

New York City Office of the Mayor

Notice of Public Hearing and Opportunity to Comment on Proposed Rules

What are we proposing? The Office of the Mayor of New York City (“Mayor’s Office”) is proposing rules that would establish a child savings account program to create NYC Scholarship Accounts for students who are enrolled in participating NYC public schools and charter schools across the City. The program is intended to support eligible students in building financial assets for higher education.

When and where is the hearing? The Mayor’s Office will hold a public hearing on the below proposed rule. The public hearing will take place at 11 AM on March 21, 2022. The public hearing will be accessible by phone and videoconference.

- To participate in the public hearing via phone, please dial:
 - (646) 992-2010 **OR** (408) 418-9388 if you are outside of New York City
 - Enter access code: 2339 778 3676
- To participate in the public hearing via videoconference, please follow the online link:
 - <https://nycmayor.webex.com/nycmayor/j.php?MTID=m3f2be8dc947ad0be3d08a4a60a8ca1c1>
 - Enter the password (if prompted): g3sY379uMjS

How do I comment on the proposed rules? Anyone can comment on the proposed rules by:

- **Website.** You can submit comments to the Mayor’s Office through the NYC rules website at <http://rules.cityofnewyork.us>.
- **Email.** You can email comments to the Mayor’s Office at TRIE@cityhall.nyc.gov.
- **By speaking at the hearing.** Anyone who wants to comment on the proposed rule at the public hearing must sign up to speak. You can sign up before the hearing by calling (212) 748-0263. You can also sign up on the phone or videoconference before the hearing begins at 11 AM on March 21, 2022. You can speak for up to three minutes.

Is there a deadline to submit comments? Yes. You must submit any comments to the proposed rule on or before March 21, 2022.

What if I need assistance to participate in the hearing? You must tell the Mayor’s Office if you need a reasonable accommodation of a disability at the hearing. You must tell us if you need a sign language interpreter. You may tell us by telephone at (212) 748-0263 or by email at TRIE@cityhall.nyc.gov. Advance notice is needed to allow sufficient time to arrange the accommodation. Please let us know by **March 14, 2022**.

Can I review the comments made on the proposed rules? You can review the comments made online on the proposed rules by going to the NYC rules website at <http://rules.cityofnewyork.us/>.

A few days after the hearing, all comments received by the Mayor's Office on the proposed rule will be made available upon request by emailing TRIE@cityhall.nyc.gov.

What authorizes the Mayor's Office to make this rule? Section 1043 of the New York City Charter authorize the Mayor's Office to make these proposed rules. This proposed rule was not included in the regulatory agenda of the Mayor's Office for this Fiscal Year because it was not contemplated when the Mayor's Office published the agenda.

Where can I find the rules of the Mayor's Office? The rules of the Mayor's Office are in Title 43 of the Rules of the City of New York.

What laws govern the rulemaking process? The Mayor's Office must meet the requirements of Section 1043 of the City Charter when creating or changing rules. This notice is made according to the requirements of Section 1043 of the City Charter.

Statement of Basis and Purpose of Proposed Rule

The Office of the Mayor of New York City ("Mayor's Office") is proposing new rules that would establish a child savings account program to offer children's savings accounts ("NYC Scholarship Accounts") primarily to eligible kindergarteners across the City for the 2021-22 school year, and to an expanded number of students in later school years. During the 2017-18 school year, a not-for-profit entity began operating a child savings account pilot program that served public schools in one geographic school district in the City. These rules will significantly expand upon that pilot program.

The Mayor's Office believes, based on current research, that creating even a small college savings account can have a substantial effect on the likelihood that a child will ultimately enroll in college. The Mayor's Office seeks to empower children to graduate from high school with a financial asset to be used towards post-secondary education, develop and encourage positive financial behaviors and life-long habits of saving, and make existing college and career savings tools more accessible to low- and moderate-income New York City residents. Therefore, the Mayor's Office is proposing rules that will create NYC Scholarship Accounts through a not-for-profit entity for the majority of kindergarteners across the City for the 2021-22 school year, and for an expanded number of students in subsequent school years.

Specifically, the proposed rules describe:

- Which students will be eligible for the program and how they will be enrolled;
- The financial benefits and incentives available as part of the program; and
- Additional information about how the NYC Scholarship Account funds may be accessed and used.

Section 1043 of the New York City Charter authorizes the Mayor's Office to make these proposed rules.

New material is underlined.

[Deleted material is in brackets.]

“Shall” and “must” denote mandatory requirements and may be used interchangeably in the rules of this department, unless otherwise specified or unless the context clearly indicates otherwise.

Proposed Rule Amendments

Section 1. Title 43 of the Rules of the City of New York is amended by adding a new Chapter 19 to read as follows:

Chapter 19: NYC Scholarship Accounts

§ 19-01 Purpose.

The City will contract with a not-for-profit entity to establish NYC Scholarship Accounts for eligible students in New York City in order to empower them to graduate from high school with a financial asset to be used towards post-secondary education, develop and encourage positive financial behaviors and life-long habits of saving, and make existing college savings tools more accessible to low- and moderate-income New York City residents.

§ 19-02 Definitions.

Department. The term “Department” means the New York City Department of Education.

NYC Scholarship Account. The term “NYC Scholarship Account” means an account that includes an allocation from a New York State 529 College Savings Program Direct Plan omnibus account provided pursuant to this chapter to an eligible student for Qualified Higher Education Expenses for the benefit of such eligible student.

Participating City School. The term “Participating City School” means any school managed by the Department that has at least one grade of students that are eligible for the Program, and any charter school within New York City that: (i) has at least one grade of students that are eligible for the Program, and (ii) has opted into the Program.

Pilot School. The term “Pilot School” means a school that participated in the Pilot Program in at least one of the school years that ended in 2018, 2019, 2020 and 2021. A Pilot School is also a Participating City School.

Pilot Program. The term “Pilot Program” means the pilot program that operated during the 2017-18 through 2020-21 school years to provide NYC Scholarship Accounts to qualifying students in one geographic school district pursuant to the 2017 program agreement among the City of New York, the Department, and the not-for-profit corporation NYC Kids RISE, Inc.

Program. The term “Program” means the NYC Scholarship Account program described in this chapter.

Qualified Higher Education Expenses. The term “Qualified Higher Education Expenses” means eligible post-secondary education costs for purposes of scholarships or 529 savings accounts as determined by the Internal Revenue Service, or as set forth in the Internal Revenue Code or Internal Revenue Bulletin.

§ 19-03 Eligibility and Enrollment.

a. Eligibility.

1. Kindergarteners in Pilot Schools became eligible for the Pilot Program in 2017, and are now eligible to be enrolled in the Program for as long as the Program continues. Students who previously enrolled in the Pilot Program will be automatically included in the Program unless a previously enrolled student’s parent or guardian chooses to withdraw such student from the Program at any time.

2. Students in the following grades and school type are eligible to be enrolled in the Program in the 2021-22 school year, and all later school years for as long as the Program continues:

(a) Kindergarteners who are enrolled in a Participating City School.

(b) First, second, third, or fourth graders who are enrolled in a Pilot School.

3. Students described below will first become eligible to be enrolled in the Program in the following school years, and will remain eligible for as long as the Program continues:

(a) Starting in the 2022-23 school year, first graders in a Participating City School and fifth graders in a Pilot School.

(b) Starting in the 2023-24 school year, second graders in a Participating City School.

(c) Starting in the 2024-25 school year, third graders in a Participating City School.

(d) Starting in the 2025-26 school year, fourth graders in a Participating City School.

(e) Starting in the 2026-27 school year, fifth graders in a Participating City School.

From the 2026-27 school year onwards, each student at a Participating City School will be eligible to enroll in the Program from kindergarten until the last day of fifth grade. After a student’s last day of fifth grade, if such student is not enrolled in the Program, such student will no longer be eligible to be enrolled in the Program.

4. Charter schools within New York City that have at least one grade of eligible students pursuant to paragraphs 2 and 3 above shall have an annual opportunity to opt into the Program on behalf of their eligible students.

b. Enrollment.

1. The Participating City School will notify the student's parent or guardian about the Program and manage the process for opting out prior to the student's enrollment in the Program. Notification about the Program and the right to opt out may be achieved by providing it to the parent directly, or by posting the notification and opt out form in a public manner that affords the parent or guardian the opportunity to learn of the Program and choose not to participate in it, including but not limited to posting it to the Participating City School's website, the website of the Participating City School's school district, or on some other digital platform to which parents and guardians have been provided access.

2. The eligible student's parent or guardian will have at least 30 days from the date notification was made to decide whether they wish to opt their student out of the Program. If the student's parent or guardian does not opt out, the eligible student will be automatically enrolled in the Program.

3. If the eligible student's parent or guardian has opted out of the Program, the eligible student's parent or guardian may subsequently decide to enroll the student in the Program up until the student's last day of fifth grade. The Participating City School shall manage the process for subsequently enrolling the student into the Program.

§ 19-04 Program Benefits.

a. NYC Scholarship Accounts. The City will contract with a not-for-profit entity to create a NYC Scholarship Account for each student who is enrolled in the Program. The City will ensure that each NYC Scholarship Account is initially allocated \$100. All funds allocated to a student's NYC Scholarship Account will only be distributed for the benefit of that student, and only for Qualified Higher Education Expenses. A student with a Qualified Higher Education Expense may access the funds in their NYC Scholarship Account by submitting documentation to the not-for-profit entity described in Section 19-04(a), or any successor entity, reflecting an upcoming or recent Qualified Higher Education Expense incurred for the benefit of such student.

b. Incentives.

1. In addition to the initial \$100 allocation, the City will ensure an additional one-time incentive of \$25 will be allocated to the student's NYC Scholarship Account when any of the following steps are taken prior to the student's last day of fifth grade:

(a) The student's NYC Scholarship Account is activated online;

(b) A New York State 529 College Savings Program Direct Plan account, or any similar savings account that can be linked to a student's NYC Scholarship Account via a partnership with the not-for-profit entity described above in subdivision a, is linked to the student's NYC Scholarship Account; and

(c) At least \$5 is deposited into the account linked to the student's NYC Scholarship Account.

2. If all three steps above have been taken on behalf of an eligible student, the student will be eligible for a financial “matching” incentive beginning on the student’s first day of first grade, or immediately if such student is past their first day of first grade.

For each dollar deposited into the account linked to the student’s NYC Scholarship Account, the City will ensure that an additional dollar is allocated to the student’s NYC Scholarship Account, up to a maximum of \$100. This “\$100 match” incentive is available on a one-time basis until the student’s last day of fifth grade.

To be eligible for the “\$100 match,” the funds deposited into the account linked to the student’s NYC Scholarship Account must be deposited:

(a) After the initial \$5 deposit described above in paragraph 1;

(b) Between the student’s first day of first grade and the student’s last day of fifth grade; and

(c) While the student is enrolled in a school managed by the Department or a charter school within New York City.

3. The above incentives are only available to students with NYC Scholarship Accounts who are enrolled in a school managed by the Department or a charter school within New York City at the time that the applicable above step is taken.

c. Withdrawal from Program and Use of Funds.

1. If a student has been enrolled in the Program, a student’s parent or guardian may withdraw the student from the Program at any time and thereby forfeit any funds allocated to the student’s NYC Scholarship Account. Such student’s parent or guardian may re-enroll the student at any time up until the student’s last day of fifth grade. In the case of a re-enrollment, the City will ensure that the new NYC Scholarship Account is allocated \$100, but not any additional funds that were in the student’s previous NYC Scholarship Account. The Participating City School will manage the process for withdrawal from and re-enrollment in the Program.

2. If a student with a NYC Scholarship Account moves out of New York City, such student may remain enrolled in the Program and may still benefit from their NYC Scholarship Account, but will not be able to acquire any new incentives listed above in subdivision b.

3. Any funds allocated to a student’s NYC Scholarship Account that are not used for a Qualified Higher Education Expense within 20 years after such student has completed kindergarten will be utilized in the Program for other participating students and will no longer be available to such student.

§ 19-05 Appropriations. The total amount of funds allocated to NYC Scholarship Accounts authorized by this chapter is subject to the appropriation of funds for the Program.

**NEW YORK CITY MAYOR'S OFFICE OF OPERATIONS
253 BROADWAY, 10th FLOOR
NEW YORK, NY 10007
212-788-1400**

**CERTIFICATION / ANALYSIS
PURSUANT TO CHARTER SECTION 1043(d)**

RULE TITLE: Rules for Child Scholarship Accounts

REFERENCE NUMBER: MO-6

RULEMAKING AGENCY: Office of the Mayor

I certify that this office has analyzed the proposed rule referenced above as required by Section 1043(d) of the New York City Charter, and that the proposed rule referenced above:

- (i) Is understandable and written in plain language for the discrete regulated community or communities;
- (ii) Minimizes compliance costs for the discrete regulated community or communities consistent with achieving the stated purpose of the rule; and
- (iii) Does not provide a cure period because it does not establish a violation, modification of a violation, or modification of the penalties associated with a violation.

/s/ Francisco X. Navarro
Mayor's Office of Operations

February 15, 2022
Date

**DIVISION OF LEGAL COUNSEL
100 CHURCH STREET
NEW YORK, NY 10007
212-356-4028**

**CERTIFICATION PURSUANT TO
CHARTER §1043(d)**

RULE TITLE: Rules for Child Scholarship Accounts

REFERENCE NUMBER: 2022 RG 007

RULEMAKING AGENCY: Office of the Mayor of New York City

I certify that this office has reviewed the above-referenced proposed rule as required by section 1043(d) of the New York City Charter, and that the above-referenced proposed rule:

- (i) is drafted so as to accomplish the purpose of the authorizing provisions of law;
- (ii) is not in conflict with other applicable rules;
- (iii) to the extent practicable and appropriate, is narrowly drawn to achieve its stated purpose; and
- (iv) to the extent practicable and appropriate, contains a statement of basis and purpose that provides a clear explanation of the rule and the requirements imposed by the rule.

/s/ STEVEN L. GOULDEN
Acting Corporation Counsel

Date: February 15, 2022