

San Francisco Office of Financial Empowerment Kindergarten to College Program Proposal to the Charles Stewart Mott Foundation

Executive Summary

San Francisco's Kindergarten to College (K2C) program is the first universal and automatic children's college savings program in the country. The idea behind Kindergarten to College is relatively simple: to help families save earlier and to save more for post-secondary education by removing barriers and providing incentives to spur savings. City leaders were motivated by research findings from the University of Kansas that found that students with college savings – even of less than \$500 - are three times more likely to enroll in college and four times more likely to graduate than those without.

Perhaps K2C's most important achievement to date is overcoming significant structural and legal issues to effect a large-scale and seamless integration of an effective asset building strategy into a public school system. Through our "opt-out" approach, K2C has opened 18,000 accounts in the past four years and families have saved \$1,100,000 of their own money towards their child's college education. One in eight account holders have contributed directly to their account and exactly half of K2C savers earn less than 50% of area median income. Our results stand in stark contrast to national participation in 529 accounts: only 3% of American families save in a 529 and those that do have an average income above \$140,000.

Early results from K2C are promising but to make a strong national case for child savings, we need to strengthen our local efforts and improve our results even further. We believe K2C has the ability to reach significantly more families. To this end, we have set a goal of engaging 25% of all public school elementary students in active savings by 2017.

Our current rate of savings is 13.5%. However, 10% of our schools have achieved participation rates above 20%, so we know our goals are ambitious but within reach. During the next two years the K2C program will transition our primary focus from operations to expanded outreach strategies and family engagement activities. This proposal requests support for a significant expansion of our investment in family engagement and outreach. We have identified four core strategies we believe will drive K2C to our 25% savings participation goal:

- *Redesigning the K2C marketing messaging, channels and materials.*
- *Developing and embedding innovative technologies within the K2C outreach program.*
- *Launching an "Ambassador Program" to engage community organizations and parent volunteers in K2C .*
- *Increasing direct engagement and support of K2C principals and teachers through school based materials and activities.*

We respectfully submit a two-year proposal to the Charles Stewart Mott Foundation for \$300,000. An investment of this significance will determine the most effective ways to engage families in college savings programs, spurring both savings behavior and the educational advantages that savings appears to bring to our students. Success in San Francisco will mean success for the field of child savings and the creation of a better road map for the many other cities and communities now seeking to follow in our footsteps.

History, Background, & Context.

Spearheaded by the San Francisco Office of Financial Empowerment (SF OFE) in partnership with the Mayor's Office and the San Francisco Unified School District (SFUSD), K2C began as a two-year pilot program in 2011. Today, every child entering kindergarten in the city's public schools automatically receives a college savings account containing \$50. Children in the National Student Lunch Program receive an additional \$50 deposit. K2C encourages families to save by providing a \$100 match for the first \$100 of savings and a \$100 bonus for six months of consistent savings.

The idea of establishing a universal system of children's accounts at birth was first proposed by Professor Michael Sherraden in his seminal book, "*Assets and the Poor*". He argued that these accounts could provide a foundation for lifelong asset accumulation, facilitate the delivery of basic financial education during the school years and jump-start the savings habit. Over the last twenty years there have been several pilot programs and research studies launched to test the impact of child savings.

K2C is largely based on a research demonstration led by the Corporation for Enterprise Development (CFED) between 2003 and 2008 called SEED: Saving for Education, Entrepreneurship and Downpayment (SEED). The resulting research suggested that low-income families can and will save; that universal, automatic access to accounts is critical to success; and that CSAs promote positive behavioral and attitudinal changes in children. Based on recommendations from SEED and other research, the City and County of San Francisco determined to launch the first CSA program to incorporate all five programmatic recommendations that emerged from years of prior research:

Automatic: Kindergarten students are automatically enrolled in the program unless parents specifically request in writing to opt out of the accounts. Currently, less than 1% of families choose to opt out. Creating a system to automatically enroll students with only four pieces of information – name, address, date of birth and student identification number– is a first in the nation innovation that holds the potential to see matched-college savings accounts reach scale.

Universal: K2C accounts are available to every child regardless of income or immigration status. The only requirement is to be a kindergartner enrolling in the SFUSD. The universal program design provides equal access and reduces financial exclusion for every child.

Publicly funded: K2C is the first CSA program to launch with tax-payer dollars supporting initial seed deposits and program administration.

Savings matches and incentives: K2C matches the first \$100 of family savings and provides a \$100 bonus for six months of consistent savings.

Multiple Deposit Options: K2C offers families four ways to make deposits – online, direct deposit, by mail, or in person. Traditional college savings accounts, such as 529s, only allow for online or mail deposits and do not accept cash, creating a significant barrier to saving for unbanked families or those lacking access to the Internet.

By focusing on resolving structural issues to facilitate an automatic model, K2C has taken learnings from behavioral economics – creating an opt-out instead of an opt-in – to default thousands of students into college savings. The creation of an account structure that can enroll thousands of five year old children into their very own savings account without the need for a parent signature or a social security number is a “first in the nation” innovation with many advantages:

- By leveraging a public school system to deliver the accounts, K2C is able to directly reach a diverse constituency of mostly low-income families. K2C continues to utilize the connectivity and trust families have with educators to promote the importance of saving early and often for college.

- K2C's automatic and universal model has created a savings platform that can be used for a wide range of programmatic interventions to both increase savings rates and advance educational outcomes. Because every child is enrolled, the opportunity to teach financial education linked to a real life account now exists. Every child begins life included in the financial mainstream, with a financial asset.
- K2C has paved the way for other municipalities and communities to launch similar initiatives across the United States. Much work remains to create the infrastructure necessary to support CSAs, but K2C has demonstrated that automatic child savings programs are both possible and a effective.

Target Population

K2C enrolls every student attending San Francisco Unified School District's public schools. A total of over 18,000 students currently have K2C accounts. This includes 25% of 4th graders, 50% of 3rd graders (from two pilot years) and 100% of second grade, first grade and kindergarten students in 74 elementary schools.

Approximately 4,500 additional kindergarten students are enrolled each year.

The K2C program is universal so every child, regardless of income or any other factor is enrolled in the program unless they actively choose to opt out (less than 1% of families opt out of K2C). San Francisco public schools serve a primarily low to moderate income population (an estimated 27% of presumably higher-income San Francisco children attend private or parochial schools). Currently 61% of SFUSD students are enrolled in the National School Lunch program. The income threshold to qualify for free lunch is \$31,005 for a family of four and the income threshold for reduced-priced lunch is \$44,123 for a family of four. The current median income for a family of four in San Francisco is \$97,000 and the cost of living is the highest in the United States.

San Francisco schools are incredibly diverse - the majority of our public school children come from minority families - 38% of San Francisco public school students are Asian, 26% Hispanic/Latino, 13% White and 8% African-American. In addition, more than one-third of students are English Language Learners.

Results to Date

Kindergarten to college uses a variety of measures to determine the success and efficacy of the program. Since accounts first opened in April 2011:

- Over 13.5% of families have contributed their own savings to their K2C account. This participation rate is more than four times higher than the national participation rate for 529 college savings accounts (3%). At some schools, savings rates exceed 20%.
- \$1,100,000 in savings has been deposited by families as of March 2015 and the combined total of funds saved for college (seed deposits, match deposits and family savings) is over \$2.4 million.
- For accounts opened more than one year, participating families have averaged 10.22 deposits, with 43% of participating families saving consecutively for at least six months.
- K2C is working remarkably well for lower-income students - 50% of families saving in the K2C program are enrolled in the National School Lunch program and earn less than half of the area median income.
- NSL students have made an average of nine deposits and have \$532 in average savings.
- K2C families are also responding positively to core program features:
 - 80% of active families have received the \$100 savings match
 - 43% of active families have saved for six months and received a \$100 bonus
 - 34% of families save electronically, while 51% make deposits at a physical location (62% for low-income families).

Goals, Objectives & Activities

In December 2012, K2C and the Mott Foundation invited experts from across the United States to a K2C Symposium. Our goal was to seek the advice of the country's leading experts in the asset building field to help refine our model and position K2C for success. The group reached consensus on one key point:

Early success will be demonstrated by widespread family engagement with the K2C account. Our efforts must focus on getting every family to become a K2C saver. K2C has since set an ambitious goal to increase our savings participation rate from 13.5% to 25% of families making a contribution of any amount to their K2C accounts by 2017.

K2C recently worked with students from the Social Sector Solutions Project at the UC Berkeley Haas School of Business, supported by mentors at McKinsey & Company, to determine the current patterns in K2C savings rates, identify barriers to saving, and make recommendations on the most promising approaches to increase savings participation. Based on this market analysis, we have identified four promising family engagement strategies for 2015-17:

Redesigning the K2C marketing messaging, channels and materials. The data analysis indicates that a lack of clarity about how the program works prevents a significant number of parents from making the first deposit. Once families make an initial deposit, more than two-thirds become regular savers. Getting that first deposit is the key to reaching our goals. Many parents find the current K2C materials and messages to be confusing, complicated and culturally unappealing.

To create a marketing campaign that maximizes impact and drives greater program participation, K2C plans to partner with the nationally recognized behavioral science team at Ideas42. Ideas42 would work with the K2C team to conduct a targeted review focused on improving current marketing and messaging content. Under this approach, Ideas42 would use its unique behavioral audit methodology and leverage its previous experience with college savings accounts to reduce behavioral bottlenecks in the current materials, and use behavioral principles to optimize the communications to improve account usage. These principles include basic concepts like streamlining materials and increasing salience of key points, as well as more complex behavioral concepts such as loss aversion, the power of simple plan-making, trust building, strategic anchoring, and social norms. This would include the use of graphic design resources to create high quality final designs to replace the current marketing materials. K2C would also create a plan for dissemination of these materials at appropriate times and through appropriate channels.

Developing and embedding innovative technologies within the K2C outreach program. The K2C data analysis found that making a first deposit within the first two months of account ownership led to a stronger pattern of consistent savings. However, research also indicates that "inertia" often prevents parents from taking the first step on the savings path. One of the most cost-effective ways to reach families is through the use of multimedia tools, such as email, social media, and instructional videos that then link directly to the account. K2C plans to refine and expand our use of these communication channels. In addition, many families – particularly those living in the City's poorest neighborhoods – lack access to Citibank locations to make cash deposits. K2C will partner with a service that provides the means for K2C to securely accept deposits remotely and allow us to turn a school into a bank branch.

Launching an "Ambassador Program" to engage community organizations and parent volunteers in K2C. Research indicates that parents who have attended an in-person presentation about K2C at their

school are more likely to contribute to their K2C account than those who have not. In fact, attendance at a K2C event is the strongest statistical indicator of an outreach activity shown to increase savings behavior. K2C needs to capitalize on the potential of peer-to-peer influence while simultaneously leveraging the wide reach of parent and community volunteers to provide in-person information about the program. Through this approach, K2C would identify parent volunteers at each of the 74 elementary schools, and provide training, resources and incentives to these parents to host K2C events and educate other parents about the program. This approach builds on a current initiative that provides small grants to community organizations to provide outreach services on our behalf, resulting in an increased savings rate of between 2% and 10% at some of our lowest income schools.

Increasing direct engagement and support of K2C principals and teachers through school based materials and activities. A critical component of the K2C theory of change is that students know they have a K2C account. The most direct way to influence this factor is through school based activities and teacher support. Based on teacher feedback we have identified several key school support strategies:

- The creation of K2C school kits and materials. These kits will be provided to each school and include promotional materials, teaching materials for financial education components, and other activities.
- Inter-school or inter-class competitions. SFUSD has agreed to allow K2C to provide funding or prizes (like school supplies, “big” books, pizza parties etc) directly to schools to encourage classrooms and schools to meet key K2C benchmarks.

Conclusion.

Over the next two-years San Francisco seeks to make a significant investment in the Kindergarten to College program. We strongly believe an infusion of funding into discovering the most effective strategies for family engagement is the best use of philanthropic dollars and the most important investment we can make at this time, both as a program and as a field. Simultaneously, we are investing in research and evaluation. We are currently participating in two research projects. The first is an analysis of marketing and outreach led by the Social Sector Solutions project at UC Berkeley. The second is an evaluation of the K2C program and the impact on third grade reading and math skills that will be conducted by Dr. William Elliot and his team at the University of Kansas “Assets and Education Initiative”. Both of these projects will inform our outreach and marketing strategies over the next two-years.

In their 2013 “Innovation and the City” report, the Center for an Urban Future listed K2C as one of the ten most innovative municipal initiatives in the United States and described the program as a “proven and scalable reform”. Secretary of Education Arne Duncan visited San Francisco specifically to learn about K2C, calling the program “one of the more unique, innovative, creative ideas.” The SF OFE has provided input to the US Departments of Education and Treasury on child savings, and assists national organizations like CFED, the Aspen Institute and the New America Foundation in the pursuit of child savings policy on the national level, using the experiences and outcomes of K2C as a concrete example of the promise of child savings accounts.

K2C is an important marker in the pursuit of universal children’s savings accounts in the United States. The model holds great promise for successfully linking asset building strategies to educational achievement and laying the groundwork for CSA policy in the United States. As K2C continues to gain national attention, interest in replicating the San Francisco model is strong and requests for technical assistance are rapidly increasing. However, if San Francisco’s K2C program is indeed to be a model for the country and a test case for a national CSA program it will mean a continued investment of intellectual capital, political will and financial resources to ensure the strongest possible example of a local program is achieved.