

## **Keystone Scholars Grant: Program Profile**

### **WHO**

All children born in Pennsylvania as well as those adopted into a Pennsylvania family.

### **WHAT**

These children (and future scholars!) will start life with an automatic \$100 credit in the PA 529 Guaranteed Savings Program (GSP). GSP comprises part of the state's tax-free college savings plan, sometimes colloquially called "529s" (after the IRS provision that designates their tax-free status). Because of this groundbreaking public-private partnership, families will be more likely to invest moneys into this program, thereby assuring their children will be that much better financially-positioned for post-high school education options.

As an innovative and fiscally-responsible public-private partnership, Keystone Scholars relies on neither state budget appropriations nor taxpayer dollars to support it. The program will be self-funded via reinvesting excess reserves from PA Department of Treasury earnings and support from private philanthropic sources. Based on conservative projections, even a minimal increase in GSP enrollment and participation incited by the Keystone Scholars grant will generate more than sufficient funds to sustain the program's self-funded status.

### **WHERE**

The program will be administered under the auspices of the PA Department of the Treasury. There, it will be housed with the already-existing 529 programs, thus avoiding additional government bureaucracy or superfluous spending.

### **WHEN**

The program launches January 1, 2019.

### **WHY**

At an average of \$35,000 per student, Pennsylvania holds the ignominious distinction of ranking the highest for student debt among all the states.

Part of the solution to this problem is to encourage sooner and more assertive savings for post-secondary education by families. Right now, only 7% of eligible Pennsylvania households, on behalf of their children, are enrolled in a PA 529 college savings plan. For those who do, and a driving reason to incent more participation, is that the benefits can be substantial:

- Individuals with higher education savings started at birth are three times more likely to enroll in education or training after high school.
- Young persons with higher education savings at birth are four times more likely than their peers to complete pursuit of their post-secondary education or training.
- Employees with a post-secondary degree or certificate, compared to those without, average \$1 million more in earnings during their working lifetimes.

## **HOW**

Eligible children, as defined under “WHO” will be enrolled automatically in the Keystone Scholars grant program as their birth certificates and/or adoption decrees are registered with the state. Eventually, up to the age of 29, those young persons for whom an account was started, can claim and utilize the accrued investment, plus what they or their families added over the years; the student must be a resident of Pennsylvania at the time of seeking account disbursement.

Funds can be applied toward post-high school education pathways to include:

- Vocational or technical school
- Community College
- Two or Four Year University

The funds must be used for qualifying education expenses, such as tuition, fees, room and board, and required equipment and supplies.

Over time, the envisioned outcome of the Keystone Scholars program is to support three important inter-related policy goals:

- 1) pushing up participation rates in the state’s tax-free college savings plans;
- 2) decreasing the debt level for students graduating from post-secondary education institutions; and
- 3) retaining more young people in Pennsylvania after graduation so as to enhance the return on investment for the tax dollars the state commits to support post-high school education pathways in the Commonwealth.

As a state, we need to take pro-active steps to ensure that Pennsylvania is well-positioned to meet the education requirements and workforce needs of an increasingly competitive world. Our future societal leadership, innovation economy and free market prosperity depends on meeting this challenge!