

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Kevin McCarty, Chair

TUESDAY, MARCH 14, 2017
9 AM, STATE CAPITOL ROOM 444

CALIFORNIA STUDENT AID COMMISSION/CALIFORNIA COMMUNITY COLLEGES/FINANCIAL AID ISSUES

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ITEMS TO BE HEARD

6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: COMMUNITY COLLEGE PROMISE

The Subcommittee will consider a proposal to provide free tuition to all full-time community college students in their first year.

PANELISTS

- Mark MacDonald, McCallum Group
- Thomas Greene, President, American River College
- Maritza Urquiza, Department of Finance
- Mario Rodriguez, California Community College Chancellor's Office

BACKGROUND

Community College Enrollment is Flat. The state has provided significant funding for community college enrollment growth in recent years (3% growth in 2015-16 and 2% in 2016-17), but colleges are struggling to meet these enrollment targets. According to the LAO, systemwide community college enrollment growth in 2015-16 was only 0.4 percent, and preliminary estimates suggest that net systemwide growth in 2016-17 is only 0.2 percent. The LAO also states that about 60 percent of districts are projecting some enrollment growth in 2016-17 compared with 2015-16 enrollment levels, but that most of these districts do not expect to reach their growth targets. Of the 72 districts, only 14 (just under one-fifth) expect to meet their targets in 2016-17.

State Needs Significantly More Associate's Degrees. This enrollment stagnation comes despite the clear benefit of a certificate or associate's degree for workers and a clear state workforce need for more community college graduates. A 2015 report by the group California Competes notes that "sub-baccalaureate credentials help workers move from low-wage jobs into increasingly scarce middle-wage jobs, roughly half of which provide benefits such as health care insurance and retirement plans." The report, which was discussed last year in a joint hearing between the Subcommittee and the Assembly Committee on Higher Education, found that the state could require about 2.4 million more bachelor's degrees and two-year degrees in order to become a top ten state in terms of educational attainment. The goal is that 55% of California adults between the ages of 25 and 64 would have a postsecondary degree or certificate by 2025. This aspirational approach is one that many states have successfully used to generate conversations and drive policies and practices geared towards improving postsecondary outcomes.

Subsequent discussion indicate that about 1 million more sub-baccalaureate credentials would be needed to meet this goal.

Similarly, the Public Institute of California has reported that the state needs to produce 1.1 million more bachelor's degrees by 2030 above current levels to meet future workforce needs. PPIC notes that California ranks 47th in the country in terms of the number of high school students who attend college.

BOG Fee Waiver provides tuition relief for some students. The Community College system provides fee waivers for qualifying students, per Education Code Section 76300. Students qualify for the BOG Fee Waiver if they are a resident student, or are exempt from non-resident fees under AB 540; if they are receiving TANF, SSI/SSP or General Assistance; if they fill out a FAFSA and indicate they have at least \$1,104 or financial need, or if they meet certain income standards as shown below. These standards are for the 2017-18 academic year.

Family Size	Base Year Income
1	\$17,820.00
2	\$24,030.00
3	\$30,240.00
4	\$36,450.00
5	\$42,660.00
6	\$48,870.00
7	\$55,095.00
8	\$61,335.00
Each Additional Family Member	\$6,240

PROPOSAL

The Subcommittee could consider a proposal to provide fee waivers to all first-time community college students who are enrolled as full-time students. Placeholder trailer bill language would amend statute to waive tuition for California students enrolled in 12 units or more in their first academic year. This action could reduce tuition revenue for colleges by an estimated \$48 million.

STAFF COMMENT

This Community College Promise Program would provide free college to all freshmen. Preliminary estimates suggest that this could impact about 79,000 students. The program would have the following benefits:

- **Increased Full-Time Enrollment.** This program incentivizes full-time enrollment, which will allow students to complete programs and enter the workforce or transfer to a four-year university faster. Currently, only about one-third of community college students enroll full time.
- **Increased FAFSA Completion.** Evidence from other states suggest that "free college" programs can lead to higher percentages of students applying for financial aid. In Tennessee, which provides two years of free community college, 70% of high school seniors complete the FAFSA – the highest percentage in the country.
- **Improved Outcomes.** Students enrolled full time have significantly better outcomes than part-time students. For example, according to a National Student Clearinghouse study of similarly-aged students, 76% of full-time students completed a degree while only 21% of part-time students completed a degree.

Staff notes that the Subcommittee could consider whether an income cap could be placed on this proposal, or whether student success best practices from current Promise programs could be included. These issues could be discussed as trailer bill language is developed.

Staff Recommendation: Approve placeholder trailer bill language that would waive community college fees for all full-time students in their first year.

ISSUE 2: FULL-TIME STUDENT SUCCESS GRANTS

The Subcommittee will consider a proposal to increase Full-Time Student Success Grants from \$600 annually to about \$1,380.

PANELISTS

- Debbie Cochrane, The Institute for College Access and Success
- Gerson A. Liahut-Sanchez, Student Senate for California Community Colleges
- Maritza Urquiza, Department of Finance
- Mario Rodriguez, California Community College Chancellor's Office

BACKGROUND

Community College Costs Can Be Significant. As discussed in the Subcommittee's Feb. 27 joint hearing with Higher Education Committee, community college students face significant costs far beyond tuition and fees. The California Student Aid Commission produces an average expense budget for California students. The chart below indicates average costs for students for 2017-18. Very few community colleges offer on-campus housing, so that option is not included.

Expense	Living With Parents	Off Campus Housing
Tuition and Fees	\$1,104	\$1,104
Books and Supplies	\$1,854	\$1,854
Food and Household Supplies	\$5,247	\$4,023
Housing	(Included Above)	\$9,270
Transportation	\$1,098	\$1,233
Personal/Miscellaneous	\$3,276	\$3,006
Total	\$12,579	\$20,489

Aid Does Not Adequately Help Low-Income Community College Students. According to analysis by The Institute for College Access and Success (TICAS), about 55% of community college students have a family income so low that the U.S. Department of Education estimates they cannot support any of the costs associated with college. Yet California community college students typically have less access to aid than other students. Unlike UC, for example, community colleges do not offer significant institutional aid to help cover living expenses.

Research presented by TICAS at the February hearing showed that the net price for community college students, which is the total cost of college after aid, is often higher for community college students in the nine regions around UC campuses. The chart below shows average aid amounts for students at the three public higher education segments.

TABLE 1: AVERAGE GRANT AID PER UNDERGRADUATE STUDENT AT CALIFORNIA PUBLIC COLLEGES, 2015-16					
	Segment	Institutional Grants	State Grants	Pell Grants	TOTAL
Per Pell Recipient	CCC	\$1,700	\$400	\$3,400	\$5,400
	CSU	\$2,900	\$3,100	\$4,300	\$10,300
	UC	\$10,000	\$10,600	\$4,600	\$25,200
Per FTE	CCC	\$700	\$200	\$1,400	\$2,300
	CSU	\$1,800	\$1,900	\$2,700	\$6,400
	UC	\$4,100	\$4,300	\$1,900	\$10,200

Notes: Calculations based on data from the California Community Colleges Chancellor's Office's Data Mart, California Department of Finance, the California Governor's 2016-17 state budget summary, the California Student Aid Commission, the California State University Office of the Chancellor, the Federal Student Aid Data Center, and the University of California Office of the President. For community colleges, state aid includes Cal Grants and Full-Time Student Success Grants; for CSU and UC, it includes Cal Grants and Middle Class Scholarships. Grant aid per student are intended to show relative aid availability for students at different colleges, not suggest average amounts of aid received by any given student. All figures are rounded to the nearest \$100. Totals may not add up to sum of individual categories due to rounding.

Full-Time Student Success Grant Created in 2015. Originally proposed by the Assembly and created in the 2015 Budget Act, the Full-Time Student Success Grant provides up to \$600 annually to community college students who also receive the Cal Grant B or C award and are enrolled in at least 12 units per semester. The goal of the program was to increase state grant aid for low-income community college students to reduce the unmet need gap. The program is funded out of Proposition 98, and is added to the Cal Grant B Access Award, or Cal Grant C. With the grant, full-time community college Cal Grant B Access Award recipients can receive up to \$2,248 annually for living expenses, while Cal Grant C recipients receive about \$1,147.

The program is administered through the Community College Chancellor's Office. Students can receive up to \$300 per semester. According to the Chancellor's Office, about 80,000 students are expected to receive the award in 2016-17.

The Governor's Budget proposes \$44.3 million Proposition 98 General Fund for this program in 2017-18.

PROPOSAL

The Subcommittee could consider increasing the Full-Time Student Success Grant to increase aid for community college students' living expenses. Based on current program costs and participation estimates, adding \$50 million Proposition 98 General Fund to the program would provide about 80,000 students with an additional \$780 annually. This would provide \$1,380 in additional funding to Cal Grant B and C students. Combined with the current programs, Cal Grant B students would receive \$3,028 total for living expenses, while Cal Grant C recipients would receive \$1,927.

STAFF COMMENTS

This action addresses concerns that low-income community college students face similar costs to students attending four-year universities but receive less state aid. The action would have the following benefits:

Funding would cover books and supplies and transportation costs. According to Student Aid Commission estimates, students face about \$2,952 in costs related to books and supplies and transportation. This action would provide enough state aid to Cal Grant B students to cover those costs.

Funding should improve student outcomes. According to TICAS research discussed at the Feb. 27 hearing, low-income community college students who receive more financial aid perform significantly better than students who receive less aid. As discussion continues around the right types of programs to implement at community colleges to improve outcomes, it is important to note that providing more aid to students may be one of the most effective ways to increase the number of students who complete programs.

Funding better supports full-time enrollment. As noted earlier in this agenda, full-time students have much higher success rates than part-time students. Increased financial aid can allow students to work fewer hours and take more units, thus increasing the likelihood that they will complete their program.

Staff Recommendation: Increase Full-Time Student Success Grant funding by \$50 million Proposition 98 General Fund, which would increase support for full-time community college Cal Grant B and C recipients from \$600 annually to \$1,380 annually. Combined with current General Fund support for these students, Cal Grant B recipients would receive about \$3,028 annually, while Cal Grant C recipients would receive about \$1,927.

6980 CALIFORNIA STUDENT AID COMMISSION**ISSUE 3: MIDDLE CLASS SCHOLARSHIP**

The Subcommittee will consider the Governor's proposal to eliminate the Middle Class Scholarship program.

PANELISTS

- Bijan Mehryar, Department of Finance
- Paul Golaszewski, Legislative Analyst's Office
- Lupita Cortez Alcalà, Student Aid Commission
- Sonia Mercado, Parent
- Noor Euceph, Student, UCLA
- Michelle Noyes, Student, CSU Channel Islands

BACKGROUND

Program Began in 2014-15. Created in the Budget Act of 2013, the Middle Class Scholarship program took effect in the 2014-15 school year. The program provides aid to undergraduate students with family incomes up to \$156,000 to attend the University of California or California State University. Students with family incomes up to \$100,000 qualify to have up to 40% of their tuition covered when combined with other public financial aid. The percent of tuition covered declines for students with family income between \$100,000 and \$156,000, such that a student with a family income of \$156,000 will qualify to have up to 10% of tuition covered.

The program's intent was to provide relief for middle-income students who had faced tuition hikes that almost doubled fees at both UC and CSU. These students typically did not receive federal, state or institutional aid.

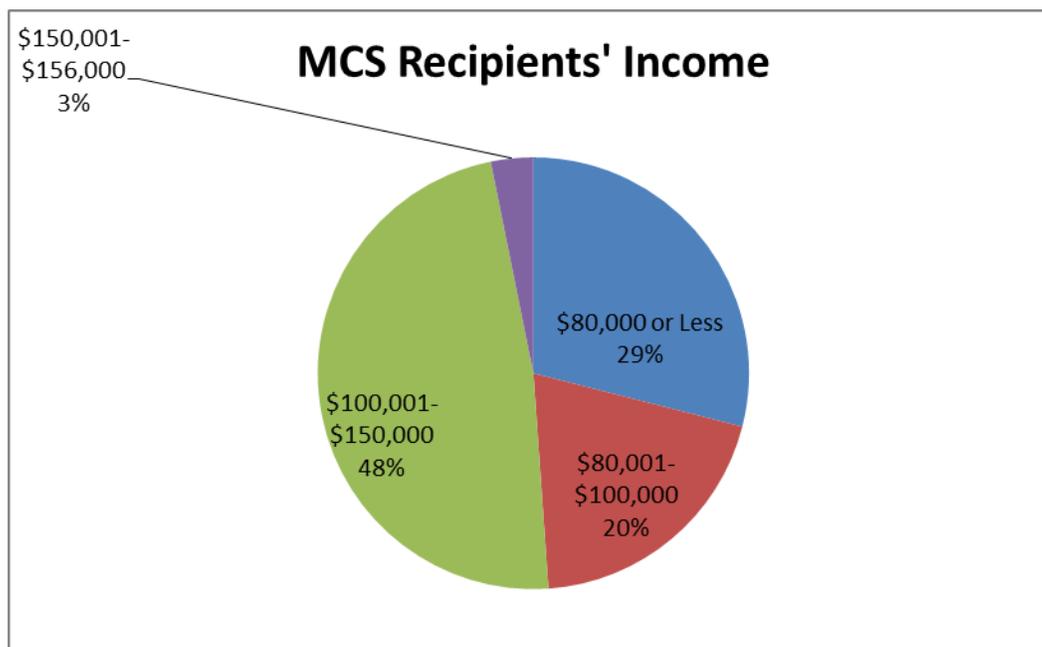
The program is being phased in over four years. In the current year, students are receiving up to 30% off of tuition; and in 2017-18 and beyond, students will receive up to 40% off of tuition. Students are required to fill out the Free Application for Federal Student Aid (FAFSA) or California Dream Act Application by March 2 to become eligible for the program.

Based on actions taken in the 2016 Budget Act, funding for the program is set at \$74 million General Fund in the current year and would grow to \$117 million in 2017-18.

More than 48,000 Students Have Received the Scholarship in 2016-17. The chart below indicates the number of students who qualified for the award in 2016-17, the total amount offered to those students, the amount actually paid out so far and the number of recipients who have received the award so far. As shown, more than 48,000 students have received the award, with an average award amount of \$1,123 per student.

Segment	Offered Awards	Total Award Amount Offered	Paid Amount, as of February 2017	Paid Recipients
UC	9,559	\$19,964,727	\$11,216,699	8,124
CSU	45,510	\$57,390,997	\$43,021,764	40,170
Totals	55,069	\$77,355,724	\$ 54,238,463.00	48,294

Nearly half of recipients have family income of less than \$100,000. Data indicates that about 49% of Middle Class Scholarship recipients have family incomes of less than \$100,000, which could qualify them for a Cal Grant, depending on family size and other factors. Many of the lowest-income students receiving a Middle Class Scholarship may have exceeded the time limits for other sources of aid. (A time limit for Middle Class Scholarships is taking effect for the first time starting in 2016-17.) Many others may not qualify for the Cal Grant, due to their age or other factors that limit Cal Grant participation.



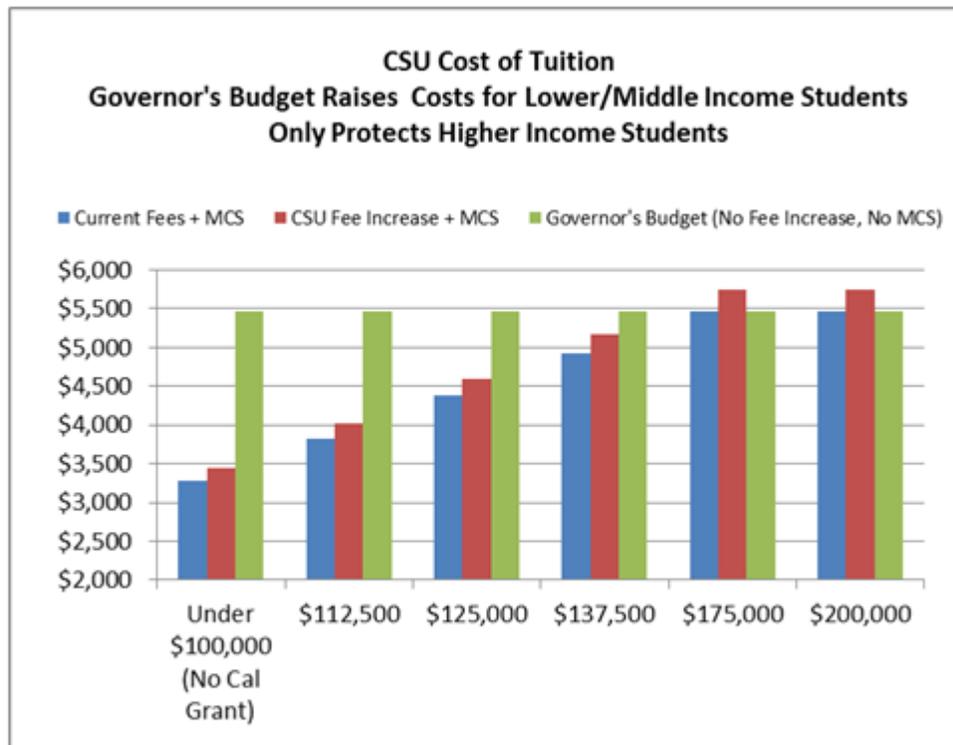
The Governor's 2016-17 Budget

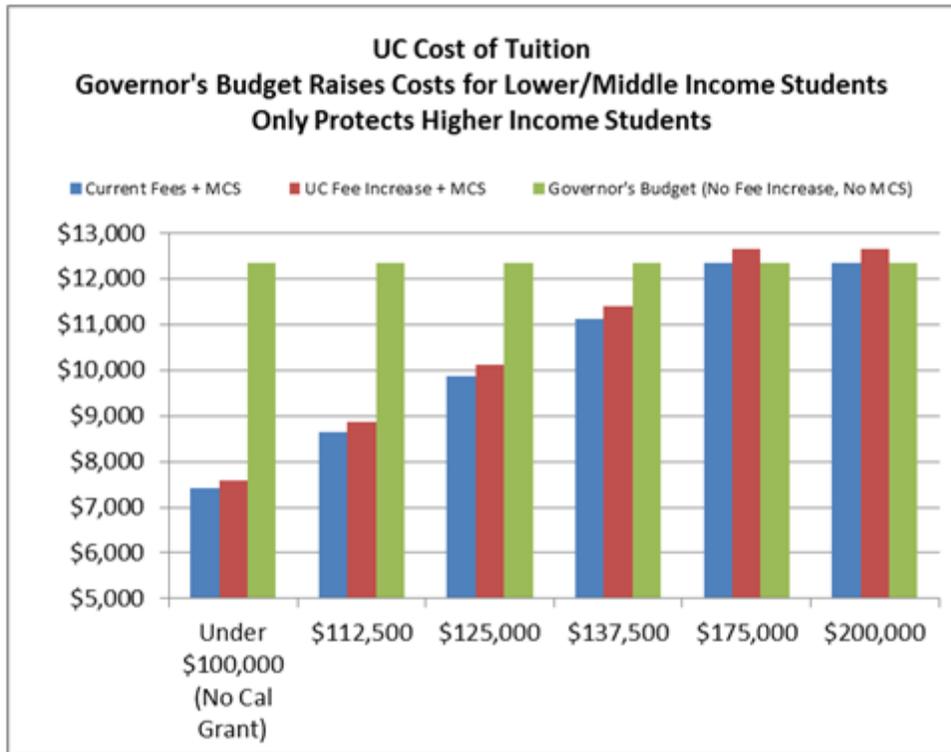
The Governor's Budget proposes eliminating the program. The proposal would allow current recipients to continue receiving the award at the 2017-18 level, which is up to 40% off of tuition depending on income. No new recipients would be allowed. The administration states the proposal is needed due to its projected state budget shortfall. This action, coupled with the Governor's projection that not all of the funding allocated in the current year for the program will be spent, would reduce spending on this program by \$43 million.

STAFF COMMENTS

Bad Idea, Horrible Timing. This program was created to protect students from rising tuition at both UC and CSU. That problem is not going away; in fact both UC and CSU students face tuition increases for 2017-18. Thus the proposal and new tuition levels would provide a double hit to thousands of California college students.

As the charts below indicate, the Governor's proposal, in combination with the proposed tuition increases at both segments, will add up to \$2,200 on tuition costs for low- and middle-income CSU students who don't qualify for Cal Grant and up to \$4,900 for low- and middle-income UC students who don't qualify for Cal Grant. (The third bar in these charts indicates tuition costs if neither segment raises tuition.)





Administration's rationale is flawed. The Administration states that it is seeking to end the Middle Class Scholarship to prioritize state financial aid programs for the neediest students. Data clearly shows, however, that this program serves thousands of very low-income students. Nearly 6,000 students who are receiving the award this year, for example, have a family income of less than \$50,000.

LAO disagrees with Governor's projected deficit. In its preliminary review of the Governor's Budget, the LAO states that the Governor's estimate of revenue from personal income tax (PIT), which is the state's dominant revenue source, seems low, and that the PIT growth has exceeded the Governor's 2017–18 estimates in 18 of the past 21 years.

The LAO states that the weak growth that the Governor envisions for PIT seems inconsistent with parts of the administration's own economic outlook, which assumes economic and stock price growth for several years after 2016.

Staff Recommendation: Reject the Governor's Budget proposal to eliminate the Middle Class Scholarship

ISSUE 4: DEGREES NOT DEBT SCHOLARSHIP

The Subcommittee will consider creating the Degrees Not Debt Scholarship program, which could provide a pathway to debt-free college for more than 390,000 California students.

PANELISTS

- Paul Golaszewski, Legislative Analyst's Office
- Bijan Mehryar, Department of Finance
- Lupita Cortez Alcalà, California Student Aid Commission
- Nick Baham, California Faculty Association, CSU East Bay

BACKGROUND

Cost of College Increasing Student Debt Levels. As discussed in the Feb. 27th hearing, the costs associated with college are a significant concern. According to a survey of Californians conducted in Fall 2016 by the Public Policy Institute of California, 57% of respondents identified the lack of college affordability as a significant problem. An overwhelming majority – 78% – agreed with the statement that students have to borrow too much money to pay for college. Data compiled by TICAS indicates that 54% of California students graduate with college loan debt, and the average amount owed is \$22,191.

College costs include the tuition and fees that pay for a student's education. In addition, students incur costs for books and supplies to complete their coursework. While they attend college, students also incur living expenses, such as for housing, food, and transportation.

Aid Programs Typically Focused on Tuition. State and institutional aid programs have traditionally been targeted at covering tuition costs for low-income and middle-income students. More than half of UC, CSU and community college students have their tuition covered by grants or waivers.

Far less aid is available for living expenses, however, which contribute more to the cost of college than tuition. The state's aid programs that seek to address living expenses – the Cal Grant B Access Award and the Full-Time Student Success Grant – do not come close to meeting major expenses such as housing, books and food.

Across California campuses, students are facing increasing living costs. UC Berkeley reports, for example, that apartment rental costs have grown significantly amid a booming Bay Area economy: a one-bedroom apartment in Berkeley cost an average of \$2,889 per month in 2015. A student survey released last year by CSU indicated 8 to 12

percent of students live in unstable housing situations, and 21 to 24 percent are food insecure. Free food pantries have opened at most UC and CSU campuses.

Lack of aid for living expenses forces students to borrow more or work more. Working more often leads to reduced class loads, which can lengthen time to degree and deter completion.

2016 Budget Act Commissioned Debt Free College Report. Recognizing these concerns, the 2016 Budget Act asked the Legislative Analyst's Office to provide the Legislature with options for creating a new state financial aid program intended to eliminate the need for students to take on college debt. The reporting language envisioned a program under which the state covers all remaining college costs (tuition and living expenses) after taking into account available federal grants, an expected parent contribution, and an expected student contribution from work earnings.

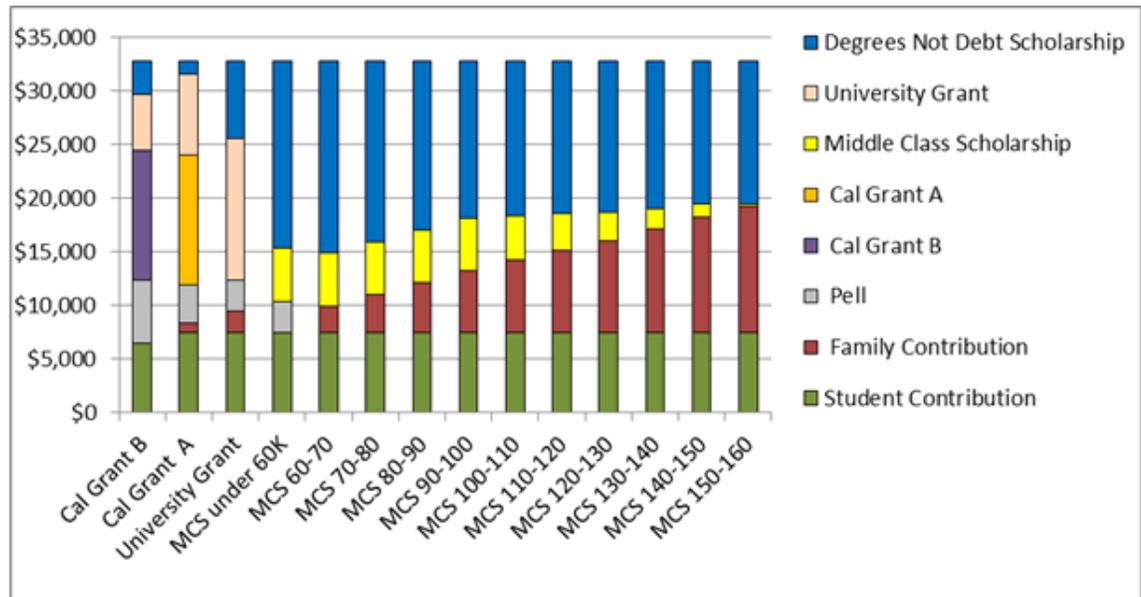
The LAO published its report in January 2017 and presented its recommendations at the Feb. 27th hearing.

The Degrees Not Debt Scholarship Proposal

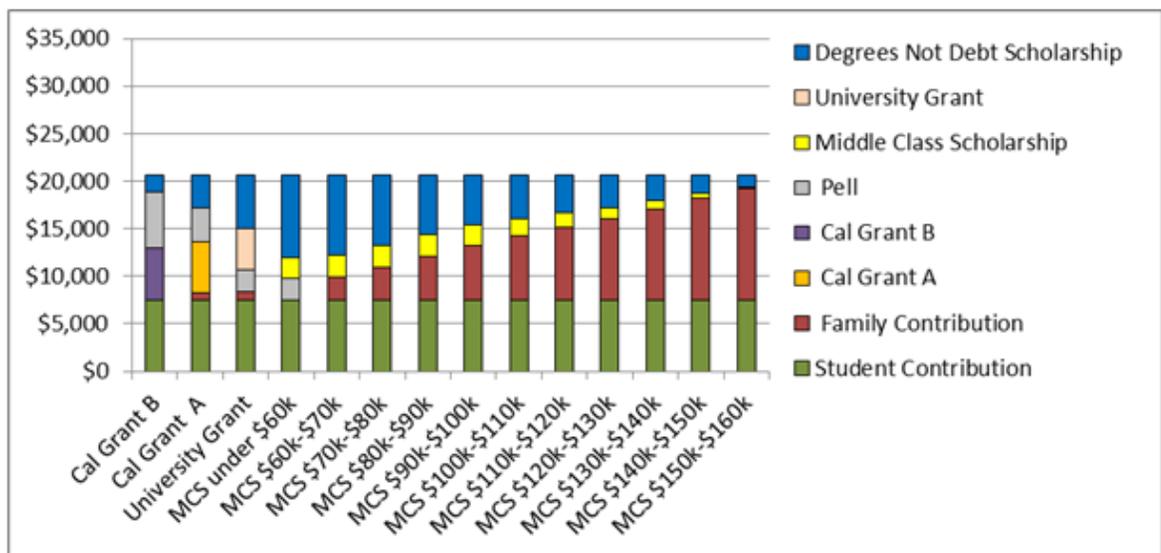
Based on the LAO report and feedback from the hearing, the Subcommittee can consider the Degrees Not Debt Scholarship program. The proposal includes the following:

- All California students attending UC or CSU who qualify for need-based aid programs, including Cal Grant, Middle Class Scholarship and institutional aid programs, would be eligible.
- The program would begin in the 2018-19 fiscal year and costs will be phased in over a five-year period.
- Each eligible student will retain all existing aid.
- Students would be expected to contribute to their costs, based on estimated earnings from working 15 hours per week during the school year and 40 hours per week during the summer at minimum wage.
- Students with family incomes over \$60,000 would also provide an expected family contribution. Due to concerns that the federally-calculated expected family contribution does not account for the high cost of living in California, this program would require families to contribute 33% of that calculation. Students with family incomes under \$60,000 would not have an expected family contribution.
- Once aid programs and student and family contributions are factored, the Degrees Not Debt program would provide additional funding to cover the total cost of college.
- LAO projections, which will be discussed the hearing, indicate the program could cost \$1.2 to \$1.6 billion if fully funded. The Assembly plan will be phased in, however, beginning with 20% of the full cost in 2018-19, or about \$320 million. The LAO's projections include modest enrollment growth, tuition increases tied to inflation, and account for increases in the minimum wage.
- About 283,000 CSU students and 109,000 UC students, or 392,000 students total, could receive funding. The charts below illustrate how the program would work.

- At UC – average full cost of college \$32,800:



- At CSU – average full cost of college \$20,600:



Debt Free College Grant Calculation		
<i>Determining Grant Amounts for Two Illustrative Students</i>		
2017-18		
Dependent Student with California Expected Parent Contribution of Zero		
	CSU	UC
College costs a	\$25,648	\$32,301
Resources to cover college costs		
Expected parent contribution b	-	-
Expected student contribution c	8,104	8,104
Gift aid d		
Federal	5,920	5,920
State	7,128	13,950
Institutional	-	3,631
Amount of cost covered	\$21,152	\$31,605
Debt Free College grant	\$4,496	\$696
Dependent Student with California Expected Parent Contribution of \$6,700		
	CSU	UC
College costs a	\$25,648	\$32,301
Resources to cover college costs		
Expected parent contribution b	6,700	6,700
Expected student contribution c	8,104	8,104
Gift aid e		
Federal	-	-
State	2,189	1,417
Institutional	-	3,501
Amount of cost covered	\$16,993	\$19,722
Debt Free College grant	\$8,655	\$12,579
a Assumes student lives off campus and attends Cal State Los Angeles or the University of California at Los Angeles. Assumes no tuition increase over 2016-17 levels.		
b Equals one third of the federal expected parent contribution.		
c Based on student work expectation of 15 hours per week during academic year and 40 hours per week during summer, at minimum wage		
c Student would qualify for a federal Pell Grant. Assumes student meets academic and other eligibility criteria for a state Cal Grant. At UC, student also would receive a Blue and Gold grant. Assumes student receives no aid from private sources.		
e Student likely would qualify for a Middle Class Scholarship. At UC, student also could receive a Blue and Gold grant. Assumes student receives no aid from private sources.		

STAFF COMMENTS

Program Truly Covers College Costs. This first-in-the-nation program addresses the true costs of college, which go far beyond tuition and fees. Building on current aid programs allows the state to provide a real pathway to debt-free college, savings students thousands of dollars. Most programs in other states that tout free college only address tuition and fees.

Builds on Shared Responsibility Model. The program does require a reasonable student contribution, which could be attained through 15 hours of work per week. If a student chooses not to work, they could borrow, however. This model is used successfully by UC to package its students.

Provides for Realistic Expected Family Contribution. As the LAO noted in its report, the federally-calculated Expected Family Contribution is applied the same way to every student in the country, despite wide-ranging costs of living. The LAO showed that a family with \$100,000 of income would be expected to contribute \$20,000 toward the cost of college, for example. That is unrealistic in a state like California, with significantly higher housing costs than most other states. The Assembly plan accounts for that problem, requiring just 33% of the federal expected family contribution.

Responsible Roll Out Protects State Budget. Phasing in the program over a five-year period will allow for long-term budget planning and for adjustments if necessary. The Assembly plan also will include language to allow a pause in implementation if General Fund revenues decline dramatically. Similar language is included in the Middle Class Scholarship statute.

Staff Recommendation: Approve placeholder trailer bill language that would create the Degrees Not Debt Scholarship Program. The Program will provide a grant to qualifying UC and CSU students to cover living expenses once all other aid, a student contribution and an expected family contribution are calculated. The Program would begin in the 2018-19 fiscal year and be phased in over a five year period.

ISSUE 4: DREAM ACT UPDATE

The Subcommittee will hear an update on Dream Act applications for the 2017-18 academic year. This is an informational item.

PANELIST

- Lupita Cortez Alcalà, California Student Aid Commission

BACKGROUND

The Subcommittee has asked for an update on Dream Act applications, which were due March 2 for students seeking financial aid for the 2017-18 school year.

The California Dream Act Application was launched during the 2013-14 Cal Grant application period with the passage of the California Dream Act in 2011. The application allows students who qualify under Education Code Section 69508.5 to apply for various forms of state-funded financial aid, including but not limited to, the Cal Grant Program, Middle Class Scholarship (MCS), Board of Governor's Fee Waiver at California Community Colleges (CCC), institutional aid, California DREAM Loan Program at certain UC and CSU campuses, and private scholarships. These students are not eligible for federal financial aid and therefore cannot complete the FAFSA.

Earlier this year, concerns were raised that Dream Act applications appeared to be significantly lower than in previous years. In mid-February, the Commission had received only about 60% of the number of applications it had received in 2016. High school counselors, college financial aid officials and higher education experts reported that concerns regarding changes in federal immigration practices were causing reluctance among some undocumented students to apply for state financial aid.

After a significant publicity campaign led by the Commission, the Department of Education, the segments, and the Assembly, the numbers improved dramatically. The chart below indicates more applications were received this year than last year.

Dream Act Applications	New	Renewals	Total
2016	13,204	20,965	34,169
2017	13,155	22,727	35,882

ISSUE 5: COLLEGE SAVINGS PLAN

The Subcommittee will hear a presentation regarding San Francisco's Kindergarten to College Program.

PANELIST

- Amanda Kahn Fried, San Francisco Office of the Treasurer and Tax Collector

BACKGROUND

The Subcommittee has asked the city of San Francisco to provide information about its Kindergarten to College (K2C) Program.

Based on research indicating that kids are many times more likely to attend college if they have a savings account in their own name, the K2C Program is a college savings program by the City and County of San Francisco in partnership with the San Francisco Unified School District (SFUSD). A K2C college savings account is automatically opened for each SFUSD student entering kindergarten, or a participating program year. The City and County of San Francisco starts each account with \$50, and families have the opportunity to earn additional incentives.

Results include:

- There are more than 27,000 kids in SFUSD with accounts
- Families have saved over \$2.25 million of their own money.
- 50% of the families who are saving qualify for free and reduced-price lunch.

Staff Recommendation: Direct staff to work with the LAO on developing options by May 1 to create a statewide college savings plan in which the state would provide one-time matching funds to families who open a plan for a newborn child.
