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Illinois Children's Savings Account Program Implementation Recommendations

Prepared by the IABG Children's Savings Account Working Group
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In 2019, [HB2237](#) was signed into law, creating a statewide CSA program in Illinois, with a \$50 seed deposit provided into a 529 account for every child born or adopted in the state starting in January 2021. This is a monumental step forward after years of advocacy from community organizations and advocates. Yet, **passing CSA legislation was just the beginning**. To really build this into a program that advances equity and helps families unlock opportunity, it will take concerted efforts and investment from partners and funders throughout the state, and ongoing work for the State Treasurer's Office to ensure that the program is implemented in an equitable and accessible way.

We believe the Illinois State Treasurer's Office could be a leader in creating a community-driven statewide CSA program that strengthens early childhood development, and increases college enrollment and attainment.

Recommended Priorities Given the COVID-19 Pandemic

We recognize that we are in challenging and unprecedented times, given the COVID-19 pandemic. Despite the challenges, **we believe that the Illinois CSA program – and ensuring that it is robust and equitable – is more important now than ever**. Community investment into our children's futures provides critical assets and hope for the future, which families need even more in the midst of the pandemic and economic crisis.

While we wanted to outline all of our short and long-term recommendations for program implementation in one place, we wanted to highlight a few of our recommendations, which we believe can still move forward in the short-term:

- Develop equity-centered goals and metrics (#3)
- Make it easy to claim the state's seed deposit (#4)
- Make it easy for families to open their own 529 Bright Start account (#7)
- Make it easy for families to engage with the account (#8)
- Integrate with existing programs (#10)
- Integrate with Bank On (#12)
- Create a Community Advisory Committee (#15)

These recommendations, which we believe are poised to move forward in the near term, are also **noted throughout in green**.

Implementation Recommendations

The following are our full recommendations for creating a CSA program that will have a deep impact on families in Illinois.

Center Equity and Inclusivity in the Illinois CSA Program

The legislation creates a framework for a nearly¹ universal, statewide CSA program: every child born or adopted in Illinois will be automatically enrolled and provided with a \$50 seed deposit. This is a crucial foundation for an equitable and inclusive program.

We believe this program has the power to help low-income families build assets and set children on course for higher education – *but only if we develop additional investments, beyond the seed deposit, that are intended just for families with lower incomes.*

These investments, as well as all program features, should center equity and inclusion – meaning that they should be designed with, and meet the specific needs of, low-income families and communities of color.

1. Additional Investments should Support Low-Income Families

All stakeholders – the State Treasurer’s Office, state and local agencies, community partners, and funders – should work collaboratively and creatively to raise and direct as much money as possible into the accounts of low-income families. This is an area ripe for innovations and no stone should be left unturned: incentives, bonus deposits, reward programs, and more.

Recognizing that each community and each funder will have different interests and goals, the following chart is intended to guide planning efforts, to ensure that any local CSA programs or statewide program features are inclusive and equitable.

To ensure the CSA program is equitable, **our top line recommendation is to implement automatic bonus deposits for low-income families**, either locally or statewide. We recommend against matched savings, as it advantages families that already have more assets.

¹ We say “nearly” universal because the CSA field considers the claiming requirement to undermine the universality of the program.

Kind of Investment	Description & Examples	Implementation Considerations	Equity Analysis & Recommendations
Bonus Deposits	Bonus deposits are no-strings-attached deposits. Examples: <ul style="list-style-type: none"> • Extra deposit for low-income families • Deposits at key milestones (i.e., birthdays, kindergarten) 	Bonus deposits are easier to administer than incentives or investments. You are not tracking family behaviors, and it could be automatic by using data for a program that serves low-income families, such as Medicaid.	<p><i>Bonus deposits are inherently more equitable because there are no barriers</i>; families can automatically benefit and funds can easily be targeted to low-income families.</p> <p>Takeaway: Whenever possible, we recommend automatic bonus deposits.</p>
Incentives	Just about anything can be incentivized by a deposit into a CSA, including: <ul style="list-style-type: none"> • Account opening • Deposits • Attending workshops • Academic measures • Doctor appointments • Reward programs (i.e. reward cards) 	Incentives are challenging and costly to administer, especially at scale, because it involves tracking family behaviors and local engagement. For this reason, we don't recommend any statewide incentives.	<p>The impact of incentives should be considered when designing them: who will benefit? Who might have barriers to participating? For instance, school attendance should not be incentivized; low-income parents can face extra barriers to getting their children to school on time every day. <i>Incentives should only be provided for things that parents already want or intend to do and that don't present extra barriers for low-income families.</i></p> <p>Takeaway: If local programs are interested in incentives, we recommend that they are carefully designed to ensure they are not perpetuating inequity and are as easy to administer as possible.</p>
Savings Match	Savings matches specifically incentivize savings by matching a family's contributions. Examples: <ul style="list-style-type: none"> • 1:1 Dollar Match • 10:1 Dollar Match 	Savings matches are easier to administer than incentives, but depending on the structure of the match, it could still be administratively challenging.	<p><i>Savings matches actually perpetuate inequity.</i>² Families that have more income/assets are able to save more, and draw down more of the match.</p> <p>Takeaway: We recommend against savings matches whenever possible. If a stakeholder is committed to a savings match, it should be structured in one of these ways to make it more equitable:</p> <ul style="list-style-type: none"> • <u>Bigger Match for Low-income Families</u>: i.e., 8:1 dollar match specifically for low-income families • <u>Structure it like an Incentive</u>: For every deposit of any amount, families receive a flat \$25 deposit, up to \$100 per year • <u>Provide Income Supports</u>: Alongside the savings match, provide a direct cash transfer to help families meet basic needs while contributing to their child's future.

² 2016. Center for Social Development. *Research Summary: Universal Accounts at Birth: Results From SEED for Oklahoma Kids*. Found at: <https://csd.wustl.edu/16-07/>

2. Incentivized Savings via the Child Support System

We recommend that the Illinois State Treasurer partner with Illinois Child Support Services to help parents pay down child support payments while helping families save for college. The Kansas Department of Children and Families launched the [Child Support Savings Initiative](#) program that will encourage parents who owe child support to pay into 529 savings accounts for their children. For every dollar put into an account, the state reduces the parent's arrears to the state by two dollars.

This incentive would provide a creative funding source and disproportionately benefit lower-income families.

3. Develop Equity-Centered Goals and Metrics from the Beginning

To ensure that the program is equitable, it is critical for the Illinois State Treasurer's Office to carefully craft goals and metrics for the CSA program from the beginning that are centered in equitable outcomes.

First, we recommend developing goals and metrics to determine if low-income families and/or families of color are claiming the seed deposit. If it is determined that the claiming requirement is perpetuating inequity, the claiming requirement could be reconsidered, extended, or eliminated, and engagement efforts could be realigned or intensified accordingly.

Secondly, goals and metrics for the program should not hinge solely on family savings. While family savings is a great benefit of this program, in our view it is not the primary goal for low-income families, who may not have the resources for long-term investments. These accounts, if communities invest in them and if schools and parents use them to develop and sustain college-going aspirations, can put children on path to higher education. Goals and metrics should be developed to assess those outcomes as well.

Make it Easy for Families to Build Assets in their Child's Saving Account

For CSAs to be an effective asset building tool for low-income families, we need to make it as easy as possible for families to participate by claiming the seed deposit and opening their own 529 account.

4. Make it Easy to Claim the State's Seed Deposit

The CSA legislation included a "claiming requirement" for the state's seed deposit, requiring families to "claim" the \$50 deposit by the child's tenth birthday. While this should spur even greater outreach efforts, we continue to be concerned that this will cause state funds to be disproportionately directed towards children from higher-income families and create a barrier for children from lower-income families, families for whom English is a second language, and others.

For this reason, it is absolutely critical that the claiming process is as easy as possible – meaning that parents have many opportunities and many ways of claiming the deposit. It needs to be as easy as checking a box on a postcard, form, and/or online. Parents should be provided opportunities to claim the seed deposit throughout the child's first ten

years, and especially during key transitions: at birth, in early childhood programs, and when the child starts school, and each year thereafter during elementary school.

Raising awareness about the CSA program and the seed deposit will be essential to strong uptake, which will require integration with existing systems and strong peer-to-peer outreach; see below for recommendations on these fronts. Additionally, through all of these efforts, families should also be encouraged to open their own Illinois Bright Start 529 account. We also believe that a Community Advisory Committee should give input and help shape the claiming mechanisms, to ensure that it works for families.

5. Work with DCFS to Ensure that the State Claims the Seed Deposit for Foster Youth

As of March 2020, there were more than 6,000 youth in foster care in Illinois, whose guardian is DCFS.³ We recommend that the Illinois State Treasurer's Office work with DCFS to ensure that the state claims the \$50 seed deposit for children in foster care. Since children enter the foster youth system at different ages, we recommend that there are a set of milestones wherein DCFS is promoted to claim the seed deposit. We recommend at birth, entrance to the foster youth system, and the child's 8th and 9th birthdays (so that the deposit is claimed before the child is 10 years old).

6. Provide Easy Deposit Options

Easy mechanisms for making deposits into Illinois Bright Start 529 accounts are a key feature that supports low-income families, who may not have regular access to electronic banking. The current Bright Start Program options for depositing funds -- contributions through electronic bank transfers, electronic gift deposits from friends and family, or through a paper check -- could be expanded.

The Illinois CSA program should explore additional deposit options, including: partnering with banks that have brick and mortar locations to accept deposits; having Bright Start field representatives accept cash deposits in person if possible; and working with a no-fee prepaid cards that connect to 529 accounts.

7. Make it Easy for Families to Open their own Bright Start 529 Account

We appreciate your Office's efforts over the years to streamline and simplify the process for families to open a Bright Start 529 account, including clarifying that an ITIN is accepted, creating a default investment account, and your current efforts to translate 529 materials into Spanish. We applaud these changes and appreciate the significant time and work that it has taken to improve the 529 enrollment process.

With the CSA program launching soon, there is a great opportunity to educate and enroll even more Illinois families in Bright Start. For this reason, we urge you to continue to simplify the account opening process to the greatest extent possible.

Throughout all CSA outreach efforts and every time families are given the opportunity to claim the seed deposit, they should also be encouraged to open their own 529 account. To achieve maximum impact, that process needs to be as simple and easy as possible.

³ <https://www2.illinois.gov/dcfs/aboutus/newsandreports/Documents/PlacementCounty.PDF>

8. Make it Easy for Parents to Engage with the Account

The online portal should be well-designed and user-friendly, showing both omnibus funds (seed deposits and other funder investments) as well as family contributions. Ideally, families would easily be able to manage their funds and make deposits, and would be able to access the portal via an app.

It is critical for the portal to be tested in a focus group with low-income parents to get feedback and to ensure that it meets parents' needs. We are happy to help facilitate parent focus groups or parent reviews of the portal you are developing.

9. Leverage Tax Time

Low-income families should be engaged at tax-time to save a portion of their refund in a 529 college savings account. The Illinois Income Tax Form should include an opportunity for direct deposit of a parent's (or other relative's) tax refund into a child's (or relative's) 529 college savings account.⁴ Furthermore, we recommend that the State Treasurer work with the Illinois Department of Revenue to allow families to open up a 529 college savings account through the tax form. At the very least, Illinois should have a split refund form (like the federal tax form 8888) to allow for partial investment of a refund into a savings account.

Promote the CSA Program through Outreach and System Integration

Raising awareness and providing many points of entry for the CSA program will be critical for robust participation and uptake of the seed deposit.

10. Integrate with Existing Systems and Programs & Start with Hospitals

Other CSA programs, like Maine's Harry Alford grant and Promise Indiana, have increased enrollment and support for their programs by integrating them into existing programs and systems. This is something we can build over time. Because the Illinois CSA program enrolls children at birth, we recommend that the Illinois State Treasurer's Office first prioritize integration and collaboration with hospitals, the Illinois Department of Public Health, and home visiting programs.

These integrations should go well beyond providing information or flyers. Ambassadors for the program should be identified in hospitals, particularly hospitals in low-income communities and communities of color, that help families claim the seed deposit and sign up for their own 529 account. We also urge your Office to work with the Illinois Department of Public Health and hospital systems to provide new parents with the opportunity to claim the child's seed deposit in the paperwork families receive after giving birth. Finally, nurse home visiting programs are intended to provide new parents with wraparound supports; the CSA program should be integrated with these programs, such as [Family Connects Chicago](#). We recommend that the CSA is included on the list

⁴ See an example of this on page 7 of this report from the Center for Social Development: https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1441&context=csd_research

of items that nurses cover during visits, similar to the way that [Brilliant Baby](#) does in Oakland.

We are excited that you are part of the Chicago ABCs Lever for Change proposal – we believe that program design and partnership are creating a strong foundation for these kinds of program integrations.

As the program grows, we also recommend integrating into early childhood systems like Head Start, public schools, benefit systems like WIC, and college access initiatives.

11. Support Peer-to-Peer Outreach

Our experience working with low-income families has shown that the single most effective outreach strategy to engage low-income families is peer-to-peer and in-person outreach. As our research demonstrated, individuals with lower incomes tend not to trust financial institutions and that the most effective outreach is from trusted sources.⁵ Furthermore, while we support well-designed marketing efforts, we strongly believe that a traditional marketing campaign, using mail, online, and media strategies, will not be effective for lower-income families if it is not coupled with in-person outreach.

We recommend that the Illinois State Treasurer’s Office use a portion of the marketing budget to support local parent-to-parent outreach first through early childhood systems and local parent networks, and then later in schools as well.

The Boston Saves program has done this successfully through their [Family Champions](#), family members of students at Boston Saves schools who learn about the program and explain it to other families. They attend three training workshops and up to three events, and can earn up to \$450 in gift cards for their time. Boston schools with champions had a 78% higher likelihood of participation in the program.

Finally, once it is safe to do so, we recommend that the CSA Program Manager prioritize in-person outreach whenever possible. We urge CSA staff to be present in communities, particularly low-income communities, by attending community events, meetings, and parent gatherings.

12. Integrate the Statewide Program with Illinois Bank On & Bank On Chicago

Last year, at the same time CSA legislation was passed, legislation creating the Illinois Bank On program was also passed ([SB1332](#)), led by the Comptroller’s Office. This program will promote safe and affordable banking products throughout Illinois, especially in low-income and rural communities. Additionally, Bank On Chicago was relaunched in 2020 by the Economic Awareness Council.

Given that these programs are supporting similar families, and that having a checking account is a critical foundation for families to be able to deposit into a 529 account, the CSA program and Bank On program should co-market the programs and integrate their outreach efforts to the greatest extent possible. At a minimum, the CSA website and

⁵ Buitrago, K., & Mullany, L. (2017, August). Building Brighter Futures: Children’s Savings Accounts in Illinois. Heartland Alliance. Available at www.heartlandalliance.org/research

collateral materials should direct families to the Bank On resources when they have questions about how to find or open a safe and affordable checking account.

Support the Development of Community-Driven Local CSA Programs

The Illinois CSA program provides a strong foundation with statewide seed deposits, infrastructure, and data management. For this program to have a deep impact, it needs to have robust local engagement and complementary local programs. We recommend that the Illinois State Treasurer's Office work with advocates and partners to support the development of local CSA programs that provide incentives, bonus deposits, and/or savings matches for families in their community.

This is an area where Illinois can really be a leader. So far, no other statewide program has developed a plan for robust local engagement. IABG partners have been laying the groundwork for local engagement for years. In particular, IABG and Community Organizing and Family Issues (COFI) have convened parents across the state in college savings summits and raised awareness about the Illinois Bright Start Program and CSAs, and because of these efforts, there are some communities that are primed for the development of local CSA programs, including Chicago, East St. Louis, and Aurora, among others. We can also leverage additional partnerships with community organizations across the state, including United Way, YWCA, and others. While these efforts should be designed and driven by local stakeholders, we recommend that the Illinois State Treasurer's Office provide support and infrastructure for local efforts.

13. Establish the College/Career-Bound Innovation Fund

We urge your Office to use legislation or administrative action to create a College/Career-Bound Innovation Fund, which would allow local communities to apply for funding for incentives and bonus deposits in their community. This fund could start with a small pilot phase, and grow the fund as it proves its impact and as funding allows. We believe that initial funding of \$1-2 million could fund two or three pilot communities.

We recommend that this fund prioritize equity and target these funds to programs with equitable incentive structures and investment into low-income families and families of color (see recommendation #1).

If funding is available, we could also take this one step further by doing an evaluation of this pilot to determine what kinds of features are most effective in supporting low-income families. There is a lot that the CSA field has yet to learn in this area, and it could be a chance to make Illinois a leader in this space.

14. Build Local Stakeholder Capacity

Local CSA programs should be designed and supported by local stakeholders: parents, school districts, foundations, early learning programs, advocates, and community organizations – but many of these stakeholders lack the capacity to devote time to a CSA project. We recommend that the State Treasurer's Office support the capacity of local communities, particularly those that apply for the College-Bound Innovation Fund. This could include technical assistance, providing program collateral, template MOUs and data sharing agreements, and more.

Create a Structure for Consistent Community Input

In addition to supporting local community-driven programs, we recommend that the statewide CSA program have a clear structure for regular community input on the program design and implementation.

15. Create a Community Advisory Committee

We recommend that the Illinois State Treasurer's Office convene a Community Advisory Committee, which we believe could begin meeting soon virtually, to give input on the CSA program. This Committee should be comprised of parents and representatives from community organizations, and should be open to the public. This Committee should meet often (every 4-8 weeks) in the first couple of years of program implementation. This will build community support for the program and support program sustainability.