Education, and Universal Asset Building* (Washington, DC: New America Foundation, 2005).

[3] William Elliot and Sondra Beverly. "The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance," *Journal of Children & Poverty* 17, no. 2 (2011): 165-185.

[4] *Texas Tuition Promise Fund: Using College Savings to Increase College Success* (Austin, TX: Center for Public Policy Priorities, 2010), http://library.cppp.org/files/2/2010_June_PromiseFundGaps_FINAL.pdf.

system to encourage low-income program participants to save for their children's future.

States can also make saving easier—especially for low-income families—by offering a no-fee investment option (for college savings plans) and requiring low minimum deposits (for college savings plans or credit purchases for prepaid plans). On an ongoing basis, states can also gauge participation levels for various demographic groups by tracking and publicly reporting account ownership by income, race and other demographic characteristics.

WHAT STATES HAVE DONE

Overall, 15 states currently seed or match deposits into 529 college savings plans. Thirteen have enacted matching grant or scholarship programs (Arkansas, Colorado, Kansas, Louisiana, Maine, Missouri, Nevada, New Jersey, North Dakota, Rhode Island,[5] Texas, Utah and West Virginia). Three offer tax credits based on a percentage of 529 contributions (Indiana, Utah and Vermont). Utah offers both types of incentives.

Currently, four states[6] (Kansas, Nevada, Oklahoma and Maine) offer matched 529 accounts through a partnership with large-scale state programs or systems. Kansas partners with the child support system to offer one dollar in arrears forgiveness for every dollar a noncustodial parent contributes to her/his child's 529 account. Nevada offers an initiative through the state's Treasurer's Office to open seeded accounts to kindergarten students in the public school system. Oklahoma collaborates across multiple agencies—the Treasurer's Office, Department of Health, Department of Human Services, Tax Commission and the Oklahoma College Savings Plan—to conduct a longitudinal experiment that identifies and enrolls participants into the state's 529 plan using random assignment of participants by birth data from the state Department of Health. In March 2014, Maine became the first state to automatically enroll every newborn into the state's 529 plan (and the first to encourage savings with a universally available $500 grant from a private foundation). Parents who open a parallel account in the state's 529 NextGen program can make additional contributions to their child's college fund and be eligible for matching grants.[7]

Twenty-one states have minimized barriers to saving by offering a no-fee option and six states have minimized barriers by allowing for no minimum deposit. Only two states (Colorado and Utah) do both.

State College Savings Plan Incentives: A Closer Look[8]

State	Match Rate or Incentive /Eligibility[9]	Maximum Match / Years of Match
Arkansas	■ AGI $0-$30,000: 200% match ■ AGI $30,000-$60,000: 100% match	$500/year, up to 5 years, subject to availability of funds Subject to availability of funds and can be reduced or stopped at the Arkansas Section 529 Plan Review Committee's discretion

[5] Rhode Island is no longer accepting applicants to its CollegeBound*fund* Matching Grant Program, but will continue to match contributions for up to five years for those enrolled between 2009 and 2012.

[6] The number of states that offer matched 529 accounts through a partnership with a large-scale state system differs from the number of states referenced in the 2014 *Assets & Opportunity Scorecard*. The discrepancy is a result of a policy change in Maine after the *Scorecard* release, which increased the number of states from three to four.

[7] Margaret Clancy and Michael Sherraden, *Automatic Deposits for All at Birth: Maine's Harold Alfond College Challenge* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2014), http://csd.wustl.edu/Publications/Documents/PR14-05.pdf?cm_mid=3199867&cm_crmid=%5bcm_crmid%5d&cm_medium=email.

[8] Data gathered from each state's 529 plan/tax credit website.

[9] AGI refers to Adjusted Gross Income. FPL refers to Federal Poverty Level.

State	Match Rate or Incentive /Eligibility	Maximum Match / Years of Match
Colorado	■ 100% match of contributions up to $500/year ■ Income eligibility varies by number of children and parents; threshold is $51,206 for a two-parent, three-child household	$500/year, up to 5 years Subject to availability of funds
Indiana	■ Non-refundable tax credit of 20% of contributions up to $5,000	$1,000/year
Kansas	■ 100% match for contributions above $100 ■ Households must be below 200% FPL	$600/year Limited to 1,200 participants per year
Louisiana	Annual match rates vary according to AGI: ■ $0 to $29,999: 14% match ■ $30,000 to $44,999: 12% ■ $45,000 to $59,999: 9% ■ $60,000 to $74,999: 6% ■ $75,000 to $99,999: 4% ■ $100,000 and above: 2%	Match available until account has a current value equal to five times annual Qualified Higher Education Expenses at highest cost Louisiana public college or university
Maine	■ 50% match on contributions (no income restrictions) ■ One-time, automatic $500 grant for all newborns born in the state on or after January 1, 2013 through Harold Alfond College Challenge, or one-time $500 grant for Maine residents born outside the state if enrolled within one year of child's birth (no income restrictions) ■ One-time $200 grant with initial contribution for all children ineligible for Harold Alfond College Challenge ($25 minimum contribution directly from parents/$50 via a financial advisor) ■ One-time $50 grant for accountholders who are Maine residents (or account beneficiary is a resident) with six consecutive automated contributions ($25 minimum contribution directly from parents/$50 minimum via a financial advisor)	$100/per year, lifetime maximum of $1000
Missouri	■ 100% match for households with gross income below $75,000	$500/year, lifetime maximum of $2,500 Subject to availability of funds
Nevada	■ AGI $0-$41,300: 100% match ■ AGI $41,301-$61,950: 50% match ■ One-time $100 grant available regardless of income	$300/year, lifetime maximum of $1,500 Subject to availability of funds
New Jersey	■ At least $1,200 must be deposited in first 4 years to qualify for the minimum ($500) scholarship ■ For each additional two years of saving and contributions of $600, the scholarship increases by $250, up to a maximum of $1,500 ■ Must use scholarship at New Jersey higher education institution	One-time scholarship of $500-1,500

State	Match Rate or Incentive /Eligibility	Maximum Match / Years of Match
North Dakota	■ One-time $100 grant for newborns, accountholder contributions must equal $100 by age 4 to take possession of the grant (no income restrictions) ■ One-time 100% match for individuals with AGI below $60,000 ($100,000 for couples filing jointly) – must apply within first year of opening account ■ 100% match for up to three years for individuals with AGI below $30,000 ($60,000 for couples filing jointly) – must apply within first year of opening account and for each subsequent year	Up to $500 for first year only for accountholders with incomes of $60,000 or less ($100,000 or less if married) Up to $500/year for up to three years for individuals with AGI below $30,000 ($60,000 for couples filing jointly) Match is only available to first 1,000 applicants Subject to availability of funds
Rhode Island	■ AGI $0-$72,000: 200% match ■ AGI $72,001-$87,000: 100% match ■ One-time $100 grant available regardless of income	$1,000/year for 2:1 match recipients; $500/year for 1:1 recipients; match available for up to 5 years if applicant enrolled in matching grant program between 2009 and 2012; no new applicants are being accepted
Texas	■ Must have a Texas Tuition Promise Fund account (i.e., Texas' prepaid tuition plan) ■ Must be a student in grades 5-9 ■ Family income must be below $100,000 ■ Students must apply through competitive application process ■ Matching scholarship: 1:1 match for all eligible families; 2:1 match for eligible families with incomes below $75,000 ■ Promise scholarship: $2,000 scholarship, no match	Matching Scholarship: Up to $500 of tuition unit purchases are matched with the same number and type of tuition units for 150 top scoring applicants Promise Scholarship: Up to $2,000 of tuition units for the top five applicants
Utah	■ 100% match for Utah residents below 200% FPL ■ Non-refundable 5% tax credit against Utah income tax	Match: $400/year, up to four years (match funds are limited and are distributed in the order in which applications are received) Tax Credit: Up to $89/year for single taxpayers; $189 for joint filers; no time limit on eligibility
Vermont	■ Non-refundable 10% tax credit	$250/year for individuals ($500 for married couples), up to 18 years
West Virginia	■ Households with 1 dependent: equal to or less than $50,000 AGI ■ Households with 2 dependents: equal to or less than $60,000 AGI ■ Households with 3 dependents: equal to or less than $70,000 AGI ■ Households with 4 dependents: equal to or less than $80,000 AGI ■ All eligible accountholders receive a 100% match	$500/year, with a lifetime max of $2,500 Subject to availability of funds

HOW PREPAID TUITION PLANS WORK

Although college savings plans are far more prevalent than prepaid tuition plans, 19 states operate 529 prepaid tuition plans and 11 are accepting new participants.[10] Although prepaid plans are less flexible than college savings plans, they allow families to lock in current tuition and fee rates for future education expenses. Unlike college savings plans, most prepaid plans require the enrollee to be a state resident. The table below is modified from a table produced by the Financial Industry Regulatory Agency (FINRA) comparing features of prepaid plans to college savings plans.

529 Plan Comparison Chart

	529 Prepaid Tuition Plan	529 College Savings Plan
Ability to lock in college costs?	Most plans give families the option to prepay tuition at eligible public and private colleges and universities at today's price.	No lock on college costs.
Qualified uses	All plans cover tuition and mandatory fees. A few plans also allow purchase of room and board, and use of excess tuition credits for other qualified expenses. Others cover all qualified education expenses.	Cover all "qualified higher education expenses," including: ▪ Tuition. ▪ Room and board. ▪ Mandatory fees. ▪ Books, computers (if required).
Payments/ Contributions	Families pay for amounts of tuition (years, credits or units) in one lump sum or through installment payments.	Many plans have contribution limits in excess of $250,000.
State guarantee?	Many state plans are guaranteed or backed by state.	No state guarantee. Most investment options are subject to market risk. Investment may make no profit or even decline in value.
Age limits	Some state plans have age/grade limits for beneficiaries.	No age limit. Open to adults and children.
State residency requirements?	Most state plans require either plan owner or beneficiary to be a state resident at the enrollment time.	Most plans do not have a residency requirement. However, nonresidents may only be able to purchase some plans through financial advisers or brokers.
Enrollment period	Most plans have limited enrollment period.	Enrollment open all year.

Source: *Finra, 529 Plan Comparison Chart, https://www.finra.org/Investors/SmartInvesting/SmartSavingforCollege/P123942.*

There are three types of prepaid tuition plans: contract plans, unit plans and voucher plans.[11] With a contract plan, the buyer purchases a contract that covers one to five years of tuition. This tuition can

[10] Joseph Hurley, "Is There a Prepaid Plan in Your Future," http://www.savingforcollege.com/articles/is-there-a-prepaid-529-plan-in-your-future?page=1. Updates on open enrollment provided via email communication with Joseph Hurley on March 12, 2014.
[11] Ibid.

be paid with one lump sum payment or through installments. The minimum contract price ranges from $300 to more than $6,000, with most plans charging $1,000 to $2,000 for the minimum one-year community college contract. Eleven states[12] have prepaid contract plans; however, only six states—Florida, Illinois, Maryland, Michigan, Nevada and Virginia—have plans open to new enrollment. With a unit plan, the buyer purchases small "units" of tuition which often equate to credits or hours. Seven states[13] have prepaid unit plans, although only four of these plans—Alaska, Pennsylvania, Texas and Washington—are accepting new enrollees. The minimum unit price varies by plan. Voucher plans, which are the least common of the three types of prepaid plans, allow the buyer to prepay a percentage of tuition at participating school. One state (Maryland) offers a voucher plan that is open to new enrollment.

Given that low-income families are unlikely to have access to lump sums of $300-$6,000 to purchase a contract, the relatively small minimum payment in unit plans may make them more appropriate for these families. States that offer contract plans can minimize barriers to entry for low-income families by permitting alternative payment options such as monthly or annual installments with flexible downpayment choices.

Protecting the investment in a prepaid plan is important for all families, but perhaps more critical for low-income families who have fewer resources to fall back on to pay for college. States should ensure the plan is backed by the full faith and credit of the state.[14] Over the past decade, market performance of prepaid plans has struggled to keep pace with inflation, leading to several plans shutting down and others paying less than expected. However, as the economy begins to improve, prepaid plans are once again becoming reliable savings vehicles, particularly when the plans are backed by the state.[15]

Similar to 529 college savings plans, prepaid plans work best for low-income families when they provide financial incentives for savings. States can provide a match or tax credit for residents. Although no state currently has a funded match program, Texas passed legislation in 2007 to create a match for the state's prepaid tuition plan. No funding has yet been appropriated.

STATE PRECEDENTS: FROM PILOT TOWARD UNIVERSAL COVERAGE IN ARKANSAS

Advocates in Arkansas began pushing for the creation of a matching grant to create universal incentives for college savings in the mid-2000s. They faced a number of significant hurdles, including initial skepticism among policymakers that such a program would work, no funding source to implement a universal program and a lack of research on the impact of universal programs. Thus, rather than immediately pushing for a universal program, advocates instead pursued a pilot program to test the demand and efficacy of a matched 529 account. Advocates hoped that a successful pilot would address some of these challenges and make the case for eventual expansion into a permanent, universal program.

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[12] States with contract plans include Alabama, Florida, Illinois, Maryland, Michigan, Mississippi, Nevada, Virginia, Kentucky, South Carolina and Texas. West Virginia used to have a contract plan, but all the assets have been distributed and the plan is now closed.

[13] States with unit plans include Alaska, Colorado, Ohio, Pennsylvania, Tennessee, Texas and Washington.

[14] Additional information on which states back plans can be found at http://www.savingforcollege.com/articles/is-there-a-prepaid-529-plan-in-your-future?page=3.

[15] Kim Clark, "Prepaid Tuition Plans—Another Option for College Savers," *CNN Money*, January 8, 2014. Accessed on March 14, 2014, http://money.cnn.com/2014/01/07/pf/college/prepaid-tuition-plans.moneymag/index.html.

To get a pilot program initially authorized and funded, advocates deliberately took an under-the-radar approach. Their strategy did not involve many of the common aspects of traditional advocacy campaigns, such as opinion polling and sophisticated public messaging. The primary targets for advocacy were legislators and a handful of key leaders on higher education issues. Two respected senior state senators were recruited as lead sponsors of a bill authorizing the pilot program, both of whom liked the concept of savings incentives in part because beneficiaries had to "give something to get something," which ran counter to their perception of many traditional social service programs. Policymakers also viewed the concept of encouraging college savings as an additional financial aid strategy, which held appeal as Arkansas was attempting to increase the number of college graduates in the state. Finally, advocates allied themselves with the Arkansas Department of Higher Education, which was recruited early on as a potential administrator of the program (though the Arkansas Treasurer's Office later asked to administer the program).

As part of their low-profile strategy, advocates also decided to intentionally leave most pilot program design details, such as family income eligibility and match rates, out of the authorizing legislation. Most of these details were delegated to the committee that manages the state's 529 plan. This strategy streamlined legislative consideration and facilitated program implementation by providing rulemaking flexibility.

These tactics ultimately proved successful, and in 2007, Act 597 authorized the Aspiring Scholars Matching Grant program. The primary purpose of the program is to provide an incentive, in the form of a savings match, for low- and moderate-income families to save for their children's college education using the Arkansas Gift College Investment Plan (the state's 529 plan). Accountholders may earn up to $500 in matching funds per year for up to five years. Lower-income accountholders earn $2 for every $1 they save; moderate-income accountholders receive a dollar-for-dollar match. The program began with annual funding of $235,000 generated by the annual fees collected by the state for the administration of its 529 plan.

In its first year of operation, The Aspiring Scholars program attracted 471 participants, with those who opened accounts receiving an average matching grant of $422. Forty-two percent of participants had incomes less than $30,000. Data between 2007 and 2012 show that, on average, 380 participants per year received a matching grant.

Although the authorizing legislation for Aspiring Scholars labeled it as a "pilot program," it did not set an explicit expiration date for the pilot period or the discontinuation of funding. Advocates estimate that the fees collected by the state for the administration of the 529 plan can sustain current participation levels for several years. State administrators are committed to continuing the program and continue to search for private funding as an alternative source of funding.

STATE PRECEDENTS: UNIVERSAL SEEDED COLLEGE SAVINGS ACCOUNTS IN NEVADA

"This college savings initiative is a powerful example of how the public and private sectors can work together to break down barriers standing in the way of financial security and opportunity for so many." - Nancy Brown, Senior Manager of Community Development, Charles Schwab Bank

In 2014, Nevada State Treasurer Kate Marshall announced the statewide launch of universal college savings accounts for all public school kindergarteners, becoming the first state to do so. By February, the state had established accounts for kindergartners in the 2013-2014 school year and approved funds to enroll kindergarteners for the next two school years.

Efforts to encourage greater college savings began in Nevada in 2009. At the time, 529 participation rates across the state were declining as a result of the recession. In an effort to reverse this trend, the State Treasurer's Office began exploring ways to increase participation by low- and moderate-income families. In 2010, the state created the Silver State Matching Grant Program, which matched deposits made by qualified families in a 529 account.

During the same timeframe, a group of community leaders, service providers and engaged citizens committed to working toward financial stability for Nevada families came together to form the Financial Stability Partnership of Northern Nevada (FSP). With a shared interest in increasing access to higher education, members of FSP became the Treasurer's top allies in an effort to create a more universal college savings program in which all accounts would be seeded with state money. FSP connected the Treasurer to experts across the country and those who had implemented local large-scale children's savings programs. The coalition also invited the Treasurer to speak at their statewide conference in February 2013, which gave her a platform from which to announce the launch of the Nevada Kick Start Program, which would become the first statewide seeded college savings program for all public school children.

Initially, the program was piloted in Nevada's 13 rural counties and select Title I schools in Washoe County (the county in which Reno is located). It enrolled in the state's 529 plan all new public students in those jurisdictions who entered kindergarten in 2013. In February 2014, the Treasurer expanded the program to include all public school kindergartners throughout the state.

The Treasurer's Office broke new ground with the Kick Start Program, not only by establishing the first statewide seeded college savings program that was universally available for all kindergartners, but also with innovations in program infrastructure and funding. Nevada opens SSgA Upromise 529 college savings accounts with an initial deposit of $50 for each student. The accounts—which are called College Kick Start (CKS) accounts—are established automatically based on information supplied by the schools to the Treasurer's Office, and withdrawals can only be made for higher education-related expenses when the child is entering college.[16] The program also encourages families to open a separate SSgA Upromise 529 account in their child's name to make personal contributions to their children's college savings.

Program funding for the initial deposits in the CKS accounts comes from a portion of program manager fees paid to the state by its private sector partners, rather than taxpayer dollars, with additional funding from community partners and donors. (For example, inclusion of Washoe County Title I schools in the pilot was made possible through a grant from Charles Schwab Bank.) The Board of Trustees of the College Savings Plans of Nevada has initially agreed to fund the program for three years and to evaluate whether to continue funding at the end of that time period.

One of the primary goals of the program is to engage families who are most in need. However, engaging these families is often hindered by trust barriers and sometimes by language barriers between families and financial institutions. As CKS accounts roll out, spreading the word and educating families about the program and parallel 529 accounts for personal contributions is critical to the program's success.[17] (One of the measures the Board of Trustees of the College Savings Plans of Nevada will use to evaluate whether to continue funding the program after the first three years is the increase in enrollment in parallel 529 accounts.)

FSP and the Treasurer's Office are working together to conduct outreach to families to ensure they aware of the program and know how to open a parallel account. FSP is also exploring ways to enroll families on school grounds and conduct direct outreach to foster care programs and underserved communities.

[16] For more information about these accounts, visit http://collegekickstart.nv.gov/families/Overview/.

[17] Although the College Kick Start Accounts have no associated fees, the parallel 529 accounts that can be opened for personal contributions have a $15 minimum initial deposit requirement.

The Treasurer has raised awareness through press releases, meeting with school districts across the state, sending reminders to families and speaking at Family College Nights. For example, in the fall of 2013, the Treasurer spoke at a Family College Night organized by FSP that attracted 400 people. At the event, families received information and resources on the Kick Start Program and the importance of saving for college. In 2014, the Kick Start Program launched a pilot Navigator Program in the Washoe County School District to educate families about how the CKS Program works and guide them through the enrollment process. Navigators have noted that parents of kindergarteners who have a CKS account are opening 529 accounts for their other children, suggesting a positive ripple effect across the family and increased awareness and action to save for college.

The College Kick Start Program has also partnered with the 1:1 Fund—a national online platform that makes it easy for donors to make contributions to Children's Savings Accounts—to raise private funds to provide $50 matching grants (on top of the $50 seed deposits) to families from schools serving low-income communities. To initiate the fundraising, Charles Schwab Bank made a $10,000 donation through the 1:1 Fund, which will match the first $50 of deposits of 200 families when they open a parallel college savings account.

With a staff of only three, the efforts by the Treasurer's Office have been tremendous. Their close collaboration with FSP is a compelling example of the impact of collaboration with community partners. As Treasurer Marshall approaches her term limit at the end of 2014, she is working to ensure the program becomes a permanent vehicle for helping families prepare for college and ultimately increase their financial stability and economic opportunity.

STATE PRECEDENTS: UNIVERSAL, AUTOMATIC ENROLLMENT AT BIRTH IN MAINE

Starting in 2009, the Alfond Scholarship Foundation began offering $500 grants to parents of newborns in Maine if they opened a 529 account within the first year of their child's life. In March 2014, the state adopted an important change to the way families were enrolled in the program. With this change, Maine became the first state to automatically enroll every newborn into a 529 plan, rather than requiring parents to proactively open an account. For every child reported by the Maine Bureau of Vital Records as a Maine resident on or after January 1, 2013, the Finance Administration of Maine will open a 529 account in the child's name through the state's "NextGen College Investing Plan," which is endowed with $500 from the Alfond Scholarship Foundation.

The change from requiring parents to opt into the program by proactively opening an account to automatic enrollment (while allowing them the chance to opt out) is the latest in a series of innovations to improve participation among lower-income families, which began more than a decade ago. In 2002, Maine began offering a matching program. At the time, Maine residents with incomes at or below $54,500 who opened a NextGen Account with a minimum deposit of $50 could receive a one-time $200 initial deposit from the state. These families also received a 50% match of additional contributions up to $200. After several years, Maine assessed enrollment by income and discovered that lower-income families were participating at a lower rate. The state concluded that the initial $50 deposit was a barrier to participation.

In 2006, Maine began offering one-time $50 vouchers to all newborns in the state and launched a marketing campaign to encourage families to sign up. Also in 2006, Maine launched a Lifelong Learning Account program to encourage employers to match workers' deposits into NextGen accounts. In 2007, Maine added additional benefits to participating in the NextGen program by allowing a $250 state tax deduction for contributing families with incomes at or below $100,000 single/$200,000 married.
More information about the NextGen College Investing Plan is available at http://www.nextgenplan.com/.

MAKING THE CASE: FIVE GUIDELINES FOR A SUCCESSFUL CAMPAIGN

1. Find your allies.

Seek support from colleges, universities and other postsecondary education stakeholders. Postsecondary education advocates and providers have a range of their own policy priorities for improving college access, affordability and attainment. The state financial aid agency and the larger financial aid practitioner community are also important allies. It is critical to get all of these players on board as supportive of your efforts. Finding a champion in the postsecondary education community who will vocally support matched 529s or universal Children's Savings Accounts is invaluable.

Engage and recruit influential employers to serve as advocates and/or spokespersons. Private employers can play a key role by convincing legislators that college savings incentives make good business sense. In Nevada, advocates made the case that as the local economy diversifies, creating high-level jobs requires a more educated workforce able to compete in a global economy, elevating the need for Nevadans to plan for higher education. Private-sector employers can collaborate with the public sector to establish employer-sponsored matching programs that can complement or enhance state-administered programs. Additionally, employers serve as another critical access point to enroll state residents and can make the case that such incentive-laden programs are beneficial for employee recruitment and retention.

People generally support access to higher education for children; however, they may not know what policies and strategies to promote to increase opportunities for children to pursue postsecondary education. In Nevada, advocates noted that college savings accounts gave people something to rally around, something to be a part of in the face of drastically increasing college education costs.

2. Build relationships with state agencies and policymakers.

Advocates should engage a broad range of agencies that can support the concept of incenting savings for college accounts. Many state bureaucracies—including human services, foster care, workforce, K-12, higher education, banking, commerce/economic development and the comptroller/treasurer—can prove to be valuable allies. Support from state agencies demonstrates a baseline of participation to promote college savings accounts and to enroll families into a state-sponsored college savings plan, especially with attractive incentives for working families.

As early as possible in the advocacy process, stakeholders also should identify, recruit and secure commitments from a state agency that would be well-suited to take on the administration of the matched 529 program. In Nevada, that agency was the State Treasurer's Office, which not only supported but also led efforts to establish seeded college savings accounts. Advocates noted that a tremendous door opened for them when they realized just how significant an ally they had in the Treasurer. You must be prepared to leverage opportunities as they come along in your campaign. Since the initial collaboration with advocates on children's savings, the Treasurer has gone to bat for removing asset limits and wants to work with FSP to take on predatory lending practices next.

In the legislature, finding a champion (or champions) is key. Identifying the right candidate to take the lead is critical; one or two powerful legislators can often move a bill forward nearly singlehandedly. Incented 529s, and Children's Savings Accounts more broadly, have the advantage of being generally perceived as a non-partisan issue. At the federal and state level, there are examples of many Republican and Democrat pairs cosponsoring children's savings legislation. An argument to use to make the case to conservative policymakers is that incenting savings in 529s represents a market-based strategy that embodies a public-private solution to the widely shared problem of college affordability and attainment.

3. Identify creative funding solutions.
Challenging budget climates mean that advocates must think creatively about where to find resources to fund a 529 match, an initial deposit for Children's Savings Accounts or other incentives. Competing priorities and limited revenue sources mean that dedicated funding may be difficult to secure. However, lack of dedicated funding should not deter the opportunity for positive policy change, as the dollars may be appropriated only after a sound framework has been designed.

Notwithstanding the current budget situation or appropriations cycle, advocates should generally settle on the desired set of savings incentives and pursue funding options concurrently or following the enactment of the policy change. Aside from general revenue, advocates should pursue other potential sources of funding. These include the 529 account (administrative) fees and special funds, such as tobacco settlements, oil/gas revenues and unclaimed property revenues. In Nevada, the state is funding Children's Savings Accounts through a portion of the fees paid to the Treasurer's Office by the private companies that serve as program managers for the College Savings Plans of Nevada, along with support from donors. To ensure that the program met with little resistance, the Treasurer emphasized that no tax dollars are being used—a key strategy for creating the program outside of a legislative procedure.

Another potential strategy is to identify revenue generators that also address structural tax policy shortcomings. Examples include adopting a sales tax on services or on internet purchases, or increasing personal income taxes on upper-income taxpayers. Closing these tax loopholes can be a challenging process and often generates strong opposition—but has the potential to generate substantial amounts of revenue.

Finally, advocates should be willing to begin with one-time or startup funding to get a program going. Some policymakers may be skeptical that the initiative will work; beginning with a pilot allows advocates to demonstrate success and build the case for future investments. A pilot can be launched with modest funding; for example, just $250,000 was enough to get the program started in Arkansas.

4. Consider a state commission or task force as a first step.
An incremental step to gaining support for a matched 529 or children's savings policy is to create a government study commission or task force to examine the policy proposal. This strategy can raise the visibility of a program and secure a high level of support, especially when the concept of a matching grant or Children's Savings Account is relatively new and political support uncertain. In addition, convening a task force or study commission is a good way to keep the issue alive when competing policy priorities or budget difficulties make immediate action unlikely. Experience demonstrates, however, that although a task force or commission can buy you time, even a favorable report to the legislature is no guarantee that a policy proposal will receive favorable treatment.

5. Keep asset limits in mind.
One of the most effective strategies in helping people build wealth is to remove disincentives to save. For low-income families, some of the most powerful disincentives are asset tests that limit the amount of liquid assets a person can have and still qualify for assistance from programs such as the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families. In working toward adoption of incentives for 529 savings, advocates must be sure to include language that addresses this issue—either eliminating the asset tests altogether or exempting accounts from asset tests. Nevada took both approaches: at the request of the Treasurer, the state human services department excluded 529s from TANF asset tests in 2013. With the Treasurer as the critical ally and "messenger," advocates subsequently pushed for elimination of the asset test, which is expected to occur in 2014.

RESOURCES

For more information on this policy, go to http://scorecard.cfed.org.

Organizations

Center for Social Development at Washington University in St. Louis, http://csd.wustl.edu/Pages/default.aspx
New America Foundation, http://newamerica.net/
Saving for College, http://www.savingforcollege.com/

Publications

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- *Why Children's Development Accounts? Arguments and Evidence to Support Long-Term Asset-Building Accounts for America's Youth*, (Washington, DC: CFED, 2008), http://cfed.org/assets/pdfs/caseforCDAs_webversion.pdf.
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- Clancy, Margaret, Lisa Reyes Mason and Soda Lo. *State 529 Matching Grant Program Summary* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2008), http://csd.wustl.edu/Publications/Documents/529_Summary.pdf.

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