PRELIMINARY DATA ON GEAR UP'S INVITATIONAL PRIORITY: FINANCIAL ACCESS AND COLLEGE SAVINGS ACCOUNTS

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This brief is part of a project funded by the Ford Foundation and Charles Stewart Mott Foundation. It provides preliminary data on grantees from the 2011 invitational priority for financial access and college savings accounts within the U.S. Department of Education's (DOE), Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). The aims of the program evaluation include: (1) to evaluate the organizational capacity of each program to administer college savings accounts; (2) to evaluate each program's college savings implementation plan; (3) to evaluate each program's administrative capacity for running a college savings program; (4) to evaluate each program's evaluation plan for the college savings account component; and (5) to identify areas where programs may need support in order to be successful.

The Move Toward Children's Savings as Part of GEAR UP Programing

Authorized in 1998 by President Clinton and administered by DOE, GEAR UP has three main aims: (1) to increase academic performance and preparation for higher education, (2) to increase the rates of high school graduation and participation in higher education, and (3) to increase students' and families' knowledge of higher education options, including academic preparation and financing. These aims are specifically targeted toward students from lower-income families or groups who have been historically underrepresented in higher education. Aims are carried out via six-year grants to states and local community-education partnerships for providing services including tutoring, college field trips, career awareness, colleges-readiness counseling, parent education about access to higher education, curriculum reform, and teacher training.[1]

In the 2011 grant cycle, an invitational priority was announced that encouraged grant applicants to include financial access and college savings accounts in their programming activities for students and their families. The invitational priority in the GEAR UP guidelines of the Federal Register specifically encouraged applicants to include activities such as the "creation or enhancement of partnerships with

[1] This means that there are two types of grant awards that have slightly different requirements: state grants and partnership grants. State grants are awarded to a local educational agency or institution of higher education appointed by the state governor. State grant activities must include an early intervention component (i.e., college awareness and preparation) and include a college scholarship component. Implementing GEAR UP programs via a cohort design is optional for state grants. Partnership grants are awarded to partnerships between institutions of higher education (at least 1), school districts (at least 1), and community organizations (at least 2). Partnership grant activities must include promoting rigorous academic coursework, informing students and parents about college options and financial aid, and starting no later than 7th grade. Partnership grants are required to follow entire grade cohorts of students. For both grant award types, a majority of students must be from lower income households as indicated by eligibility for free or reduced priced lunches, TANF, or public housing.

financial institutions and/or other stakeholders that would provide students with safe and affordable deposit accounts and creation of financial or other incentives to increase savings." This invitational priority was based, in part, on research by Dr. William Elliott III and colleagues at the Assets and Education Initiative (AEDI) as well as the Center for Social Development (CSD) at Washington University in St. Louis. This research finds that students have better postsecondary outcomes when they have savings accounts earlier in life (Elliott & Beverly, 2011a, 2011b; Elliott, Jung, & Friedline, 2010). In addition to research on the savings-education relationship, there is precedent for GEAR UP grant applicants to incorporate college savings accounts into their activities. Previous GEAR UP grantees in California, Virginia, Iowa, and Louisiana incorporated 529s into their strategies for meeting postsecondary education goals (Clancy & Miller, 2009).

In a September press release,[2] DOE announced 66 new GEAR UP grantees from the 2011 application cycle. Nineteen grantees were state entities and 47 were community-education partnerships. Among these new grantees, the press release stated that "Forty-two of the winning grantees—both state and partnership grants—plan to provide college savings accounts for their students, along with financial and economic literacy activities" (p. 5).

Due in part to the great response to the funding priority, DOE announced in May of 2012 that they would also start a national research demonstration. This will be the first large-scale test incorporating a college savings and financial education component into GEAR UP. The large-scale study will include approximately 20,000 students in 200 high schools across 10 states. It will be a six-year study with the potential to be extended to 10 years with $8.7 million currently allocated to the project. College savings accounts and financial education as part of GEAR UP programs are relatively new and we do not have much information on best practices and obstacles related to account design, planning, and implementation within GEAR UP programs. These are critical aspects to the success of the research demonstration. As states taking part in the research demonstration and state and partnership programs from the 2011 priority attempt to get their savings accounts and financial education programs off the ground, the information obtained from this evaluation will likely be of great value to them.

This is the first of four reports.. This initial report provides descriptive information (e.g., number of students served, number of staff/personnel, types of financial education offered [general or college-specific], and whether they offer college savings accounts) on the programs that responded to the initial funding priority issued by DOE in 2011. The second report due to be released in March 2013 will provide more comprehensive information on the programs that have more detailed savings and financial education programs underway or that are in the process of program development. It will contain survey information obtained from school personnel, bank personnel, and GEAR UP program personnel on such topics as how many college savings accounts have been opened, the types of accounts opened (e.g., state 529s, savings account at a local bank), the types of financial institution partnerships (e.g., commercial banks, credit unions, state 529 entities), and the types of information offered to students and their parents / guardians about saving for college. The third report will include information obtained from in-depth interviews and focus groups from 4 programs of different sizes, different levels of maturity (i.e., their years of experience implementing savings and financial education), different geographic locations, and different types of grantees (state or partnership). This report will be released in May 2013. The final report, to be released in July 2013, will provide a synopsis of the first 4 reports and guidelines for best practices for starting a savings account component within a GEAR UP program.

[2] For more information, please see here: http://www.ed.gov/news/press-releases/new-gear-grants-awarded-help-more-275000-middle-schoolers-get-pathway-success-co

Findings from the Initial Survey of 25 GEAR UP Programs

After combing through the abstracts of all 66 grant proposals from the 2011 grant cycle, we identified 33 grantees that explicitly stated in their abstract the intention to open college savings accounts and/or teach financial education to students and their families. Among these 33 grantees, 25 programs completed the survey, a response rate of 76%. Seventy-six percent of these participating GEAR UP programs were operated by partnership grantees (*n* = 19) and 24 percent (*n* = 6) were operated by state grantees.

Number of Students Served

- On average, the number of students in a program is 5,323 (range, 650 to 23,178).
  - State programs average 11,707 students.
  - Partnership programs average 4,773 students.
- On average, programs serve 9 school districts (range, 1 to 30)
  - State programs serve 10 school districts on average.
  - Partnership programs serve 8 school districts on average.
- Programs operate at an average of 18 sites.
  - State programs operate on average at about 6 more sites than partnership programs (21 versus 15, respectively).

Number of Staff/Personnel

- Programs employ an average of 45 staff members.
  - Partnership programs employ about 20 more GEAR UP staff than state programs (55 versus 35, respectively).
- An average of 142 school personnel assist with programming (range, 0 to 653).
  - Partnership programs have about 100 more school personnel who assist with programming activities than do state programs (154 versus 56, respectively).
- 18 programs partner with financial institutions.
  - 6 (100%) state programs partner with financial institutions compared to 12 (63%) of partnership programs.

18 Programs Partner with Financial Institutions

- A majority of programs (18, or 72%) report partnering with a financial institution like a commercial bank, credit union, or state 529 entity.
- 10 (56%) programs that partner with financial institutions also offer college savings accounts.
- 7 (39%) programs that partner with financial institutions and offer college savings accounts report the decision to offer accounts is due in part to the 2011 invitational priority, 2 (11%) programs said it is not, and 9 (50%) are not sure.
- All 18 (100%) programs that partner with financial institutions offer financial education.
  - Even though all programs offer some form of financial education, 14 (78%) offer both general and college-specific financial education, 3 (17%) offer general financial education only, and 1 (6%) offers college-specific financial education only.
- 10 (56%) programs report that the decision to offer financial education is in part because of the 2011 invitational priority, 5 (28%) said it is not, and 3 (117%) are not sure.
- Among those that partner with financial institutions, 10 (56%) offer both savings accounts and financial education.

All 25 Programs Offer Financial Education

- 20 (80%) programs offer both general and college-specific financial education.[3]
  - 14 (74%) partnership programs offer both general and college-specific financial education.
  - 6 (100%) state programs offer both general and college-specific financial education.
- 14 (56%) programs report that the decision to offer financial education is in part because of the 2011 invitational priority, 7 (28%) said it is not, and 4 (16%) are not sure.
- 11 (58%) partnership programs indicate that the decision to offer financial education is due in part to the invitational priority compared to 3 (50%) state programs.

13 Programs Offer College Savings Accounts

- 13 (52%) programs report offering accounts.
  - 3 (50%) state programs.
  - 10 (53%) partnership programs offer accounts.
- 9 (36%) programs report the decision to offer accounts is due in part to the 2011 invitational priority, 3 (12%) said it is not, and 13 (52%) are unsure.
  - 7 (37%) partnership programs report the decision to offer accounts is due in part to the 2011 invitational priority.
  - 2 (33%) state programs report the decision to offer accounts is due in part to the 2011 invitational priority.
- On average, programs that offer accounts receive a grant award of $2,053,282 while programs that do not offer accounts on average receive $2,537,502.
- Programs that offer accounts serve 5,010 students on average and programs without accounts serve an average of 6,820 students.
- Programs that offer accounts serve about 10 school districts and operate in 16 sites on average.
  - Programs that do not offer accounts serve 7 school districts and operate in 15 sites.
- Programs with accounts on average have the same number of staff (52) and more school personnel (143) to assist with program activities than programs without accounts (52 and 134, respectively).
- 10 (76%) of the programs that offer accounts also formally partner with financial institutions. [4]
- 2 (15%) offer general financial education, 1 (8%) offers college-specific financial education, and 10 (77%) offer both types of financial education.

While no conclusions can definitively be drawn from this initial survey data, some programs clearly state that the invitational priority positively influenced their plans to start a savings account program. This was one of the goals of DOE in offering the priority.

These preliminary data also raise important questions. Programs that offer accounts serve fewer students on average than programs that do not. Programs that have fewer students are likely to incur fewer costs associated with starting up an account program. However, it is also important to point out that programs with accounts operate in more school districts and sites on average than programs without accounts. As a

[3] General financial education refers to activities that help GEAR UP students, parents / guardians, and staff to learn more about savings accounts, other banking products, interest rates, budgeting, etc. College-specific financial education refers to activities that help GEAR UP students, parents / guardians, and staff to learn more about the FAFSA, how to fill out financial aid forms, the average cost of tuition at state or private universities, etc.

[4] It is not clear to us how some programs that offer children's savings accounts do not have formal partnerships with financial institutions. It might be that the question was not clear enough. In future rounds we will seek to clarify this.

result, they could experience additional costs that may offset some of the potential reduction in costs programs gain by having fewer students. Nevertheless, programs that offer accounts also receive a smaller grant award on average than programs that do not offer accounts. On the whole, this raises questions about whether costs provide a disincentive or at least delay the startup of account programs and whether funding from DOE is needed specifically for accounts. Notably, while the 2011 invitational priority from DOE encouraged applicants to include savings account programs in addition to their other activities, funding was not provided for implementing the savings account programs. It is also possible that some programs are concerned about the administrative complexities associated with opening, managing, and monitoring savings accounts.

If these programs cost more, what are some of the reasons? These data suggest that one reason might be the need to add additional personnel to assist with running the programs. We find that programs with accounts have more personnel to assist with program activities than programs without accounts. Since programs with accounts have more personnel on average than programs without accounts, it is possible that programs with more personnel are in a better position to get an account program off the ground and running sooner than programs with fewer personnel.

Additionally, the fact that some programs have not partnered with financial institutions raises questions about whether they have the capacity they need to implement a savings account program. Strong partnerships with financial institutions may be instrumental for resolving administrative complexities with savings account programs.

While no clear conclusions should be drawn from this preliminary data, it does however raise questions that can be explored in more depth with follow-up surveys and focus groups.

References

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About Us

The mission of the **Assets and Education Initiative (AEDI)** is to create and study innovations related to assets and economic well-being. The specific focus is on the relationship between children's savings and the educational outcomes of low-income and minority children as a way to achieve the American Dream. AEDI, a division of the KU School of Social Welfare, builds the field's capacity to conduct rigorous research and advocates for the economic well-being of low-income and minority children. For more, visit http://aedi.ku.edu/.

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