

ADVANCING HOPE AT THE LOCAL LEVEL:

# Children's Savings Accounts

BRIEF

The evolving nature of the global economy emphasizes the need for city leaders to prepare the younger generation for the challenges and opportunities ahead. An educated workforce greatly enhances a city's economic competitiveness. It is also crucial to narrowing wealth gaps to provide individuals with the knowledge and skills necessary to access higher-paying job opportunities. There is a growing urgency amongst city leaders to cultivate skills and interest in education after high school in young individuals, starting as early as possible. Despite this need, the cost of higher education continues to climb. In the 2020-21 school year, the average net price of attendance for undergraduate students at a 4-year public institution was \$14,700.<sup>1</sup>



An educated workforce greatly enhances a city's economic competitiveness.

San Francisco's Kindergarten to College program celebrated its first high school graduating class in 2023 with:

**600**

high school seniors earning an average of

**\$1,422**

in savings

Children's Savings Accounts (CSAs) are long-term savings or investment accounts designed to help young children save for postsecondary education. Municipalities across the country are playing a critical role in implementing CSA programs in their communities. These accounts are usually opened at birth or in kindergarten and allow municipalities, nonprofit organizations, or states to deposit funds into the accounts the youth can use for post-high school education purposes. The oldest city-led CSA program is the City of San Francisco, which started its program, Kindergarten to College, in 2011. More than 52,000 accounts have been set up, with more than \$15 million deposited into the accounts.<sup>2</sup> The program celebrated its first high school graduating class in 2023, with 600 seniors earning an average savings of \$1,422.

According to Prosperity Now, at the end of 2022, there were 128 active programs in 38 states and Washington D.C., with almost 5 million children and youth having a CSA.<sup>3</sup> The Asset Funders Network CSA 2021 survey reported \$3 million in contributions from local governments, further emphasizing the growing momentum and support for CSA initiatives nationwide.<sup>4</sup> As these programs expand and build support, the potential for positive, long-term impacts on the educational and economic prosperity of low-income children, their families, and their communities continues to grow rapidly.



## What are Children's Savings Accounts (CSAs)

CSAs are long-term savings or investment accounts designed to help young children save for postsecondary education.

## A Typical Municipal CSA Program

In many city-led CSA initiatives, a child receives an account with a seed deposit at birth or often when the child enters kindergarten. Caregivers must claim the account on the child's behalf to receive the seed deposit or make additional deposits into the account. These accounts are typically held by the local municipality, credit union, community foundation, or state 529 program.<sup>5</sup> Children's Savings Account programs operate with two accounts that show as one when families review their balances. The first account is where public funds are deposited, and the second is any funding the family or community partners deposit on the child's behalf.

To ensure children and their families understand the accounts and encourage them to make deposits, local CSA programs often partner with financial institutions or nonprofit organizations to provide financial education for the youth in their classroom and accept cash deposits directly at school from families. As the child grows, many programs offer incentive funds deposited into the accounts for activities or achievements such as participating in community service or caregivers reading to their children. The child and their caregiver receive annual updates that note their account balance and investment return. Depending on the account used, some municipalities have developed hardship provisions allowing caregivers to withdraw deposits they made to the account to help with a financial crisis.

Once the child graduates from high school, they can access the funds in their account for postsecondary education or career training options, including two- or four-year degrees, apprenticeships, certificates, or trade skills. The municipality or entity that holds the funds then directs the funds to the postsecondary institution.



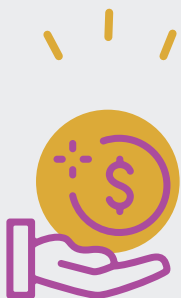
California's governor highlights state-wide college savings program along with San Francisco Mayor London Breed, and San Francisco Treasurer José Cisneros

Some municipalities understand that not all youth know what they want to do once they graduate high school and allow the youth to spend the funds until age 26. Any unspent public dollars at that point would then be put back into the funding used to support seed deposits for other children. For cities operating a CSA utilizing their state's 529 program, youth who do not spend their CSA on education purposes after 15 years of account ownership can roll those funds into a Roth Individual Retirement Account (IRA).<sup>6</sup>

## Best Practice for Operating a Municipal CSA

CSA programs have been operating in cities nationwide for over a decade. While every program is unique and designed to meet local needs, NLC, along with practitioners and researchers, have been able to identify a set of best practices that allow city-run CSA programs to be successful, including:

- ◆ **Automatic enrollment** – Enrolling children in the program without requiring them or their caregivers to sign up or complete paperwork.
- ◆ **Start at birth** – Although many cities begin CSA programs in kindergarten, funding programs from the birth of a child allows the invested dollars more time to grow and creates more time for caregivers and communities to emphasize the benefits of post-high school education.



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- ◆ **Universal eligibility** – All children in the city should be eligible rather than just a targeted group. However, cities will need to pilot the program before fully integrating public, private, and home-schooled children. For example, in many cities, all kindergarteners in public schools receive an account. This can reduce any stigma associated with the program, reinforces the message that all children are in the pipeline for postsecondary education, and can win broad and sustained public support. Once the program has been offered to all kindergarteners in public school, then cities onboard private and home-schooled children.
- ◆ **Automatic initial deposit** – Upon opening a CSA account, the municipality should make an initial deposit on behalf of the child to help caregivers and children see the investment the community is making in them right away and incentivize family contributions.
- ◆ **Progressive contributions** – Targeted funding to supplement the initial deposits focused on low-income households can mitigate challenges that low-income caregivers may have to contribute to the accounts compared with their higher-income counterparts.
- ◆ **Partnerships with school districts** – Strong relationships between municipalities and schools are critical to ensure CSAs become part of the education structure and to support both entities in tracking long-term outcomes.
- ◆ **Varied deposit options** – Allowing families and community partners to contribute funds to the account in person, online, or via mail lowers the barrier for low- and moderate-income families participating and growing their savings and increases the likelihood of contributions. Community or school events can also offer opportunities for in-person deposits.
- ◆ **Community will** – Supporting a CSA program's development, launch, and expansion requires community commitment and action to ensure that CSAs become part of the community fabric. Elected officials, municipal staff, community partners, financial institutions, local businesses, and caregivers all have roles to play in ensuring program success.

- ◆ **Family and child engagement opportunities** – Engaging children and caregivers in the program is important to help them understand the value and benefit of CSAs and to connect them with other programming that supports their financial stability.

## Incentives

Children's savings accounts can be leveraged to foster positive savings behavior and reward activities among youth and families that support their financial stability or broader community benefits through program incentives. Incentives can take various forms, such as bonus rewards for youth advancing to middle school within the city's school district, completing age-appropriate volunteering that supports the community, families participating in city-supported financial coaching, or even partnerships with local businesses to provide discounts or special offers for families actively contributing to the accounts.

Additionally, educational components can be integrated into CSA program incentives, such as offering additional deposits for completing a financial literacy course. This fosters cross-generational learning, with children learning from their parents' experiences and parents gaining valuable insights from their children's educational endeavors.



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## Unique Opportunity with ARPA Funds

Cities nationwide are uniquely positioned to allocate their American Rescue Plan Act (ARPA) funds to create and support CSA programs.



Under the State and Local Fiscal Recovery Funds (SLFRF) program, cities across the country were awarded \$65.1 billion in funds to respond to pandemic recovery efforts.<sup>8</sup>



For example, the City of Saint Paul, MN, allocated \$4 million in ARPA dollars in 2022 to expand its CollegeBound Saint Paul program.



Cities nationwide should consider taking advantage of this important opportunity to direct ARPA funds toward initiatives supporting, expanding, or establishing CSA programs.

## Funding Sources

It is crucial for cities to consider different funding mechanisms to support the development and sustainability of their CSA program. Municipal-run CSA programs often operate through a blend of different public and private funding streams. Public funds have included general revenue dollars secured to start or grow CSA programs, and others have used creative funding like parking meter fees. Some municipalities are exploring using federal Temporary Assistance for Needy Families (TANF) funding to support their programs.

On the private side, cities have been able to leverage a wide variety of sources: large employers have provided target funding; dentists and physicians have provided incentive funds to support the healthy development of youth; social clubs such as Rotary have supported CSAs by providing funding that supports age-appropriate youth volunteering. Places of worship have dedicated fundraising campaigns among their congregations, such as the “fifth Sunday” collection, and deposited those funds into the CSAs of neighborhood youth. Philanthropic organizations have also frequently contributed to CSA programs, including many community foundations that have started or are supporting CSAs. These institutions often help wealthy donors see the value of CSA programs and the potential impact of their contributions.

Some states provide seed funding to accounts via the state’s 529 program, which offers an opportunity for local leaders to connect more of their residents to these funds. The Massachusetts State Treasurer’s Office of Economic Empowerment (OEE) launched the Baby Steps program.<sup>7</sup> Through this program, every child born or adopted in Massachusetts receives a \$50 deposit into a 529 account. OEE works with municipalities to raise the program’s visibility and help their communities leverage these funds.

## Incorporating CSAs into Other City Programs and Priorities

Cities, towns, and villages across the country are looking to CSAs to support long-term workforce growth, but they are also connecting other programs and outcomes with CSAs to strengthen both efforts.



**Guaranteed income helps families open opportunities to get through the day, and college savings accounts provide tangible hope for a child's future.**

MAYOR MELVIN CARTER  
Saint Paul, Minnesota

*Achieving financial stability.* Guaranteed income programs offer financial stability to individuals and families by providing a steady and predictable source of income to meet essential needs like food and housing.<sup>9</sup> These programs alleviate immediate financial stressors, which allow recipients to focus on long-term goals and aspirations. Guaranteed income programs become powerful tools for fostering long-term economic mobility when coupled with strategic initiatives, like children's savings accounts.

The City of Saint Paul, MN, launched its first universal CSA program in 2020, which provides a seed deposit of \$50 to all Saint Paul children at birth. Soon after, the People's Prosperity Guaranteed Income program was launched to provide 333 low-income families with \$12,000 in income support and \$1,000 in deposits into the CSAs for children in those households.

*Closing the racial wealth divide.* Throughout history, Black, Indigenous, and other people of color (BIPOC) communities have encountered systemic racism, discriminatory policies, and institutional barriers that have prevented individuals and families from accumulating and passing down wealth. By providing children in BIPOC communities access to CSAs, municipalities can empower families to accumulate assets and foster intergenerational wealth, thereby narrowing the racial wealth divide.





In 2021, in partnership with the nonprofit organization Operation Hope, the City of Atlanta, GA, began piloting the city's CSA program through a targeted approach. Through the program, every kindergartener in a Title I school receives a savings account and an initial deposit of \$50.<sup>10</sup> A Title I school is a U.S. public school that qualifies for federal financial assistance if a high percentage of students come from low-income families. Notably, Black students (45%) are overrepresented in our nation's high-poverty schools compared to white students (8%).<sup>11</sup> By strategically implementing CSA programs in Title I schools, this initiative confronts the disproportionate economic disparities faced by Black students and contributes to narrowing the racial wealth gap.

*Educational success after high school.* CSAs instill a mindset in youth from an early age that they can continue their education post-high school, shaping aspirations and providing a tangible pathway. Research shows that low- to moderate-income students with savings as low as between \$1 to \$499 intended for education after high school are three times more likely to attend college and four times more likely to graduate.<sup>12</sup> This evidence underscores CSAs' impact in breaking down financial barriers to pursuing and successfully completing post-high school education.



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**Through Lansing SAVE, the city has been able to partner with important actors in our community to empower youth to realize their dreams. The community at large is investing in a future where every student can thrive and achieve their full potential.**

MAYOR ANDY SCHOR  
Lansing, Michigan

The City of Lansing, MI, launched its CSA program, Lansing Student Accounts Valuing Education (SAVE), in 2015. Through the program, every kindergartener in the Lansing School District receives a \$5 seed deposit into their savings account. The city has also integrated the Lansing Promise with its CSA efforts to provide tuition assistance through scholarship funds for students attending local colleges.

*Improving literacy.* Proficiency in reading by the third grade is critical for shaping a child's path toward upward mobility and education after high school. In fact, the Annie E. Casey Foundation found that students who do not reach reading proficiency by the end of the third grade are four times less likely to graduate high school.<sup>13</sup>

The Boston Saves program offers incentives to families that encourage the development of reading literacy skills. Families that read with their children for 20 minutes a day and 20 days per month can earn up to \$20 in additional deposits to their savings accounts.<sup>14</sup>

## Conclusion

As leaders of cities, towns and villages look to positively impact the lives of children in their community, CSA programs offer an opportunity to give more children, including low-income children, ownership of their future. CSAs can help put post-high school education within reach for more young people, raise community expectations of educational possibilities for youth, and help them explore education past high school and job opportunities. Local leaders can leverage the power of CSAs by connecting them with other essential activities that address community needs along the way. Children's Savings Accounts build hope for our youngest residents, a strategy all local leaders can embrace to strengthen their municipalities.

## Resources for City Leaders

### **College Promise**

[www.collegepromise.org/resources](http://www.collegepromise.org/resources)

### **College Savings Plans Network**

[www.collegesavings.org/find-my-states-529-plan](http://www.collegesavings.org/find-my-states-529-plan)

### **Consumer Financial Protection Bureau**

[www.consumerfinance.gov/about-us/blog/promising-practices-lessons-learned-child-savings-account-programs/](http://www.consumerfinance.gov/about-us/blog/promising-practices-lessons-learned-child-savings-account-programs/)

### **Prosperity Now**

[prosperitynow.org/childrens-savings](http://prosperitynow.org/childrens-savings)

### **University of Michigan's Center on Assets, Education, and**

### **Inclusion**

[aedi.ssw.umich.edu/](http://aedi.ssw.umich.edu/)

### **Washington University in St. Louis' Center for Social**

### **Development**

[csd.wustl.edu/child-development-accounts/](http://csd.wustl.edu/child-development-accounts/)

## About the National League of Cities

The National League of Cities (NLC) is the voice of America's cities, towns and villages, representing more than 200 million people. NLC works to strengthen local leadership, influence federal policy and drive innovative solutions.

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## Endnotes

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