

Design Recommendations for Youth Savings Accounts in Madison

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Contents

Section 1: Program Goals and Features	3
Section 2: Ownership and Custodianship of Accounts	6
Section 3: Program Implementation	9
Section 4: Financial Capability and Engagement Activities	11
Section 5: Roles and Responsibilities of the Current and Future Key Partners	13
Section 6: Budget and Staffing Needs	15
Section 7: Data Sharing and Governance	18
Section 8: Measuring Program Success	18
Conclusion	19
Annex A: Racial Equity and Social Justice Assessment	20
Annex B: Comparison of Savings Accounts vs 529 Plans	26
Annex C: Advisory Committee Members for MYSA Consultancy	29
Annex D: List of Consulted Stakeholders and Leaders	30
Annex E: Process and Results of Focus Groups and Interviews	31
Annex F: MYSA Program Manager Pros and Cons	37
Annex G: Resource Guide	40

Design Recommendations for Youth Savings Accounts in Madison

Section 1: Program Goals and Features

Background

The City of Madison, in partnership with Madison Metropolitan School District (MMSD) and the Foundation for Madison's Public Schools (FMPS) - seeks to launch the Madison Youth Savings Accounts (MYSA) program. Youth Savings Accounts (YSA), also known as Children's Savings Accounts, are long-term savings or investment accounts that a community opens to help students—especially those from low-income households—save, plan and pay for education costs after high school (e.g. college or technical school). The Common Council of Madison allocated funding under which Dave Grace & Associates (DGA) was selected to conduct research, test ideas with focus groups and make recommendations on how to design and launch a youth savings program in Madison.

Research shows that even small savings for education can have a big impact on the lives of students as it can help create a college-bound identity for children.¹ Additionally, there is a strong link between children's expectations for school and the level of school they achieve.²

“Students from low-income families who have \$500 or less saved for college are **three times more likely to attend college** and four times more likely to graduate than those whose families do not have college savings.”

In the last 10 years, many states, cities and nonprofit organizations have started youth savings account programs. Ranging from small programs serving children at one school to statewide initiatives, most of these programs focus on helping children access post-secondary education by building both their savings and their educational aspirations, particularly for students from low- and moderate-income families. Youth savings accounts hold so much promise that at the end of 2016 there were 42 YSA programs serving 313,000 children in 30 U.S. states. However, this area is still relatively young as the oldest programs started in 2009-2011 and no programs have had to make payouts to students yet.

Why Madison Needs a Youth Savings Account Program

In Madison there are 27,000 students enrolled in MMSD grades kindergarten to 12. Saving for post-secondary education is most difficult for families that do not have a strong foundation of financial security. Approximately half of all MMSD students are receiving free or reduced priced meals due to their family's low income. As described in Annex E of this report, focus groups and interviews were conducted by Dave Grace & Associates in June and July 2018 with low-income parents, high-school students and teachers in MMSD. Results indicated that 58% of the families do not currently have any savings for future education expenses.³ In addition, we found that 33% of the students and 25% of parents

¹ Assets and Education Initiative, [Building Expectations, Delivering Results, Asset Based Financial Aid and the Future of higher Education](#), 2013.

² William Elliott and Kelly Harrington, [Identifying Short Term Outcome Metrics for Evaluating Whether Children's Savings Accounts Programs Are on Track](#) (Boston, MA: The Federal Reserve Bank of Boston, 2016).

³ While sample sizes for the interviews and focus groups (31 people total) are not statistically significant, these figures are similar to national and state averages.

we interviewed do not currently have an account at a financial institution. And only 83% of [MMSD high school seniors](#) plan on enrolling in post-secondary education (51% in a 4-yr college, 31% in 2-yr college).

Wisconsin's Edvest 529 College Savings Program estimates that 26% of households with children in the Madison area (inclusive of Monona and Fitchburg) have 529 college savings accounts at Edvest which compares favorably with a state average of 10% of families having Edvest accounts. The average amount saved in Edvest accounts by Madison area residents is \$20,500. The economic and societal benefits of higher education are well established⁴ yet we are in the midst of a student debt crisis and gaps persist among low-income and students of color in MMSD and others regarding their post-secondary educational plans.

Together, these findings indicate that many MMSD families are not financially secure and their post-secondary educational plans, if any, may currently be out of reach financially. A youth savings account program in Madison can send children the message that they have the potential for academic success regardless of where they come from or their family's finances.

Program Goals

To help narrow these gaps we recommend that the City of Madison establish a Youth Savings Accounts program with the following three goals:

1. **Primary goal:** Foster a college-bound identity for children (i.e., children view themselves as someone who will attend college).
2. **Secondary goal:** Build savings for post-high school education.
3. **Secondary goal:** Connect un/under-banked Madison families with healthy and safe financial services.

These goals were discussed with the key partners (City of Madison, MMSD, FMPS, Summit Credit Union), tested in parent and student focus groups/interviews and through an expert Advisory Committee.⁵ The primary goal of fostering a college-bound identity aligns well with the MMSD vision of "Every school will be a thriving school that prepares every student to graduate ready for college, career and community". Having a crystal-clear strategic direction for MYSA is the starting point for designing the program and determining its measures of success.

Program Features

The following MYSA program features are designed to advance the program's goals:

- **Who benefits?** All MMSD students enrolled in Kindergarten and in 6th grade will be eligible for automatic enrollment in MYSA program. These age groups were selected for affordability of the program and to align with key milestones in educational careers. To be eligible, a student must be enrolled in a MMSD public school or a public charter school that is an instrumentality of the MMSD. In addition, the program will be offered to all children who reside in Madison but are districted to attend school districts other than MMSD based on district catchment areas that do not follow municipal boundaries. There were approximately 1,800 students in 5-year-old kindergarten in the 2017-18 school year and another 1,800 in 6th grade. Starting the program at

⁴ The Hamilton Project, *Eight Economic Facts on Higher Education*, The Brookings Institution. April 2017.

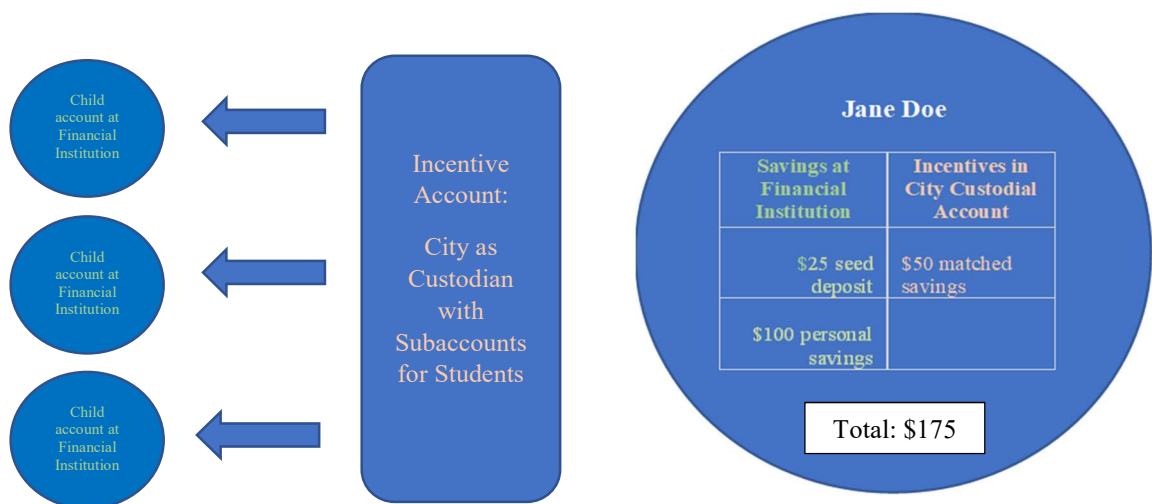
⁵ Advisory Committee members to DGA for this consultancy are acknowledged and include: Lucia Nunez, VP of Diversity, Inclusion and Community Engagement, Madison College; Paul Terranova, Executive Director, Lussier Community Education Center; David Krutchen, Chair of Business and Marketing Department; Richard Entenmann, Executive Director, Asset Builders of America; Muhamed Sanneh, Student Advisory Member, East High School; George Hofheimer, Chief Knowledge Officer, Filene Research Institute.

both 5K and 6th grade level will provide the following benefits: a) Enrolling children at an early age helps maximize the amount of time families have to save and develop a college-bound mentality; b) Enrolling the 6th graders coincides with a life stage when school programming and students start focusing on the future, and schools increase financial literacy concepts. In addition, starting with a cohort of 6th graders will enable faster results to measure the program’s success than waiting 13 years for kindergarten students to graduate high school.

- ***What will be offered?*** Every student will receive an initial deposit of \$25 (or \$50 for children approved for free/reduced price meals) into their MYSA financial institution account. Providing the same initial deposit to all Madison children will ensure a base level of equality for all accounts, can make the program more politically feasible since all families, regardless of income, become participants and teachers can reference the program and seed deposit knowing that all kids (unless they opted out which few have in other cities) have an account. The program plans to raise funds from community partners in order to offer larger incentives for savings match contributions.
- ***How can MYSA savings be used?*** MYSA savings accounts will be held in a financial institution deposit-only account owned by the student, with his/her parent/guardian as a custodian so they have the ability to view balances and make deposits. Funds in the student’s financial institution account can only be withdrawn after age 18 and then be used as the student wishes since its their savings. If there is a financial hardship in the family (e.g., eviction notice, death of student or immediate family member) or the student has moved out of the district for two consecutive years the program manager (the City) can approve a hardship withdrawal for funds at the financial institution.

Students will also each have an “incentive account” as part of a pooled account held and managed by the City. Funds in the incentive account will only be paid out to a student for education expenses after age 18 at any college, vocational school, or accredited program for career training. If a student does not attend post-high school education, by age 28 then all the incentive funds “earned” will remain in the pooled incentive account to help other students. See Figure 1 below for a graphical depiction of the accounts.

Figure 1: Overview of Account Structure



- ***Can families contribute their own savings?***
Families are encouraged to make deposits into their child's savings account opened at the financial institution. Parents can sign-up for payroll deductions as well as involve grandparents, aunts, uncles and friends to help their child grow his/her college savings. MYSA will also involve parents, students and teachers through financial capability programing and matched-savings incentives. Contingent upon planned fundraising, savings will be matched 50% up to \$100 saved in a year. Matched of 100% up to \$100 will be available for students benefitting from free and reduced meals.
- ***When will the program start?*** The program should begin in the 2019/2020 or 2020/2021 school year for registered kindergarten and 6th grade students and phase in over the subsequent 7 years until all students in MMSD have a Youth Savings Account.

Section 2: Ownership and Custodianship of Accounts

When starting kindergarten and 6th grade MMSD students will automatically receive a MYSA account opened for them at a selected financial institution unless their parent/guardian opts out of this option during the on-line enrollment. The accounts will be held by the child with their parent/guardian as the custodian. MMSD will share new student information with the selected financial institution within two months of the start of the school year. The accounts will be for deposit-only until age 18 at which time the child can withdraw funds from his or her account or keep saving. Anyone is able to contribute to the account, and participants are encouraged to share their account number in order to receive deposits from family or community members.

The process for enrollment will be:

1. Before August 1, 2019 when MMSD school registration starts, MMSD's on-line student enrollment information in the "Disclosures and Permissions" section should be updated for kindergarten and 6th graders to allow their enrollment in the MYSA program. Here is the suggested language to use:

"Madison Youth Savings Account. MMSD has partnered with the City of Madison and <insert name of financial institution> to help children save for educational expenses after they graduate high school. I give permission to MMSD to share my child's information with <insert name of financial institution> in order to establish a free Madison Youth Savings Account and receive a free \$25 deposit (and an additional \$25 if my child is eligible for free and reduced meals). Your child will also be eligible to have their savings matched for future education. See additional details on the program <include hyperlink>.

YES, I give permission to open a free Madison Youth Savings Account for my child
NO, I do not give permission."

2. By November 1, MMSD will be asked to send a file to the financial institution with a list of all enrolled Kindergarten and 6th grade students who did not opt out of the program. The file will contain the following information for each child: name, date of birth, address, student

identification number,⁶ email address, if they benefit from free/reduced price meals, and the name and email address for the child's parent/guardian.

3. The financial institution will open a new MYSA account for every student on the MMSD list, deposit the initial seed deposit with a combination of its own funding and (if necessary) funds from the City. The information about the individual MYSA account, account number, required Truth in Savings Disclosures, how to access the account on-line and other disclosures will be shared with the students and their parents/guardians. An account card with a pre-printed account number will be distributed to each student with their welcome packet.
4. The financial institution will share the student information with the program coordinator (the City).
5. Program coordinator will open an individual subaccount of the master incentive account for every MYSA participating student.

Initial deposit. **Every MYSA participant will receive an initial deposit of \$25 (or \$50 for children receiving free/reduced price meals) into their account.** The goal of the seed deposit is to help foster a college-bound identity by setting aside money earmarked for education after high school. The program plans to raise funds from individual donors, foundations, and corporate support in order to offer additional matched-savings incentives. Based on past enrollment numbers we anticipate a total of 3,600 students enrolled in MMSD in kindergarten and 6th grade (about 1,800 in each cohort) per year to added to the program until all students enrolled in an MMSD school have an account.

Saving deposits. **Students, their family and friends are able to make deposits in the MYSA account** for a student's benefit either in person (cash, check or money order) by visiting a branch, online (through online bill pay), direct deposit through their employer, or by mail (by sending a check). However, the policies around the accounts will not allow the students/parents to withdraw their savings until the student reaches age 18. An exception can be granted by the program manager (the City) who can approve a hardship withdrawal (e.g., death in family or pending eviction). Such policies limiting withdrawals will have to be determined and disclosed upfront.

Pooled incentives. **All funds raised from community partners for matched savings incentives will be held in a single investment account maintained by the City.** The City will serve as the custodian and holder of funds until distribution for post-secondary education. It is important that incentives are kept separately from the student-owned savings account until withdrawal is approved for a qualifying educational expense. Funds don't have to be held at the same financial institution as the participants' accounts. An individual "subaccount" for incentives will be established for every MYSA participating student to keep track of their incentive money "earned". Ideally the incentives earned will be able to be reflected in the quarterly statements issued by the financial institution to the student.

⁶ We do not believe that a social security number or tax identification number (TIN) will be needed for account holders but rather that the student ID number can be use in-lieu of this. The [Federal Financial Institution's Examination Council Customer Identification Program Manual](#) recommended by bank and credit union regulators, indicates on page 47 that the customer identification needed is the name, DOB, address and an identification number. Footnote 48 of the manual clarifies what is meant by identification number as a TIN, passport number, unexpired foreign ID. Footnote 48 further clarifies that a "TIN is defined by section 6109 of the Internal Revenue Code of 1986 (26 USC 6109) and the IRS regulations implementing that section (e.g., Social Security number (SSN), individual taxpayer identification number (ITIN), or employer identification number)."

The program plans to offer additional incentives each year in order to reward saving contributions. Saving incentives would be built with philanthropic funds and would match the first 50% of savings up to \$100 per student per year. Students who receive free and reduced priced meals will receive a 1 to 1 match for up to \$100 per student per year. Ideally, the matches will be calculated automatically and added by the system into the pooled incentive account managed by the City. For example, the student incentive account shows that the student received a \$25 initial deposit and an additional \$50 for saving \$100 the first year in the program, for a total of \$75.

The funds in the pooled incentive account will be received by the Foundation for Madison's Public Schools which is a 501(c) 3 and it could serve as the fiscal agent so that other non-profits, individuals and corporations can receive tax deductions for their donations. The City will be the owner of the funds and have the power to determine how the funds are invested. Because there will generally be 6-14 years between when funds are raised (i.e., for kindergarten students and 6th graders) and when they are paid out as incentives, the funds in the pooled account should be invested in the following manner: 50% low-cost stock index mutual funds and 50% in low-cost bond index mutual funds to earn reasonable returns while preserving the capital invested. Over time patterns will be developed on the potential payments to students and the investment goals and strategies can be reviewed.

Withdrawals. **When the student turns 18 years old they will have access to the money that they (or their family members) saved in their own account.** Incentive funds that the student has earned via matched savings or other incentives can only be redeemed to pay for educational expenses at any college, vocational school, or accredited program for career training. If a student does not attend post-high school education before the age of 28, then all the incentive funds that were "earned" are forfeited by the student and will remain in the pooled incentive account to help another MMSD student.

Impact of Program on Federal or Local Benefits. **The recommended design of the program and incentives will not adversely affect families' access to federal benefits.** Eligibility for free and reduced lunch, Badger Care and Supplemental Nutritional Assistance Program (SNAP) are all based on household income.⁷ Access to emergency housing assistance in Dane County does consider family assets if above \$2,500. However, the incentives "earned" via matched savings will not be considered assets of the family until the student reaches age 18 and at which time the funds received are used for education and will not increase the assets of the household. Any savings that the child accumulates in his/her account at the financial institutions could potentially be considered family assets, not income.

Account maintenance and monitoring. **Families are encouraged to add money to their child's savings account** via cash deposits, check or money order and online transfers. Families can sign up for payroll deductions as well as involve grandparents, aunts, uncles and friends to help their child grow his/her college savings. The financial institution will issue quarterly electronic statements to all children families. For the student saving accounts there will be no monthly maintenance fees, or ATM cards as the account is deposit-only. There will be no penalty charged for emergency withdrawals or for transferring funds for post-secondary education. There will be no maximum amount of the deposits, however, as required by law the financial institution will monitor and report any suspicious activity on the accounts to authorities.

Higher Value Accounts. **Students with over \$5,000 accumulated in their savings account will be encouraged to establish an account at Edvest Wisconsin's College Savings Plan to help them earn**

⁷ SNAP or Badger Care do consider family assets if the person applying is elderly, blind or disabled.

higher returns. Based on the results from YSA programs in other cities/states we don't anticipate there will be a large number of students who will have high balances and those who do will continue to be able to earn matched savings incentives.

Determine Program Rules. **The program coordinator will develop detailed program rules** and share them with the students and their families. The program rules should include topics such as eligibility for all students regardless of citizenship status, hardship withdraws, how to request incentive funds, closing an account, impact of incentive funds on federal and local benefits, etc.

Program Changes or Closure. **The program disclosures should make it very clear that the program or even anticipated “earned” incentives can change at any time** based on the ability of the program to raise funds and the solvency of the program. In addition, legal advice will be needed to help draft disclosures indicating that the City will have no financial obligation to fund any shortfalls in incentive funding and that the program can be cancelled at any time without liability to the City. If the program is cancelled students will have the right to access any monies that have been saved in their account at the financial institution at that time and they can use the money for any purpose.

Section 3: Program Implementation

The MYSA program will be managed by the City of Madison who will work closely with partners such as the financial institution, MMSD, FMPS, the schools, and community foundations to implement the program. To be able to launch the program in the 2019/2020 school year the program should hire a program manager and an assistant, issue an RFP to select a financial institution as the key partner, start fundraising, develop the policies and procedures, sign data sharing memorandums of understanding with the relevant parties, design or acquire a database to track the incentive accounts and develop communication materials/website. In addition, the program should develop an outreach plan on how to promote the program to families, teachers and community partners.

The following recommendations are key to the successful implementation of MYSA:

Recommendation #1: Establish an Office of Financial Empowerment to Manage the Program

The success of the MYSA program will largely depend on the ability of the program manager to effectively implement the program. To determine the most suitable program manager for MYSA we met with several entities in Madison and considered their mission alignment, organizational capacities, and sustainable funding. Annex F provides the results of a pros and cons comparison for organizations that could serve as a program manager in Madison. In St. Louis, Boston and San Francisco their youth savings programs are administered through the Offices of Financial Empowerment responsible for all aspects of the YSA program, including funding, coordination, outreach, account access and data management.⁸ This provides specialized staff that understand how to work with financial institutions, behavioral economics and community engagement.

Based on our interviews with the City of Madison staff and future MYSA partners we recommend that City of Madison should manage the MYSA program and serve as custodian of incentive funds as one of the cornerstone activities in a small and newly formed Office of Financial Empowerment (OFE). The

⁸ Growing student debt problems, the move from pensions to self-funded retirement and the low-level of assets for families of color compared to others are areas that a newly created Office of Financial Empowerment could work on.

OFE's overall mandate would be to strengthen the financial health and well-being for all Madison residents. As the MYSA program coordinator, the OFE would develop program policies and procedures, manage and safeguard savings incentives, serve as the account custodian for the incentive funds, select the financial institution, fundraise for the program, and measure and evaluate the program. OFE can be best positioned to play the role of MYSA program administrator because of the following key attributes:

1. The MYSA program fits with and helps further the OFE's core mission of helping low income families build economic security and mobility.
2. The City is a respected, trusted institution with an ability to engage partners and the experience to implement and manage a complex program.
3. The City's OFE would have to be independent in its capacity to manage the resources needed to support and sustain this program over the long term and is able to commit to supporting the program until participating children reach adulthood.

Recommendation #2: Utilize Savings Accounts at a Financial Institution to Engage Families

It is crucial that the features of the MYSA account meet the needs of participants and that the back-end structure meets the program administrator's management requirements. Based on our extensive research and interviews of financial institutions and Wisconsin's Edvest program we recommend that savings accounts are established at a local financial institution. The existing financial institution infrastructure within branches in high schools, Boys and Girls Club and the willingness of a financial institution to partner on this program is unique in comparison to other Youth Savings Programs in the country and should be leveraged.

MYSA primary goal of instilling in students a college-bound identity is easier to achieve with the help of a financial institution that has physical branches. For example, the City of St. Louis' College Kids Children's Savings Account Program organizes regular family savings nights – a chance for participating students and their families to come into the credit union and bring their deposits.

Anecdotal evidence from focus groups and discussions with teachers in MMSD shows that only about two-thirds of high school students have a bank account. Opening a MYSA account at a financial institution is not only a chance to bring the kids into financial mainstream, but also their families that may be un/underbanked, which is the secondary goal of this program. The program would engage families through a two-generation approach which can be a particularly effective way to move families out of poverty.

A savings account at a financial institution can offer the following features that are designed to accommodate all families including those who are low-income, un/underbanked or undocumented (for a detailed comparison between 529 plans and savings accounts see Annex B):

- The ability to open a large number of accounts for children by the financial institution which facilitates automatic enrollment in MYSA. Our research and [guidance from the financial regulatory community](#) on YSAs indicates that a financial institution can open a YSA for a student using their student ID as opposed to a social security number or individuals tax identification number.
- Multiple deposit options: in-person cash deposits, deposit by mail, direct deposit, transfers from other accounts, online payments, mobile technology, etc. These options make saving easier for families (especially those who are unbanked and have irregular income). It enables families to make small-dollar deposits.

- Branches conveniently located for the target population throughout the city including high school branches. Research shows that the ability to make in-person deposits is particularly important for low- and moderate-income communities. In San Francisco's Kindergarten to College program, more than 50% of deposits by participating families are made in-person at bank branches.
- The ability for families to track accounts and incentives. Tracking account growth and incentives through periodic statements or an online portal helps keep families engaged with the program. Ideally the financial institution would offer a way for MYSA participants to view their savings balance as well as their accumulated incentives (e.g., matched savings).
- No fees, no minimum balance and no minimum deposit requirements for families. These criteria are essential for encouraging low-income families who often can only deposit small irregular amounts at a time to save.
- Interest-bearing or investment growth potential. Providing participants with accounts that offer a return on investment helps families grow their savings for higher education.

Although Summit Credit Union has been involved in discussions on the MYSA program and may have strong offerings, we recommend the City conducts a competitive bidding process for the financial institution to partner with MYSA. The City would issue a request for proposals which will be a chance to learn about other offerings of potential financial institution partners. Whichever financial institution is selected, we would recommend a longer-term contract of five to seven years to at least ensure there is continuity in the start-up phase.

Recommendation #3: Launch MYSA During the 2019-20 School Year Enrollment

The City of Madison should allocate a program manager and a part-time program assistant to begin working with the partners, develop an RFP to select the financial institution. It should also work with MMSD to add MYSA to their enrollment process and develop procedures to run the program.

Recommendation #4: Secure \$1.3 Million for the first 3 Years of Operations

Raising funds from diverse sources to support the program, particularly to be able to offer matched savings incentives will decrease the cost to the City of Madison and will create a more sustainable funding model. The OFE will be undertaking fundraising activities for the MYSA program with the assistance from the Foundation for Madison's Public Schools which will serve as the fiscal agent to receive incentive funds for the program. We recommend that Madison's community foundations are engaged early on to help build a sense of ownership with the program.

Section 4: Financial Capability and Engagement Activities

Encouraging children and their families to participate in the MYSA program is crucial for reaching its primary goal of instilling a college-bound identity for children as well as growing account contributions. The program coordinator should work with schools and community resources such as Madison-area Out of School Time (MOST) to create opportunities to build student and family financial capability. MYSA program activities can be aligned with the MMSD financial capability program already in place for students. The 2017 Wisconsin Act 94 requires school districts to adopt academic standards for financial literacy and incorporate instruction into their curriculum. MYSA account sign up, saving deposits, checking balances, etc. are excellent opportunities to put into practice what students learn about personal finance in school. The focus for the first seven years will be opening accounts the kindergarten and 6th

grades until all MMSD students have accounts. Outreach will be required to have families understand the MYSA program including incentives.

Based on the experience from other youth savings programs nationally we recommend the following engagement strategies and incentives to encourage participation in the program:

Initial (seed) Deposit Incentives. Every student should receive an initial deposit incentive of \$25 (or \$50 for children approved for free/reduced price meals) into their MYSA account opened at a financial institution. This seed deposit ensures that all participants have at least some funding in their accounts, regardless of their families' ability to make contributions. It also encourages participants and their families to make additional deposits.

Matched Savings Incentives. During interviews with various youth savings programs it became clear that incentives can be built around nearly any desired behavior – from saving regularly to reading scores, school attendance, parent/teacher conference attendance, grade average, etc. We tested in focus groups with students, parents and teachers the idea of incentives around academic attendance and achievement and received a strong negative reaction. As such, we recommend that MYSA starts with matched savings incentives to encourage families to make deposits and build savings balances more quickly.

Saving incentives would be built with philanthropic funds and would match the first 50% of savings up to \$100 per student per year. Providing higher savings incentives to low- and moderate-income participants helps children whose families have limited financial resources build their account balances faster. We recommend a higher matched savings incentive for students who receive free and reduced priced meals of a 1 to 1 match up to \$100 per student per year. Incentives will be paid out to students upon graduation from high-school or obtaining a GED and providing evidence of acceptance into a college or qualifying professional training.

Child/family and School Engagement. Keeping the goal of building a college-bound identity in mind the MYSA program should invest significant resources in engaging children and their parents/guardians. The lessons learned from the YSA programs in Indiana and San Francisco is that engaging community is key to ensure the accounts are utilized and active. MYSA program will engage with school systems and will launch marketing and outreach campaigns to promote the program with community groups and businesses. If an individual school's Parent Teacher Group (PTG) or the school's endowment fund wants to increase savings matches for their students they should have the local flexibility to do so.

The school system will be the most important outreach partner for the MYSA program because of the college-bound identity goal. The program coordinator will promote the program through schools and community partnerships through the following outreach activities:

- Holding information sessions with school system administrators, principals, PTGs and teachers to explain the MYSA program and the ways students, teachers and administrators can be involved.
- Training volunteer MYSA ambassadors and equipping them with flyers, posters, newsletters, websites, etc. For example, San Francisco's K2C program successfully uses volunteers to help engage with families. Volunteers can be parents/guardians of participants, PTGs or community members who help spread awareness of the program and support events. The school ambassadors are school staff who serve as a point of contact for parents who need resources and support to access their K2C accounts. In Madison volunteers could be recruited from the broader community as well, especially

since South Central Wisconsin has one of the highest percentages of financial advisors per capita in the country.⁹

- Distributing information during kindergarten and 6th grade enrollment, orientation and back to school night. MYSA outreach staff and volunteers will attend enrollment events to tell families about the program and address any questions they have.
- Field trips to financial institution. The K2C program in San Francisco partners with schools to offer bank field trips for groups of up to 22 students and their parents at a local Citibank branch. On the field trip students learn about banks, receive a tour, and have the opportunity to make a deposit to their K2C college savings account.
- Promise Indiana has been particularly effective at exposing youth and families to college and career planning component of their YSA program. They do “Walk into My Future” campus visits at postsecondary educational institutions and “college going pledges,” photos of students with posters outlining their future careers, and/or guest speakers who come to classrooms to highlight their own careers and educational backgrounds. Other initiatives include classroom discussions about college, employer payroll deduction for families, and involving community champions to help kids fundraise for their college savings.

MYSA will launch marketing and outreach campaigns to increase the visibility of the program. This may include program branded merchandise (e.g. piggy banks, pens or t-shirts) distributed at community and school events, or rewards and prizes in the classrooms for a more immediate benefits to children and families.

MYSA program will develop opportunities to engage community groups and businesses to support the program including holding information sessions and provide financial support to students and their families. Financial institutions and other organizations may be interested in offering financial education to students and their parents. Local businesses can serve as “champions” for student savers, including funding matched savings, prized based savings raffles¹⁰ and other incentives for program participants. The program should work with schools to arrange visits to college campuses and universities for young savers to help foster a college-going attitude.

Section 5: Roles and Responsibilities of the Current and Future Key Partners

The following roles and responsibilities are proposed for the key partners in the MYSA program:

Students & Parents: Engage in program through saving in their MYSA account, improve financial capability and explore post-secondary educational options.

City of Madison: As a respected, independent, stable and willing partner, the City should serve as the MYSA program coordinator via a newly formed Office of Financial Empowerment (OFE). As the MYSA program coordinator, OFE would manage the overall implementation and operations of the program. Key responsibilities will include:

- Select the financial institution
- Hire staff to manage the program

⁹ Bureau of Labor and Statistics, May 2017. <https://www.bls.gov/oes/current/oes132052.htm>

¹⁰ For more information see [Save to Win](#) or YSA programs in [Boston](#).

- Develop program policies and procedures
- Facilitate student enrollment and track accounts
- Manage incentives and serve as the account custodian for the incentive funds
- Fundraise for the program
- Conduct marketing and outreach campaigns
- Develop, create and manage partnerships
- Report to accountholders, funders and other stakeholders
- Ensure annual audit and reconciliation of the pooled incentive account
- Communicate and coordinate distributions when students become eligible
- Measure and evaluate the program

The OFE will share some of the program responsibilities with partners, as described below. Additional program responsibilities may be contracted out to organizations and individuals as needed.

MMSD: Schools are a key partner for reaching children and their families. The proposed roles of schools in the MYSA program are:

- Provide enrollment data for kindergarten and 6th grade students via an MOU with the financial institution.
- Aid with communication with parents/guardians to build awareness of the program
- Ensure alignment between new financial capability requirements and MYSA through classroom discussions, activities and events that engage children in this program.

Foundation for Madison's Public Schools: Assist in fundraising and serve as the fiscal agent to receive donations for the MYSA incentive funds. FMPS has already included MYSA as one of its strategic initiatives within its 2018-2021 strategic plan to ensure that MYSA has its support.

Financial Institution: The financial institution is an essential partner for facilitating account opening and management. Its main responsibilities for the program are:

- Work with the program coordinator and MMSD to open accounts for students
- Provide some funding of the initial seeding of accounts (e.g., \$35,000 per year)
- Facilitate deposits into the account through physical, online and mobile access
- Provide quarterly statements or an online portal showing balances for saving accounts and information on the incentive funds earned
- Payout authorized hardship requests and regular withdrawals per the City's policies
- Provide access to information on account activity to the program coordinator
- Assist in financial capability presentations and activities

Community Foundations: Engage with the program through funding of incentives and volunteering:

- Identify local non-profits, businesses and financial institutions willing to support the program financially and/or through volunteering to spread awareness of the program.
- Identify individuals in the community that have demonstrated past support for financial capability and/or college preparedness programs.
- Encourage supporters who express interest in establishing scholarships for one student to consider MYSA as a way to support a much larger audience.

Other partners:

- Philanthropic partners. The following entities were identified as potential philanthropic partners: CUNA Mutual Group, Madison Community Foundation, American Family Insurance, Great Lakes Higher Education Corporation, CBM Credit Education Foundation, and United Way.
- Database partner. Ideally all student savings accounts as well as incentives balances will be available for children to view via the financial institution's statements. The program coordinator could also use a database developed by other YSA programs, such as those provided by VistaShare and Investcloud.
- Financial education partners such as Asset Builders of America and CUNA Mutual Group.
- College access and scholarship programs in the community to help students be connected to these services as they move closer to college age. For example, Madison College, University of Wisconsin.
- Research partner for the program such as UW Madison Center for Financial Security.
- Neighborhood community centers e.g., Lussier Community Education Center which has already been involved as a partner in the MYSA focus groups and parent/student interviews.

Partnership agreements will need to be developed with MMSD, MFPS (fiscal agent), the financial institution and other identified partners. The agreements can include:

- Requirement to keep information confidential and secure
- Goals for the partnership
- Roles and responsibilities for each partner
- A management structure to ensure that each organization is meeting its goals as well as responsibilities
- A communication plan for regular check-in on progress and answer questions
- Legal and compliance issues (data usage and privacy)
- Any financial details, such as fees, in-kind donations, or other support provided.

Section 6: Budget and Staffing Needs

The City of Madison should allocate \$248,600 in the next fiscal year to kickstart the MYSA program. This represents less than 0.1% of the City's annual operating budget and would directly benefit every school-age child in Madison. The funds will cover program delivery, program promotion and 75% of the seed deposits. Per Figure 2 it is anticipated that the first three years of operation of the program will cost \$1.4 million. For the City, MMSD and community partners to potentially help improve college attendance by low-income students three times and their graduation rates four times we recommend investing \$370,000 to \$550,000 in the initial years and increasing to \$830,000 per year once all students in MMSD have accounts. This represents an excellent return on investment for the community.

Figure 2: Three Year Program Budget

	Year 1	Year 2	Year 3	3 YEAR TOTAL
Program Delivery – Funded by City of Madison	\$140,000	\$143,500	\$147,000	\$430,500
Seed Deposits – Co-Funded by the City and Financial Institution ¹¹	\$143,600	\$143,600	\$143,600	\$430,800
Matched Savings – Funded by donations ¹²	\$86,250	\$172,500	\$258,750	\$517,500
Total Per Year	\$369,850	\$459,600	\$549,350	\$1,378,800

Program Delivery includes \$117,000 in salary and benefits for 1.5 staff in a newly created Office of Financial Empowerment, \$21,000 in program software for tracking incentive accounts and communication with teachers, families and students and \$2,000 for regional travel to learn best practices. Years two and three reflect small inflationary adjustments.

Personnel. The recommended staff for the MYSA program includes the following two positions housed by the proposed Office of Financial Empowerment within the City of Madison:

1. One full-time Program Manager who will manage program operations and work with partners at \$65,000 per year plus benefits at 30% of the salary.
2. One half-time Program Assistant who will provide programmatic support and help manage the program database at \$22,500 (based on \$45,000 annual) plus benefits at 30% of the salary.

Seed Deposits assumes that all of the 3,600 kindergarten and 6th graders sign up each year and they all receive \$25 in their account, plus half of these students are on free and reduced meals and eligible for another \$25 seed deposit for a total of \$135,000 per year. In addition, seed deposits will be offered to about 230 students¹³ who reside in Madison but are districted to attend school districts other than MMSD based on district catchment areas that do not follow municipal boundaries , for a total of \$8,600 per year. The financial institution will provide \$35,000 annually as a charitable contribution towards the program and the City would fund the remaining \$108,600 in seed deposits. Regardless if students pursue post-secondary education or not, they will have access to the seed deposit in addition to the savings they accumulate upon turning 18 years old unless it is a hardship withdrawal.

¹¹ Assumes that financial institution will provide \$35,000 per year in seed deposits to support the program and the City provides the remaining seed funding of \$108,600. All funding for matched savings would come from community/corporate donations.

¹² Assumes 30% of the 3,830 students will meet the match and half of them will earn a 0.5 to 1 match and the other half will earn a 1 to 1 match. These estimates assume much higher activities rates than St. Louis and San Francisco which only see that 20% of their accounts are active. However, we anticipate that MYSA's financial institution model is much more accessible than the ones used in both of these cities.

¹³ Assumes a total of 1,500 students (or 115 students per grade) by adding 747 students who attend Middleton schools but have a Madison address (according to [this article](#)), 449 Madison students who are homeschooled, and 304 students who live in Madison but attend other neighboring schools. This is the best available data for students who may be eligible to participate in the program. We requested data from the school districts in Middleton, Verona, Monona and McFarland regarding the number of Madison students enrolled in their schools as well as their residents enrolled in MMSD and heard back from one district who was able to provide the data requested. Middleton-Cross Plains Area School District reported that in K5 - 6th grades there are 437 students (56 in K5 and 75 in 6th grade) who have a Madison addresses, and another 25 open enrolled students who are Middleton residents attending MMSD. Additional work needs to be done to develop and maintain attendance information from neighboring school districts. We don't believe that this estimate would materially affect the overall budget.

Incentive Funding/Matched Savings are the portion of the budget that will grow rapidly as more and more children are added to the program each year. While this is a longer-term liability that will require fundraising, the City will not be paying out the incentive funds until the first cohort of 6th graders will turn 18 years old. The budget assumes that 30% of students annually will obtain the full savings incentive and that half of these students will be eligible for the 0.50¢ for \$1 match and the other half of the students will be eligible for the \$1 to \$1 match. As more students enter the program each year this liability continues to grow. Note that students will not accumulate interest on any “earned” incentives as all the earnings will go toward growing the incentive fund to help provide incentives to more students.

Interest Earned on the accounts at the financial institution will be an expense of the financial institution. In our preliminary discussions with a potential financial institution, we suggested offering an above market interest rates on the MYSA accounts which is *not* a common practice for YSAs nationally or in the banking sector which generally offers better rates on bigger, not smaller, balances. Offering an above market interest rate will help students grow their savings faster.

Volunteers. For the successful community engagement staff will need to recruit volunteers to connect with families around school registration and other events. At least one volunteer per school is recommended to be the person of contact as well as active engagement from August through October of each year. Currently there are 32 elementary schools, 12 middle schools and 6 high schools in MMSD suggesting a need for 50 community volunteers which can be a great way to engage community members. An additional volunteer may be needed to liaise with students who reside in Madison but do not attend a MMSD school.

Enrollment Projections. In producing our 3-year projection we looked at MMSD's [Enrollment History and Projections Report](#) for the next 5 years. What is most evident in these projections is how steady the population has been over the last 5 years and is projected for the next 5 years. In our 3-year projection of the program costs MMSD is forecasting a 1.2% decrease in the population and there are projections by grade ranges. We believe this to be a modest decrease balanced by a potential population increase due to new housing developments. As such we conservatively estimated a steady MMSD student enrollment over the next 3 years and budgeted a fixed amount of seed deposits at \$135,000 per year co-funded by the City of Madison and the financial institution. An additional \$8,600 per year in seed deposits will be offered to 230 students who reside in Madison but are districted to attend school districts other than MMSD based on district catchment areas that do not follow municipal boundaries .

Inter-district Transfers. We also examined student data on Madison residents who leave the district to attend area schools (Oregon, Monona Grove, McFarland) and vice versa, students from the surrounding areas who come into MMSD. Page 37-41 of the MMSD Enrollment History and Project Report indicates that as a whole MMSD has 750 more “leavers” or students who transfer to the neighboring towns' schools (1,187) than it has “enterers” (437) into MMSD. MMSD has detailed data about where kids are coming from and going to but it’s not tied to their addresses. This issue should not affect the project design for the following reasons: 1) Only 1.6% (437) of all MMSD students are from outside the district area; 2) MMSD has more “leavers” than “enterers”; and 3) the financial institution will be providing seed deposit funding for approximately 1,400 accounts. This funding could be used for students who are not Madison residents so that no Madison taxpayer money is supporting students who transferred into MMSD from other areas. We also don't see a concern with the incentive fund since it will be raised from private

donations, not from taxpayers. Donors will know their funding is for MMSD students, regardless of the city they live in, and probably won't care that 1.6% of student are from neighboring towns.

Section 7: Data Sharing and Governance

Data Sharing

MMSD will provide the financial institution and the City of Madison Office of Financial Empowerment with enrollment data for each kindergarten and 6th grade student in the district, including the child's name, address, date of birth, student identification number, if they benefit from free/reduced price meals, and the email address information for the child's parent/guardian. MMSD will enter into an MOU with the selected financial institution and the City of Madison to share the students' information and should require that none of the information be sold, shared or transferred to any other party other than for the express purpose of implementing the MYSA program. In addition, there are potential data sharing implications with other school districts regarding children who reside in Madison but are districted to attend school districts other than MMSD based on district catchment areas that do not follow municipal boundaries.

Governance

The City should establish a community based MYSA Advisory Board that will provide strategic advice on programming and activities. Advisory Board members will select a chairperson and a vice chair. The Advisory Board should be comprised of the following members: City of Madison, MMSD, FMPS, financial institution, two representatives from philanthropic organizations, two from higher educational institutions/training programs and representatives from the broader community. Advisory Board members will volunteer in their capacity and can help ensure stakeholder support for MYSA.

Section 8: Measuring Program Success

To see the impact of the MYSA program it will take at least seven years until the first cohort Madison students will graduate high school and will be ready for post-secondary education. In the meantime, the program will need to track progress toward reaching the three program goals - fostering a college-bound identity for children, building savings for post-high school education and connecting un/under-banked Madison families with healthy and safe financial services. Figure 3 shows the outcome measures and their data source for each of the program goal.

Figure 3. MYSA Program Measures of Success

Goal	Outcome Measure	Data Source
Foster a college-bound identity for children	Children and family saving for postsecondary education expectations	Surveys of children and parents/guardians
Foster a college-bound identity for children	Number of students with savings for college	Program database & financial institution
Build savings for post-high school education	Amount of savings set aside for postsecondary education	Program database & financial institution
Foster a college-bound identity for children	High school graduation rate	MMSD
Foster a college-bound identity for children	Postsecondary enrollment	MMSD, National Student Clearinghouse

Foster a college-bound identity for children	Postsecondary completion	Local colleges, National Student Clearinghouse
Connect un/under-banked Madison families with healthy and safe financial services.	Number of students with new savings accounts	Program database & financial institution

Tracking these measures will indicate if the program is on target to meet the program goals and will help the program coordinator to adjust the program as needed. The program coordinator can explore working with research partners such as local universities to complete a program evaluation a few years into the program.

Conclusion

The MYSA program is designed to build a college bound identity and a framework for where and how to save money to make that identity a reality. The program guidelines included here position the City of Madison for implementing Madison Youth Savings Accounts in the 2019/2020 or 2020/2021 school year. This program aligns well with the strategic direction of the school district and with the City's visions of ensuring that all citizens have the opportunity to thrive.

Annex A: Racial Equity and Social Justice Assessment

Madison Youth Savings Accounts (MYSA) Program Racial Equity and Social Justice Assessment

*Completed by Dave Grace & Associates. Reviewed by MYSA Advisory Committee members,
City of Madison staff and tested in focus groups (see Annex C, E).*

1. What does the proposal seek to accomplish?

The City of Madison in partnership with Madison Metropolitan School District and several other community partners —seeks to launch the Madison Youth Savings Accounts (MYSA) program. Youth savings accounts (YSA), also known as Children’s Savings Accounts, are long-term savings or investment accounts that a community opens to help students —especially those from low-income households— plan, save and pay for education costs after high school. Over 30 U.S. states and several other countries have used a YSA accounts as a strategy to improve educational attainment and economic outcomes for children and entire communities.

The MYSA program will be structured following best practices that combine long-term savings platforms with financial incentives to support children save for postsecondary education. Establishing universal MYSA accounts will allow participation for every student enrolled in a Madison public school or public charter school within the Madison Metropolitan School District. MYSA accounts will be opened automatically at a local financial institution for every child enrolled in MMSD, however, parents will be able to opt-out of the program if they wish.

The primary goal of the MYSA program is to foster a college-bound identity in children through the establishment of a youth savings account designated for post-secondary education. Secondary goals of the program are to build savings for post-high school education and to connect unbanked/underbanked Madison families with healthy and safe financial products and services.

The MYSA accounts will grow through student and family contributions and program-provided savings matches and other incentives. An initial seed deposit incentive will be made into each MYSA account as it is opened. In addition to the initial deposit, other incentives, such as savings matches will be provided through the support of community or private foundations. Making regular deposits into a student's MYSA account is a key element for growing college savings.

With the exception of approved hardship requests such as a death of the student, family member or pending eviction, withdrawals from the account at the financial institution cannot be made until the age of 18. After age 18 the student can withdrawal the funds for any purpose. a Requests for withdrawals of hardship funds may only be made for qualifying postsecondary education expenses at any college, vocational school, or accredited program for career training once the student turns 18 years old. Requests for incentive funds must be made prior to the student reaching a certain age (for example 28 years old), with extensions for students who serve in national service programs (such as the United States Military or AmeriCorps.) After age 28, any “earned” and allocated but unused funds will be returned to the program if not used.

2. What do available data tell you about this issue?

Long-term Benefits Start from Investing in Early Childhood

Youth savings account programs send all children the message that they have the potential and the support needed for academic success regardless of where they come from or their family's finances. Research shows a strong link between children's expectations for school and the level of school they achieve.¹⁴

Students with YSA are More Likely to Attend College

A crucial element for ensuring post-high school education is building savings habits in both children and families. Research shows that "even college savings of less than \$500 can boost chances of college entry and graduation, making low- and moderate-income students three times more likely to attend college and four times more likely to graduate than those whose families do not have college savings".¹⁵

More Families Join Safe Financial Institutions

YSAs present an opportunity for the parents of participating children to obtain more financial education, opening accounts for themselves where they have previously been unbanked or underbanked. Research has also found that youth savings accounts improve early childhood development and academic performance.

3. What data are unavailable or missing?

Although multiple sources have been checked, we have been unable to identify how many of the 27,000 children enrolled in MMSD have bank accounts already. We are also unaware of the current number of families who are currently saving for post-secondary education for their children. Wisconsin's Edvest 529 College Savings Program estimates that 26% of households with children in the Madison area (inclusive of Monona and Fitchburg) have 529 college savings accounts at Edvest which compares favorably with a state average of 10% of families having Edvest accounts. The average amount saved in Edvest accounts by Madison area residents is \$20,500.

Most youth savings account programs are relatively new. While many of the first asset-building initiatives focused on adults, in the early 2000s, the field began to increasingly recognize the importance of targeting asset building toward children. In 2003 the SEED (Saving for Education, Entrepreneurship and Downpayment) initiative was launched and it succeeded in showing youth savings accounts not only to promote financial security for low- and moderate-income children, but also to raise the hopes and aspirations for the future of both children and their families. In the years following SEED, dozens of new programs sprang up, including large-scale programs such as the Kindergarten to College program in San Francisco (established in 2011), which serves all public school kindergarteners and for which the MYSA program takes its inspiration from.

Since the oldest youth savings accounts programs in the U.S. are only 7-9 years old, none of them have reached the payout stage when funds are being disbursed for education occurring after high-school graduation. As such, research data is still unavailable on the specific effects of the youth savings accounts and how the various forms of required identification may affect students at the time of withdrawal.

¹⁴ William Elliott and Kelly Harrington, Identifying Short Term Outcome Metrics for Evaluating Whether Children's Savings Accounts Programs Are on Track (Boston, MA: The Federal Reserve Bank of Boston, 2016).

¹⁵ Assets and Education Initiative. (2013). Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education.

In addition, the purpose and designs vary significantly across youth savings account programs which makes it challenging to compare different models to determine the more successful ones.

4. Who could be impacted by this proposal? Who would benefit?

By 2020, nearly two-thirds of jobs will require a postsecondary degree and as of 2018, 61% of jobs in Wisconsin require post-secondary education and training.¹⁶ Expanding access to postsecondary education is critical to ensuring that all individuals have the skills needed for the economy of the future. Youth savings accounts, which are designed to increase access to post-secondary education, can help counter disparities in educational attainment.

Every MMSD kindergarten student enrolled in the MYSA program will benefit from it in the following ways:

1. Every student will receive an initial deposit incentive of \$25 into their account opened at a financial institution. Low income students receiving free or reduced lunch will receive an additional \$25. Funding these initial contributions will come from the participating financial institution and the funds raised by the City.
2. The program plans to offer additional incentives each year for saving contributions. Funding for these incentives will come from community or private foundations.
3. The MYSA savings will be held in a federally-insured financial institution account until a child needs it after high school graduation. Earned incentive funds can be used to pay for education expenses at any college, vocational school, or accredited program for career training. If a student does not attend post-high school education, then all the funds except for incentives will be available to the student upon turning 18.

Additional benefits include: foster a college-bound identity in children, develop savings habits in children and parents and connect unbanked/underbanked Madison families with healthy and safe financial products and services. Research has shown¹⁷ that expectations for child educational achievement can impact levels of educational attainment. This program is specially designed to help make post-secondary more attainable and likely given that funds have been set aside for the purpose.

5. Who would be burdened?

Statistics from MMSD indicate that 48% students are from low-income households. Saving for post-secondary educations is most difficult for families that do not have a strong foundation of financial security. This program will not *require* students or families to save in the youth savings accounts, however, if they do their savings may be matched (i.e., 50% up to \$100 annually). This program will require financial and staffing resources from the City of Madison and community and private foundations.

Despite the steep cost of college saving, many low-income families do save. Providing families with money alone will not lead to more saving. In order for saving to happen, people need access to accessible

¹⁶ <https://edvestconnection.com/2018/01/04/wisconsin-college-savings-program-surpasses-5-billion-mark/>

¹⁷ William Elliott and Kelly Harrington, Identifying Short Term Outcome Metrics for Evaluating Whether Children's Savings Accounts Programs Are on Track (Boston, MA: The Federal Reserve Bank of Boston, 2016).

and safe financial institutions. Nonetheless, low-income families and many others need money if they are going to be able to save on a regular basis.¹⁸

The MYSA program may help to meet the immediate need for college-going students and their families but the program alone cannot close the financial burden gap or solve all disparities in educational attainment. However, these types of programs show promise as part of larger policy agendas for college completion and regional economic growth.

6. Are there potential disproportionate impacts on communities of color or low-income communities?

The intention of this program is to help low-income households and children of color to build a college bound identity, automatically ensure access to a financial institution and improve financial capability. Research indicates the following potential positive impact of youth savings account programs on low-income communities:

A. Potential college savings and equity impact:

- Educators, policymakers, and advocates concerned about persistent achievement gaps, stagnant upward mobility, and college unaffordability are increasingly turning to youth savings account as a policy intervention for catalyzing educational opportunity and equity. Low-income families are participating in youth savings account (both opt-in and opt-out) programs at higher rates (20%) than in traditional 529 college savings plans (0.3%) which are tax-advantaged savings vehicles specifically designed for financing education.¹⁹
- In 2013, only 0.3% of households in the bottom half of the wealth distribution had 529 accounts²⁰. While state-run 529 college savings plans largely benefit middle- and upper-income families, these financial instruments can serve as platforms for youth savings accounts in ways that help to distribute the benefits of college savings systems more equally.

B. The effect of program design on the racial wealth gap:

- Modeling the effect of a national youth savings accounts found that a universal, progressive design could close the black/white and Latino/white wealth gaps by 23% and 28%.²¹ This is an especially important issue in Dane County given the 2016 findings in the *Race to Equity* report.
- Modeling the effect of universal, progressive youth savings accounts with matched savings for Illinois residents found that black and Latino families see greater wealth gains; youth savings accounts with these features are more likely to close racial wealth gap.²²

¹⁸ Lessons Learned from Children's Savings Account Programs: Tools to Leverage Spending to Facilitate Saving among Low-Income Families by William Elliott, 2018.

¹⁹ Elliott, W., III. (2018). Lessons Learned from Children's Savings Account Programs: Tools to Leverage Spending to Facilitate Saving among Low-Income Families. Ann Arbor, MI: Center on Assets, Education & Inclusion (AEDI). Interviews with San Francisco and St. Louis children savings accounts and *Saving for College and Section 529 Plans*. Federal Reserve Board, February 3, 2016.

<https://www.federalreserve.gov/econresdata/notes/feds-notes/2016/saving-for-college-and-section-529-plans-20160203.html>

²⁰ Source: Hannon, S., Moore, K. B., Schmeiser, M. D. & Stefanescu, I. (2016). Saving for College and Section 529 Plans (No. 2016-02-03).

²¹ Sullivan, L., Meschede, T., Shapiro, T., Asante-Muhammed, D., & Nieves, E. (2016). Designing Policies to Close the Racial Wealth Gap. CFED: Washington DC.

²² Buitrago, K. & Mullany, L. (2017). Building Brighter Futures: Children's Savings Accounts in Illinois. Heartland Alliance

7. What are the potential unintended consequences (social, economic, health, environmental, etc.)?

The United States is home to persistent inequities in college access, completion, and success. Students from low socio-economic backgrounds are much less likely to graduate from college than those from high socio-economic backgrounds (14% compared to 60%) according to an analysis of national data (Bjorklund-Young, 2016). Academic preparation and educational aspirations only account for some of these differences. Financial burden and difficulty balancing school and work are two of the most cited reasons that students leave college before graduating. The financial burden of college is greatest for students of color. If white families' annual college costs equal 44% of their income, the cost burden for African American families is 63% and 53% for Hispanic or Latino families (Young Invincibles, 2017).

The structure of a youth savings account may have an impact on families' eligibility for federal or local benefits with asset limits. When accounts are owned by the families, their savings contributions may be subject to asset limits for certain federal and state benefits. These asset limits may either discourage families who receive benefits from saving or may lead families who do save to lose eligibility for certain benefits. However, the recommended MYSA design will not adversely affect families' access to federal benefits because eligibility for free and reduced lunch, Badger Care and Supplemental Nutritional Assistance Program (SNAP) are all based on household income (not assets), unless the applicant for Badger Care or SNAP is elderly, blind or disabled and then assets above \$2,500 are considered. Any savings that the child accumulates in his/her account at the financial institutions could potentially be considered family assets, not income. Note that access to emergency housing assistance in Dane County does consider family assets if above \$2,500. As for the incentives "earned" via matched savings, they will not be considered a family asset until the student reaches age 18 at which time the funds will be used for education and will not increase the assets of the household.

An important unintended consequence of a YSA program can be the way it will affect undocumented families. If a YSA program requires a tax identification number for the family to open an account, the undocumented children and children of undocumented parents will not be able to participate in the program unless they obtain an individual tax identification number (ITIN) from the Internal Revenue Service (IRS). ITINs are available to undocumented individuals and the IRS has issued millions of ITINs. However, many undocumented families are hesitant to ask for an ITIN which can be a barrier to MYSA program participation. On the other hand, if a solution is found to accommodate children with no social security number without violating any federal regulations, the YSA becomes a unique opportunity for un/underbanked families to access safe financial institutions.

Youth savings accounts are a proven tool that increases parents' and students' expectations for the future, improves childhood development and promotes postsecondary education access. However, the MYSA program cannot be expected to be the silver bullet which will close the disparities that persist for marginalized populations. Some of the unintended consequences of the program can be raising false hopes for students who may not be able to complete high school or go to college. Families may save with the expectation that their savings will be matched, however, should their student not pursue any post-secondary education or training by the age of 28 they would only be able to access the funds they had saved and not any matches or incentive contributions.

Another potential consequence is that saving long-term for post-secondary education at a financial institution will be less risky but generate much lower returns than savings in equity or bond markets. In addition, interest earned by savings at a financial institution is taxable income whereas interest income earned in a 529 is tax exempt and eligible for a state tax deduction.

8. Describe recommended strategies to address adverse impacts, prevent negative unintended consequences and advance racial equity?

Youth savings accounts can use features explicitly designed to improve children's educational outcomes, particularly for those low-income or otherwise disadvantaged. In order to address the potential adverse impacts of youth savings accounts the MYSA program will include the following features:

- a. Use automatic, universal enrollment in a youth savings account as part of the school registration process for all students entering kindergarten and 6th grade. Families can opt out of the program if they wish so.
- b. Provide a seed initial deposit and matched savings incentives. This will help families to see the potential in small deposits to grow into larger savings.
- c. Use larger incentives for lower-income households.
- d. Use a financial institution that offers multiple deposit options, including in person, online or through direct deposit, which make saving easier for families (especially those who are unbanked) and enable families to make small-dollar deposits.
- e. Ensure that tax identification number are not needed for opening YSAs so that undocumented children can still save for post-secondary education.
- f. Introduce college and career exploration into the school, showing children support for their educational success helps them imagine a future for themselves that includes higher education.
- g. Despite the fact the 529 are less accessible, don't accept cash deposits and require a tax ID number to open them, MYSA will strongly encourage any family that has saved more than \$5,000 in its YSA to open an account with Edvest to take advantage of the state tax credit, federal tax exemption on earnings and potential for higher returns.

Annex B: Comparison of Savings Accounts vs 529 Plans

Nationwide youth savings account programs currently use either savings accounts (held at a bank or a credit union) or a type of 529 college savings account. 529 plans are named after Section 529 of the Internal Revenue Code and are operated by a state or educational institution, with state and federal tax advantages. These 529 plans carry tax advantages if the funds are used for eligible educational expenses including room, board and tuition in connection with elementary, secondary or higher education.²³

YSAs generally use two accounts for the programs. One account holds all of the “incentive funds” that the program raises and the other accounts are for the children and allows them or their family to save in their accounts.

Where 529 accounts are used they generally have one of the following ownership structures: 1) Omnibus pooled 529 accounts (a collective account owned by the program coordinator), 2) Entity-owned 529 account (an individual 529 account owned by a custodian (e.g. the City) on behalf of each child), and 3) Parent-/guardian-owned 529 accounts.

YSAs using bank or credit union savings accounts are generally used via: 1) Omnibus pooled savings accounts (with a custodian for all the accounts) or 2) Individual savings accounts owned by the students or parent/guardian.²⁴

Comparison: Savings Accounts Versus 529 Plans

Account Features	Savings Accounts	529 Plan
Ability to automatically open individual accounts based on MMSD registration data.	Yes	No. Student will need to obtain a sign-up packet and parents must open accounts.
Social Security Number (SSN) or Individual Tax Identification Number are not required <i>(to allow undocumented children and children of undocumented parents to have an account and automatic account opening)</i>	FI seems willing to follow new guidance	Tax ID required except for omnibus and entity-owned accounts
Multiple deposit options including cash <i>(make saving easier especially for the un/underbanked)</i>	Yes	No
Convenient financial institution branches	Yes	No
Ability for families to track accounts <i>(through statements or online)</i>	Generally, yes. Financial institution is usually able to send individualized statements directly to participants or to allow participants online access to account information.	No, if via omnibus account. Yes, for parent/guardian-owned 529 accounts.

²³ <https://www.irs.gov/newsroom/529-plans-questions-and-answers>

²⁴ Investing in Dreams: A Blueprint for Designing Children’s Savings Account Program by Shira Markoff and Dominique Derbigny, 2017

Ability for families to track incentive funds in omnibus accounts	Sometimes for omnibus and entity-owned accounts the program has to set up its own online portals or paper statements.	Sometimes for omnibus and entity-owned accounts the program has to set up its own online portals or paper statements.
No/low fees & no/ low minimum balance & minimum deposit requirements	Depends on the financial institution, generally anticipate no annual fees.	Depends on the plan, generally higher fees. Edvest charges approximately 0.35% between plan management fee (0.08%) and investment fees (age-based avg. 0.27%) or \$1.75 on \$500 balance.
Potential to earn interest	Lower interest earning potential. Anticipate 2% or \$10 on \$500.	Higher potential interest earnings. However, most YSAs have defaulted to very conservative investment options. Performance since inception of Edvest age-based options averages 5.79%. On \$500 this is \$28.95. After expenses of \$1.75 this yields \$27.20 compared to \$10 at a FI. A conservative investment option offers 1%-2% return.
Requirement to pay taxes on earnings	Yes, but could be moot for low-income families.	No, appreciation on capital is tax free.
State tax credit for contributions	No	Yes, contributions may be deducted from Wisconsin taxable income up to a max of \$3,200 per year per child.
Funds in incentive account are part of asset limits for benefits -- if blind, elderly or disabled	No, the funds are not an asset of the student.	No, the funds are not an asset of the student.
Funds in student/family account count towards asset limit for benefits – if blind, elderly or disabled	Yes, if held directly by student/ family. No, if held by the City as custodian for family.	Yes, if held directly by family. No, if held by the City as custodian for family.
If parents are documented, willing to complete forms to open new account, can save regularly via direct deposit, have incomes high enough to earn tax credits and are willing to have at least moderate investment risk.	Worse option as earnings will likely be lower and there is no tax benefit.	Better option as earnings will likely be higher and there is a tax benefit.

Annex C: Advisory Committee Members for MYSA Consultancy

A MYSA Advisory Committee was formed by Dave Grace and Associates (DGA) to discuss the results of the youth savings accounts research done by DGA, gather feedback on the MYSA program goals and brainstorm ideas on potential funding sources for the program. DGA and City of Madison staff has participated in the Advisory Committee meetings.

Advisory Committee members are acknowledged for sharing their time and expertise and include:

- **Lucia Nunez**, VP of Diversity, Inclusion and Community Engagement, Madison College. A former Executive Director of Centro Hispano and Director of City of Madison's Civil Rights Department, Lucia knows how the City operates, has worked on behalf of the City's marginalized population for many years and in many ways.
- **Paul Terranova**, Executive Director, Lussier Community Education Center. For the past 16 years Mr. Terranova has worked with families and students of different ages and backgrounds.
- **David Krutchen**, Chair of Business and Marketing Department at East High. Mr. Krutchen teaches Personal Finance at East High School. Linking the district's new financial literacy graduation requirements to the CSAs are critical for continuity.
- **Dirk Entenmann**, Executive Director, Asset Builders of America, where he leads programs and teaches families and students about financial literacy in engaging ways.
- **Muhamed Sanneh**, Student Advisory Member, East High School. Muhamed is a minority and immigrant student leader and has just lived through the college decision process.
- **George Hofheimer**, Chief Knowledge Officer, Filene Research Institute - the premier credit union research organization in the U.S. Mr. Hofheimer is an invaluable resource of what has worked and failed with new financial products;

Annex D: List of Consulted Stakeholders and Leaders

1. City of Madison:

- Maurice Cheeks, alder, Madison common council
- Iliana Wood, community development specialist
- Coral Manning, early care and education manager

2. Madison Metropolitan School District

- Jen Wegner, director of personalized pathways and career & technical education
- Kelly Ruppel, chief of staff
- Cynthia Green, executive director, secondary programs and pathways

3. Foundation for Madison's Public Schools

- Melinda Heinritz, executive director
- Darcy Burke, educator and former board member

4. Summit Credit Union

- Ric Mathias, vice president sales development
- Barbara Unger, branch operations manager
- Beth Laufenberg, internal audit & compliance manager
- Nancy Crowley, compliance officer - deposits

5. Lussier Community Education Center

- Paul Terranova, executive director

6. National Federation of Community Development Credit Unions

- Pablo DeFilippi, senior vice president (and MMSD parent)

7. Upper Midwest CSA Consortium

- Lucy Mullany, independent consultant

8. City of St. Louis - College Kids Children's Savings Account Program

- Ellen O'Neill, program coordinator

9. City and County of San Francisco - Kindergarten to College Program

- Carol Lei, program manager

10. Promise Indiana

- Phil Maurizi, vice president of operations

11. City of Milwaukee - Fund My Future Program

- Sharon Robinson, administration director

12. The Capital Times

- Abigail Becker, journalist, wrote a [positive story about the project](#).

13. Wisconsin Department of Financial Institutions and TIAA

- James DiUlio, College Savings Program Director
- Jessica L. Fandrich, College Savings Program Officer
- Catherine Burdick, Senior Marketing Manager, TIAA 529 College Savings Program

Annex E: Process and Results of Focus Groups and Interviews

Focus Groups Results

On July 11th we convened two separate focus groups with high school students and parents who are part of the Lussier Community Education Center on the Madison West side. The CSA focus group questionnaire was reviewed by the City of Madison staff and the CSA advisory committee with input from Lucy Mullany, consultant with the Upper Midwest CSA Consortium. Each focus group took about 1 hour during which snacks/beverages were provided. At the end of discussions all participants completed a demographics survey and received Target gift cards as a thank you for sharing their opinions with us.

Student Focus Group

A group of nine high school students participated in the CSA focus group - see detailed demographic data attached. Most of the students said they have plans to go to college after finishing high school. While many of them had jobs, only six had a bank account and only four were saving for college. Lack of money was cited as the main barrier for college savings. When presented with the CSA idea, all of the students said it was something worth pursuing if given a chance because “Having a savings account started by City would help with savings” as one young lady put it. In another student’s words: “Families should set their own savings goals because they have different income levels”. One concern was regarding restrictions on making withdrawals until the age of 18. Students were more familiar with short term savings (e.g. for a camera) than saving for the more distant future. They loved the idea of incentives, the matched savings in particular, and suggested that colleges (i.e. Madison College) should offer scholarships and discounted tuition as an additional incentive.

Parent Focus Group

A group of 12 parents/grandparents with children/grandchildren in Madison public schools participated in the CSA focus group – see a summary of their demographic data attached. From this group 75% of the parents had a bank account and five of them (42%) were saving for their children’s future education. “I want to save but income covers every bill I have” said one mother. Another parent thought that “Parents should be involved because the kids don’t understand the importance of savings”. **The group had an overwhelmingly positive reaction to the CSA idea in Madison.** As one participant put it, “Yes, you want as much help as possible. The likelihood to go to school is higher if you have an account but motivation for the kid is more important”. Parents welcomed the idea of restricted withdrawals until the age 18. As one grandmother commented: “Put money there and forget about it, let money grow”. The matched savings incentive received everyone’s support. There was, however, a concern about obtaining a college degree and not being always able to get a job afterwards. Students and parents were supportive of offering a larger seed deposit or greater incentives for students receiving free or reduced-priced lunches.

One-on-One Interviews

While not part of the original requirements for the consultancy, on June 22 DGA attended the Lussier Community Center dinner to conduct five one-on-one interviews with parents of children that are in the Madison public schools. The MYSA interviews were designed to obtain views from community members in a more intimate setting than a focus group where attendees may feel more social pressure. Interviews were conducted with African American mothers and grandmothers of school age children. There was unanimous support for MYSA program among interviewees and none of them had started to save yet for their child/grandchild’s post-secondary education. Several interviews had accounts at Summit Credit Union and none of the interviews had a negative impression of Summit and several were aware of Summit’s partner credit union at the Boy & Girls Club.

Teacher and Student Focus Group

On June 14 DGA conducted a focus group of Madison east side high school students and a MMSD early childhood speech language and a special education teacher to discuss MYSA. As these teachers with children with individual education plans the concepts of tying incentives to student or parent behaviors was discussed and strongly discouraged. The years of teaching experience and the students' strong sense of equality made it clear that there are many, often uncontrollable, reasons why student attendance, behavior, improvement on tests, etc. should not be a financial incentive of the program.

Student CSA Focus Group Demographics

9 students total

1. What is your age?

Range: 14-19 years old

Average: 16 years old

2. What is your gender?

Female: 5

Male: 4

3. What is your race?

African-American: 4

Latino: 2

White: 1

African-American & White: 1

No response: 1 (Hmong)

4. What is your preferred language of communication?

English: 8

No response: 1

5. What is your family's annual income?

Less than \$25,000: 4

\$25,000-\$35,000: 1

\$35,000-\$45,000

\$45,000-\$55,000

\$55,000-\$65,000

\$65,000-\$75,000: 1

Over \$75,000

No response: 3

6. How many people are in your family (living under one roof)?

Range: 2-7 people

Average: 3.7 people

7. Do you have an account opened at a bank or credit union?

Yes: 6 (67%)

No: 3 (33%)

8. Are you or a family member currently saving for future education?

Yes: 4 (44%) No: 5 (56%)

Parents CSA Focus Group Demographics

12 parents/grandparents total

1. What is your age?

Range: 25-69 years old

Average: 39 years old

2. What is your gender?

Female: 11

Male: 1

3. What is your race?

African-American: 10

White: 2 (including one Middle-East)

4. What is your preferred language of communication?

English: 12

5. What is your family's annual income?

Less than \$25,000: 9

\$25,000-\$35,000: 2

\$35,000-\$45,000

\$45,000-\$55,000

\$55,000-\$65,000

\$65,000-\$75,000:

Over \$75,000: 1

6. How many people are in your family (living under one roof)?

Range: 2-7 people

Average: 3.7 people

7. Do you have an account opened at a bank or credit union?

Yes: 9 (75%)

No: 3 (25%)

8. Are you or a family member currently saving for future education?

Yes: 5 (42%)

No: 7 (58%)

Teacher/Student CSA Focus Group Demographics

2 Teachers & 3 students total

1. What is your age?

Teachers: 45-50 years old

Students: 14-16 years old

2. What is your gender?

Teachers - Female: 2

Students - Male: 1, Female 2

3. What is your race?

White: 5

4. What is your preferred language of communication?

English: 5

5. What is your family's annual income?

Less than \$25,000:

\$25,000-\$35,000:

\$35,000-\$45,000

\$45,000-\$55,000

\$55,000-\$65,000

\$65,000-\$75,000: 1

Over \$75,000: 4

6. How many people are in your family (living under one roof)?

Range: 2-4 people

7. Do you have an account opened at a bank or credit union?

Yes: 5 (100%)

No: 0 (0%)

8. Are you or a family member currently saving for future education?

Yes: 5 (100%)

No: 0 (0%)

Parents CSA One-on-One Interview Demographics

5 parents/grandparents total

1. **What is your age?**
Range: 19-70 years old
2. **What is your gender?**
Female: 5
Male: 0
3. **What is your race?**
African-American: 4
Mixed: 1
4. **What is your preferred language of communication?**
English: 5
5. **What is your family's annual income?**
Less than \$25,000: 3
\$25,000-\$35,000: 1
\$35,000-\$45,000:
\$45,000-\$55,000:
\$55,000-\$65,000:
\$65,000-\$75,000:
Over \$75,000: 1
6. **How many people are in your family (living under one roof)?**
Range: 2-6 people
7. a. **Do you have an account opened at a bank or credit union?**
Yes: 5 (100%) No: 0 (0%)
7. b. **Does your child(ren) have an account opened at a bank or credit union?**
Yes: 2 (33%) No: 4 (66%)
8. **Are you or a family member currently saving for future education?**
Yes: 0 (0%)
No: 5 (100%)

MYSA FOCUS GROUP QUESTIONS

Intro: Madison is exploring the possibility of introducing Youth Savings Accounts. Other cities have found these accounts to be a successful tool to help put kids and families on a path to preparing for their future. We're hoping that by talking to some people like you, we can get a better understanding of how to make sure Madison introduces the best product that can help the most people.

You will all be a big part of this process. Your honest thoughts and opinions are extremely helpful to us, so please feel comfortable saying both positive and negative thoughts. Your input will help us shape the product that Madison hopes to create for all its residents with young children. We're happy to answer any of your questions about youth savings.

Any personal or financial information you provide will be kept strictly confidential. We will never release financial information and will only report any of these results in the aggregate (as a part of the whole). We will be recording the conversation and transcribing your responses so that we can refer back to them later on.

1. Warm up: How long have you been part of the Lussier Community Center? Did you grow up in Madison?
2. Do you have an account at a bank or credit union?
3. Does your child (or children have an account)? If so where?
4. Are you or someone else saving for your child's education after high school? If not why? If so, where is savings occurring?
5. How likely is it that your child will continue their education, in a trade school, Madison College or a 4-year university after high school?
6. If the City of Madison opened an account for every child in kindergarten and put in a small one-time deposit (\$25 - \$50) and offered incentives to save in the account or matched some of your saving in the account, do you think it would make your child more likely to continue their education after high school?
7. How should families be informed about the MYSA program and by whom?
8. Do you believe the program should provide savings goals for families to reach, or should families set their own goals?
9. How much do you think you could save per month in the youth savings account?
10. If you were rewarded for saving a specific amount would you prefer it be on a weekly, monthly, or quarterly basis?
11. What are your thoughts about intentionally limiting access to your long-term savings?
12. What questions or concerns do you have about the MYSA program?

Annex F: MYSA Program Manager Pros and Cons

Across the U.S. a wide variety of organizations serve as a program manager for the Youth Savings Accounts. This includes state government agencies, local government agencies (e.g. the St. Louis and San Francisco Office of Financial Empowerment), and nonprofit organizations (e.g. United Way and YMCA in Indiana). Nearly all existing large programs receive support and funding from the public sector. For example, the St. Louis College Kids program is funded by using parking fees collected by the City Treasurer's Office. Although the program manager is responsible for the administration of the program, it can delegate some key duties to partner organizations.

To determine the most suitable program manager for the MYSA program we considered the specific organizational capacities, mission and sustainable funding of entities in Madison. The table below provides a comparison of pros and cons for organizations that could serve as a program manager in Madison.

Figure 4. MYSA Program Manager Pros and Cons

Entity	Pros	Cons
City of Madison	<p>Mission alignment: Strong alignment of MYSA with City's commitment to financial inclusion, poverty reduction, and economic equity.</p> <p>Capacity: Well-known and trusted in the communities. A respected and independent institution with ability to engage partners and the experience to implement and manage a complex program.</p> <p>Sustainability: Has the capacity to provide funds, raise additional funds and manage the resources needed to support the program over the long term.</p> <p>Commitment: While the program has support from two alders, it has to be approved by the Common Council before its implementation.</p>	<p>Political changes can lead to a loss of support for the program.</p> <p>A decrease in the City budget could cause funding cuts for the program.</p> <p>Limited access to target population and data.</p>
Madison Metropolitan School District	<p>Mission alignment: MMSD's mission is to graduate every child ready for college, career and community. Building a college-bound identity aligns well with MMSD goals as it relates to the education, mindset and culture for a student; however, financial stability of families is more indirect work for the district and not something they can directly impact.</p>	<p>Commitment: No interest in managing the program. MMSD cannot take on another program to manage at this time.</p> <p>Low capacity: decreasing revenues and already limited resources (i.e. budget, staff time, available space, etc.) makes it difficult for MMSD to manage a new program.</p>

	<p>Capacity: A well-known and trusted partner who has full access to the target population through daily interactions with children and regular communication with parents.</p> <p>Access to school enrollment data.</p> <p>Provides financial education to students.</p>	<p>Additionally, there are no national examples of a school district managing a youth savings program.</p>
Foundation for Madison's Public Schools	<p>Mission alignment: Known as the fundraising arm of MMSD, the Foundation's mission is to support the education of every child by raising private funds, awarding grants, developing community partnerships, and advocating for Madison's public schools. While building a college-bound identity aligns well with FMPS goals, it does so indirectly.</p> <p>Capacity: The Foundation board, through a 2018-2021 strategic plan, has approved providing support for the program but for fundraising services only (at a level to be determined).</p>	<p>Commitment: Supporting efforts to create a college-bound identity among MMSD students complements the mission but the Foundation, even if it had the capacity, doesn't engage in program implementation of this nature.</p> <p>Very low capacity to implement the program beyond raising funds.</p> <p>Limited access to target population and data.</p>
Financial institution	<p>Capacity: Ability to hold and manage participant funds for the MYSA program.</p> <p>Capacity to provide some funding for the program (e.g. part of the seed deposits).</p> <p>Capacity to build a database for student savings accounts and the incentive funds.</p>	<p>Sustainability: For sustainability the program will need an independent third party that can raise funds from multiple sources.</p> <p>Mission alignment: The purpose of a financial institution, even when locally owned, is different than MYSA's social objective.</p> <p>Limited capacity to engage community partners and raise funds.</p> <p>No access to target population and data.</p>
Non-profit organization (e.g. United Way, Community Foundation or new single purpose non-profit)	<p>Mission alignment: If a non-profit was set up for this specific purpose it would have significant alignment with a focus on financial inclusion, financial literacy or building assets.</p>	<p>Sustainability: Despite the fact that Madison has a strong non-profit community, establishing another non-profit for this purpose would require additional infrastructure support (e.g., office space, accounting, IT, marketing) that can be otherwise leveraged from an existing entity.</p>

		<p>Capacity: The non-profits that already offer a financial inclusion, financial literacy or building assets program are very small and have unstable income sources.</p> <p>Low capacity to implement the program beyond raising funds.</p> <p>Limited access to target population and data.</p> <p>Limited ability to engage partners</p>
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Based on our interviews with the City of Madison and future MYSA partners we recommend that City of Madison should manage the MYSA program and serve as the custodian of incentive funds as one of the cornerstone activities in a newly formed Office of Financial Empowerment. Having the City of Madison in a leadership role is crucial for the success of MYSA as it can provide resources and infrastructure for program operations and ensure long-term program sustainability. There is no other entity that can leverage its assets and relationships to encourage program participation among private-sector or financial institutions the way that the City of Madison can. Raising funds from diverse sources to support the program can lessen the cost to the City and create a more sustainable funding plan.

Annex G: Resource Guide

a. Web resources:

- MMSD's Enrollment History and Projections Report
https://accountability.madison.k12.wi.us/files/accountability/uploads/combined_fall_2017_enrollment_reports.pdf
- Investing in Dreams: A Blueprint for Designing Children's Savings Account Programs
<https://prosperitynow.org/resources/investing-dreams-blueprint-designing-childrens-savings-account-programs>
- Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions
<https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20150224a1.pdf>
- Lessons Learned from Children's Savings Account Programs: Tools to Leverage Spending to Facilitate Saving among Low-Income Families, by William Elliot, 2018
https://aedi.ssw.umich.edu/sites/default/files/publications/Lessons_Learned.pdf

b. DGA Research on program models

Best Practice Research and Potential Models for Madison's CSA Design based on DGA Research

Program Features	Promise Indiana	San Francisco - Kindergarten to College	St. Louis – College Kids
Year it started	2013	2011	2015
Area	State of Indiana	City of San Francisco	City of St. Louis
Enrollment	Opt-in	Automatic	Automatic
Target population	Indiana children who don't currently have college savings accounts. Data on race and ethnicity were not available for families who signed up for accounts; however, we know from Indiana Department of Education (2016) data for the participating schools that the student body is largely White (93 percent).	A K2C college savings account is automatically opened for each SFUSD student entering kindergarten, or a participating program year, usually K-5. Students must be enrolled in a participating SFUSD school in order to receive K2C Program contributions, matches or incentives.	Children enrolled in a public or charter school in the City of St. Louis. Schools provide data on children, including contact information.

Goal	Develop college-going culture in communities, build assets. "Raising expectations" for the kids to go to college or do trades. The unique approach for PI is to work with the kids, even if parents don't see college as an option.	The San Francisco Kindergarten to College (K2C) Program is a college savings program by the City and County of San Francisco in partnership with the San Francisco Unified School District (SFUSD). The goal is 1.to build a college going culture 2. financial literacy 3. getting everyone in the financial mainstream.	College Kids strives to create a culture of asset-building for low and moderate-income families and increase utilization of and access to healthy financial products and services. Long-term, College Kids aims to increase post-secondary enrollment and graduation rates and increase financial literacy among participating families.
Type of account	Facilitated enrollment in 529 college savings accounts. Families participating in PI have a primary 529 account owned by the family and a match account, created by PI if the student is in a cohort eligible for matches. The primary account is subject to the same penalties for unqualified withdrawal as any other Indiana 529 account, while the match account has additional restrictions. PI sends a newsletter-type insert to PI participants along with quarterly statements to 529 account holders. Families had to contribute \$25 to open their own account. YMCA holds incentives in Omnibus account. Other communities chose to use more conservative options to hold their funds. 529 don't receive cash and don't open accounts for undocumented.	Omnibus custodial account with 30,000 student records. A separate account for incentives is also held at CitiBank which offers 0.15% interest. Interest earned is put back into the pool of incentives and is not considered an earning from the IRS point of view. CitiBank built the accounts so families can see their deposits as well as a separate incentives account. K2C accounts are opened and maintained by the City and County of San Francisco with Citibank, N.A. The accounts will grow through contributions made or authorized by the student and/or their parent/guardian. Additional contributions, matches, and/or incentives may be provided by the K2C program. The K2C account is a deposit-only, no interest earning savings account with no fees or charges. It is a	First Financial FCU was selected by the Treasurer who wanted to work with a locally-owned, high-quality financial institution. The 529 was rejected because of their inability to take cash deposits which was important for the low-income families. First Financial developed a new custodial account; deposit-only until the beneficiary turns 18. Deposit-only accounts are held at a local credit union, 1st Financial Federal Credit Union. Through provisions of the Uniform Gifts to Minors Act (UGMA), the CSAs are custodial accounts with the Treasurer listed as primary account holder and each individual student named as beneficiary. Each account has its own

		<p>restricted account intended for post-secondary (college, professional certification, undergraduate, or graduate school) educational use. Only students entering a SFUSD school in grades K-5 will receive a Kindergarten to College account. Accounts are custodial accounts owned by the City and County of San Francisco under its tax ID number, for the benefit of the student. The account balance and transaction history will be available online for review by the student and their parent/guardian. Account statements are not being mailed to participants. Total contributions made by the student and/or parent/guardian or any other non-K2C program funds may not exceed \$1,000 per day or \$32,500 lifetime maximum.</p>	<p>unique account number and is serviced by 1st Financial Federal Credit Union. Participants are able to make deposits into their accounts at other credit unions participating in the Shared Branch Network at no expense to the participant. Anyone is able to contribute to the account, and participants are able and encouraged to share their account number in order to receive deposits from family or community members. All deposits are insured by the National Credit Union Administration (NCUA) and are governed by NCUA regulations. Credit union provides CSA program with daily reports on account transactions. The software used by the CSA program is called "Outcome tracker" managed through VISTA Share. The reports produced by the CSA program include data on both deposits and incentives for each account.</p>
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Children's age	Kindergarten through 3rd grade. Each county decides on cohort: only kindergarten or k-3 like in Wabash county. Any kid regardless of grade can join PI.	Kindergarteners are enrolled automatically. Any new student can enroll as well and will still get the incentives including the seed deposit. They call them the "catch up accounts".	College Kids automatically opens accounts savings accounts for all students attending kindergarten in a St. Louis Public district or charter schools.
Unique approach	State-supported, community driven. A community-owned CSA using local grassroot and community engagement. Program works with Community Foundations across the state of Indiana to award scholarships throughout a child's school career – not just when they are ready to graduate from high school – so that youth have time to grow assets and build their identity. PI is supported by the Indiana Education Authority which reports to State Treasurer. IEA oversees the 529 accounts, outsourced to Boston. PI has a MoA and 5-6 staff paid by a grant from Eli Lilly foundation. Each of the 25 communities has a convener: can be the school, 6 YMCAs, United Way, community foundations. Most conveners are part time working mostly July-October for school registration, family sign-up, college visits. The fundraising is done before the program is launched, when they put in the application. Counties raise from \$100-1 mil. and PI provides support for first 2 years to cover the salary for convener.	City of San Francisco decided to work with a financial institution (and not with 529) because they didn't want to exclude the undocumented students from the opportunity to save for college. At the beginning no financial institution was willing to work with K2C. After a while CitiBank came forward and built the savings account product for them. While program started in 2011 it wasn't until 2015 that the account had the features it has today. Program coordinator still finds it difficult to manage 30,000 accounts with the current technology support. The K2C program sits with the Office of Treasurer which is independent from the Mayor Office. They had the same Treasurer over the years the program has been running. The board approves the budget which is about \$1.2 million a year (need to confirm). It has a total of 3.5 employees and a VISTA AmeriCorps volunteer. All incentives are paid by grant money. Program does do	The City of St. Louis Treasurer's Office is leading the CSA initiative and is responsible for all aspects of the program, including funding, coordination, outreach, and account access and data management. The mayor and comptroller are both members of the College Kids Advisory Board. The program is part of the office for Financial Empowerment. Key partners: St. Louis Public District and Charter Schools, Vista Share, 1 st Financial Federal Credit Union, Wells Fargo (\$10,000 grant), Washington University in St. Louis. The advisory board meets quarterly and includes the school district, sponsors and research person. Funding for the program coordinator and VISTA share comes from the parking revenue collected by the City. Program is physically located in the City

		fundraising activities to obtain grants.	Hall. Total annual budget of \$300K of which \$175K is for seed money for the accounts.
Incentives	<p>Two mandatory incentives: \$25 enrollment seed and Champion match of 3:1 or 1:1. The rest of incentives varies by community. Financial incentives for family saving, including initial seed deposits, savings matches, and champion contributions. Accounts are eligible for up to \$325 in sponsored contributions. Accounts are eligible to receive a 3:1 match of up to \$75 each year if the family/champion deposits totaled \$25 by October 31 (approximately two to three months after the account was opened). Sponsorships from local businesses as well as champions (extended family, friends, etc.). Example: \$10 incentive paid into CSA account if parent attends parent-teacher conference. From grade 4-8 there are other incentives: parent teacher conf, optometrist visit, housing? shopping at Kroger a % goes to CSA.</p>	<p>In 2017 changed the incentives formula. Lowered savings match from \$100 to \$10 for saving any amount in the first 2 months. \$90 is the maximum amount of incentives a student can receive.</p> <ul style="list-style-type: none"> • \$50 Initial Incentive. A K2C account is opened for each eligible student when starting kindergarten, containing an initial incentive of \$50 from the City and County of San Francisco. • \$10 Save Monthly Bonus. Any month you save at least \$10, be rewarded with an immediate \$10 bonus. You are eligible to receive a total of \$60 for any six months of saving. This incentive is available to all K2C account holders who did not earn the previous \$100 Save Steady Incentive and will expire December 31, 2018 for accounts opened before December 1st, 2017. For accounts opened Spring 2018, the expiration date is May 31, 2019. • \$10 Save Now Bonus. Available for new accounts opened Spring 2018. A one-time bonus of \$10 if you make the first deposit in your account before May 31, 2018. 	<p>Funds for matches and incentives are raised privately through individual donors, foundations, and corporate support. Through contributions made by the business and philanthropic community, students can earn additional money for college. This year, matches and incentives include: \$1 for every week of perfect attendance, match contributions up to \$100, and up to \$50 for completing financial education courses either online, in person, or via a smart phone. Incentive funds are held in an investment account at a bank, not at First Financial CU. Fundraising is not a first-hand priority as the staff time is limited. Currently they raise money through a 1:1 quarterly campaign through Prosperity Now that plays the role of the fiscal agent. Coordinator sees the need for more fundraising. Budget \$300,000 per year, including for</p>

		<ul style="list-style-type: none"> • \$20 K2C Account Registration Bonus: If you register on the K2C portal to view your student's account activity, your student will receive a \$20 bonus in their account. This incentive is available for all K2C account holders who have not yet registered their account on the K2C portal. It takes up to 1 month to register incentives in the account. 	\$175,000 seed deposits. Incentives are shown in each account but are held in an investment account at a bank and will not be released until the beneficiary turns 18 and applies for post-secondary education. Incentives are offered over several years/grades.
Seed funding	For children in kindergarten through third grade, seeds all accounts with a \$25 initial deposit provided by PI community sponsors	The City and County of San Francisco starts each account with \$50, and families have the opportunity to earn additional incentives.	The initial \$50 seed deposit to open each CSA is provided by the Treasurer's Office. Funds are provided by the net proceeds of the Parking Division, of which the Treasurer is supervisor.
Communication strategies	Programming done through schools and directed mainly at children. Families are notified of the \$25 initial deposit through such mechanisms as billboards, social media postings, letters, and phone calls from school personnel, as well as presentations at school- and community related events.		
Family Deposits	Deposits can be made online through the 529 plan website or in person, at PI events, or at participating schools. Small deposits and cash are accepted.	Families can make deposits in the K2C account for their student's benefit either in person (by visiting a Citibank Branch in San Francisco), online (through online bill pay), direct deposit through their employer, or by mail (by sending a check to K2C). Students, extended family, and	Families can make deposits through the credit union 4 branches, 2 of which are in St. Louis. They can also make deposits through other credit unions which share branches with First Financial FCU. There are many cases of families losing the CSA account number,

		friends can deposit funds also.	they call into the CSA program and ask for it. Payroll deduction was introduced and it was effective in boosting deposits.
Outreach	13,000 accounts in 18 counties (+7 more counties in 2018) \$17.6 million in assets including \$0.67 million in incentives		CSA welcome materials and statements sent through kid's backpacks are more effective than mailing them.
Savers vs non-savers	Families that opened a 529 account but made no additional contributions. 45% of participants made a deposit of their own or had a champion make a deposit in the first 3-36 months of the program. For savers the average balance was \$274. 60% of savers had contributions of \$1–\$50 and at the high end, 11% had contributions of \$301 and above. On average, family/champion contributions were \$197 and made up 45% of the account value, followed by match (31% and incentives (24%).		Out of 10,000 accounts 281 have deposits (which is 3%). Barriers: it is hard to ask for deposits when 90% of the children are low income (F/R).
Family/children engagement	College and career planning activities integrated into participating schools. All children in participating PI schools receive the college and career planning component of the CSA model, whether or not they have an account or any college savings at all. This includes campus visits for kindergarten through third-grade students at postsecondary educational institutions and, in some communities, elements such as “college going pledges,” photos of students with posters outlining their future careers, and/or guest speakers	SFUSD provides the student information necessary to open K2C accounts. SFUSD provide financial literacy. Teachers get a handout from K2C with information about K2C enrollment. Schools have to publish everything in 6 languages. Use of volunteer as a K2C Ambassador. The K2C college savings program is recruiting parents/guardians of children attending a SFUSD elementary school as well as	With 1 full time staff the program doesn't currently have someone dedicated specifically to family and school outreach, which they wish they had. The coordinator wishes she had more media relations support from the City. Family savings nights are done quarterly and include students coming into the credit union and have a \$20 incentive. CSA program uses Vista Share to provide an

	<p>who come to classrooms to highlight their own careers and educational backgrounds.</p> <ul style="list-style-type: none"> • Talking with families about college-saving at kindergarten enrollment • “Walk into My Future” college visit events • Classroom discussions about college • Employer payroll deduction for families • Recruitment of community champions • Emphasizing how small actions can position families to afford higher education • Reshaping local community culture regarding how families expect to pay for college • Promoting college cost calculators to help families accurately assess their own college savings task and construct plans for their own asset accumulation. 	<p>community members to help connect with families in the K2C program.</p> <p>-K2C School Ambassadors are school staff at each SFUSD elementary school. They serve as a point of contact at an SFUSD school ensuring that parents have the proper resources and support to access their K2C accounts. -K2C Community Ambassadors help spread awareness of K2C to the general community and support K2C events.</p> <p>K2C is offering bank field trips for groups of up to 22 students, parents, and SFUSD classrooms at a local Citibank branch. On the field trip, students learn about banks, receive a tour, and have the opportunity to make a deposit to their K2C college savings account. Bringing parents into a CitiBank branch was an interesting feature.</p>	<p>annual statement to the families. FFCU does not send CSA statements to families.</p>
Impact	<p>Mere exposure to Promise Indiana increased the odds that parents would expect their child to attend college by 59%. Parents who were exposed to Promise Indiana and opened a College Choice 529 account were approximately three times more likely to expect their child to attend any college, compared to parents who didn’t do either. Parents with no college education who were both exposed to Promise Indiana and opened a CollegeChoice 529 account</p>	<p>Total number of accounts: 30,000. Average balance: \$500. Highest balance: \$33,000. 30 students have over \$10,000 in their account. Number of savers: 19.6%. active accounts. The goal was to have 20% of active accounts. Over 50% of savers receive F/R lunch which is a statistic the program coordinator was especially excited about.</p>	<p>Total accounts: 10,000. Active accounts: 2,300 these are accounts of students who have accumulated incentives beyond the \$50 seed deposit (which is 23%). 281 accounts have savings, with 30 accounts holding a balance over \$500. There is no limit on the account balance.</p>

	were 13 times more likely to expect their child to attend college.		
First year uptake	60% uptake of 529 savings accounts in the first year. 45% of PI accounts had deposits from family or champion funds, with an average account balance of \$270.		The first cohort of 3,143 kindergarten students has completed their first year of the program. Including seed deposits, families have saved more than \$163,000 for college. In the fall of 2016, enrollment is expected to grow to include an additional 4,000 students, and grow at about that pace annually.

<p>Withdrawals</p>	<p>Each community decides on withdrawal restrictions. Typically, at 25 years old the incentive funds are released if not used for post-secondary education.</p>	<p>Withdrawals may be made for qualified higher education expenses such as tuition, mandatory fees, books, supplies, and equipment required for enrollment or attendance, or for any other eligible purpose that is in accordance with federal qualified tuition plan (529) rules. Eligible institutions include private colleges, public universities, community colleges, graduate schools, and trade schools around the country. Incentives are distributed only when a child enters post-secondary (college, professional certification, undergraduate, or graduate school) education. If student does not attend post-secondary education, then all the funds except for incentives will be paid to the student upon turning 25 years old. For students that serve in a national service program (such as the US Military or Peace Corps), each year of service may increase the maturity date by one year, to a maximum of five years, or by the age of 30. If there are any deposits in K2C account, the account will remain open and active. Any incentives earned while in SFUSD will remain in K2C account. If student leaves the SFUSD, they will not be eligible for any future incentives. All other program rules still apply. If there are no</p>	<p>Families can withdraw their deposits in case of emergency. There was only 1 request so far.</p>
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		<p>deposits made to the K2C account, the account will be closed after leaving SFUSD. Funds may be withdrawn from K2C account and deposited into another account, however, any incentives will be forfeited. In the case of an emergency or unforeseen circumstance, the student and/or parent/guardian may request an unqualified withdrawal from the K2C Program. A withdrawal forfeits previous incentives related to contributions. Withdrawals may take up to 28 days to process. Program coordinator has seen about 20 requests for withdrawals due to emergency (car broke, sickness, divorce). All requests were approved.</p>	
Lessons learned	<p>2 years into program became more focused on research: how to measure success - average balance, number of accounts opened, or deposits made by families? Duke and Univ of Michigan have done studies on PI behavior science. Another lesson is to give communities more flexibility in program design. make program easier - seat belt example.</p>		<p>Regular evaluations of the CSA program are advised. Measure success by incentives uptake, number and volume of deposits, number of financial education courses families attended. Currently looking into adding financial coaching. Key element is family engagement.</p>



ABOUT PROMISE INDIANA

Mission

Promise Indiana designs systems, creates partnerships, and gives communities the tools they need to rally champions, promote long-term savings, and support post-secondary education attainment for all youth.

Positioning Statement

For Indiana children who don't currently have college savings accounts, Promise Indiana provides access to 529 college savings accounts while simultaneously developing college-going culture in communities. We promise access to a high-quality college savings tool, seed funding upon opening of an account, and community-supported activities to generate additional matched deposits and nurture college-going identities.

Programmatic Focus

As a community-owned Children's Savings Account (CSA) intervention, the program was designed to equip young children and their families with the financial resources, college-bound identities, community support, and savings behaviors associated with positive educational outcomes. It was crafted to align with the state's aspirations while also remaining rooted in each community's particular understandings of what is required to set all children in their area on a path toward educational success.

Promise Indiana's unique approach to leveraging the entire community makes it easy for families to begin saving for post-secondary education, incentivizes savings behavior with community matching funds, and develops college-saving identities for youth. Contextualizing 529 accounts, which may be foreign to many, in a familiar and easy to understand process helps families move into action.

What Makes Promise Indiana Unique?

Promise Indiana is uniquely poised to incentivize savings behavior with community matching funds (both seed and additional match funding) through an innovative community activation model. Promise Indiana builds college-saver identities for youth by exposing them to college and careers in the classroom and recruitment of community champions to support the development of college-going culture through a "Walk into My Future" visit and celebration on a college campus.

The following characteristics were identified as core areas of focus for Promise Indiana:

- *Remaining Indiana-centric* - The program was born in Indiana with the goal and commitment to saturate and serve the state.
- *Creating and nurturing youth with college-going identities* - encouraging youth to stay in school and to succeed. This positive expectation and grit are a part of how Promise Indiana transforms communities.

- *Asset-Building* - Believing in and fostering the power of asset-building to create a complementary differentiator in building resilient communities.
- *Community Activation* - Honoring the uniqueness of a “community activation” model to lift local grassroots and community engagement instead of a cookie cutter replication approach.
- *Controlled Growth* - Recognizing that the application process for communities forces local preparation and collaboration while offering Promise Indiana control and confidence over the expansion rate.
- *National Recognition/Local Credibility* - Maintaining activity as a national thought leader and being visible in national conversations without “expanding nationwide,” increases local credibility and serves the field.

Assets, Accounts and Communities

Through 2017, Promise Indiana has activated 18 counties throughout the state. To date, over 13,000 parent-owned Indiana CollegeChoice 529 accounts have been established. These accounts hold \$7.6 million in assets. Assets held in community-owned protected accounts hold over \$670,000 of incentives on behalf of students. After a competitive application process, Promise Indiana has selected seven counties to launch the program in 2018, projecting an additional 3,673 CollegeChoice 529 account openings during the two-year pilot phase.

Promise Indiana Counties

2018: Carroll, Clinton, DeKalb, Elkhart, Parke, Ripley, Randolph

2017: Clay, Hancock, Huntington, Porter

2016: Benton, Blackford, Dearborn, Fulton, Marion, Marshall

2015: Howard, Jay, Kosciusko, Steuben

2014: Noble, LaGrange, Whitley

2013: Wabash

Creating and Measuring Impact

Promise Indiana has always been about more than just the dollar amount in a child’s account. While those resources matter, Promise Indiana is built on the belief – validated through empirical evidence – that having a CSA will increase parental and child expectations and drive greater educational outcomes. Children who identify as college savers believe higher education is a part of their future and have a concrete strategy with which to approach this task, both critical dimensions that explain improved attainment. On this front, there are few, if any, CSAs realizing the successes of Promise Indiana connected to utilizing the mechanisms of Identity-Based Motivation to inspire families to act in ways consistent with these emerging identities.

Given the importance of engagement even in CSA programs that utilize automatic enrollment, Promise Indiana’s operationalization of these principles is valuable for Promise Indiana communities and participants, as well as the broader field:

Salience (bringing college front of mind)

- Talking about college within the school day
- Talking with families about college-saving at kindergarten enrollment and representing it as the ‘next step’ in the child’s academic career

Group Congruence (helping children feel part of a larger college-bound culture)

- “Walk into My Future” college visit events
- Classroom discussions about college
- Employer payroll deduction for families
- Recruitment of community champions

Normalization of Difficulty (positioning college savings as a tool with which to confront the inevitable challenges associated with paying for college)

- Emphasizing how small actions can position families to afford higher education
- Reshaping local community culture regarding how families expect to pay for college
- Promoting college cost calculators to help families accurately assess their own college savings task and construct plans for their own asset accumulation

Promise Indiana helps reinforce parents' expectations for children's futures, fosters community-wide partnerships, and creates a saturation of savers. The program adds value to the educational ecosystem by connecting teachers and families across the continuum and uniting the efforts and talents of diverse individuals, philanthropists, businesses, and organizations.

Promise Indiana proudly works with Community Foundations across the state of Indiana to award scholarships throughout a child's school career – not just when they are ready to graduate from high school – so that youth have time to grow assets and build their identity.

Research to Date

Peer reviewed research by the Center on Assets, Education and Inclusion (AEDI) at the University of Michigan, has found that ownership of a 529 college savings account through The Promise is associated with higher parental expectations for their child’s future educational attainment.^{25 26} Further, having a 529 account through The Promise is associated with increases in math and reading scores for low-income students, important indicators for future academic success and persistence through school.²⁷ Educational attainment is associated with a wide-range of positive life outcomes.

From analysis of parental surveys in Promise Indiana communities,² we have learned that mere exposure to Promise Indiana increased the odds that parents would expect their child to attend college by 59 percent. Parents who were exposed to Promise Indiana and opened a CollegeChoice 529 account were approximately three times more likely to expect their child to attend any college, compared to parents who didn’t do either. Parents with no college education who were both exposed to Promise Indiana and opened a CollegeChoice 529 account were 13 times more likely to expect their child to attend college.

¹ Lewis, et al. (2017). Saving and Educational Asset Building Within a Community-Driven CSA Program: The Case of Promise Indiana. [*Poverty & Public Policy*, 9\(2\), p. 188-208.](#)

² Rauscher, et al. (2017). Examining the Relationship Between Parental Educational Expectations and a Community-based Children's Savings Account Program. [*Children and Youth Services Review*, 74, p. 96-107.](#)

³ Elliott, et al. (2016). Initial Elementary Education Findings from Promise Indiana’s Children’s Savings Account Program. [*AEDI Working Paper 04-16.*](#)

Further, because having a dedicated savings account for post-secondary education is understood to help close achievement gaps that depress the educational attainment of disadvantaged children, AEDI also separately examined the effects of Promise Indiana on the early educational outcomes of children who receive free/reduced lunch.³ For children receiving free/reduced lunch, simply having a CollegeChoice 529 account through Promise Indiana was related to higher reading and math scores. Family contributions to the account and amount contributed were both associated with higher reading scores.

St. Louis City Profile – Children’s Savings Accounts

“College Kids”

City name: St. Louis, MO

Population: 317,419

Program implementation status: Implementing

Project lead: St. Louis City Treasurer Tishaura Jones

City role: The City of St. Louis Treasurer’s Office is leading the CSA initiative and is responsible for all aspects of the program, including funding, coordination, outreach, and account access and data management. College Kids is administered through the Treasurer’s Office of Financial Empowerment. The St. Louis City Treasurer is the primary lead for College Kids and has engaged with other elected officials in the planning process, including St. Louis City Mayor Francis Slay and Comptroller Darlene Green. Additionally, the mayor and comptroller are both members of the College Kids Advisory Board.

Program goals: College Kids strives to create a culture of asset-building for low and moderate-income families and increase utilization of and access to healthy financial products and services. More than 25% of St. Louis students are currently enrolled in the attendance incentive and they hope to increase that enrollment to 30% by the end of 2017. Long-term, College Kids aims to increase post-secondary enrollment and graduation rates and increase financial literacy among participating families.

Program description: College Kids automatically opens accounts savings accounts for all students attending kindergarten in a St. Louis Public district or charter schools. The deposit-only savings accounts are seeded with \$50 from the Treasurer’s Office.

Program status, spring 2016: The first cohort of 3,143 kindergarten students has completed their first year of the program. Including seed deposits, families have saved more than \$163,000 for college. In the fall of 2016, enrollment is expected to grow to include an additional 4,000 students, and grow at about that pace annually.

Key partners: St. Louis Public District and Charter Schools, VistaShare, 1st Financial Federal Credit Union, Wells Fargo, Washington University in St. Louis.

Financial institution: Deposit-only accounts are held at a local credit union, 1st Financial Federal Credit Union. Through provisions of the Uniform Gifts to Minors Act (UGMA), the CSAs are custodial accounts with the Treasurer listed as primary account holder and each individual student named as beneficiary. Each account has its own unique account number and is serviced by 1st Financial Federal Credit Union. Participants are able to make deposits into their accounts at other credit unions participating in the Shared Branch Network at no expense to the participant. Anyone is able to contribute to the account, and participants are able and encouraged to share their account number in order to receive deposits from family or community members. All deposits are insured by the National Credit Union Administration (NCUA) and are governed by NCUA regulations.

Funding source: The initial \$50 seed deposit to open each CSA is provided by the Treasurer’s Office. Funds are provided by the net proceeds of the Parking Division, of which the Treasurer is supervisor.

Approval for allocation of these funds was requested by the Treasurer, confirmed by the Parking Commission, and subsequently approved by the Board of Aldermen and the Mayor. Funds for matches and incentives are raised privately through individual donors, foundations, and corporate support.

Account type: Custodial account; deposit-only until the beneficiary turns 18.

Kindergarten to College (K2C)

www.k2csf.org

info@k2csf.org

3-1-1 (in San Francisco) or 415-701-2311

PROGRAM RULES Kindergarten to College (K2C) accounts are opened and maintained by the City and County of San Francisco (City) to help San Francisco public school students save for college. A K2C account will be maintained automatically for the benefit of individual students enrolled in participating San Francisco Unified School District (SFUSD) schools and grades. The student and the student's parent/guardian may make or authorize contributions to the K2C account for the benefit of the student. K2C accounts are deposit only accounts. No withdrawals can be made from the K2C account except through the K2C Program Administrator and unless they are qualified withdrawals, as discussed below.

ACCOUNT INFORMATION K2C accounts will be opened and maintained by the City and County of San Francisco with Citibank, N.A. The accounts will grow through contributions made or authorized by the student and/or their parent/ guardian. Additional contributions, matches, and/or incentives may be provided by the K2C program. Students must be enrolled in a participating SFUSD school in order to receive K2C Program contributions, matches or incentives. All K2C account assets will be held by the City for the student in accordance with K2C program rules. For any year the student is not enrolled in SFUSD, the K2C account will remain active for use by the student and his or her parent/guardian when the student or family has made contributions, but will not be eligible for match or incentive deposits from the K2C Program. When no student/ family contributions to the K2C account have been made for the benefit of student, the student may be unenrolled from the K2C Program at the discretion of the City. All other program rules will still apply. The account balance and transaction history will be available online for review by the student and their parent/guardian. The making or authorizing of a deposit to the K2C account for the benefit of an individual student constitutes acceptance of the K2C program rules by the student and family.

CONTRIBUTION LIMITS Total contributions made or authorized by the student and/or parent/guardian or any other non-K2C program funds may not exceed \$1,000 per day or \$32,500 lifetime maximum. No withdrawals can be made from the K2C account at any time unless they are qualified withdrawals, as discussed below.

WITHDRAWALS Requests for Qualified Withdrawals and Account Maturity Withdrawals may be made to the K2C Program Administrator for qualified higher education expenses such as tuition, mandatory fees, books, supplies, and equipment required for enrollment or attendance, or for any other eligible purpose that is in accordance with federal qualified tuition plan (529) rules. Eligible institutions include private colleges, public universities, community colleges, graduate schools, and trade schools around the country. All withdrawals must be made prior to the student attaining the age of 25. For students that serve in a national service program (such as the US Military or Peace Corps), each year of service may increase the maturity date by one year, to a maximum of five years, or attaining the age of 30.

If a student does not use these funds for a qualified withdrawal, any non-K2C program funds (including contributions by the student parent/ guardian) will be returned to the student at age 25. Any funds contributed by the K2C Program to the K2C Account will be returned to the K2C program. In the case of an emergency or unforeseen circumstance, the student and/or parent/guardian may submit a nonqualified

use withdrawal request to the K2C Program for review. A maximum of three non-qualified withdrawals may be granted.

The Program Rules are subject to change. Timely notification will be provided of any changes to the Program Rules.

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