

## DEPARTMENT OF EDUCATION

## 34 CFR Chapter VI

[CFDA Number: 84.334D.]

**Final Priorities; Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)—College Savings Account Research Demonstration Project****AGENCY:** Office of Postsecondary Education, Department of Education.**ACTION:** Final priorities.

**SUMMARY:** The Assistant Secretary for Postsecondary Education announces priorities under the GEAR UP College Savings Account Research Demonstration Project. The Assistant Secretary may use these priorities for competitions in fiscal year (FY) 2013 and later years. We take this action to determine the effectiveness of implementing college savings accounts and providing financial counseling in conjunction with other GEAR UP activities as part of an overall college access and success strategy.

**DATES:** *Effective Date:* These priorities are effective February 22, 2013.

**FOR FURTHER INFORMATION CONTACT:** Catherine St. Clair, U.S. Department of Education, 1990 K Street NW., room 7056, Washington, DC 20006–8524. Telephone: (202) 502–7579 or by email: [Catherine.StClair@ed.gov](mailto:Catherine.StClair@ed.gov).

If you use a telecommunications device for the deaf (TDD) or a text telephone, call the Federal Relay Service, toll free, at 1–800–877–8339.

**SUPPLEMENTARY INFORMATION:**

*Purpose of Program:* The GEAR UP Program is a discretionary grant program that provides financial support for academic and related support services that eligible low-income students, including students with disabilities, need to enable them to obtain a secondary school diploma and prepare for and succeed in postsecondary education.

*Program Authority:* 20 U.S.C. 1070a–21 to 1070a–28.

We published a notice of proposed priorities (NPP) for this program in the **Federal Register** on June 1, 2012 (77 FR 32612). That notice contained background information and our reasons for proposing the priorities.

There are differences between the NPP and this notice of final priorities (NFP) as discussed in the *Analysis of Comments and Changes* section elsewhere in this notice.

A summary of the major changes follows.

- GEAR UP State grantees that received a new State grant in FY 2012

and will have ninth grade students in the 2014–2015 academic year are eligible to apply for funding.

- The Federal matching contribution has been changed from up to \$10 per month to up to \$25 per month for a maximum of \$300 in Federal matching funds each year for a maximum of four years.

- The funding eligibility criteria have been changed so that, to be eligible, a GEAR UP State grant funded in FY 2011 or FY 2012 must support activities under this demonstration project in at least six high schools, each of which must serve a cohort of at least 30 ninth grade GEAR UP students. For the purposes of these priorities, a high school must serve students in grades 9–12.

- Applicants must identify the names, locations, and National Center for Education Statistics (NCES) identification numbers of the GEAR UP high schools that the applicant proposes to participate in the demonstration project.

- Project directors and appropriate project staff are required to participate in meetings that the Department will convene, likely in conjunction with the annual meetings of the National Council for Community and Education Partnerships (NCCEP), to provide professional development and technical assistance to grantees participating in the demonstration project.

- In order to protect the integrity of the project evaluation, grantees may not solicit, or raise money from, non-Federal sources as additional contributions to the student's non-Federal college savings account.

*Public Comment:* In response to our invitation in the notice of proposed priorities, 19 parties submitted comments.

Generally, we do not address technical and other minor changes, or suggested changes the law does not authorize us to make. In addition, we do not address general comments that raised concerns not directly related to the proposed priorities.

*Analysis of Comments and Changes:* An analysis of the comments and of any changes in the priorities since publication of the notice of proposed priorities follows.

*Comment:* Commenters were generally very supportive of the Department's proposal. They offered various suggestions for improving the demonstration program, keeping in mind the Department's desire to provide and promote incentives for greater college savings by families of GEAR UP students, keep administrative costs and effort manageable, provide flexibility

where possible, and develop and implement a study design that would answer important questions about the usefulness of college savings accounts as a way to promote increased high school graduation rates and rates of enrollment in postsecondary education.

*Discussion:* The Department appreciates these comments and is gratified that the commenters were generally very supportive of our proposal and the desirability of this special GEAR UP project. We address our responses to areas of specific commenter recommendations, by topic heading, in the following discussion.

*Changes:* None.

**Costs, Training, and Support**

*Comment:* One commenter asked for clarification about whether, given the GEAR UP program's match requirement, grantees would need to raise additional matching funds on top of the funds they must already raise to support their regular GEAR UP projects. The commenter stated that applicants need to know the extent of their financial commitment before they apply, and that unless these funds are needed to carry out the demonstration project, the Department should consider waiving the additional matching fund requirement.

Another commenter also sought clarification about the requirement that grantees provide a matching contribution to the amount of the GEAR UP award for this demonstration project.

*Discussion:* Under section 404C(b) of the HEA, successful GEAR UP applicants must provide from State, local, institutional, or private funds, not less than 50 percent of the cost of the program. The regulations at 34 CFR § 694.7(a) and (b) further require that applicants must include in their budgets the percentage of costs of the GEAR UP project to be provided annually from non-Federal funds, and grantees must make substantial progress toward meeting the matching percentage stated in the approved application for each year of the project period.

Successful applicants for the College Savings Account Research Demonstration Project must already be GEAR UP program State grantees, and the Department expects that most recipients of these demonstration grants will not have to provide additional matching funds beyond what they are already providing to meet the match for their initial GEAR UP award. This is because a grantee may count any "over-matched" non-Federal funds it has already committed to its regular GEAR UP project toward its match for the

demonstration project. Moreover, a grantee under this demonstration project may treat contributions of students, families, or others to a student savings account as a matching contribution in its project budget. If, however, during any project year these private contributions to savings accounts are less than anticipated, a State would have to ensure by the end of each project year that it had met the annual matching requirement through other non-Federal contributions to this project or to the regular GEAR UP activities. Thus, we anticipate that only those grantees that have not “over-matched” non-Federal funds in their regular GEAR UP projects or that do not secure sufficient non-Federal deposits in the students’ savings accounts will need to contribute non-Federal matching contributions to their College Savings Account Research Demonstration projects.

*Changes:* We have added a clarifying citation to 34 CFR § 694.7 in Priority 2, section I, paragraph (n).

*Comment:* One commenter recommended the use of online resources to facilitate the project.

*Discussion:* The Department agrees that online resources are important for helping students and families manage their accounts. Under Priority 2, successful applicants must ensure that students, students’ parents, or others on the students’ behalf are able to make online deposits to accounts. In addition, students also must be able to view account balances online. While the Department believes that online resources could also be a very useful source of support for the required financial counseling or technical assistance and professional development for staff, we do not think it is appropriate to require online access for these purposes. Rather, grantees should have flexibility to take advantage of the resources that they believe are best suited for their projects.

*Changes:* None.

*Comment:* A commenter was concerned that the *Background* section of the notice of proposed priorities provided conflicting information about the amount of seed money that grantees will make available from GEAR UP funds for GEAR UP students.

*Discussion:* We agree with this commenter that the *Background* section of the NPP should not have referred to an approximate amount of seed money.

*Changes:* This notice of final priorities clarifies that the amount of seed money for a GEAR UP-funded account for each participating GEAR UP student is \$200. The seed amount is set out in Priority 2, Section I, paragraph (b)(1).

*Comment:* A commenter suggested that the Department consider establishing basic design requirements—for both program management and evaluation purposes—for data and account management as most grantees will not have experience in the administration of these kinds of college savings accounts. The commenter also suggested that we provide grantees with data collection software and training on how to use it. Other commenters noted that it will be critical for grantees to receive guidance, technical assistance, and access to experts on establishing and maintaining these savings accounts, and on the responsibilities of trustees and custodians.

Another commenter stated that the Department should be prepared to assist grantees in negotiating account features and contract terms with financial institution partners, and may even need to solicit financial institution partners for grantees.

Another commenter stated that based on its experience with schools, local governments, and others in the design and development of college savings accounts, grantees will likely need significant technical support from the Department in various areas of their projects, particularly in the selection of savings accounts, program design, and program administration.

Finally, noting that the Department had proposed that money families deposit into students’ college savings accounts would not count against their children for purposes of determining eligibility for Federal student financial assistance, one commenter recommended that we likewise ensure that these savings be excluded from other means-tested Federal programs, such as Medicaid and Temporary Aid to Needy Families. The commenter stated that if both the Federal-funds account and the student’s account are held in trust, the fact that the family does not have direct ownership of either should resolve the issue, but the commenter also noted that any hint of worry about this issue might create a chilling effect on deposit activity. The commenter recommended that the Department provide guidance to account administrators on how to address this issue of asset test at the Federal, State, and local levels and how to communicate the answers to students and families.

*Discussion:* The Department agrees that extensive and ongoing technical assistance on important aspects of project implementation is crucial to helping grantees establish and manage savings accounts, and that this kind of

support is particularly important for those with no experience in this area. To address these concerns, the Department plans to provide presentations and other technical assistance on important aspects of project implementation at national GEAR UP conferences. These activities would include general considerations that should be taken into account when implementing these types of savings accounts. The Department is also working with the Treasury Department, the National Credit Union Administration (NCUA), and the Federal Deposit Insurance Corporation (FDIC) to develop materials that will give applicants key information about implementing college savings accounts, including tax and asset test implications, such as those pertaining to Medicaid and Temporary Aid to Needy Families. However, grantees would tailor account characteristics to best meet their needs and the needs of their GEAR UP students, and would select their own financial partners, provided the requirements of Priority 2 are met.

The Department would not participate in grantee (or applicant) discussions with financial institutions that would (or might) implement these savings accounts. With regard to the comment that the Department provide data collection software and training in its use, the Department may not endorse any specific data-collection software programs. Grantees should use their professional judgment in selecting appropriate software that meets their needs and the needs of the financial institutions with which they would partner. Grant funds may be used to purchase software and any needed training in its use for the purpose of providing and tracking demonstration project services and outcomes.

*Changes:* None.

*Comment:* One commenter wanted clarity on whether grantees may use grant funds for costs of programmatic support, given that certain supportive project activities, such as outreach and account administration, are labor intensive and particularly necessary at the local level.

*Discussion:* The Department understands that college savings account programs can be labor intensive and require a significant investment in outreach and administration to be successful. In the proposed budgets they include in their project applications, applicants should include all expected costs of implementing the proposed projects, including provision of payment to the account administrator, the account trustee, and costs for managing and administering the project

over the course of the project period (and later if the grantee expects the account administrator to be conducting activities after the end of the project period).

*Changes:* None.

*Comment:* One commenter recommended that demonstration projects partner with local organizations, such as public broadcasting stations, to create high-quality digital content and services on financial literacy.

Another commenter said that the success of State GEAR UP grantees will require strong partnerships with local governments and school districts.

One commenter recommended that the applications from State grantees include plans for local partnerships. This commenter noted that local partnerships can also help to tie this savings demonstration project to other community-based programs, such as free tax preparation, financial education resources, and help with the process of preparing a student's FAFSA application.

*Discussion:* The Department is currently working with the Treasury Department, the NCUA, the FDIC, and other Federal and non-Federal partners to identify other opportunities to provide grantees with technical assistance around financial literacy. Further, while we agree that grantees partnering with local organizations to create high-quality digital content can be very important for helping students and their families better understand financial literacy, we do not believe that requiring such a partnership is necessary. Grantees will be working with local educational agencies that already are implementing GEAR UP projects, and those GEAR UP grantees already engage in community partnerships that are key to the successful implementation of a GEAR UP project. We are confident that if a State GEAR UP grantee believes that a local partnership to develop digital materials would contribute to the success of this demonstration project, it will include this activity in its application. However, because we believe that applicants should design their applications using their best judgment of how best to achieve the goal of having the largest number of families of GEAR UP students make regular deposits in their children's college savings accounts, we do not believe that requiring all grantees to partner with local organizations that can help to create high-quality digital content is either necessary or desirable.

*Changes:* None.

*Comment:* One commenter recommended the Department take specific actions to promote financial literacy, such as providing support to grantees to identify and select quality financial education curricula.

*Discussion:* The Department will offer ongoing trainings to grantees that will include group format trainings (at annual GEAR UP conferences or via Webinar) and one-on-one advising, as needed. The Department is also holding discussions with Federal and non-Federal partners to identify other opportunities to provide support for grantees. This includes developing materials that will give applicants key information about implementing college savings accounts. The Department will also monitor financial education delivery over time to ensure quality.

*Changes:* None.

#### **Funding Eligibility**

*Comment:* A number of commenters recommended that the Department expand eligibility so that the demonstration project may benefit priority students served in a State GEAR UP project as well as students who are in a cohort.

One commenter noted that by limiting eligibility to State GEAR UP grantees that use the cohort approach, the Department is making ineligible many valuable, experienced, and interested stakeholders, including existing GEAR UP grantees, and it is limiting its ability to identify crucial barriers to implementation on a broader scale.

A second commenter did not question our proposal that eligibility not extend to schools in which members of a GEAR UP cohort already are the beneficiaries of a matched college savings account program. Rather, it urged the Department to permit schools to be eligible if these college savings accounts were only made available in those schools to GEAR UP priority students who would not participate in this demonstration project. The commenter stated that one State would soon be implementing this kind of hybrid program and did not believe ineligible students under the State's program should also be ineligible under this demonstration project.

Another commenter recommended that eligibility be expanded to include both partnership and State GEAR UP grantees that meet all requirements of this competition.

*Discussion:* We appreciate the broad interest in the project. While the Department agrees that both State and partnership grantees using the priority model for determining student eligibility are engaging in important and

high-quality work, we have limited the pool of eligible grantees to State GEAR UP grantees that determine eligibility using the cohort approach for two reasons.

First, permitting students who are selected for the regular GEAR UP project on the basis of priority to participate in this college savings account demonstration is incompatible with the project's research design. In order to ensure that the potential effects of savings accounts are properly evaluated, grantees will need to serve entire cohorts (i.e., grades) of students in at least six GEAR UP high schools that (1) can be randomly assigned, and (2) have a sufficient number of GEAR UP participants in a ninth grade cohort whose progress and outcomes can be tracked over the grant period. We think that being able to evaluate the effects of savings accounts provided to all students in a cohort is important, because serving all students may create peer effects that indicate the importance of providing such accounts to every student, as opposed to a few individuals in a given school. Such a structure, however, necessitates that entire grades participate in the GEAR UP program, which is the case for a State grant that selects students using the cohort approach but not for grants that select students using the priority approach.

Second, with regard to the comment that we extend eligibility to apply for a grant under this demonstration project to GEAR UP partnership grantees that select students using the cohort approach, we first note that under section 404D(a) and (b) of the HEA, GEAR UP funds may be used for scholarships and other financial assistance for participating students only as provided in section 404E of the HEA; therefore the use of GEAR UP funds for college savings accounts is permissible only as a supplement to the GEAR UP funds that a grantee is already reserving for financial assistance under section 404E in its regular GEAR UP project. Few GEAR UP partnership grantees reserve GEAR UP funds in their regular projects under requirements in section 404E. Furthermore, we believe State GEAR UP grantees, unlike the few partnership grantees that reserve GEAR UP funds for financial assistance under section 404E, have the needed capacity and infrastructure in place to manage this demonstration project.

*Changes:* None.

*Comment:* One commenter recommended maintaining the cohort approach, believing that "universality" is critical to creating a college-going culture. This commenter also expressed concern about precluding States and

municipalities with strong knowledge and experience in establishing student accounts from applying and recommended that the Department extend eligibility to States that are not now current GEAR UP grantees and to GEAR UP partnership grantees with strong municipal partners.

*Discussion:* While the Department appreciates that a number of States and municipalities have been conducting some innovative and promising experiments on college savings, the Department needs to limit this competition to existing GEAR UP grantees. Under section 404C(a) of the HEA, the Department may provide GEAR UP funds only to applicants that submit an application to conduct the full panoply of GEAR UP activities required by law, and the Department does not have program funding available to support new GEAR UP grantees that would conduct all of these program activities and also implement this demonstration project.

In addition, an important part of evaluating the effectiveness of college savings accounts is to do so in the context of wraparound services—that is, supports that combine academic activities like providing tutoring or encouragement to enroll in challenging coursework with mentoring, information on student financial aid, building family engagement, and other help that is not explicitly academic in nature. By providing grants to existing programs that have been operating for at least a year or two, we are ensuring that demonstration project grantees have had the time needed to put those wraparound services into place in a way that new grantees could not.

Finally, we are not extending eligibility to local GEAR UP projects with strong municipal partners for the reasons expressed in response to the prior comment.

*Changes:* None.

*Comment:* One commenter requested that we clarify whether the demonstration project is open to all students in a cohort or only to those who are low-income and, if the latter, how income requirements would be set.

*Discussion:* The demonstration project is open to any students in a GEAR UP cohort beginning in ninth grade, so long as they attend a school that has been randomly selected to receive seed and match funding for the college savings accounts. There are no additional tests for income or poverty beyond those in section 404B(d) of the HEA that apply to the schools in which the cohorts of students are enrolled and in which State GEAR UP grantees are already providing GEAR UP services.

*Changes:* None.

*Comment:* Several commenters requested that the Department expand grantee eligibility under Priority 1 to allow FY 2012 GEAR UP State grantees with ninth graders in the fall of the 2014–2015 school year to participate in the demonstration project. These commenters stated that the Department's proposal unnecessarily limits the pool of potential State GEAR UP grantees eligible to participate in this project.

*Discussion:* We agree with these comments. Under Proposed Priority 1, GEAR UP State grantees that received a new award in FY 2012 and that select students on the basis of the cohort approach would not have been eligible to receive funding under this demonstration project because their students would predominantly be in the eighth grade during the 2013–2014 academic year. However, we think it is appropriate to revise Priority 1 to permit GEAR UP State grantees that received new awards in 2012 and that are using the cohort approach to apply for funding under this demonstration project. Doing so will help to ensure that more State GEAR UP grantees are able to participate without undermining the evaluation of the demonstration project.

*Changes:* Eligibility has been expanded to include 2012 GEAR UP State grantees that select participating students using the cohort approach and that provide GEAR UP services to ninth graders in the fall of the 2014–2015 school year.

*Comment:* Several commenters requested that the Department revise Priority 1 to lower the minimum class size of participating schools from the proposed 50 students in order to avoid bias against applicants serving rural schools.

*Discussion:* The Department had initially proposed a class size of 50 to ensure that services are provided in a cost-effective manner and to provide a sufficient cushion so that even if some students and their families chose not to agree to participate in the surveys needed for the project evaluation, the evaluation would still have a sufficiently large sample of students and families. However, we agree with these comments that the proposed minimum class size of 50 students may have been unnecessarily high and would have made it difficult for many rural schools to participate even if their State is among the successful applicants. Historical data from State grantees indicate that high schools served by GEAR UP using the cohort approach have an average of far more than 30

participants in the ninth grade cohorts. Using the lower number alleviates any potential rural bias but still ensures a sufficient number of GEAR UP students in each participating school both to enable cost-efficient administration of the demonstration activities and to sustain the integrity of the evaluation design.

*Changes:* We have revised paragraph (a) in Section I of Priority 1 to state that when the applicant begins providing college savings accounts to its GEAR UP ninth grade students, each of the applicant's participating schools must serve a cohort of a minimum of 30 ninth graders.

*Comment:* One commenter noted the possibility that limiting applications to projects that select eligible GEAR UP students using the cohort approach could lead to overrepresentation of applications from certain geographic parts of the country. The commenter suggested that the Department consider having applicants identify their proposed projects as urban, rural, or suburban, and in the selection process give preference to applicants whose projects would serve urban and rural schools.

*Discussion:* The Department agrees that the demonstration project should not unnecessarily disadvantage projects based upon the geographic location of their schools, particularly those serving schools in rural areas. That is why we are revising paragraph (a) in Section I of Priority 1 to specify that the applicant's high schools must each serve a minimum ninth grade class-size of 30 GEAR UP participants. Historical data from State GEAR UP grantees indicate that high schools using the cohort approach have an average of far more than 30 participants in the ninth grade cohorts. Therefore, we believe that reducing the minimum number of participants to 30 will be sufficient to address any concerns about geographic distribution and that no other actions are required. The Department believes that urban schools do not need special priority. As applicants for grants under this demonstration project are State GEAR UP grantees, the size of schools that a State identifies for inclusion in the proposed project should have no impact on the quality of the applications. Hence reducing the required size of the ninth grade cohort to 30 will not negatively impact larger urban schools. Moreover, these urban schools already make up a large portion of existing GEAR UP projects. Finally, the Department has found no correlation between a State GEAR UP grantee's geographic location and its choice to

administer a cohort- or priority-based approach.

*Changes:* We have revised paragraph (a) of Priority 1 to state that the schools that an applicant would serve must have at least 30 GEAR UP participants who will be in ninth grade during the 2013–2014 or 2014–2015 academic year (depending on whether they received their new GEAR UP award in FY 2011 or FY 2012).

*Comment:* One commenter recommended that the Department expand eligibility to include a GEAR UP State grantee initially funded in 2008, asserting that its State has had significant experience with college savings accounts since 2003 and has the Nation's highest proportion of disadvantaged students.

Another commenter recommended that the Department begin establishing the savings accounts and availability of match well before ninth grade for needy students whose parents are not college educated, given that these students would benefit from starting to save earlier in life.

*Discussion:* The College Savings Accounts Research Demonstration Project is designed to study whether a combination of supported personal savings accounts and associated financial incentives and counseling provided during GEAR UP students' high school years will have a positive effect on a variety of measures of college readiness, financial well-being, high school graduation, and college enrollment. GEAR UP students participating in a State grant funded in 2008 would be in the twelfth grade at the start of the research study. Therefore, if we extended eligibility to include a GEAR UP State grantee initially funded in 2008, not only would GEAR UP funds provide these students with a very small amount of funding to be used for college expenses, but the research purpose of the demonstration project would not be realized.

With respect to starting the demonstration project with students not yet in ninth grade, the Department recognizes that there may be some benefits to exploring the effectiveness of starting college savings earlier than ninth grade. However, one of the goals of the demonstration project is to look at the effects of college saving for a multiyear period while students are in high school. By starting with students in ninth grade cohorts, the Department can ensure that all students receiving college savings accounts will be attending high schools where they can receive the wraparound GEAR UP services that we think may be important for success in preparing them for, and

promoting their enrollment in, college. By contrast, starting the demonstration projects when students are in an earlier grade could result in some students receiving valuable services while in middle school but then moving to high schools where they may not receive wraparound GEAR UP supports or the required financial counseling for the savings accounts. Moreover, in view of limitations on the amount of GEAR UP funds the Department has available to support this demonstration project, and our interest in receiving robust evaluation results earlier rather than later, we believe that beginning this demonstration project while students are in middle school would seriously undermine project results.

*Changes:* None.

*Comment:* One commenter recommended that any State-level project demonstrate clear and strong support of State political leadership, including the Governor, State treasurer, and school district leadership. The commenter stated that the demonstration projects would likely need cooperation among these offices for permissions and other data. The commenter further noted that State leadership would be particularly important if grantees used banks or credit unions rather than 529 college savings plans because individual banks and credit unions have their own account structures, unlike 529 plans.

*Discussion:* The Department notes that, consistent with our proposal, paragraph (c) in Section II of Priority 2 requires a letter of support from the LEAs that would participate in the project. The Department agrees that a broad demonstration of support for the project is important to help ensure its success. However, we think demonstrations of support are most important from the districts and schools that participate. They will have to work with grantees to give students wraparound services, provide financial literacy information, and help ensure that the account administrator and trustee have the data they need for deposits, withdrawals, and distribution of GEAR UP funds. By contrast, while we think that having the endorsements of a State's political leadership could be helpful, projects can likely succeed without these endorsements, and requiring them would add additional, and we think unnecessary, burden to the application process.

*Changes:* None.

*Comment:* One commenter strongly recommended that students who enroll in GEAR UP schools in a grade whose cohort is served by a GEAR UP grant after the beginning of the demonstration

project be allowed to participate and be given access to seeded savings accounts. The commenter stated that while researchers could track these students separately, the grantee should maintain a grade-level cohort.

*Discussion:* In order to properly evaluate the effectiveness of the demonstration project, we need to start with a cohort of students in the ninth grade and then follow them throughout high school. Adding students who join the cohort after ninth grade would add costs to the project. And while the evaluation could separately track these students (with presumably smaller amounts of deposits in student accounts), doing so will add complexity to the evaluation. Therefore, we are not changing Priority 2 to require that grantees include in this project students who enter a participating school and join the cohort of GEAR UP students after the ninth grade.

That said, we understand that prohibiting these students from receiving services and savings accounts provided through this project could be difficult to explain and could create very undesirable tensions in the school communities. For this reason, we believe that grantees should, if they desire, be able to establish accounts for students who join the grantees' ninth grade cohort by enrolling after ninth grade in high schools in which cohort members have already received accounts. However, if a grantee chooses to provide savings accounts to these new members of the cohort, it must ensure that it has sufficient GEAR UP program funds to first provide matching deposits for students it is required to serve.

*Changes:* We have added a new paragraph (f)(4) in Section I of Priority 2 that, at the discretion of the grantee, permits students who become members of the GEAR UP cohort during the project period after transferring from a non-treatment high school into a treatment GEAR UP high school after ninth grade to have an account with the \$200 seed money and availability of matching funds, provided that the grantee ensures that it has sufficient GEAR UP program funds to first provide matching deposits for students it is required to serve.

*Comment:* None.

*Discussion:* In Proposed Priority 1, the funding eligibility criteria would have required a GEAR UP State grant funded in FY 2011 or FY 2012 to support activities in "multiple" high schools. Through internal Department deliberation, we concluded that the term "multiple" was too vague and that the better approach is to specify a

precise minimum number. We chose to use six schools as the threshold because it represents the minimum number of participating schools in each SEA that will make the project cost-effective to implement and evaluate.

*Changes:* We have revised paragraph (a) of *Priority 1: Funding Eligibility* to provide that an applicant must implement a GEAR UP project in “at least six high schools” rather than simply “multiple high schools.”

*Comment:* None.

*Discussion:* Proposed Priority 1 states that an applicant must have received a GEAR UP project grant that supports activities in “at least six high schools,” but does not define “high school” or what grade span would be considered “high school.” Through internal Department deliberation, we concluded that it is necessary to clarify that, for the purposes of these priorities, a “high school” must be a school that serves students in grades 9–12. This clarification is needed first to ensure that grantees will be able to provide participating students with GEAR UP services for the entirety of the project. In addition, participating students in high schools that serve grades 9–12 will be able to receive the required financial counseling for four years in conjunction with their savings accounts. By serving students in the ninth grade who then may transfer to a non-GEAR UP high school for grades 10–12, many of these counseling benefits would be lost.

*Change:* We have revised paragraph (a) of *Priority 1: Funding Eligibility* to provide a note clarifying that for the purposes of this notice of final priorities, a high school must be a school that serves students in grades 9–12.

### **Savings Account Matching Contributions**

*Comment:* Several commenters requested that the Department revise Priority 2 and increase the proposed Federal matching contribution of \$10 per month so as to provide greater incentives for GEAR UP students to go on to college and for families to save for their children’s college expenses.

One commenter recommended that between the \$200 per student seed money and the GEAR UP matching funds, the total amount of possible Federal funds deposited into each account be a number that is easy for a family to remember, such as \$1,500 or \$2,000.

Another commenter recommended that the Department provide flexibility in the amount of Federal matching funds that would be provided based on grantee determination of the needed

family contribution. This commenter noted that having a variety of minimum matching rates would impact the evaluation but believes that the size of the treatment group should allow for such flexibility and help to answer the question of what level of match optimizes families’ savings contributions. Another commenter recommended that the Department not establish a monthly match based on a fixed amount of family savings but instead focus on regular savings because, according to the commenter, research suggests this approach would be more effective in promoting accumulated savings.

*Discussion:* We agree with some of these comments.

Having examined the level of GEAR UP program funding that we expect to be available for this demonstration project, we believe that we can offer greater financial incentives for GEAR UP students or their families to save money for postsecondary education than the \$10 per month Federal match that we had proposed. We therefore are revising the priority to specify that grantees will be able to match up to \$25 per month. Thus, rather than the maximum of \$120 of GEAR UP funds per year (and up to \$480 over the maximum four years of savings) that we had proposed, grantees now will be able to provide each GEAR UP student a contribution of up to \$300 per year (and up to \$1,200 over this four-year period). The increase in the Federal matching contribution should increase the incentive for families to save for college and result in higher levels of family savings. We believe that \$1,200 over four years will also give students and families a clearer amount of total seed and match funding available. While we appreciate one commenter’s suggestion that matching amounts vary based upon a determination of family need, we do not think this approach is appropriate here. Varying the match would increase complexity for administrators, who would have to develop a needs-analysis formula and find ways to communicate these differences to students and families clearly. Beyond having grantees make available this fixed amount, the Department believes that providing other options for families to receive further deposits of GEAR UP funds beyond those specified in Priority 2 adds too much complexity to the administration of the project.

*Changes:* We have revised paragraph (b)(2), of Section I of *Priority 2: College Savings and Financial Counseling* to increase the Federal matching contribution from up to \$10 per month to up to \$25 per month, for a maximum

of \$300 in Federal matching funds each year for four years.

*Comment:* One commenter recommended the Department lower the match rate and raise the Federal matching contribution cap to maximize savings contributions. The commenter stated that families would be more motivated to save if the Department raised the amount of GEAR UP funds available for these savings accounts but lowered the match percentage from the 50 percent that we had proposed. The commenter offered this approach, stating that it would increase the amount of funds families would have available for college savings without greatly increasing the level of commitment of GEAR UP funds.

*Discussion:* The Department agrees with one of the recommendations in the comment. The match cap has been raised to \$25 per month for a maximum of \$300 in Federal matching funds each year for four years. The Department is not lowering the match rate, one dollar of GEAR UP contribution to the savings account for every dollar of student or family contribution, because we do not believe that lowering the match rate will result in increased non-Federal savings contributions.

*Changes:* The Federal matching contribution cap has been increased to \$25 per month.

*Comment:* One commenter recommended revising the proposed priorities to allow grantees the option of matching family deposits in excess of the Federal limit, thereby providing an opportunity to leverage other incentive programs, such as savings match programs through a Section 529 plan.

*Discussion:* While we agree that offering more matching funds would provide a greater incentive to save, the demonstration project is designed to determine the impact of a fairly specific set of college-savings-oriented services and the provision of a set amount of Federal funds as a match for private savings accounts. Grantees actively seeking to encourage additional family deposits in college savings accounts by offering a match against other non-Federal contributions will interfere with the project evaluation. Therefore, the amount of matching must be kept consistent for all participating GEAR UP grantees.

*Changes:* None.

*Comment:* One commenter recommended that the Department provide greater funding to accounts of families with fewer resources. The commenter noted that while this approach presents unique challenges, such as asking for a child’s Social Security number in order that the child

participates in the demonstration, this effort is needed if the demonstration is serious about policy influence.

*Discussion:* The Department does not agree with the commenter. We believe that existing eligibility requirements of the GEAR UP program ensure that large numbers of participating students will be low-income and first-generation college students. Moreover, changing the amount of matching funding based upon additional factors will call into question the reliability of the results of the project, add complexity to administering the program, and make it harder to communicate to students and families about the level of available funding. Therefore, we want to offer a consistent level of seed and match funding for all participating students.

*Changes:* None.

*Comment:* One commenter asked that we clarify whether the family's contribution to its college savings account must be made monthly in order to receive the full Federal contribution. Specifically, the commenter asked whether the project would contribute the full monthly level of matching contributions if the family had over-matched in one month and under-matched in another, but averaged at least \$25 per month. The commenter also asked the Department to consider other savings models, such as permitting a family to receive the maximum amount of the GEAR UP contribution to the federally funded college savings account so long as it has made the required match at any point over this period.

*Discussion:* A student or family that has over-matched its account in one month and under-matched in another would not be able to have the amount of its over-matches count for future monthly matches, including any catch-up period contributions. One of the goals of the demonstration project is to encourage students and families to regularly save for college. Allowing the amount of over-matching in one month to count toward the matching amount in subsequent months would discourage regular saving and make the program more complex and costly to administer.

The Department appreciates the comment that the match be available to families so long as the required contribution is made at any point over this period. While we think that families should have some flexibility and opportunities to make up for lost contributions, those opportunities should not be provided indefinitely. That is why we are requiring grantees to provide families a quarterly catch-up period of two weeks. We believe these frequent catch-up opportunities balance

the desire to give families the opportunity to make up for missed contributions with a project goal of providing regular deadlines that encourage savings.

*Changes:* Paragraph (p) in Section I of Priority 2 has been revised to clarify that a family that over-matches the Federal account in any month may not receive credit for the amount of over-match in any future month, including a catch-up period, for purposes of meeting that month's GEAR UP program matching contribution.

*Comment:* Rather than offer monthly matching contributions of GEAR UP funds, a number of commenters recommended that the Department instead add to accounts when certain levels of private savings are achieved, provide bonuses when families have added to accounts for perhaps six consecutive months, or, after making the initial deposit of GEAR UP funds, provide periodic deposits of Federal funds when students reach particular ages. One commenter said that these approaches would both be much simpler to implement than our proposal and that the latter option has proven successful in the United Kingdom. The commenter further recommended that rather than contributing Federal funds through matching, the Department should consider providing Federal funds for student accounts as behavioral incentives at certain milestones for financial or educational achievement. The commenter stated that this approach might be a more effective way to motivate student behavior and that research suggests that the approach also might better encourage long-term savings compared to matching monthly deposits.

*Discussion:* While we appreciate the summary of research presented by the commenter, the Department does not agree that the proposed approaches are feasible for the purposes of this demonstration project. We think matching savings account contributions when they occur provides immediate positive feedback to students and families that will encourage additional saving. Moreover, we think that additional benefits, such as bonuses for repeatedly saving, will make accounts more complicated and costly to administer and harder for students and families to understand. As for providing matches based upon student age or other milestones, we think that including these other benefits would likewise make administering the accounts more complicated and make it too burdensome for grantees to manage them. Therefore, we are not including

additional matches for meeting other milestones.

*Changes:* None.

*Comment:* One commenter recommended that grantees be able to raise funds for savings accounts from community and philanthropic organizations, but it cautioned that in this case there should be restrictions on the use of these funds for activities that are related to education or finance, and supported by adequate documentation.

*Discussion:* Proper evaluation of the demonstration project requires that students served by all project grantees are subject to the same maximum matching and seeding amounts. Proper evaluation also requires that grantees not solicit or otherwise seek funds from sources other than the student's family and friends to contribute to the student's non-Federal account. Doing otherwise could compromise the demonstration project evaluation.

*Changes:* Paragraph (c) in Section I of Priority 2 has been revised to clarify that a grantee may not solicit or raise money from non-Federal sources as additional contributions to the student's non-Federal college savings account.

#### **Requirements for Savings Accounts**

*Comment:* Several commenters emphasized that, in order to meet the needs of their communities, the Department should allow grantees flexibility in the design of their programs and thus not require all grantees to use the same type of savings account.

One commenter recommended that in providing such flexibility, the Department should require that all accounts have certain minimum qualities, such as making the accounts accessible, safe, and effective, avoiding excessive fees to students, and being easy to use. The commenter also stated that this approach allows for some uniformity while also providing variation for research purposes, and added that if the Department decides to require a single account type, it should not use 529 savings plans. The commenter stated that despite their positive features, these plans have more onerous data disclosure requirements than alternative account models and thus would exclude more students than necessary from participation.

Another commenter, urging the Department to maintain flexibility in the type of account the applicant would select, noted that 529 plans generally cannot be accessed by deposits into local bank branches and may prove difficult to use by unbanked low-income households since in-person deposits would be very difficult. The commenter

noted that 529 accounts often have minimum deposit requirements, often in the \$15 to \$25 range, and require deposits to be made online or by mail; the commenter stated that these considerations would obstruct the use of these 529 accounts by many low-income families, particularly since the commenter's experience is that the ability to make small cash deposits is very important for this population.

On the other hand, a number of commenters recommended that we have grantees use existing 529 savings plans. One commenter noted that these plans provide a ready common infrastructure designed to support college savings that is not readily available in the case of banks or credit unions, that they would be available to students and parents after the end of this demonstration project, and that experience in one State demonstrates that use of a Section 529 account by all participating students has made it possible to monitor savings patterns and performance very accurately. The commenter also noted that, for this demonstration project, these Section 529 savings plans would need to be flexibly implemented, and urged the Department to clarify that States may work with the 529 providers to craft special arrangements for account opening, account-holder information requirements, and account structure that are specific to the demonstration project.

Finally, two organizations that work with members to enhance 529 plans submitted joint comments that, among other things, stated that the 2004 studies referenced in the NPP with regard to income bands and typical 529 plan participation are outdated and do not reflect efforts made in recent years to expand knowledge about and participation in 529 plans. In this regard, the commenters provided copies of two reports provided to the United States Treasury in February 2010 about 529 plans and efforts of those implementing the plans to broaden their reach.

The commenters also stated that 529 plans do encourage savings by those with modest incomes and that virtually all of these plans have required contributions of as little as \$10 to \$25 per month; have a wide variety of savings instruments, including very conservative ones; and low-fee options. The commenters said that they would defer to the State applicants about the specifics of implementing the Department's proposed study and the logistics of funding of the GEAR UP supplementary college savings accounts with required criteria and characteristics, particularly privacy

aspects, but asked the Department to remain open to allowing a variety of funding vehicles in the study. The commenters emphasized that the greater the flexibility that is available for implementation efforts, the greater the chances of success. The commenters also said that the State educational agency (SEA) in each State should work with the State's 529 plan wherever possible, since by utilizing 529 plans for this purpose, it will take advantage of an existing infrastructure that administers college savings programs and in many instances administers a matching grant or other type of program for low and moderate income families.

*Discussion:* We appreciate these comments, but we believe it is important to provide appropriate flexibility to grantees to choose the type of savings vehicle that works best for them and that they believe will work best for participating students and their families. As we proposed, the Department is providing each grantee flexibility to determine which type of savings program administration they will use, provided that the grantee ensures that:

(a) It has a partnership with a financial institution that will provide GEAR UP students starting in ninth grade with an account that allows saving in a federally insured deposit account that accumulates interest, an account composed of U.S. Government Treasury securities, or a fully guaranteed savings option within a Section 529 college savings plan. Accounts may also provide students and families with investment options that present risks in exchange for the potential for larger returns but that are in no way guaranteed.

(b) Federal funds are maintained in a single "notional" account that is in fact separate from any non-Federal funds. The amount of Federal GEAR UP seed and matching funds and accrued interest earned by each student is tracked, each student is permitted to see both the Federal funds and associated interest earned as well as any non-Federal funds and interest earned in a single account statement, and Federal funds are invested only in federally insured vehicles or U.S. Treasury securities.

Even with these conditions, grantees will have many different types of accounts to choose from, such as 501(c)(3) plans and 529 plans.

With regard to the comment raising concerns about 529 plans, the Department believes that the requirements outlined in the priority will protect against those concerns such that plans that have the flaws the

commenter identified would not meet the requirements for selection. Similarly, we are confident that these requirements do not preclude grantees from using 529 plans but instead provide grantees with sufficient flexibility to choose what works best for them.

*Changes:* None.

*Comment:* One commenter from an association of financial institutions offered to leverage its member bank and banking contacts to help identify institutions interested in participating in the project, should the Department select savings accounts as an eligible account type.

*Discussion:* The Department appreciates the commenter's interest in partnering with grantees to administer accounts. However, the Department thinks it is important that grantees have flexibility in selecting the provider that is best for them, and so we cannot recommend a specific type of account or provider. We do encourage the commenter to work with applicants and grantees to determine if their partnership would be appropriate.

*Changes:* None.

*Comment:* One commenter suggested that the Department allow for, and even encourage, maximum flexibility and experimentation across many of the dimensions of the accounts specified in Proposed Priority 2.

Another commenter offered recommendations about the way the savings accounts should be set up, suggesting for example that (1) the basic savings accounts be interest bearing with no minimum balance and no fees, (2) parents be able to invest funds in a certificate of deposit or investment product such as a mutual fund, (3) accounts be in the student's name so that assets in the accounts not affect family eligibility for Medicaid and Temporary Assistance for Needy Families (TANF), and (4) withdrawals for unauthorized purposes result in loss of GEAR UP matching funds.

Another commenter stated that while flexibility was important, there are a number of advantages of structuring the saving accounts using a custodial or trustee model and holding all funds under a single tax identification number. These advantages include: accounts can be opened automatically and universally and without the need for Social Security number or parental consent, funds are protected from early or non-qualified withdrawals, account earnings accrue tax free without the need of parents to report these earnings, and assets are not held in a family's name, thus avoiding asset tests for public benefits eligibility.

Yet another commenter recommended that the Department have grantees structure their accounts and projects so that (1) they are free of any fees on the students or the custodians, (2) all funds are insured by the FDIC, (3) there is no minimum balance or deposit amount, (4) parents and students have a range of deposit options, (5) there is strong competency in the management and exchange of data between the projects and financial institutions, (6) while making available limited withdrawals, families are provided access to their funds in the case of an emergency, and (7) families have access to account balances through an online system.

*Discussion:* The Department acknowledges the recommendations received on the structure and implementation of the savings accounts. We agree that allowing grantees to tailor account characteristics to their preferred circumstances could have some benefits, and, as discussed previously, the Department has proposed to provide flexibility in choosing the type of savings account administration program provided certain core requirements are met. At the same time, we need to limit flexibility in other areas such as the amount of seeding or matching funds to ensure that the demonstration project is evaluating a specific set of college savings-oriented services. The responsibility for designing and managing these accounts, within the specified guidelines, rests with the State GEAR UP grantee. Successful applicants will propose an implementation plan that is most effective for their State and target population.

*Changes:* None.

*Comment:* A number of commenters recommended the elimination of the requirement that savings account administrators establish and maintain parallel accounts for each student, one for GEAR UP funds and the other for family contributions.

One commenter stated that the family contributions should instead be held in sub-accounts of the single master account, meaning that there would be no need for parallel accounts since the Federal seed deposit and match funds could be accurately and easily tracked using a ledger system.

Another commenter stated that while some college savings account programs use the dual-account approach the Department had proposed, others use software to track and accrue savings matches virtually while keeping the matching funds in a pooled account. Under this approach, when it is time for qualified withdrawals, the appropriate amount is withdrawn from the pool and paid to the institution of higher

education or other vendor. The reduction in the number of separate accounts creates large decreases in administrative burden.

Similarly, another commenter stated that to decrease administrative burden, the Department should make use of notional accounts in which the Federal funds would be placed in an account that is parallel to the account holding non-Federal funds. The commenter noted that while the Department might be legally required to use this arrangement, given the enormous number of potential savings accounts and the fact that it could not be a viable method of account delivery in the long term, the commenter urged the Department to use a single account design that would use software to track and account for Federal and non-Federal deposits.

*Discussion:* We appreciate these comments. While we agree that eliminating the requirement for grantees to maintain parallel accounts for students would reduce by half the number of accounts, we think the provisions in Priority 2 that concern use of Federal dollars deposited into these accounts make parallel accounts preferable. In order to make sure Federal dollars are properly invested, they must be invested in federally insured vehicles or U.S. Treasury securities. Were we to require only a single account type, non-Federal matches would be restricted to similar investments, which would restrict savings options. Moreover, GEAR UP funds deposited into these accounts that are unused will need to be returned to the Department, something that would be very hard to manage with a single account for deposits of both Federal GEAR UP funds and private savings. Therefore, we think it is necessary that the two-fund structure be maintained.

*Changes:* None.

*Comment:* One commenter recommended establishing a process that allows for quick and easy deposit of funds to a student's savings accounts. Another commenter recommended that the Department give priority to applicants that provide a convenient or automatic way for families to make deposits into students' accounts, while another commenter provided research findings that automatic enrollment in a savings account yields much greater and sustained participation than having individuals open accounts on their own.

However, another commenter stressed its concern that auto-enrollment without parental consent would be less effective for achieving both the needed parental buy-in to college savings and the student enthusiasm for college that

would come from requiring parental engagement, such as a requirement that parents expressly "opt-in" to the project. And another commenter stated that while 529 accounts offer convenience and simplicity, requiring grantees to use these accounts may (1) lead to the removal of other attractive features of accounts, such as the need for families that already had savings accounts to open and add deposits to another, and (2) create much greater administrative burden that could dampen support by those administering the project.

*Discussion:* The Department believes that making it easier for students to enroll in the savings accounts, particularly by doing so in an automatic or near-automatic fashion, is important for encouraging participation and savings. Therefore, we agree with commenters recommending easy enrollment and note that proposed Priority 2 allows quick and easy deposit of funds to a student's savings account. Each successful applicant will be required to ensure that individual deposits can be made easily and at no cost to the student, the student's parents, or others who make deposits on the student's behalf. Consistent with the proposal, a student or parent would be able to deposit funds online, in person at convenient locations, or by mail. While the Department agrees that more engaged parents may be more likely to contribute to savings accounts and build enthusiasm for college, we think that requiring an express "opt-in" would make it more complicated to enroll and participate and could depress usage. Instead, we encourage grantees to work with families to build their interest and knowledge in the program, including through required financial counseling.

*Changes:* None.

*Comment:* One commenter recommended that the Department provide a strong preference for ensuring that grantees work with a single financial institution that can provide accounts with uniform terms and conditions, and at low cost, across the State. The commenter stated that such an approach would promote a better test of a college savings plan that included all students, would decrease administrative burden throughout the project, limit variability in savings accounts for administrative and evaluative purposes, and facilitate tracking and submission of more complete and accurate data about the projects.

*Discussion:* We agree with much of this comment. With respect to requiring a single financial institution, we recognize that for many grantees a single

partner may be sufficient and indeed even preferable to using multiple institutions. However, we also recognize that such a structure would not necessarily work in a larger State or in other circumstances. Therefore, we encourage grantees to use their professional judgment when determining how many financial partnerships they need to set up the college savings accounts for participating students in their States.

*Changes:* None.

*Comment:* One commenter recommended that the Department have grantees invite account personnel to attend regular meetings of parents at which they offer envelopes for mailing deposits and other ways to encourage savings.

*Discussion:* While the Department thinks it is important that grantees have flexibility in deciding how counseling to parents should be provided, this requirement would not preclude account personnel from providing some or all of this assistance.

*Changes:* None.

*Comment:* While fully supporting the Department's proposal to require that grantees provide families with automatic enrollment and encouragement of automatic savings deposits as useful design elements to encourage saving for a student's college education, a commenter recommended that the Department also consider a number of other behavioral design elements. While these recommendations are addressed under the next topic headings, the commenter recommended that under Priority 2, the Department require each State grantee to secure technical assistance in designing behavioral interventions that suit the particular implementation of this project and that are customized to the operational constraints of the participating schools, account administrators, and the financial situation of participating students and their families.

*Discussion:* The Department does not agree with this comment. Grantees may certainly design their projects to provide various approaches that they believe will be effective in encouraging families to focus on the importance of saving for college, and grantees may use GEAR UP funds to secure any desired technical assistance. However, while we appreciate that different behavioral designs may result in interesting variations in savings accounts, proper evaluation of the accounts requires consistent administration across grantees. Adding in such behavioral design elements would thus further

complicate the evaluation and is not recommended.

*Changes:* None.

### **Financial Counseling and Behavioral Interventions**

*Comment:* One commenter recommended that the Financial Counseling component be given "the same weight" as the Student Savings Account component. We understand the commenter to be asking that the Department require grantees to implement both the Financial Counseling and Savings Account components of Priority 2.

*Discussion:* The Department agrees with this comment and notes that, as proposed, Priority 2 requires grantees to implement both the Financial Counseling component and the Student Savings Account component. The College Savings Accounts Research Demonstration Project has two main parts: (1) establishing, operating, and having students participate in college savings accounts and financial counseling, and; (2) assessing the effect of providing the college savings accounts and related financial counseling to students and their parents. Both of these parts are in the absolute priority published in this notice of final priorities and incorporated by reference in the notice inviting applications for the College Savings Account Research Demonstration Project published elsewhere in this issue of the **Federal Register**. Therefore, successful applicants will need to address both the Financial Counseling and Student Savings Account components.

*Changes:* None.

*Comment:* One commenter expressed concern that students may be penalized when parents are unable or unwilling to attend required parent financial counseling sessions. The commenter recommended that counseling for parents be optional and that we provide incentives to parents who participate.

*Discussion:* Grantees will be expected to find and utilize the most effective methods at participating schools for reaching out to and counseling parents. While grantees are required to provide "at least biannual counseling meetings for parents," they are not required under Priority 2 to meet specific attendance figures. Therefore, students whose parents do not attend the session will not be penalized.

*Changes:* None.

*Comment:* One commenter expressed concern that individually targeted financial counseling may be too burdensome for projects to implement successfully with existing resources.

This commenter recommended partnering with outside organizations, such as Consumer Credit Counseling Services, to help provide such counseling.

*Discussion:* We agree that grantees should make use of existing resources, both theirs and those of outside organizations, to provide financial counseling, and we encourage grantees to seek partners that can help them in this effort. However, we do not feel that it is necessary to include a statement to this effect in the final priority as applicants will no doubt craft a counseling plan that best meets their needs.

The comment prompted us to examine paragraph (g) in Section I of Priority 2, which, as proposed, did not clarify whether all students in the treatment group need to participate in the required financial counseling. We have revised the provision to clarify that all students must be included.

*Changes:* Paragraph (g) of Priority 2 has been revised to clarify that all students in the treatment group must receive the required financial counseling.

*Comment:* A commenter recommended adding a requirement that financial counseling, particularly for parents, be conducted in languages other than English, while another recommended that the Department encourage applicants to work with experienced partners in the delivery of culturally and linguistically appropriate financial education and counseling for parents and families.

Another commenter, noting the importance of financial counseling, recommended that each State grantee implement financial counseling using curricula that are consistent and standardized across sites and that are focused on helping GEAR UP students to increase their savings. The commenter indicated that evaluation results with respect to the measure and impact of financial counseling would thereby be as valid and reliable as possible. In order to promote efficiencies and appropriate evaluation results, the commenter also emphasized the need of grantees, in States that mandate a financial education curriculum, to coordinate with that curriculum in the design phase of their projects.

*Discussion:* While we recognize the need to provide linguistically and culturally appropriate financial counseling, we do not feel that it is necessary to require this for all participating projects. Grantees are expected to use their professional judgment and conduct teaching and

counseling that best meets the needs of parents and students, including those who need financial counseling in languages other than English. We have no doubt that in States that mandate a financial education curriculum, grantees will want to have participating schools and LEAs coordinate their financial counseling with this curriculum. However, we do not think it is appropriate to mandate that each grantee under this demonstration project use a particular curriculum that is consistent and standardized across school sites.

*Changes:* None.

*Comment:* One commenter recommended a change to Proposed Priority 2 to allow States to obtain technical assistance on the design of behavioral interventions that would help to encourage regular and greater savings for college, such as social support groups or the disbursement of matching funds through prizes that suit the particular implementation of the college savings accounts research demonstration project.

*Discussion:* We agree with this recommendation but do not believe a change to Priority 2 is needed to accomplish the goal. The Department realizes there is an array of behavioral design interventions that may encourage regular deposits into savings accounts; we, therefore, encourage States to design their college savings account demonstration projects to include viable interventions that are likely to maximize college savings for students.

*Changes:* None.

*Comment:* One commenter recommended that, in order to better encourage parents to add deposits to their children's college savings accounts, grantees should consider activities such as sending reminder letters and emails, preferably early in the month rather than at the end of the month; providing reminder magnets; and communicating to them what other families are doing or saying, e.g., the number of families that provided regular contributions in the preceding year or months.

*Discussion:* We agree with the commenter that grantees should reach out to parents to provide them with reminders about saving. We believe, however, that States should be given flexibility to determine how this should be carried out. Therefore, we are not adding a specific requirement.

*Changes:* None.

### Financial Education

*Comment:* One commenter suggested that the Department encourage grantees to conduct financial education in

multiple formats to ensure that the most effective method is used. The commenter also suggested that one of the required formats include classroom lessons during the school day, allowing GEAR UP to leverage the work of States that already mandate financial education in the schools.

Another commenter emphasized that financial literacy and college savings accounts are not enough to overcome barriers, particularly for first-generation college students, in areas such as preparing for college academically and financially, how to apply to college, and how to choose the right college and career path. The commenter urged the Department to pursue high-impact mentoring, information about academic and career preparedness, and the engagement of parents, counselors, teachers, and other stakeholders as important interventions in addition to college savings accounts. The commenter urged the Department to address these interventions—including through use of the Internet and online tools—as well as college savings accounts in order to provide a more robust set of outcomes.

*Discussion:* While we agree with the commenter that multiple educational formats may be more effective than a single format in reaching varied audiences with differing learning styles, we do not feel it necessary to mandate this practice. We believe that grantees will want to use educational formats that work best for their particular audience, relying on current and proven educational research. We also agree that the availability of savings accounts for GEAR UP students and promotion of financial literacy are likely insufficient by themselves to overcome all barriers. However, we note that all students participating in this program will also be receiving all regular GEAR UP services. By statute, GEAR UP grantees are required to provide participating students with a variety of mentoring, outreach, and supportive services (as referenced in the last sentence of paragraph (g) in Section I of Priority 2). These services will give students some of the mentoring and information assistance mentioned by the commenter, but we think much of what the commenter seeks requires a vehicle broader than this demonstration project.

*Changes:* None.

*Comment:* One commenter recommended that the Department help to prepare grantees to meet the financial education requirement by offering ongoing training to grantees, including one-on-one advising as needed; providing help to grantees to identify and select quality educational financial

curricula; and monitoring financial education delivery over time. The commenter also recommended that the Department require financial education to be delivered in the classroom rather than after school and urged that it be coordinated with any financial education already required in grantees' States.

Noting the proposed requirement for individually targeted financially counseling, another commenter stated that many grantees would not have existing capacity to provide this higher intensity service and that this counseling would be very costly. The commenter urged the Department to invest additional resources in providing needed grantee training and to permit grantees to provide this counseling in partnership with outside organizations with the capacity to assist.

*Discussion:* The Department agrees that extensive and ongoing technical assistance on important aspects of project implementation is crucial to helping grantees establish and manage savings accounts and that support is particularly important for those with no experience in this area. To address these concerns, the Department plans, among other things, to provide technical assistance training at national GEAR UP conferences on important aspects of project implementation. These aspects include general considerations that should be taken into account when implementing these types of savings accounts. The Department is also working with partners at the Treasury Department, the NCUA, and the FDIC to develop materials that will give applicants key information about the implementation of college savings accounts.

While we appreciate the suggestion that the Department require grantees to provide financial counseling in the classroom rather than after school, we do not think it is appropriate to require this. Some schools may not be able to incorporate it into classroom time, and such a requirement could create problems with finding appropriate instructors. Likewise, we do not believe that an explicit requirement is necessary for coordinating with any financial education already required in grantees' States. The Department notes that, in their applications under this demonstration project, potential grantees will describe project services that are most appropriate to the needs of the target population and that maximize the effectiveness of project services through the collaboration of appropriate partners.

*Changes:* None.

### Catch-Up Options

*Comment:* A number of commenters recommended that the Department eliminate or reduce the catch-up period. One commenter stated that the proposed catch-up provision would add costs and complexity to the project and encourage delays in making deposits. Instead, the Department should consider requiring small regular deposits, which makes saving for college more manageable and ritualized.

Another commenter recommended that we make this provision more flexible, both to reduce project complexity and to give students the greatest chance to acquire the maximum amount of Federal deposits.

*Discussion:* The Department understands that lower- and moderate-income families sometimes have to make tough financial decisions that can seriously impede their ability to save for college regularly. We want to provide these families the flexibility to continue to receive matching funds by affording parents a two-week catch-up period. We think two weeks is an appropriate amount of time because it gives students and families ample opportunity to make catch-up contributions but does not provide so long a time period as to create a disincentive to make regular contributions to their children's college savings accounts.

*Changes:* None.

*Comment:* One commenter recommended offering additional annual or four-year opportunities to catch up on required deposits. Another commenter recommended that we clarify the amount of catch-up that is needed when families have over-matched in certain months but under-matched in others.

*Discussion:* The monthly savings component of the project is intended to instill a habit of consistent saving and methodical planning for education expenses. While we understand that family incomes may at times be inconsistent, this project aims to help encourage participants to regularly save money towards the costs of a college education. We are concerned that offering additional annual or four-year opportunities to catch-up will deter families from saving habitually.

With regard to the request for clarification about a family that over-matched in any month, as we have expressed in response to a prior comment, we believe that given the project's focus on promoting regular savings the amount of a family's overmatch should not be available as a credit for a month in which the family did not meet its match amount. Thus,

we also believe that the family should still need to provide catch-up contributions for any months in which it did not provide any contributions and that this should be the result regardless of how much a family over-matched in a given month. We have clarified Priority 2 in this regard.

One of the goals of the demonstration project is to encourage students and families to regularly save for college. Allowing over-matching in one month to count in subsequent months would discourage regular saving and make the program more complex and costly to administer.

*Changes:* Paragraph (p) in Section I of Priority 2 has been added to clarify that a family that over-matches the Federal account in any month may not receive credit for the amount of the over-match in any future month, including a catch-up period, for purposes of meeting that month's GEAR UP program matching contribution.

### Account Administrator

*Comment:* One commenter sought clarity on the role of the account administrator.

*Discussion:* Under Priority 2, each successful applicant must designate a savings account administrator to hold the account funds, accept deposits, and issue qualified withdrawals. The account administrator must be a federally regulated or State-regulated financial institution, such as an investment firm that manages a State's 529 plan or a federally insured bank or credit union that partners with the State to administer GEAR UP savings accounts.

*Changes:* None.

*Comment:* One commenter requested that we explain the difference between the account administrator and savings account trustee over the duration of the project and beyond the five-year grant period. The commenter also noted that students may hold their accounts for up to six years following high school graduation, meaning that the account administrators and trustees would need to serve the accounts (and presumably report data about them) for up to 11 years. The commenter expressed concern that few potential account administrators and trustees will be willing to provide these services for this length of time, and that the administrative fees they are paid will last only five years.

*Discussion:* Under Priority 2, each successful applicant must designate a savings account administrator and a savings account trustee. The savings account administrator is responsible for holding the account funds, accepting

deposits, and issuing qualified withdrawals. The savings account trustee is responsible for managing the account funds and approving withdrawals and other account activities.

The Department appreciates that accounts will have to be administered for a longer period of time than the grantee's project period. But this extended timeframe is necessary to ensure that students are able to access their accounts throughout their time in postsecondary education. While we appreciate that this extended timeframe does place some burden on trustees and creates some uncertainty about how applicants and grantees would budget for these trustee costs, we think that the management of such accounts may become easier as families stop making contributions and instead begin withdrawing funds. In their applications under the program, potential grantees should budget up-front for all years for which the services of the account administrator and trustee will be needed. Moreover, grantees may budget for, and charge GEAR UP funds for, the reasonable and necessary costs of managing the savings accounts. Thus GEAR UP program funds will be available to pay the reasonable and necessary costs that the trustees can be expected to incur.

*Changes:* None.

### Savings Account Ownership

*Comment:* One commenter sought clarity on the ownership structure of the student savings accounts. The commenter stated that whether the account is owned by the trustee, the student, or the student's family will affect account administration and families' funding decisions. The commenter recommended that the trustee own both the student account and the match account.

*Discussion:* The Department agrees with the commenter's recommendation. Both the students' account containing Federal funds and match account with non-Federal contributions will be owned by the account trustee. Participating GEAR UP students will be named as beneficiaries. This is the same structure banks use for minors' savings accounts.

*Changes:* None.

### Account Withdrawals

*Comment:* One commenter sought clarification on what constitutes a "qualified withdrawal." The commenter asked, for example, whether the cost of an enrollment in preparatory course for a college entrance exam or the purchase of a computer would be a qualified

withdrawal, or whether grantees may develop their own rules that align with the specific requirements of the account types they select.

Another commenter recommended that the program follow the guidelines established by 529 programs for what constitutes a qualified withdrawal. Yet another commenter recommended that, to reduce administrative complexity, we eliminate provisions for reducing the prior match of GEAR UP funds for unqualified withdrawals from the student's account.

Another commenter urged the Department to consider reasonable restrictions on the purposes of withdrawals, perhaps with exceptions for emergencies, or limiting withdrawals to only a certain number of times per year. According to this commenter, surveys and focus groups of low-income individuals have suggested that these approaches may help encourage college savings.

*Discussion:* Under Priority 2, students or their parents may withdraw Federal GEAR UP funds from the student savings accounts in which grantees have deposited them upon approval of the savings account trustee. Under paragraph (d) in Section I of Priority 2, withdrawals of GEAR UP funds may only be for qualified purposes, which are (1) funds provided to an institution of higher education on behalf of a student upon that student's enrollment in an HEA title IV-eligible institution of higher education (which includes colleges and universities as defined by the HEA) for the purposes of paying for tuition, fees, course materials, living expenses, and other covered educational expenses as defined in the HEA, or (2) funds the student or parent need for such costs that would not be provided directly to the IHE. In addition, we have added to paragraph (d) permission to use funds in the Federal account for other costs related to postsecondary education that the account trustee, based on instructions from the grantee, determines to be appropriate. At the grantee's discretion, these additional qualified purposes costs could include such items as the cost of enrollment in a preparatory course for a college entrance examination or the purchase of a computer required for college.

Successful applicants also will establish rules for the withdrawal and transfer of non-Federal funds, which must include a requirement that the account trustee oversees any withdrawal or transfer of non-Federal funds. In terms of requests for additional restrictions on withdrawals or limiting the number of withdrawals allowed per year, the Department thinks that the

restrictions placed on withdrawals of the Federal funds are appropriate. For the non-Federal matching funds, however, the Department does not think we need to establish additional restrictions since the loss of previously matched Federal funds that would accompany an unqualified withdrawal should be sufficient to dissuade this from often occurring. If, however, States wish to provide additional restrictions on withdrawing funds from the student's non-Federal college savings account, that is their purview.

*Changes:* None.

*Comment:* One commenter noted that the Department had proposed that the college savings accounts be held for the GEAR UP students in trust pending their graduation from high school and enrollment "in a college or university," and asked what we mean by a "college or university." The commenter asked whether the phrase is limited to accredited institutions, and whether technical schools such as culinary institutes, automotive schools, or cosmetology schools would qualify.

*Discussion:* By "college or university," the Department means an institution of higher education that participates in the Title IV Student Financial Assistance programs and is described in section 102 of the HEA. This interpretation is necessary because GEAR UP funds may only be used for college savings accounts as a supplement to financial assistance that GEAR UP grantees are already provided as scholarships and student financial assistance under section 404E of the HEA. Section 404E provides that to receive this assistance students must be enrolled in such an institution of higher education.

*Changes:* We have added language to paragraph (d) in Section I of Priority 2 to clarify that GEAR UP funds deposited into the college savings account and used for the costs associated with postsecondary education must be used for costs associated with enrollment at an institution of higher education, as the term is defined in section 102 of the HEA.

#### Data Collection and Evaluation

*Comment:* A commenter agreed with the Department's proposal to avoid collecting Social Security Numbers (SSNs) and taxpayer identification numbers (TINs). The commenter noted that many schools are not allowed to collect or disclose such personally identifiable information about their students, and yet many institutions, including 529 plans, require all account holders to provide this information. The commenter also identified locations that

it stated were able to implement college savings accounts without SSNs or TINs. Finally, because of what the commenter viewed as "Know Your Customer" provisions of the Patriot Act and Bank Secrecy Act, the commenter urged the Department, perhaps together with other entities or experts in this area, to advise on the propriety of opening accounts without SSNs and TINs.

*Discussion:* The Department encourages grantees to avoid collecting SSNs or TINs when it is feasible to do so. For example, we note that some financial institutions may accommodate the use of unique identifiers for students in lieu of SSNs or TINs. However, we acknowledge that some financial institutions may require personally identifiable information for the purposes of managing accounts. The Department does not prohibit grantees from collecting this information in the event that doing so is necessary in a given State. We expect to provide technical assistance to grantees on this topic, including any implications that collecting this personal identifiable information may have under Federal privacy laws.

*Changes:* None.

*Comment:* One commenter urged the Department to design, write code, and implement common account monitoring standards across the full demonstration project since, according to the commenter, without such a comprehensive design plan, there is a substantial risk of substantial data failure on savings patterns and performance. We read the comment to be concerned, in part, with the quality of data that grantees would need to provide for the project evaluation.

*Discussion:* While those preparing the Department's evaluation of this demonstration project will review comments on the account monitoring standards, the specific data items and data collection structure to be used in the Department's evaluation were not part of the notice of proposed priorities and are not subject to public comment.

*Changes:* None.

*Comment:* A number of commenters recommended approaches for the design of the Department's evaluation of this demonstration project. Among other things, commenters recommended that the evaluation collect and analyze differences in GEAR UP services across schools, family financial stability data and the different types of financial counseling provided by grantees and their relationship to impacts. The commenters also recommended that the evaluation use statistical techniques to account for school-level clustering of students in the analysis.

*Discussion:* While those preparing the Department's evaluation of this demonstration project will review comments on the research design, the specific data items and statistical analyses to be used in the Department's evaluation were not part of the notice of proposed priorities and are not subject to public comment.

We note, however, that the Department intends that the evaluation will address, to the extent possible, the ways in which both regular and demonstration GEAR UP services are implemented across schools. We also intend to collect some information about income and assets through parent surveys conducted in spring 2014 and 2016. However, we do not believe that we can adequately address family financial stability and how that might relate to the timing and levels of contributions to savings accounts without more frequent and longer surveys that would be burdensome to parents and costly for the evaluation to implement. Finally, the Department plans for the evaluation to appropriately adjust for clustering of students within schools in performing the statistical analysis of impacts.

*Changes:* None.

#### **Grantee Attendance at Project Meetings**

*Comment:* None.

*Discussion:* Paragraph (h) in Section I of Proposed Priority 2 required the grantee's project director to attend one particular meeting held by the Department. We have revised this paragraph to provide more details and require attendance at multiple Department meetings, likely held in conjunction with the annual meetings of the National Council for Community and Education Partnerships (NCCEP), where technical assistance will be provided. We made these changes to ensure that we provide sufficient technical assistance to grantees and to allow grantees to be better prepared to attend these meetings.

*Changes:* Paragraph (h) in Section I of Priority 2 has been revised to state that project directors, site coordinators, and other appropriate project staff are required to participate in meetings of GEAR UP grantees that the Department will convene to provide professional development and technical assistance to grantees participating in the demonstration project.

*Final Priorities:* The Assistant Secretary for Postsecondary Education establishes these priorities to determine the effectiveness of implementing college savings accounts and providing financial counseling in conjunction with other GEAR UP activities as part of

an overall college access and success strategy.

#### *Priority 1: Funding Eligibility.*

To meet this priority, an applicant must—

(a) Have received a new GEAR UP State grant in FY 2011 or FY 2012 that supports activities in at least six high schools, each of which must serve a cohort of at least 30 GEAR UP participants who will be in ninth grade during the 2013–2014 academic year (for recipients of FY 2011 grants) or 2014–2015 academic year (for recipients of FY 2012 grants);

For the purposes of this priority, “high school” means a school that serves students in grades 9–12.

(b) Use the cohort approach (see Section 404B(d)(1) of the Higher Education Act (HEA)) to select participating GEAR UP students; and

(c) Identify in its application the names, locations, and National Center for Education Statistics (NCES) identification numbers of the GEAR UP high schools expected to participate in the demonstration and the number of GEAR UP participants expected to be in ninth grade during the 2013–2014 or 2014–2015 academic year at each GEAR UP school identified. (NCES school identification numbers can be found at: <http://nces.ed.gov/ccd/schoolsearch/>).

#### *Priority 2: College Savings Accounts and Financial Counseling.*

To meet this priority, an applicant must submit in its application a comprehensive plan for providing (1) students in half of the GEAR UP high schools identified by the applicant with safe and affordable deposit accounts at federally insured banks, credit unions, or other institutions that offer safe and affordable financial services consistent with provisions of this Priority, and (2) financial incentives to encourage saving and related financial counseling to students and parents.

An applicant also must agree in its application to participate in an evaluation of this college savings account demonstration project that will examine the effect of college savings accounts and counseling on student and family behaviors and attitudes associated with college enrollment, as described in the *Research Evaluation* section of this priority. The Department's Institute of Education Sciences (IES) in partnership with the Office of Postsecondary Education (OPE) will oversee the evaluation, which will be conducted by an IES evaluation contractor.

#### *I. College Savings Accounts and Financial Counseling*

The applicant must describe in its application its plan for implementing college savings accounts and financial counseling, including how, preferably at the time of application but no later in time than to have all savings accounts operational before the start of the cohort's ninth grade in the 2013–2014 or 2014–2015 school years, it will—

##### *(a) Student Savings Accounts.*

(1) In partnership with a financial institution, provide students with an account that allows saving in an interest-bearing, federally insured deposit account, U.S. Government Treasury securities, or a fully guaranteed savings option within a 529 college savings plan. Accounts may also present students and families with investment options that present risks in exchange for the potential for larger returns but that are in no way guaranteed.

(2) Ensure that Federal funds are maintained in a single “notional” account that is in fact separate from any non-Federal funds, tracks the amount of Federal GEAR UP seed and matching funds and accrued interest earned by each student, permits each student to see both the Federal funds and associated interest earned as well as any non-Federal funds in a single account statement, and is invested only in federally insured vehicles or U.S. Treasury securities;

(3) Ensure that the non-Federal investments are in U.S. Government Treasury securities or a low- or no-fee age-based fund unless the parents or student chooses otherwise;

(4) Open savings accounts for students in automatic or nearly automatic fashion and describe how the savings account enrollment approach entails or approximates an automatic enrollment framework. Automatic enrollment means parents and students are not required to opt into the account, but may opt out of it. If parents and students take no action, the account is opened. Action is required to decline participation.

**Note:** Applicants are also encouraged to propose automatic savings options, such as automatic payroll deductions by parents of participating students.

(5) Ensure that individual deposits could be made easily and at no cost by the student, the student's parents, or others on the student's behalf; that deposits would be able to be made online, including on mobile devices, in person at convenient locations, or by mail; and that account information

would be viewable online, including on mobile devices; and

(6) Ensure that funds are held in the name of the account trustee described in paragraph (k) of part I of this priority with the participating students named as beneficiaries.

(b) *Federal Seed and Matching.* Provide for Federal seed and matching of Federal funds in student savings accounts for students in participating treatment high schools as follows:

(1) Within two weeks of the beginning of students' ninth grade school year in the fall of 2013 or the fall of 2014, seed each student's account with \$200 in Federal GEAR UP funding.

(2) Each month, for every contribution up to \$25 beyond the initial seed amount that the student or family deposits into the student's account, deposit an additional equal size contribution up to \$25 of Federal GEAR UP funding into the account, for a maximum of \$300 in Federal matching funds each year for a maximum of four years.

(3) Notwithstanding the monthly cap on contributions referenced in paragraph two above, once per quarter during each calendar year during the project period, on a date approved by the Department, offer students and parents a two-week catch-up period if the student has not earned the maximum monthly match for that year and encourage students and families to make contributions at least sufficient to earn up to the maximum Federal match.

(4) Ensure that if, at the end of each calendar year, the student has not exhausted the Federal match, any unearned matching funds would no longer be available to that student or to the applicant and would be returned to the Department.

(c) *Non-Federal Seed and Matching.* Not provide additional seed or matching funding from GEAR UP or non-GEAR UP resources to participating students beyond the funds described in (b), or solicit or raise money from non-Federal sources as additional contributions to the student's non-Federal college savings account.

(d) *Withdrawal and Transfer of Federal Funds.* Provide for the withdrawal and transfer of Federal GEAR UP funds as follows:

(1) The applicant must ensure that withdrawals of Federal GEAR UP funds are made only upon approval of the savings account trustee and are only made from the account to eligible students, or to an institution of higher education, as the term is defined in section 102 of the HEA, on behalf of a student upon that student's enrollment in an HEA Title IV-eligible institution of

higher education, as the term is defined in section 102 of the HEA, for the purposes of paying for tuition, fees, course materials, living expenses, and other covered educational expenses as defined in the HEA, and other costs related to postsecondary education that the account trustee, based on instructions from the grantee, determines to be appropriate.

(2) An account trustee may not withdraw Federal GEAR UP funds for non-qualified purposes and may not transfer them to other individuals. If this rule is broken, the Department may require the applicant to terminate its relationship with the trustee and select a different entity to serve as savings account trustee. The initial trustee may be subject to penalties for misuse of Federal funds.

(e) *Withdrawal and Transfer of Non-Federal Funds.* Establish rules for the withdrawal and transfer of non-Federal funds, which must include a requirement that any withdrawal or transfer of non-Federal funds must be overseen by the account trustee. A withdrawal of non-Federal funds from the savings account for non-qualified purposes will result in a removal of Federal matching funds that have been contributed on behalf of the student if the amount of non-Federal funds remaining in the account after the non-qualified withdrawal is less than the total amount of Federal matching funds contributed (not including the \$200 Federal seed).

For example, if student and parent contributions total \$140, Federal GEAR UP matches total \$120, and the student withdraws \$50 in non-Federal funds for non-qualified purposes, then \$30 in Federal GEAR UP matching funds earned up until that point would be removed from the account because the amount of non-Federal funds remaining in the account after the non-qualified withdrawal—\$90—is \$30 less than the amount of Federal matching funds contributed. The Federal matching funds could be earned back in catch-up periods during that same year. The \$200 seed money provided with Federal GEAR UP funds will not be removed from the account.

(f) *Student Eligibility.* Establish student eligibility to receive Federal GEAR UP funds as a seed and match for GEAR UP student savings accounts as follows:

(1) Students must be enrolled in the ninth grade in one of the randomly selected treatment high schools (as described in the *Research Evaluation* section of this priority) in the fall of 2013 or the fall of 2014.

(2) If a student does not use funds in the student's account within six years of his or her scheduled completion of secondary school, the undisbursed Federal GEAR UP funds must be returned to the Department.

(3) Students who transfer from a GEAR UP high school to a non-GEAR UP high school during the project period will continue to remain eligible for the matching funds from the grantee.

(4) At the discretion of the grantee, students who during the project period become members of the GEAR UP cohort by transferring from a non-treatment high school into a treatment GEAR UP high school after ninth grade may have an account with the \$200 seed money and availability of matching funds, provided that the grantee has sufficient funds to first make the matches it is required to make for students in the treatment high schools.

(g) *Financial Counseling.* Provide general and targeted (that is, specific to each individual's account and financial circumstances) savings account and financial counseling to all students in the treatment group and to their parents. Counseling should encourage regular saving and prepare students and their families to make informed financial decisions about college and other matters. Counseling must include at least 12 hours per year of counseling for students and at least biannual counseling meetings for parents, which must include a review of the contributions to the account and any interest accrued. The counseling must be in addition to, and may not serve as, the financial aid, financial literacy, or college savings counseling already provided as part of regular GEAR UP services.

(h) *Staff Professional Development and Coordination with the Department.*

(1) Agree to participate in Department-provided professional development for the GEAR UP or school staff who will deliver the financial planning and counseling described in paragraph (g) of part I of this priority.

(2) Ensure that the project director, site coordinators, and appropriate project staff participate in meetings of GEAR UP grantees that the Department will convene to provide professional development and technical assistance to GEAR UP grantees participating in the demonstration.

**Note:** The meetings are likely to be held in conjunction with the annual meetings of the National Council for Community and Education Partnerships (NCCPEP), the association of GEAR UP grantees. The February 2013 meeting, held in conjunction with the GEAR UP Capacity-Building Workshop, will likely cover technical

assistance to the State administrators of the college savings plans, and the logistical and administrative issues in setting up the college savings accounts. The remainder of the meetings during the project period will likely focus on professional development for GEAR UP staff providing the counseling to families.

(i) *Site Coordination.* Designate a site coordinator for each GEAR UP high school that participates in the demonstration and describe the role of the coordinator and to whom he or she will be accountable. The site coordinators in schools that are randomly selected to provide college savings accounts and financial counseling (treatment schools) have responsibility, exercised consistent with the State's plan and approved project application, for ensuring that their schools meet all requirements for participating in the college savings demonstration project. Coordinators must, for example, ensure that college savings accounts are opened and seeded within two weeks of the start of ninth grade; that related financial counseling and coaching are provided to participating students and parents; and that schools cooperate with data collection for the evaluation. (See the *Research Evaluation* section of this priority for further information on selection of the treatment schools). Site coordinators in schools that are not participating in the college savings account and counseling components (control schools) must ensure that their schools cooperate with the data collection for the evaluation.

(j) *Savings Account Administrator.* Select a savings account administrator to hold the account funds, accept deposits, and issue qualified withdrawals. The applicant must identify the account administrator in the application or describe the process by which the account administrator will be selected.

The account administrator must be able to fulfill its role until all Federal funds have been disbursed or returned to the Department. During the grant project period, modest administrative fees, not to exceed one percent of account balances, could be paid to the savings account administrator with Federal GEAR UP funds to cover expenses related to the GEAR UP College Savings Account Demonstration Project.

(k) *Savings Account Trustee.* Select a savings account trustee to manage the account funds and approve withdrawals and other account activities. The account trustee must have demonstrated experience in successfully managing financial services. The applicant must identify the account trustee in the

application or describe the process by which the account trustee will be selected.

The account trustee must be able to fulfill its role until all Federal funds have been disbursed or returned to the Department. The account trustee may not be a student's parent or guardian, and must be separate and distinct from the account administrator. The trustee must be a State agency, such as a State Department of Treasury, Office of the Governor, Lieutenant Governor, or Comptroller, a tax-exempt non-profit organization or foundation, or for-profit organization or business with demonstrated expertise and experience in successfully managing financial services. During the grant project period, modest administrative fees, not to exceed one percent of account balances, could be paid to the savings account trustee with Federal GEAR UP funds to cover expenses related to the GEAR UP College Savings Account Demonstration Project.

(l) *Grantee Coordinator.* Specify a person or persons at the State and local educational agency (LEA) level who will administer and coordinate all components of the demonstration, including provision of services provided by the GEAR UP high schools, monitoring the rules established for and activities carried out by the savings account administrators and trustees including distribution of letters, notifying parents or guardians about the administration of the student survey by the evaluator and about the release of designated "directory information" from the education records of the student to the savings account administrator, the savings account trustee, or both, as needed to assist with establishing and managing the college savings accounts, and distributing forms enabling parents or guardians to opt out of participation in the college savings demonstration project. (The Department will provide a sample parent/guardian letter and opt out form.) The grantee coordinator must also include aggregate information about the college savings account demonstration project in the grantee's annual performance report to the Department, including the number of accounts opened and the total amount of Federal GEAR UP matching funds deposited on behalf of students. The grantee coordinator must also respond to the evaluators' annual request for information on individual student accounts, including the timing and amounts of disbursements of seed and matching funds, and the student's name, address, and date of birth.

(m) *Directory Information Policies.* Include only districts or schools that

will have directory information policies in place prior to July 1, 2013, or July 1, 2014, that allow for student information to be shared in compliance with Federal law with the savings account administrator, the savings account trustee, or both, as needed to establish and manage the college savings accounts. Under the provisions of the Family Educational Rights and Privacy Act (FERPA) and its implementing regulations (20 U.S.C. 1232g and 34 CFR Part 99), each of the LEAs or schools in the application must have provided public notice that the district or schools have designated as "directory information" under FERPA the student's name, address, grade level, and date of birth. In addition, in accordance with FERPA, if any parent or guardian of a student has opted out of the disclosure of this "directory information," the school or LEA will not provide the "directory information" for that student to the savings account administrator, the savings account trustee, or both, as needed to assist with establishing the college savings accounts, and savings accounts with GEAR UP seed money will not be opened in his or her name, unless the parent or guardian of that student provides consent under 34 CFR 99.30.

(n) *Grantee Non-Federal Match Requirement.* Meet the statutory non-Federal match requirement (see Section 404C(b) of the HEA and 34 CFR 694.7.)

**Note:** A State grantee would meet the statutory match requirement tied to these additional research demonstration project funds through any "over-matched" non-Federal funds it already is committed to providing under its regular GEAR UP application. A State that would need to provide other non-Federal funds in order to meet the statutory match requirement tied to GEAR UP funds provided for the research demonstration project would need to include with its application a budget of how it proposed to do so. Contributions of students, families, parents' employers, community-based organizations, religious organizations, and others to student savings account could be treated as a matching contribution, but, if during any project year these private contributions to savings account were less than anticipated, a State would have to ensure by the end of each project year that it had met the annual matching requirement through other non-Federal contributions to this project or the regular GEAR UP activities.

(o) *Budget.* Provide a budget and budget narrative with projected charges of Federal GEAR UP funds and any non-Federal matching contributions, that describes the expected costs of implementing the proposed project, including provision of payment to the account administrator, the account

trustee, or both of reasonable costs for managing the savings accounts according to requirements of this section.

(p) *Over-matching.* A family that over-matches the Federal account in any month may not receive credit for the amount of over-match in any future month, including a catch-up period, for purposes of meeting that month's GEAR UP program matching contribution.

## II. Research Evaluation

The applicant must describe in its application its agreement to the following:

(a) *Random Assignment of Schools.* An applicant must—

(1) Agree to a random assignment by the evaluation contractor of one-half of the GEAR UP high schools identified in its application for their students to receive demonstration services (treatment schools). In addition to the regular GEAR UP services offered at these treatment schools, GEAR UP projects must also offer the college savings account and financial counseling intervention in accordance with Priority 1 (Funding Eligibility). The students in the remainder of the high schools (control schools) will not receive the college savings account and financial counseling components but will continue to receive regular GEAR UP services.

(2) Agree not to offer a program that provides seed or matching funds for college savings accounts in the control schools for the duration of the GEAR UP grant.

(b) *Data Collection.* The applicant and the LEA(s) and GEAR UP high schools that would like to implement college savings accounts (some of which will become control schools) must agree to participate and cooperate in the data collection conducted by the Department's evaluator, which will include the following:

(1) Two surveys of GEAR UP project directors at the State education agency (SEA) or LEA level and site coordinators for each school about the implementation of the college savings account and counseling components, including the extent to which the college savings account counseling was provided in the treatment schools and counseling and other services were provided under the GEAR UP grant in both treatment and control schools;

(2) Two surveys of GEAR UP students about their participation in GEAR UP program activities and other college access programs; their expectations about college enrollment and costs; their knowledge about college savings and financial aid; their financial literacy;

their plans for enrollment in college-preparatory courses; and their financial behaviors, including the extent to which they are saving for college;

(3) Two surveys of parents of students participating in the GEAR UP program, in a form that will be comprehensible to parents of English language learners, about their participation in GEAR UP program activities and other college access programs; their expectations about their child's college enrollment and costs; their knowledge about college savings and financial aid; their financial literacy; and their financial decisions, including the extent to which they are saving for college;

(4) For treatment schools, data on the extent to which their staff attend the required professional development;

(5) For both treatment and control schools, rosters of all GEAR UP participants who are in the ninth grade in fall 2013 or fall 2014, including the names of the students, and other identifying information (such as their dates of birth, zip codes, parent contact information, or district or school identification numbers) that will enable the Department's evaluator to request school administrative records from the State or LEA for the appropriate students;

(6) Access to the appropriate State or LEA school administrative records, which will be used to measure student characteristics and achievement prior to the ninth grade, student attendance, course taking patterns, and credits in grades 9–12 for students in the treatment and control schools;

(7) From the grantee, annual information on the accounts of individual students, including the timing and amounts of disbursements of seed and matching funds, and the student's name, address, and date of birth.

(c) *Letters of Support.* Each applicant must include in its application the following:

(1) Letters of support from the relevant LEAs. Unless the SEA agrees in the application to provide this same data on its own, these letters of support also must contain the LEA's agreement to provide the relevant school records data to the evaluation contractor, including the following school records data for GEAR UP participants who are enrolled in the ninth grade in the treatment schools and control schools in the fall 2013 or fall 2014, regardless of whether the student has continued to be enrolled in his or her original high school:

(i) Scores on State or district-administrated assessments of reading

and math for the seventh and eighth grades and high school years;

(ii) High school attendance;

(iii) High school courses in which the student was enrolled and grades and credits received for those courses;

(iv) Demographic information such as gender, race/ethnicity, parents' educational attainment, English proficiency, and the extent to which a language other than English is spoken at home;

(v) Whether the student is certified as eligible for free or reduced price lunch through the National School Lunch Program; and

(vi) Whether the student has an individualized education program.

(2) A letter from the principal of each high school identified in the application agreeing to participate in all aspects of the evaluation and grant, including:

(i) Random assignment of the high school;

(ii) If randomly selected to implement the demonstration services, allowing the GEAR UP program to offer the college savings account and counseling components to eligible GEAR UP participants at the principal's high school; and

(iii) Regardless of whether a school is in the treatment or control group, provision to the evaluation contractor of rosters of GEAR UP participants who are in the ninth grade in fall 2013 or fall 2014, including identifying information (such as student names, dates of birth, zip codes, parent contact information, or district or school identification numbers) that will enable the contractor to request the administrative records from the State or LEA about the appropriate students.

(3) Letter from the superintendent of each LEA overseeing the schools in the evaluation, agreeing to all aspects of the evaluation and grant, including—

(i) Random assignment of their GEAR UP high schools listed in the application;

(ii) If randomly selected to implement the demonstration services, an agreement allowing the State GEAR UP program to offer the college savings account and financial counseling to eligible GEAR UP participants consistent with the priorities and requirements in this notice of final priorities; and

(iii) Regardless of whether the schools are in the treatment or control group, an agreement to provide to the evaluation contractor rosters of GEAR UP participants who are in the ninth grade in fall 2013 or fall 2014, including identifying information (such as student names, dates of birth, zip codes, parent contact information, or district or school

identification numbers) that will enable the contractor to request the administrative records from the State or LEA about the appropriate students.

(iv) An agreement to have district or school directory information policies in place prior to July 1, 2013, or July 1, 2014, that allow for student information to be shared in compliance with Federal law with the savings account administrator, the savings account trustee, or both, as needed to establish and manage the college savings accounts. Under the provisions of the FERPA and its implementing regulations, each of the LEAs in the application or schools therein must have provided public notice that the district or school has designated as “directory information” under FERPA the student’s name, grade level, address, and date of birth. In addition, in accordance with FERPA, if any parents or guardians of a student has opted out of the disclosure of this student directory information, the school or LEA will not provide “directory information” on that student to the savings account administrator or the savings account trustee, and savings accounts with GEAR UP seed money will not be opened in his or her name, unless the parent or guardian of that student provides consent under 34 CFR 99.30.

*Types of Priorities:* When inviting applications for a competition using one or more priorities, we designate the type of each priority as absolute, competitive preference, or invitational through a notice in the **Federal Register**. The effect of each type of priority follows:

*Absolute priority:* Under an absolute priority, we consider only applications that meet the priority (34 CFR 75.105(c)(3)).

*Competitive preference priority:* Under a competitive preference priority, we give competitive preference to an application by (1) awarding additional points, depending on the extent to which the application meets the priority (34 CFR 75.105(c)(2)(i)); or (2) selecting an application that meets the priority over an application of comparable merit that does not meet the priority (34 CFR 75.105(c)(2)(ii)).

*Invitational priority:* Under an invitational priority, we are particularly interested in applications that meet the priority. However, we do not give an application that meets the priority a preference over other applications (34 CFR 75.105(c)(1)).

This notice of final priorities does not preclude us from proposing additional priorities, requirements, definitions, or selection criteria, subject to meeting applicable rulemaking requirements.

**Note:** This notice of final priorities does not solicit applications. In any year in which we choose to implement this priority, we invite applications through a notice in the **Federal Register**.

### Executive Orders 12866 and 13563

#### *Regulatory Impact Analysis*

Under Executive Order 12866, the Secretary must determine whether this regulatory action is “significant” and, therefore, subject to the requirements of the Executive order and subject to review by the Office of Management and Budget (OMB). Section 3(f) of Executive Order 12866 defines a “significant regulatory action” as an action likely to result in a rule that may—

(1) Have an annual effect on the economy of \$100 million or more, or adversely affect a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local or tribal governments or communities in a material way (also referred to as an “economically significant” rule);

(2) Create serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(3) Materially alter the budgetary impacts of entitlement grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(4) Raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles stated in the Executive order.

This final regulatory action is not a significant regulatory action subject to review by OMB under section 3(f) of Executive Order 12866.

We have also reviewed this final regulatory action under Executive Order 13563, which supplements and explicitly reaffirms the principles, structures, and definitions governing regulatory review established in Executive Order 12866. To the extent permitted by law, Executive Order 13563 requires that an agency—

(1) Propose or adopt regulations only upon a reasoned determination that their benefits justify their costs (recognizing that some benefits and costs are difficult to quantify);

(2) Tailor its regulations to impose the least burden on society, consistent with obtaining regulatory objectives and taking into account—among other things and to the extent practicable—the costs of cumulative regulations;

(3) In choosing among alternative regulatory approaches, select those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity);

(4) To the extent feasible, specify performance objectives, rather than the behavior or manner of compliance a regulated entity must adopt; and

(5) Identify and assess available alternatives to direct regulation, including economic incentives—such as user fees or marketable permits—to encourage the desired behavior, or provide information that enables the public to make choices.

Executive Order 13563 also requires an agency “to use the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible.” The Office of Information and Regulatory Affairs of OMB has emphasized that these techniques may include “identifying changing future compliance costs that might result from technological innovation or anticipated behavioral changes.”

We are issuing these final priorities only on a reasoned determination that their benefits justify their costs. In choosing among alternative regulatory approaches, we selected those approaches that maximize net benefits. Based on the analysis that follows, the Department believes that this regulatory action is consistent with the principles in Executive Order 13563.

We also have determined that this regulatory action does not unduly interfere with State, local, and tribal governments in the exercise of their governmental functions.

In accordance with both Executive orders, the Department has assessed the potential costs and benefits, both quantitative and qualitative, of this regulatory action. The potential costs are those resulting from statutory requirements and those we have determined as necessary for administering the Department’s programs and activities.

*Intergovernmental Review:* This program is subject to Executive Order 12372 and the regulations in 34 CFR part 79. One of the objectives of the Executive order is to foster an intergovernmental partnership and a strengthened federalism. The Executive order relies on processes developed by State and local governments for coordination and review of proposed Federal financial assistance.

This document provides early notification of our specific plans and actions for this program.

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Dated: January 16, 2013.

**David A. Bergeron,**

*Acting Assistant Secretary for Postsecondary Education.*

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