

CASE STUDY:

COLLEGE SAVINGS INCENTIVES

For each edition of the Assets & Opportunity Scorecard since 2007, CFED has worked with experts in the field to capture detailed stories of noteworthy state policy changes – both policy victories and instructive defeats. These case studies appear in the Resource Guides for each policy priority.

Below is a case study from “Resource Guide: College Savings Incentives,” CFED, October 2011

NEW MATCHING INCENTIVES AND A SUCCESSFUL PREPAID TUITION PROGRAM IN NEVADA¹

In the early months of 2009, the Nevada State Treasurer’s Office began exploring new ideas to increase participation in the state’s 529 college savings programs among low- and moderate-income families. Administration officials noticed that the severe collapse in the state’s housing market, coupled with the ensuing national economic downturn, had significantly impaired parents’ ability to save for and contribute to their child’s post-secondary education. The trend manifested in slowing participation growth in the states’ 529 programs. While the number of Nevada accounts grew more than 20% between 2007 and 2008, that growth rate slowed to 4% between 2008 and 2009.²

As part of a broader contract renegotiation with 529 program manager Upromise Investments, the Treasurer and the Board of Trustees of the College Savings Plans of Nevada developed the outlines for the Silver State Matching Grant Program. Qualifying Nevada families who are Upromise College Fund 529 account owners can now be considered for a matching grant of up to \$300 of extra college savings per calendar year, with a lifetime maximum grant of \$1,500. The account beneficiary must be 13 years or younger at the time the first matching grant is approved, and the applicant’s household adjusted gross income (AGI) in the previous year must be \$61,960 or less. Households with AGI’s below \$41,300 receive a 2:1 match, while households with AGI’s between \$41,300 and \$61,960 receive a 1:1 match.³

With a commitment from Upromise to fund the initiative (with funds originating from increased fees the state charged Upromise for the right to manage one of its 529 plans), the program could be structured and financed without the need for legislative appropriation or gubernatorial approval. As Nevada faced a sizable state budget deficit, a significant hurdle in setting up a matching incentive program was thus avoided – although at the cost of smaller program size and limited scalability. This funding model has since been adopted by architects of Missouri’s new savings match program. The contract with Upromise also provided a rollover clause for the matching grant’s ongoing existence: the program’s annual unused funding would automatically be channeled to the following year, with no expiration date officially set.

The Silver State Matching Grant program was officially launched on March 1, 2010. The program received 36 qualified applications in its first year, and as of 2011 boasted 120 total accountholders. Officials expect to reach the program’s annual enrollment limit of 118 new accountholders in 2012; once that ceiling is reached, they

¹ CFED thanks Steve George of the Nevada Treasurer’s office for his contributions to this section.

² Office of Treasurer, “2010 Annual Report,” *State of Nevada*, October 1 2010, https://nevadatreasurer.gov/documents/2010_Annual_Report.pdf.

³ “Upromise College Fund – Matching Grant Program,” *Upromise College Fund*, <https://uii.s.upromise.com/content/match.html?uiid=matchbanner>, (Accessed 8/5/2010).

plan on renegotiating with Upromise with the intent of expanding the program.

The State Treasurer's Office and Board of Trustees of the College Savings Plans of Nevada are now focused on improving the program's marketing operations. State officials are planning to work with school districts, nonprofit agencies, community centers and other organizations in an effort to attract more applications from low- and moderate-income families. In the most recent round of contract negotiations with Upromise, the program manager agreed to a \$400,000 commitment in marketing to increase participation in its 529 plan, as well as management fee reductions for accountholders.⁴

⁴ Office of the Treasurer, "2010 Annual Report," *State of Nevada*, October 1, 2010, https://nevadatreasurer.gov/documents/2010_Annual_Report.pdf.