



NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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Treasurer Lockyer, Senator Steinberg Tout Legislation to Create College Savings Program for Foster Kids, Other At-Risk Youth *Bill Allows Businesses and Nonprofits to Fund Scholarship Accounts*

SACRAMENTO – State Treasurer Bill Lockyer and Senator Darrell Steinberg today urged the Legislature to approve their plan to increase access to college for foster children and other at-risk youth by expanding ScholarShare, California’s “529” college savings plan.

“Foster children and other disadvantaged youth face special challenges that make going to college and obtaining a degree especially difficult,” said Lockyer. “This plan will help these young Californians realize their dreams. We know that when given the opportunity and adequate support, these children succeed in college. That helps make California stronger. And it won’t cost taxpayers a dime.”

“This is the kind of creative public-private partnership that every Californian should be able to support,” said Steinberg (D-Sacramento). “Under the CalSAVE program we will help foster kids and other disadvantaged youth find a path to college without touching the state budget.”

Under the CalSAVE Program established by Steinberg’s SB 1457, ScholarShare would maintain a newly-created omnibus account, which would allow businesses, nonprofit organizations and others to fund scholarship accounts without designating a specific beneficiary.

The omnibus account will be comprised of sub-accounts designated for each of several groups. Those groups would include foster children, economically disadvantaged and other at-risk youth, or former or current members of the California National Guard. Donors could earmark their contributions to any of the sub-accounts, or to a general sub-account if they do not want to designate a specific group of beneficiaries. The ScholarShare governing board would distribute funds from the general sub-account among the specific sub-accounts.

“Although foster youth and others struggle against enormous odds to obtain higher education, their aspirations remain high; the vast majority hope to achieve postsecondary education or training,” said Assembly Speaker Karen Bass (D-Los Angeles). “California has the responsibility and the opportunity to give these youth, especially those whose care and custody was our direct responsibility, the chance to close the gap between their educational ambitions and current outcomes. I support SB 1457 and appreciate Treasurer Lockyer’s and Senator Steinberg’s work to ensure private donors can assist these young people to overcome the obstacles they face.”

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Recent studies have shown that nearly 80 percent of out-of-home foster youth age 17-18 hoped and expected to graduate from college. Unfortunately, other studies have shown that only 1.8 percent of foster alumni earn a bachelor's degree by the time they're 25, and only 3 percent obtain a bachelor's after they're 25. Those numbers compare to 24 percent in the general population. A bright spot can be found, however, when looking at foster students who receive help paying for college. Studies show these students stay in college at a greater rate than students in the general-population. Lockyer said the data demonstrate the need for financial aid programs like CalSAVE.

ScholarShare is the state's official 529 college savings plan, named after the IRS tax code section which governs these programs. ScholarShare enables Californians to save for college by putting money in tax-advantaged investments. After-tax contributions allow earnings to grow tax-deferred, and disbursements, when used for tuition and other qualified expenses, are federal and state tax-free.

Accounts may be opened online with as little as \$50, or \$15 when combined with regular investments of at least \$15 per month. ScholarShare has no annual fee, no income limit and offers a high maximum contribution limit of \$320,000. The program currently holds more than \$2.9 billion in assets in more than 206,000 accounts.

Lockyer is chair of the ScholarShare Investment Board, which sets investment policies and oversees all activities of ScholarShare. Go to www.treasurer.ca.gov/scholarshare for more information.

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