SENATE EDUCATION
Exhibit No. 1
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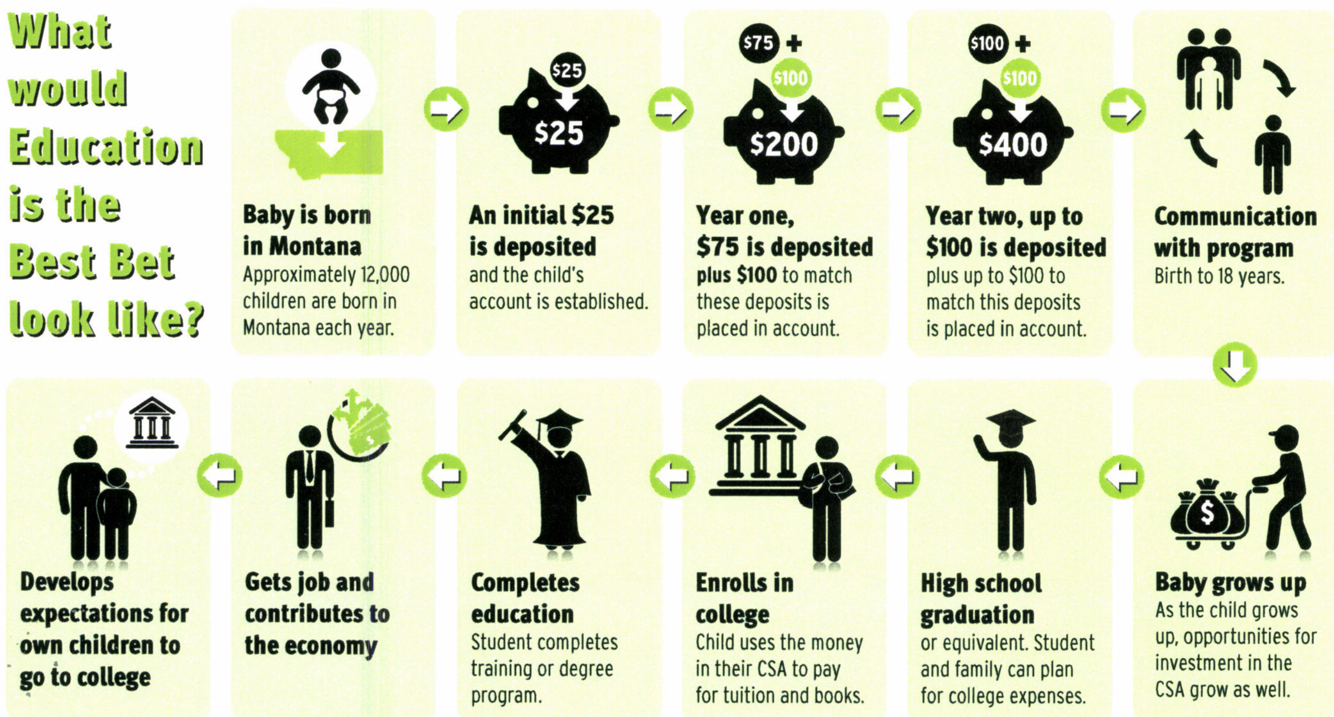
Bill No. SB 328

Education is the Best Bet (SB 328)

Sponsored by Senator Llew Jones

Supported by Student Assistance Foundation, Associated Students of Montana State, Montana's Credit Unions, Montana Organizing Project and Rural Dynamics, Inc.

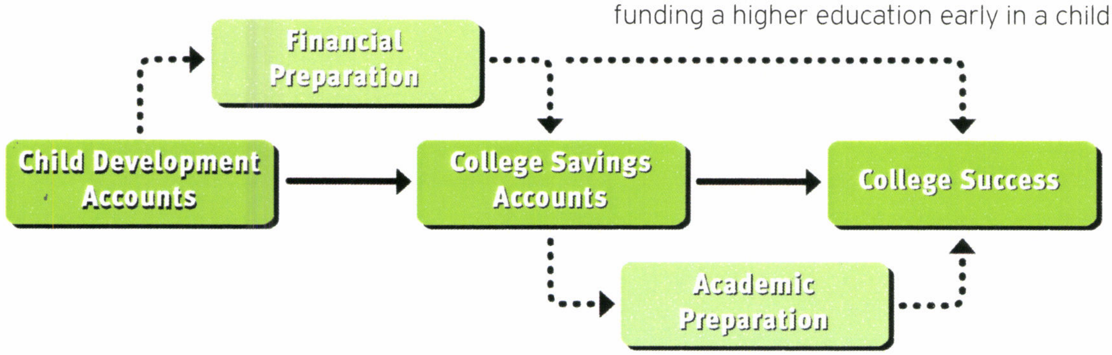
Education is the Best Bet (SB 328) is an innovative solution to the higher education affordability problem facing Montana in the form of Children's Savings Accounts. This solution successfully marries a small state investment with personal responsibility.



Why do Child Savings Accounts (CSAs) Work?

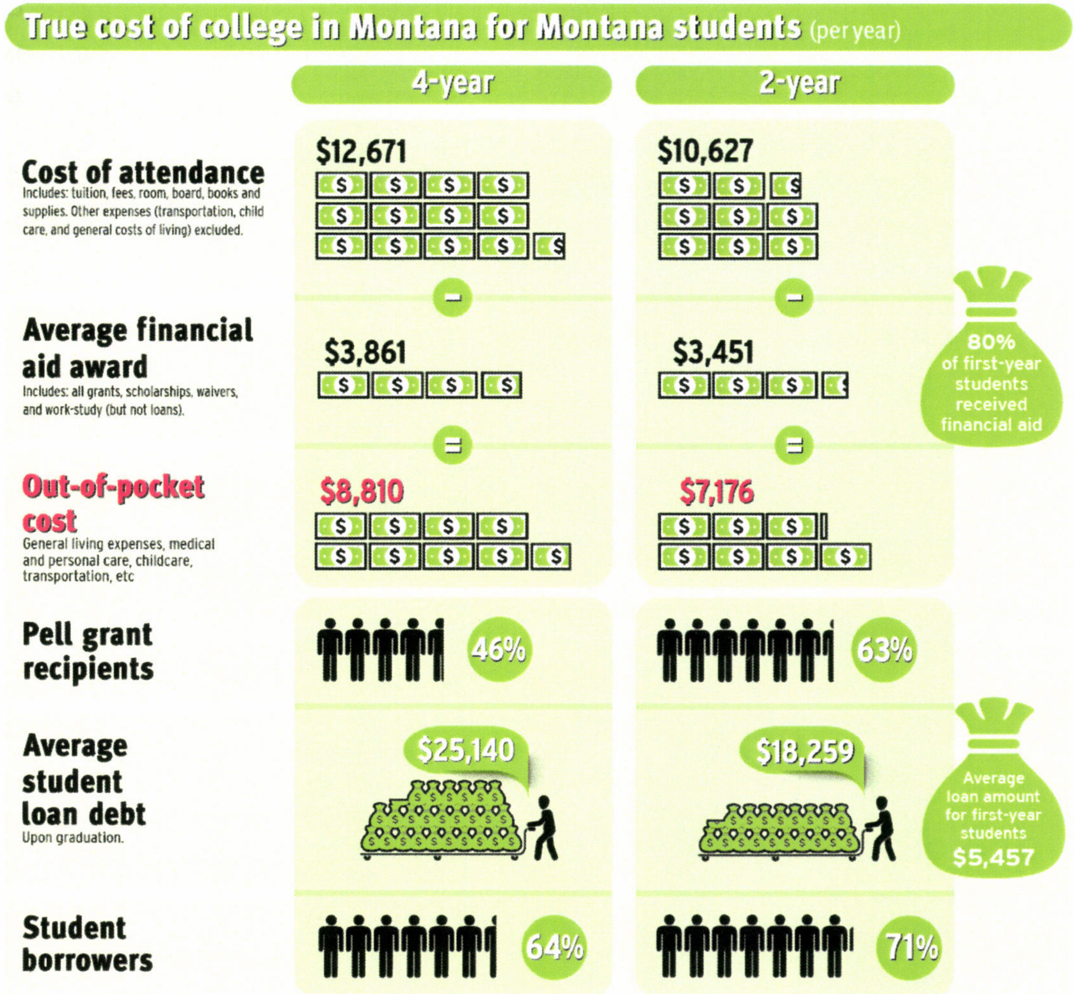
Research has shown that having college savings:

- Increases enrollment and graduation rates
    - low-to moderate-income children with savings of $1 - $499 are more than 2.5 times more likely to enroll in college and more than 4.5 times more likely to graduate.
    - 74% of children with savings designated for college are enrolled or have graduated from a 2 or 4 year college by age 23 compared to 41% of children without.
- Confers significant psychological benefits and measurable impacts related to students' perceptions about their ability to pursue, succeed, and finance college.
- Influences school-related behaviors in a way that may increase educational engagement, resulting in greater academic preparedness and success in higher education.
- Facilitates asset accumulation for higher education and helps families take on the responsibility of funding a higher education early in a child's life.



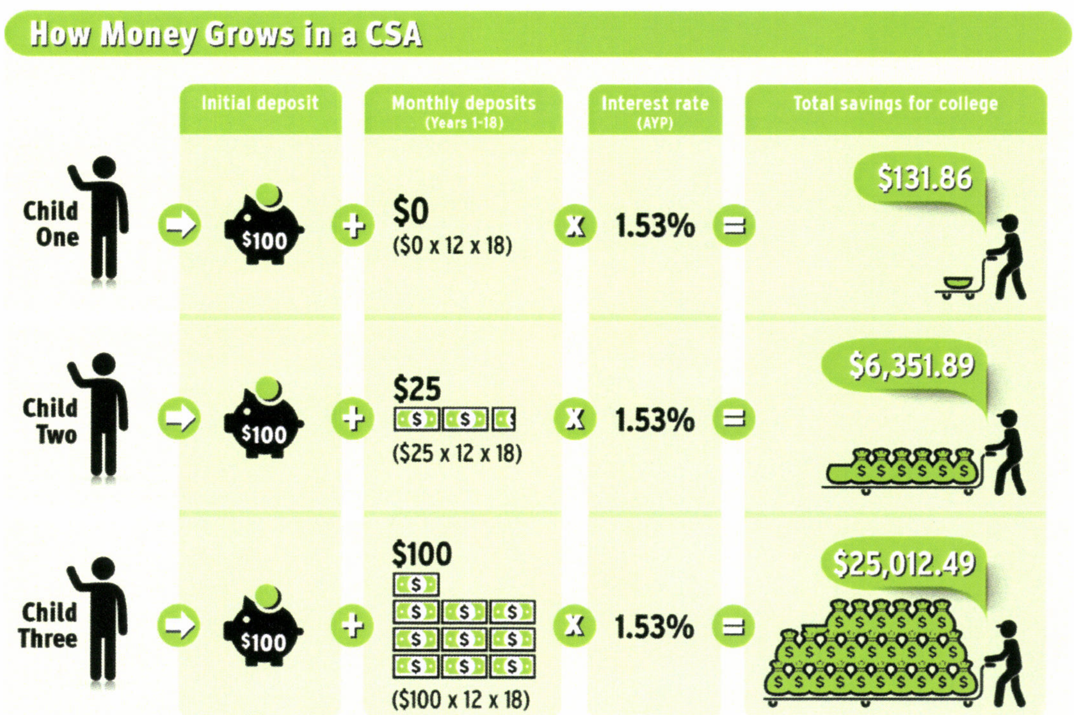
College Affordability in Montana

Given the unique needs of Montana's 21st century workforce, increasing access to higher education is crucial to maintaining our competitive edge in a world economy. Unfortunately, in the fall of 2012, only 60% of graduating seniors enrolled in college. The high cost of higher education is a significant barrier for many students.



Education is the Best Bet Accounts Make College More Affordable

A confluence of economic factors, rising tuition costs, federal lending policies, and insufficient financial literacy are combining to created significant barriers for Montanans to successfully enroll in and complete a college education. We are at a critical moment and Education is the Best Bet accounts can significantly help Montanans afford a college education.



Seeded Savings:

A 21st Century Solution to Affording Higher Education

Earn & Learn

Earn&Learn

Acknowledgements

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STUDENT ASSISTANCE FOUNDATION
Caring About Your Success

Seeded Savings:
A 21st Century Solution to Affording Higher Education

Introduction

Given the highly technological nature of the global economy, it is clear that our children will need specialized, advanced training and higher education to succeed.[6] At the macro level, education has been linked to increased tax revenues, greater productivity, increased consumption of goods, increased workforce flexibility, and decreased reliance on government assistance.[28] At the micro level, a shortage of college graduates is not only a loss to the Montana economy but represents a real loss of earning power for individual Montanans as well.[11] Indeed, in 2013, 34 percent of Montanans held a bachelor's degree or higher.[19] However, by 2018, 62 percent of all Montana jobs are expected to require a higher education with an estimated 155,000 job vacancies created by both new jobs and a significant wave of retirement.[7] Ensuring that our children attain a higher education – through certificate training, a two-year institution, or a four-year institution – is critical to ensuring continued success for all Montanans.

Progress in the right direction is evidenced in a 2012-2013 survey of 28,236 Montana students from 6th-12th grade. Of students surveyed, 87 percent said that college would be important to their future and 83 percent said that they planned on attending a college, either at a two-year or four-year institution.[20] However, despite these aspirations, only 60 percent of graduating seniors attend college immediately following graduation.[21] Clearly, many students who aspire to go to college are having to delay enrollment or forego higher education altogether. The question to us as educators, policymakers, and citizens is: How do we increase the number of students successfully participating in higher education?

The answer to this question is complex and requires a coordinated effort on many fronts. Tackling such issues as college preparedness and rising tuition costs are paramount to understanding how to ensure the number of Montana graduates produced each year keeps pace with our workforce needs. Many researchers and policymakers have turned their attention to Children's Savings Accounts (CSAs) and are finding multiple benefits that are psychological, social, and economic in nature.[25] Significantly, even small amounts of dedicated savings in the range of $1 to $499 seem to impact college enrollment and graduation rates.[13] This research indicates that developing a CSA program for Montana children may be a significant, successful strategy for addressing the coming challenges we face.

Montana's Current Financial Aid Policies are Unsustainable

The high cost of education represents a significant barrier to pursuing a higher education among Montana students. The rising costs of, and declining state appropriations to, higher education, and the disproportionate impact this has on families of different income levels has been well documented.[1,8] Following national trends, Montana has steadily and dramatically reduced the amount of fiscal support appropriated to higher education over the last 20 years. This includes a reduction in the amount of grant dollars available to low-income students. For these students, Montana provides $4.3 million in education grants to help support a college education. In comparison, the federal government provides $87.7 million in educational grant aid supporting low-income Montana students. Notably, for every $20 the federal government spends on Montana's low-income learners, the state provides just $1 of need-based aid. At current levels and trajectories, 2059 will be the year Montana no longer provides any state fiscal support for need-based aid.[26]

Requiring families in the bottom quartile of income to contribute more than half of their financial resources toward higher education is unsustainable. Such a burden reduces the likelihood that these Montanans will be able to achieve a college degree or certificate, and in turn, puts undue pressure on Montana's economy. In fact, the state currently suffers from a declining personal income as a share of United States per capita personal income. In 2010, Montanans earned approximately $0.88 to the dollar of the average American citizen.[26]

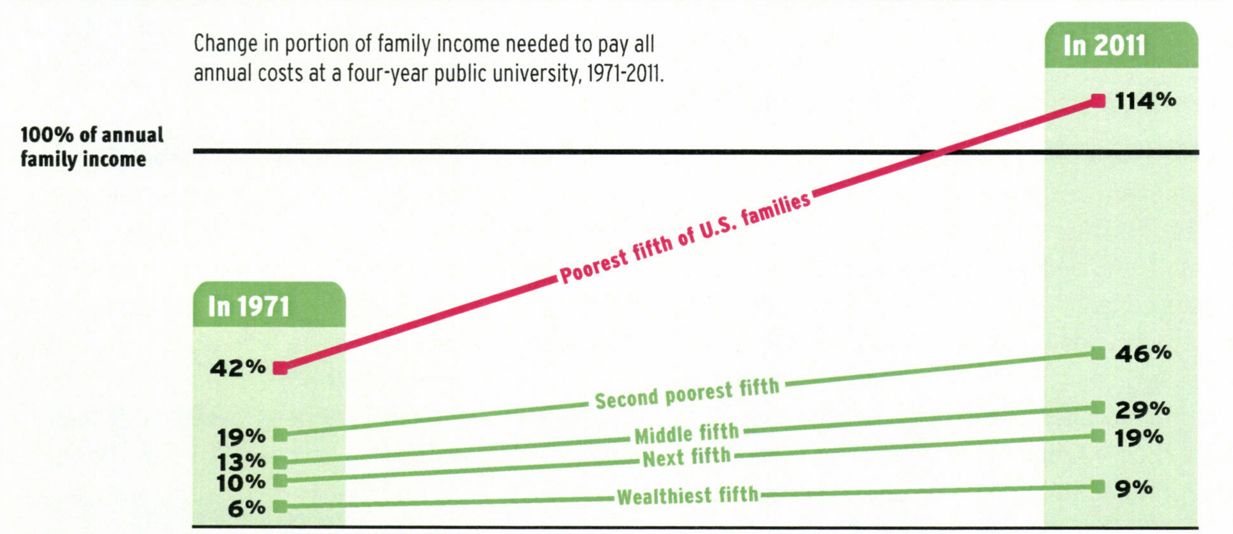
To overcome the prohibitive price of higher education, the federal government has progressively increased the volume and availability of federal loans for students and their families. While the proportion of grants to loans was roughly even in 1976, by 1998, that proportion stood at 17 percent grants to 82 percent loans.[11] Government policies have effectively institutionalized a system of borrowing and debt accumulation to finance higher education. Indeed, total borrowing for college reached $113.4 billion for the 2011-2012 academic year, up 24 percent from 2007.[13]

Higher education opportunities for Montana students are not equal!

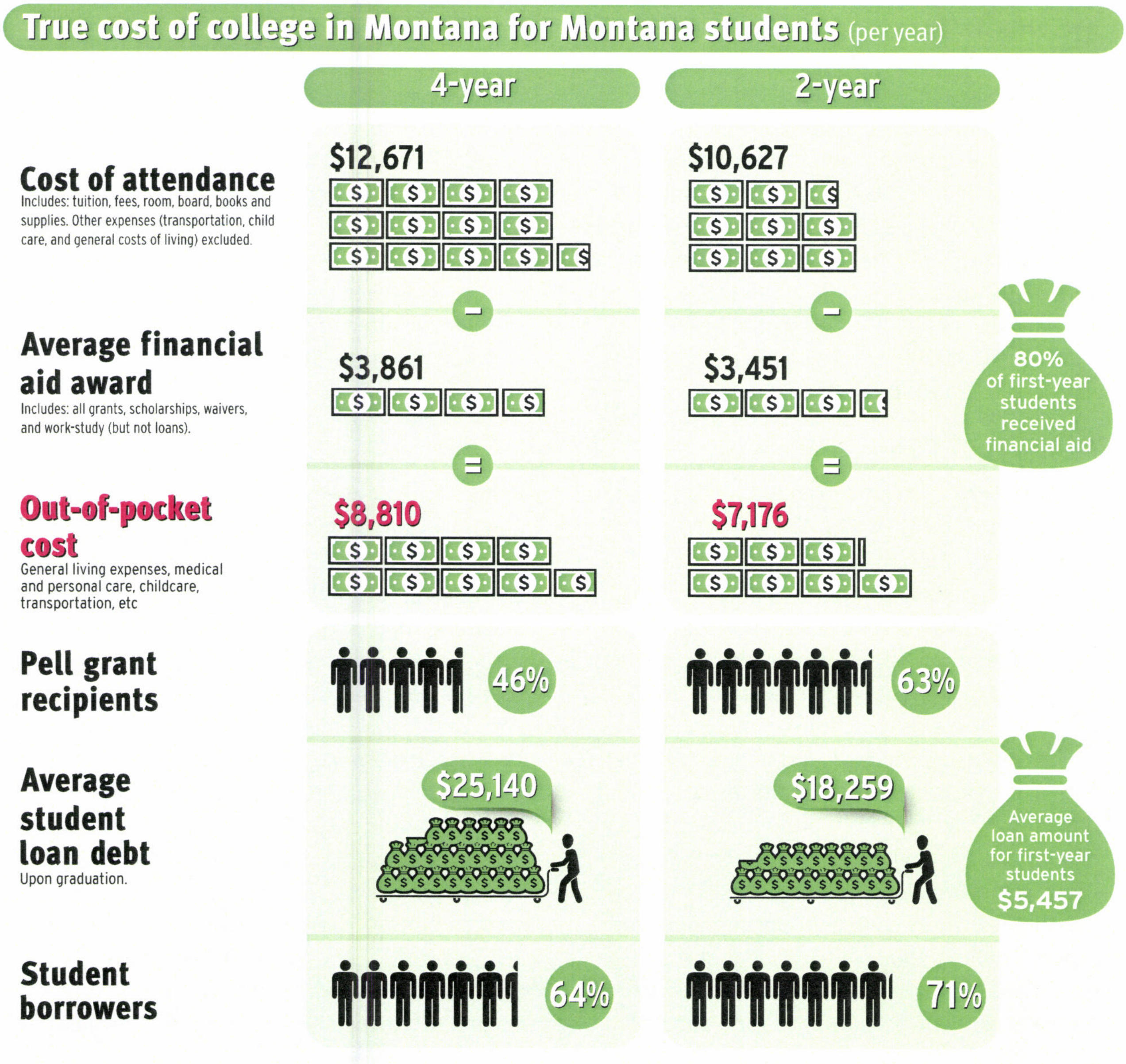
	Student One	Student Two	Student Three	Student Four
Annual income	$0 - $33,283	$33,283 - $63,125	$63,125 - $104,750	$104,750+
4-year degree attainment rate	10.4%	14.6%	30.4%	71.2%
Unmet financial need	$6,114	$2,961	$0	$0

What does the future hold? In 2059, following current projections, Montana will no longer provide state fiscal support grants (need based aid) for Montana's low-income learners.

The Soaring Cost of College



Despite easy access to borrowed money, research shows that financing college through student loans fails to improve rates of academic preparation and does not help students avoid leaving college prematurely.[11] In fact, a system overly reliant on a culture of borrowing has been shown to negatively impact higher education enrollment decisions of low-income students.[17,18] Today, there are large disparities in graduation rates among low, medium, and high-income families.[9] Significantly, research shows that some students leave their education program before graduating if they take on a heavy debt load early in their education, leaving them with both high amounts of debt and no degree or certificate.[13] Moreover, despite tuition freezes in Montana, debt levels, as well as default rates, continue to rise.[22,23] A confluence of economic factors, rising tuition costs, federal lending policies, and insufficient financial literacy are combining to create significant barriers to successfully enrolling in, and completing, a college education. We are at a critical moment in which broader policies and practices related to financing a higher education need to be addressed.



Children's Savings Accounts

Designated college savings accounts like Children's Savings Accounts (CSAs) are an effective method to promote asset accumulation and are an important corrective to current financial aid policies and practices. CSAs provide a way for children to save for college that marries a small-dollar investment by the state, with individual and family contributions and responsibilities.

CSAs are a vehicle through which children can accumulate assets specifically for higher education. The Center for Enterprise Development (CFED) defines them as long-term, asset-building accounts established for children at birth and allowed to grow over a child's lifetime. Accounts are seeded with an initial deposit, usually from a public funding source, and are restricted to financing higher education, small business start-up expenses, home ownership, or retirement. Most CSA programs also include age-appropriate financial education requirements and opportunities for accounts to be augmented by savings matches, incentives, and contributions from family, friends, and the account beneficiaries themselves. Accounts are also often excluded from asset test for public assistance.[5]

While there is no "perfect" account vehicle for CSAs, 529 plans are attractive for many reasons. Instead of creating a new savings tool, utilizing the 529 structure capitalizes on existing program and investment infrastructure, reducing administrative burdens. A 529 plan is an investment vehicle managed by a state or educational institution that is designed to accumulate savings specifically for future expenses associated with college or other training beyond high school. They are widely available, long-term savings and investment products that provide tax benefits and have limited use for investments beyond education. Additionally, 529 accounts can also be established with a custodian (e.g., the state of Montana), to prevent access to the funds for other purposes. 529s also receive favorable treatment in financial aid calculations for need-based federal aid (5.64 percent of assets in the account).

There is no perfect savings tool and 529 plans may be viewed as a less desirable savings tool for CSA due to their somewhat limited investment options. However, evidence shows, having too many investment choices can be overwhelming and a detriment to program participation.[3]

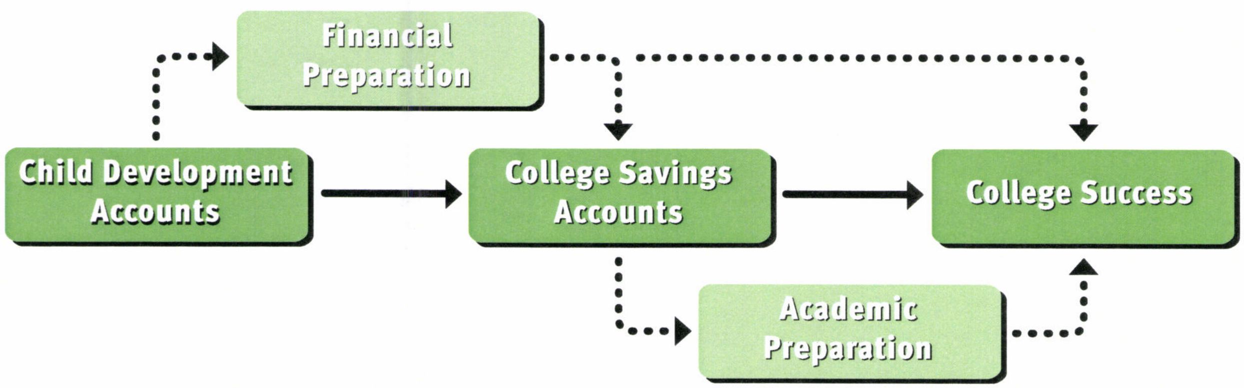
Benefits of CSAs

Unlike our current financial aid policies, participation in CSAs significantly impacts students' academic preparation as well as the rates of enrollment and degree attainment. Research indicates that college savings programs for children confer significant psychological benefits and measurable impacts related to students' perceptions about their ability to pursue, succeed, and finance a higher education. Having savings first gives people the opportunity to hope, plan, and dream about a child's future and encourages students to see themselves as college-bound.[12,3] When children see themselves as college-bound, it influences school-related behaviors in a way that may increase educational engagement, resulting in greater academic preparedness and success in higher education.[10,3] Importantly, CSAs have also demonstrated a positive association between savings and math scores.[14] CSAs, then, may be an added strategy for addressing and improving children's math scores.

Designated children's savings programs such as CSAs help build a sense of ownership and control over financing a higher education. This effect is especially important for low- and moderate-income students whose families earn less than $50,000 per year and who may perceive high tuition rates as impossible barriers to their education.[12] For comparison, Montana's median household income between 2008 and 2012 was $45,456.[27] When children have a designated savings account for college, it signals to those children and their families that saving is not only important, but also possible. By providing a designated vehicle for saving, CSAs can facilitate asset accumulation for higher education. The earlier families can begin saving for college, the greater the chance they will be able to accumulate a meaningful amount of funds that can be put toward higher education. In contrast, when students take out higher dollar loans, evidence suggests that it has the negative impact of increasing college dropout rates. Evidence also supports the idea that having college savings can reduce the likelihood that students from low- and moderate-income families will take out $10,000 or more in student loans.[13] Moreover, when students have their own savings, as opposed to family savings alone, evidence suggests that it may generate a sense of "account ownership" and keep students in college through graduation because they have a stronger sense that they will be able to pay for their education.[12]

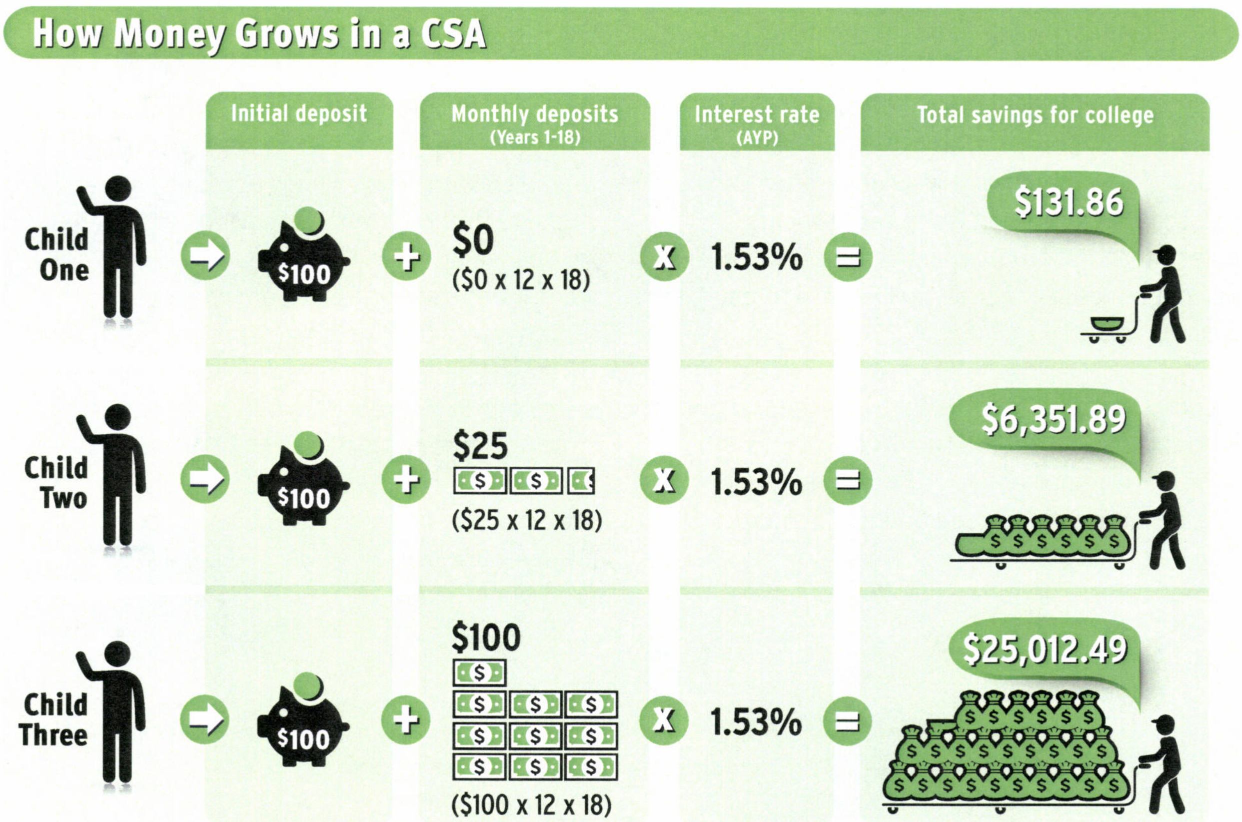
Institutionalizing a CSA program can also become a significant tool of financial education for both children and their families.[3] This is particularly important for low- and moderate-income families. Increased financial literacy may help these families take advantage of other savings vehicles in the future. With greater financial literacy, students and their families will also be able to better assess the benefits and risks of including student loans in a financial aid plan.

CSAs also improve the likelihood that students will complete their program of study and attain a degree or certificate. In fact, overall findings suggest that having even a small amount of savings designated for higher education confers these powerful benefits. When contrasted with a low- to moderate-income child with no savings account, a low- to moderate-income child with college savings of $1 to $499 is more than 2.5 times more likely to enroll in college and more than 4.5 times more likely to graduate from college. A child with $500 or more is about 5 times more likely to graduate from college than a child with no savings account.[13] Moreover, 74 percent of children with savings designated for college are enrolled, or have graduated from, a two-year or four-year college by age 23 compared to 41 percent of children with no savings at all.[10] CSAs may be an important part of a strategy to help children better prepare for, and stay in college through graduation. Importantly, no evidence indicates that student loan programs are associated with children being academically prepared for college or will complete their program of study.[11]



Models for a CSA Program in Montana

While a statewide universal CSA has yet to be implemented in any state,* there is significant precedent on which to build. Statewide children's savings programs are not new. A number of states and localities have taken steps to promote or incent college savings for children. More than 20 years ago, in 1991, Oregon became the first state to pursue state-based children's savings policy with the passage of legislation authorizing the establishment of an Individual Child Development Accounts Trust Fund. While this legislation enjoyed bipartisan support, and was supported by stakeholders across the state, the funding needed to implement the law was never authorized.[5] Currently, 12 states incentivize individual deposits into 529 college savings plans for some or all children. In addition, commissions in Kentucky and Oklahoma are exploring incentives for college savings as a step toward establishing matched 529 policies in their states.



*On March 6, 2014, the Harold Alfond Scholarship Foundation announced that they will provide $500 for every Maine newborn born since January 1, 2013 regardless of family income or whether or not the child is a beneficiary of a 529 account. Once implemented, Maine's program will be the first state to adopt a universal CSA plan using an "Automatic Enrollment" model.

A Deeper Understanding: A Look at Nevada and North Dakota

Nevada

The Nevada College Kickstart program was established in 2013 as a pilot program administered by the office of Nevada State Treasurer Kate Marshall. The program established an SSgA Upromise college savings account (529) for all kindergarten age children in the 13 pilot-area counties with an initial $50 deposit. The 2013 pilot initially included approximately 3,400 public school kindergarteners in 13 rural Nevada counties and seven Title I schools in the Washoe County School District.

Funding for the Nevada College Kickstart came from a portion of fees paid to the Treasurer's Office by private companies that serve as program managers for the College Savings Plan's of Nevada (the state 529 plan). No taxpayer funds were used in program administration; instead, additional funds were donated to the project.

Student accounts for the Nevada College Kickstart were automatically established for participants removing the enrollment barrier. The State Treasurer's Office and the public school system collaborated to use information readily available (individual student identification numbers and student names) to establish account ownership.

In November 2013, the board of trustees of the College Savings Plans of Nevada voted unanimously to expand the pilot program statewide to include the Carson City, Clark County, Douglas, and Washoe school districts. This expansion will result in the establishment of approximately 35,000 accounts in the program's first year of statewide operation. As with the pilot, no taxpayer dollars will be used to fund the program's statewide implementation. Nevada College Kickstart accounts will be held under a Master Account managed by Upromise in the Nevada College Savings Trust Fund's name.

Kate Marshall, the driving force behind the Nevada College Kickstart program, cites creating a "college going culture" in Nevada as a primary goal. As such, not only has Marshall worked to pilot the savings project, but her office also reached an agreement with Upromise, the program manager of the Nevada College Savings Plans, to lower the minimum deposit required for account opening from $250 to $15. This ensures accessibility for most Nevadans.

North Dakota

The Children FIRST program is designed to give every child residing in North Dakota 12 months of age or younger his or her first college savings. The program is sponsored by College SAVE and is funded by the state-owned Bank of North Dakota.

Launched in May 2011, the Children FIRST program contributes a $100 grant into a 529 college savings plan. Anyone is eligible to enroll in the program, regardless of where they live. However, the child for whom the account is established must be a North Dakota resident 12 months of age or younger. To qualify, by the child's fourth birthday, private savings matching the initial Children FIRST grant must be contributed.

To open an account, a minimum $25 deposit is required, and future deposits of at least $25 can be facilitated in a variety of ways, from mailing a check to automatic payroll deduction.

In 2011, the Bank of North Dakota set aside $1 million for Children FIRST program grants. Like Montana, North Dakota has a small population with nearly 9,000 children born each year.

Overview of Incentivized 529 Programs Across the United States

529 Program	Description	Funding	Incentive Criteria, Eligibility Requirement, & Use Policy
Arkansas' Aspiring Scholars Matching Grant Program	A pilot program authorized in 2007 designed to provide an incentive match for low- and moderate-income savers.	The state collects $235,000 of funding from the annual fees collected for the administration of its 529 plan.	200% match up to $500 per year for Adjusted Gross Income (AGI), up to $30,000. 100% match up to $500 per year for AGI $30,000 to $60,000. Five-year maximum eligibility. Matching grant funds may be used at any time so long as personal Gift Plan account is active and holds a minimum balance of $50.
Colorado's CollegeInvest Matching Grant Program	Established in 2005, the program provides matching funds for low- and middle-income families that open 529 college savings accounts; matching grants limited and distributed on a first-come, first-served basis.	Subject to annual appropriation.	100% match up to $500 per year. Five-year maximum eligibility. Funds must be activated within a four-year period from graduation.
Indiana's Tax-Credit CollegeChoice 529	A 20% state tax credit, up to $1,000, for contributions to Indiana's CollegeChoice 529 Savings Plan.	Subject to change by the State Legislature.	Eligible until the account is rolled over, closed, or changes beneficiary.
Kansas Investments Developing Scholars (KIDS) Matching Grant Program	Established in 2006 as a three-year pilot and made permanent by the legislature in 2009. It is available to 300 participants from each of Kansas' four congressional districts (a total of 1,200 participants).	Tax revenues fund the program.	100% match for contributions of at least $100 each year, up to $600 per year for families below 200% of the Federal Poverty Level (FPL). Eligible for as long as income requirement is met. There is no limit on when matching grant funds must be withdrawn.
Louisiana's START Saving Program	Louisiana provides matching dollars for families in all income brackets at varying levels according to AGI. As a result, Louisiana has achieved a nearly universal policy approach to children's savings.	The Louisiana Student Tuition Assistance and Revenue Trust (START) program utilizes general revenue appropriated by the state legislature.	Eligible until account balance reaches $235,500 or until the account is rolled over, closed, or changes beneficiary. There is no limit on when matching grant funds must be withdrawn. Matching rates: $0-$29,999 (14%), $30,000-$44,999 (12%), $45,000-$59,999 (9%), $60,000-$74,999 (6%), $75,000-$99,999 (4%), $100,000+ (2%).
Maine's NextGen® Plan	The nation's first statewide child development account program established in 2006. Today, the program provides an initial seed grant of $500 for newborn's with a 529 account through the Harold Alfond College Challenge Grant. This program also provides three different matching grant opportunities. As of March 6, 2014, the Harold Alfond Scholarship Foundation will provide $500 to every Maine newborn born since January 1, 2013, making Maine's program the first to implement an "Automatic Enrollment" model.	Funded with fees generated from their 529 plan.	$500 Alfond college grant has no income restrictions and is provided to all Maine newborns with a 529 account. Initial Matching Grant of $200 is available to new accounts that do not qualify for an Alfond college grant regardless of family income. NextStep Matching Grant requires a minimum $50 contribution to qualify and provides 50% match on contributions up to $100 per year with a lifetime maximum of $1000 regardless of family income. Automated Funding Grant provides a $50 grant when account receives six consecutive automated contributes no less frequently than quarterly regardless of family income. There is no time limit on when matching grant funds must be withdrawn.
Missouri's MOST 529 College Savings Plan	Missouri's MOST program offers a $500 1:1 matching grant program.	Contractually obligated funds (no state funds).	1:1 match up to $500 for beneficiaries under the age of 13 with AGI under $75,000. Lifetime maximum of $2,500. There is no time limit or age restriction for when matching grant funds must be withdrawn.

529 Program	Description	Funding	Incentive Criteria, Eligibility Requirement, & Use Policy
Nevada's Silver State Matching Grant	The program matches individual contributions 1:1 up to $300 per year.	Funded with fees paid by one of the State's 529 plan administrators.	1:1 match up to $300 per year. Lifetime maximum of $1,500 for AGI under $75,000. Beneficiary must be under the age of 13. Beneficiaries must use matching grant funds by age 26.
New Jersey's NJBEST 529 College Savings Plan	NJBEST rewards contributing to one's 529 plan above the minimum contribution levels over time.	Reinvested revenue from Higher Education Student Assistance Authority.	At least $1,200 must be deposited in the first four years of account ownership to qualify for the minimum $500 scholarship. For each additional two years of saving and contributions of $600, the scholarship increases by $250 to a maximum of $1,500. The scholarship must be used at a New Jersey higher education institution. Scholarship funds must be used within the first semester of enrolling in a NJ institution regardless of age at enrollment.
North Dakota's College SAVE	North Dakota's state-owned bank, the Bank of North Dakota, provides matching funds to state residents who meet income and age requirements.	Provided by North Dakota's state-owned bank.	100% match for contributions up to $300 for families with AGI up to $40,000 single, $80,000 joint. Beneficiary must be 12 or younger and match must be applied in first 13 months after account opening. Three-year maximum eligibility for AGI $20,000 single, $40,000 joint; one-year maximum eligibility for AGI $40,000 single, $80,000 joint. As long as the account remains open, matching grant funds are available to beneficiaries. If the account closes, beneficiaries have 18 months to use funds before they are forfeited.
Rhode Island's CollegeBoundfund	The Rhode Island CollegeBoundfund Matching Grant Program is designed to help low- and moderate-income families save for higher education. The program, as of Jan. 1, 2013, is no longer accepting new applicants.	Revenues generated by the CollegeBound-fund.	200% match for up to $1,000 for AIG $0-$72,000, 100% match for AIG $72,001-$87,000. One-time $100 grant available to all savers regardless of income. 2:1 and 1:1 matches available up to five consecutive years. Funds must be used in a "reasonable amount of time."
Texas' Match the Promise Scholarships	Two levels of scholarships are offered through Texas' Match the Promise Foundation to families participating in the state's principle prepaid tuition plan (Texas Tuition Promise Fund).	Texas Match the Promise Foundation (Texas Comptroller, Unclaimed Property Program, and individual donations).	150 matching scholarships worth $500 of tuition units, 1:1 match. Limit $500/year, up to four years. Five, one-time scholarships worth $2,000 of tuition units, no matching requirement. Available to students in grades 6 to 9 with family incomes below $75,000. Students must undergo a competitive application process. Students have 10 years to use tuition units, both matching scholarship units and personally purchased units.
Utah's Fast Forward Matching Program	The Utah Educational Savings Plan Fast Forward Matching Program matches net contributions for certain savers. Utah also provides a tax credit for qualified 529 savings.	Matching Program funded from program revenues. Tax credit subject to change by state legislature.	100% match for Utah residents below 200% of FPL. Match up to $400/year for four years. Non-refundable 5% tax credit against Utah income tax up to $89/year single, $189 married. No limit on tax credit eligibility. Qualified withdrawals must begin before a student turns 22.
Vermont's Higher Education Investment Plan	Vermont provides a non-refundable tax credit for qualifying savings.	Subject to change by the state legislature.	Non-refundable, 10% tax credit on up to $2,500 in contributions for individuals and $5,000 for married taxpayers. $250/year credit for individuals, $500 for married couples. Eligible for up to 18 years.
West Virginia's SMART529 Matching Grant Program	West Virginia's SMART 529 matching grant program provides dollar-for-dollar matching for eligible program savers.	Program fees.	1:1 match up to $500/year with a lifetime max of $2,500. Eligibility dependent upon household size and AGI. Households with one dependent, AGI must be $50,000 or less, two dependents, $60,000 or less, three dependents, $70,000 or less, four dependents, $80,000 or less. There is no age or time restriction on when matching grant funds must used.

In addition to incentivized 529 programs, states have explored various other college savings policy initiatives, including:

- Establishing statewide CSAs (or child development accounts) with initial, seed deposits and matching incentives. California, Hawaii, and Mississippi have proposed legislation to create such programs.
- Conducting municipal pilots like those underway in San Francisco and Cuyahoga County.

Also, since 2007, the United States Congress has attempted passage of various forms of the America Savings for Personal Investment, Retirement, and Education Act (ASPIRE). The ASPIRE Act was designed to encourage savings, promote financial literacy, and expand opportunities for young adults by establishing KIDS Accounts. KIDS (Kids Investment and Development Savings) Accounts – funds to be established at the United States Department of Treasury – were to be federally matched savings accounts for education, much like CSAs.[16] Introduced in Congress in the midst of the Great Recession, the ASPIRE Act has received bi-partisan support. Reimagined in 2010, and again in 2013, the ASPIRE Act now calls for the establishment of Lifetime Savings Accounts for every newborn child in America seeded with a one-time $500 contribution.[24] Seven years of attempts to establish universal CSAs at the federal level indicate not only broad bipartisan support for this proven policy, but also suggest the issue is stalled in Congress. To ensure that Montana children have their best chance, state-level action is critical.

What Would a Montana CSA look like?

Understanding the unique needs of Montana's 21st century workforce and the state's changing demographics, it is evident that increasing access to, and completion of, higher education is crucial to maintaining Montana's competitive position in the world economy. With decreasing state investment in need-based aid, increasing tuition costs, and stagnant personal incomes[4], CSAs provide an innovative and personally accountable approach to education access. With more than 20 years of research and a national shift towards the practice, CSAs are poised to become the next great education access and affordability tool.

Montana is in a desirable and unique position. While states across the nation are faced with crippling deficits, the Treasure State enters the 2015 biennium with nearly $400 million in budget surplus (current general fund balance).[15] Ripe with resources and opportunity, Montana can act now and increase opportunity for future generations of learners and earners.

As previously illustrated, states employ a variety of methods when seeking revenue to fund their incentivized 529 plans. Funding for a Montana CSA could originate from a variety of sources, including, but not limited to:

- Establishing an investment fund at the Board of Investments.
  - Funded with an initial investment of $50 million, or, $10 million a year for five years.
  - Independently invested, returning approximately four percent annually.
  - Montana CSA program seed accounts and administrative expenses paid for by investment fund returns.
- Biennial appropriation.
  - Requesting $4 million per biennium, or $2 million per year.
  - Two-year funding cycles, appropriation request required each legislative session.
- Additional revenue sources may be negotiated.

By appropriating money in the 2015 Legislature, or from the 2015 biennium budget, Montana's elected officials can revolutionize the way the next generation of learners access and afford education. With a small population, funding a universal CSA in Montana is an achievable task. Operating a universal CSA in Montana would cost approximately $4 million each biennium, or just one percent of the current budget surplus.

What would a Montana CSA look like?

Overview of Montana's Incentivized 529 Program

529 Program	Description	Funding	Incentive Criteria, Eligibility Requirement, & Use Policy
Earn & Learn Montana	A universal, seeded child savings account utilizing the Montana Family Education Savings Program (529) established for every child born in Montana as of January 2016.	Appropriation from the state budget.	$100 seeded into a 529 account for every child born in Montana as of January 2016. Montana citizens are eligible.

Recommendations

To remain competitive and ensure a vibrant future for generations of Montanans, the issues of access to, and affordability of, higher education must be addressed. Status quo approaches to complex and dynamic problems are no longer salient. With available resources and a culture of creative problem solving, the timing is right for Montana to adopt innovative solutions for an increasingly dire situation. As such, it is recommended that in 2015:

- Montana establish a universal CSA program, utilizing a two-account approach whereby:
  - First account holds personal investment.
  - Second account holds state investment.
  - Two-account approach ensures ease of management should the state need to reclaim its investment with interest accrued.
  - State investment remains available for a qualified withdrawal so long as the personal 529 account is active and maintains a minimum balance of $25.
  - Alternatively, upon negotiation, implement a "use by age 30" clause for the $100 Montana investment.
- The state of Montana fully fund a CSA program that:
  - Provides a $100 seed deposit for every Montana child.
  - Provides a robust outreach and marketing budget.
  - Removes barriers and provides simple enrollment.
  - Provides easy and ample financial literacy education opportunities.
  - Allows for add-on opportunities and future earning potential.
  - Restricts program administration costs to 15 percent of annual program budget.

Terms

529 Account: An investment vehicle run by a state or education institution that is designed to accumulate savings specifically for future expenses associated with higher education costs.

Children's Savings Account: Long-term, asset building accounts that are allowed to grow over a child's lifetime. Most CSA programs establish accounts at birth, are seeded with an initial deposit from a public funding source, are augmented by savings matches, incentives, and contributions from friends and family, and are restricted to financing higher education, small business start-up expenses, home ownership, or retirement.

College: Institution offering programs of study beyond high school; includes two-year community and technical colleges as well as four-year colleges and universities.

Higher Education: Education beyond high school; includes programs of study offered by two-year and four-year colleges as well as certificate training programs.

Low- to Moderate-Income (LMI): Low- to moderate-income families are families making $50,000 per year or less.

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