

EXECUTIVE SUMMARY

A Children's Savings Account Program

Fund My Future Milwaukee embraces a promising vision for Milwaukee as a vibrant city with a diverse economy, skilled workforce and a community invested in shared prosperity for all residents. This initiative will make Milwaukee part of a growing national movement to create educational savings accounts for all children. Fund My Future Milwaukee's long-term savings strategies will help children and their families build dedicated savings leading to higher education. Fund My Future Milwaukee will enhance the academic aspirations of our children, reduce Milwaukee's persistent educational achievement gaps and support graduates fully equipped to succeed in the 21st century workforce.

OVERVIEW:
How Children's Savings Accounts Can Help Address Milwaukee's Economic Challenges

Milwaukee's economic future depends on an educated, prepared and skilled workforce. A 2009 survey by the Regional Workforce Alliance found that more than half of the job openings in the Milwaukee area require at least some higher education and that percentage is expected to continue to rise. Many Milwaukee residents do not hold higher education credentials and educational attainment rates reflect significant racial disparities. African Americans, who make up about 39% of Milwaukee's population, hold only 17% of the bachelor's degrees. Latinos comprise 18% of the population and hold 5% of the bachelor's degrees.[1] By comparison, white residents make up only 36% of Milwaukee's population, but they hold nearly 70% of the bachelor's degrees. This gap is a significant barrier to ensuring that all Milwaukee residents have a pathway to career opportunities and economic prosperity needed for Milwaukee's promising economic future.

In 2014, under Mayor Tom Barrett's leadership, the City of Milwaukee put forth a comprehensive set of strategies to grow and sustain Milwaukee's economy in *Growing Prosperity: An Action Agenda for Economic Development*. In addition to proposals to help adults gain skills and access employment, the plan called for exploring Children's Savings Accounts (CSAs) as a strategy to increase the aspirations of Milwaukee youth, boost college completion rates and ensure that children are equipped to succeed in Milwaukee's workforce.

CSAs are long-term savings or investment accounts that help children (ages 0-18) and their families and especially low-income youth, build savings for the future. CSAs also provide incentives to grow savings that are awarded to students who achieve designated milestones. In addition, CSAs are often paired with wraparound services to build the entire family unit's financial capacity. Funds in CSAs are generally restricted to higher educational expenses (e.g. college, trade, vocational, or technical schools). Large-scale CSA programs have been operating successfully nationwide over the past 10 years and smaller programs have been serving children for 15 years.[2] CSA programs are currently serving 382,000 students in 54 programs in 32 states and the District of Columbia.[3]

A CSA program can help address Milwaukee's growing disparities in educational attainment by promoting educational aspirations and expectations. Researchers find these positive results:



CSAs can increase college attendance. 68% of teens whose parents had college savings for them were on track to enroll in postsecondary education, versus 47% of teens whose parents did not have college savings. In addition, 75% of youth with their own college savings were on course for higher education, while only 45% of youth without college savings were on track.[4]



CSAs can increase college completion. Low and moderate income children with college savings of between $1 and $499 are three times more likely to enroll in postsecondary education and four times more likely to graduate than those who have no savings.[5]

Multiple studies have followed how small savings impact a child's ability to create a college-bound identity - where they see themselves as someone who will go to college. In other words, having even small savings for college raises children's expectations for their future and research shows a strong link between children's expectations for higher education and their educational outcomes.[6] This is particularly important for children from low-income households because research shows that their expectations can be lower than other children from higher income households.[7] Simply put, CSAs offer a multigenerational strategy to reduce Milwaukee's educational achievement gaps and produce a diverse, young population of productive, hopeful and career-ready residents.

Programming for CSA programs helps families build financial security by offering to connect parents to skill building programs focused on financial capability (i.e., the knowledge, skills and access needed to manage financial resources effectively). This can include financial education and coaching focused on savings or include services like free tax preparation. Increasing a parent's financial capability will benefit children because it gives parents new confidence and increases the likelihood they will focus on the steps needed to prepare for after high school expenses.

In 2015, a work group convened to discuss how to set up a children's savings program. Led by the City of Milwaukee, the group includes stakeholders from schools, financial service providers and community groups. This group developed this business plan with support from Prosperity Now, a national nonprofit with extensive experience designing CSA programs. The City of Milwaukee also worked with P3 Development Group, a local consulting firm, to formalize the process of gathering feedback from a wider and more diverse group of stakeholders. P3's work involved collecting opinions of thought leaders. Meetings and discussions with parents, school officials, business leaders, charitable organizations and funders allowed the City to amend the plan's design and lay out a community centric program design. This business plan serves as a guide for program implementation and supports resource development to fund and create a sustainable Milwaukee CSA Initiative – Fund My Future Milwaukee.

Program Goals

Fund My Future Milwaukee seeks to address key challenges facing Milwaukee residents including gaps in educational attainment rates and a lack of financial security. The program's two primary goals are to:

- Increase educational attainment rates to ensure Milwaukee has a 21st century workforce positioned for greater economic mobility
- Reduce the gap in educational attainment rates between young people from low- and moderate-income Milwaukee households and regional peers
- Increase the percentage of Milwaukee students who apply for or complete career and academic programs after high school
- Improve the financial capability of participating children and their families
- Increase access to and take-up rates for financial capability services
- Teach children to increase awareness of and plan for the financial choices needed manage the cost of higher education

Program success will be measured against a set of short-, medium- and long-term outcomes that track progress toward these ultimate goals. For example, short-term outcomes for the first goal include improvements in kindergarten and first grade attendance rates. Medium-term outcomes may include improvements in reading or math test scores. Long-term outcomes include increased high school graduation rates.



From Savings to College

Similar to a CSA program, the Individual Development Account (IDA) program through the Boys & Girls Club of Greater Milwaukee has helped many Milwaukee students build savings and attend college. Here are two stories:

Fazeh Dalieh, now a junior at Marquette University, is grateful for the support she received from the IDA Program. Fazeh began saving through the program in her junior year in high school, and she accumulated enough in savings and match that she did not have to take out any loans for her first two years of college.

Isaiah Ezemba dreamed of attending Morehouse College from the time he was a kid, but as college got closer, it became clear that cost was a barrier. The IDA program, along with scholarships, helped him attend Morehouse College with fewer student loans than he originally thought. Isaiah acknowledges that without this support, his dream of attending Morehouse might not have come true.

Program Features

Fund My Future Milwaukee will be managed by the City of Milwaukee Department of Administration. The City will work closely with additional partners such as Edvest (Wisconsin's 529 College Savings Plan), Milwaukee Public Schools (MPS), Milwaukee Public Schools Foundation, Inc. and Milwaukee's choice and charter schools.

The key feature of the program is to give every Milwaukee kindergartener a CSA with an initial seed deposit of $25. Research over the last 15 years has shown this small investment encourages children to form a college bound identity. Researchers find that CSAs promote a child's ability to believe in and plan for greater academic and career success. By starting with kindergarteners, the program allows for greater savings and planning over a long period time. Children will feel part of the process of working toward their academic and career goals when it is tied to the start of their school experience.

The CSA work group designed the following program features to advance the program's key objectives:

- **Automatic Citywide Enrollment.** Children will be automatically enrolled. Parents will have a choice to opt their child out of the program. Research from other CSA programs shows that without automatic enrollment, more disadvantaged students—who may stand to benefit most from this program – are less likely to be enrolled than more advantaged students.

- **No Cost Accounts.** To facilitate automatic enrollment and reduce barriers to participation, the program will open a master 529 account to seed accounts and hold incentives on behalf of participating children. Parents will need to open their own personal 529 account to make contributions for their child. Incentives will be held in the master account, along with the $25 seed.[8]

- **Rewards or Bonus Savings.** In addition to the initial deposit of $25, the program offers several benchmark-based incentives to encourage student achievement. The first proposed incentives include high attendance at school and opening a 529 family account. Parents and stakeholders have suggested a range of additional incentives.

- **Outreach and Engagement.** The program coordinator will conduct extensive outreach. Trainings and tools will be developed to promote a college-going mindset in our communities using community partnership models. This work will connect families to financial capability services and encourage families to build skills to save and plan for the cost of higher education. Outreach activities will range from low-touch activities, such as sending a message about the program in flyers or school newsletters, to higher-touch activities, such as hosting a family night designed to open a family 529 account.

This initial design provides flexibility to allow the program coordinator to add on or change features to enhance program impact. The initial three cohorts' incentives are designed to achieve the program objectives through elementary school. Middle school and high school objectives need to be developed. Additional benchmark-based incentives will need to be added. Structuring incentives for academic achievement (such as math or reading) require careful analysis. The work group has received a wide range of parent feedback on incentives. The program coordinator will continually need to assess and increase the program's impact on the academic aspirations of students in Milwaukee.

Program Budget

The three components of the CSA program budget are:

Program Delivery
– includes all expenses incurred in the managing, operating and marketing of the program, such as personnel, database software and outreach materials in the first three years of the program.



Annual Seed Cost
– includes an initial $25 CSA deposit for all K5 kindergarteners

Benchmark Incentives
– includes benchmark incentives (based on a phased in approach) for school attendance and account opening and includes some assumptions related to the expected take up rates of parents and students

Table 1. Total Three-Year Program Budget (Estimated)

	Year 1	Year 2	Year 3	3-Year Total
Program Delivery	$177,390	$179,657	$183,148	$540,195
Initial Deposits	$220,000	$220,000	$220,000	$660,000
Benchmark Incentives**	$10,125	$43,095	$106,275	$159,495
Total Cost/Year	**$407,515**	**$442,752**	**$509,423**	**$1,359,690**

Table 1 shows budget estimates for the total cost of the first three years of the program, estimated at approximately $1.4 million. Detailed budgets are available. This document presents snapshots.

Program Implementation

The City of Milwaukee Department of Administration, with support from Edvest and other community partners, will work to implement the CSA program in the next year with a planned launch during the 2018-19 school year. The key steps to prepare for a successful launch include:

- **Hiring program staff**, including the program administrator and assistant;
- **Developing the program infrastructure**, including a database system, web presence, Edvest Master 529 account, program rules and partnership agreements;
- **Promotion, including designing promotional materials and raising awareness** about the program among students and parents, city officials, community partners and teaching staff including influencers like principals and parent coordinators;
- **Developing marketing materials** to introduce parents and children to the program including the initial CSA seed deposit, incentive opportunities and family savings strategies;
- **Conducting outreach** at school activities such as at back-to-school nights and other school events.

Conclusion

The Fund My Future Milwaukee program plan sets out a comprehensive vision for a program that will help raise children's expectations for their futures, increase their educational attainment and improve their family's financial capability. With concrete implementation steps, the city is well-positioned to launch the program during the 2018-19 school year.

As part of Mayor Barrett's comprehensive vision for the future of the city, the CSA program will help put all children in Milwaukee on the path to a successful future that includes higher education, quality employment and financial security. In turn, the success of these young people will improve community well-being and contribute to making Milwaukee a more economically vibrant and healthy city. By making this early investment in the city's children, the CSA program will help pave the way for a brighter future for all Milwaukeeans.

References

[1] U.S. Census Bureau, American Community Survey, 2015.

[2] https://prosperitynow.org/files/resources/hope_in_concrete_form.pdf

[3] Prosperity Now. http://savingsforkids.org/why-childrens-savings-accounts

[4] U.S. Census Bureau, American Community Survey, 2015.

[5] https://prosperitynow.org/files/resources/hope_in_concrete_form.pdf

[6] Prosperity Now. http://savingsforkids.org/why-childrens-savings-accounts

[7] See for example: Zena Mello, "Racial/ethnic group and socioeconomic status variation in educational and occupational expectations from adolescence to adulthood" Journal of Applied Developmental Psychology 30, no. 4 (2009): 494-504.

[8] If participants do not use the funds by a certain age (to be determined), the funds will be rolled back into the program to provide incentives for other children.

fund my future milwaukee

For a copy of the complete business plan, please contact:

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