

July 12, 2017

MEMORANDUM

TO: State Board of Regents
FROM: David L. Buhler
SUBJECT: UESP – Adoption of Policy R686, *Student Prosperity Savings Program*

Issue

In response to House Bill 24, *Student Prosperity Savings Program – Tax Amendments* passed during the 2017 legislative session, the Utah Education Savings Plan (UESP) seeks Board approval of Regent Policy R686, *Student Prosperity Savings Program*.

Background

During the 2017 Legislative session, the legislature passed HB 24, *Student Prosperity Savings Program – Tax Amendments*. This bill created and established legislative procedures for a new program within UESP called the Student Prosperity Savings Account program. Furthermore, the bill directed the Board to establish an application process for a community partner to apply for an allocation of the program funding.

R686 identifies the application process to allow non-profit organizations who serve under-privileged youth to open 529 UESP savings accounts on behalf of a child under the age of 20 with private donations or appropriations from the legislature and meets the Board's statutory requirements outlined in the bill.

Commissioner's Recommendation

The Commissioner recommends that the Regents adopt Policy R686, *Student Prosperity Savings Program* effective immediately.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/GTL
Attachment

R686-1. Purpose: To establish the process for awarding funding from the Student Prosperity Savings Program under Utah Code Section 53B-8a-202.

R686-2. References

- 2.1. Utah Code Section 53B-8a-202

R686-3. Definitions

- 3.1. "Applicant" means Community Partner as defined below who has requested Program funding.
- 3.2. "Basis" means the sum of contributions made to an account.
- 3.3. "Board" means the Utah State Board of Regents.
- 3.4. "Children's Savings Account" or "CSA" means an account that is opened as part of a Program to encourage and assist educational savings among low- and middle-income families.
- 3.5. "Child" means an individual younger than 20 years old.
- 3.6. "Community Partner" means a nonprofit organization that provides services to an Economically disadvantaged Child or to a family member, legal guardian, or legal custodian of an Economically disadvantaged Child.
- 3.7. "Donation" means a gift, grant, donation, or any other conveyance of money by a person other than the Legislature that is not made directly for the benefit or on behalf of a particular individual.
- 3.8. "Earnings/loss" means the market gains, losses, dividends and interest received.
- 3.9. "Economically disadvantaged" means that a child is:
 - 3.9.1. experiencing Intergenerational poverty (see definition below);
 - 3.9.2. a member or foster Child of a family with an annual income at or below 185 percent of the Federal poverty level; or
 - 3.9.3. living with a legal custodian or legal guardian with an annual family income at or below 185 percent of the Federal poverty level.
- 3.10. "Eligible individual" is an individual who meets all of the following conditions:
 - 3.10.1. is at least 15 years old and younger than 20 years old at the time of the application;
 - 3.10.2. is a student in grade 10, grade 11, or grade 12 in Utah at the time of the application;

¹ Adopted July 21, 2017.

3.10.3. is economically disadvantaged; and

3.10.1. receives—or has a family member, a foster family member, or a legal custodian or legal guardian who receives—services from a Community Partner.

3.11. "Federal poverty level" is defined by the most recently revised poverty income guidelines published by the United States Department of Health and Human Services in the Federal Register.

3.12. "Higher education costs" is defined in Section 53B-8a-102.5 of Utah State Code, except that the expenses must be incurred at:

3.12.1. a credit-granting institution of higher education within the Utah System of Higher Education;

3.12.2. a private, nonprofit college or university in the state that is accredited by the Northwestern Association of Schools and Colleges; or

3.12.3. a college within the Utah College of Applied Technology.

3.13. "Intergenerational poverty" is defined in Section 35A-9-102 of Utah State Code.

3.14. "Master Account" means the Program account where the sponsor can deposit money dedicated for their CSA program without the requirement of designating a beneficiary.

3.15. "Program" means the Student Savings Prosperity Program as created by 53B-8a-202 of the Utah State Code.

3.16. "Scholarship Account" means an account opened by the Program sponsor (entity) for a participating Child. Each Scholarship Account has a specified beneficiary.

3.17. "UESP" means the Utah Educational Savings Plan.

R686-4. Appropriations and Donations: The program is funded by appropriations from the Legislature and donations made in accordance with Section 53B-8a-203.

4.1. **Legislative Appropriations:** The Legislature may appropriate funds to the Utah Board of Regents for the Program. The Board will transfer the appropriated funds to UESP.

4.2. **Donations:** Individuals or organizations may donate funds directly to the Program. Donations must be sent via check and include in correspondence that the funds are to be used for the Program. UESP will mail a receipt to the donor within five business days. The receipt should include the donor's name, the amount donated, and the date the plan received the donation. UESP will hold all received funds in the UESP Administrative Fund until they are transferred to the Master Accounts of Community Partners who have been awarded the funds.

R686-5. Application Procedures

5.1. Community partners may apply for Program funding by completing UESP's application, which will be available on the UESP website. The application will request information about the community partner's

strategic plan to establish children's savings accounts with the targeted students, to identify and verify eligible individuals, and to provide additional matching funds (if any). Community partners must mail completed applications to UESP.

5.2. To be eligible for the funds, a community partner must be a nonprofit organization that provides services to a child who is economically disadvantaged; or a family member, legal guardian, or legal custodian of a child who is economically disadvantaged.

5.3. Community partners may apply for funding once per year. Funding awarded can be used over multiple years provided the child remains eligible.

R686-6. Scoring Applications.

6.1. At least two UESP employees will review and score applications on a quarterly basis. UESP may also include outside community members to review applications.

6.2. The application will include the methodology by which reviewers will score. UESP may reject applications if any portion of the application does not satisfactorily meet the minimum requirements of the Program.

6.3. After scoring applications, the reviewers will recommend distribution of funding to the UESP Executive Director for final approval of award amounts. UESP will send award letters and rejection letters to all applicants.

6.4. If the amount of funding available is less than \$1,000, applications will be held for up to one year, and reviewed again each quarter.

R686-7. Award Amounts and Funding Distribution.

7.1. Community partners may receive up to \$100 per year for each eligible individual.

7.2. To receive awarded funds, community partners shall sign an agreement with UESP, which will establish the terms and conditions of receiving Program funding for community partner and UESP.

7.3. Community partners shall establish through UESP a master account for the organization and scholarship accounts for the eligible individuals identified by the community partners. The funds awarded through the Program will be transferred only after the community partner has established scholarship accounts.

7.4. Community partners are encouraged to add additional funding to the scholarship accounts set up through the Program.

7.4.1. If Community Partners wish to reallocate non-Program moneys from scholarship accounts that have received Program funds, the proportion of the account's current basis to earnings—excluding administrative fees and any other administrative adjustments—will be applied to original awarded amount to determine the amount of funds that must remain in the account or be returned to UESP for reallocation.

R686-8. Community Partner Responsibilities.

8.1. Community partners are required to track the progress of each child who is awarded funding, to determine whether the child has met the Program's requirements as established the child's plan.

8.2. Community partners will report to UESP the name, grade or high school graduation date, and student's enrollment status. The Community Partner will alert UESP of any students who received Program funds but have not met the requirements of the Program.

R686-9. Rescinded Funds.

9.1. Students who have received Program funds but have not enrolled at a qualifying institution of higher education within three years of high school graduation will forfeit the Program funds. Those funds will be returned to UESP, who may reallocate to the same community partner or to other community partners.

9.2. The proportion of the account's current basis to earnings—excluding administrative fees and any other administrative adjustments—will be applied to original awarded amount to determine the amount of funds that must be returned to UESP. The community partner may request transfer non-Program money to other accounts owned by the Community Partner.

R686-10. Community Partner Dissolution.

10.1. If a community partner dissolves, it shall inform UESP with as much advance notice as possible. The Community Partner should make reasonable attempts to find another nonprofit entity that meets the requirements for the Program to take over the program responsibilities. If another community partner cannot be located, UESP will take over as account owner of the scholarship accounts.

10.2. In the event that the community partner dissolves, UESP will send correspondence to the scholars with instructions on how to maintain the account and withdraw their funds. Any non-Program funds that are still in the scholarship accounts may be withdrawn by the scholar. Program funds in the scholarship accounts still require the student to enroll in a qualifying higher education institution within three years of graduation.