



## California Kids Investment and Development Savings Program (CalKIDS) Annual Report

June 30, 2022

### **Background**

The ScholarShare Investment Board (SIB or Board) administers the California Kids Investment and Development Savings Program (CalKIDS or Program). CalKIDS is designed to expand access to higher education for all students, especially those from disproportionately marginalized communities, by establishing a starting point to build savings for higher education. Academics have found that children with even \$500 or less designated for college savings are three times more likely to enroll in college and nearly four times more likely to graduate than children with no savings.<sup>1</sup> However, low-income communities may be less likely to know about the benefits of college savings accounts and the power of compound interest.

In 2019, the Legislature and Administration created the Program to provide each child born in California with a seed deposit of at least \$25 invested in a CalKIDS account for their future higher education expenses. The 2021-22 State Budget expanded participation in CalKIDS by approximately 3.5 million children in the current fiscal year (in addition to the estimated 450,000 annual CalKIDS newborn participants). This expanded group of participants includes eligible low-income public school students in 1<sup>st</sup> through 12<sup>th</sup> grades in fiscal year 2021-22 and beginning in fiscal year 2022-23, eligible low-income public school students in first grade. Due to this expansion, the launch date for CalKIDS is expected to begin by July 1, 2022.

By June 30, 2022, and annually thereafter, SIB is statutorily required to report to the Department of Finance and the Legislature on specified information. As part of this report, SIB will present detailed Program expenditure information, account information, participation results, marketing efforts, and recommendations to improve the Program. Please note that this report will be published pursuant to statutory requirements prior to the launch of the Program and does not reflect complete results of the Program in operation.

### **Program Expenditures**

<b><i>Program Expenditures</i></b>	<b><i>Amount</i></b>
Staff	\$ 124,692.14
Training	\$ 635.00
Website	\$ 1,048.00
Equipment	\$ 3,246.27
Service Contracts	\$ 249,843.75
<b><i>TOTAL</i></b>	<b><i>\$ 379,465.16</i></b>

Note: Program expenditures provided are for fiscal year 2021-2022 as of May 31, 2022.

<sup>1</sup> <https://www.sciencedirect.com/science/article/abs/pii/S0190740912004379>

## **CalKIDS Accounts Summary**

	<b>FY 2021-2022</b>
<b>Number of CalKIDS Accounts Opened</b>	3,395,376
<b>Total State Contributions to CalKIDS Accounts</b>	\$1,791,198,500
<b>Total Non-State Contributions to CalKIDS Accounts</b>	\$0
<b>Rate of Investment Return</b>	Not applicable

\*As of the publication of this report, CalKIDS account funds have not yet been invested.

## **Parent Notification**

As of the publication of this report, which is in advance of the Program launch, parents of CalKIDS participants have not yet been notified of their CalKIDS accounts. Notifications are anticipated to begin in fiscal year 2022-23 following the launch of the Program and will be reported in the annual report for fiscal year 2022-23.

## **Participant Engagement**

As of the publication of this report, which is in advance of the Program launch, parents of CalKIDS participants have not yet been notified and therefore have not engaged with CalKIDS accounts. Notifications are anticipated to begin in fiscal year 2022-23 following the launch of the Program at which point engagement by parents and legal guardians of CalKIDS accounts will be reviewed and reported in the annual report for fiscal year 2022-23.

## **Demographic Information**

As of the publication of this report, which is in advance of the Program launch, information about CalKIDS participants has not yet been collected. An update on the collection of this information will be provided in the annual report for fiscal year 2022-23.

## **Marketing**

SIB has developed creative marketing campaigns to support the launch and implementation of the Program. These marketing efforts include initiating outreach with various organizations, including, but not limited to, statewide associations, non-profit organizations, schools and school districts, and local education agencies, and the launch of the enhanced Program website and social media pages. At this time, marketing concepts remain in development and will be executed following the launch of the Program. An update on these marketing efforts will be provided in the annual report for fiscal year 2022-23.

## **Fundraising**

Prior to the creation of CalKIDS, SIB did not have experience soliciting philanthropic support for its programs. Since the Program was initially created, SIB staff solicited philanthropic support from over 20 foundations. SIB staff and partners engaged in meetings with eight of those organizations, including providing presentations on CalKIDS, ScholarShare 529, and the importance of children's savings accounts (CSA). SIB successfully secured a grant in the amount of \$750,000 from the Charles Stewart Mott Foundation. The grant will be used by the Board over the next three years to market and increase awareness and education about the Program.

Additionally, in March 2021, following the issuance of a request for proposals (RFP), SIB executed a contract for fundraising consulting services. However, as of the publication of this report, SIB has not yet utilized these services. This is in part due to the changing nature of the Program and its budget as a result of the 2021-22 State Budget Act, which expanded the Program and provided an additional one-time and ongoing allocation.

## **Recommendations**

SIB recommends the Administration and Legislature consider the following:

- *Student-Age Incentives:* Academic research recommends supplementing initial deposits with other, progressively structured subsidies. CSA programs across the country incorporate additional financial incentives for families who take positive actions. In the 2021-22 State Budget, SIB was allocated funds to create an incentive model for CalKIDS participants enrolled at birth. The model, as approved by SIB, provides an additional \$25 for families who register on the Program's online portal and an additional \$50 when they open and link their own ScholarShare 529 account. Unfortunately, no additional funding was allocated to SIB for the same purpose of incentivizing the 3.4 million low-income public school participants. As such, the SIB will be unable to fully maximize engagement with CalKIDS participants and encourage them to save on their own with a ScholarShare 529 account. SIB recommends the inclusion of incentive opportunities for the low-income public school students.
- *Data Correction Process:* SIB anticipates a large volume of families inquiring about their enrollment status in the Program. SIB will enroll children into the Program based on complete data provided by both the California Department of Public Health (CDPH) and the California Department of Education (CDE). If complete data is not provided by either CDPH or CDE on a particular child, SIB will not have the capability to verify the particular child's eligibility into the Program. SIB recommends that a process be developed to ensure deficiencies in the provided data be corrected to allow SIB to enroll all eligible CalKIDS participants.
- *Data Linkage:* Pursuant to Education Code 69996.9, SIB is to provide each eligible 1<sup>st</sup> grader an "enhanced deposit" in a new or existing CalKIDS account. This includes children who may be a part of the Program at birth. Since eligibility for newborns (universal) is different than eligibility for low-income public school students (Local Control Funding Formula (LCFF)-based), SIB recommends a process be developed to ensure data matching between newborns and school-age participants will be achievable in the coming years.

## **Conclusion**

Since CalKIDS was established, SIB has worked diligently to build the critical Program infrastructure. When the Program officially launches, SIB will be ready to import data, assign deposit values to participants, and conduct large-scale outreach. More comprehensive data and information will be available and collected following the launch of the Program and will be provided in the annual report for fiscal year 2022-23.