



**SAINT PAUL**  
MINNESOTA

## Invest in Every Child's Future with Children's Savings Accounts

Early success from the City of Saint Paul program  
& Recommendations for building a statewide  
program in Minnesota



### TABLE OF CONTENTS:

**At-A-Glance** - Page 2

**Why Statewide CSA in MN** - Page 5

**Statewide Outcomes** - Page 6

**What are CSAs?** - Page 7

**CollegeBound Saint Paul** - Page 9

**Recommendations** - Page 16

- Key CSA Program Design Elements
- Key Policies Needed to Improve CSAs Statewide
- How to Improve Access to the Minnesota 529 Plan



# Pathways to Expanding Children's Savings Accounts in Minnesota



## At-a-Glance Report

**9.5%**

of Minnesota households living in income poverty<sup>1</sup>

**12%**

having zero or negative net worth<sup>1</sup>

The funding to cover post-secondary education options is not currently a reality for many families, predominantly low-income and diverse families.

**72%**

of graduates of Minnesota schools were in debt at graduation<sup>2</sup>

**31%**

Minnesota's average debt per borrower increased by more than 31 percent in 10 years<sup>2</sup>

Some children from low-income and diverse families may not develop a college-bound identity as they may not see post-secondary education options in their future.

### Sources:

<sup>1</sup> Prosperity Now Scorecard, from <https://scorecard.prosperitynow.org/>

<sup>2</sup> Miller, C. (2019, May 6). Bizjournals.com. Retrieved 2021, from

<https://www.bizjournals.com/twincities/news/2019/05/06/minnesota-ranks-fifth-nationally-for-student-loan.html>



Childrens' Savings Accounts (CSAs) provide a proven mechanism to save for post-secondary education programs, **significantly increasing the chances that a child ends up enrolling and graduating** from such programs, obtaining the skills for much better paying jobs.

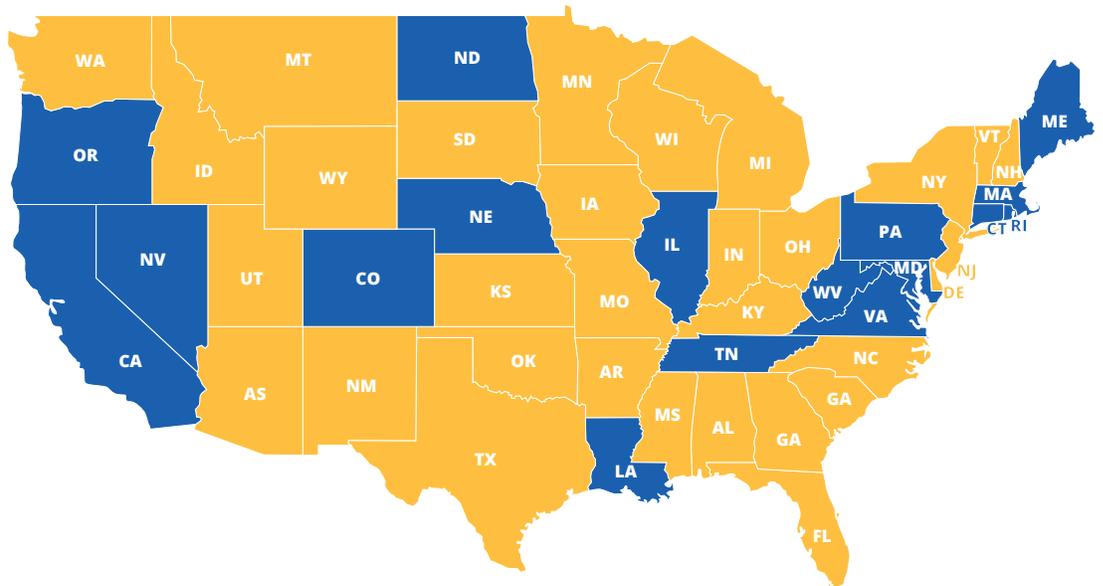


Minnesota launched its first CSA program in Saint Paul on January 1st, 2020, and after 1 year of successful running, it is now time for creating a statewide program that will extend the benefits to all applicable families across the state.

Providing families with CSAs statewide will help to increase educational, racial and socio-economic equity in Minnesota, helping to increase shared prosperity throughout all communities across the state.

## Statewide CSA Programs in the United States

Various states and cities across the nation, including Saint Paul, have been implementing programs to open a CSA for newly born babies and kids until a certain age, with seed money in it to set families into a path to saving for post-secondary education.



- OREGON**  
- Baby Grad (Oregon)  
- Kinder Grad (Oregon)
- MASSACHUSETTS**  
Baby Steps Savings Plan
- WEST VIRGINIA**  
Bright Babies
- CALIFORNIA**  
- California Kids Investment and Development Program (KIDS)  
- ScholarShare Matching Grant Program

- CONNECTICUT**  
CHET Baby Scholars
- RHODE ISLAND**  
CollegeBoundbaby
- COLORADO**  
First Step (Colorado statewide program)
- ILLINOIS**  
Illinois state program (name TBD)
- PENNSYLVANIA**  
Keystone Scholars

- MARYLAND**  
Maryland Save4College State Contribution Program
- NEBRASKA**  
Meadowlark Program (NE state program)
- MAINE**  
My Alford Grant (formerly Harold Alford College Challenge)
- NEVADA**  
Nevada College Kick Start

- NORTH DAKOTA**  
North Dakota New Baby Match (formerly Children First) and BND Matching Grant
- VIRGINIA**  
SOAR VA
- LOUISIANA**  
Start Saving Program (Louisiana)
- TENNESSEE**  
Tennessee Investments Preparing Scholars

# Early Successes of CollegeBound Saint Paul

Here's how CollegeBound Saint Paul performed between January 1, 2020 and December 31, 2020

**3,091**

Number of babies who are a part of CollegeBound Saint Paul

**2,721**

Number of babies who were auto enrolled

**370**

Number of babies who were opted in

**\$154,550**

Seed (\$50) deposit totals

**\$207,700**

Number of program bonuses earned

**\$364,101**

Total Account Balance (Seed, Bonuses, & Family Deposits).

## Recommendations

### RECOMMENDATION 1

#### Key CSA Program Design Elements

##### > EQUITY

- Universal Eligibility
- Automatic Opt-Out Enrollment

##### > SUPPORT COLLEGE-GOING IDENTITY & BUILDING SAVINGS FOR THE FUTURE

- Automatic Initial Deposit
- Ongoing Investment Overtime
- At-Birth Start

##### > ADMINISTRATIVE EASE FOR LONG-TERM SUSTAINABILITY

- Centralized Savings Plan
- Targeted Investment Options
- Potential for Investment Growth
- Restricted Withdrawals
- Integration of Account Vehicles for Savings

### RECOMMENDATION 2

#### Key Policies Needed to Improve CSAs Statewide

- 01 Reduce CSA programs' barriers to accessing birth records
- 02 Allow local units of government to become custodial account holders
- 03 Allow local units of government to deposit public funds into CSA programs
- 04 Pass policy to authorize state agency to support statewide expansion of CSAs

### RECOMMENDATION 3

#### How to improve access to the Minnesota 529 plan

- > Create a Recommended Investment Type
- > Incorporate Low Fees
- > No Minimum Deposit
- > Broaden Language Access
- > Improve Participation Among Low-income Households & Households of Color

# Why CSAs in the State of Minnesota: Economic and Education Disparities

A statewide CSA model can help address financial insecurity and inequality in educational attainment by race/ethnicity, income, and geography at the state level.

## ECONOMIC INSECURITY

**9.5%**  
of Minnesota households live in income poverty

**12%**  
of the state's households have zero or negative net worth

**10%**  
Statewide poverty rate was 10% in 2018, this number more than doubles for residents of color

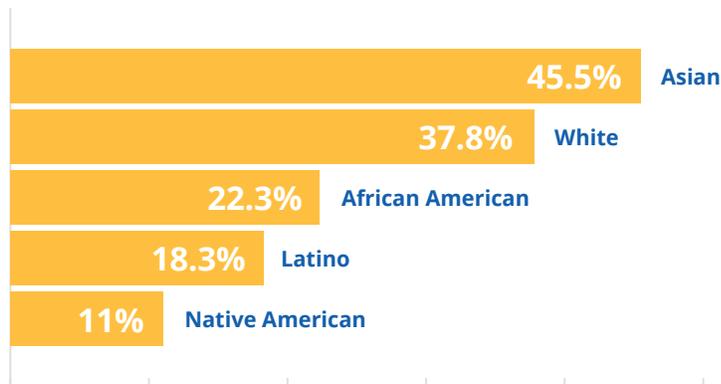
Source: Prosperity Now Scorecard, from <https://scorecard.prosperitynow.org/>

## EDUCATION DISPARITIES

Minnesota's educational attainment, meaning those with a certificate or higher degree, for 25-44 year olds is 61%. White Minnesotans have the highest post-secondary attainment at 63% compared to 57% for people who are multiracial. American Indian and Latinx Minnesotans have the lowest educational attainment rates at 24% and 27%, followed by Black Minnesotans who are at 35%.The legislature has established a 30% educational attainment benchmark.

Children growing up in Minnesota, and particularly children of color, face significant challenges given the levels of financial insecurity and educational disparities.

% with Bachelor degree or higher in MN - Age 25



Source: 2018 US Census American Community Survey, 1 Yr Estimates

4-Year Graduation Rates 2016-17 by Demographic Group—Minnesota Students vs. National Average

	Minnesota	National Average
Overall Average	82.7%	84.6%
White	88.1%	88.6%
Black or African American	64.8%	77.8%
Hispanic or Latino	66.3%	80%
American Indian or Alaska Native	51%	72.4%
Free/Reduced Lunch Eligible	69%	78.3%

Retrieved from the National Center for Education Statistics (NCES) Public high school 4-year adjusted cohort graduation rate (ACGR) data table

## CONNECTION BETWEEN ECONOMIC INEQUALITIES AND THE EDUCATIONAL OPPORTUNITY GAP

Research from the Stanford Center for Education Policy Analysis indicates that racial achievement gaps are traced back to public school segregation that was legally abolished with *Brown v. Board of Education* in 1954. **Achievement gaps are exacerbated by persistent economic inequities—leaving certain demographic groups and geographic areas with limited access to education resources, including well-qualified educators.** Disciplinary practices that consistently push certain students out of the classroom also contribute to ongoing gaps. Although some factors may be within schools' control, such as relation to quality teachers, some are not, including **student and family backgrounds and relation to funding.**

### STATEWIDE OUTCOMES

#### Participant-level long-term outcomes

- An increased percentage of youth enroll in and complete postsecondary education

---

- Better funding to support postsecondary education completion

---

- More diverse young adults have the skills and education needed to succeed in the future economy

#### Community-level long-term outcomes

- Reduction in the state's gaps in postsecondary educational attainment by race and income

---

- Reduction in disparities in employment rates and income by race among state residents

---

- More young adults remain in and/or return to residents and contribute to the state's economy

---

- Minnesota will progressively have a more skilled, educated workforce that will help support the local economy

**At their core, CSAs are about changing the odds for children. By boosting educational attainment, the CSA program will unlock opportunities for young people to access high-quality jobs and promote overall economic mobility.**



# What are CSAs?

**Children’s Savings Accounts (CSAs) are long-term savings or investment accounts that help children from birth to age 18 build savings for the future.**



CSAs are generally seeded with an initial deposit provided by the CSA program.



Account balances grow through bonus deposits provided by the program, such as benchmark bonuses for children and/or their parents completing activities or for accomplishments (e.g., participating in financial coaching or receiving good grades), as well as deposits by families.



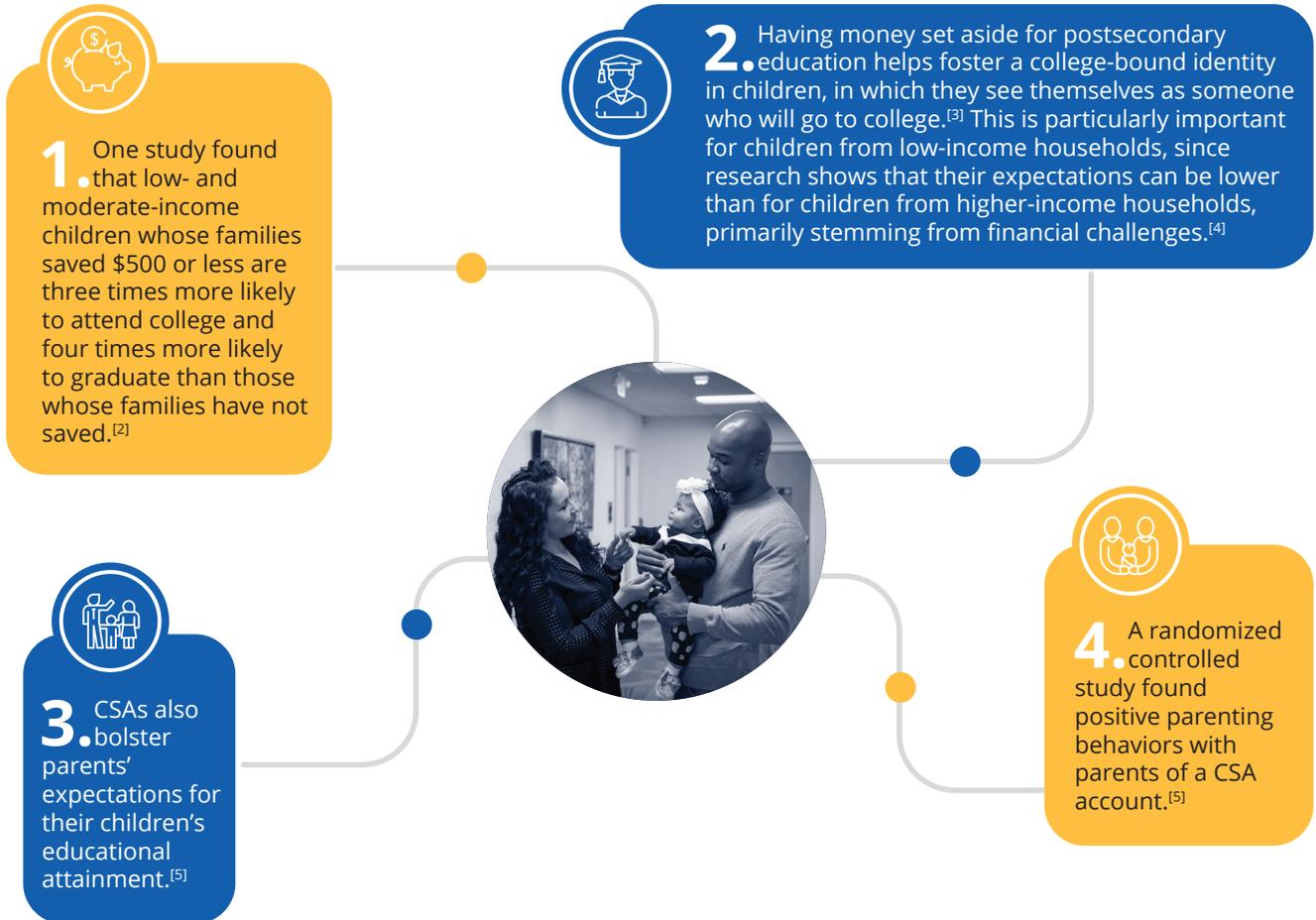
In most CSA programs, upon reaching adulthood, participants use the funds for postsecondary education.



CSA programs combine savings accounts with methods of engaging children and their families through financial education and other wraparound services to build their financial health.



### Research shows that even small amounts of college savings can have a big impact on the lives of students from low-income households.



### Impact of CSAs on early childhood



[2] Elliott, W., Song, H., & Nam, I. (2013). Small-dollar Children's Savings Accounts and children's college outcomes by income level. *Children and Youth Services Review*, 35(3): 560-571.

[3] Beverly, S.G., Elliott, W., and Sherraden, M. (2013). [Child Development Accounts and College Success: Accounts, Assets, Expectations, and Achievements](#), Center for Social Development Perspective 13-27 (St. Louis, MO: Washington University, Center for Social Development).

[4] See for example: Mello, Z. [Racial/ethnic group and socioeconomic status variation in educational and occupational expectations from adolescence to adulthood](#), *Journal of Applied Developmental Psychology* 30, no. 4 (2009): 494-504.

[5] Beverly, S., Clancy, M. & Sherraden, M. [Universal Accounts at Birth: Results from SEED for Oklahoma Kids](#) (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2016).

# CollegeBound Saint Paul

In 2019, the Minnesota State Legislature appropriated \$500,000 to the City of Saint Paul to pilot a college savings account program. The Legislature required the City to report progress in February 2021.

## OVERVIEW

**January 1, 2020**  
Program Launched

**Every newborn in Saint Paul**  
Target population

**\$50 seed deposit**  
Initial investment in every newborn

### Impact of CollegeBound Saint Paul

**3,091**  
Number of babies who are a part of CollegeBound Saint Paul

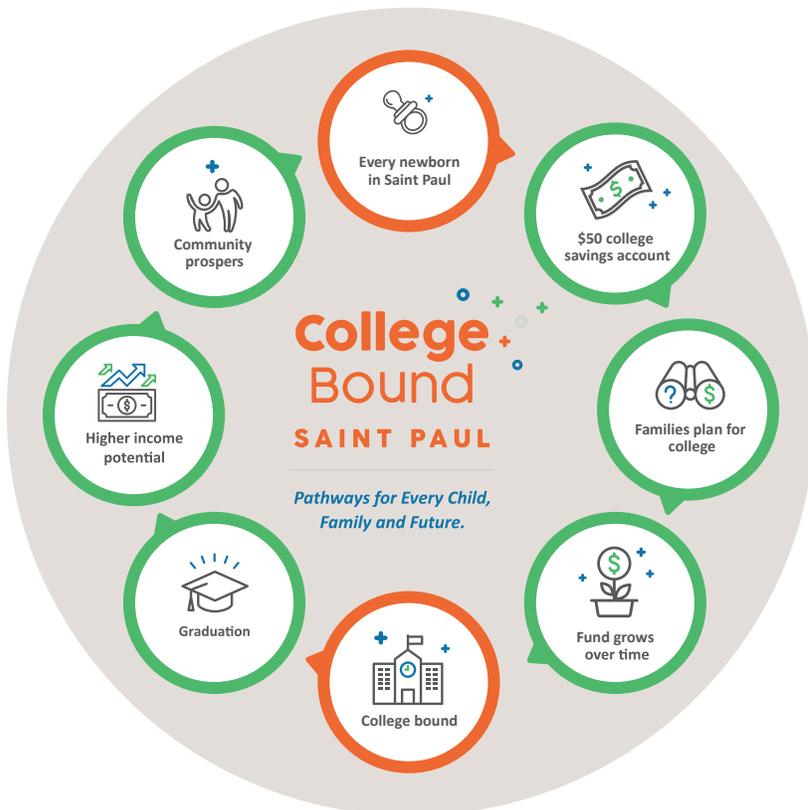
**\$154,550**  
Seed (\$50) deposit totals

**\$207,700**  
Number of program bonuses earned

**15**  
Program ambassadors

**30**  
Outreach referral & enrollment partners

*Source: Elliott, Sorenson, O'Brien, October 2020 (mid-year report - placeholder data for year 1 report)*



# Detailed report: CollegeBound Saint Paul

## PROGRAM VALUES

**Accessible:** Easy to learn about and engage with for families and community partners, opening doors to tools and opportunities that have not always been accessible to everyone

**Equitable:** Have meaningful participation in all communities and benefit all; effectively and intentionally engages people from communities that have historically been disinvested in to ensure all really means all

**Sustainable:** Continues beyond this current mayoral administration and becomes a bedrock program for future generations of Saint Paul residents

## KEY PROGRAM FEATURES



### Program eligibility

Children are eligible for CollegeBound Saint Paul if they are born on or after January 1, 2020 and meet one of the following two criteria:

- Are a Saint Paul resident\* at birth OR
- Become a Saint Paul resident\* before the age of six



### Enrollment

**Automatic Enrollment:** Any child that meets the eligibility criteria and has public birth records will be automatically enrolled. The program receives birth records data from the Minnesota Department of Health.

**Opt-In Enrollment:** Any child who meets the eligibility criteria and is not automatically enrolled may opt-in:

- A child who does not have a public birth record
- A child who is not a Saint Paul resident at birth, such as a child who later moves to the city or is adopted later by a resident parent(s)
- A child who is born out-of-state to Saint Paul resident parent(s)



### Account vehicle

City of Saint Paul Master Custodial Savings Account held at Bremer Bank. Custodial savings account held by the City, which are more accessible to low-wealth households and households of color than 529s



### Initial deposit

\$50 seed deposit provided at the time of account opening.



### Bonuses and incentive deposits

In order to help participants accumulate more savings for their future, program bonuses are provided for:

- Engaging with the account and the program
- Reaching milestones
- Participating in financial health and child wellness programs and services



### Family Deposits

Parents/Guardians, caretakers, and others are able to make deposits to the account.



### Allowable uses of CSA funds

Account funds may be used for postsecondary education and related expenses. Postsecondary education includes colleges, universities, vocational schools, and any two or four-year degree programs from accredited institutions. Eligible postsecondary expenses include tuition, mandatory fees, books, supplies (including computer equipment), and any other costs necessary to attend school.

# Program Outreach and Education



*My favorite thing to do in Saint Paul is to visit Como Zoo. I work with Early Childhood Special Education (ECSE). I have a huge family. Something I am passionate about is working with little kids.*

**THAW PAW**  
CollegeBound Ambassador



*I want to be someone who looks after their community, I want to help my people. I want them to know and engage in an opportunity like this that'll benefit them in the future.*

**THAW PAW**  
on choosing to become a program ambassador



*My favorite thing to do in Saint Paul is to go walk at the park with my family. I work as a TA at Saint Paul Music Academy (SPCA) + On-call interpreter. I have a huge family. Something that I am passionate about is working as a team.*

**WAH KPAW**  
CollegeBound Ambassador

*I was once in a situation where I wish this kind of program exists. Now it's my time to help spread the word to people about this awesome opportunity that will help a lot of our low income families.*

**WAH KPAW**  
on choosing to become a program ambassador



## FUNDING



## COMMUNITY AND INSTITUTIONAL PARTNERSHIPS

### Outreach, Referral and Enrollment Partners:

Community partnerships are a critical foundation of the CollegeBound Saint Paul program as they have the trust and rapport built with families through their existing programs and services.

Outreach, referral, and enrollment partners provide program information to eligible families they serve, provide referrals to the program, and/or help families enroll by integrating CollegeBound Saint Paul into their existing services including intake process, communications channels, classes, and workshops.

### CollegeBound Saint Paul Ambassadors:

Program Ambassadors engage families through grassroots outreach and engagement efforts including:

- Raise awareness of the program by hosting and facilitating events and talking to the families in their communities about CollegeBound Saint Paul
- Participate in leadership development opportunities

### Program Champions:

Champions, at both the individual and organizational level, support and endorse CollegeBound Saint Paul and its vision. The endorsement of trusted

community organizations and leaders increases the awareness and legitimacy of the program. Champions are listed on the program website and materials.

### Staffing:

CSA Program Manager — Responsible for managing all aspects of the implementation and operations of CollegeBound Saint Paul and ensuring program success. Key elements of the program manager's role include cultivating and maintaining partnerships with city and county government agencies, nonprofit organizations, and community leaders; managing accounts and maintaining accurate records; coordinating the distribution of initial deposits and bonuses; and overseeing participant outreach and engagement efforts.

CSA Outreach and Engagement Coordinator — Leads the program's outreach and engagement efforts. For example, the coordinator will work with partners to encourage enrollment among families who have to opt into the program, and attend community events to promote the program..

AmeriCorps VISTA – The program AmeriCorps VISTA will assist in the development of the individual donor program for CollegeBound Saint Paul, help design and implement community engagement and user-experience testing, support program partnerships.

## ENROLLMENT SUMMARY

Enrollment by Auto-Enroll vs. Opt-In, Analytic Sample N = 3,091

	Auto-Enrolled		Opt-In		Totals
	n = 2,721	88%	n = 370	12%	100%
<b>Logged into Savings Portal</b>	201	7%	89	24%	290

### January 1 - December 31 2020 Outcomes

Total participants with accounts:	3,091
Auto-enrollments:	2,721 (88%)
Opt-In Enrollments:	370 (12%)
Logged into Savings Portal:	290 (11%)
Total seed deposit:	\$154,55
<b>Total bonuses:</b>	<b>\$207,700</b>
<b>Total savings including seed, bonuses, and family deposits):</b>	<b>\$364,101</b>



# Learnings: Year 1 Implementation

At the conclusion of the first year of implementation, AEDI completed key informant interviews as part of a process evaluation of CollegeBound Saint Paul. This section provides:

- A summary of key themes from these interviews
- A detailed report of the key themes, reviewing factors that enabled and constrained CollegeBound implementation in the first year, program successes, and challenges

## KEY THEMES:

### THEME 1: PROGRAM ALIGNMENT AND RESONANCE

Stakeholders see CollegeBound as worthwhile and the concept and goals of the program resonate with them. Stakeholders are energized by the idea that CollegeBound affords an opportunity to build relationships with families around both family financial well-being and early childhood development.

*“People have embraced [CollegeBound St. Paul] and really are proud to boast about the fact that we’re a part of this program. I’ve just heard some of the leaders in my organization use it as an example of our values”. - Community Partner*

#### Community-Centering Approach and Challenges

Staff at OFE have earned deep respect from community partners and ambassadors because of the community-centering practices for the program instituted in the planning phase and first year, despite challenges posed by the COVID-19 pandemic.

*“Getting community input, and really having the community-centered design ... it was for the community, by the community. And that was real ...was something that was powerful to hear. And then people were excited about it. ... [T]he intentionality of the work...is pretty powerful.” - OFE staff*

In regards to the importance of reducing the cost of higher education, one community ambassador for CB-STP explained his desire to be involved in the program by saying:

*...[I live] in St. Paul and I have college degrees... so I understand the financial implications of going to college and just thought I would offer my help in any way I could. - Community ambassador*

Community partners expressed they are highly motivated to provide wraparound support for families which may be an avenue for continued trust building. One community partner shared excitement at the possible wraparound services they can support:

*When I saw that there were going to be financial health bonuses, and that free tax preparation and financial coaching can count, that was a real win. ... I’m passionate about the program and I’m passionate about how do you go beyond just this one time getting people enrolled in an account, and not have dormant accounts, but really use it to build financial capability and offer people financial supports to work towards those goals, you know, and ... there’s no better time money moment in the year like tax time. - Community partner*

## KEY THEMES:

### THEME 2: COMMUNICATIONS EFFORTS

Program design elements like universal eligibility and at-birth timing made messaging easier. A community partner mentioned birth as a well-timed for engaging with families.

*...We're saying something to families when we support them at birth. We're really saying, "Hey, we care about your family. We care about—we know that you care about, getting your babies started in the healthiest possible way. And we as a state, and a city want to support you in doing that. And so we're not going to wait." We know early childhood development is actually really, really important. And we want families to just incorporate that financial health from the very beginning also. And it's just a really great time, I think, to catch families during change, and really help them to start to think differently if they can. They have so many hopes and dreams when they're pregnant and having a baby. And, you know, we really just want to support that I think, in families. That's why I thought birth was a great idea. You could do kindergarten, but I think families in the birthing phase are really focused on the future. And it might, it's a great way to just catch people in that dream that they have for their families in the future. - Community partner*

### THEME 3: COMMUNITY-CENTERING APPROACH AND CHALLENGES

The community-centered approach to planning and outreach for CollegeBound was a factor that all participant types identified as a strength of the program. Partners highlighted specific examples of early focus groups with families, the intentional thought in the design process about families' circumstances, and the community input from diverse populations of families in St. Paul. In addition, staff also mentioned the planning process and the ambassadors as positive aspects of this community-centering approach.

### THEME 4: CAPACITY AND PROGRAM INTEGRATION

Program partners have been able to integrate CollegeBound into their organization's processes. In some cases it is explicitly included in expectations of staff. Partners see the materials as easy to integrate into their existing practices:

*Our training manual has a flow, right, like "What is CollegeBound? Eligibility. Q&A." ...It was the easiest thing; I used their resources and then adapted it into our format. And it's all there. That's the thing. It was really I didn't have to dig around for answers, like I do with some of our other partners. Like, it's all there, which was really nice. I mean, they've really thought of everything. - Community partner*

Health care clinics and birth centers have been a champion of CB-STP during the pilot year, assisting with much of the work to enroll and engage families that may otherwise be missed in the enrollment process. They have integrated CollegeBound so that staff on an internal team include program information and answer questions for families 'before they leave the hospital'.

In addition to supportive partner organizations, CollegeBound St. Paul ambassadors generated new ideas for engaging the broader community and driving awareness of the program in its first year. OFE staff were responsive to and supportive of ambassadors' ideas for community engagement. They described ambassadors as "powerhouses" of "getting the word out ... anywhere that they are moving in their life." Ambassadors appreciated that their role is also flexible and offers a variety of ways that they can contribute, even beyond interpersonal interactions. Specific projects, like the community baby shower in year one, could become annual ambassador-led events for the program.



# Key Detailed Recommendations

## RECOMMENDATION 1

### Key CSA Program Design Elements



#### EQUITY

- Universal Eligibility
- Automatic Opt-Out Enrollment



#### SUPPORT COLLEGE-GOING IDENTITY & BUILDING SAVINGS FOR THE FUTURE

- Automatic Initial Deposit
- Ongoing Investment Overtime
- At-Birth Start



#### ADMINISTRATIVE EASE FOR LONG-TERM SUSTAINABILITY

- Centralized Savings Plan
- Targeted Investment Options
- Potential for Investment Growth
- Restricted Withdrawals
- Integration of Account Vehicles for Savings

## RECOMMENDATION 2

### Key Policies Needed to Improve CSAs Statewide

01

Reduce CSA programs' barriers to accessing birth records

02

Allow local units of government to become custodial account holders

03

Allow local units of government to deposit public funds into CSA programs

04

Pass policy to authorize state agency to support statewide expansion of CSAs

## RECOMMENDATION 3

### How to improve access to the Minnesota 529 plan

	Create a Recommended Investment Type
	Incorporate Low Fees
	No Minimum Deposit
	Broaden Language Access
	Improve Participation Among Low-income Households & Households of Color

## DETAILED RECOMMENDATION 1

### Key CSA Program Design Elements

#### EQUITY

- Universal Eligibility: Every child within a specific community or geography is eligible for the CSA program.
- Automatic Opt-Out Enrollment: Automatic enrollment in which children are enrolled and their accounts opened without any action from them or their parents/caregivers—is a best practice that ensures that all eligible children are included in CSA programs.

#### SUPPORT COLLEGE-GOING IDENTITY & BUILDING SAVINGS FOR THE FUTURE

- Automatic Initial Deposit: Initial deposits are an essential feature that jump-start asset accumulation.
- Ongoing Investment Overtime: Additional milestone investments help children build savings for their future and strengthen their college-going identity by reminding them of the community investment in that future.
- At-Birth Start: An at-birth start program has shown to have an impact on child development and socio-emotional development, mother's psychological wellbeing, and parenting behaviors.

#### ADMINISTRATIVE EASE FOR LONG-TERM SUSTAINABILITY

- Centralized Savings Plan: A single financial provider can cover all children, facilitating universal eligibility.
- Targeted Investment Options: Age-based funds remove the decision-making process over time.
- Potential for Investment Growth: Market appreciation can add substantially to the savings accumulated for the child.
- Restricted Withdrawals: Holding assets in restricted accounts ensures that funds are used for approved purchases.
- Integration of Account Vehicles for Savings: Allows both a 529 accounts and custodial savings account to be account vehicles for savings.

**DETAILED RECOMMENDATION 2**

## Key Policies Needed to Improve CSAs Statewide

**What is the policy environment that increases the success of CSAs? What specific policies also need to be addressed to maximize effectiveness of CSAs statewide?**

### 1. REDUCE CSA PROGRAMS' BARRIERS TO ACCESSING BIRTH RECORDS

**Current state:**

Minnesota holds birth records of non-married mothers as confidential, non-public data

Minnesota State Statute 144.225 states the birth record of a child born to an unmarried or unwed parent is confidential, except in the case that a mother designates the demographic data as public at the time of birth.

Because of Minnesota's vital records policies, CSA programs like CollegeBound Saint Paul, are not able to automatically enroll all eligible babies. In the city of Saint Paul, about 1,600 babies are born to non-married mothers. Statewide, this number is closer to 14,700. The current statute does not reflect the realities of Minnesotans in 2021; it poses barriers for families who could benefit most from the program. Auto-enrolling children with the option to opt-out provides greater accessibility and inclusivity for all children who are eligible.

**Action:**

Amend existing state policy on confidential birth records for non-married households

An entity administering a children's savings program that starts at birth shall have access to birth records for the purpose of opening an account in the program for the child as a beneficiary. For purposes of this paragraph, "children's savings program" means a long-term savings or investment program that helps children and their families build savings for the future.

### 2. ALLOW LOCAL UNITS OF GOVERNMENT TO BECOME CUSTODIAL ACCOUNT HOLDERS

**Current state:**

Under Minnesota law, a local unit of government cannot play the role of custodian of an account benefiting individual residents.

According to an Office of the State Auditor Statement of Position entitled "Public Expenditures: Donations and Dues," public entities have no authority to give away public funds as donations. Generally, in order to spend money, a public entity must have authority to do so. Authority for an expenditure may be specifically stated in a statute or charter, or it may be implied as necessary to do what an express power authorizes.

In order to remove any uncertainty facing local units of government as they determine whether or not they can hold a custodial CSA account, Minnesota statute should clarify that a custodial account is exempt from the Public Expenditures guidance and local units of government have the authority to own a custodial account.

**Action:**

Pass state policy allowing local units of government to hold custodial savings accounts for the benefit of individual children

### 3. ALLOW LOCAL UNITS OF GOVERNMENT TO DEPOSIT PUBLIC FUNDS INTO CSA PROGRAMS

**Current state:**

Under Minnesota law, a local unit of government cannot use public funds to invest in CSA accounts that benefit individual residents.

According to the Office of the State Auditor Statement of Position entitled "Public Expenditures: Donations and Dues," expenditures made by local units of government of public funds must be made for "public purpose." The Minnesota public purpose doctrine is based on the Minnesota State Constitution, Art. X § 1. Pursuant to the doctrine, public entities may only spend public funds if there is authority to make the expenditure. Thus State statute is needed to specifically give authority to local units of government to invest public funds in CSAs for the benefit of our residents' children and strength of our future workforce and local economies.

**Action:**

Pass state policy allowing the State of Minnesota and local units of government to use public funds for CSA accounts

### 4. PASS POLICY TO AUTHORIZE STATE AGENCY TO SUPPORT STATEWIDE EXPANSION OF CSAS

**Current state:**

There is not currently a statewide CSA program.

**Action:**

Pass state policy establishing a statewide CSA program

## Potential Statewide Models

### MODEL 1:

Locally-run programs, supported only with state funding and key policy changes to remove barriers to local program administration

#### Key Program Features:

- Much local autonomy and flexibility and can vary from community to community -
- Potential for strong family engagement
- Could be more effective with state policy barriers removed and/or state funding
- Tailored to meet local needs

#### Key Stakeholders:

- Program management: local government agency (city/township), nonprofit, or a foundation
- Funding: Could be local or state government, or philanthropy.
- Accounts: Banks or 529s
- Data Agreements: Need local agreements for birth records or school enrollment

#### Key Factors for Success:

- State government buy-in and legislative champions
- Local CSA programs banding together to advocate for their shared needs
- State agency able to administer funds
- Many existing CSA programs
- At the time, an easier fiscal climate (compared to now)



### MODEL 2:

State-supported and community-driven programs -- Possibly state funding, key policy changes to remove CSA program barriers, plus statewide infrastructure (account management, technology, and data-sharing)

#### Key Program Features:

- Usually uses 529 accounts for statewide program administration, but recommend a mixture of 529 and bank accounts (like in Boston Saves)
- some program features are decided by the state/centralized program, and some features are designed by the local community
- growth happens community by community, but it is driven in part by the centralized organization.
- Maintains local flexibility while easing the administrative burden
- Maintains potential for strong family engagement and impact while aiming for scale and statewide expansion
- Core program features create a platform for statewide expansion
- Could be more equitable, depending on statewide program features

#### Key Stakeholders:

- Program management: State agency, or a nonprofit or foundation with statewide reach
- Funding: Could be local or state government, or philanthropy.
- Accounts: Almost always 529 accounts. It is possible to do a mixed model with both 529 and bank accounts, like in Boston Saves, though it is difficult from a technology perspective.

#### Key Factors for Success:

- Strong statewide, backbone organization with dedicated staff capacity
- Strong partnership with the state 529 program
- Clear benefits to local communities: Promise Indiana provides TA, account management via VistaShare, manages the relationship with Ascensus Government Savings, and sometimes funding
- Shared program standards and values across communities
- Strong local partnership. Tailored to local needs -- and therefore strong family engagement

## INTEGRATION OF ACCOUNT VEHICLES FOR SAVINGS: 529 ACCOUNTS AND CUSTODIAL SAVINGS ACCOUNTS

It should be as easy as possible for families to access the accounts and make deposits. With the exception of certain programmatic withdrawal restrictions, these accounts will be used just like traditional savings accounts, with features like viewing account balances online and making deposits online or at a bank.

With this in mind, families should have two ways to access their CSA funds:

**1. Families like choice so giving families the option to “link-your-own-account.”** This option would be exactly what it sounds like--families would be able to open a savings account, or take an existing savings account, from any financial institution and designate it as their CSA account. This option gives families the ability to make deposits through the financial institution of their choosing, including the state’s 529 program.

**2. Families should also have the option to “create a custodial account.”** For families that choose this option, the CSA program would create a custodial savings account for the family, where there is an account custodian (aka primary account holder) and the child in the CSA program is the named beneficiary of the account. The CSA program will partner with a financial institution to create these accounts, and this is where families who chose this option would make deposits.



**DETAILED RECOMMENDATION 3**

## How to improve access to the Minnesota 529 plan

Minnesota’s 529 Plan – the Minnesota College Savings Plan – could be an ideal account vehicle for a CSA program and for a potential statewide CSA program. Unfortunately, the plan’s structure and application includes some barriers to this vital savings tool for many Minnesota families. The following changes are recommended to be adopted during a contract negotiation with the state’s program manager, TIAA.

### Recommendations

**1. Investment Type (default investment):** The Minnesota College Savings Program currently offers numerous investment options. Research has shown that inertia and indecision limit people’s ability to save and invest. One way to stop this from happening is by creating a recommended investment type – typically the age-based option. Many states, including Nevada, Maine, Arkansas, Utah, and Alaska, utilize the default investment type to facilitate enrollment. The new program manager should provide a default investment for new applicants

**2. Low Fees:** The Program Manager should have low fees. Overtime, fees can really cut away at a family’s total savings. It is crucial that fees are kept low to ensure

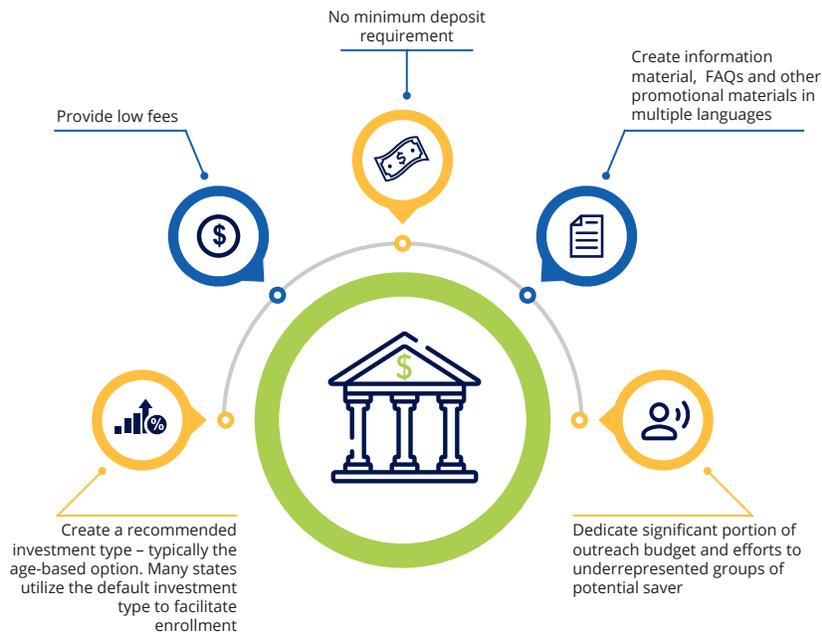
that families are getting the most out of their investment. Compared to other states, Minnesota still has room to improve when it comes to fees.

**3. No Minimum Deposit:** Minnesota College Savings Program currently has a minimum initial contribution of \$25 and a minimum subsequent contribution of \$15 for direct deposits. For lower-income families, especially families on a fixed income, being able to deposit smaller amounts could make it easier for them to open college savings accounts and automatically contribute as part of their monthly budget. The Program Manager should have no minimum deposit requirement.

**4. Language Access:** While we understand that providing the application and disclosure in

languages other than English is currently cost-prohibitive to the program, we believe that FAQs and other promotional materials should be available in other languages. We recommend providing materials in English, Spanish, Somali, and Hmong

**5. Participation Among Low-income Households & Households of Color:** While we believe that the above recommended program features remove some savings barriers facing low-income families and families of color, there needs to be a real commitment from the Program Manager to increase participation rates among these Minnesota residents. We encourage the program manager to target a significant portion of their outreach budget and efforts at these underrepresented groups of potential savers.



# Appendix

## Liquid Asset Poverty Rate (%)

Aitkin County, MN	38.5	McLeod County, MN	29.9
Anoka County, MN	25.8	Meeker County, MN	33.8
Becker County, MN	35.8	Mille Lacs County, MN	35.1
Beltrami County, MN	37	Minnesota	20.6
Benton County, MN	34.7	Morrison County, MN	37.4
Big Stone County, MN	37.4	Mower County, MN	33.8
Blue Earth County, MN	33.8	Murray County, MN	34.3
Brown County, MN	30.6	Nicollet County, MN	27.7
Carlton County, MN	29.7	Nobles County, MN	38.9
Carver County, MN	16.2	Norman County, MN	36.9
Cass County, MN	33	Olmsted County, MN	26.9
Chippewa County, MN	34.9	Otter Tail County, MN	29.7
Chisago County, MN	23.2	Pennington County, MN	36.7
Clay County, MN	30.3	Pine County, MN	39.2
Clearwater County, MN	40.4	Pipestone County, MN	39
Cook County, MN	37.4	Polk County, MN	32
Cottonwood County, MN	37.5	Pope County, MN	34.3
Crow Wing County, MN	30.8	Ramsey County, MN	33.9
Dakota County, MN	25.1	Red Lake County, MN	36.6
Dodge County, MN	25.5	Redwood County, MN	36.3
Douglas County, MN	28.1	Renville County, MN	34.8
Faribault County, MN	37.1	Rice County, MN	29.5
Fillmore County, MN	30	Rock County, MN	35.3
Freeborn County, MN	33.6	Roseau County, MN	36
Goodhue County, MN	29	Scott County, MN	18.4
Grant County, MN	35.9	Sherburne County, MN	22
Hennepin County, MN	28.8	Sibley County, MN	30.3
Houston County, MN	28.3	St. Louis County, MN	33.1
Hubbard County, MN	35.5	Stearns County, MN	32.4
Isanti County, MN	27.9	Steele County, MN	29.2
Itasca County, MN	36.9	Stevens County, MN	35.8
Jackson County, MN	34.9	Swift County, MN	37.5
Kanabec County, MN	37.5	Todd County, MN	38
Kandiyohi County, MN	32.4	Traverse County, MN	36.4
Kittson County, MN	35.5	US	36.9
Koochiching County, MN	39.7	Wabasha County, MN	27.6
Lac qui Parle County, MN	36.6	Wadena County, MN	40
Lake County, MN	33.2	Waseca County, MN	36
Lake of the Woods County, MN	37.1	Washington County, MN	20.7
Le Sueur County, MN	27.2	Watsonwan County, MN	37.4
Lincoln County, MN	36.8	Wilkin County, MN	32.6
Lyon County, MN	32.6	Winona County, MN	31.4
Mahnomen County, MN	42	Wright County, MN	23.5
Marshall County, MN	34.3	Yellow Medicine County, MN	36.1a
Martin County, MN	35		

\*\* State Data Source \*\*

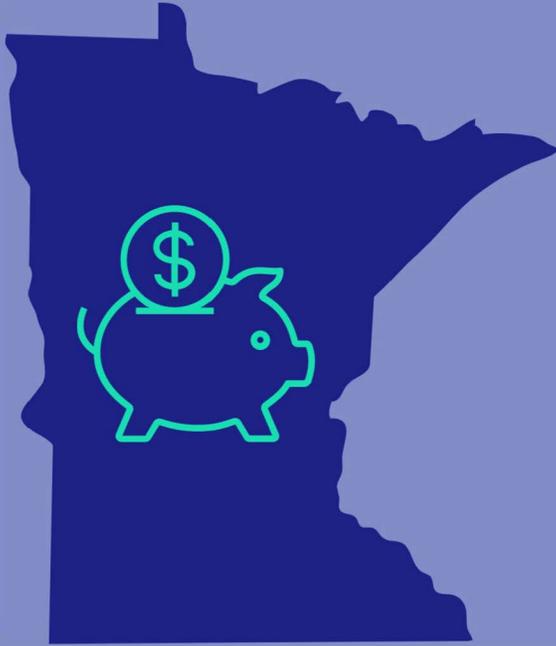
\*\* Local Data Source \*\*

Survey of Income and Program Participation. 2016.

Prosperity Now Estimates Using SIPP and ACS. 2014.

# Imagine a Statewide Children's Savings Account Program in Minnesota

## Learn about:



**What a CSA is and its benefits for children**



**How a Statewide CSA can work in Greater MN**



**CSA policy landscape in MN**



**What you can do to bring CSAs to MN**

**Th, February 11,  
10:30a-12p**

**Watch the recorded webinar:  
<https://tinyurl.com/4aq7swfw>**

**Co-sponsors: Prosperity Now, Midwest CSA Consortium, United Way of Central Minnesota, Northfield Healthy Community Initiative, Youthprise, City of Saint Paul, Minneapolis Youth Coordinating Board**



**CONTACT**

**ThaoMee Xiong**

*Director of Intergovernmental Relations*

ThaoMee.Xiong@ci.stpaul.mn.us

651-266-8505

**FOR QUESTIONS OR MORE INFO  
ABOUT COLLEGEBOUND SAINT PAUL:**

Collegebound@ci.stpaul.mn.us

651-266-8829

[www.collegeboundstp.com](http://www.collegeboundstp.com)



**SAINT PAUL**  
**MINNESOTA**

Acknowledgment is owed to the Midwest CSA Consortium for their technical assistance and guidance in developing this report.