

ASSET BUILDING PROGRAM

# KINDERGARTEN TO COLLEGE (K2C)

## A First-in-the-Nation Initiative to Set All Kindergartners on the Path to College

LEIGH PHILLIPS, SAN FRANCISCO OFFICE OF FINANCIAL EMPOWERMENT  
ANNE STUHLREHER, NEW AMERICA FOUNDATION

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In the Spring of 2011, the City of San Francisco automatically opened college savings accounts for over 1,000 San Francisco Kindergartners. The City also “seeded” every account with an initial deposit of \$50. The account openings marked the official launch of San Francisco’s Kindergarten to College initiative, or “K2C.” This initiative, the first of its kind in the nation, aims to improve the odds for San Francisco Kindergartners and set all San Francisco public school children on a path to college, from the very first day of school. This case study provides an overview of Kindergarten to College (K2C), why city leaders started it, and how it works.



### What Is Kindergarten To College?

The idea behind Kindergarten to College is relatively simple: to help families start saving earlier and to save more, by removing barriers to opening an account and providing incentives to spur contributions.

Parents, friends, extended family and the students themselves will use their K2C account to save for post-

secondary education. The hope is that as their savings grow, so will their aspirations.

At full rollout, every child entering kindergarten in a San Francisco public school will have a college savings account automatically opened for them with a \$50 deposit from the City and County of San Francisco. Children enrolled in the National School Lunch Program will receive an additional \$50 deposit. K2C was piloted in the 2010-2011 academic

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year with 1,200 students in 18 schools, representing 25 percent of all kindergarten classes and will roll out to all entering kindergartners—approximately 4,500 students per year—over the next two years.

Philanthropic and corporate foundations, community organizations, local businesses, and individuals have strengthened the appeal of the program by providing funds for additional deposits and matching incentives to encourage family savings and boost account balances.

Schools are integrating financial education—tied to the K2C account—into the K-12 math curriculum. We believe San Francisco will be the first city in the nation to integrate financial education that is linked to a real-life teaching tool in the form of the universal K2C account.

## Why Did City Leaders Decide to Start K2C?

City leaders were compelled to create K2C when they learned that saving for college could make a critical difference for San Francisco students. Six key findings significantly impacted their decision:

**Savings—even small amounts—can improve the odds that San Francisco students will make it to college.**

New research shows that children with savings accounts will be up to seven times more likely to attend college than those without an account.<sup>1</sup> This is true regardless of the family's income, race, or educational attainment.

Emerging research also shows that savings has other positive effects on children and their parents. Specifically, savings is linked to increases in math scores among youth;<sup>2</sup> a greater sense of financial inclusion; greater financial literacy and fiscal prudence; protection against economic

shocks; better health and education outcomes; and, the development of a “future orientation.”<sup>3</sup>

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**Too many San Francisco families have too little savings. San Francisco parents know they should be saving, but are not.**

One in three San Francisco children will be born into families with no savings or assets of any kind. This number increases to one in two for Black and Latino children<sup>4</sup>. In a local survey, almost 100 percent of parents say they plan to save for college, but only 50 percent are actually doing so<sup>5</sup>. Low-income families lack access to the savings products that build wealth. In San Francisco, 11 percent of families do not have a checking account and more than 40 percent have a subprime credit score.<sup>6</sup>

**College costs are skyrocketing and families will likely need to pay a bigger chunk of these costs than they have in the past.**

In 2009, the University of California Board of Regents approved a 32 percent increase in education fees. Even when factoring in grants and other waivers, the net cost of a year at a University of California or California State University campus is one-third of the annual income for

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<sup>3</sup> Scanlon, Edward and Deborah Adams. (2009). Do assets affect well-being? Perceptions of youth in a matched savings program. *Journal of Social Service Research*, 35, 33-46.

<sup>4</sup> Asset Policy Initiative, *Asset Poverty Index: Methodology*, 2006

<sup>5</sup> Data from a San Francisco Office of Financial Empowerment Survey of San Francisco parents, November 2009.

<sup>6</sup> CFED: Building Economic Security in America's Cities: New Municipal Strategies for Asset Building and Financial Empowerment, January 2011.

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low-income households.<sup>7</sup> In addition, increases in tuition and fees have outpaced increases in student financial aid, both on the federal and state levels. For example, the maximum federal Pell Grant currently covers 35 percent of average tuition, fees, and room and board at public four-year colleges and universities nationwide. In 1987-88, the maximum Federal Pell Grant covered 50 percent of public higher education costs.<sup>8</sup>

**A college degree is the price of admission to compete in the 21st century economy. But too many San Francisco students are not making it to college.**

The average salary of someone with a bachelor's degree or higher is nearly three times higher (\$1,150 per week) than the earnings of a high school dropout (\$444).<sup>9</sup> California is projected to have a severe shortage of college graduates by 2025. This lack of knowledge workers will be a drag on the California economy, according to the Public Policy Institute of California.<sup>10</sup>

Like many cities, San Francisco struggles with a high dropout rate. In the San Francisco Unified School District (SFUSD), the dropout rate is 17.9 percent for students overall, but 35.9 percent for Blacks and 21.8 percent for Latinos.<sup>11</sup> Dropping out of high school has high costs—for the students themselves and for society. The unemployment rate for high school dropouts is three times as high as it is for Californians with a bachelor's degree.<sup>12</sup>

**The K2C account will give teachers a powerful tool to teach students about money**

The financial crisis was partly a crisis of financial illiteracy—many adults are ill-prepared to navigate the increasingly complex financial services landscape. Many students, however, learn nothing about money or finance in schools. The K2C account will give teachers a powerful real world tool to teach students about savings, financial institutions, compound interest, and budgeting. Studies have suggested that financial education—which will be provided in schools in the K2C program—is more effective when paired with accounts and investments. Some studies have indicated that individuals score higher on financial aptitude tests when they have owned a bank account or filed a tax return.<sup>13</sup>

**K2C can attract investments from businesses and foundations for San Francisco families.**

City leaders hope that K2C accounts will be “magnets” that attract deposits and donations from local businesses, foundations, and individuals. K2C will leverage private funds for savings matches, create behavioral incentives, and help families earn money for college at significantly higher rates than they can earn by saving on their own.

Finally, San Francisco is a good environment to pilot K2C. The City has fewer children than most cities, a progressive political environment, and a growing gap between rich and poor families that is a citywide concern.

**Where Did the Idea for K2C Originate?**

The idea of establishing a universal system of children's accounts at birth was first proposed by Professor Michael Sherraden in his seminal book, *Assets and the Poor*.<sup>14</sup> He argued that these accounts could provide a foundation for lifelong asset accumulation as well as facilitate the delivery of basic financial education during the school years and jump-start the savings habit.

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<sup>7</sup> Jones, Jessika (2011). *College Costs and Family Income: The Affordability Issue at UC and CSU*. Sacramento: California Postsecondary Education Commission.

<sup>8</sup> Baum, Sandy, Kathleen Payea and Patricia Steele (2009). *Trends in Student Aid*. Washington, DC: The College Board.

<sup>9</sup> U.S. Bureau of Labor Statistics. “Usual Weekly Earnings of Wage and Salary Workers, First Quarter 2011.” April 19<sup>th</sup>, 2011

<sup>10</sup> Johnson, Hans (2010). *Higher Education in California: New Goals for the Master Plan*. Public Policy Institute of California.

<sup>11</sup> Data from the California Department of Education, Educational Demographics Unit.

<sup>12</sup> California Unemployment Rates by Educational Attainment, 2009

Less than a high school diploma:	15.7%
High school graduates	11.0%
Bachelor's Degree or Higher	4.5%

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<sup>13</sup> Johnson, Elizabeth and Margaret Sherraden (2006). *From Financial Literacy to Financial Capability Among Youth*. St. Louis: Washington University.

<sup>14</sup> Sherraden, Michael (1991). *Assets and the Poor: A New American Welfare Policy*.

Policymakers in the U.S. and abroad have advanced Children Savings Account (CSA) proposals based on Sherraden’s ideas. A proposal known as the ASPIRE Act would give each child born in the U.S. a savings account. The account would be seeded with at least \$500, and would serve as a magnet for additional contributions to help the child achieve significant life goals, such as obtaining a post-secondary education. The ASPIRE Act has been introduced in four consecutive congresses and has traditionally drawn bipartisan support. In addition, over 10 states currently match the deposits of low-income families in their 529 college savings plans.<sup>15</sup> A 529 Plan is an investment plan offered by a state to help families save for future college expenses. The number comes from the section of the Internal Revenue code that covers these types of accounts. In addition, there are several countries—Singapore, the United Kingdom, Uganda, Canada, South Korea, Nigeria and others—that either offer CSAs at birth or for youth, or have experimented with offering them.<sup>16</sup>

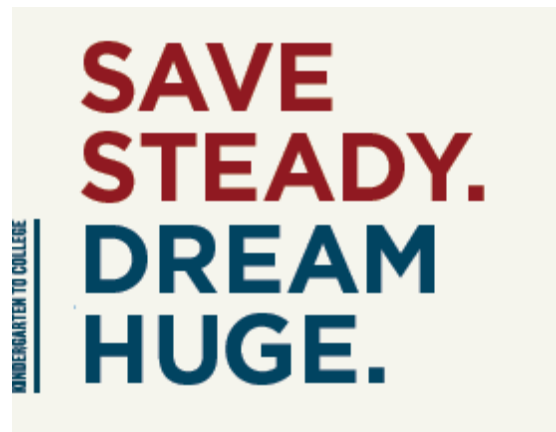
## What Was Learned During the Planning Process?

The City’s Office of Financial Empowerment, located in the Office of the Treasurer, and the Department of Children Youth and their Families, led the planning process. They hired the Corporation for Enterprise Development (CFED)—a national organization with deep expertise in Children’s Savings Accounts—to lead the research and design work that would form the basis of K2C. They formed a planning committee that included relevant city staff from the Mayor’s Office, San Francisco Unified School District, the Office of Financial Empowerment (SF OFE) and the Department of Children Youth and Families. Key nonprofits—including the New America Foundation and EARN—also participated.

Below is a list of key conclusions that came out of the twelve-month planning process:

<sup>15</sup> Data collected from The College Savings Plans Network.

<sup>16</sup> Zimmerman, Jamie (2008). *Child Savings Accounts: A Primer*. Washington: New America Foundation.



In San Francisco, starting the accounts in kindergarten made more sense than starting them at birth.

K2C was originally inspired by Children’s Savings Account proposals and policies in the United States and abroad, where accounts would be automatically opened for newborns. City officials concluded this approach made more sense at a national level than a local one. In particular, officials worried about financial as well as logistical constraints, particularly due to the sizeable number of children that leave the city before enrolling in school.

Working with schools and starting in kindergarten, however, made a lot of sense. The population of San Francisco schools is racially diverse, and the schools serve a mostly low- to moderate-income population (55 percent of SFUSD students receive free and reduced lunch). In addition, parents and children receive information through schools and the city can access critical data and information to aid program administration. Schools also provide a platform for children’s financial education. By introducing the accounts in the classroom, the city can help the schools reinforce a college-going culture for all students.

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## The K2C account requires unique features to make it work for the diverse San Francisco population.

San Francisco's school population includes a large population of immigrants, ethnic minorities, and lower-income families. Many of these families are unfamiliar with mainstream financial institutions and lack resources to save for long-term goals. City leaders stressed the need for the K2C account to include features that would overcome barriers faced by these populations. City leaders decided five features were essential:

### *The K2C accounts should be automatically opened.*

Other Children's Savings Account initiatives require parents to voluntarily sign up, and, for a variety of reasons, have low take up rates, even when large incentives are offered. For example, the State of Maine offers an initial deposit of \$500 into all newborns' 529 College Savings accounts, and has a 39 percent take-up rate amongst Maine parents.<sup>17</sup> In addition, many parents, regardless of income, fail to start saving early for college expenses due to inertia and the sheer complexity of choosing an appropriate savings account. The City decided to automatically open accounts so all parents could participate. In San Francisco, this meant opening accounts without social security numbers (SFUSD does not collect this information from students or parents) and without signed consent forms from parents.

### *The K2C program should be universal - all entering kindergartners and their families should receive the account regardless of income, documentation status or any other determining factor.*

The only requirement for participation is to be a kindergartner enrolled in a San Francisco public school. A universal approach provides equality of opportunity to all children entering kindergarten in San Francisco public schools. College attendance is an aspiration for most families and enrolling 100 percent of kindergartners in

college savings accounts affirms this aspiration with a demonstrated commitment from City leaders. A universal model also provides teachers with a classroom tool to teach financial education. Without universal access, the opportunity to consistently design lessons and curriculum to talk about savings and planning for college in the classroom would be lost. In addition, a universal model reduces administrative burden and cost.

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### *The City should seed every account with an initial deposit of public funds.*

City leaders felt the seed deposit, set at \$50, would send the right message to San Francisco families: "We'll plant the initial seed, but it's up to you to grow it." On a practical note, an initial deposit is required to open most accounts, and this provided a straightforward way to open the accounts on day one. Finally, city leaders hope K2C will help inform state and national Children's Savings Account proposals, and an initial investment of public funds is an important feature of these policies.

### *K2C accounts should be progressively funded and provide savings incentives and matches for parent and student savings, when possible.*

A primary goal of K2C is to level the financial playing field for San Francisco students. Larger initial deposits for lower-income children would give a boost to families with less ability to save. With this in mind, the City decided to offer an additional \$50 for children enrolled in the National School Lunch Program. Furthermore, providing savings matches (such as a dollar-for-dollar match up to a certain

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<sup>17</sup> Clancy, Margaret and Terry Lassar (2010). *College Savings Plan Accounts at Birth: Maine's Statewide Program*. St. Louis: Washington University.

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sum) has been shown to increase savings for lower income families.<sup>18</sup>

*A broad range of deposit options should be available to parents and students.*

Research done by the Brookings Institution in 2005 estimated that one in five San Francisco households—and half of the City’s Black and Latino households—did not have bank accounts.<sup>19</sup> City leaders believed that, in order to be successful, K2C must help parents overcome barriers to using mainstream financial services. They wanted to make it as easy as possible for parents and students to make deposits. A range of options was necessary to achieve this goal, including the ability to make deposits online, but also in person at conveniently located outlets, and by mail.

*No savings product currently on the market could meet the goals of the program.*

The City initially hoped it could partner with Scholarshare, California’s 529 College Savings Plan. 529 plans exist in all 50 states and families investing in them often receive tax or other benefits as a feature of participation. Discussions revealed an incompatibility between the intent of the K2C program and the willingness and ability of Scholarshare program’s financial partner to provide the account features the City was looking for, such as automatically opening accounts without a taxpayer ID number or written parental consent. In addition, Scholarshare’s current financial partner provides only limited options for in-person contributions—there is currently only one downtown location in San Francisco, which does not accept cash.

City leaders then issued a Request for Qualifications (RFQ) to identify financial institutions that were interested in partnering with the City to administer the K2C accounts. No financial institution responded. In particular, financial institutions seemed uninterested in: opening large numbers of accounts with small balances; automatically

opening accounts without requiring parents to submit significant paperwork to meet various Know Your Customer requirements from the USA PATRIOT Act; and the possibility of opening accounts for undocumented students, who would not have social security numbers. Despite the initial lack of interest, city leaders were determined to find an account structure with the array of features necessary to make K2C work for all families and began working directly with major financial institutions that had supported other financial empowerment programs, such as Bank On San Francisco.

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*Securing the necessary public funding required cultivation of a wide-array of constituencies.*

In order to be funded, the K2C proposal needed approval from the San Francisco Board of Supervisors. A number of high-profile public sector leaders championed the proposal before the Board of Supervisors, including: then Mayor Gavin Newsom, Treasurer José Cisneros, Schools Superintendent Carlos Garcia, Board of Education President Hydra Mendoza, and Maria Su, head of the Department of Children Youth, and their Families. Two members of the Board of Supervisors—David Campos and then Supervisor Bevan Dufty—advocated for K2C funding to be included in the 2010-2011 budget. They described K2C as a small investment in the first year, of a few hundred thousand dollars, that would yield big returns for San Francisco school children and the school district. They emphasized that this small city investment would attract significant private dollars from philanthropic foundations,

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<sup>18</sup> Sherraden, Michael and Julia Stevens, et al (2010). *Lessons from SEED: A National Demonstration of Child Development Accounts*.

<sup>19</sup> Fellowes, Matt and Mia Mabanta: San Francisco’s Unbanked Population, August 2005 (Unpublished Memo prepared for the City of San Francisco)

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businesses, and other donors. They were also careful to find general fund dollars to support K2C, so that the initiative would not take money away from other projects for schools and youth. Finally, they were careful to ensure that the initial schools that would pilot K2C were evenly spread throughout the city, so they would be in every Supervisor's district. Beyond the leadership of the public sector, community groups also played a key role in letting supervisors know that there was broad support for K2C.

### Parents were very interested in the accounts, but had a lot of questions.

In designing K2C, city officials talked with dozens of parents, individually and in various focus groups and other meetings. Parents were supportive and appreciative of the account, but had a lot of questions. Some of the most common questions were: "Why even bother saving for college when I know I'll never be able to afford it anyway?" "What happens to my money if my kid doesn't make it to college?" "Will saving in the K2C account disqualify my child for financial aid?" "What happens to my money if we move?" In response to these questions, a "Frequently Asked Questions" page was developed and featured prominently on the [K2C website](#).

### How is the K2C Account Set Up and What are the Rules?

Despite the lack of response to the official RFQ, several banks stepped forward informally to offer to work with the City to develop a savings product that would meet the goals of the program. The City of San Francisco chose to partner with Citibank. Citibank had demonstrated support at high levels of the organization for children's savings accounts, experience working with Individual Development Accounts (IDAs), and was flexible in designing the account solution. For example, they invested significant resources in the development of an online portal so students could view their savings. They also allow a wide range of ways for parents and students to make deposits (at local branches, online, and by mail). The City worked with Citi for six months to negotiate the structure and terms of the account,

find solutions to legal constraints (mostly related to Know Your Customer and tax reporting requirements), and move through the City's contracting process.

While K2C accounts are automatically opened for all parents and kindergartners, parents are given an opportunity to opt out. To date, less than one percent of families have done so. The school district provides students' names, dates of birth and addresses to the Office of Financial Empowerment to open accounts for every student who has not opted out. However, parents must sign data release consent forms, in order for the school district to release additional information about students such as enrollment in the National School Lunch Program. These consent forms also allow researchers, at Stanford University and EARN, to assess the effectiveness of K2C. In the first year, approximately 60% of parents signed the voluntary consent forms.



The City owns the accounts on behalf of the parents and uses an escrow-based platform. The City is holding a master omnibus account with the City's tax ID number. All families enrolled in the program then have sub-accounts with their kindergartner as the designated beneficiary. Family contributions are made to the sub-account, which

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has a unique account number provided by Citibank on an account card. Matches and incentives are tracked by ledger and all deposits and matches can be viewed by families on the online system. San Francisco officials selected this structure as the most workable one to automatically enroll all kindergartners.

The account structure has many advantages. It provides parents who lack Social Security Numbers a safe place to save. Also, since the accounts are in the City's name and not in the parent's names, the savings will not affect their eligibility for public assistance programs, many of which have limits on the amounts of savings parents can have before they lose eligibility. For example, CalWORKS (California's name for its welfare program) has a \$2,000 savings limit that parents cannot exceed without losing benefits. Furthermore, by saving under the City's tax ID number, the initial City deposit, the family savings and any philanthropic contributions are protected from withdrawal and may only be used for post-secondary education. The account is easy to use and families can make deposits by mail, online and by auto-deposit, or at any Citibank branch.

There are disadvantages too. In order to avoid tax issues, the account does not earn interest. Instead sub-accounts are awarded a "growth amount", similar to interest, but a student will only receive the growth match if they use the funds for post-secondary education. The growth match is similar to money market rates, which can be very low. The City is implementing a plan to improve the growth potential of accounts by providing additional incentives in the form of savings matches. Parents are allowed to deposit up to \$2,500 a year, a cap designed to prevent the accounts being used as a tax shelter. Once deposits are made, they cannot be withdrawn until they are used for post-secondary education—this includes family contributions. While this protects savings, it will also require gaining significant trust from families to believe that the City's K2C account is a safe, reliable and competitive vehicle for their money.

As the first program of its kind, program rules had to be created. The program used College Savings 529 account rules as a model, but faced additional challenges.

K2C accounts are "deposit only" accounts. No withdrawals can be made from the K2C account unless they are qualified withdrawals, which include tuition for college, community college, or other kinds of training programs. The account can also be used for books and other education-related expenses. All withdrawals must be made prior to the student attaining the age of 25, although an extension can be requested for those who serve in the military or a similar national service program that may delay college attendance. If a student does not use the funds for post-secondary education, any family contributions are returned to the student. But the City deposits, philanthropic contributions, and growth amounts are forfeited. If a student leaves SFUSD they may still save in the account, but will not receive matches and other incentives. All program rules are listed on the K2C website.

## **What Incentives Are Provided to Help Families Save?**

City leaders and program partners considered a variety of incentives, and decided on the following structure for the two-year pilot:

*An initial \$50 deposit by the City into every account.*

As mentioned previously, this gives all families a head start and facilitates the opening of the account.

*An additional \$50 deposit by the City for students enrolled in the National Student Lunch Program.*

These deposits give a boost to lower income families, an important goal of K2C. Furthermore, this incentive helps the school district achieve a key goal of increasing participation in this program, since every eligible student that signs up for the National School Lunch Program brings additional federal dollars to schools.



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*A dollar for dollar match for every dollar deposited up to \$100.*

This incentive is funded by private philanthropy. EARN, a non-profit focused on asset building for low-income families, agreed to raise these matching funds in the first year and other donors, such as the San Francisco Foundation are raising money for future year matches.

*A \$100 incentive for any parent that signs up to make automatic deposits into the account each month or makes monthly contributions for six months in a row.*

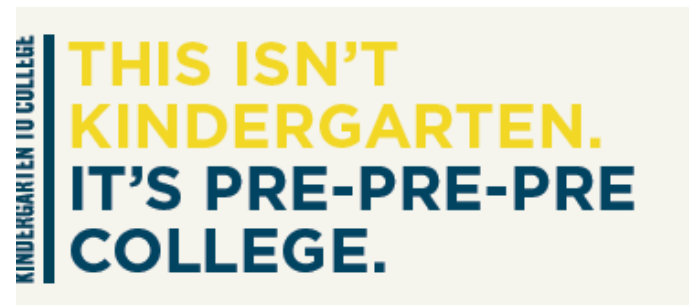
One of K2C's key priorities is to encourage parents to establish a regular savings habit through automatic regular deposits. As this option may not be available to all families, the "Save Steady" bonus also rewards families for consistent saving. Private funds have been raised to support this incentive for years one and two.

In the future, the City may deliver additional incentives through the accounts to help students achieve key goals. Incentives will be linked to savings activity or educational goals, and verifiable by the Office of Financial Empowerment or the SFUSD. For example, the City is considering providing a monthly or weekly incentive to boost attendance. Strong attendance during the initial years of school is a powerful predictor of how likely students are to make it to college. The school struggles with some children who are chronically absent. Emerging research shows small incentives, \$5 a week or month, for example, may boost attendance.

## **How Will K2C be Evaluated?**

Evaluating the outcomes and successes of the Kindergarten to College program will be essential. The City needs to confirm via independent research and analysis that the program design reaches children and families from a wide range of backgrounds and is effective at encouraging savings. We hope to learn from these findings how and to what extent the initial spark provided by the City's contribution results in continued saving by families, and whether the design of the savings account works well. We

also want to assess the effectiveness of K2C's marketing and outreach efforts. We hope to determine that the message and incentives have been understood by San Francisco families—and have motivated them to take the next step by participating and saving. As the City undertakes these evaluations, it can also determine whether K2C has begun to transform the financial capabilities of parents and the college aspirations of their students.



The City, EARN, and Stanford University will conduct a broad and integrated research effort to answer these questions. Using an independent survey research firm, the City and EARN will assess parents' experiences with regard to materials, messaging and branding, and attitudes and experiences about saving and college expectations. EARN, with its extensive background in engaging with San Francisco families about savings, will conduct focus groups with parents to expand on the quantitative findings and conduct one-on-one interviews with students about their future goals. The City, EARN, and Stanford University will work to identify trends in account data, by tracking deposits and other activities. Additionally, Stanford University plans to conduct interviews with teachers about the impact of the K2C program and measure whether the \$50 incentive for free and reduced lunch students improved take-up. All of these efforts will be conducted using the languages most spoken in San Francisco (English, Spanish, and Chinese).

## **Who are the Key Partners in K2C and What Roles do They Play?**

Many people over many months worked on the design and rollout of the K2C initiative. The effort included input from

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political, financial, and non-profit leaders, as well as members of the school district itself.

### City Officials

A variety of City officials play a role in K2C. The City's Office of Financial Empowerment, in the City Treasurer's Office, led the start up and design of K2C and runs the program on a daily basis. The Department of Children Youth and Families is a key advisor to the K2C and funds K2C. The Mayor and City Treasurer and other city leaders used their "bully pulpit" to raise public awareness of K2C and to influence key stakeholders.

### San Francisco Unified School District

The School District provides student data, informs parents about the accounts, collects consent forms, and fields questions. School secretaries, principals, teachers, parent liaisons, and after school programs are involved in these activities. Teachers teach financial education tied to the accounts by integrating it into the math curriculum. The School District also designed the curriculum, with assistance from CFED. Teachers share best practices and results through professional development workshops and peer learning circles.

### Citibank

Citibank holds the K2C Master Account that is in the City's name and the subaccounts that are in students' names. They created and maintain the online portal to allow families to track their savings. They assist in the production of program materials such as the account cards, and funded the production of materials in the first two years.

### Nonprofit partners

CFED coordinated the planning process. EARN is providing matching funds in the first year and helping to evaluate K2C. The New America Foundation brought the initial concept to the City and plays an ongoing advisory role. Many community organizations are also getting the word out about K2C to their clients and networks.

## What are the Future Plans for K2C?

The City and its partners aim to expand K2C to more students and build on it in ways that enhance its mission.

### *Achieve full rollout.*

Over the first two years, K2C will increase enrollment and by 2012, K2C accounts will be provided for every kindergartner on the first day of school.

### *Provide additional savings incentives.*

The City plans to continue efforts to raise private funds. If successful, the City would consider providing additional incentives to help families build savings.

### *Expand savings options.*

The City is considering looking at expanded options for savings vehicles for every family that reaches \$2,500 in savings. For example, once a family reaches this benchmark they may no longer be eligible for matches but their accounts could be transferred into an appropriate interest bearing account into which the family can continue to save.

### *Implement the research and evaluation plan.*

Over the next two years, the City and their research partners at EARN and Stanford University, will implement the program evaluation and begin analyzing and publicizing the early results.

## What Are the Key Challenges as K2C Moves Forward?

Maximizing the impact of K2C will depend on identifying and overcoming a few key challenges going forward. These include engaging students and families as well as partner institutions (including political, financial, and non-profit), as well as administering the K2C accounts themselves. Significant challenges include:

### *Keeping parents and students motivated and saving in the accounts.*

The K2C team is implementing a marketing and outreach campaign whose goal is to encourage parents, students, and

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others to make regular deposits. Grand, a San Francisco creative agency, developed key messages and materials for the campaign, many of which appear throughout this case study. K2C will reach parents through working closely with school staff—teachers, parent liaisons, and secretaries who staff school front offices. These staff will inform parents and students about K2C through school events, such as PTA meetings, after school programs, and classroom events. Monthly mailings, electronic newsletters, volunteer phone banking, and other reminders will be implemented and focus group feedback will continue to refine marketing messages.

#### *Maintaining the momentum and commitment of all partner institutions.*

K2C will require the ongoing close collaboration of the school district, City Hall, Citibank, and nonprofit partners. To achieve this goal, the Office of Financial Empowerment formed a steering committee to bring the institutional partners together every month to inform K2C on an ongoing basis. Non-profit partner EARN is also spearheading an advocacy effort involving EARN IDA savers and K2C parents who can speak about the benefits of matched savings programs.

#### *Administering the accounts.*

The K2C account structure is not an off-the-shelf product and has been designed to program specifications. The City has never administered a similar account program and is anticipating that challenges will arise in the day-to-day management and tracking of the accounts. The City is mitigating these issues through the use of technology and the engagement of banking and investment staff from the Treasurer's Office.

#### *Maintaining funding for the accounts and matches for deposits.*

Like many cities, San Francisco faces occasional budget shortfalls. In addition, the number of students enrolled in K2C increases exponentially as the program rolls out—1,100 in year one, 3,500 in year two and 8,000 in year three—so

the demand for philanthropic savings matches grows as the program expands. The City has formed a fundraising committee for K2C and is exploring starting an endowment to support the effort. So far, enthusiasm from funders is high and matched funds are secured for the first two years.

#### *A general willingness to retool approaches if they are not working.*

An initiative like K2C has never been attempted. It will likely stumble at times. All of the partners will need to see mistakes as learning opportunities to retool and strengthen approaches. In order to strengthen the feedback loop between parents and the K2C program, focus groups on the product design and outreach strategy were conducted in September 2011 and the United Way of the Bay Area coordinated a “phone bank” to contact every enrolled student's family. A “Teacher on Special Assignment” position has also been created at the school district to serve as a liaison between the K2C program and the participating schools.

## **What are the Key Recommendations for Other Cities?**

Designing and implementing K2C required substantial planning over many months between city officials, financial institutions, schools, students, and parents. The following is a set of recommendations to other cities with the desire to undertake similar efforts.

### **Do your research.**

First, be clear about what problems you aim to solve. Then assess the suitability of Children's Savings Account as a solution. A number of organizations have done research on Children's Savings Accounts, conducted demonstration programs, and advance policies at the state and national level. The following organizations were instrumental in the development of K2C and may be able to benefit similar efforts: CFED, EARN, the Asset Building Program of the New America Foundation, the Center for Social Development (CSD) at Washington University at St Louis, and the San Francisco Office of Financial Empowerment.

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Descriptions and their contact information are included at the end of this report.

### Allow for a planning process that engages key stakeholders.

We estimate that similar efforts to K2C could take 12 to 18 months to plan. Leadership from the school district, city government, community groups and parent representatives are all critical to developing a successful program.

### Choose an appropriate program design for your project.

San Francisco chose to pilot a universal, auto-enroll model for K2C. This program design was ambitious and caused challenges in data exchange, tax reporting, “know your customer” requirements and other legal hurdles. It required legal and financial expertise to resolve these issues. It is unclear if a program of this type can only be executed by a government entity. However, other versions of children’s savings account programs exist, most of which require voluntary signed consent from a parent to facilitate the opening of the accounts. While these programs will not reach 100 percent take-up rates they can be easier to administer and may allow for a broader range of account options for families.

### Build champions in your local political leadership and reach out to key players.

Key stakeholders among public officials include Mayors, Treasurers, City Council Members, or Members of the Board of Supervisors. Without the support of these officers and other local politicians it would be difficult to create a program like K2C. In addition to directing the levers of government, they can help bring on other partners, give credibility to a new program, and attract media attention. Strong institutional and political support will be necessary to get such an effort off the ground and keep it moving. Educational leaders are a critical stakeholder as well—administrators, principals, and teachers will have as much impact on the day to day implementation of the program as

any other individual. Reach out to other city and community leaders who work on children’s issues.

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Parents and students are the consumers of K2C. In order for the program to be successful it is critical to solicit their ideas about the program.

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### Involve parents from the beginning.

Parents and students are the consumers of K2C. In order for the program to be successful it is critical to solicit their ideas about the program. For example, San Francisco conducted focus groups to understand the needs of parents, their preferences, and how to reach them. These efforts included an informal survey of 200 parents, focus groups in English, Spanish, and Cantonese, and meetings with parent groups.

### Be ready to invest significant effort in the development of the savings account product.

The City and its partners didn’t seek to spend significant time designing a new account product. Unfortunately for San Francisco, no account structure existed that would work for the intent of the program and the diversity of San Francisco families. It is important to assess the needs and values of a program, and see if there is an off the shelf product available. As a first step, we would recommend approaching a state’s 529 College Savings plan as a potential administrator of such a program. With adjustments to meet local needs these existing structures may serve as an excellent host for accounts. This is especially true for program designs that do not pursue an auto-enroll model.

The City’s negotiations with Citi lasted seven months and involved challenging contract negotiations. Luckily, the San Francisco Treasurer’s Office, where the city’s Office of Financial Empowerment is housed, had deep expertise in

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financial management and investments, the technological systems to develop a product of this kind, and attorneys with expertise in this area. Staff also had experience managing Individual Development Account (IDA) programs, which provide matched savings accounts and financial education to low income people. Citibank proved to be a willing and supportive partner, and dedicated significant resources. Outside attorneys provided pro bono advice and recommendations. However, the creation of this product and the administrative tools required to maintain this program on the back-end took months of implementation and planning (on top of the original 12 month design phase).

### Identify the correct people at the school district and build buy in and ongoing commitment at multiple levels.

Working within a public school system, even with full commitment from SFUSD, presented unexpected challenges and required creative solutions. Key players well beyond the school administrators—such as principals, secretaries, parent liaisons, and the teachers themselves—play a pivotal role in K2C and must be consistently engaged. For example, we observe that the number one factor to generate high-levels of parent engagement in the program is enthusiasm from school secretaries and principals. The consent form return rate in schools with engaged school site staff is as high as 90 percent, whereas in schools with less engaged staff the percentages can be as low as 10 percent. To increase buy-in at each school site, K2C hosts regular trainings for secretaries, principals, and teachers. Program staff conduct school site visits to discuss challenges and opportunities. As the program grows, keeping school site staff engaged will prove increasingly important to the success of the program.

### Anticipate legal questions about the sharing of parent and student data.

The K2C program also faced unanticipated legal and data exchange problems with the school district that necessitated the creation of legal agreements between the City and

County and the SFUSD. Program leaders originally believed that as city and county agencies, the flow of data and information between the school district and the Treasurer's Office would be simple. However, the school district is bound by stringent federal and state confidentiality rules that prevented the sharing of key pieces of information, like student identification numbers, and enrollment in free and reduced price lunch without parent permission. This increased the complexity of the savings product design as it meant accounts had to be opened with only three pieces of information—student name, address, and date of birth. The creation of the consent form mitigated many of these issues. In year one of the program, 60 percent of parents signed the consent form and the City plans to improve on this number as the program rolls out by further incorporating the consent form process into other school activities, like registration and back to school nights.

### Getting financial education into classrooms takes resources and follow through.

This does not happen by simply handing a curriculum guide to someone in the schools district's central offices. CFED worked with SFUSD to develop the kindergarten curriculum for K2C. However, it was the dedication of the elementary math curriculum director that got the materials embedded into lesson plans and teachers trained on how best to teach the materials. That position has since been eliminated due to budget cuts and the K2C program has raised funds to create a half-time position of a "teacher on special assignment" to ensure that K2C financial education continues to be developed for future grade levels and incorporated into lesson plans. K2C will also provide funding for teacher professional development and learning communities to ensure teachers are sharing best practices and talking about the program in the classroom.

### Look for public and private funding sources.

The K2C planning process was supported with \$120,000 in city funding. For the first year budget, the City will spend \$350,000. The City also receives private support for

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marketing and outreach, evaluation, financial education and matching dollars and savings incentives. Despite this significant private support the K2C program is operating on a very lean budget and has only one full time employee, although the city hopes to increase staffing through private support. The costs of K2C will grow each year as more and more parents open accounts and begin drawing down matching funds. We are exploring creating an endowment to permanently support K2C.

## Conclusion

While we won't know the impact of K2C on college attendance and completion for many years, the K2C program is already proving popular with parents. In September of 2011, city officials attended dozens of back to school nights across San Francisco to share the details of K2C accounts directly with families. Parents asked questions like "Is an account available for my other children?" "Are the incentives still available for my first-grader?" "Are there additional investment options if I start saving?" and "How much can I contribute and how much match money can I receive?" What's clear from these sessions is that parents appreciated the boost to help them start saving regularly for their children's college education. If college tuitions continue to rise, families across the nation will need to save more than ever. City leaders hope families will live up to the K2C program tagline: Save Steady; Dream Huge.

### Select Media Coverage of K2C

- [SF first U.S. city to start college savings plan—San Francisco Chronicle](#)
- [City helps families save for college—CNN](#)
- [New Programs Aim to Close the Wealth Gap—NPR](#)
- [SF Creates City Funded Account for School Children—ABC News](#)
- [US Secretary of Education Announces Partnership between Department of Education, FDIC and NCUA](#)

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## Appendix: Resources and Key Contacts

The Official K2C Website: [www.k2csf.org](http://www.k2csf.org)

### City of San Francisco Office of Financial Empowerment

The San Francisco Office of Financial Empowerment is housed within the Office of the Treasurer and Tax Collector and operates the Kindergarten to College program, as well as the City's other groundbreaking financial empowerment initiatives, including Bank On San Francisco. The OFE serves as a convener and influencer to further financial empowerment goals, connecting low-income San Franciscans to healthy financial products and providing culturally relevant financial education to ensure success in the mainstream. More information is available online at [www.sfofe.org](http://www.sfofe.org) and [www.k2csf.org](http://www.k2csf.org).

### EARN

EARN is a nonprofit dedicated to helping low wage workers break the cycle of poverty and create new cycles of prosperity by integrating direct service, applied research, and organizing key stakeholders to drive policy change that bring best practices to scale. More information is available online at [www.earn.org](http://www.earn.org).

### The New America Foundation's Asset Building Program

As part of the Foundation's work bringing new thinkers and new ideas to the fore of public discourse in America, the Asset Building Program develops policies and tools that help low income people build wealth. The program's research has explored the potential of Children's Savings Accounts nationally and internationally. The Asset Building program also advances statewide policies in Sacramento to

help Californians build savings. More information is available online at [www.assets.newamerica.net](http://www.assets.newamerica.net).

### The Corporation for Enterprise Development (CFED)

CFED, which coordinated the SEED Initiative, is a national nonprofit that works to expand economic opportunities for low-income families. The SEED Initiative is the first nationwide demonstration of Children's Savings Accounts, documenting the effects of savings upon aspirations and outcomes as children grow. More information is available online at [www.seed.cfed.org](http://www.seed.cfed.org).

### Center for Social Development at Washington University in St. Louis (CSD)

Housed at the George Warren Brown School of Social Work, CSD creates and studies innovations in public policy that enable individuals, families, and communities to formulate and achieve life goals, and contribute to the economy and society. Through innovation, research, and policy development, CSD makes intellectual and applied contributions in social development theory, evidence, community projects, and public policy. CSD also emphasizes its role as a teaching institution, training doctoral and master's students through applied research projects. More information is available online at <http://csd.wustl.edu/Pages/default.aspx>.

### About the Authors

Leigh Phillips is the manager of San Francisco's Office of Financial Empowerment and led the startup of K2C. Anne Stuhldreher is a Senior Policy Fellow at the New America Foundation and helped develop the K2C concept and start the program.



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MAIN OFFICE  
1899 L Street, NW  
Suite 400  
Washington, DC 20036  
Phone 202 986 2700  
Fax 202 986 3696

CALIFORNIA OFFICE  
921 11<sup>th</sup> Street  
Suite 901  
Sacramento, CA 95814  
Phone 916 448 5189



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