

THOMAS P. DiNAPOLI
STATE COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

OSC No. 8

MEMORANDUM
RE
AN ACT

to amend the education law in relation to the New York State College Choice Tuition Savings Program.

PURPOSE: The purpose of this legislation is to allow the New York State college choice tuition savings program (NY 529) to support scholarships and grant programs.

SUMMARY OF PROVISIONS: Section 1 of this proposal amends section 695-c of the Education law to allow the Comptroller and the Higher Education Services Corporation to jointly determine when the 529 program has funds available, after the payment of administrative costs, to support scholarships and grant programs.

Section 2 of this proposal amends section 695-e of the Education Law to authorize a State to open a 529 account, or accounts, to fund grants and scholarships.

Section 3 of this proposal provides for an immediate effective date.

JUSTIFICATION:

New York's 529 College Savings Program (NY 529 Program or Program), which is jointly administered by the Comptroller and the New York State Higher Education Services Corporation (HESC), allows program participants to save money for their selected beneficiary's higher education expenses. The Program enables residents of New York and other states to benefit from the tax incentive provided for qualified state tuition programs under the Internal Revenue Code of 1986.

While State statute authorizes municipalities and 501(c)(3) organizations to open scholarship accounts in the NY 529 Program, this authorization does not include state entities such as the NY 529 Program. The Comptroller and HESC currently partner with several organizations that have opened child development scholarship accounts in the NY 529 Program. The accounts are typically opened when the children begin kindergarten

and become available to them upon graduation from high school so they may pursue higher education or eligible apprenticeships.

One sponsor, New York City Kids RISE, Inc., offers automatic enrollment in a scholarship account established in the NY 529 Program to each child who enters kindergarten in the New York City public school system and participating charter schools. Launched in 2017, this Save for College Program currently enrolls over 200,000 students in scholarship accounts with total assets of approximately \$32 million invested for their higher education expenses.

While the NY 529 Program has facilitated this initiative, current statutory language constrains the State from opening or contributing funds to such child development initiatives through grant funding. This bill would authorize the State to open 529 accounts to support grant or scholarship programs.

PRIOR LEGISLATIVE HISTORY: New bill.

FISCAL IMPLICATIONS FOR STATE: None.

EFFECTIVE DATE: This act shall take effect immediately.