Center for Social Development
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Statewide Child Development Accounts and Local Partnerships: A Scalable Model that Can Include All Families

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Child Development Accounts and Financially Vulnerable Families

Statewide Child Development Accounts (CDAs) provide assets and encourage saving for postsecondary education through deposits into investment accounts. CDAs aim to improve development outcomes—and ultimately increase postsecondary education attainment—especially in financially vulnerable families. Several states have enacted CDA legislation to benefit every newborn and are positioned to deliver this financial capability intervention at scale.[1]

Policymakers and the social service sector have deepened their interest in using CDAs to address economic insecurity among the families they serve, and with good reason. Integrating services could enable organizations to *maximize strengths and improve families' financial well-being as well as other outcomes,* while minimizing overall costs.

Empirical evidence from the SEED for Oklahoma Kids (SEED OK) statewide experiment[2] suggests that combining CDAs with social services may greatly benefit financially vulnerable families. The CDA has positive, statistically significant impacts on financial and nonfinancial outcomes for families participating in Temporary Assistance for Needy Families (TANF) or Head Start. Regarding positive effects on reduced depressive symptoms and more positive parenting practices, the effects of the CDA was greater for families that participated in TANF or Head Start than for families that did not.[3]

Informed by SEED OK, this brief presents a policy model for partnering statewide CDAs with other federal, state, city, and community services for financially vulnerable families *to increase the combined positive impacts at scale*. It first outlines the different strengths of local municipalities, social service organizations, and statewide CDAs, and then illustrates the benefits of a combined policy model.

Strengths of Local Municipalities and Social Service Organizations

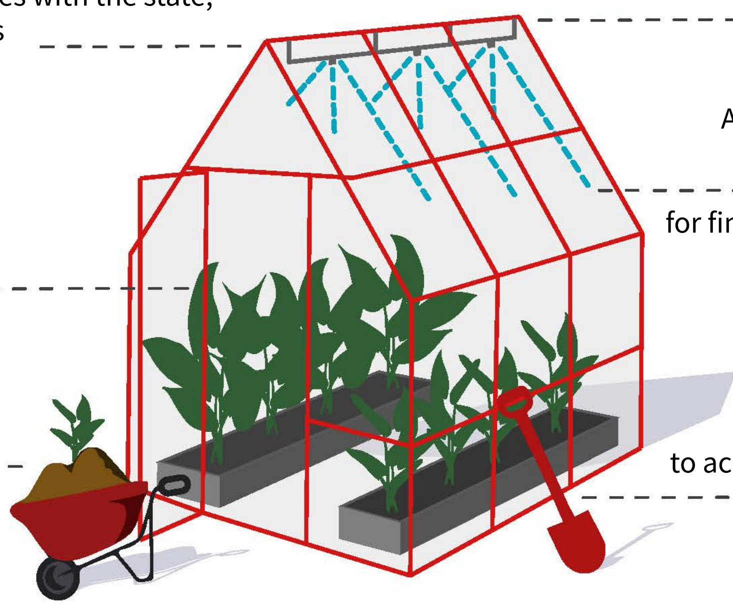
- Are strongly committed to financially vulnerable populations
- Have expertise and proximity to deliver services
- Are trusted by and connected to their communities
- Understand the unique needs of vulnerable families in their cities and communities
- Offer key services such as financial education in and out of elementary school classrooms, low-cost savings and checking accounts for short-term savings and transactions, and information about college financial aid

Strengths of Statewide CDAs

- Provide assets to all newborn children in families across the full socioeconomic and geographic (rural and urban) spectrum
- Receive data from other state agencies, such as Departments of Public Health and Revenue, which can identify disadvantaged children to receive future deposits [4]

- Are built on existing 529 college savings plan platforms, placing the financial oversight and recordkeeping responsibilities with the state (typically the State Treasurer)
- Offer investment growth for greater long-term asset building potential[5]
- Provide a foundation to integrate financial capability services, asset-building programs, and other social service supports
- Spread administrative costs across the state's 529 plan, creating sustainability over time

A Scalable Model that Builds on Diverse Strengths: Statewide CDAs and Local Services



This partnership model provides an effective platform for integrating CDAs with other social services for financially vulnerable families. Statewide CDA partnerships with other federal, state, city, and community services have the potential to reduce administrative costs and focus more resources on targeted services and progressive funding to improve the well-being of financially vulnerable families.

The scalable model is designed to ensure that s*tatewide CDAs complement but do not replace efforts by local organizations and governments.* With partnerships formed and common challenges met, statewide CDAs, local municipalities and social service organizations will be better able to offer efficient and sustainable services, and build assets for all children.

CDA designers need not choose between a statewide policy structure and local engagement. Both can and do work together to the advantage of all financially vulnerable families.

Endnotes

1. In the last 18 months, statewide, automatic CDA legislation has passed in California, Illinois, Nebraska, and Pennsylvania. Statewide automatic CDAs also operate in Maine, Nevada, and Rhode Island. All of these statewide CDAs use 529 plans as the financial platform. For more information, see Child Development Accounts at Scale: Key Elements for State Legislation (CSD Policy Brief No. 19-46) and Statewide Child Development Account policies: Key design elements (CSD Research Report No. 17-30).
2. Interviews were conducted in 2007 and 2011. In 2020, a third wave of SEED OK interviews will allow researchers to examine longer-term impacts for families when the children are about 12 years old.

Wave 3 also includes a new progressive financial intervention. In early 2019, SEED OK deposited funds into the state-owned Oklahoma 529 plan account for half of the treatment children (678). All of these children received $200, and disadvantaged children received an additional $400. See SEED for Oklahoma Kids Wave 3: Extending Rigorous Research and a Successful Policy Model (CSD Research Brief No. 19-06).

3. More detailed information on the research results can be found in the companion brief: Financially Vulnerable Families Reap Multiple Benefits from Child Development Accounts (CSD Research Brief No. 19-40).

4. For example, in Pennsylvania, the Department of Health transmits information to the Keystone Scholars CDA that indicates whether or not the mother receives the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefit. See Child Development Accounts at Scale: Key Elements for State Legislation (CSD Policy Brief No. 19-46).

5. In addition to investment growth potential, another benefit is that earnings in 529s grow free from state and federal income tax when used to pay for qualified educational costs. Also, many states offer tax deductions or credits to families saving in a 529.

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