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College Savings Match Programs

Design and Policy

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College Savings Match Programs: Design and Policy

Background

State-sponsored college savings plans, often called 529 plans after the Internal Revenue Code section, were created to facilitate saving for postsecondary education. Offered in 49 states and the District of Columbia, college savings plans allow individuals to make after-tax deposits for future higher education expenses at universities, community colleges, or other postsecondary educational institutions. Contributions to college savings plans grow federally tax-free if used for qualified higher education expenses, which include tuition, books, equipment, and fees. In addition, many states offer tax deductions for contributions to college savings plans.[1]

Because lower-income families have negligible income tax liabilities, they miss out on the 529 plan tax advantages that give higher-income families strong financial incentives to save for college. Moreover, low- to moderate-income families do not have significant wealth to transfer savings into 529 plans, giving them less opportunity for tax-free accumulation. In this regard, 529s are regressive like most other tax-preferred savings accounts, such as IRAs and 401(k) plans, where families with higher incomes reap most of the financial benefits.

College savings varies by household income. Low- and moderate-income families are much less likely to have college savings than higher-income families. For example, in a study of United States households with children under 18, only 37% of parents earning below $35,000 say they are saving for their college-bound children, compared to 88% or more of parents earning over $100,000 (Sallie Mae & Gallup, 2010). To address this inequity, a number of states have developed savings match incentive programs. Savings match programs are one of a number of policy strategies to make 529 plans more accessible to families of all incomes (Lassar, Clancy, & McClure, 2010).

Most savings match programs have a progressive design where the greatest financial rewards are offered to families with the lowest incomes. For example, some states double the amount of the state contribution for families with incomes below a certain threshold. The match rate for low-income families might be 2:1 (where the state deposits two dollars for every dollar contributed by the 529 participant), whereas the match rate for moderate-income families might be 1:1.

Savings is important for financial reasons, but also may have implications beyond the money. A growing body of evidence shows a connection between savings and college success (Conley, 2001; Elliott & Beverly, 2011a; Nam & Huang, 2008). Researchers find that among youth who expect to graduate from a four-year college, those with a savings account in their name are approximately six times more likely to attend college than those with no account (Elliott & Beverly, 2011b).

[1] For additional information on state-sponsored 529 college savings plans, see Clancy, M., Lassar, T., & Taake, K. (2010). *Saving for college: A policy primer* and Lassar, T., Clancy, M., & McClure, S. (2010). *Toward more inclusive College Savings Plans: Sample state legislation*.

Ten states currently offer 529 savings match programs: Arkansas, Colorado, Kansas, Louisiana, Maine, Minnesota,[2] Nevada, North Dakota, Rhode Island, and Utah. Despite the floundering economy, a number of states have initiated these college savings incentives in recent years. North Dakota implemented a new savings match for all state newborns in 2011. Nevada enacted a savings match program in 2010, and Tennessee authorized funds in 2010 for a future program, which is still in the planning stage. Missouri announced recently that it will introduce a 529 plan savings match in the near future. Meanwhile, Michigan's 529 matching program—one of the longest running in the country—was suspended in 2009 as a result of severe state budget shortfalls.

We examine here the essential elements and program design of all state 529 savings match programs, as well as the application process and other policy considerations. Like other state programs, 529 savings incentives inevitably reflect the unique demographics, economics, and political make up of a particular state. This report is not a blueprint for savings match programs. Rather, our intention is to inform and inspire policymakers and practitioners about inclusive savings match program features and strategies that could make 529 plans more widely accessible to families of all income levels.

Savings Match Program Design

State savings match programs vary by funding source, account structure, investment, deposit requirement, and withdrawal time limits.

Funding Source. States use different approaches to provide resources for their savings match programs (Table 1). For example, Maine and Rhode Island use administrative fees charged to 529 plan account owners.[3] Other states, such as Kansas and Minnesota, use state appropriations to fund the savings match programs. Upromise Investments funds Nevada's Silver State Matching Grant Program as part of their contract to serve as program manager. A similar agreement was made to set aside money for the upcoming 529 savings match in Missouri (Rosen, 2011). Texas created a nonprofit foundation in 2009 to raise money for a savings match program, which has not yet been implemented.[4]

Account Statement Structure. Some states use a dual account statement structure, where match funds that are deposited by the state are held in an account separate from money that is deposited by 529 plan account owners, and are reported on a separate account statement. Other states report 529 deposits and match savings on one statement, much the way employer matches are reported on a single 401(k) plan account statement (Table 1). In Louisiana and Maine, savings match program dollars are held as a dedicated investment in the account opened by the 529 plan participant (Clancy & Lassar, 2010). Thus, account owners can easily review their own contributions and the savings match on a single statement, while the state ensures that match funds and any interest accrued will be used only for qualified postsecondary expenses.

[2] In July, 2011, the Minnesota legislature discontinued the state matching grant program starting in 2012 (Section 5, Minnesota Statutes 2010, section 136G.01).

[3] Maine and Rhode Island use brokers to market their 529 savings plans to investors nationwide. These two states, which are among the least populous, rank among the top in terms of assets in their college savings plans (Geer, 2011).

[3] See Texas Match the Promise Foundation. According to the Texas Educational Opportunities and Investment Division at the Comptroller's office, more than $150,000 has been raised for the Texas Save and Match program, the bulk of which came from donations of refunds from unclaimed property. Earlier this year, Texas proposed legislation (HB 1001 and SB 1325) that would have allowed funds from unclaimed property (worth $5 or less and held for 20 years or more) to be appropriated to help support the match program.

Investment. The investment for the state-owned match fund is determined by each state. A majority of states invest the match in one pre-selected fund, , such as fixed income, principal protected income, or FDIC-insured savings. In contrast, some states such as Arkansas and Kansas hold match funds in the same investment(s) that a participant selected for her 529 account (Table 1).

Deposit Requirement. State direct-sold[5] plans usually require a minimum initial deposit to open a 529 account, which in the majority of states is $25 (Clancy, Lassar, & Taake, 2010; Clancy, Orszag, & Sherraden, 2004). Some state savings matching programs require participants to make larger contributions to receive the savings match. For example, there is no minimum initial deposit to open a 529 account in Utah, but Fast Forward Matching Program participants must make a minimum 529 contribution of $100, due within the first calendar year. Similarly, Minnesota, which requires all account owners to initially deposit a minimum of $25, sets a higher threshold for savings match participants, who must contribute at least $200 within the calendar year to their 529 accounts (Table 1). A high minimum contribution requirement for savings match participants likely discourages participation by cash-strapped households. North Dakota's Children FIRST Program allows participants to contribute the $100 required deposit amount over four years rather than one, which may make it easier for families of all incomes to take advantage of the saving match incentive.

Withdrawal Time Limits. All savings match programs specify that match funds may be used only for eligible higher education expenses. Sometimes a waiting period is designated before money may be withdrawn to preserve the long-term saving objective of the match program (Table 1). Nearly all states require that match funds be paid directly to an eligible higher educational institution.

In some states, the beneficiary must use match funds by a certain age or the funds will be forfeited. Utah, for example, requires beneficiaries to start withdrawing match funds before age 22 to help ensure that the funds are used for their intended purpose of attending college, instead of as a long-term tax shelter. Also, states typically specify that forfeiture of match funds will occur in the event of fraud or misrepresentation by the account owner.

[5] Direct-sold 529 plans, which state residents purchase directly from the state, have lower total annual expenses than broker-sold plans that are accessed through financial advisors and charge additional fees.

Table 1: Savings Match Program Design

	Funding Source	Account Statement Structure	Investment	Required Minimum Deposit to		Participation or Enrollment Restrictions	Withdrawal Time Limits
				Open 529[6]	Receive Match		
ARKANSAS Aspiring Scholars Matching Grant Program	Administrative fees charged to account owners	Single	Participant selected	$25	$25	Award may be reduced or program may be temporarily suspended in the event of funding shortfalls	
COLORADO Matching Grant Program	Administrative fees charged to account owners	Dual	CollegeInvest Stable Value Plus	$25	$25	First come, first served	
KANSAS KIDS Matching Grant Program	State appropriation	Single	Participant selected	$100	$100	First come, first served[7]	
LOUISIANA Earning Enhancements	State appropriation	Single	Principal Protection Fund	$10	$10	None	
MAINE Initial Matching Grant NextStep Matching Grant	Fee revenue from national accounts	Single	Principal Plus Portfolio	$50[8]	$50	For accounts opened after Jan. 1, 2011[9] Within first 24 months of account ownership[10]	Account must be open at least 2 years before withdrawal[11]

[6] If a state offers more than one 529 college savings plan, the plan that requires the lowest contribution for state residents is reported.
[7] The program is limited to 300 participants from each of the state's four congressional districts for a total of 1,200 match participants.
[8] The Harold Alfond College Challenge offers a one-time $500 award to all Maine resident children to open a NextGen College Investing Plan account before the child's first birthday, regardless of family income. Alfond Challenge enrollees are exempt from the required minimum deposit but must complete an application to receive the award. See Clancy & Lassar (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.

MICHIGAN State Matching Grant Program (discontinued 2009)	State appropriation	Dual	Institutional Bond Fund	$25	$25	First come, first served until appropriation was totally disbursed	Funds must be used before beneficiary turns 30
MINNESOTA[12] State Matching Grant Program	State appropriation	Dual	Guaranteed Option	$25	$200	If grants exceed appropriation, awards will be proportionately reduced[13]	Account must be opened 3 years before withdrawals allowed
NEVADA Silver State Matching Grant Program	Upromise Investments[14]	Single	Participant selected	$250	$250	First come, first served	
NORTH DAKOTA College SAVE Matching Grant Program	Administrative fees charged to account owners	Single	Participant selected	$25	$25	First 1,000 applicants per year must apply within 13 months from opening account	
Children FIRST Grant Program	Administrative fees charged to account owners	Single	Hybrid[15]	$25	$100	Must open account and contribute $100 by child's 4th birthday	

[9]For Initial Matching Grants, one grant per Maine resident beneficiary is allowed provided that the beneficiary is not named on an account prior to January, 1, 2011. Alfond Challenge grantees are ineligible to receive an Initial Matching Grant.

[10] For a NextStep Matching Grant, one grant per beneficiary is allowed, provided that beneficiary is not named on an account prior to January 1, 2011. Alfond Challenge grantees are eligible to receive a NextStep Matching Grant.

[11] Grant funds may be withdrawn one year after the account was opened if account was opened by and for an individual participating in the Maine Lifelong Learning Accounts Program.

[12] In July, 2011, the Minnesota legislature discontinued the state matching grant program starting in 2012 (Section 5, Minnesota Statues 2010, section 136G.01).

[13]The 2011 Minnesota Legislature is considering a bill that includes Governor Dayton's recommendation to discontinue the match program after 2012.

[14] Upromise Investments agreed to fund the matching grant program as part of their contract with the state to manage the savings plan.

[15] Until a participant contributes $100, Children FIRST Grants are invested in the Money Market Portfolio. Once $100 is contributed, the participant has the ability to choose the investment.

RHODE ISLAND CollegeBound*fund* Matching Grant Program	Fee revenue from national accounts	Dual	Principal Protection Income	$250[16]	$250	If grants exceed appropriation, awards will be proportionately reduced	Must be used within "reasonable time" after beneficiary is eligible for qualified withdrawal
UTAH Fast Forward Matching Program	Administrative fees charged to account owners	Dual[17]	FDIC-Insured Savings	$0	$100	First come, first served	Must start before beneficiary turns 22 and end within 4 years of initial withdrawal

[16] Rhode Island recently started an early enrollment incentive—the CollegeBound*baby* program—which offers a one-time $100 contribution to every state resident baby born or child adopted on or after July 1, 2010, who is named as the account beneficiary before the child's first birthday, or within one year of the child's adoption. Participants in the CollegeBound*baby* program are exempt from the required minimum deposit but must complete an application to receive the incentive.

[17] Account owners receive a separate annual Fast Forward Matching Program statement, which is linked to their 529 account for online account access.

Savings Match Eligibility Criteria and Limits

Residency Requirement. Because programs are subsidized by the state or the 529 plan, match funds are reserved for state residents. Most states require both the account owner and the beneficiary to be state residents. However, some states allow non-resident 529 plan account owners to apply for the savings match. For example, Minnesota grandparents or other account owners are eligible to receive this incentive if the account beneficiary is a Minnesota resident (Table 2).

Beneficiary Age Limit. A 529 account may be opened for a person of any age, including an adult saving for herself. Yet, some savings match programs require that the account beneficiary be younger than a certain age. In Colorado and North Dakota, for example, the account beneficiary must be 12 years of age or younger (Table 2). This age limit encourages families to begin saving early and allows time for investment earnings to appreciate.

Household Adjusted Gross Income. Many match programs are progressive, where the match rate increases as household adjusted gross income (AGI) decreases. For example, Arkansas offers a match rate of 2:1 for households with incomes of $30,000 or less, and a 1:1 rate for households with incomes ranging from $30,000 to $60,000. Louisiana's savings match program also provides higher match rates for lower income levels although all residents, regardless of household income, are eligible to receive at least the minimum match for 529 plan contributions (Table 2).

Match Cap. Many savings match programs have match limits, or caps, which may influence the amount of participant contributions. A higher match limit may motivate participants to save more, because study participants are likely to view the match cap as a savings target (Schreiner & Sherraden, 2007; Mason, Nam, Clancy, Kim, & Loke, 2010). Match participants in Kansas and Minnesota are eligible to apply for and receive a savings match each year with no lifetime cap (Table 2). Most states, however, set maximum lifetime and annual match caps. For example, the savings match program in Utah has a lifetime limit of $1,600 and an annual cap of $400 per participant. Likewise, Arkansas sets lifetime limits at $2,500 with an annual cap of $500. These caps help ensure that match funds will be available for all qualified applicants.

Table 2: Savings Match Eligibility Criteria and Limits

	Residency Requirement		Beneficiary Age Limit	Match Rate	Household Adjusted Gross Income (AGI) Criteria	Match Cap		
	Owner	Beneficiary				Total Years	Annual $	Lifetime $
ARKANSAS Aspiring Scholars Matching Grant Program	√	√	18 or younger[18]	2:1 1:1	$30,000 or less $30,000 to $60,000	5	$500	$2,500
COLORADO Matching Grant Program	√	√	12 or younger	1:1	200% or less of Federal Poverty Guidelines	5	$500	$2,500
KANSAS KIDS Matching Grant Program	√		None	1:1	200% or less of Federal Poverty Guidelines	None	$600	None
LOUISIANA Earning Enhancements	√[19]	√	None	14% 12% 9% 6% 4% 2%	$0 to $29,999 $30,000 to $44,999 $45,000 to $59,999 $60,000 to $74,999 $75,000 to $99,999 $100,000+	None	None	Maximum based on account balance[20]

[18] Beneficiary may not be older than 18 at the time the first matching grant application is approved and not older than 23 in any case.
[19] In Louisiana, either the owner or the beneficiary must be a state resident to qualify for the earnings enhancements.
[20] The Earnings Enhancement cap is reached when an account has a current value that is equal to or greater than 5 times the annual qualified higher education expenses at the highest cost Louisiana public college or university, projected to the scheduled date of first enrollment.

MAINE Initial Matching Grant	√[21]	√	Depends on residency[22]	4:1	None	One time	None	$200
NextStep Matching Grant	√	√	None	1:3	None	2 years[23]	$200	$400
MICHIGAN State Matching Grant Program (discontinued 2009)		√	6 or younger	1:3	$80,000 or less	1	$200	$200
MINNESOTA State Matching Grant Program		√	None	15%	$50,000 or less[24]	None	$400	None
				10%	$50,001 to $80,000		$400	
NEVADA Silver State Matching Grant Program	√	√	13 or younger	1:1	$41,300 or less	None	$300	$1,500
				1:2	$41,301 to $61,950		$300	$1,500
NORTH DAKOTA College SAVE Matching Grant Program	√		12 or younger	1:1	$20,000 or less ($40,000 joint)	3	$300	$900
				1:1	$20,001 to $40,000 ($80,000 joint)	1	$300	$300
Children FIRST Grant Program		√	1 or younger	1:1	None	1	$100	$100

[21] Either the owner or the beneficiary must be a Maine resident to qualify for the Initial and NextStep matching grant programs.
[22] Maine resident beneficiaries must be older than one year. There is no age limit for non-resident beneficiaries.
[23] Awards will be applied at least every six months. Eligible accounts may receive up to $100 in the first six months, up to $200 minus amount previously awarded in the second six-month period, up to $300 minus amount(s) previously awarded in the third six-month period, and up to $400 minus amount(s) previously awarded in the fourth six-month period.
[24] Income eligibility is based on the beneficiary's household income. If the beneficiary is younger than 25, family income is defined as the combined AGI of the beneficiary's parents or legal guardian(s), as reported on their federal tax return for the calendar year in which contributions were made. If the beneficiary is 25 or older, family income is the combined AGI of the beneficiary and spouse (if any) for the calendar year in which contributions were made.

RHODE ISLAND CollegeBound*fund* Matching Grant Program	√	√	10 or younger[25]	2:1	$72,001 or less	5	$1,000	$5,000
				1:1	$72,001 to $87,000		$500	$2,500
UTAH Fast Forward Matching Program	√	√	17 or younger	1:1	200% or less of Federal Poverty Guidelines	4	$400	$1,600

[25]The beneficiary is eligible to receive match funds past the age of 10 (for up to a total of five consecutive years) if the match account was opened at or before age 10.

Savings Match Application Process

To participate in a savings match program, most states require a 529 plan account owner to complete a match application, which must be submitted annually. Unlike other 529 enrollment materials, these applications are not currently available for submission on the Web and must be mailed. Match applications, which range from one to four pages, generally ask for demographic information including the account owner's name, Social Security number, address, and household income. Many states also require account owners to mail copies of tax returns (state, federal, or both) with their savings match application each year to prove income eligibility (Table 3).

Louisiana, on the other hand, takes a very different, streamlined approach to simplify the match application process. First, Louisiana does not require 529 plan account owners to submit a separate match application. Instead, the Louisiana Office of Student Financial Assistance, which administers the progressive match program, uses data (Social Security number, address, etc.) submitted by the account owner as part of their 529 application. Thus, Louisiana residents are only required to complete a one-time application for the state's 529 START Saving Program to be eligible for the annual savings match.

Second, unlike many states, Louisiana does not require copies of tax returns to determine income eligibility for the match. Instead, Louisiana uses state Department of Revenue tax records to automatically calculate the "Earnings Enhancement" annual match on deposits, which is progressive and based on household AGI. On the state's 529 application, prospective account owners authorize the Louisiana Tuition Trust Authority (2011) "to access my state and federal income tax returns and to use information gained thereby to verify information I have provided in this Application and to verify my federal adjusted gross income for the purpose of determining eligibility for Earnings Enhancements" (p. 2).[26]

Kansas (and Michigan, before it suspended its match program several years ago) simplified the application process so that tax forms are not required as part of the application process. However, Kansas 529 account owners still must submit match applications annually. The KIDS Matching Grant Program application authorizes the Kansas Department of Revenue to "release the amount of my Federal Adjusted Gross Income from my 2010 Kansas Income Tax Return to the Kansas State Treasurer's Office for the purpose of my participation in the Kansas Investments Developing Scholars Program" (Office of the Kansas State Treasurer, 2011, p. 7).[27]

Prior to 2011, Maine 529 account owners completed annual savings match applications and self-certified that their AGI met the program's eligibility criteria, instead of submitting copies of tax returns. Maine conducted audits of a sample of account owner state tax files to verify the accuracy of reported AGIs (Clancy, Han, Mason, & Sherraden, 2006). In 2011, Maine eliminated household income thresholds for the savings match and at the same time did away with the match application.

[26] See http://www.startsaving.la.gov/savings/pdf/enrolldn.pdf
[27] See https://a248.e.akamai.net/f/248/21630/7d/im.uprinv.com/rc/sr2/lqd/KIDS_Program_Description_Application.pdf

Table 3: Savings Match Application Process

	Application Length (# of pages)	Tax Returns Required		Application Method	Application Frequency
		State	Federal		
ARKANSAS Aspiring Scholars Matching Grant Program	2	√		Mail	Annual
COLORADO Matching Grant Program	1		√	Mail	Annual
KANSAS KIDS Matching Grant Program	4			Mail	Annual
LOUISIANA Earning Enhancements Saving Match Program	Not required[28]			None	N/A
MAINE Initial Matching and NextStep Matching Grants	Not required			N/A	N/A
MICHIGAN State Matching Grant Program (discontinued 2009)	2			Mail	Annual
MINNESOTA State Matching Grant Program	2		√	Mail	Annual
NEVADA Silver State Matching Grant Program	2		√	Mail	Annual
NORTH DAKOTA College SAVE Matching Grant Program	2	√		Mail	Annual
Children FIRST Grant Program	2			Mail	One-time
RHODE ISLAND CollegeBound*fund* Matching Grant Program	1		√	Mail	Annual
UTAH Fast Forward Matching Program	2	√	√	Mail	Annual

[28] Louisiana uses state tax records received directly from the state Department of Revenue to automatically calculate the match amount.

Savings Match Life-To-Date Deposits and Accounts

Match Funds Deposited. A number of savings matching programs that have been operating for almost a decade have accumulated significant savings for college. For example, Minnesota, which first started receiving match deposits in 2002, has combined total deposits of $77,340,000 (both the state and participants' contributions), with as many as 8,684 Minnesota residents participating in the matching program (Table 4). Since 1997, Louisiana has deposited $11,906,000 in Earning Enhancement match funds, with an additional $329,600,000 deposited by participants in that state's 529 plan. Sizeable savings contributions are not limited to long-standing programs. Participants in Arkansas's Aspiring Scholars Matching Grant program have received a total of $643,774 since 2007. Participant contributions in the program have reached $1,090,228, with 1,561 Arkansas residents participating. The Kansas Investments Developing Scholars (KIDS) Matching Grant Program offers a 1:1 match for families with a household AGI of 200% or less of the Federal Poverty Guidelines, and has overall deposits of $2,400,000 since beginning in 2006.

Early Enrollment Incentives

As part of an effort to jumpstart long-term college savings, a number of states have created early enrollment incentive programs for newborn children. North Dakota, for example, which operates the North Dakota College SAVE Matching Grant Program, started the Children FIRST Program in 2011. This new incentive program offers all children born in the state a one-time, time-limited $100 for college savings. A child must be enrolled in the state's 529 plan by her first birthday, and her family must deposit $100 by her fourth birthday. In contrast to other savings match programs, where a 529 plan account owner must first contribute funds before the state allocates the match, Children FIRST reverses the time sequence and deposits funds before the account owner makes a contribution.

Rhode Island and Maine also offer initial deposit incentives to encourage families to open 529 accounts for their newborn children; however, these programs do not require participant contributions to receive this incentive. The required minimum deposit to open the 529 account is waived for these program participants in Rhode Island and Maine (Table 1). Rhode Island's CollegeBound*baby* program offers $100 to every resident baby who is enrolled in the state's college saving plan before her first birthday. A similar program in Maine—the Harold Alfond College Challenge—funded by a private foundation, offers $500 to every child in the state who is enrolled in the state's college savings plan within one year from birth (Clancy & Lassar, 2010).[29]

[29]Maine recently introduced another initial deposit incentive—a one-time $50 Automated Funding Grant for state residents who use an automatic deposit service for the 529 NextGen account. Other states offer similar 529 plan promotional financial incentives.

Table 4: Savings Match Life-to-Date Deposits and Accounts

	First Year Accounts Opened	Life-to-Date Total Funds Deposited		Life-to-Date Total Number of Accounts
		State	Participant	
ARKANSAS Aspiring Scholars Matching Grant Program	2007	$643,774	$1,090,228	1,561
COLORADO Matching Grant Program	2004	$294,000	$294,000	899
KANSAS KIDS Matching Grant Program	2006	$1,200,000	$1,200,000	1,295
LOUISIANA Earning Enhancements	1997	$11,906,000	$329,600,000	48,170
MAINE Initial Matching Grant	2011			207
	2002[30]			4,802
NextStep Matching Grant	2011	N/A	N/A	N/A
	2002			6,424
MICHIGAN State Matching Grant Program (discontinued 2009)	2001	$6,603,687	$60,162,719	37,281
MINNESOTA State Matching Grant Program	2002	$2,476,000	$74,864,000	8,684
NEVADA Silver State Matching Grant Program	2010	$8,364	$18,015	31
NORTH DAKOTA College SAVE Matching Grant Program	2007	$118,360	$697,394	363

[30]Beginning in 2002, Maine's match program consisted of two separate grants – the Initial Matching Grant and the Annual Matching Grant. These two grants have been amended several times, most recently in 2011, when Maine significantly changed its match program. In 2011 family income limits were removed, and the NextStep Matching Grant replaced the Annual Matching Grant. The Initial Matching Grant also was revised at this time.

	First Year Accounts Opened	Life-to-Date Total Funds Deposited		Life-to-Date Total Number of Accounts
		State	Participant	
Children FIRST Grant Program	2011	N/A	N/A	N/A
RHODE ISLAND CollegeBound*fund* Matching Grant Program	2003	$1,277,285	$3,217,649	638
UTAH Fast Forward Matching Program	2008	$58,656	$71,281	180

Key Recommendations and Policy Considerations

Streamlined and automated savings match enrollment procedures are easier to administer and likely less costly than more cumbersome programs; e.g., those discussed above that involve manual inspection of paper forms to determine compliance with income eligibility requirements. Also, how a program is implemented can affect participation rates. Research suggests that costs in time to complete forms and understand programs may discourage individuals from using some social programs. These costs may be higher for low-income individuals (Currie, 2004). Following are key recommendations to facilitate access to a 529 savings match and create savings for families of all income levels.

Require a Low Minimum Deposit. A required low minimum deposit is an inclusive feature of state 529 plans. The majority of state 529s may be opened with $25 or less (Clancy, Lassar, & Taake, 2010). Likewise, a low minimum deposit requirement for matched savings programs could help facilitate saving for college for more families. The steeper minimum deposits required in some state match programs—for example, $250 in Nevada and Rhode Island, and $100 in Kansas (Table 1)—might be burdensome for some families and, thus, impede the goal of reaching more low- and moderate-income state resident families (Clancy, 2011).

Omit Separate Savings Match Application. States could eliminate the need for an annual savings match application by using information that state residents provide on their 529 enrollment forms. Unlike most states that require two separate enrollment forms, Louisiana receives authorization to use information collected by the state's 529 START Saving Program application form. Thus, prospective account owners are required to complete a single one-time application *to open an account and be eligible for the annual savings match*. This one-time 529 plan application process is analogous to the experience of 401(k) plan participants, who, once enrolled, do not submit new applications each year.

Automate Match Eligibility by Sharing Tax Records. States can determine 529 participants' match eligibility by using existing state tax department records. Use of existing state income tax data to determine annual eligibility offers an additional opportunity to simplify enrollment and reduce management costs. Also, state 529 match programs with streamlined application procedures may be more likely to encourage low- and moderate-income families to take advantage of the savings incentive than programs with more complicated requirements. Louisiana uses state Department of Revenue tax records to determine the account owner's household AGI and automatically calculate the "Earnings Enhancement" match amount. To accomplish this, Louisiana includes a statement on its 529 application that authorizes the Louisiana Tuition Trust Authority to access state income tax return information of prospective account owners for purposes of determining the amount of the match. Alaska uses a similar consent mechanism to facilitate shared information across state agencies to simplify 529 enrollment (Clancy, Lassar, & Miller, 2009). Other states could use similar tactics to simplify the match application process and make it easier for residents to take advantage of the match incentive.

Likewise, the SEED for Oklahoma Kids (SEED OK) universal policy experiment, a large-scale study that tests the idea of 529 college savings plan accounts at birth, shares records among state government agencies to automate eligibility for a savings match. Annual income certification or tax returns from SEED OK participants are not necessary because the Oklahoma Tax Commission and Department of Human Services (DHS) provide the required information. If the Oklahoma Tax

Commission does not have a record of a study participant's tax return, then DHS determines whether a SEED OK participant received benefits during the given year. This alternate method of match approval ensures that non-filers of the Oklahoma State Income Tax Return also have an opportunity to receive the savings match (Zager, Kim, Nam, Clancy, & Sherraden, 2010).[31]

At the federal level, streamlining eligibility for public benefit programs through data matching techniques increases participation rates while reducing administrative costs (Boots, 2010; Urban Institute, 2009). Some programs (such as Medicaid) have automated connections to data in the federal income tax system, which is the nation's most complete source of information about potential program eligibility (Urban Institute, 2009).

Make Initial Deposit Programs Automatic. Automatic enrollment is a tool for overcoming inertia by opening accounts for eligible individuals without requiring them to initiate the account opening process. Automatic—or default—account opening still allows participants to "opt out" of a program by requesting account closure (Nam, Kim, Zager, Clancy, & Sherraden, forthcoming).The recent wave of initial deposit incentive programs have no limits on household income. These programs are offered to all parents in Maine, North Dakota, and Rhode Island who enroll their child by her first birthday in their state's 529 plan. This across-the-board approach simplifies the administrative process and likely reduces administrative costs, but it raises important policy considerations. Statewide programs like these that do not automatically enroll all eligible children run the risk of disproportionately benefitting financially savvy families. A recent study indicates that parents who had higher levels of education and owned stocks and bonds or had a financial advisor were more likely to enroll their child early in the Alfond Challenge program. Parents with greater financial sophistication likely had a better understanding of program benefits, rules, and the application process (Huang, Beverly, Clancy, Lassar, & Sherraden, 2011).

In SEED OK, an Oklahoma 529 plan account was automatically opened and "seeded" with an initial deposit of $1,000 for infants of all treatment participants. These participants were also offered a savings match to encourage them to open and save in their own 529 account. Treatment participants opened 529 accounts at significantly higher rates than the control participants, regardless of various demographic and socioeconomic characteristics. These results may point to the importance of automatic account opening and initial deposits (Zager et al., 2010). As more data are collected, the SEED OK experimental research may provide additional insight.

Collect Additional Data. It would be useful for states to collect and report on who saves and benefits from a state 529 plan in general, and the saving match program specifically. More research is needed to determine whether savings match programs boost college savings for low- and moderate-income families. Although matched savings programs have considerable investments, there is little research available to determine whether these programs increase account opening and college savings for low- and moderate-income families. States generally do not collect detailed socioeconomic information about 529 account owners so we do not know which population segments benefit the most from the 529 plans (Clancy & Parrish, 2006). In a similar vein, the White House Task Force on Middle Class

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[31] The Oklahoma Tax Commission provides certain data to the Treasurer's Office to determine savings match eligibility for each year of SEED OK. A one-time return of a Match Eligibility Form by a study participant allows the Tax Commission to verify AGI data and determine match eligibility for the duration of SEED OK. Treatment participants receiving Supplementary Nutrition Assistance Program (SNAP, formerly known as Food Stamps), Medicaid, or Temporary Assistance for Needy Families (TANF) benefits are eligible for a 1:1 match.

Working Families called for improved transparency and increased sharing of information regarding the extent to which 529 plan participation varies with income (United States Department of Treasury, 2009).

Conclusion

We encourage states to consider the recommendations discussed in this report to make their 529 plans more widely accessible to families of all income levels. Savings match programs with streamlined and automated administrative features like the ones examined here have the potential to increase access and promote 529 plan participation—especially for low-to-moderate-income families. Access is essential because participation in college savings match programs may advance important savings objectives by increasing accounts, encouraging new deposits, building college savings, and ultimately leading to college completion.

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