Scholars Savings Program

A Project of El Monte Promise Foundation

El Monte Promise FOUNDATION

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El Monte, CA

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CALIFORNIA COMMUNITY FOUNDATION

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Executive Summary:

El Monte Promise Foundation is launching the Scholars Savings Program with the goal of facilitating access to higher education for all students attending public schools in one of the following three school districts; El Monte City, Mountain View, and Union High in El Monte, California. Through 2025, the initiative will support close to 16,000 students by helping their families open special accounts known as Scholars Savings Accounts, provide financial education to parents and age-appropriate financial literacy training to children. The program will also offer scholarships that are structured in the form of small savings rewards for students who save regularly throughout elementary, middle, and high school years.

The Project will be launched as a pilot in the 2014-2015 school year across seven public elementary schools in El Monte City and Mountain View School Districts. The full launch of the program is scheduled for the 2016-2017 school year. The total cost of offering savings rewards of in this project, assuming a total enrollment figure of less than 16,000 participants within a ten year period and savings rewards of less than $400 per student, is estimated at $5.1 million. An average fundraising goal of between $290,000 and $500,000 per annum is required to cover the savings rewards and other administrative costs of the project.

A- Introduction:

In the past several years, the path to higher education has been mired with financial obstacles. The cost of attending college is edging up at a steady rate, in some years even faster than the rate of inflation, creating major challenges for families in their efforts to support their children's postsecondary education goals. Today, for a family of modest means, sending a child to a four-year public university, means that, the family will have to allocate a significant portion of their total annual household income for that purpose alone. Private grants and financial aid are indeed available in most cases and they do help, but only up to a certain extent, still leaving major gaps in financial needs for many students. There is no question that most families still have to rely increasingly on own resources or consider borrowing as the only option to pay for their children's college education.

In the complicated maze of financing a college education, there is only the element of time that can potentially work in the advantage of students. If families plan early and start saving money while their children are still young, then there is a better chance that they will be able to accumulate significant amounts over time in order to bring the hope of "attending college one day" closer to reality for their children. Unfortunately, if we have learned anything from the numerous efforts to stimulate long term savings, it is that saving is not easy. Long term commitment to save does not materialize without the presence of proper structures, incentives, and behavioral nudges. With this intention in mind, El Monte Promise Foundation is launching the Scholars Savings Program (SSP) to put in place proper mechanisms for families to start saving early for their children, earn modest scholarships in the form of savings rewards, and improve their financial knowledge and skills sets in navigating the often complex financial systems related to higher education in the US.

The ever increasing cost of postsecondary education has resulted in major unintended economic consequences for American households. Students, who have relied excessively on loans to pay for their education, have ended up amassing large amounts of debt on their balance sheets immediately after graduation. According to a Consumer Financial Protection Bureau (CFPB) report, as of 2012, the combined federal and private student loan debt has already topped $1 trillion.[1] Continuation of this trend can have adverse consequences on the ability of younger adults in building long term assets. Half a century ago, the average age of first-time homeownership in the US hovered around 25 years of age. But today, instead of homes, more than 40% of 25-year-olds in the US have student loan balances to pay off. The average value of these loans is more than $20,000 per borrower.[2] This limits the ability of many college graduates to invest in other, non-human forms of assets such as a first home or retirement accounts upon graduation. In fact, according to a 2012 report by the Federal Reserve Bank of New York: *"Now, for the first time in at least ten years, thirty-year-olds with no history of student loans are more likely to have home-secured debt than those with a history of student loans."*[3]

At El Monte Promise Foundation, we don't find the continuation of this trend acceptable for our community. We feel that in a knowledge-

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[1] See Student Loan Ombudsman annual report: http://files.consumerfinance.gov/f/201210_cfpb_Student-Loan-Ombudsman-Annual-Report.pdf

[2] See http://universe.byu.edu/2011/10/11/average-age-of-first-time-homeowners-remains-high/ and http://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets.html

[3] ibid

based economy, access to higher education opportunities is a right for every child and family living in our communities. So, by offering meaningful financial education to parents and children, the Foundation hopes to help El Monte residents to start planning as early as possible for their children's future. Through the Scholars Savings Account program, the Foundation will help families put their plans into action and start saving small amounts of money every month. To play its part, the Foundation will accelerate the process of deposit formation by supplementing each deposit with reward dollars that will be made available to students upon completion of the program.

The Scholars Savings Program (SSP) is an unparalleled initiative, both in terms of its approach as well as its structure. In terms of approach, the core message of the program is planning for college from an early age. It prepares families to save proactively for their children's future. The program also offers scholarships, yet they are offered in the form of savings rewards. A project of this magnitude requires that any financial assistance offered to savers be made with a view of its long term sustainability; therefore, the modest scholarships are primarily offered to stimulate own savings rather than covering any significant amount of college expenses in the future. This idea is in fact supported by research, indicating that after controlling for other variables, having a college savings account is a strong determinant of both, college attendance and graduation. As demonstrated by Elliot (2013), children who have saved small sums of money (less than $500) in a designated college savings account are 2.5 to 3 times more likely to successfully enroll and graduate from college.[4] Inspired by this and similar research findings, SSP intends to encourage families and children to save small sums of money over an extended period of time in order to help them not only develop the habit of saving and improve their financial management skills, but also to promote the college going culture and impact academic performance of students in El Monte and its neighboring regions.

In terms of structure, SSP focuses more on promoting regularity in deposit patterns as a habit forming process and not so much on amounts saved. In a savings program that spans over several years, it is more important to help savers focus on adding to their savings balances incrementally (and at levels they can afford on a consistent basis), rather than offering a long term goal with strict contribution levels. Research has shown that saving money can have self-accelerating effect; therefore, small but consistent deposits may lead to higher contribution amounts over time as savers learn how to better manage their finances. While monthly deposits are expected to be nominal, families will be encouraged to also take advantage of major windfall moments, such as the tax time in order to make occasional contributions well above the expected nominal contribution levels.

One of the other unique structural aspects of SSP is the seamless pathway to college that it offers to high school graduates. In most existing programs, the relationship between the saver and the program effectively ends after the student graduates from high school. But in the case of SSP, graduates of the El Monte Union High School District will have the advantage of a one-time priority registration at Rio Hondo College (a local community college in El Monte) as well as admission to

[4] Elliott, W. (2013). The effects of economic instability on children's educational outcomes. Children and Youth Services Review 35(3), p. 461-471. Available at http://www.sciencedirect.com/science/article/pii/S0190740913000091

Cal State University in Los Angeles or University of California in Irvine, if they meet the graduation and eligibility requirements of the said institutions once they sign a pledge called the El Monte Pledge Compact.

If this effort is crowned with success, the program will offer great social dividends by improving the financial wellbeing of families and boosting the local economy in El Monte. It can also serve as an example for other cities and organizations who are interested in implementing similar projects in their communities. It is for this reason that several stakeholders, including local nonprofit organizations, Parent Teacher Organizations, financial institutions, City of El Monte, the local Chamber of Commerce, California Community Foundation, the Rio Hondo College, along with thousands of El Monte residents have made commitments to support this initiative.[5]

B- Project Background

As the ninth largest city in Los Angeles County, El Monte is an ethnically diverse community where with 72% and 18% respectively, Latinos and Asians compose the largest share of the city's population of 115,000. Over half of the population in the city is foreign born, almost twice the California average, and over 83% speak a language other than English at home. In terms of indicators of community economic development, educational attainment and income levels in El Monte remain lower than most communities in Southern California. Mendoza et al. (2011), report that 65% of El Monte population "have not graduated from high school or completed an equivalency" and that a majority of households are renters.[6] As of 2011, the average median income in El Monte was $41,820, which was 32% lower than the California average of $61,632 in the same year.[7] The sharp discrepancy in incomes is partly explained by the fact that in El Monte, only 11.1% of individuals 25 years of age and older have a bachelor's degree as compared to an average of 30.2% in California.

In 2007, California Community Foundation determined that the numerous economic challenges in the region coupled with the fact that relatively fewer philanthropic investments were happening in El Monte at the time, called for a strategic, place-based investment in this region. Subsequently, it made a commitment to invest $1million per year for a period of ten years in order to help revitalize neighborhoods and engage the entire community in setting priorities and goals for a better future. This commitment was the driving force behind El Monte Community Building Initiative (El Monte CBI).[8]

For first three years since making this commitment, CBI focused on addressing issues related to affordable housing and workforce development. But in 2010, the CBI Board decided to realign its focus from a traditional economic development approach to a more long term socio-economic strategy with an emphasis on the younger generation; ensuring that children in El Monte will grow up healthier and better prepared for school, college, and careers. In the same year, CBI set goals to increase preschool enrollment and high school graduation rates. It also envisioned expanding after school programs and services, increasing parental engagement, and promoting a college going culture among El Monte families.

In line with these goals, CBI supported activities that eventually led to the creation of El Monte Union Pledge Compact in August of 2010. The Compact was an agreement

[5] See Mendoza, J., Mendoza, S., and Romero, L, (2011), "A Pledge and A Promise: Building a Seamless Pathway to College for El Monte Students and Families".
[6] Data obtained from Mendoza et al. (2011).

[7] Source: US Census Bureau State and County QuickFacts, http://quickfacts.census.gov/qfd/states/06/0622230.html
[8] See https://www.calfund.org/page.aspx?pid=684

between Rio Hondo Partnership for College, El Monte Union High School District, Rio Hondo Community College, University of California in Irvine, and Cal State University in Los Angeles to provide a seamless pathway from high school to community college and four-year university to all El Monte Union High School District graduates.[9] Later in the same year, El Monte CBI took the initial steps in creating the El Monte Promise Foundation (EMPF). The idea behind creating a new foundation was to centralize fundraising efforts across districts and address the sustainability of EL Monte Community Building Initiative after California Community Foundation had completed its ten year investment commitment in El Monte. Cross-sectoral collaboration of local government, schools districts, healthcare service providers, local chamber of commerce, private business, nonprofits, parents, and volunteers was seen as essential to carving a pathway that could provide the necessary supports for EMPF and its partners for the success of this vision.

With the new emphasis on helping the younger generation to improve educational attainment and prepare for college, in late 2012, El Monte Promise Foundation (EMPF) began holding regular meetings with a core group of stakeholders in the form of a workgroup that included EMPF board members, school district superintendents, El Monte City officials, California Community Foundation, Rio Hondo College, El Monte residents, and Opportunity to Assets (the project consultant and technology partner), to design a comprehensive program for families in El Monte who had children attending elementary school in the City or the Mountain View School Districts.

[9] Students who sign the pledge and meet the requirements of the pledge receive a one-time priority registration in college. For more information on El Monte Union Pledge Compact the reader is referred to Mendoza et al. (2011).

The overarching goal of this effort was to create a pathway to college for students in El Monte and its neighboring regions. Initially, EMPF had envisaged a scholarship program for students graduating from El Monte Union High School District. However, after considering research findings that placed a significant emphasis on establishing college savings accounts from an early age (as a strong determinant of future college success), and in an effort to help El Monte families allocate own resources for their children's future success, the workgroup and the foundation reached the consensus that any scholarship funds could be more effective if used strategically to stimulate families' own savings for college.

After reaching a consensus on the need for a children's savings program and using scholarships dollars as an incentive mechanism, the workgroup completed the design of the Scholars Savings Program (SSP) in 2013. This process was informed by findings from other experiences across the country, including the SEED experiments and the K2C program in San Francisco. The intention was to create a comprehensive and sustainable model that not only met the needs of El Monte residents, but also incorporated findings from similar efforts across the country in creating an effective savings program. The full scope and the details of SSP will be explained in subsequent sections of this document.

Promoting a college going culture in El Monte is challenging and requires not only a significant financial investment, but also a concerted effort on the part of various community stakeholders; including EMPF, City of El Monte, and other community based and faith based organizations as well as businesses and residents of El Monte. If this effort proves successful, it could serve as a model for similar projects elsewhere in the country.

C- Background on Children's Savings Programs

The increasing cost of higher education, prompted a few states in early 1990s to begin offering prepayment contracts to state residents whereby families agreed to pay a fixed amount (through monthly contributions on behalf of a dependent child) in exchange for the state to agree to pay tuition costs for these students regardless of how much tuition would actually cost in the future. Over time, this model evolved into full-fledged college savings plans that have since become more popular among average to high income households in America. Two important categories of these programs, known as the 529 Plans and Coverdell Education Savings Accounts are more heavily utilized than others.

While these programs have gained in popularity among higher income groups, anecdotal evidence including data collected by Mendoza et al. (2011), suggests that they remain disproportionately underutilized among ethnic and immigrant communities as well as other low-income groups of households in El Monte. Even though the need to save for college is real, the fact remains that helping households of modest means to begin saving for college remains an uphill battle in an environment where savings rates in general, including personal and emergency savings, as well as retirement and other savings remain very low.[10]

The presentence to community based college savings campaigns was set in early 2000s. Major foundations and think tank organizations started to develop initiatives in support of the idea to create a children's savings account model. Programs resulting from such efforts had two common goals; to bring awareness to the importance of savings and assets, especially among lower income families; and to offer financial incentives to low income families in order to encourage them to save for their children's future.

Perhaps the most notable investment in this area was the effort that culminated in the creation of the SEED Partnership in 2003. Saving for Education, Entrepreneurship, and Downpayment (SEED) was a longitudinal, multipurpose, matched savings experiment involving small children, youth, and young adults. The effort was spearheaded by Center for Enterprise Development (CFED) and a number of other foundations, universities, research centers, and state and community partners.

Close to 3,000 participants were enrolled in SEED as part of two different projects. In the first project, 1,300 children and youth were enrolled through 12 community based organizations in United States and Puerto Rico. An additional 1,400 children were later enrolled in the second project that was launched after 2007, in a statewide program known as SEED for Oklahoma Kids Experiment. While enrollment in the second project features an experimental design and includes 1,400 additional participants in a control group, the original SEED Partnership in 2003 followed a more flexible structure in terms of enrollment, participant groups, and program incentives. Still, all partners in that partnership offered incentives ranging from a minimum of $2,000 to a maximum of $4,000 to program participants. These incentives were offered in the form of an initial starting deposit, or a one to one savings match. However, in most cases, a portion of the total match allocated to each account was offered in the form of benchmark incentives, (e.g., by rewarding

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[10] For example, see Brobeck, Stephen. 2008. "Understanding the Emergency Savings Needs of Low- and Moderate –Income Households: A Survey Based Analysis of Impacts, Causes, and Remedies", Consumer Federation of America, Accessed on 01/18/13, Link: http://www.consumerfed.org/elements/www.consumerfed.org/file/Emergency_Savings_Survey_Analysis_Nov_2008.pdf

educational achievement, attending financial literacy training, or involvement in other activities.) Table 1, shows the details of the incentive structure in the SEED Partnership. Savings outcomes for each site are reported in Table 2.[11]

The second project, SEED OK, was launched in Oklahoma by the state's Treasury Department. Close to 1,400 newborn children in 2007 were selected randomly as beneficiaries of a $1,000 award invested in a 529 account owned by the Treasury Department of the State of Oklahoma. The funds were invested in portfolios that are subject to fluctuations of the market. In terms of use of funds, these investments follow the general rules of the 529 plans. At the time of enrollment, beneficiary families were also encouraged to open their own individual 529 accounts in case they wished to also contribute to their child's savings for college in addition to the $1,000 award. Families who did were awarded an additional $100 match in their individual accounts.

Building on the SEED's momentum, City of San Francisco piloted the Kindergarten to College (K2C) accounts in 2010, which was later launched throughout San Francisco in spring of 2011. This was the first universal enrollment experience in the country, covering every child entering kindergarten in San Francisco public school system. The K2C program is sponsored by the City and County of San Francisco Office of Financial Empowerment (OFE), Citibank, and EARN, a leading asset building nonprofit organization in the San Francisco area. [12]

Every K2C account is opened and owned by OFE as the custodian. The student for whom the account is established is listed as the beneficiary. OFE seeds every account with a $50 initial deposit. The amount is doubled if the beneficiary is listed on the National Student Lunch Program. Similar to the SEED partnership, participant deposits are matched at a one to one rate, but only for up to the first $100 of own deposits. Another $100 in match is available for participants who consistently save a minimum of $10 for six consecutive months. Data available at the time of preparing this report indicates that as of the last quarter of 2013, more than 9,300 accounts had been established with a collective balance of over $1,063,000.[13] Based on these numbers, the average account balance in K2C was slightly over $114, including participant savings and the program match.

D- How Did SEED and K2C Inform the Design of SSP?

Findings from SEED and K2C are well documented. In particular, Friedman et al. (2010) discuss some of the main challenges reported by the SEED project partners. Table 1, categorizes some of these challenges and the lessons learned based on different components of the program.

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[11] Information in this table was compiled from the following sources:

1- Friedman, B. et al. (2010), Demonstrating Opportunity: A Compendium of Practical Experience and Lessons Learned from the SEED Initiative, CFED, Available at http://cfed.org/knowledge_center/publications/savings_financial_security/demonstrating_opportunity_a_compendium_of_practical_experience_and_lessons_learned_from_the_seed_initiative/
2- Adams, D. et al. (2010),   Lessons from SEED, a National Demonstration of Child Development Accounts, available at http://cfed.org/assets/pdfs/SEEDSynthesis.pdf

[12] For more information on K2C, the reader is referred to Stuhldreher, A., and Phillips, L (2011), Kindergarten to College (K2C) A First-in-the-Nation Initiative to Set all Kindergartners on the Path to College, New America Foundation, available at http://newamerica.net/publications/policy/kindergarten_to_college_k2c

[13] Data obtained from http://1to1fund.org/ in November 2013.

TABLE 1 - CHALLENGES AND LESSONS LEARNED FROM THE SEED PARTNERSHIP

Design	• Designing a comprehensive model that meets the needs of all families with different levels of income and educational background is challenging • Account structure needs to be fully examined before launching the program • Integrating financial education into school curriculum could be costly and logistically complex. It is very important to get the teachers' buy in prior to launching the financial literacy program • The process of claiming and distributing benchmark incentives could be cumbersome • Some partners experienced difficulty incentivizing incremental deposits vs. large lump-sum deposits • Minimum deposits in some 529 account programs were too high and limited the ability of the families to contribute to these accounts • In some cases, a majority of participants made no deposits in their accounts
Outreach	• Reaching target enrollment numbers is challenging even in the presence of large financial incentives • Outreach should include both the parents and the children • Entrepreneurial activities could be a good way to encourage children to generate the required funds to deposit in their accounts and remain active in the program • Certain groups of participants (such as foster children, or families on public benefit programs) experienced additional challenges in participating in the program • It is hard to build trust and even when the trust is built it can still easily erode • Program enrollment process needs to be streamlined; if possible, it can even be combined with the school enrollment process
Administration	• Staff turnover can pose challenges to a seamless delivery of financial literacy education and other aspects of program administration • Access to the financial provider for making deposits in the absence of automatic deposits proves to be a constraint • Utilizing an MIS system that meets the needs of the program can facilitate the process of monitoring the program

Information provided in Tables 2, and 3, offer some interesting details regarding the 2003 SEED partnership project. Of the 12 partners, all but one had enrollment targets of around 75 accounts. Oakland Livingston Human Service Agency in Michigan was the only partner that had an enrollment target of 500. While, all other providers designed their programs by including benchmark incentives, Michigan was the only program that did not offer any benchmark incentives. This was done mainly to avoid the administrative burden of tracking and applying incentives for the large number of participants in the program. Looking at savings outcomes in Table 3, it appears that, while the degree of participant engagement in various activities may have differed, exclusion of benchmark incentives did not have a major impact on the overall contribution levels.[14] The median value of net participant contribution averaged around $9 per quarter for all partners while it averaged around $7 for the Michigan program.[15] Offering benchmark incentives can create major challenges for program administrators in a large-scale model; therefore, it was deemed impractical for SSP to include such benchmarks as part of the incentive structure in the program. Instead, SSP will include a number of "Activation Points" similar to benchmarks, but these activities will not necessarily be tracked as a trigger of savings rewards.

[14] Obviously, these benchmark incentives may have achieved outcomes above and beyond dollars saved.
[15] Average contribution values were even closer, with $34 in net quarterly savings across all programs compared to $33 in Michigan.

TABLE 2 – SAVINGS MATCH STRUCTURE IN THE 2003 SEED PARTNERSHIP

Program State	Initial Deposit	Match Rate	Max Match	Benchmark Incentives	Total Incentives	Benchmarks – (Number in parenthesis indicates number of benchmarks)
MO	$500	1:1	$1,250	$250	$2,000	(5) - Parent workshops, Maintaining good grades, after school club
DE	$375	1:1	$1,300	$325	$2,000	(4) – Volunteering, parent or students, 50% in cash and 50% deposited
OK	$1,000	1:1	$750	$250	$2,000	(16) – Academic goals, educational workshops, entrepreneurial activities
TX	$500	1:1	$1,000	$500	$2,000	(13) – Financial education, academic goals, extracurricular activities
PR	$250	1:1	$1,200	$550	$2,000	(9) – Academic goals, financial education, child's birthday
NY	$500	1:1	$750	$750	$2,000	(5) – Attending workshops, grade promotion, child's birthday
CA	$0	1:1	$1,500	$500	$2,000	(3) – Financial education, graduating from high school
CO	$0	1:1	$1,000 / year	$1,000	$2k- $4k	(26) – Program activities, achieving certain life goals
MI	$800	1:1	$1,200	$0	$2,000	Due to the scale of the program, no benchmarks were offered
PA	$500	1:1	$1,200	$300	$2,000	(5)- Program activities, financial ed. and participation in fundraisers
IL	$1,000	1:1	$1,000	$875	$2,875	(5) – Program activities, completing financial goals
AR	$1,000	1:1	$1,000	$175	$2,175	(3) – Saving EITC refunds, piggy banks, attending investment classes

Another interesting finding in Tables 2 and 3, relates to front-ending of the savings rewards. Front-ending of rewards, for example by making an initial deposit, is sometime justified based on findings from behavioral economics that demonstrate the hyperbolic nature of discounting of future costs and benefits. According to the hyperbolic discounting model, the rate of time preference follows a declining trend as the delay for receiving a promised reward is prolonged.[16] According to this theory, an upfront reward offered in a savings program can be much more effective in nudging desired behavior in comparison to a reward that is offered in a distant future. In terms of a savings program, offering an initial deposit can therefore make it more likely for a participant to join the program. However, in the context of savings outcomes, it is not clear that offering an initial deposit can have a major effect on long term savings. This is because college savings accounts are generally restricted-use accounts. In other words, an initial deposit is not really available for immediate use as the account holder has to complete the savings program and utilize the amount in a distant future upon enrolling in college.

In the design of SSP, offering incentives in the form of an initial deposit was not viewed as an effective mechanism to stimulate long-term savings in college accounts. In fact, data from the SEED Partnership tends to also corroborate this idea. According to Table 2, except for programs in Delaware, California and Colorado, all other programs offered $500 or more in initial deposits to savers. Yet, in terms of total savings, except for the program in Colorado, average savings in the remaining

[16] See page 360 of Frederick, Shane, George Loewenstein,and Ted O'Donoghue. 2002. "Time Discounting and Time Preference: A Critical Review", Journal of Economic Literature. 40(2):351-401. Available at: http://www.econ.brown.edu/fac/Kfir_Eliaz/Time_discounting.pdf

two states were actually higher than the average savings across all programs.[17] These results are in fact more consistent with the hypothesis regarding the presence of strong substitution effects, which can actually discourage own savings. Front-ending of incentives is also present in the K2C program. In addition to the introductory deposit, a participant can technically claim all of the existing rewards in K2C within ten months from opening the account, leaving not too much of a reason (as far as rewards are concerned) to save beyond the initial few months of the program.[18] This is even more pronounced in SEED OK, where 100% of the incentives are front ended. In general, SEED OK does not appear to focus too much on participant savings, primarily because the main research objectives in SEED OK are to understand the complexities of implementing large scale models as well as studying the longitudinal outcomes of the initial investment made on behalf of the experiment group.[19]

This is a key lesson for SSP. Given the program's emphasis on helping families save for college and in view of the fact that savings rewards remain comparatively modest in SSP, the program is designed based on the idea that such incentives, if offered, should be distributed more or less evenly throughout the program, without any portion being offered on the front-end. The details of the SSP design will be discussed in the next section.

Designing a program with no upfront rewards creates its own unique challenges, however. While at the time of completing this report, actual SSP enrollments are still months away, it is not too difficult to foresee some challenges in participant recruitment at least in the initial phase of program implementation. For this reason, projected numbers for program enrollment are set at modest levels for the first few years of the program.

E- El Monte Promise Scholars Savings Program Design Elements

Various design elements of the program are discussed in this section, including scope, eligibility, contribution levels and the incentive structure, enrollment process, financial provider, and withdrawals. It should be emphasized that these design elements are considered final as of December, 2013, but maybe subject to changes before the actual implementation of the program in the 2014-15 school year.

E.1- Scope

Upon full implementation, the Scholars Savings Program will offer every child attending public elementary school in El Monte and the neighboring areas, an opportunity to save for college, receive financial education and earn scholarship rewards upon graduating from the El Monte Union High School District.

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[17] It should be noted that the Mile High United Way Program in Colorado only recruited youth who were transitioning out of the foster care system. Given the specific population targeted for this program, results for this program should be interpreted with caution.

[18] According OFE, the program is currently considering offering additional incentives on annual basis to program savers.

[1919] For more information on SEED OK, the reader is referred to the following resources:

1- Mason, L. R., Nam, Y., Clancy, M., & Sherraden, M. (2013). SEED for Oklahoma Kids: Experimental test of a policy innovation in a full population (CSD Working Paper 13-24). St. Louis, MO: Washington University. Available at http://csd.wustl.edu/Publications/Documents/WP13-24.pdf
2- Gray, K., Clancy, M., Sherraden, M. S., Wagner, K., & Miller-Cribbs, J. (2012). Interviews with mothers of young children in the SEED for Oklahoma Kids college savings experiment (CSD Research Report 12-53). Available at http://csd.wustl.edu/Publications/Documents/RP12-53.pdf

Table 3 - Reported Savings Outcomes in the SEED Partnership

State	Program	Number of Accounts	Active Accounts	Unmatched Withdrawals	Average Savings	Net Quarterly Savings (Median)
MO	Beyond Housing	73	71%	4%	$901	$3
DE	Boys and Girls Club of Delaware	71			$1,554	NA
OK	Cherokee Nation	74	41%	0%	$1,482	$1
TX	Foundation Communities	67	91%	16%	$1,605	$13
PR	Fundación Chana y Samuel Levis	81	86%	0%	$669	$24
NY	Harlem Children's Zone, Inc.	75	72%	0%	$1,517	$6
CA	Juma Ventures	81	85%	16%	$1,688	$34
CO	Mile High United Way	75	83%	40%	$527	$6
MI	Oakland Livingston Human Service Agency	495	30%	2%	$1,091	$7
PA	People for People	75	97%	5%	$905	$20
IL	Sargent Shriver National Center on Poverty Law	82			$984	NA
AR	Southern Good Faith Fund	75	64%	23%	$1,275	$3
Average of All Programs			**57%**		**$1,518**	**$9**

TABLE 4 - EL MONTE PUBLIC ELEMENTARY SCHOOLS PARTICIPATING IN SSP PILOT.

Name of School	Name of District	Address
Columbia	City School District	3400 N. California Ave., El Monte, CA 91731
LeGore	City School District	11121 Bryant Rd., El Monte, CA 91731
New Lexington	City School District	10410 E. Bodger St., El Monte, CA 91733
Wright	City School District	11317 Mc Girk Ave., El Monte, CA 91732
Voorhis	Mountain View School District	3501 Durfee Ave, El Monte, CA 91732
Maxson	Mountain View School District	12380 Felipe St., El Monte, CA 91732
Payne	Mountain View School District	2850 N. Mountain View Rd., El Monte, CA 91732

The project is set to begin in 2014-2015 school year. In the first year, EMPF will launch the program as a pilot across seven schools in the City and Mountain View school districts. The names of schools selected for the first year pilot appear in Table 4. These schools were selected based on staff readiness and availability of key resources for the implementation of the project. All seven schools are located in the three zip code areas of 91731, 91732, and 91733.

The pilot will continue in the second year (school year 2015-2016) and may include up to ten schools across both school districts.[20]

[20] Based on the performance of the first year pilot, EMPF will determine if expansion to 10 elementary schools in year two would support the overall goals of the pilot.

Full scale implementation of the project is planned for the 2016-2017 school year, after EMPF completes the first round of evaluation of the SSP pilot. Existing plans also include the potential expansion of the program to neighboring areas within a few years from the start of the project, pending availability of required financial resources.

E.2- Eligibility

Since SSP is a comprehensive program aiming to support all students in El Monte, there are no strict eligibility criteria for enrollment. At the same time, opening enrollment to students in all grade levels complicates the design structure and impacts EMPF's ability to administer the program efficiently. It is for this reason that EMPF has determined to offer enrollment opportunities only to first through fourth grade students at participating schools (see Table 4). These students are eligible to enroll in the program during the 2014-2015 school year. Students at other elementary schools joining the SSP pilot in 2015-2016, will be able to participate in the program during the 2015-2016 school year. Finally, starting from 2016-2017, all first to fourth grade students attending a public elementary school in El Monte City and Mountain View Districts will be eligible to enroll in the program.

It should be noted however, that opening enrollment to students in four grade levels may still create some challenges, not only in terms of human resources needed to handle large numbers of enrollments after the pilot phase, but also in terms of costs of offering savings rewards to a potentially larger number of participants. For this reason, as EMPF ramps-up its efforts to raise funds for the program, existing plans call for limiting enrollments only to first grade students after 2017 as a precautionary measure. EMPF will revisit the issue in the future and will make the necessary changes to its enrollment policy based on findings from the SSP pilot.

Children and families who are eligible to apply are also required to meet the following program conditions:

- open a designated SSP account,
- actively contribute to their SSP account by making monthly deposits,
- complete core "Activation Points", including activities such as attending financial literacy training (both parents and students), completing Free Application for Federal Student Aid, etc., and
- volunteer for or participate in approved El Monte Promise community service activities

Details of various activation points and community service activities will be provided periodically through EMPF website www.ProiseNow.org, quarterly participant statements, or through school flyers, text or voice message, or through other means.

E.3- Savings Contributions and the Incentive Structure

The design of SSP's savings reward structure is informed by the following four guidelines:

- Savings rewards should be offered primarily as a mechanism to reinforce habit forming behavior. Consistency in making deposits should be viewed as an important outcome in this program.

- The total amount of savings reward offered in SSP should be determined with a view of the long term sustainability of the initiative. While high incentive amounts could be more effective in helping families and students cover a larger share of college expenses, supporting larger numbers of college students has priority over amounts offered on a per capita basis.

- SSP should offer enrollment opportunities to students in different grade levels in elementary school. Restricting enrollments to first grade students would simply leave too many families without access to savings opportunities under SSP.

- Participants should earn savings rewards based on the amounts saved and frequency of their contributions. Moreover, since incentives represent scholarship awards, savings rewards offered to savers in SSP should not vary significantly across students, regardless of contribution amounts or the grade level when they enroll in the program.

Creating an incentive structure within the framework defined by the above guidelines proved to be a laborious process. On the one hand, emphasis on habit forming behavior meant that front-ending or lump-sum payment of savings rewards was not going to meet the requirements of the program even if, in general, an initial deposit by EMPF would have made an effective strategy to improve take-up rates.

Based on available resources and the consideration given to the sustainability of this project, existing plans call for a total match allocation of not more than $400 per account. Therefore, offering a significant portion of the savings reward in the form of an initial deposit would have left no effective mechanism to make subsequent participant deposits an attractive option for a subset of families in the program who are typically not regarded as habitual savers.

On the other hand, helping participants develop the habit of saving requires that incentives target the frequency of deposits while maintaining some level of correspondence between incentives and amounts saved. In practical terms, this means that total savings rewards should be in part determined by the number of deposits made by a participant during the program. Still, since enrollment opportunities are offered to students in first through fourth grades, students who enroll early in the program (e.g., in the first grade), will clearly have more opportunities to make deposits and earn rewards compared to participants who join the program at higher grade levels. Typically, this should not be concerning, but in the case of SSP, the program requires that total savings rewards earned by participants should vary only slightly across program enrollees in different grade levels.

Finally, while adherence to the four guidelines was deemed critical in the design of the incentive structure, the workgroup in charge of designing the program remained mindful of the fact that simplicity was also of paramount importance for effective program delivery. Making incentives too complicated to understand might create unnecessary cognitive barriers for families and could even dissuade participation.

After considering several options and leading discussions with the EMPF board of directors, a two-tier structure was eventually selected for SSP. In Tier One, which will cover first to fourth grade participants, expected deposits and incentive amounts differ based on the grade level at the time of enrollment. The rationale for this approach was to allow late joiners to fully catch up on total savings before starting on a uniform savings plan in Tier Two. The details of the Tier-One savings plan appears in Table 5.

Table 5 - Recommended Savings Contributions and Incentives in Tier-One.

Recommended Savings	1st Grade	2nd Grade	3rd Grade	4th Grade
Starting Deposit	$20	$40	$50	$100
Ongoing Monthly Deposits	$8	$10	$14	$20
Months of Saving (Tier-One)	48	36	24	12
Total Tier-One Savings	$396	$390	$372	$320
Incentives				
Savings Reward per deposit	$2	$2	$3	$6
Total Annual Savings Reward	$24	$24	$36	$72
Total Rewards in Tier-One	$96	$72	$72	$72
Total Account Value	$492	$462	$444	$392

Table 6 - Savings Contributions and Incentives in Tier-Two.

Recommended Savings	5th Grade
Starting Deposit (Rollover from Tier-One)	$400
Ongoing Monthly Deposits	$10
Months of Saving (until 9th Grade)	60
Total Savings (Both Tiers)	$910 -$986
Incentives (7% Return on Recommended Deposit Amounts)	
Annual Savings Rewards ($) (Grades 5 -9)	33, 44, 56, 68, 82
Total Rewards in Tier-Two 2	$283
Total Account Value	$1,273 - $1,365

As is seen in Table 5, students who join the program in third and fourth grades will have fewer months to complete their Tier-One plans, therefore plans for these groups feature higher expected contribution levels. Across all grade levels, SSP features different (higher) starting deposit amounts as compared to subsequent ongoing monthly deposits.[21]

Starting deposits are higher for students who join the program in higher grade levels.

It should be noted that while savings plans in Tier-One feature recommended contribution amounts, calculation of the reward in this tier is solely based on the frequency and not the amount saved.[22] In other words, incentives are calculated based on the number of

[21] For an explanation on the rationale for including a higher introductory deposit in savings programs, see Khashadourian, E. (2013), "Accelerating Low Income Savings", forthcoming. Available at: http://opportunitytoassets.com/2013/wp-content/uploads/2013/04/Accelerating-Low-Income-Savings-04-23-13.pdf

[22] Only exception applies to the first deposit in the program.

monthly deposits and not the amount saved in any given month. For example, a student who has joined the program in fourth grade is expected to make a $20 deposit per month and is offered a $6 reward on each monthly deposit he or she makes while on Tier-One plan. However, if in a given month, this participant is only able to make a $10 deposit, s/he will still earn the $6 reward. Not making a deposit in a given month will result in a loss of the monthly reward. Participants who skip deposits in one month- hoping that they will make up for their missed deposits in subsequent months, will not be able to recover the lost reward for that month even if they saved more in subsequent months. In other words, incentives in Tier-One target frequency of deposits rather than amounts saved.

Recommended contribution levels in Tier-One, while have no effect on savings rewards are still included in the plan to help families follow a schedule that can help them save close to $400 in combined contributions and rewards by the end of this tier. The dollar amounts chosen are reflective of families' own opinion in terms of the amount they can afford to save every month, per child. As indicated earlier, the workgroup members identified Tier-One as a catch-up period for participants who join the program in different grade levels.

Once students complete fourth grade and start the new school year in fifth grade, their savings plans will be automatically change to Tier-Two. The Tier-Two plan is different from Tier-One in two important respects; 1) it is universal in terms of expected contributions, and 2) rewards both the amount of savings and frequency of deposits (as opposed to Tier-One which only rewards frequency of deposits.) Details regarding the Tier-Two plan appear in Table 6. It should be emphasized that the starting deposit of $400 in Tier-Two is a calculated rollover amount from Tier-One. While actual amounts may be higher than $400 in some cases, the first $400 of the rollover value will be used to calculate Tier-Two rewards. Families, who start Tier-Two with a deficit, will have a deadline by which they can make a catchup contribution; otherwise, they will have to start Tier-Two with a smaller startup deposit value.

Every student, regardless of the grade level they enrolled in the program, will start Tier-Two in fifth grade. All participants are expected to contribute $10 per month in this tier. While smaller and larger contributions are possible and even encouraged in the case of the latter, in order to earn the maximum savings rewards, a minimum monthly deposit of $10 is required. SSP will include application forms which will be different based on enrollment grade levels. Therefore, instead of providing information on all grade levels, students will receive information on their specific savings plan in Tier-One and Tier-Two, which will make it a lot easier to understand the details.

TABLE 7 - CONTRIBUTION LEVELS AND THE LENGTH OF TIME STUDENTS PARTICIPATE IN TIER-ONE AND TIER-TWO PROGRAMS.

Joining the Program in	Deposit Levels (Tier-One)	Deposit Levels (Tier-Two)	Years in the Program	Own Savings	Total Benefits
First Grade	$8 (4 yrs)	$10 (5yrs)	9	$986	$379
Second Grade	$10 (3 yrs)	$10 (5yrs)	8	$980	$355
Third Grade	$14 (2 yrs)	$10 (5yrs)	7	$958	$355
Fourth Grade	$20 (1 yr)	$10 (5yrs)	6	$918	$355

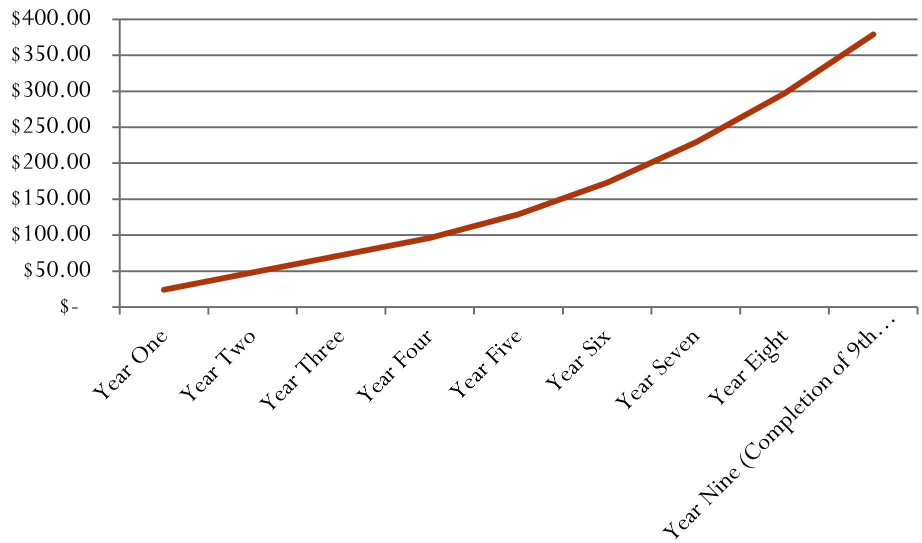
Tier-Two incentives are calculated according to an annual rate of return on defined contributions. Currently the rate is set at 7% per annum and may increase in subsequent years based on availability of funds. According to the current design, total savings benefits in tiers one and two end after completion of 9th grade. While students are encouraged to continue saving in their accounts until they graduate from high school, no structured benefits (i.e., one that offers rewards according to monthly deposits) will be offered to students after that time. Table 7, lists the details of the SSP program according to the grade level students enroll in the program. Based on funding availability and other considerations, EMPF will determine if the rate, duration, or the contribution amounts can change in the future. It should be emphasized however, that EMPF will consider introducing a supplemental mechanism in the form of prize-linked incentives (raffles) to students in all grade levels, including savers in grades 10 through 12 who continue to save through high school graduation.

As noted earlier, savings rewards are not front-ended in SSP; rather, they are distributed incrementally and in an accelerated fashion throughout the program, thereby generating higher rewards in later years of the program as compared to the earlier years. Table 8, provides the details regarding the allocation of rewards based on grade level and program year. Figure 1, provides a visual of the same information for a participant who joins the program in the 1st grade. It should be noted that the information provided in Table 8 and Figure 1 do not include the prize-linked rewards that will be offered from the start of the program until high school graduation.

TABLE 8 – SSP INCENTIVES BY ENROLLMENT GRADE AND PROGRAM YEAR (CUMULATIVE VALUES).

Accrual of Incentives by Grade and Program Year	1st Grade	2nd Grade	3rd Grade	4th Grade
Year One	24			
Year Two	48	24		
Year Three	72	48	36	
Year Four	96	72	72	72
Year Five	129	105	105	105
Year Six	173	149	149	149
Year Seven	229	205	205	205
Year Eight	297	273	273	273
Year Nine (After completion of 9th Grade)	379	355	355	355

FIGURE 1 - ACCRUAL OF INCENTIVES IN SSP FOR A FIRST GRADE ENROLLEE.



E.4- Account Platform and the Financial Provider

Upon receiving the approval from the Board of Directors to implement SSP, EMPF immediately started the process of recruiting a financial provider for the project. Securing a financial provider is one of the most crucial aspects of operationalizing a college savings program. Given the potential scope of the project and the fact that there are currently no off-the-shelf products to choose from, the workgroup spent copious amounts of time identifying key requirements of SSP in its discussions to secure a financial provider. To make the process easier, the workgroup utilized a scoring model. A list of account attributes was created and every workgroup member was asked to rank the attributes based on the degree of importance they assigned to each attribute. Responses from individual surveys were then collected and combined in order to create a prioritized list of key attributes. The following list provides these attributes *in the order of importance* as determined by the EMPF workgroup members:

1- **Protection of Principal:** The chosen platform offers the necessary protection, guaranteeing the principal investment (or deposits) made by the participant over the life of the program.
2- **Data Collection:** The account platform provides monthly account transaction information on all accounts. The report is customized and makes it possible to monitor account activities in order to calculate the amount of savings rewards on each account.
3- **Zero or Low Fees:** A fee based account is not an attractive option for parents. And a fee-based EMPF omnibus account (the trust account containing savings rewards) would increase program costs. The chosen account platform includes low or no fees.
4- **Account Opening:** The platform makes it possible to offer a streamlined enrollment process. This will positively impact program take up rates. Ideally, accounts can be established online or the provider is able to offer onsite assistance to parents at participating schools to enroll participants.

5- **Documentation:** The financial institution accepts alternative forms of ID, such as a Matricula Consular, that will help all students open an SSP account.
6- **Distribution of Funds:** The platform offers capabilities for ease of access to funds upon college enrollment. It also makes it easy for EMPF to transfer scholarship incentives into participant accounts while ascertaining that the funds are used for the intended purpose.
7- **Deposits:** Deposits are accepted in different forms (online transfers, direct deposits, mail-in deposits, and branch or ATM deposits) and there is no minimum required deposit amount.
8- **Public Benefits Eligibility:** Account is setup in a way that protects savings from asset limit calculations in public benefit programs, such as TANF/CalWorks, etc.
9- **Withdrawal Process:** Withdrawal of funds from the SSP account is restricted. In case of an emergency, participants will be able to access their funds prematurely, but will forfeit all savings rewards.
10- **High Rate of Return:** The chosen vehicle offers the potential of higher than average returns on participant deposits. The high return is calculated as an average return over the life of the account with possible negative returns in some years. (This type of account may not protect the principal).
11- **Online Access:** The account platform offers online access to participants where they can check their account balances at any time.

Based on the scoring model, the workgroup had collectively determined that, while protection of the principal investment and access to transaction details were among the top priorities of SSP, demanding a high rate of return on deposits or online access to accounts were not among the main priorities for the program. The lower priorities were rationalized on the grounds that having online access, while can be very useful, will not provide information on the rewards accrued (since these amounts are held in the omnibus account owned by EMPF until program graduation.) Instead, EMPF already has plans in place to generate program statements for participants at given monthly, quarterly or semi-annual intervals that will provide the total value of every SSP account and will include a running balance of savings rewards earned to date.

Also, given the current low-rate financial environment, an account vehicle with a high rate of return on savings was ranked lower on the scale of priority. The workgroup had determined that SSP rewards could easily make up for any rates of return financial providers could offer on their savings accounts.

After identifying priorities, the workgroup decided to reach out to ScholarShare, California's 529 plan administrator. Partnering with a 529 plan provider was deemed important as it offered the closest model that could meet some of the key SSP requirements. In fact, several aspects of a 529 plan were determined to be in perfect alignment with the SSP guidelines; including restrictions in access to participant savings, defined withdrawal structure and process for qualified withdrawals, minimal or no impact on federal grants and scholarship awards, and ease of setting up the account. In addition, a 529 plan offered the best option for any future expansion of the program and was seen as the proper vehicle to help families with older children (those not eligible to participate in SSP), to also save for their college by utilizing the same platform.

While initial conversations were promising, ScholarShare eventually informed EMPF that it could not accommodate the SSP requirements with regards to account enrollments and reporting. Upon receiving their response, the workgroup started exploring other options, including 529 plan providers outside of California. Since contributions to a 529 account does not offer any state income tax advantages to account holders in this state, using an out of state provider that could meet the requirements of the program was seen as a great alternative to the California provider. After an extensive search and based on recommendations from field experts, EMPF decided to reach out to Utah Educational Savings Plan (UESP) and explore the opportunity to utilize UESP's platform for hosting SSP accounts. Further communications with UESP convinced the EMPF Board of Directors that the Utah 529 plan administrator could actually meet most of the key requirements and would be able to offer the capabilities needed for the seamless implementation of SSP.

In terms of protection of principal, while UESP, like other 529 plans across the country, offers several investment plans with different risk profiles, it also offers access to an FDIC-insured savings account that protects principal deposits. But, like most regular savings accounts at existing financial institutions, this option currently offers a very low rate of return. In addition, these accounts are setup as individual 529 accounts by parents or guardians, and have the child designated as the beneficiary. [23] EMPF has reached an agreement with UESP to set the default option for opening all SSP accounts to an FDIC insured savings vehicle, but families will ultimately have the choice to select their own savings plan at a later date.

UESP also facilitates read-only access to individual accounts and transaction histories after account holders sign an authorization form that allows EMPF staff to periodically download account transaction histories in order to upload the information into Savings Path (SSP's program management system) for tracking purposes.

In terms of fees, accounts at UESP are generally subject to three types of fees, namely the Fund Operating Expense Ratios, UESP Administrative Asset Fee, and UESP Administrative Maintenance Fee. The first of these fees does not apply to FDIC-insured savings accounts. Participants can also avoid paying the maintenance fees if they choose to receive their account statements online (also a default option at the time of enrollment). Finally, as of November 2013, UESP charges an annual fee of 0.16% on account balances in the FDIC-insured accounts. However, existing rates of return on the FDIC-insured savings accounts typically more than offset the Administrative Asset Fee, practically making the FDIC-insured account a free investment option if families choose to receive their account statements online. Given that Savings Path offers capabilities to generate statements that reflect not only participant account balances but also the accrued SSP savings rewards, it is actually beneficial to use program generated statements in lieu of 529 plan statements.

Moreover, UESP also offers capabilities that could assist EMPF staff in tracking account openings. While parents will need to setup participant accounts online, UESP is capable of providing program-specific enrollment links and promotional codes that could easily be used to track enrollments in SSP. Therefore, as long as accounts are established using customized links accessed through EMPF website, EMPF staff will be able to identify participants, even if families decide to setup

[23] This structure can help EMPF to lower the administrative costs of the program since it does not require the organization to function as an account custodian for participant accounts.

their accounts on their own (without receiving direct assistance from EMPF staff.)[24]

E.5- Enrollment and Tracking Process

The two-step enrollment process consists of opening a designated account with SSP partner financial provider, and completing the SSP application forms. In order to join the program, interested individuals who meet the eligibility requirements should open an account by visiting the UESP website. UESP will create a unique enrollment link for SSP participants where they can complete program enrollment as well as the account opening process at the same time by navigating through a series of screens. As part of the enrollment process, participants will also complete an agreement designating EMPF as an Interested Party that would allow UESP to share participant and account information with EMPF for tracking purposes. Currently, the enrollment process requires all interested individuals to complete their applications online. Parents, who are unable to attend school events or complete the process independently (e.g., due to lack of Internet access or other barriers), will have to make appointments with EMPF staff to receive assistance in completing the required paperwork process.

After receiving the account enrollment information, EMPF will upload participant information in Savings Path and will continue receiving account transaction information on a monthly basis. Savings Path is a customized database for matched savings programs that offers various computational and reporting capabilities for matched savings programs. Opportunity to Assets, the company that has developed the system has customized it according to the specific requirements of SSP. EMPF has currently obtained a user license for this system and intends to use it for all administrative purposes related to this program.

By uploading account transactions in Savings Path, EMPF will calculate participant benefit amounts, track inactive accounts, and produce program specific account statements for every participant in the program. Initially, statements will be mailed to participants on a quarterly or bi-annual basis, but as a cost-cutting measure, over time, EMPF will consider utilizing other options, including text messaging or online statement delivery as the mechanism of choice for communicating with program participants.

Savings Path will also provide administrative reports to EMPF staff, assisting them with tasks related to tracking the overall program performance; including but not limited to reports on total number of accounts opened, deposit amounts, savings balances, frequency of participant deposits, and the financial commitments of the Foundation in terms of savings rewards accrued to date. The system also includes a feature to allow EMPF to design and offer prize-linked rewards to participants, if and when these rewards are offered.

E.6- Withdrawal Process

The withdrawal process is handled directly by the plan administrator and according to the 529 plan rules. Since savings accounts are established individually, participants are not required to inform EMPF or seek authorization from the organization in order to make withdrawals from their accounts. However, the rewards portion of the SSP program is managed directly by EMPF. These funds will not be available to participants any time prior to high school graduation. Therefore,

[24] This will allow SSP to rely on different communication channels to increase enrollments in the program; for example, enrollment events can be setup at school sites where volunteers would assist families in completing the enrollment process. Other parents who are unable to attend these events would be able to complete the process independently by using the information and enrollment links provided on EMPF website, etc.

"unqualified" withdrawals that are made prior to high school graduation or for purposes other than paying for postsecondary education will automatically be excluded from savings rewards.

After the program rollout, EMPF will develop a system to obtain the list of graduated participants from El Monte Union High School District on an annual basis. This will meet the first requirement of SSP in order to release the savings rewards to participants. EMPF will also develop a qualified withdrawal/transfer form, which will be available on EMPF website. Participants who enroll in postsecondary education will need to complete this form and submit their request directly to EMPF along with a proof of enrollment in a qualified institution of higher education. Upon receiving this form, EMPF will transfer the corresponding rewards directly into each individual 529 account, allowing the accountholder to access, both own savings and SSP benefits directly through the program financial provider (UESP).

For participants who make their qualified withdrawals and close their 529 accounts prior to contacting EMPF to make the transfer, payment will be made directly to the participant upon providing proof of postsecondary education enrollment. In all cases, in order to receive the SSP benefits, participants must graduate from El Monte Union High School District.

While tracking of the type of withdrawal (qualified or non-qualified) will be possible through Savings Path, currently there are no plans in place to measure longitudinal outcomes of the program such as tracking college graduation rates of program participants. EMPF is currently working on designing mechanisms for tracking such longitudinal outcomes in the future.

F- Project Cost and Sustainability

The cost of financial incentives offered to program participants is typically the largest share of the total cost in a matched savings program. All the remaining variable costs, including direct and indirect project staffing costs, and expenses such as marketing, communications, reporting, etc., tend to decline over time, not only as a result of long term economies of scale, but also because of economic efficiencies typically gained in the short run after the project startup. This rule, of course, does not apply to savings rewards payments that remain fixed on a per account bases.

It is for this reason that estimation of the total cost of financial incentives in SSP is a key determinant of sustainability of the project as it provides an opportunity for EMPF to not only set its annual fundraising goals, but also to have a better overall assessment of its organizational requirements in terms of staffing and other resources needed to meet its obligations under SSP.

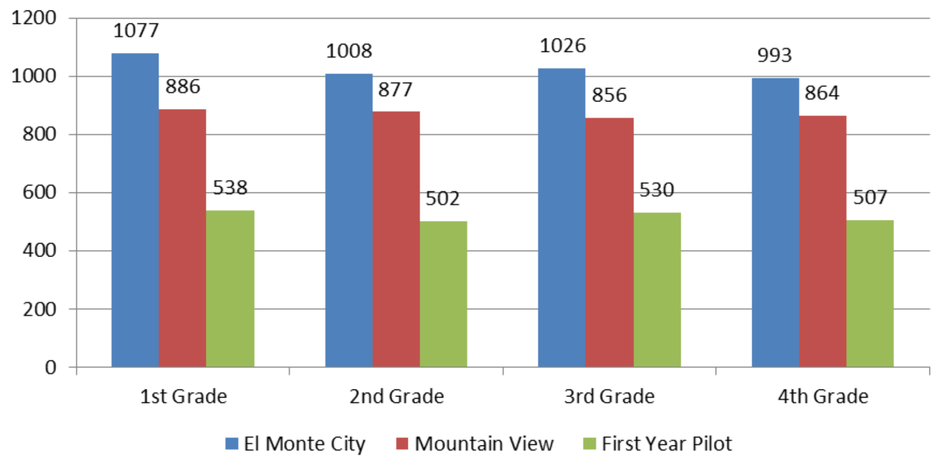
The first step in estimating costs of financial incentives involves determining the potential market size; in this case, students attending public elementary school in El Monte. According to California Department of Education, in the 2012-13 school year 7,587 students were enrolled in grades one through four at Mountain View and City School Districts in El Monte, CA. Figure 2, offers some details regarding grade level enrollments across both school districts.[25]

The initial rollout of SSP includes seven elementary schools as listed in Table 4. Collectively, these seven schools enrolled

[25] Information regarding grade level enrollments at Mountain View and El Monte City School Districts are available at: http://dq.cde.ca.gov/dataquest/page2.asp?level=School&subject=Enrollment&submit1=Submit

2,077 students in the 2012-13 school year. This information provides a baseline estimate for the total number of prospective participants in the program during the year one pilot.

FIGURE 2 - GRADE LEVEL ENROLLMENT BY DISTRICT (SCHOOL YEAR 2012-13).



Existing plans include the possible expansion of the pilot to ten schools in the 2015-2016 school year. While the list of new schools that are expected to take part in the year two pilot has not been finalized by the school districts, simple extrapolation of data using average enrollment numbers per grade level, suggests that the total population of students in year two of the pilot will include 2,959 students. It should be noted however, that this number includes first to third grade students who were already enrolled in year one of the program at the seven participating schools (which have now advanced to grades two through four). In a like fashion, during the full rollout of the program in the 2016-17 school year, the estimated student population of 7,587 will already include all first and second grade enrollees and some of the third grade enrollees from the two-year pilot. An estimation of cost for the project will need to take into account these details for more accurate results.

Also, since participation in the program is voluntary and requires parents to complete the enrollment process, it is unlikely that SSP will achieve take up rates anywhere close to full participation during the first few years of the program. Therefore, in order to arrive at a more reasonable count of total participants in the program, estimates of enrollment rates will be necessary. While it is difficult to estimate program take up rates, considering various socio-economic and organizational factors, a modest take-up rate of 35% was assumed for the first year of the pilot. Further, it was assumed that upon completion of the first year of the full rollout, enrollment rates will reach 55% and then increase by 5% each successive year until reaching 80% by 2023. Take up rates will remain steady after 2023. Applying these assumptions provides estimates for program enrollment from 2014-2015 school year through 2024-2025. These estimates appear in Table 9.

Given the projected number of participants and using the information on time distribution of incentives provided in Table 8, it is now possible to provide a topline estimate for the total cost of incentives in the program. A topline estimate assumes that all students will participate in the program by making their deposits every single month. It further assumes that all students will complete high school and enroll at a qualified institution of higher education. Depending on the actual amounts of participant deposits and savings patterns, topline figures may overestimate the real cost of incentives by several percentage points.

Table 9 - Estimated number of SSP Participants 2014-2025.

School Year	Students Eligible to Participate	Expected Number of Annual Enrollments	Enrollment as a percentage of Total	Total Number of SSP Participants
2014 – 2015	2,077	727	35%	727
2015 – 2016	2,959	964	33%	1,691
2016 – 2017	7,587	2,913	38%	4,604
2017 – 2018	1,969	1,083	55%	5,686
2018 – 2019	1,973	1,184	60%	6,870
2019 – 2020	1,975	1,284	65%	8,154
2020 – 2021	1,977	1,384	70%	9,538
2021 – 2022	1,979	1,484	75%	11,022
2022 – 2023	1,979	1,583	80%	12,605
2023 – 2024	1,979	1,583	80 %	14,188
2024 – 2025	1,979	1,583	80%	15,771

Table 10 - Projected Number of Program Participants and Estimates of Cost of SSP Savings Rewards (2015-2025).

	Annual Incentive (Accrued Amount)[1]	Total Number of Students Served	Annual Enrollments	Annual Incentive (Commitment)[2]	Total Incentive Commitments
2015	$ 28,190	727	727	$ 262,586	$ 262,586
2016	$ 57,434	1,691	964	$ 349,589	$ 612,175
2017	$ 159,745	4,604	2,913	$ 1,055,262	$ 1,667,438
2018	$ 167,691	5,686	1,083	$ 410,415	$ 2,077,853
2019	$ 216,245	6,870	1,184	$ 448,621	$ 2,526,473
2020	$ 287,928	8,154	1,284	$ 486,492	$ 3,012,965
2021	$ 361,613	9,538	1,384	$ 524,438	$ 3,537,403
2022	$ 419,009	11,022	1,484	$ 562,460	$ 4,099,863
2023	$ 430,446	12,605	1,583	$ 599,957	$ 4,699,821
2024	$ 535,000	14,188	1,583	$ 599,957	$ 5,299,778
2025	$ 520,000	15,771	1,583	$ 599,957	$ 5,899,735

1- This amount is the total topline estimate of incentives that could theoretically be claimed by participants based on amounts saved.

2- Amounts in this column show topline EMPF commitments for savings incentives based on annual enrollments in the program

Details of savings incentives in SSP are listed in Table 10. According to this table, EMPF will make a $262,586 commitment to students enrolled in the year one pilot. After the pilot is completed, EMPF commitments will generally increase and will reach a maximum of $1,055,262 in 2017. This is the first year the project is expected to launch across all elementary schools in El Monte for grades one through four. Annual commitments will decline sharply after 2017 due to limiting enrollments to first grade students only. Commitments will remain mostly in the $500,000 to $600,000 range in all subsequent years. The information listed in this table provides useful estimates for EMPF staff to set annual fundraising goals for the organization for the next ten years in order to support the implementation of the Scholars Savings Program.

The design of SSP and the projections provided in this document are made with a view of long term sustainability of the program and by considering EMPF's fundraising ability. As can be seen in Table 10, the total cost of offering savings rewards in this project, assuming a total enrollment figure of less than 16,000 participants within a ten year period, amounts to $5.9 million. However, as explained in the preceding paragraphs, the dollar amounts listed in Table 10 are topline figures, suggesting that the actual cost of the project will probably be significantly less than that listed in the Table 10, for the same number of participants.

There are currently no reliable estimates of performance of savings accounts in terms of both the dollar amounts saved and frequency of deposits, but an estimate of 70% seems reasonable for this purpose.[26] Using this number, the total cost of offering incentives in SSP could be adjusted downward to $4.1million. But given that administering a project of this magnitude will also require significant resources, rather than adjusting the total cost listed in Table 10 to a smaller amount to account for the more likely scenario of savings incentives, EMPF will target an amount between $5.5 and $5.9 million as it fundraising goal for the project as part of its ten year plan starting in 2015. This offers an average annual fundraising goal of close to $536,000 per year to cover savings incentives and other administrative costs of the project.

But to what extent is the sustainability of SSP dependent upon EMPF's ability to meet its annual fundraising goal of $536,000? To answer this question, it should be noted that according to Table 10, by 2025, only $3.2million of topline estimate will be accrued. In other words, while it is expected that the program will enroll close to 16,000 students by 2025, at least 11,000 of these students would have at least another four years to graduate from high school before claiming their savings incentives. In practical terms, this means that by 2025, only less than $3.2 million of the topline estimate of costs will be accrued by participants in the program, offering an additional time cushion for the foundation in order to fundraise for the remaining amount. Factoring this information, provides a new average annual cost of less the $290,000 for SSP which can serve as a minimum fundraising goal for EMPF in order to meet obligations based on topline accrual amounts. Given the amount of support that this initiative has been able to generate in the community so far, stated fundraising goals appear completely within reach for EMPF.

[26] This information is based on information obtained from projects with a similar incentive structure. For example see page 13 of the following article: Khashadourian, E (2013), Accelerating Low Income Savings, Paper submitted to Center for Financial Security at University of Wisconsin in Madison for the Emergency Savings Project. Available at http://opportunitytoassets.com/2013/wp-content/uploads/2013/04/Accelerating-Low-Income-Savings-04-23-13.pdf

G- Marketing and Outreach

Marketing and outreach activities for the pilot phase of SSP are set to begin well before the start of the 2014-2015 school year. EMPF has partnered with VPE Public Relations, a prestigious global marketing and public relations company to develop website content as well as multilingual flyers, posters, and other marketing materials for SSP, which will be finalized in spring of 2014.

El Monte Promise Foundation will adopt a comprehensive marketing approach to ascertain that all available community resources are utilized effectively in order to promote the Scholars Savings Program. From board members representing the Chamber of Commerce in El Monte, to Rio Hondo College, City of El Monte, members of El Monte Community Investment Board, and most importantly school districts and parent groups, all stakeholders will play important roles in promoting the program. The vast network of EMPF volunteers and partners will allow the Foundation to adopt a multi-pronged approach in marketing the program.

The marketing campaign will kick off in early 2014. EMPF will organize a press conference in March of 2014, inviting councilmembers from the City of El Monte, superintendents from school districts and other partners to publically announce the launch of the Scholars Savings Program. Following the press release, EMPF will hold a funders briefing, to provide an overview of the Scholars Savings Program to potential funders and corporate sponsors. EMPF will also work with the El Monte Mountain View and City School Districts to send letters to parents of the 1st to 4th grade students in the pilot schools providing details regarding the program, including project start date, and the application process. During summer of 2014, nonprofit partners in El Monte will also receive information and flyers to disseminate to their clients regarding the program.

In addition to these expansive outreach resources, perhaps the most critical component of the SSP outreach plan involves activities at the pilot school sites. EMPF staff and volunteers will hold several meetings with school officials, teachers, and parent groups to discuss the project and provide information they will need to disseminate to children and parents during the 2014-2015 school year. Staff will make presentations to demonstrate the enrollment process and will seek feedback from teachers and parent groups regarding the effective ways to engage children and their parents in this process. Further, EMPF staff will consult with school principals and teachers to identify opportunities, such as Back to School Nights, Howdy Nights, etc., where information regarding the program can be disseminated directly to parents of first to fourth grade children in each participating school.

In addition to providing outreach, EMPF staff and volunteers will organize program enrollment events in the evenings or on weekends to assist parents to sign up their children for the program for those who may not have access to the Internet at home, or those who are otherwise unable to complete the program enrollment process online. The details of these enrollment events will be finalized and announced during the 2014-2015 school year.

H- Financial Education

According to a 2011 survey of the Council for Economic education, most of the states in the union now require financial education standards to be implemented in schools. In addition, personal finance courses are mandatory for high school graduation in 13 states. This information indicates that most states now recognize just how important it is to offer personal financial education as part of the main educational curriculum in schools.

While designing a standard financial literacy program for adults is rather challenging due to the fact that everything in the program, from modes of delivery to content of the training may leave significant gaps in meeting the needs of various groups of individuals, the same does not necessarily apply to training provided to school children in a classroom setting. This is even more so when the training curriculum is standardized across different grade levels. With California adopting the Common Core measures in structuring grade level training materials, there is an opportunity to revisit course curricula for k-12 students and embed financial literacy topics that correlate to the common core curriculum for each grade level.

More information on financial literacy for children and parents will become available later on as EMPF continues its efforts in working with school districts to finalize a financial literacy curriculum and explore options to deliver quality financial literacy training to parents prior to the launch of the project in 2014-15 school year.

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