

Background Technical Brief
New Hampshire Children's Savings Account
Relevant 2017 Legislation – LSR 0003

Background: Children's Savings Account (CSA) programs are initiatives designed to support saving and asset building, especially among children from low-income families. There are numerous models, but they all typically involve creating a specific savings vehicle for children and seeding the accounts with a startup grant. The concept builds upon research that underscores the importance that wealth – as distinct from income – plays in facilitating college enrollment and economic mobility. CSA programs can involve state 529 plans—tax-advantaged savings plans that can be used to pay for higher education—or, they can establish new savings vehicles that have a wider set of authorized uses (e.g., buying a house or starting a business).¹

In 2015, the New Hampshire legislature established a CSA commission with a mandate to investigate ways to increase participation in New Hampshire's existing college tuition savings plans (i.e., 529 plans) and establish and oversee policies for a New Hampshire CSA program. In the 2016 legislative session, SB 408 was put forward to appropriate \$50,000 for a CSA pilot program in Coos County and the city of Manchester (with matching funds from the New Hampshire Charitable Foundation), however, the senate finance committee tabled the bill.

2017 Proposed Legislation – New Hampshire's Children's Savings Account: LSR 03 (not assigned a bill number year) authorizes the state treasurer to provide initial grants of \$250 from the New Hampshire CSA trust fund for 529 accounts created by a parent or legal guardian, on behalf of any New Hampshire public school student who has completed a financial literacy program approved by the department of education. When the principal balance of a 529 account established through this proposed legislation reaches \$500, the state treasurer will make additional transfers into the account from the CSA trust fund. The amount transferred will be determined annually by the CSA commission based upon availability of funds in the CSA trust.

The bill increases the annual registration fee for issuers of open end mutual funds to \$1,100 (from \$1,000) and obligates the secretary of state to transfer \$100 from each such payment into the CSA trust fund. The bill authorizes the CSA trust fund to accept funds from other parties and appropriates \$2,500,000 for FY 2018 and FY 2019.

The Research: Research from the Pew Charitable Trust found that wealth is highly connected to economic mobility among low-income families (i.e., moving up the economic ladder is associated with higher rates of savings and wealth).² Similarly, a 2013 report from the Center for Social Development found that even small amounts of savings (from \$1 to \$499) can have a positive impact on college graduation rates among children from low- and moderate-income families (below \$50,000 for a family--average family size of 4--for the purposes of the report).³

¹ New Hampshire has two 529 plans, the [UNIQUE College Investing Plan](#) and the [Fidelity Advisor 529 Plan](#). Both plans are administered by Fidelity and overseen by the College Tuition Savings Plan Advisory Committee.

² Urahn, Susan, Travis Plunkett, Erin Currier, Diana Elliott, Sarah Sattelmeyer, and Denise Wilson, 2013. "Moving On Up: Why Do Some Americans Leave the Bottom of the Economic Ladder, but Not Others?" Washington, DC: The Pew Charitable Trusts; available at <http://www.pewtrusts.org/~media/assets/2013/11/01/movingonuppdf.pdf>.

³ William Elliott, Ilsung Nam, & Hyun-a Song, 2013. "Small-Dollar Children's Savings Accounts, Income, and College Outcomes." St. Louis, MO: Center for Social Development; available at <https://csd.wustl.edu/publications/documents/wp13-06.pdf>.