



Child Development Accounts at Scale: Sample State Legislation

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Statewide [Child Development Accounts](#) (CDAs) provide assets and encourage saving for postsecondary education through deposits into investment accounts. The most rigorous policy test of CDAs, the [SEED for Oklahoma Kids](#) (SEED OK) experiment, began in 2007. The CDA in this experiment models a universal (all children are included), automatic policy (without action by a parent) offering deposits at birth and progressive subsidies (directed to those most in need).¹

Prior to Oklahoma’s selection as the state partner, the experiment was known as the [SEED Universal Policy Model and Research](#), or the “Universal Model,” because of its goal to study thoroughly a CDA that is scalable in the form that it is demonstrated, using a state-sponsored 529 plan as the financial platform.² With evidence from SEED OK, the Center for Social Development (CSD) identified 10 key elements for state CDA policies.³

Several states have adopted CDA policies, some by legislation and others by administrative rule. Research results from SEED OK have informed all of these [statewide policies](#), and CSD has advised in all of these states. In 2018, [Pennsylvania](#) became the first in the nation to enact legislation creating a universal, automatic, opt-out CDA policy.⁴ The Pennsylvania Keystone Scholars policy now automatically deposits \$100 into a 529 plan account on behalf of each of the approximately 140,000 state-resident children born each year. In the spring of 2019, [Nebraska](#) unanimously passed CDA legislation for every resident born on or after January 1, 2020. [Illinois](#) and [California](#) enacted their own statewide CDA policies in the months that followed.

This spate of legislative activity signals encouraging policy momentum for CDAs at scale. In this report, legislative language from four state policies illustrates the design elements: Pennsylvania’s Keystone Scholars, Nebraska’s Meadowlark Program, Illinois’s Higher Education Savings Program, and California’s Kids Investment and Development Savings Program. Examples from other states supplement the discussion. The report is intended to inform states interested in enacting universal, automatic, statewide CDA legislation.

Policy Design Elements for CDAs at Scale

CSD’s [10 key design elements](#) serve as the framework for designing CDAs through state legislation. The legislation from the four states highlighted here—Pennsylvania, Nebraska, Illinois, and California—models those elements. For concision, this report presents *select examples* of legislative language.

POLICY DESIGN ELEMENTS FOR CDAS AT SCALE



UNIVERSAL ELIGIBILITY



CENTRALIZED SAVINGS PLAN



AUTOMATIC ENROLLMENT



INVESTMENT GROWTH POTENTIAL



AT-BIRTH START



TARGETED INVESTMENT OPTIONS



AUTOMATIC INITIAL DEPOSIT



RESTRICTED WITHDRAWALS



AUTOMATIC PROGRESSIVE SUBSIDY



MEANS-TESTED PUBLIC BENEFIT EXCLUSIONS





UNIVERSAL ELIGIBILITY

Universal eligibility means that every newborn is included—infants in families across the full socioeconomic and geographic (rural and urban) spectrum. With universal eligibility, no state-resident baby is excluded. The CDA policy also covers newly adopted children.

PENNSYLVANIA

[72 PA. STAT. § 312 \(g\) \(2019\)](#)

“Eligible child” shall mean an individual born after December 31, 2018, who is:

- (1) a resident of this Commonwealth at the time of birth and at the time that the grant for qualified higher education expenses is applied for or received; or
- (2) an adoptee in receipt of a valid decree of adoption under 23 Pa.C.S. § 2902 (relating to requirements and form of decree of adoption), whose adopting parent or parents were residents of this Commonwealth at the time the decree of adoption was entered and who is a resident at the time that the grant for qualified higher education expenses is applied for or received.

CALIFORNIA

[CAL. EDUCATION CODE § 69996.3\(a\) \(2019\)](#)

Each child born on or after July 1, 2020, who is a California resident at the time of birth is eligible for the program.

ILLINOIS

[15 ILL. COMP. STAT. 101-0466 / 16.8\(a\) \(2019\)](#)

“Eligible child” means a child born or adopted after December 31, 2020, to a parent who is a resident of Illinois at the time of the birth or adoption, as evidenced by documentation received by the Treasurer from the Department of Revenue, the Department of Public Health, or another State or local government agency.



AUTOMATIC ENROLLMENT

Automatic enrollment means that all children automatically benefit and that parents are not required to act. With “opt-out” (automatic) enrollment, every state-resident newborn is included, and parents have the option to elect for their children not to participate.

In Maine, parents may *opt out of receiving communications* from the statewide CDA, but children retain their \$500 Alford Grant even if parents choose not to receive communications.⁵

With nonautomatic enrollment (which requires parents to opt in), many disadvantaged families will be left out of CDAs.⁶

AUTOMATIC ENROLLMENT

NEBRASKA

NEB. REV. STAT. § 85-2804 (3) (2019)

Following receipt of the information described in subsection (2) of this section, the State Treasurer shall send a notification explaining the Meadowlark Program to the parent or legal guardian of each qualified individual. The State Treasurer shall provide such parent or legal guardian with the opportunity to exclude his or her child from the program. *Any child who is not excluded shall be deemed to be enrolled in the program* [emphasis added].

PENNSYLVANIA

72 PA. STAT. § 312(a–b) (2019)

Keystone Scholars Grant Program.--(a) The department shall establish a grant program as part of the Tuition Account Guaranteed Savings Program Fund established under section 306 of the Tuition Account Programs and College Savings Bond Act to be known as the Keystone Scholars Grant Program. The purpose of the program shall be to promote access to postsecondary educational opportunities for each eligible child.

(b) The following apply:

(1) No later than ninety days following the birth of an eligible child, the Department of Health shall transmit information and record data to the department necessary to administer the program and establish the eligibility of each child born after December 31, 2018. Information under this subsection shall include, but not be limited to, record data such as the full name and residential address of the child's parent or legal guardian and birth date of the child.

(2) Following receipt of the information under paragraph (1), the department shall notify each parent or guardian of each eligible child about the program.

(3) The department shall provide an opportunity to be excluded from the program.

(4) The department shall ensure the security and confidentiality of the information and record data provided under paragraph (1).



AT-BIRTH START

At-birth start means that an account is opened at or shortly after a child's birth. Opening an account early maximizes time for assets to grow and, during the critical early childhood years, has the potential to change parent attitudes and behaviors regarding their children's future.

State birth records provide the only single, centralized source of information on all newborns. Data transferred from the state department that keeps such records can include the full name and residential address of each child's parent or legal guardian, the name and birth date of the child, the race and education level of the child's mother and father, whether the mother receives public benefits, contact information (including email), and other vital information. Legislation can authorize such data sharing between departments that hold those data.

States can open at-birth CDAs without the Social Security numbers (SSNs) of the newborns if the program contributions and earnings for these beneficiaries are owned by the state or another entity—typically, in a single, omnibus (or master), 529 plan account.⁷

AT-BIRTH START

NEBRASKA

[NEB. REV. STAT. § 85-2804 \(2\) \(2019\)](#)

Any qualified individual shall be eligible to participate in the Meadowlark Program. No later than March 1 of each year, the Department of Health and Human Services shall transmit information to the State Treasurer which is necessary to administer the program and to establish whether the children born in the previous calendar year are qualified individuals. Such information shall include, but not be limited to, the full name and residential address of each child's parent or legal guardian and the birthdate of each child. Costs associated with the transfer of information by the Department of Health and Human Services shall be paid from the College Savings Plan Expense Fund.

PENNSYLVANIA

[72 PA. STAT. § 312 \(b\) \(1\) \(2019\)](#)

No later than ninety days following the birth of an eligible child [emphasis added], the Department of Health shall transmit information and record data to the department necessary to administer the program and establish the eligibility of each child born after December 31, 2018. Information under this subsection shall include, but not be limited to, record data such as the full name and residential address of the child's parent or legal guardian and birth date of the child.



AUTOMATIC INITIAL DEPOSIT

Automatic initial deposit means that an account is automatically seeded with assets for each child.⁸ A substantial initial deposit (e.g., \$500 to \$1,000) may shape education-related attitudes and behaviors from the beginning.⁹ These deposits enable financially vulnerable children to accumulate assets despite limited household income.¹⁰ Because of budget constraints, some statewide CDAs begin with a deposit of \$100 and one provides \$500.¹¹ If CDAs are funded with automatic, sizable, initial deposits when children are very young, the accounts may accumulate meaningful assets over time, even if their families cannot save.

PENNSYLVANIA

[72 Pa. Stat. § 312 \(c\) \(4\) \(2019\)](#)

To an eligible child for whom a Tuition Account Program Contract [with Pennsylvania 529 College and Career Savings Program, or PA 529] has been entered into, and upon application and the submission of documentation necessary to establish the child's eligibility and enrollment as a student at an eligible educational institution, *the department shall provide a scholarship grant in the amount of one hundred dollars (\$100)* [emphasis added], plus such investment earnings attributed to the initial grant amount since the birth date of the eligible child as calculated by the department, for qualified higher education expenses associated with attendance at an eligible educational institution.



AUTOMATIC PROGRESSIVE SUBSIDY

Automatic progressive subsidy means that deposits and incentives are structured to direct more funds to children most in need. Some CDAs offer savings matches, but resource constraints in the lowest income households make it very difficult for them to receive this incentive.¹² This underscores the need to supplement initial deposits with other, progressively structured subsidies that are not tied to family deposits.¹³

By targeting extra deposits and incentives to children from low-income families, state policy can boost asset accumulation for financially vulnerable children. Making these subsidies automatic ensures that all eligible children receive them. In Pennsylvania, the Department of Health transmits information that indicates whether the mother receives the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefit. This status indicator can facilitate a future progressive subsidy targeted to low-income children statewide or in specific communities.¹⁴

PENNSYLVANIA

72 PA. STAT. § 312(d)(2) (2019)

Subject to the availability of money from contributions made under subsection (e), the State Treasurer may establish *financial incentives, such as school attendance, for additional grants for an eligible child* [emphasis added] with an established Guaranteed Savings Plan Account under section 309 of the Tuition Account Programs and College Savings Bond Act.

CALIFORNIA

CAL. EDUCATION CODE § 69996.3(d, h) (2019)

(d) the board may periodically inform a child’s parent or legal guardian of the balance of a KIDS account, including earnings designated for the child, information on how the parent or legal guardian may establish a separate account pursuant to Article 19 (commencing with section 69980), and information on contribution matching opportunities provided pursuant to that article.

(h) subject to available money in the fund, *the board may provide additional incentives from the fund for children participating in the program, including, but not limited to, incentives targeting low-income households* [emphasis added].



CENTRALIZED SAVINGS PLAN

Centralized savings plan means that all CDAs issued through a state policy operate within the same financial platform. Forty-nine of the 50 states operate a 529 college savings plan,¹⁵ and all that have statewide CDAs use their 529 plans as the financial structure. The use of the state 529 plan for all children in the CDA facilitates statewide partnerships, efficiency, and economy of scale. State and state-contracted organizations are responsible for accounting, recordkeeping, and investing assets.¹⁶

ILLINOIS

15 ILL. COMP. STAT. 101-0466 / 16.8(a) (2019)

“College savings account” means a 529 plan account established under Section 16.5.

CENTRALIZED SAVINGS PLAN *(continued)*

CALIFORNIA

CAL. EDUCATION CODE § 69996.2(a) (2019)

“Account” means a Scholarshare 529 account established pursuant to this article under Article 19 (commencing with Section 69980).



INVESTMENT GROWTH POTENTIAL

Investment growth potential means that assets held in statewide CDAs have the potential for market growth and investment earnings. All states with CDA policies hold deposits in investments. Market appreciation can substantially increase the amount set aside for a child over time, especially if deposits are made when the child is very young. In SEED OK, for example, the \$1,000 initial deposit invested in the Oklahoma 529 College Savings Plan in 2007 grew to \$1,669 by September 30, 2017, despite falling to a low of \$700 during the Great Recession.¹⁷

CALIFORNIA

CAL. EDUCATION CODE § 69996.3(g) (2019)

Upon receiving documentation of a child’s enrollment as a student at an institution of higher education, the board shall make a payment to that institution in the amount of the seed deposit designated for the child pursuant to subdivision (f), plus any investment earnings attributed to that amount since the date of that deposit as calculated by the board, for qualified higher education expenses associated with the child’s attendance at that institution.

PENNSYLVANIA

72 PA. STAT. § 312 (c) (4) (2019)

To an eligible child for whom a Tuition Account Program Contract has been entered into, and upon application and the submission of documentation necessary to establish the child’s eligibility and enrollment as a student at an eligible educational institution, the department shall provide a scholarship grant in the amount of one hundred dollars (\$100), *plus such investment earnings attributed to the initial grant amount since the birth date of the eligible child* [emphasis added] as calculated by the department, for qualified higher education expenses associated with attendance at an eligible educational institution.



TARGETED INVESTMENT OPTIONS

Targeted investment options means that the investment options available through the CDA program are targeted to the needs of families investing for postsecondary education. Age-based funds, for example, are tailored to the beneficiary’s age, change over time, and become increasingly conservative as the beneficiary nears college age.¹⁸ They provide a “set-it-and-forget-it” feature for the CDA deposits.

TARGETED INVESTMENT OPTIONS

No state legislation specifies the investment for program deposits

States typically select an age-based fund as the program investment for the CDA, though it is not necessary and perhaps undesirable to legislate this element. Because 529 plan investments may change in the future and amendment can be time consuming, it does not make sense to legislate a specific investment fund for the CDA program deposits. For example, statewide CDAs in Maine, Nevada, and Rhode Island, hold initial deposits in a master account and invest the assets in age-based funds.

Also, for families saving in their own 529 account, an age-based option simplifies fund selection and removes investment decisions over the long term. Of note, when families open and own their own 529 account, they control their savings, so they may (1) choose an investment that is more or less aggressive than the state-selected option (such as one that preserves the principal), (2) withdraw savings easily for personal or financial reasons, and (3) benefit from a state tax deduction.¹⁹



RESTRICTED WITHDRAWALS

Restricted withdrawals refers to limits on how and when the assets may be used. All state CDA policies restrict access to program contributions and the associated investment earnings, requiring beneficiaries to use the funds for postsecondary education. Restricting program deposits for postsecondary education makes the goal of college more salient.²⁰

Restricting the use of assets may shape how families view the assets and promote future workforce development. Postsecondary education may seem an attainable goal because the assets are set beyond easy reach,²¹ and the assets may influence family life in other ways.

State CDA policies impose additional restrictions such as requiring that the CDA be used by a certain age. The age specified in statewide CDA legislation ranges from 26 to 30. States typically allow the funds and the associated earnings to be used for any qualified postsecondary educational institution, including trade schools, colleges, and universities inside or outside of the state.²² When students are ready to use the money, initial deposits (and earnings) will be sent directly to an accredited college, university, or vocational school.²³ Funds are returned to the program if not accessed before the beneficiary reaches the specified age.

ILLINOIS

[15 ILL. COMP. STAT. 101-0466 / 16.8\(a\) \(2019\)](#)

“Eligible educational institution” means institutions that are described in Section 1001 of the federal Higher Education Act of 1965 that are eligible to participate in Department of Education student aid programs.

PENNSYLVANIA

[72 PA. STAT. § 312\(c\)\(1\) \(2019\)](#)

The Keystone Scholars Grant Program Account is established as a separate account within the Tuition Account Guaranteed Savings Program Fund. Money contained in this account shall be for the exclusive

RESTRICTED WITHDRAWALS

PENNSYLVANIA *(continued)*

purpose of providing scholarship grants to eligible children to pay for qualified higher education expenses associated with the attendance at an eligible educational institution.

NEBRASKA

[NEB. REV. STAT. § 85-2804 \(6\) \(2019\)](#)

Any disbursement from an account opened under the Meadowlark Program shall be made before the qualified individual reaches thirty years of age. Once a qualified individual reaches thirty years of age, any unused funds in his or her account shall be transferred to the Meadowlark Endowment Fund.



MEANS-TESTED PUBLIC BENEFIT EXCLUSIONS

Means-tested public benefit exclusions refers to policy provisions that exclude assets in CDAs from means tests used to determine eligibility for public benefits. Many public benefit programs impose such tests, and applicants are eligible for benefits only if their income and assets are below specified thresholds. Some types of assets, such as savings in 529 plans, may be excluded from those tests.

Program Deposits. In statewide CDA policies, initial deposits and associated earnings are held and owned by the state or state 529 plan, not the child's family, so they do not affect a family's eligibility for public benefits.²⁴

ILLINOIS

[15 ILL. COMP. STAT. 101-0466 / 16.8\(d\) \(2019\)](#)

The State Treasurer shall make a deposit into an omnibus account of the Fund on behalf of each eligible child. *The State Treasurer shall be the owner of the omnibus accounts* [emphasis added].

NEBRASKA

[NEB. REV. STAT. § 85-2804 \(5\) \(2019\)](#)

The *Nebraska educational savings plan trust* [emphasis added] shall own all accounts opened under the Meadowlark Program. Neither the qualified individual nor his or her parent or legal guardian shall have any ownership rights or interest in, title to, or power or control over such an account.

Personal Deposits. CDA policies and 529 plans encourage families to save their own money, offering incentives for them to do so.²⁵ Those savings can be subject to means tests and can affect program eligibility. Yet, assets held in 529 plans do not count toward the asset limit for Supplemental Nutrition Assistance Program (also known as SNAP). And at least eight states have abolished Temporary Assistance for Needy Families (TANF) asset limits. Finally, at least 15 states (and the District of Columbia), specifically exclude 529 savings from asset limits for the TANF program.²⁶

One model for state legislation is in Oklahoma. Effective November 2008 and with unanimous approval by the state Senate and House of Representatives, money in Oklahoma 529 accounts is no longer included as a resource in determining eligibility for TANF, SNAP, or the Low-Income Home Energy Assistance Program (LIHEAP).²⁷

MEANS-TESTED PUBLIC BENEFIT EXCLUSIONS: PERSONAL DEPOSITS

OKLAHOMA

OKLA. STAT. 56, § 4000 (2019)

An Oklahoma College Savings Plan account shall be exempt for purposes of determining eligibility for public assistance, provided that the federal rules for these programs permit such an exemption.

Looking Ahead

States require educated workforces in order to thrive and attract new business in the twenty-first century economy, but the rising costs of college and trade school leave many families deep in debt.²⁸ For others, high cost is a lock on the door to higher education. CDAs offer a relatively low-cost investment in the future workforce, an investment with the potential to improve parenting, children’s development, academic achievement, financial well-being, and future expectations.²⁹

A statewide CDA policy does more than develop assets for children’s postsecondary education. Experimental evidence from the first two waves of SEED OK demonstrates multiple positive impacts of universal, automatic, and progressive CDAs on families and children. As intended, CDAs substantially increase asset building for postsecondary education. In addition, they improve the social development of young children, and the mental outlook, parenting practices, and educational expectations of mothers. Positive effects are often greater for low-income and disadvantaged families. For example, the effects of the SEED OK CDA on positive parenting practices and maternal depression were greater for families that participated in TANF or Head Start than for families that did not.³⁰

Numerous partners are required to administer a statewide policy, and state agencies provide leadership in fostering those collaborations. State agencies can coordinate to share the required birth record data for automatic enrollment and to identify financially vulnerable families eligible for progressively structured subsidies such as automatic milestone deposits. States can work with philanthropies and nonprofit organizations to raise funds for incentive payments and related activities.³¹ As the legislation in Nebraska, Illinois, and Pennsylvania suggests,³² statewide CDAs, local municipalities, and partnering social service organizations, in combination, are positioned to build assets for all children. Specifically, combining statewide CDAs with social services may greatly benefit financially vulnerable families.³³ These key partnerships allow states to succeed in ways that otherwise would not be possible.

Delivering CDAs at scale—to all newborns in families across the full economic socioeconomic and geographic (rural and urban) spectrum—and in a financially sustainable way requires a sound policy structure. This report illustrates essential and now well-established design elements of state CDA legislation to create such policy. The states have shown that fully inclusive and sustainable CDAs can be put in place. The examples of state policy in this paper specify CDA legislative strategies. As so often happens in state-level policy making, states learn from each other. We hope that this report will facilitate and inform that process.

Notes

1. See Beverly, Kim, Sherraden, Nam, and Clancy (2015), and Nam, Kim, Clancy, Zager, and Sherraden (2013). In SEED OK, the sampling frame consisted of birth records for all children born in Oklahoma during certain periods in 2007, and the CDA in SEED OK was the first in the United States to model all of the design elements identified in this report.
2. Oklahoma was selected through a 2005 competitive request for proposal (Sherraden & Clancy, 2005). In 2001, CSD first proposed 529 plans as the financial platform for CDAs, with the intention that they would eventually operate in a cost-effective manner and serve millions of people (Clancy, 2001).

3. Clancy and Beverly (2017b) provide the rationale for each of the 10 design elements.
4. For an explanation of opt-out policy, see the discussion on automatic enrollment.
5. The communications aim to increase children’s and families’ aspirations, boost parental engagement, improve college readiness, and encourage family contributions to their own 529 account for the child. See Clancy and Sherraden (2014), as well as <https://www.myalfondgrant.org/>.
6. If parents are required to initiate enrollment, participation rates will be much lower and the policy’s reach will fall short of universality (Clancy & Sherraden, 2014).
7. See 26 U.S.C. § 529(e) and Clancy and Sherraden (2014, n7). In Pennsylvania, “scholarship grants” for all state newborns are held in the Keystone Scholars Grant Program Account, along with investment earnings from those grants (72 PA. STAT. § 312 (c) (2019)). In California, the state’s contribution for a child is to be held in a designated subaccount within a ScholarShare 529 college savings account (CAL. EDUCATION CODE § 69996.3(f) (2019)). An SSN will be required when the child is ready to make a withdrawal for postsecondary education. Also, an SSN or, in some 529 plans, an Individual Taxpayer Identification Number (ITIN) is required for the family to open and own a separate 529 account for the child.
8. Funding sources for statewide CDAs vary. For example, Nebraska’s Meadowlark Program effectively creates an endowment to be funded equally through private contributions and state sources (the College Savings Plan Expense Fund or the Unclaimed Property Escheat Fund) (NEB. REV. STAT. § 85-2803(2) (2019)). Pennsylvania’s Keystone Scholars grants are funded by philanthropic resources and the surplus of the PA 529 Guaranteed Savings Plan Fund in the state’s existing college savings program (72 PA. STAT. § 312(c)(2) (2019)). Neither policy draws upon general revenue sources. CDA deposits in Maine are funded by the Harold Alford Foundation, and in Nevada and Rhode Island by 529 program managers (Clancy & Beverly, 2017b).
9. In SEED OK, a \$1,000 initial deposit was invested for all treatment children. See Sherraden et al. (2015) and Huang, Nam, Sherraden, and Clancy (2019) for summaries of empirical evidence of the effects of CDAs on early social-emotional development, parents’ expectations for their children’s education, maternal depressive symptoms, and parenting practices.
10. See Huang, Beverly, Kim, Clancy, and Sherraden (2019a).
11. For example, the statewide CDAs in Connecticut, Pennsylvania, and Rhode Island make an initial deposit of \$100; the grant is \$500 in Maine (Clancy & Beverly, 2017b). The legislation in several states authorizes administrators to accept private contributions for CDA deposits and incentive payments. For example, Nebraska’s Meadowlark Act gives this authority to the state treasurer (NEB. REV. STAT. § 85-2803 (2) (2019)).
12. Beverly, Clancy, Huang, and Sherraden (2015).
13. Wave 3 of SEED OK research models an automatic, progressive financial intervention. In early 2019, SEED OK deposited funds into the state-owned accounts of half of the treatment children: All received \$200, and disadvantaged children received an additional \$400. This early 2019 deposit is more progressive than the savings match that SEED OK offered to low-income treatment mothers after they completed the Wave 1 survey. Disadvantaged families received additional deposits only if they saved. As Clancy, Sherraden, and Beverly note, “The SEED OK Wave 3 deposit augments the college savings of the lowest income families, not just ‘savers’” (2019, p. 3).
14. For more, see the policy brief on integrating local services and statewide CDAs to maximize partner strengths and improve families’ financial well-being (Clancy, Sherraden, Huang, Beverly, & Kim, 2019).
15. Wyoming is the only state that does not operate a 529 plan (Savingforcollege.com, n.d.).
16. See Clancy et al. (2019).
17. Clancy and Beverly (2017a). The SEED OK investment was initially placed in the Oklahoma 529 College Savings Plan’s Balanced Option and is now held in the Moderate Age-based Option.

18. See Clancy and Beverly (2017b) for a discussion of targeted investment options and examples from the CDA programs in Maine, Nevada, Rhode Island, and elsewhere.
19. For a discussion of this feature, see Clancy and Beverly (2017a, p. 2).
20. For perspectives on the salience of college in families with CDAs, see Gray, Clancy, M. S. Sherraden, Wagner, and Miller-Cribbs (2012). For findings concerning the effects of CDAs on parents' expectations for their children's education, see Kim, Huang, Sherraden, and Clancy (2018), and Kim, Sherraden, Huang, and Clancy (2015).
21. This section refers to state or program funds. When families open and own their own 529 account, any nonqualified withdrawals (for purposes other than qualified higher education expenses) of untaxed earnings are subject to federal and state taxes and a 10% federal tax.
22. Nebraska requires that funds contributed by the state, and any earnings, be used for a college, trade school, or other postsecondary education in Nebraska ([NEB. REV. STAT. § 85-2804 \(7\) \(2019\)](#)). Individuals seeking access to funds reserved for them in Illinois and Pennsylvania must be residents of those states at the time of withdrawal ([15 ILL. COMP. STAT. 101-0466 / 16.8\(d\) \(2019\)](#); [72 PA. STAT. § 312\(g\)\(1\) \(2019\)](#)).
23. See Clancy and Beverly (2017b), especially Table 4.
24. Like Illinois, Nebraska, Pennsylvania, and California respectively have a single, omnibus account structure (e.g., [CAL. EDUCATION CODE § 69996.3\(f\) \(2019\)](#)). Thus, program contributions and earnings are not subject to means testing when families apply for public benefits.
25. In California, for example, the legislation directs the state to tell parents how to open their own 529 account and how to access savings matches. It authorizes additional seed funding for a child if the parent/guardian opens a separate account ([CAL. EDUCATION CODE § 69996.3\(b, f\) \(2019\)](#)). Contributions to 529 accounts are tax deductible in many states, and the earnings are not subject to state or federal tax if used for qualified education expenses (Clancy & Beverly, 2017b; Savingforcollege.com, 2018).
26. In response to research indicating that asset limits discourage low-income families from saving, the federal government required states to abolish asset limits for Medicaid and the Children's Health Insurance Program (also known as CHIP) and to exclude 529 plan assets when determining eligibility for SNAP. States create their own rules for certain other means tests. As of 2017, Alabama, Colorado, Hawaii, Illinois, Louisiana, Maryland, Ohio, and Virginia had abolished asset limits altogether (Beverly & Clancy, 2017). For example, Pennsylvania state law explicitly excludes PA 529 accounts from asset testing for the TANF program ([55 PA. CODE § 177.21 \(a\)\(12\)](#)). In California, eligibility standards for CalWORKS (the state's TANF program) exclude assets in 529 accounts ([CAL. WELFARE AND INSTITUTIONS CODE § 11155.6 \(2019\)](#); California Department of Social Services, 2015, 2019, p. 178). States have no power to change asset limits for the Supplemental Security Income program because it is funded and administered solely by the federal government.
27. The policy work in Oklahoma is detailed in Mason, Clancy, and Lo (2008). Speaking in support of the proposed legislation at the time, the lead sponsor called the asset limits "penny wise and pound foolish" (Beverly & Clancy, 2017, n22).
28. The cost of postsecondary education continues to rise, and total, outstanding student debt comes to approximately \$1.5 trillion. For a summary of trends, see College Board (2018) and Haughwout, Lee, Scally, and Van der Klaauw (2019).
29. See Beverly, Clancy, and Sherraden (2016); Huang, Beverly, Kim, Clancy, and Sherraden (2019a); Huang, Kim, Sherraden, and Clancy (2017); Huang, Sherraden, Kim, and Clancy (2014); Huang, Sherraden, and Purnell (2014); Kim, Huang, Sherraden, and Clancy (2018), and Kim, Sherraden, Huang, and Clancy (2015); Nam et al. (2013).
30. Huang, Beverly, Kim, Clancy, and Sherraden (2019a). For a summary of findings, see the companion brief on CDAs in financially vulnerable families (Huang, Beverly, et al., 2019b).
31. In fact, the legislation in all four states authorizes programs to accept private contributions ([CAL. EDUCATION CODE § 69996.6\(b\)\(1\) \(2019\)](#); [NEB. REV. STAT. §§ 85-2803 \(2\) \(2019\)](#); [15 ILL. COMP. STAT. 101-0466 /](#)

16.8(f, g) (2019); 72 PA. STAT. § 312(e) (2019)), and all states seek to initiate or strengthen existing municipal and nonprofit partnerships to integrate services and expand benefits for their state residents.

32. See NEB. REV. STAT. §§ 85-2802(5), 85-2803(2) (2019); 15 ILL. COMP. STAT. 101-0466 / 16.8(g) (2019); 72 PA. STAT. § 312(e) (2019).

33. Sherraden, Clancy, and Beverly (2018) and Clancy et al. (2019).

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