CHILD SAVINGS ACCOUNT PROPOSAL

2019-20 Governor's Budget Proposal

The Budget includes $50 million General Fund to support pilot projects and partnerships with First 5 California, local First 5 Commissions, local government, and philanthropy to increase access to Child Savings Accounts (CSA) for incoming kindergarteners.

Background

CSAs are accounts designated for a specific child to build assets over time through contributions from governments, society, family, friends, or the child. The accounts are generally opened with an initial contribution, or seed money, from a sponsoring organization such as a government agency, nonprofit, or philanthropic foundation. Eligible uses of the accounts are for tuition (normally for post-secondary education such as college, vocational, or technical schools), room and board, books, supplies and equipment, and mandatory fees.

This proposal aims to support and encourage families to build assets for their children's post-secondary education and provide incentives to grow the savings.

Numerous CSAs have been established across the United States through school-based initiatives, citywide public-private partnerships, or statewide efforts. Municipally-sponsored initiatives include San Francisco's Kindergarten to College (K2C) savings account programs, which deposit an initial $50 to $100 in seed money into an account for every kindergartener in the city. Initial seed funding for K2C comes from the City and County of San Francisco, with additional philanthropic support for incentives and outreach.

One particular study of currently established CSAs concluded that the potential for savings using CSAs can be substantial if families start saving at birth and actively contribute to the CSA until the child reaches 18 years of age. Additionally, making CSAs available to all children results in a higher likelihood that families will save for college. As such, CSAs can set the stage for making college more affordable and accessible, especially to children from low income families, and help families provide upward financial mobility.

First 5 California

First 5 California, also known as the California Children and Families Commission, was created in 1998 when voters passed Proposition 10, which added a 50-cent tax to tobacco products. First 5 California improves the lives of California's young children and their families through outreach, policy advocacy, and investment in education, health services, childcare, and other crucial programs. First 5 California distributes funds to local communities through the state's 58 individual counties, all of which have their own local First 5 commissions. Eighty percent of the annual revenues are allocated to the 58 county commissions, while the remaining 20 percent fund the state's overall guiding programs and administrative costs.

First 5 California is an ideal partner to help provide access to CSAs because of its community partnerships and history of engaging families with young children through media and public outreach campaigns. First 5 California works with state departments, county offices of education, primary schools, teachers, and parents to bring innovation in children's policy to scale throughout California. First 5 California also values educational success and preparation and reducing stressors like poverty through community-based supports. Additionally, public education and outreach is a primary function of First 5 California, with six percent of total revenues dedicated to communications to the general public using mass media. As a result, First 5 California has experience disseminating information and developing appropriate messaging for its campaigns, such as the widely recognized *Talk. Read. Sing.* media campaign.

Next Steps

More details will be available through the Administration's trailer bill package.