Designing Sustainable Funding for College Promise Initiatives

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Children’s Savings Account Models

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This paper was presented at the “Designing Sustainable Funding for College Promise Initiative” meeting on June 2, 2016. It has been submitted for ETS Technical Review and will then be published.
Promise Models and CSAs: How College Savings Can Bolster the Early Financial Aid Commitment

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The authors would like to acknowledge the contributions of the CSA Team of which they are Co-chairs. Their team members include: Robert Ballard, Sarah Bauder, Al Berkeley, Margaret Clancy, Amanda Feinstein, Neil Horikoshi, Michael Mirra, and Carl Rist.
Introduction

Over the last decade, College Promise initiatives have emerged in states and cities throughout the United States. The primary goal of these initiatives is to expand access to postsecondary education, particularly to underserved populations, in order to meet the growing demand for a highly college-educated workforce. Some College Promise initiatives also have a broader economic development purpose, seeking to help communities retain population and stem ‘brain drain’. Though diverse in many ways, these College Promise models typically feature a promise of either free tuition or scholarships to cover all or part of tuition costs. The promise is usually for one or more years of postsecondary education—sometimes only at particular institutions—and is extended to students at some point during their primary or secondary schooling.

At roughly the same time, numerous children’s savings account (CSA) initiatives have also emerged in cities and states across the country. These CSA initiatives seek to help low-income children and youth build tangible savings to use for future investment, often limited to post-secondary education or training. By building real savings in an actual account, these CSA initiatives also help to raise college-going aspirations and a college-bound mentality among disadvantaged young students and provide a tangible asset base and experience with mainstream financial institutions. They are also usually paired with some form of age-appropriate financial education designed to build financial capability for children, and often for their parents as well.

While College Promise and CSA initiatives share a common goal of assuring underserved populations that postsecondary education can be attained, they differ in the timing, level and nature of their funding commitments. Both models also face the challenge of identifying and securing the funds necessary to meet their respective promises and helping children and their
families overcome other obstacles to postsecondary educational attainment, including those related to academic preparation. In the paper that follows, we analyze the strengths and weaknesses of both models and then make the case for more effectively linking Promise Models and CSAs. In fact, we explain how the strengths of these respective models help to overcome the weaknesses of the other. Finally, we identify the disadvantages and advantages of linking these models, the policy reforms needed to make this happen, and opportunities for evaluating the success of the proposed integrated model.

The College Promise Model

College Promise models provide earlier notification of financial aid through early commitment of particular (often privately-financed) grants or scholarships. For example, three states (Indiana, Oklahoma, and Washington) adopted broad early commitment programs targeted to students from lower-income families (e.g., Blanco, 2005; Harnisch, 2009). These programs seek to provide middle-school and early high school students with the knowledge that college will be affordable if they “do their part,” generally defined as meeting a relatively modest GPA requirement in high school, staying out of significant trouble, and attending an in-state college or university while filing the FAFSA each year. Research on the Indiana program indicates that the program may have induced greater numbers of students to enroll in college (St. John et al., 2004).

Dozens of cities and towns have adopted their own versions of “promise” programs to induce families to stay in or relocate to their community (Vaade, 2009). For example, the Kalamazoo Promise guarantees that students who live in the school district and attend public schools from elementary through high school will receive a grant equivalent to the cost of tuition and fees at in-state public institutions. Emerging evidence suggests that students who know they
will receive a large scholarship to attend college because of the Kalamazoo Promise work harder in high school, and teachers expect more from them (Bartik & Lachowska, 2012; Jones, Miron, & Kelaher-Young, 2012). The availability of the scholarship may also be associated with encouraging students from low-income families to apply to more selective and expensive public universities in Michigan (Andrews, DesJardins, & Ranchhod, 2010), thereby potentially reducing ‘under-matching’ (re: the effects of under-matching on the educational attainment of low-income, academically-qualified students, see Hoxby & Avery, 2013).

Why Promise Models Are Not Enough

While research shows some encouraging outcomes from Promise Models, these initiatives are not without challenges. In addition to the larger issue of identifying and securing sufficient funds to sustain College Promise programs, we have identified four specific challenges related to Promise Models that may make them inadequate to make educational opportunity a truly equitable force for economic mobility, particularly in the lives of disadvantaged students:

1. **Differing effects among different populations.** While Promise Models have the singular purpose of making college financially accessible to all, they fail to consider that middle-income and high-income students are considerably more likely to attend and graduate from college in the first place (see Bailey & Dynarski, 2011), which means they would benefit first and, perhaps, most from reductions in tuition prices. Many low-income children, on the other hand, never make it to the point of seriously contemplating tuition prices at all. Thus, these programs need to work more in concert with early education and engagement efforts to cultivate and sustain expectations and reduce the gaps in achievement so more children—including those currently disadvantaged—are prepared to attend college.
2. *Potential for under-matching for low-income students.* Promise Models that make two-year colleges free, as some states are pursuing, may exacerbate the existing two-tiered system. Low-income and minority students may be disproportionately steered into two-year colleges because of their financial constraints, even though their academic efforts and abilities suggest they would be better served at more selective four-year universities. This may intensify existing economic inequality because students who attend two-year colleges are, on average, less likely to graduate from college and more likely to earn less than students who attend selective, four-year institutions (Looney & Yannelis, 2015).

3. *Tuition is not the only cost.* While Promise Models that focus on free two-year college typically address tuition only, students face many other costs such as rent, transportation, fees, and food. As a result, Promise Models may not even make much of a dent in student debt. For example, Ma and Baum find that, in the 2015-2016 school year, tuition and fees are only 20% of the estimated annual budget for community college students (2016).

4. *College Promise Models need rigorous evaluations to demonstrate that they improve educational outcomes.* Many College Promise Models focus on increasing access to and completing a postsecondary education, especially for underserved populations. However, there is limited information about college completion outcomes. Research shows that low-income students and students of color experience a lower return on postsecondary education. For example, the Federal Reserve Bank of St. Louis found significantly lower median annual income and net worth amounts among Hispanic ($68,379 income/$49,606 net worth) and Black adults ($52,147 income/$32,780 net worth) with four-year college degrees than among their White ($94,351 income/$359,928 net worth) and Asian
($92,931 income/$250,637 net worth) counterparts (Emmons & Noeth, 2015). Other research indicates that college graduates who grow up in families with incomes below 185% of the poverty level earn less over the course of their lives than those who grow up in families with incomes above 185% of the poverty level (Hershbein, 2016). This suggests that College Promise strategies must focus not only on college affordability but must incorporate evidence-based college retention and persistence practices to achieve some of our most cherished aspirations for education as an equalizer that places prosperity within reach of all.

Children’s Savings Accounts

Children’s Savings Accounts (CSA) are long-term, incentivized savings or investment accounts for postsecondary education established for children and youth (ages 0-18) and allowed to grow until children reach adulthood. Many CSA programs provide an initial “seed” deposit to start accounts, and savings are built by contributions from family, friends, and/or the children themselves, along with savings matches from public funds, community supporters, or philanthropic institutions. Some CSA programs deposit money in the accounts as a student achieves academic milestones identified in advance with counselors. While CSA programs serve a wide range of children, many programs place special emphasis on ensuring access for low-income children and families who do not benefit from tax incentives, such as those offered by 529 college savings plans.

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1 This source of data is presented for illustrative purposes and the authors of this report recognize the importance of disaggregated data among various communities that reveal divergent statistical results. For instance, Asian data varies widely when looking at South East Asians and also Native Hawaiian Pacific Islanders, and this report acknowledges findings from the National Commission on Asian American and Pacific Islander Research in Education and the Asian and Pacific Islander American Scholarship Fund (2011) that highlight tremendous educational disparities with Southeast Asians and Native Hawaiians and Pacific Islander having higher school and postsecondary achievement. This report is about inclusion of all the communities.
While CSA program models differ, the key characteristics of CSA programs are that they:

- Are intended for a long-term asset-building purpose, most often postsecondary education
- Provide direct, monetary incentives to encourage family saving and child asset accumulation (e.g., initial deposits, savings matches, benchmark incentives, prize-linked incentives or refundable tax credits)\(^2\)
- Restrict withdrawals from savings for nonqualified purposes (i.e., the funds must be used for an asset, usually postsecondary education)

In addition to these characteristics, many programs also provide financial education, college preparation or academic supports, and other opportunities for children (and sometimes their parents) to build their financial capability.

**Why CSAs Matter**

CSAs are part of a broader asset-building movement which asserts that income alone cannot secure economic mobility and financial well-being for low- and moderate-income families. In this sense, CSAs are a tool that can work across a variety of dimensions in a child’s life, as we describe below, from influencing future aspirations to increasing postsecondary success to providing a foundation of postcollege financial health. Viewed from this perspective, CSAs are not necessarily superior to other financial aid approaches for the sole purpose of paying for college, nor are CSAs the only way to address childhood poverty. Yet, when considered through a lens that looks broadly at the ways in which assets shape the educational and life trajectories of American children, to account for the role of assets in helping children prepare for, engage with,

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\(^2\) This definition does not include programs that offer tax deductions only, since such tax-based incentives may not be accessible for low-income families with no or limited tax liability.
and benefit from college—not just to access enrollment—there may be no other single policy lever as well-suited to these challenges as CSAs.

We contend that CSAs may benefit children in at least five ways. Please note, however, that as a relatively new innovation—CSAs are long-range investments starting as early as a child’s birth and come to fruition fully when a child reaches college age—experimental data are only available from Saving for Education, Entrepreneurship, and Downpayment (SEED) for Oklahoma Kids (SEED OK) (Marks, Engelhardt, Rhodes, & Wallace, 2014). Because SEED OK started at birth in 2007, impact findings come from studies when children were about four years old. It will be many years before researchers can learn about the effects of CSAs on children’s college enrollment, graduation, and postcollege outcomes. In the meantime, therefore, researchers have used as a proxy whether or not children who have mentally designated money for college in a bank savings account as a way to estimate the potential of CSA programs. Given this scenario, we indicate below when the evidence is based on experimental data from SEED OK or correlational secondary data.

1. Raising Educational Expectations

CSAs can raise both children’s and their parents’ expectations for their postsecondary academic achievement, which can eventually lead to increased college enrollment. Findings from the SEED for Oklahoma Kids research experiment, in which children were randomly selected from a state population and randomly assigned to receive $1,000 in a CSA at birth, indicate that having a CSA improves parents’ college expectations for their children (Kim, Sherraden, Huang, and Clancy, 2015). Parents in the treatment group had higher expectations for their children and their expectations were more likely to remain constant or increase during the time period studied than parents in the control group. College expectations are important because research has
demonstrated a clear link between parents’ and children’s educational expectations and children’s college enrollment, likely through multiple channels, including parental engagement in children’s schooling (Singh, et al., 1995).

2. **Improving Academic Performance.**

CSA programs may improve elementary and secondary academic performance in participating children through multiple pathways. One pathway may be through increased college expectations. Education research consistently shows that higher college expectations lead to increased academic efforts and achievement (Cook et al., 1996; Marjoribanks, 1984; Mau, 1995; Mau & Bikos, 2000; Mickelson, 1990). Therefore, by raising college expectations, CSA programs may foster improved academic performance by participating children. However, while there is direct evidence that CSAs positively influence parent expectations (Kim et al., 2015), only correlational evidence using secondary data exists with regard to children’s own expectations and saving (e.g., Elliott, 2009).

An alternative design for CSA programs results in deposits into the student’s account, not to match a family’s deposit, but to reward a student for meeting individualized academic milestones chosen in advance with a counselor. The Tacoma Housing Authority in Tacoma, Washington, in collaboration with the Corporation for Enterprise Development (CFED), Tacoma Public Schools, Heritage Bank and others, has recently launched such a program. For students from kindergarten through 5th grade, this program provides a traditional match for deposits from families. The match stops at the end of 5th grade. In 6th grade, the students and a counselor devise an individualized plan to take the student through high school graduation and enrollment into college. The plan sets milestones along the way. As the student meets each milestone, the
program makes a further set deposit into the account. Such a program model seeks to address several challenges of traditional CSA programs. First, it allows the student to save even if the family is not able to contribute its own meaningful deposits. Second, it gives the student a stake in the deposits, supplementing the family’s investments. Third, it encourages academic preparation that will allow students to get ready for college and to feel when they go that they belong there. (A description of the Tacoma Housing Authority program is included in Appendix A.)

Another pathway through which CSAs may improve academic performance is by strengthening the social and emotional skills children need to succeed academically. Research from the SEED for Oklahoma Kids experiment indicates that CSAs have a significant impact on children’s socio-emotional skills at age four, particularly for children from relatively disadvantaged households. Mothers randomly assigned to the treatment group received CSAs for their children; as the research shows, 4-year-olds from households with incomes lower than 200% of the poverty line who receive the CSA intervention have significantly higher social-emotional skills than their counterparts who did not receive a CSA (Huang, Sherraden, Kim, & Clancy, 2014). Higher levels of social-emotional development has been linked with higher academic achievement (e.g., Durlak, Weissberg, Dymnicki, Taylor, & Schellinger, 2011). Thus, evidence indicates that CSAs help to equip young children with the social and emotional competencies that later on correspond with improved educational outcomes.

3. Increasing Postsecondary Education Enrollment

Correlational research from secondary data analysis on children’s savings indicates that having savings may have a positive association with postsecondary enrollment. A sizable number of minority and low-income children who expect to attend college and have the academic ability to
do so fail to transition to college after high school graduation or to succeed once enrolled—a phenomenon called wilt. CSAs may help address wilt by promoting a college-saver identity in participating children. Having a college-saver identity means that children not only expect to go to college, but also have identified saving as a strategy with which to confront the challenges associated with this goal.

- Students who are currently enrolled or who have graduated from college are defined as being “on course,” whereas children who are not currently enrolled and have not graduated from college are defined as being “off course.” One study found that 75% of children with their own savings are on course, compared to 45% of children without savings of their own (Elliott & Beverly, 2011).

- Findings indicate that only 35% of low- to moderate-income children are on course compared to 72% of high-income children. Regarding children’s savings, 46% of low- to moderate-income children with school savings of their own are on course; conversely, only 24% of low- to moderate-income children without savings are on course (Elliott, Constance-Huggins, & Song, 2013).

- Among black students, only 37% are on course compared to 62% of white students. Controlling for similar factors as the previous two studies, findings suggest that both Black and White children who have savings are about twice as likely to be on course as their counterparts without savings of their own (Elliott & Nam, 2012).

4. **Increasing Postsecondary Education Completion.**

Correlational research using secondary data analysis suggests that savings shows some potential for improving a student’s chances of reaching graduation:
• In the aggregate, children who have a college saver identity and $500 or more in school designated savings are about two times more likely to graduate from college than children who have a college-bound identity only (Elliott, 2013).

• Children in low- and moderate-income households with college-saver identities and school-designated savings of $500 or less are about three times more likely to graduate college than children who have a college-bound identity only (Elliott, Song, & Nam, 2013).

• Further, Black children with college-saver identities and school-designated savings of $500 or more are about two and half times more likely to graduate from college than Black children with a college-bound identity only (Friedline, Elliott, & Nam, 2013).

5. Increasing postcollege asset accumulation.

CSAs may serve as a springboard for young adults to accumulate assets after completing postsecondary education. Emerging correlational research using secondary data analysis suggests that accruing savings as a child may be associated with increased likelihood of asset accumulation as a young adult. For example, Friedline and Elliott (2013) find that children between ages 15 and 19 who have savings are more likely to have a savings account, credit card, stocks, bonds, vehicle, and a home at age 22 to 25 than if they did not have savings of their own between ages 15 and 19.

The evidence suggests that CSAs may be a gateway not only to greater educational attainment, itself a conduit of economic mobility, but also to asset accumulation through a more diversified asset portfolio. For example, Friedline, Johnson, and Hughes (2014) found that while owning a savings account as a young adult only contributed $50 toward liquid assets, the added contribution of combined stock and retirement accounts—themselves products of savings account ownership—was $5,283.
By building a more diversified asset portfolio, CSAs may result in increased asset accumulation, which, in turn, may lead to higher odds of moving up the economic ladder. And, given the potential connection between initial asset levels and the subsequent ability for income to generate more assets and additional income (Elliott & Lewis, 2014), young adults who leave college with at least some asset ownership may initiate a trajectory of superior earning and asset accumulation.

In sum, with regard to early education, CSAs may improve children’s social-emotional skills by giving parents new hope for their children’s future educational attainment which in turn may change how they interact with them. With regard to enrollment and graduation, CSAs may reduce wilt by helping students form a college-saver identity. Students who form a college saver identity expect to go to college and have identified savings as a strategy to pay for it. However, it is perhaps in the postcollege period that CSAs rise highest above other forms of financial aid. Evidence suggests that CSAs may be a gateway not only to greater educational attainment, itself a conduit of economic mobility, but also a more diversified asset portfolio that may result in greater asset accumulation in other forms such as stocks, retirement accounts, and real estate. Contrast this to the strained financial fortunes of indebted recent college graduates in terms of lasting benefits.

**Weaknesses of CSAs**

Despite the potential for substantial benefits, CSAs are not without their own inherent weaknesses. In addition to the difficulty of securing financing to sustain programs for the long haul, CSAs face several challenges.

1. **The Realities of Financial Products Can Make it Difficult for Some Families to Participate as Savers**
The foundation of any CSA program is a financial product or account. Ideally, such a product would be simple to use, relatively low-cost, accessible to all children, allow for account growth, and provide restrictions that limit withdrawals to paying for postsecondary education. In practice, establishing successful partnerships with financial institutions willing to hold and manage accounts can be challenging. Moreover, once a partnership is formed with a financial institution and an account is identified – most typically a regular bank savings product or a 529 college savings account – several other barriers exist for some families. For example, undocumented families have difficulty opening accounts at most financial institutions, and in most states, a social security number is required to open a 529 account.

In addition, due to assets tests for various kinds of public benefits, such as cash welfare, the Supplemental Nutrition Assistance Program, Medicaid and SSI, families may be in danger of losing public benefits if they save above a relatively low threshold or may at least be discouraged from saving for fear of these limits. In some cases, policymakers have acted to minimize these disincentives to save. By federal law, 529 savings are exempted from counting against SNAP assets limits, and several states exclude 529 savings from determining Temporary Assistance to Needy Families eligibility. Finally, products like 529 accounts that would otherwise seem ideal for CSAs (due to their tax benefits and restrictions that limit withdrawals to paying for postsecondary costs) cannot receive cash deposits and require a transaction account or payroll deduction to fund an account. With almost 8% of households unbanked (Federal Deposit Insurance Corporation, 2014) and much higher rates among certain populations (i.e. almost 18% for Hispanic households), saving in a 529 account is a practical impossibility for certain households, which would be best served by obtaining a primary bank account and saving for short-term needs.
2. Saving Accumulation in CSAs Tends to be Modest

While evidence indicates that families can save, they can only save small amounts, particularly if they have low incomes or are otherwise financially disadvantaged by high debt or other factors. Research from demonstration programs such as SEED suggests that, on average, families in CSA programs save approximately $10 per month (Mason, Nam, Clancy, Loke, & Kim, 2009). These small savings amounts do not mean that low-income families are exerting less effort or making less of a sacrifice than higher-income families who are able to save more. Indeed, there is evidence that low-income savers contribute, on average, a higher percentage of their incomes than higher-income savers. For example, research shows that low-income families who save can save double the proportion of their income compared to middle- and high-income families (Sallie Mae, 2013) despite the fact that the tradeoff between saving and providing for their daily needs is sharper for low-income families. In other words, the ‘cost’ of saving is higher for these families (Schreiner & Sherraden, 2007), yet they demonstrate considerable effort toward this aim, even though the gain from their sacrifices is modest in comparison to those who begin the task with greater advantages.

3. Savings Participation in CSAs can be Uneven

CSAs help address wilt by promoting a college-saver identity, yet engaging children and families in regular or periodic saving that builds account balances and reinforces their college saving strategy can sometimes be a challenge. In addition to the structural barriers noted above, including bank access and limited incomes, CSA programs generally face the challenge of altering family behaviors in the direction of regular or periodic saving. The methods and depth of engagement with children and families vary widely across CSA programs. Some efforts have shown remarkable engagement, such as the SEED Demonstration, in which 57% of low-income
savers made positive net contributions to their CSA over a three-year savings period (Mason et al., 2009). It should be noted that many of the savers in the SEED Demonstration were encouraged with “high-touch” programmatic support and often self-selected into the community-level programs. Most CSA programs have experienced savings rates in the 15-20% range.

**Linking the Two Models: Why CSAs and Promise Programs Need Each Other**

Promise Models and CSAs both represent common-sense approaches to expanding access to postsecondary education for underserved populations, and there is a growing evidence base which points to their impact. Yet each has its own challenges, as described above. Importantly, we believe that there are ways in which the relative strengths of each can help overcome some of the challenges of the other by linking Promise Models and CSAs in new and promising ways. We summarize the relative pros and cons of both models in Table 1, followed by further description as to why these two models may fit together well.
Table 1.

*Demonstrated Impacts of Promise Models and CSAs*

<table>
<thead>
<tr>
<th>Impact</th>
<th>Promise Models</th>
<th>CSAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased effort in school</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Greater teacher expectations</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Greater parental expectations</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Greater student expectations</td>
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<td>Yes</td>
</tr>
<tr>
<td>Strengthens social and emotional skills</td>
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<td>Yes</td>
</tr>
<tr>
<td>Increased academic performance</td>
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<td>Maybe</td>
</tr>
<tr>
<td>Promotes “college saver” identity</td>
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<td>Yes</td>
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<tr>
<td>Increased college enrollment</td>
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<td>Yes</td>
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<tr>
<td>Reduced college under-matching</td>
<td>Depends</td>
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<tr>
<td>Pays significant cost of college</td>
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<tr>
<td>Covers nontuition costs</td>
<td>Rarely</td>
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<tr>
<td>Increases college completion</td>
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<td>Yes</td>
</tr>
<tr>
<td>Positive impact on long-term financial health</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Impact dependent on parental engagement</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Note.* Some of these differences might be because neither the Promise model nor the CSA model has yet been tested on a particular outcome. For example, CSAs have not been tested with regard to increased effort in school or greater teacher expectations. Source: This is a summary of findings from literature discussed and cited throughout this report.

**CSA Savers Need a Promise in Addition to Small Savings.**

In light of high and rising college costs, disadvantaged students need more than a positive
future identity and their own savings to place their educational aspirations truly within reach. In order to fully change the bargaining power with which lower-income children contemplate higher education, CSAs must also change the distribution of financial resources in America. Given the unequal distribution of wages today and the divergence of income and productivity (Mishel, 2012), this is unlikely to happen without a Promise. Family saving contributions in CSAs matter, but will not allow children to pay the high costs of education. Given this financial reality, combining CSA and Promise models together may provide the best opportunity to not only reduce attainment gaps, but also to increase the return on a degree, and ultimately reduce wealth inequality in America.

**Promise Models need CSAs to Fully Engage the Aspirations of Low-income Students.**

Disadvantaged students also need more than a future promise to realize the opportunity of postsecondary education. One of the weaknesses of the Promise models is that, while a College Promise is an effective way of reducing tuition costs, many low-income children never get to the point of seriously contemplating the cost of college. One of the unique features of CSAs is the ability to influence a college-bound identity through positive impacts on college expectations and by facilitating a tangible saving strategy to address, in real time, the challenges associated with covering college costs. What’s more, since Promise Models typically cover tuition costs only, CSAs help to round out a strategy of overcoming the financial hurdle of college by creating a source of funds to use for nontuition costs, such as an initial deposit for on-campus housing, that may not be particularly large, but can often trip-up first-time college goers.

**Making it Happen: A CSA for Every College Promise Participant**

Given the potential of a college savings strategy to strengthen College Promise models in important ways with relatively modest costs, we propose that all College Promise models
consider either adding CSAs or working with existing CSA programs as an explicit part of their design. Perhaps the best example of this is the recently announced Oakland Promise in Oakland, CA. Though still in development, the Oakland Promise plans to offer multiyear college scholarships coupled with robust college persistence supports for eligible graduates from its public high schools. At the same time, the design of the Oakland Promise also includes opening CSAs for a target group of babies from economically vulnerable families and for all incoming kindergarten students in the Oakland Unified School District. The latter component is modeled after the well-known Kindergarten to College program\(^3\) in San Francisco. A description of this model, along with two other models that combine CSAs and College Promise programs—Promise Indiana and the Tacoma Housing Authority’s CSA Program—are included in the Appendix.

While it may be difficult for all College Promise programs to immediately create CSAs for their participants, we suggest some practical strategies for linking CSAs and Promise models more closely in the short term, and also recommend policy strategies that could create greater opportunities to more fully integrate these two models in the long term:

**Recommendation 1: Connect Promise Models with Existing CSA Programs**

In the short term, the easiest and most logical approach would be to identify where Promise Models and CSA programs overlap and make sure all Promise participants in those communities have a CSA. This could include connecting city-wide Promise models with CSA programs at the city or community level. In addition, this could also include linking statewide Promise Models with state-level 529 college savings plans that offer some kind of savings.

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\(^3\) [http://sfgov.org/ofe/k2c](http://sfgov.org/ofe/k2c)
incentives. Each state in the United States offers a 529 savings plan (named for the relevant section of the federal tax code), a state-sponsored, tax-preferred savings plan for qualified postsecondary education expenses. By themselves, 529 accounts do not meet our definition of a CSA (since in their basic design they do not provide any direct, monetary savings incentives). However, fourteen states provide either a seed deposit or offer a matching grant into 529 accounts, and seven states have mechanisms in place to provide a universal seed deposit or match. For example, Tennessee, which has a statewide Promise program, also provides a 4:1 match for all deposits to a state 529 account (with a minimum $25 deposit), up to $500/year and $1,500 per lifetime. This benefit is currently limited to the first 2,000 applicants, but Promise participants could be encouraged to participate.

**Recommendation 2: Open CSAs for all College Promise participants**

Taking a further step, College Promise programs could ensure that every Promise participant has access to a CSA. This would include leveraging existing systems and resources where available, while also designing and funding CSAs for Promise participants in cities and states without existing CSA programs.

**Recommendation 3: Transform Scholarship Programs into Early Commitment Asset Building Programs**

One recommendation in the College Board’s report, Rethinking Pell Grants (2013), is that “the federal government should supplement the Pell Grant program by opening college accounts for 11- or 12-year-old children whose parents’ financial circumstances would make them eligible for Pell (p.22).” To enhance the impact of this investment by allowing more time for earnings growth and cultivation of effects associated with children’s outcomes, we suggest that accounts should be opened at birth, even though the Pell Grant money would not be made
available until ages 11 or 12. By these ages, one could determine more accurately whether children receiving the Pell Grant funds would remain poor through the time of college enrollment. Moreover, this could apply to federal, state, and foundation scholarships as well as to federal grants.

**Recommendation 4: Open CSAs for all Children and Youth, Including Promise Participants**

In the long term, the simplest way to ensure that all Promise participants have a CSA would be to enact legislation to fund CSAs for all Americans. Currently, there are two pieces of legislation in Congress that could accomplish this. First, the USAccounts Act, sponsored by Rep. Joseph Crowley (D-NY), would create universal CSAs for all minors in the U.S. In addition, the Save for Success Act, recently introduced by Rep. Ben Ray Luján (D-NM), would modify the existing American Opportunity Tax Credit (AOTC) by allowing families to claim up to $250 of the AOTC every year they save for their child’s future education. For example, a family that opens a 529 plan for a child and deposits $100 would qualify for a tax credit of $100 that year.

**Future Steps: Sustainability, Infrastructure, and Evaluation**

This paper proposes an innovative marriage between CSA programs and College Promise models to achieve more universal access to and completion of postsecondary education. This approach is promoting a human capital and financial capability development strategy for the 21st century amidst profound demographic, economic and technological change. The planning team recognizes that this strategy will require new methods to reach financial sustainability, which combine public policy and investment, philanthropic and private donations, and private sector engagement. In fact, the combination of CSAs and Promise programs may be structured in a way
that could enhance the sustainability of each.

New infrastructure in each sector will be necessary to implement these programs. The efficient and effective delivery of CSAs will require new account platforms that will most likely be the result of a private-public partnership. Both CSA and College Promise models will advance new approaches to building financial capability among students and their parents, expand college counseling services to younger and nontraditional candidates, and provide mentorship services to support persistence once students arrive on campus. Financing for these products and services are a necessary element of the sustainability strategy.

There is a need for programmatic assessment and evaluation for each of these initiatives individually as well as for the newly integrated programs. One issue to consider is how to structure and evaluate the appropriate timing of each—if the CSA programs start in Kindergarten, when does a family get an offer to join a Promise program? If a community already has a Promise program in place, at what age should they add the CSA? Working with the existing integrated programs offers a fertile opportunity to begin building the evidence of what works, as well as informing the most critical questions for further research. We look forward to exploring all these questions, as well as many others, with our colleagues and peers.
Appendix A: CSA—College Promise Program Examples

Oakland Promise: Multifaceted and cradle-to-career⁴

The Oakland Promise helps parents and children plan and save for college and career success at every stage of a child’s life. This cradle-to-career initiative is being led by the City of Oakland Mayor’s Office, in partnership with the Oakland Unified School District, the East Bay College Fund, and the Oakland Public Education Fund. The Oakland Promise weaves together and amplifies a number of educational initiatives already in place, and is augmenting those with four core programs focused on inspiring our children and families to pursue higher education and building the resources to afford that opportunity.

**Brilliant Baby**

Through a two-generational approach, babies born into poverty in Oakland will have a college savings account of $500 opened in their names—setting an expectation for college from birth. A three-year Brilliant Baby demonstration project, engaging 1,500 families will begin in early 2017. A formal evaluation will assess the impact of this approach on the early development of babies and the economic well-being of their families.

**Kindergarten to College (K2C)**

By 2019, all Oakland students entering kindergarten will have college savings accounts opened in their names. Accounts will initially be funded with $100. To encourage families to save for their children’s college educations, K2C will match their contributions up to $200 per family. K2C will encourage parent participation through regular communications, age-appropriate financial education, and community events.

K2C will be piloted in 18 public elementary schools in the 2016-17 school year, and expand to all schools and 4,800 new kindergarteners annually within three years.

**Future Centers**

The Oakland Promise will establish school-based advising centers in Oakland public high schools and large middle schools to support college and career planning for all students. Staff at these Future Centers will ensure that all students develop career and college plans, including financial aid, scholarships, and internships; all students will be assisted to complete the FAFSA and college applications.

**College Scholarships and Completion**

Expanding a highly successful program of the East Bay College Fund, eligible low-income students receive multiyear scholarships and persistence supports. Students accepted to 2-year and technical colleges are eligible for scholarships of up to $1,000 per year, while students at 4-year colleges will receive up to $4,000 per year. Scholarship recipients participate in summer transition programs, attend on-campus peer support groups, and have a mentor who supports them throughout their college experience. Formal partnerships with local colleges, nonprofits, and other scholarship providers offer additional resources to ensure students graduate ready for success in a career of their choice.

**Promise Indiana**: Children’s Savings Accounts and Early Commitment Scholarship Investments

At its core, Promise Indiana’s model assumes that communities can be activated and resources

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5 [http://www.promiseindiana.org/](http://www.promiseindiana.org/)
leverage to empower families to plan, prepare and at least partially pay for their children’s future education. The model further advances the idea that supporting children in the development of an early college-bound identity is not the sole responsibility of parents, but that each child in a community deserves and can benefit from the mobilization of champions who provide financial resources and social encouragement of children’s educational aspirations. Promise Indiana was spearheaded by the Wabash County YMCA to harness existing institutions, innovate new engagement strategies, and permeate messages about higher education and children’s futures in order to change communities’ understanding of the timeline of college preparation—starting at or close to kindergarten, rather than in high school—and the universe of children to be considered destined for postsecondary education—including at least most, if not all, young people, rather than a select few. As they learned more about the evidence base supporting Children’s Savings Accounts’ effects on children’s opportunities and achievement, Promise Indiana architects began to formulate what a holistic model of academic readiness, college and career discovery, and educational savings would look like and how it could impact families. Thus, the Wabash County Promise was born.

Today, Promise Indiana consists of four primary components:

- Facilitated enrollment in state 529 college savings plans, usually through kindergarten enrollment in the public schools in counties activated as Promise communities

  A partnership with Indiana’s 529 college savings plan provider, Ascensus, and the Indiana Education Savings Authority allowed Promise Indiana to streamline the 529 enrollment process and make the 529 vehicle more suitable for the Children’s Savings Account initiative. Promise staff and school personnel help families open accounts and answer questions, thereby bridging access to the otherwise unfamiliar financial product.
• Initial seed deposits, savings matches, and champion contributions, mostly funded by partnering organizations in Promise communities

  Initial seed deposits cover the costs of opening the 529 account and, evidence from qualitative research suggests, serve to make college saving a more immediately salient objective for these young families. Community organizations and individuals are engaged as champions to make contributions to individual students’ accounts and/or to provide incentives for particular school- or community-specific initiatives; many within Promise Indiana receive matches for their family savings effort, for example.

• College- and career-readiness activities, designed by classroom teachers with assistance and materials from Promise staff, including the college visit days at local higher educational institutions organized for elementary students, known as Walk into My Future, and other activities associated with Indiana College Go Week, including events in which teachers bring items from their alma maters and career talks in which local professionals describe their own higher educational paths

  In Promise Indiana communities, preparation for higher education begins at kindergarten, and students in grades K through 3 engage in career discovery and college exploration to an extent uncommon in many settings. Early qualitative research suggests that many children are building college-saver identities, seeing their Promise Indiana accounts as an aid to their expectations of higher educational attainment.

• Early scholarship support through an initiative of the Community Foundation of Wabash County, with support from the Charles S. Mott Foundation

  A $430,000 investment from the Mott Foundation makes cash scholarship awards to local students in grades four through eight, based on academic accomplishments and milestones
in family savings and postsecondary planning. In addition to providing financial resources to augment family savings and reduce the difficulty of paying for college, the infusions of early scholarship dollars aim to activate families in preparing for college at an earlier age and make scholarships more beneficial to students who struggle with preparedness and financial disadvantages than are scholarships awarded at the point of high school completion.

The layering of savings accounts, community resources, and activities designed to cultivate college-saver identities reflects Promise Indiana’s comprehensive approach to catalyzing improved educational outcomes. From conception, Promise Indiana has sought not only to provide children and families with accounts and the concrete financial resources with which to pay for college but also the college-saver identities that accrue through the account ownership experience and, then, serve to improve educational outcomes, even separate from actual balance growth. This framework, emphasizing access to savings vehicles, support for durable college-bound identities, and cultivation of financial behaviors associated with later economic well-being, informs the measures by which Promise Indiana’s success is gauged. Along these lines, emerging evaluation of the Promise Indiana model has found substantial savings engagement, with more than 4,600 529 accounts opened to date, 44% of which have seen family/champion deposits, and more than $226,000 in deposits from Wabash County families alone, along with significant evidence of college-saver identity development, increased parental expectations for college, and rapid program replication.

**Tacoma Housing Authority Children’s Savings Account Program**

In the fall of 2015, Tacoma Housing Authority (THA) launched a Children’s Savings Account Program.

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6 [www.tacomahousing.org](http://www.tacomahousing.org)
Account (CSA) program for the children of its Salishan community. Starting at a young age, THA seeks to help Salishan children and their families aspire to college, prepare for it, pay for it and feel they belong when they go. It seeks to get unbanked families banked. It also seeks to unite the region’s most diverse community by eliciting and enlisting its common expectation and hope that its children will succeed. THA does this in partnership with the Tacoma Public Schools, the CFED, Heritage Bank, the YMCA of Pierce County, and financial sponsors. The Urban Institute is the third party evaluator.

THA’s CSA Program will have the following five elements:

- **Elementary School Stage:** When a Salishan student enrolls in kindergarten, THA will offer a savings account in that student’s name. THA will remain the account custodian. THA will make an initial $50 deposit. THA will match the family’s deposit up to $400 per year, through 5th grade.

- **Middle School through High School Stage:** In 6th grade, the student and a counselor will devise a plan with academic milestones from then until graduation and enrollment in college. Upon the student reaching each milestone, THA will deposit more money into the account, up to $700 per year.

- **Completing the Journey:** If a student and family participate fully, the student will graduate from high school with at least $9,700. THA’s contribution to this balance will be available if and when the student completes the journey and then only for education or training purposes after high school. Most CSA programs do not have a plausible chance of paying for college. The College Bound Scholarship Program of Washington, however, will pay for tuition. Yet even with tuition covered, low-income students struggle in other ways: (1) paying for the non-tuition costs of attending college, primarily housing; (2) their lack of preparation for
college and their feeling that when they go they do not belong. THA’s CSA Program will help meet these challenges.

- **Financial Literacy:** The program will offer a financial literacy curriculum in class and to parents.

- **Third-Party Evaluation:** The Urban Institute will be the evaluator tracking various outcomes:
  - **Mid-term outcomes:** Savings rates, reading scores, grade point average, families getting banked
  - **Long term outcomes:** High school graduation rates, college enrollment rates, college graduation rates

The CSA program is part of THA’s Education Project, which seeks ways to spend housing dollars not only to house needy families, but also to help their children succeed in school and to promote the success of schools serving low-income students.
References


