



# DE529 INCENTIVE CONCEPTS

June 8, 2021

Plans Management Board



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State Treasurer

## DE529 MATCH INCENTIVE TIMELINE

- **December 2019** – Concept presented to Board.
- **March 2020** - Decision to delay until after 529 RFP completed.
- **March 2021** – Board discussed college administration fee balances and directed Investment Committee and OST to implement investment strategy for funds. Board requests incentive ideas at future meeting.
- **June 2021** – Board to vote on RFP and discuss incentive concepts.
- **September 2021**- Board to discuss strategic objectives for 529 plan and possible vote on incentive concepts.



# DE529 INCENTIVE CONCEPTS

## 1. Match Concept

- Current 529 plans with a State match
- Financial impact of matching contributions
- OST Recommendation

## 2. Scholarship Concept



# MATCHING PROGRAMS NATIONWIDE

State	Residency Requirement	Hard Dollar Match	Means Test	Targeted to new accounts only	Application Required	Targeted to Babies	Multiple Contribution Bonus
California	Yes	\$200	Yes	Yes	No	No	\$25
Colorado	Yes	\$500	Yes	No	Yes	No	No
Colorado	Yes	\$100	No	Yes	No	Yes	No
Connecticut	No	\$100	No	Yes	No	Yes	\$150
Illinois	Yes	\$50	No	Yes	No	Yes	No
Kansas	Yes	\$600	Yes	Yes	Yes	No	No
Maine	No	\$100	No	Yes	No	No	\$100
Maryland	Yes	\$25-\$500	Yes	Yes	Yes	No	No
Massachusetts	Yes	\$50	No	Yes	No	Yes	No
Nebraska	Yes	\$50	No	Yes	No	Yes	No
Nevada	Yes	\$300	Yes	Yes	Yes	No	No
North Dakota	Yes	\$200	No	Yes	No	Yes	No
North Dakota	Yes	\$100	No	Yes	No	No	No
Oregon	Yes	\$25	No	Yes	No	Yes	No
Pennsylvania	Yes	\$100	No	Yes	No	Yes	No
Rhode Island	Yes	\$100	No	Yes	No	Yes	No
West Virginia	Yes	\$100	No	Yes	No	Yes	No



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Source: [savingforcollege.com](http://savingforcollege.com)

## NATIONWIDE MATCH PROGRAM OBSERVATIONS

- 15 States currently offer some form of a match plan
- 5 out of 15 States require a means test to receive the match or grant
- 10 out of 15 States target their match plan towards babies
- Non-means tested match programs have a contribution between \$50-\$200
- Pennsylvania and Rhode Island do not match contributions. Instead, the treasury sets aside money to be claimed by the beneficiary's parents within one year from birth.
- 3 programs have been discontinued their match programs within the last 3 years.



# DE 529 MATCH CAMPAIGN FINANCIAL IMPACT

Match Type*	2020 Eligible Accounts	\$50 Match	\$100 Match	\$250 Match
All Delaware DE529 Accounts that contribute = or > \$100	6,756	\$337,800	\$675,600	\$1,689,000
All <b>new</b> Delaware DE529 accounts = or >\$100	847	\$42,350	\$84,700	\$211,750
All new Delaware DE529 accounts = or >\$100 <b>and have a beneficiary &lt; 1 year old</b>	144	\$7,200	\$14,400	\$36,000
All new Delaware DE529 accounts = or >\$100 <b>and have a beneficiary &lt; 5 years old</b>	415	\$20,750	\$41,500	\$103,750
All new Delaware DE529 accounts that contributed = or > \$100 <b>that made more than one contribution during 2020.</b>	601	\$30,050	\$60,100	\$150,250
* The program match would not be subject to a means test.				
** In 2020 71% of all accounts had two or more contributions.				



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## MATCH RECOMMENDATION

- Focus on new DE529 accounts with a Delaware beneficiary less than 5 years old.
- Start match campaign as a pilot program for plan year 2022 with a budget of \$45,000. Additional funds, if necessary, could be used from the administrative account.
- After measuring the match plan's success, consider setting aside future year's funding via an endowment account.
- Launch the match with a "re-brand" campaign for DE529 in 2022.



# SCHOLARSHIP CONCEPT



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# DELAWARE SCHOLARSHIP PILOT PROGRAM

- Needs-based scholarship program, administered by OST and overseen by the PMB, designed to help foster care youth aging out of the system with expenses related to accessing college or vocational training upon emancipation
- Needs-based scholarships would be awarded on an one-time, annual basis through an open application process and deadline to meet the upcoming academic year
- In the inaugural year, a total of 10 scholarships will be awarded for up to \$1,000 each
- Every foster care youth aging out of the system in Delaware with aspirations for college or vocational training, who meet the eligibility requirements, would be eligible for the scholarship

<https://legis.delaware.gov/BillDetail?LegislationId=47637>



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## DELAWARE SCHOLARSHIP PROGRAM RECOMMENDATION

- The funds would be sourced from the administrative fees collected within the State's college savings plan
- OST, in coordination with the Board, may award up to 10 scholarships per year
- OST, in coordination with the Board, may award up to \$1,000 per scholarship
- The pilot for the Delaware Scholarship Program would be in place for three years, starting in 2022 and ending in 2024
- A total of \$10,000 would be allocated per year, for a grand total of \$30,000 over the lifetime of the program. Any unused funds would be returned to the Administrative account
- Six months prior to the program's sunset, the PMB shall meet to discuss if the program will officially be instituted, if any modifications are necessary or if the target population needs to be shifted towards another demographic, population or organization

## NEXT STEPS

- **September 2021**- Board to discuss strategic objectives for 529 plan and vote on incentive concepts.
- **2022** – Rebrand of 529 plan rollout and budget for incentive/scholarship programs

