

# UNLEASHING THE POWER OF CHILDREN'S SAVINGS ACCOUNTS (CSAs): DOORWAY TO MULTIPLE STREAMS OF ASSETS

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The Center on Assets, Education, and Inclusion (AEDI) recently released the report *Unleashing the Power of Children's Savings Accounts (CSAs): Doorway to Multiple Streams of Assets*. This is the second of five case studies being released as companion pieces to this report, and as part of a leadup to a webinar discussing the report and the five programs. The webinar will take place on March 29, 2023, at 2:00 – 3:45 p.m. (EST). The four other programs featured are:

- Keystone Scholars (Pennsylvania)
- Early Award Scholarship Program (Wabash County, IN)
- Kids Rise (New York City, NY)
- CollegeBound (St. Paul, MN)

The focus of these case studies is for imagining different ways that Children's Savings Account (CSA) programs can leverage these accounts and connect families to multiple asset building streams for the purpose of helping all children reach their full potential. We use the term “imagine” here purposefully. We invite the reader to look for more than just ideas to replicate in their own programs, but to also find grounds for dreaming of new and innovative ways to build on what these programs are doing. The full potential of CSAs has yet to be reached. It can only begin to be reached if policymakers and practitioners can see beyond what they are today and begin to see what they can become.

The Full Report and the Five Case Studies can be accessed at <https://aedi.ssw.umich.edu/unleashing-the-power-of-children-savings-accounts>. To register for the webinar on March 29, 2023, please go to <https://ssw.umich.edu/assets/rsvp-request/index.php?page=register&id=W539>.

## OAKLAND PROMISE (OP) PROGRAM DESCRIPTION

Case study #3 provides another example of scholarships as a type of asset stream. However, it is unique because of its cradle to career approach and because it purposefully allocates a portion of its traditional scholarship dollars as early award scholarships.

### Program Elements

- **Eligibility:**
  - **Brilliant Baby program:**
    - 0 to 1 year-old babies, who are Medi-Cal eligible, born in Alameda County, & living in Oakland
  - **Kindergarten to College + College Access programs:**
    - All Oakland public school students
- **Type of Enrollment:**
  - **Brilliant Baby program:**
    - Targeted for Medi-Cal eligible babies
  - **Kindergarten to College + College Access programs:**
    - Universal to all public school students (not private school students) and automatic; (however, families/students must sign up to see their account)
- **Type of Deposits:**
  - **Brilliant Baby program:**
    - \$500 initial deposit
  - **Kindergarten to College + College Access programs:**
    - Initial \$100 deposit in kindergarten and additional \$100 milestone amounts at 5th, 6th, 8th & 9th
- **Rate of Return**
  - **Brilliant Baby program:** Historically it has been ~7% annually but it is market dependent
  - **Kindergarten to College + College Access programs:**
    - Historically it has been ~7% annually on the initial Kindergarten investment, but again, it is market dependent
    - in future milestone amounts received in their K-12 journey, the amount remains static
- **Match:** n/a
- **Incentives:** n/a
  - **Brilliant Baby program:**
    - None for contributions but in case it's relevant: Incentives for financial coaching, offering up to 6 sessions total and \$100 for each of the first three sessions

- **Kindergarten to College + College Access programs:**
  - We offer a family-owned college savings account option also, where families who have an Oakland public school student in K-8th can earn \$75 when they open a family-owned account through our link.
- **Savings Vehicle:**
  - **Brilliant Baby program:** my529
  - **Kindergarten to College + College Access programs:** my529 & San Francisco Foundation
- **Funding:**
  - **Brilliant Baby program:**
    - Philanthropic funding
    - Note: Brilliant Baby funding this year and possibly future years may include public funding
  - **Kindergarten to College + College Access programs:**
    - City of Oakland, State of California + Philanthropic funding
- **Administration of Accounts:**
  - **Brilliant Baby program:**
    - Oakland Promise
  - **Kindergarten to College + College Access programs:**
    - Oakland Promise

## OAKLAND PROMISE PORTFOLIO OF FUNDS

- **Description of Innovation:** We provide the opportunity for all public-school students in Oakland to earn up to \$500 in early award scholarships for their postsecondary education and have additional scholarships available to our low-income students/families (see Table 1 for a description)
- **Eligibility:** Oakland public school students
- **Type of Enrollment:** Automatic, universal
- **Type of Deposits:** \$100
- **Funding:** City of Oakland, State of California + Philanthropic funding
- **Administration:** Oakland Promise

A few clarifying points are important to fully understand the model illustrated in Table 1. First, Table 1 reflects a new model that was implemented beginning with the kindergarten cohort of 2016-2017 (currently in grade 6). Students currently in grades 7 through 12 will continue to receive a traditional scholarship in the amount of \$2,000 if the student enrolls in a 2-year college or a Career and Technical Education Program upon graduating from high school; they will receive \$4,000 if they

enroll in a 4-year college. For the 2022-2023 school year, the Oakland Promise is scheduled to award 900 \$2,000 or \$4,000 scholarships in total.

For children in 6th grade or younger, \$500 of the possible \$2,000 or \$4,000 scholarships currently being offered has been transformed into five \$100 early award scholarships as illustrated in Table 1. Leaving the remaining \$1,500 to \$3,500 as a traditional scholarship depending on the type of postsecondary education they enroll in. In addition to the type of postsecondary enrollment requirement, there is also an income requirement for receiving the scholarship. It is determined by the family’s Expected Family Contribution (EFC) calculated using the Free Application for Federal Student Aid (FAFSA) or the CA Dream Act Application (CADAA). Currently, if the EFC is \$10,000 or less, the child will receive a scholarship either in the amount of \$1,500 or \$3,500 based on type of enrollment. (Note: these students with low EFC are eligible for the full \$2,000 or \$4,000 even if they were not enrolled in an Oakland public school throughout their full K-12 journey). These 12th grade scholarships are a promise of money for eligible students as opposed to an early award of money. Therefore, the scholarship is not put in an account for them.

**Table 1.** Model for Class of 2029 and Beyond (2022- 2023 School Year 6th Graders and Younger)

OAKLAND PROMISE BRILLIANT BABY COLLEGE SAVINGS ACCOUNT (CSA)		OAKLAND PROMISE SCHOLARSHIP PROGRAM					
	Brilliant Baby	Kindergarten to College					Enrolled in College
Age/Grade	0-12 months	K	5	6	8	9	12
\$	\$500 plus growth	\$100 plus growth	\$100	\$100	\$100	\$100	\$1500-\$3500 (income eligible)
			Must graduate from Oakland public school & enroll in a post-secondary school within 12 months of graduation				
		Oakland Promise Supported Family-Owned College Savings Account (CSA): Receive \$75 for opening family-owned CSA, includes Transitional Kindergarten					

**Note 1.** The term college in Table 1 refers to post-secondary education broadly.

**Note 2.** Currently, income-eligible is determined when families fill out the Free Application for Federal Student Aid (FAFSA) or CA Dream Act Application (CADAA). Children are eligible for the scholarship if they have an Expected Family Contribution (EFC) of \$10,000 or less.

These traditional scholarships in 12th grade are different from the \$100 early award scholarships children receive at different grade levels as shown in Table 1. Provision of scholarships at different grade levels is different from the Early Award Scholarships (EAS) program discussed in Case #2. EAS largely focuses on awarding scholarships for learning behaviors that lead to in-school success. In contrast, the Oakland Promise awards early award scholarships at different grade levels. We are not suggesting either approach is better, but simply want to point out the distinction. We can even imagine programs adopting both approaches depending on their goals. However, in both cases, traditional scholarships are being transformed into an asset stream that can be delivered

through the CSA infrastructure and has the potential to be a substantial form of asset building for, in particular, low-income children.

In the case of the early award scholarships, like how most CSA programs treat program funds, the scholarship awards are placed in an omnibus my529 account which is the 529 plan established by the state of Utah and is an investment vehicle specifically designed for educational savings. There is one omnibus account per cohort year. But each student has a “shadow account” that reflects the value of their account, so they don’t have the money sitting in their account per se, but they can see the \$100 scholarships deposited and that it is accumulating over time as they pass through each designated grade level. Therefore, it provides grounds to children in the program for understanding that they have money designated for them to complete some form of postsecondary education. Another way of saying this is, it makes their college-going identity appear tangible in a way that is not possible when they do not know how they will pay for their postsecondary education (see the forward in the full report for more discussion on tangible hope).

While families cannot deposit funds into the shadow account, they have the option of receiving assistance to open a family-owned 529 college savings plan to contribute their own funds towards their child’s future education. If a family uses my529 to open their 529 account, they can link it to their Brilliant Baby account. In this way, they can watch their family’s savings grow alongside their seed deposit and scholarships.

## DISCUSSION

Given the similarities between Case Study #2 and Case Study #3, we will not again go over the discussion on how CSAs can be used to convert traditional scholarships into early award scholarships.<sup>1</sup> However, it is important to remind the reader here that scholarships provide a potentially significant asset stream that could be redirected into CSAs.<sup>2</sup> These scholarships would have the potential to grow in the child’s account over time and have the potential to be combined with different asset streams, increasing the overall value of the scholarships by themselves. Further, delivering scholarships as early awards through the CSA scaffolding when children are young, not only provides families with another asset stream, it also provides the opportunity for children and their families to experience social and psychological effects.<sup>3</sup> This recognizes is that the access problem is not only a tuition problem (i.e., can the child pay for college), but it also is a preparedness problem (i.e., is the child able to qualify for admittance). For more information, please refer to the full report and case study.<sup>4</sup>

## THE OAKLAND PROMISE, A HYBRID SCHOLARSHIP MODEL

The Oakland Promise in some important ways mirrors the Early Award Scholarship (EAS) program discussed in Case Study #2 in that it also transforms traditional scholarships into early awards. However, the Oakland Promise opted for a bit of a hybrid model where they are shifting \$500 of what would have been traditional scholarship funds (and kids older than 6th grade continue to receive as part of their scholarship in 12th grade) into an early award scholarship, while maintaining the bulk of the funds as a traditional scholarship. They opted to shift some of the funds into an early award to shift children’s hopes and desires from being more wishful in nature to becoming more tangible in nature.<sup>5</sup> In some ways the Oakland Promise model is like the College Board proposal.<sup>6</sup> They

suggested putting a portion of scholarship funds into a CSA while the child is still young. Therefore, they recommended making annual deposits of 5% to 10% of the amount of the Pell Grant award for which the child would be eligible into a CSA starting as early as age 11 or 12. The hybrid model helps demonstrate how scholarship programs and CSAs can work together: CSAs provide donors, and potentially the federal government with a delivery system capable of providing children with funds in time to not only impact their ability to pay for their postsecondary education but prepare for their postsecondary education extending the power and reach of scholarships. Very much bringing to life the Oakland Promise's moto, "cradle-to-career". The US education system has for a long time needed a policy tool capable of extending across the education pipeline into children's post-college careers.

## IN CLOSING

In the forward to the full report, the story of the discovery that the world is round is discussed. It talks about how Eratosthenes required very little evidence (seeing ships disappear over the horizon while their masts were still visible) as grounds for imaging that the world is round. This sense of tangible hope allowed him to set out to provide mathematical evidence that the world is round. Magellan, armed with this mathematical evidence (as well as other evidence) provided Magellan with the grounds he needed to set sail when others could not. Armed with the practical evidence of the successful voyage of Magellan, many others could begin to imagine a round world. The point here is, not all scholarship providers will have sufficient grounds yet to allow them to imagine early awards as a potentially better way of providing scholarships. There are very few people like Magellan and even fewer like Eratosthenes. However, the Oakland Promise example might provide some donors with the grounds they need to begin to imagine transforming at least some portion of their traditional scholarship portfolio into early award scholarships delivered through a CSA. We cannot create a new financial aid model if we lack the grounds to imagine it. Different people and organizations will require different levels of evidence to form this tangible hope, that something more is possible. However, with each scholarship provider who takes this step and demonstrates it is possible, the easier it becomes for others to imagine this new frontier in financial aid and set course to make it a reality.

## NOTES

- <sup>1</sup> Case Study #2 link <https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-case-study-2.pdf>
- <sup>2</sup> See Hanson, M. (2022, November). *Scholarship Statistics*. Education Data Initiative. Retrieved from <https://educationdata.org/scholarship-statistics>
- <sup>3</sup> See for example, Huang, J., Beverly, S. G., Clancy, M. M., Schreiner, M., & Sherraden, M. (2021). *A long-term experiment on Child Development Accounts: Update and impacts of SEED for Oklahoma Kids* (CSD Research Report No. 21-07). Washington University, Center for Social Development. <https://doi.org/10.7936/e8mf-p262>
- <sup>4</sup> Full report link <https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-full-report.pdf?v=1.1>
- <sup>5</sup> This concept comes out of work on Identity Based Motivation (IBM) theory. Daphna Oyserman is a leading scholar on IBM. To learn more about her work on IBM go to <https://dornsife.usc.edu/daphna-oyserman/identity/>. For a general overview of IBM and its basic components see Oyserman, D., & Destin, M. (2010). Identity-based motivation: Implications for intervention. *The Counseling Psychologist*, 38(7), 1001-1043.
- <sup>6</sup> College Board. (2013). *Rethinking Pell Grants*. College Board: Washington DC. Retrieved from <https://secure-media.collegeboard.org/digitalServices/pdf/advocacy/policycenter/advocacyrethinking-pell-grants-brief.pdf>

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## AUTHORS

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## SUGGESTED CITATION

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