

# Invest in Saint Paul's Future

## Support the Citywide College Savings Account Program

*The Saint Paul College Savings Account (CSA) program stems from a vision for the future of the city—one with a thriving economy, shared prosperity, and equity among Saint Paul's diverse communities. Achieving this starts with ensuring that all children grow up in financially secure families, with the resources, support, and skills needed to attain postsecondary education and take full advantage of the city's economic opportunities. The CSA program is a critical piece of a set of citywide initiatives to make this vision a reality.*

### Background on CSA Programs

College Savings Accounts (CSAs)—also known as Children's Savings Accounts—are long-term savings or investment accounts that help children build savings for the future, generally for postsecondary education. CSA programs provide funds to help build account balances, such as initial deposits and benchmark bonuses for certain achievements or actions (e.g., attending financial education classes). Many CSA programs also connect children and their parents to wraparound services, such as financial coaching or financial education. Currently, over 457,000 children have CSAs through 65 programs located in 34 states and the District of Columbia.

#### How a CSA Program Works



##### OPEN ACCOUNT

Accounts—opened as early as birth or kindergarten—are seeded with initial deposits.



##### GROW SAVINGS

Accounts grow through family contributions and incentives, such as savings matches.



##### ATTEND COLLEGE/ TRAINING

Savings help pay for postsecondary education.



##### GRADUATE

Children with a college account with \$500 or less are 4x more likely to graduate.

### Impact of CSA Programs

- **Increases college attendance and graduation.** One study found that low- and moderate-income children whose families saved \$500 or less are three times more likely to attend college and four times more likely to graduate than those whose families have not saved.<sup>1</sup>
- **Boosts parents' expectations** for their children's future educational attainment.<sup>2</sup>
- **Improves social-emotional development in children**, which is correlated with academic achievement later in life.<sup>3</sup>
- **Improves maternal mental health**, lowering symptoms of depression in mothers whose children have a CSA.<sup>4</sup>

**"I want my children to become educated and achieve their dreams."**

– Saint Paul Parent



## Saint Paul CSA Program

### Participating Children and Families

The CSA program is fundamentally about changing the odds for Saint Paul’s children. Children growing up in the city—particularly children of color—face significant challenges around financial insecurity and educational attainment. The city has some of the worst disparities in the country between racial groups:

- 32.3% of households of color in the city fall below the federal poverty level, compared to 4.8% of white households.
- More than one in five households of color in Saint Paul are unbanked, lacking either a checking or savings account.
- Fewer than one in five adults of color in Saint Paul have a four-year college degree compared to more than half of white adults.<sup>5</sup>

“There’s no money to save. We are poor. Saving is important, but we haven’t been able to start saving.”

– Saint Paul parent

The CSA program will focus on ensuring that children from communities that have historically been disinvested in will have meaningful opportunities to participate in the program and get a jumpstart on a successful future.

### Design Process

Saint Paul Mayor Melvin Carter announced his intention to create a CSA program during his inaugural address and made the design and implementation of the program a priority for his new administration. He set a goal of launching the CSA program in 2020, with 2019 serving as an implementation year.

“Letting our children know we believe in their potential is a priceless investment”

- Mayor Melvin Carter

The City employed an inclusive program design process, with both grassroots and grassroots engagement. The Mayor appointed a 31-member CSA Task Force—including representatives from community service providers, educational institutions, foundations, financial institutions, and corporations—to develop recommendations for the program design. The task force engaged 145 community members in nine community engagement sessions to inform and validate its recommendations. The engagement sessions focused on members of communities whose voices have historically been excluded in planning processes.

### Key Program Features

- **Universal, Inclusive Eligibility** – All children born on or after January 1, 2020 who are either Saint Paul residents at birth or move to Saint Paul before age 6 are eligible.
- **Automatic Enrollment** – Automatic enrollment, based on publicly-available birth records, will be used. By not requiring any action or documentation on the part of parents, automatic enrollment ensures that all children have an account, unless their parents choose to opt them out of the program. Some children—including those who move to Saint Paul or have confidential birth records—will need to opt into the program. The program will create a simple enrollment process and conduct extensive outreach to ensure high enrollment rates among these families.



- **Program Funds are Safeguarded** – The program will use a third-party custodial savings account structure—with the City or designated nonprofit serving as custodian—to hold program-provided deposits on behalf of children. The accounts will provide a return-on-investment, so savings grow over time.
- **Seed Money to Jumpstart Savings** – Each child’s account will receive a \$50 initial deposit.
- **Bonuses to Build Savings** – Children and their families will have the opportunity to receive bonus deposits to grow their account balances and encourage engagement with the program. Bonuses may include a deposit on children’s first birthday or an extra initial deposit for children from low-income families.
- **Flexibility of Use** – Participants will be able to use CSA funds to cover a wide range of postsecondary education, including four-year colleges, two-year colleges, vocational education, and certificate programs.

### Program Values

The Saint Paul CSA program will be:

- **Accessible** – Easy to learn about and engage with for families and community partners
- **Equitable** – Have meaningful participation in *all* communities and benefit *all*
- **Sustainable** – Continues beyond this current mayoral administration and becomes a bedrock program for future generations of residents

### Ongoing Participant Engagement and Integration with Other Services

The true strength of the CSA program is that it is not envisioned as a standalone program. Rather, the CSA program will be integrated with a set of wraparound services to boost families’ financial security (e.g., financial coaching) and support children’s healthy development (e.g., well-baby check-ups). The program will form partnerships with community organizations already serving parents of young children to provide:

- **Outreach to families** who must opt into the program
- **Engage participating families** in activities that reinforce the key messages of the CSA program and connect families with services that support child and family well-being
- **Provide financial capability services** to participating families, such as financial education

### Program Administration

- **Management** – The newly-created Saint Paul Office of Financial Empowerment (OFE) will manage the program. Housing the program within the OFE will connect the program to broader goals around building financial capability for the entire family.
- **Community Engagement** – The program will have a governing body—comprised of community members reflecting the city’s diverse communities—which will ensure community-driven oversight and continuous improvement of program operations and outcomes.
- **Communications and Marketing** – Robust communications and marketing efforts will build excitement about the program among participants, keep participants engaged in the program, and maintain public support. This includes recognizable program branding, compelling messaging, a user-friendly website, and social media engagement.



## Program Outcomes

The intended long-term outcomes of the CSA program are about fundamental changes at both the individual and community levels:

- **Participant-level**
  - An increased percentage of youth enroll in and complete postsecondary education
  - Young adults have the skills and education needed to succeed in the future economy
- **Community-level**
  - The city's gaps in postsecondary educational attainment by race and income narrow
  - Disparities in employment rates and income by race narrow among city residents
  - More young adults remain in and/or return to Saint Paul and contribute to the city's economy
  - Saint Paul has a more skilled, educated workforce that will help support the local economy

Since it will take 20 years or more to reach these long-term outcomes, the program will also work with an outside evaluator to measure interim progress against a set of short- and medium-term outcomes.

## Funding

To ensure sustainability, the CSA program will have range of funding sources:

- **City Funding** – The City will fund the program staff, the account/information management platform.
- **State Funding** – The City will request \$500,000 in state appropriations from the legislature to support the program.
- **Local Foundations** – Potential funders include local private and family foundations that make investments in education, anti-poverty efforts, health, and increasing economic opportunity.
- **Corporate Donors** – The CSA program will provide an opportunity for local businesses to raise their profiles as supporters of an initiative that helps local children receive a college education and become productive members of the local workforce.
- **Individual Donors** –The program will raise funds from individuals through the [1:1 Fund](#), an online crowdfunding platform for CSA programs.

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<sup>1</sup> Elliott, W., Song, H., & Nam, I. (2013). Small-dollar Children's Savings Accounts and children's college outcomes by income level. *Children and Youth Services Review*, 35(3): 560-571.

<sup>2</sup> Beverly, S., Clancy, M. & Sherraden, M. [Universal Accounts at Birth: Results from SEED for Oklahoma Kids](#) (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2016).

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Prosperity Now, [2018 Scorecard](#).



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## Saint Paul College Savings Account Program — Frequently Asked Questions

### **Background Information**

#### **What is a College Savings Account program?**

College Savings Accounts (CSAs)—also known as Children’s Savings Accounts—are long-term savings or investment accounts that help children (from birth to age 18) build savings for the future. While CSA program models vary, the three primary characteristics of CSAs are:

- **Savings are intended for purchasing an asset**, particularly postsecondary education (some programs may allow other uses, including small business or homeownership).
- **Participants receive program-provided funds to build account balances**, such as initial “seed” deposits and bonus deposits (e.g., for advancing to the next grade or for a child’s birthday).
- **Incentives are generally restricted** to paying for postsecondary education or another allowable asset.

#### **\$50 won’t pay for college, so why do CSAs matter?**

Even small amounts of savings can make a difference in whether children attend and graduate from college. One study found that children from low-income households with college savings of \$500 or less are three times more likely to attend college and four times more likely to graduate than low-income children who do not have savings.<sup>5</sup>

Savings for college help create a college-bound identity in children, in which they see themselves as someone who will go to college.<sup>5</sup> Research shows that children’s expectations have a strong impact on whether they in fact attend college.<sup>5</sup>

The money in a CSA can help address critical gaps financial aid may not cover, such as books, transportation or living expenses. These expenses can loom large for children from low-income families, so CSAs can increase the likelihood that they complete postsecondary education.

#### **Are CSAs a proven model, or is this a new idea?**

The concept of CSAs was initially tested through a demonstration program, Saving for Education, Entrepreneurship, and Downpayment (SEED), beginning in 2003, and the field has continued to be driven by research. San Francisco created the first citywide CSA program, Kindergarten to College, in 2011. Several cities have since followed suit, including St. Louis (MO), Lansing (MI), and Oakland (CA).

As of December 2018, more than 457,000 children have CSAs in 65 programs across 34 states and the District of Columbia. (See the full list of programs [here](#).) The Saint Paul CSA program builds off the best practices from these other programs across the country. At the same time, it is unique, because it will be the first citywide, universal CSA program to start at birth.

#### **What makes a CSA program successful?**

CSA program models differ depending on the locality’s specific needs and goals, but the Saint Paul program embodies many features that most successful programs have:



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- *Universal eligibility*, in which all children in the given age range are eligible to participate.
  - *Automatic enrollment*, also known as “opt-out,” in which children and their parents do not have to take any action to enroll in the program.
  - *Initial seed deposits*, which ensure that all children start with savings toward their future, regardless of their families’ financial situation.
  - *An account vehicle that is accessible for all families*, with multiple deposit options (including in-person cash deposits) and no social security number required to open the account.
  - *Third-party account ownership*, which protects families from losing eligibility for public benefits due to asset limits.
  - *Robust child and family engagement*, with a full range of activities and supports to engage families in the program and connect them with services that improve their financial security and children’s health and early development.

## **Program Design Process**

### **How was the community engaged in the process of planning the CSA program?**

The City employed an inclusive process to design the program. The Mayor created a 31-member CSA Task Force, which included representatives from Saint Paul community service providers, educational institutions, foundations, financial institutions, corporations, and others. The task force members reflected the diversity of the city, including many women, people of color, immigrants, and indigenous people.

The task force made community engagement a top priority. It created the Community and Institutional Partnerships subcommittee to focus on community organizations and leaders and the Engagement and Outreach subcommittee to involve community members in the process.

The task force held community engagement sessions with a total of 145 Saint Paul community members who were representative of potential program participants. The Task Force intentionally sought out communities whose voices have historically been excluded in planning for public programs by partnering with organizations serving people with a broad range of cultures, languages, neighborhoods, and experiences that reflect the diversity of Saint Paul. Engagement session topics included how the program would work overall, the program vision and values, bonus deposits, the enrollment approach, and trusted sources of information. Community members’ insights from these sessions informed and validated that recommendations of the task force.

## **Eligibility**

### **Which children are eligible for the Saint Paul CSA program?**

The program is intentionally designed to have inclusive eligibility. Children are eligible for the CSA program if they are born on or after January 1, 2020 and meet one of the following two criteria:

- Are a Saint Paul resident at birth OR
- Become a Saint Paul resident before age six

A child is considered a Saint Paul resident if at least one of the child’s parents, legal guardian, or caretaker make their residence in Saint Paul.



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This eligibility definition ensures that children in various family circumstances are eligible for the program, such as:

- Children who are adopted by Saint Paul resident parent(s) before the age of six
- Children born to Saint Paul resident parent(s) who are temporarily living abroad, such as those serving in the military or Peace Corps
- Children born to an incarcerated parent who is a resident of Saint Paul

### **What happens if a child moves out of Saint Paul?**

Prior to program launch, the CSA Program Manager will determine the program rules for children who move out of Saint Paul. The Program Manager will look to examples from other programs. For example, in San Francisco's Kindergarten to College CSA program and St. Louis's College Kids CSA program, children who move out of the cities can keep their account open and retain any program-provided funds (e.g., initial deposit and bonuses) already accrued. However, they are not eligible to receive any future bonuses.

### **Program Operations and Funding**

#### **Since these are called "College Savings Accounts," can funds only be used for four-year colleges?**

No, participants can use the program funds for a broad range of postsecondary educational opportunities, including attending four-year colleges, two-year colleges, and vocational training.

#### **Who will manage the CSA program?**

The program will be administered by the City of Saint Paul through the Office of Financial Empowerment. Anticipated staff include a CSA Program Manager and an Outreach Coordinator, along with high-level oversight and support from the Director of Financial Empowerment.

#### **How will the program be funded?**

To ensure sustainability, the CSA program will have range of funding sources. The City will fund the program staff and the account/information management platform through the Office of Financial Empowerment. The City is currently in the process of securing funding from other sources, including:

- **State Funding** – The City will request \$900,000 for the biennium in state appropriations from the legislature to support the program.
- **Local Foundations** – Potential funders include local private and family foundations that make investments in education, anti-poverty efforts, health, and increasing economic opportunity.
- **Corporate Donors** – The CSA program will provide an opportunity for local businesses to raise their profiles as supporters of an initiative that helps local children receive a college education and become productive members of the local workforce.
- **Individual Donors** –The program will raise funds from individuals through the [1:1 Fund](#), an online crowdfunding platform for CSA programs run by [Prosperity Now](#).



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**Will community organizations and community members play a role in the program?**

Yes, community partners will be vital to the program’s success. Community-based organizations will provide enrollment outreach, ongoing engagement, and financial capability services. The program will have multiple community partners providing different levels of services ranging from low-touch to intensive.

The program will have a community governing body—made up of community leaders representing the diversity of the city—to ensure community-driven oversight and continuous quality improvements of program operations and outcomes. In addition, a network of program ambassadors—including Saint Paul leaders such as students, parents, and educators—will support outreach and engagement for the CSA program and complement the efforts of CSA program staff and partners. Finally, organizations and businesses, along with individual residents, will be able to sign up as program champions who support and endorse the program and its vision.

