



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

June 30, 2023

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.¹ However, low-income communities may be less likely to know about the benefits of college savings accounts and the importance 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 3.4 million children (in addition to the estimated 450,000 annual CalKIDS newborn participants). This expanded group of participants includes eligible low-income public school students enrolled in first through 12th grade in the 2021-22 academic year and eligible low-income public school students enrolled in first grade each year beginning in the 2022-23 academic year. The Program became operational on July 1, 2022, with a formal launch in August 2022.

By June 30, 2023, and annually thereafter, SIB is statutorily required to report to the California 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.

Program Expenditures

Expenditure Item	Expenditures		
	FY 2020-2021	FY 2021-2022	FY 2022-2023 (through 3/31)
Staff	\$ 51,595	\$ 147,816	\$ 262,990
Recordkeeping Platform	\$ -	\$ 286,534	\$ 358,560
Notifications	\$ -	\$ -	\$ 1,007,848
Service Contracts	\$ -	\$ 91,563	\$ 808,039
Marketing and Outreach	\$ -	\$ -	\$ 54,307
Miscellaneous	\$ -	\$ 55,332	\$ 2,898
TOTAL	\$ 51,595	\$ 581,245	\$ 2,494,642

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

CaKIDS Accounts and Contributions*

	Newborns	Students	Total
Number of CaKIDS Accounts Opened	264,139	3,395,376	3,659,515
Total State Contributions to CaKIDS Accounts	\$ 7,019,400	\$ 1,791,198,500	\$ 1,798,217,900
Total Non-State Contributions to CaKIDS Accounts	\$ -	\$ -	\$ -

*Information provided through March 31, 2023.

Rate of Investment Return

Population	CaKIDS Account Type	ScholarShare 529 Investment Portfolio	Investment Return* 7/1/22-3/31/23**	Inception Date
Newborns	Master Holding Account	Principal Plus Interest Portfolio	1.21%	7/1/2022
Newborns (2022-23)	Cohort Account	2038/2039 Enrollment Portfolio Passive	5.30%	9/8/2022
Students	Master Holding Account	Principal Plus Interest Portfolio	0.69%	1/5/2023
Students (Grade 1, Census Day 2021)	Cohort Account	2032/2033 Enrollment Portfolio Passive	6.80%	7/1/2022
Students (Grade 2, Census Day 2021)	Cohort Account	2032/2033 Enrollment Portfolio Passive	6.80%	7/1/2022
Students (Grade 3, Census Day 2021)	Cohort Account	2030/2031 Enrollment Portfolio Passive	6.24%	7/1/2022
Students (Grade 4, Census Day 2021)	Cohort Account	2030/2031 Enrollment Portfolio Passive	6.24%	7/1/2022
Students (Grade 5, Census Day 2021)	Cohort Account	2028/2029 Enrollment Portfolio Passive	5.26%	7/1/2022
Students	Master Holding Account	Non-ScholarShare 529 Funding Agreement	1.40%	7/1/2022
Students (Grades 6-12, Census Day 2021)	Cohort Account	Non-ScholarShare 529 Funding Agreement	1.40%	7/1/2022

* Returns are presented net of fees and reflect the reinvestment of dividends and other earnings. Net of Fee returns are calculated net of investment advisory fees and net of underlying fund expenses and transaction costs.

** Inception returns are cumulative returns based on portfolios' NAVs.

Parent Notification

All Program participants for which SIB received a mailing address have been mailed or are scheduled to be mailed a notification letter. The notification letter informs the participant of their eligibility, the award(s) available, how to access the account, opportunities to continue saving through ScholarShare 529, and how to opt-out of the Program entirely. The letter is translated into English and Spanish and includes a quick response (QR) code to direct recipients to the Program website. The letter also includes a unique code which can be used by the participant to register online to access their CalKIDS account. If participants do not receive the letter, they may still register their CalKIDS account with alternative information unique to that participant, which includes the local registration number (LRN) or statewide student identifier (SSID).

SIB began sending notification letters to participants in November 2022. Notification letters to newborn participants are sent monthly based on birth data SIB receives from the California Department of Public Health (CDPH). Following the receipt of the student participant data from the California Department of Education (CDE), notification letters to the initial larger volume of student participants are sent pursuant to an agreed upon schedule with the California Department of General Services, Office of State Publishing (OSP) over an eight-month period to accommodate the availability of materials and capacity for printing the letters to approximately 3.4 million student participants. As of March 31, 2023, notification letters have been mailed to the parents/guardians of 201,971 newborns and 1.3 million students.

In addition, SIB coordinated various outreach and marketing efforts to notify parents of the Program, which will be discussed later in this report.

Participant Engagement

Participant engagement in the Program is measured by a variety of items, which include the following key actions taken:

- Registrations: The eligible CalKIDS participant has logged in to the Program’s online portal to access their CalKIDS account.
- ScholarShare 529 Linkages: The eligible CalKIDS participant has accessed their CalKIDS account and has linked an individual ScholarShare 529 account to view both the CalKIDS account balance and their own savings in one place.
- Distribution Requests: The eligible CalKIDS participant has requested the distribution of funds to pay for an eligible expense at an institution of higher education.

Data for these actions, as of March 31, 2023, are presented in the table below.

	Newborns	Students	Total
Registrations	8,345	102,637	110,982
ScholarShare 529 Linkages	3,952	5,375	9,327
Distribution Requests	N/A	11,361	11,361
Number of Participants Who Requested a Distribution	N/A	10,980	10,980
Amount Distributed	N/A	\$ 5,752,912	\$ 5,752,912

Demographic Information

Outlined below is a summary of various demographic information, as of March 31, 2023, for eligible CalKIDS account recipients which include gender and ethnicity. This demographic information is provided by CDE (for students) and CDPH (for parents of the newborns).

Student Participants

- Ethnicity

Race Ethnicity	Students
Hispanic or Latino	2,386,275
White	381,811
Asian*	281,999
African American	203,364
Two or More Races	82,786
Not Reported	27,027
American Indian or Alaskan Native	16,682
Pacific Islander	15,432

*Asian includes Filipino which is listed as its own category in the CDE data file. Race Ethnicity means Students are placed in a specific race/ethnicity category based on their most recent California Longitudinal Pupil Achievement Data System (CALPADS) record at the school/local educational agency (LEA). This information is derived from the student information file and:

- Hispanic or Latino Ethnicity Indicator
- Race Category Code

- Gender

Gender	Students
Female	48.5%
Male	51.5%
Nonbinary	0.0%

- Family Income of Students - CDE does not provide family income information on students. Low-income student participant eligibility is determined by the Local Control Funding Formula (LCFF).

Newborn Participants

- Ethnicity

Multi-Race Status*	Parent Giving Birth	Parent Not Giving Birth
Hispanic	129,766	116,313
White	67,108	67,365
Asian	24,045	19,626
Black	12,099	13,306
Two or more races	6,450	6,069
American Indian / Alaskan Native	778	645
Native Hawaiian / Pacific Islander	372	461
Other	294	338

*Multi-Race status is calculated based on information from Hispanic Origin in the DPH data file. This field provides a single race value for all individuals, including those who reported more than one race.

- Gender

Gender	Newborns
Female	48.9%
Male	51.1%
Nonbinary	0.0%

- Family Income of Newborns - CDPH does not provide family income information on newborns. Newborn participant eligibility is universal, regardless of the family's income status.

Marketing

In advance of, and following the launch of the Program, SIB conducted outreach and marketing in a variety of ways. Since the Program's launch in summer 2022, SIB engaged numerous statewide associations, non-profit and community-based organizations, public agencies, and key LEAs that include county offices of education, school districts and individual schools, to support outreach initiatives. These efforts have included the coordination of in-person and virtual presentations to students, families, and community stakeholders to help promote the Program.

Between July 1, 2022 through March 31, 2023, these efforts resulted in 218 meetings with potential partners, 72 presentations to partners who could assist with promoting CalKIDS, and 22 presentations sponsored by partner organizations to families. Similarly, SIB staff hosted 10 online webinars available to the public between July 1, 2022 through March 31, 2023, reaching 1,227 attendees.

Additionally, valuable multilingual toolkit items and materials, such as flyers, newsletter copy, social media content, images and logos, have been created and made available on the CalKIDS website for partner organizations to utilize in disseminating Program information to the families

they serve, in addition to special toolkit materials for use by LEAs. These efforts have enabled SIB to build relationships with partner organizations across California and raise brand awareness and education about the Program.

In partnership with the ScholarShare 529 Plan Manager, SIB coordinated paid marketing activities to promote CalKIDS. These activities have included the following:

- Radio advertising and display ad banner campaigns in major California markets (English & Spanish).
- Social media presence on Instagram, Facebook, LinkedIn, Twitter and YouTube. Paid Instagram reels and posts and Facebook posts providing both general and targeted program messaging.
- Partnership with BDG Parenting to include geo-targeted web/mobile display and social media ads.
- Contract with School News Roll Call for digital newsletter ads in select school districts based on household income.
- Contract with Vector Media for bus shelter signage in strategic Los Angeles locations.

As of publication of this report, SIB has also awarded an advertising and media buying services contract to an outside firm to assist with further marketing the Program in the state. The firm will support SIB with securing advertising opportunities in key media markets statewide, while also supporting video production and analysis of efforts.

Fundraising

Prior to the creation of CalKIDS, SIB had very limited, if any, experience soliciting philanthropic support for its programs. Since the Program was initially authorized in 2019, SIB staff solicited philanthropic support from over 20 foundations. SIB staff and partners engaged in meetings with eight (8) of those organizations, including providing presentations on CalKIDS, ScholarShare 529, and the importance of children's savings accounts (CSA). In December 2021, 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 (3) 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 evolving 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

In reviewing various ways to improve the Program moving forward, SIB recommends:

- *Workforce Capacity:* As the Program continues to evolve and grow to support additional participants each year, and to ensure increased awareness of the Program in a state as large as California, SIB anticipates its staffing needs and functions will also continue to evolve and expand in terms of scale and complexity. SIB recommends additional full-time staff to support the Program. Currently, SIB has three (3) staff dedicated to the Program, with other SIB staff assisting as well. The staff services manager I for CalKIDS oversees and provides direction on programmatic aspects related to marketing and outreach,

content development, procurement, regulations, policies and procedures, data management, customer service, investments, among other duties. The remaining staff for CalKIDS perform outreach and training, data reporting, and assist with administrative responsibilities. Additional staff would support all aspects of the Program administration, which includes procurement and contract management, budgeting and auditing, development of regulations and Program procedures and policies, collection and analysis of data, reporting, management of sensitive participant data, outreach and education to Program stakeholders and eligible participants statewide, coordination of marketing strategies and materials, responding to participant inquiries, and more. The need for additional staff positions and the current workload were not anticipated in prior fiscal years.

- *Ongoing Marketing Resources:* SIB recommends additional ongoing marketing support for the Program. The ScholarShare 529 marketing team estimates that an effective two-month media campaign in California alone can cost roughly \$2 million to cover expenses including public service announcements; television; paid social video; paid web display; public relations / community outreach; and creative development and production. This is particularly important for hard-to-reach populations, including rural communities, low-income families, and immigrant families.
- *Student Participant 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 student participants.
- *Data Linkage:* Pursuant to statute, SIB is to provide each eligible first 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 (LCFF-based), SIB recommends a process be developed to ensure data matching between newborn and student participants will be achievable in the coming years.
- *Data Correction Process:* SIB has received a large volume of families inquiring about their enrollment status in the Program. This is particularly important for newborns and students in rural communities across California. For example, SIB does not receive information on newborns who are eligible based on residency status if they were born outside of California. Additionally, SIB does not receive information on low-income students who are required to attend school outside of the state in cases where there is no LEA within their community. Similarly, participants have notified SIB of errors, such as misspellings, in the CalKIDS account designated for them. SIB will enroll children into the Program based on complete data provided by both the CDPH and the 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 and to correct data errors.

- *Distributions:* Statute requires SIB to send a CalKIDS distribution in the amount, as requested by the beneficiary, directly to an institution of higher education for qualified expenses associated with that institution. After speaking with various colleges and universities, SIB staff has learned that most institutions will apply CalKIDS funds directly to tuition or housing, aspects of the overall cost of college where the student is most likely to have a balance associated with the institution. In the event the student does not have an outstanding balance with the institution, colleges and universities have sought guidance from the Program. This is a particularly commonplace occurrence at community colleges, where low-income students typically have tuition and fees waived. While statute is clear that the Program must send funds directly to the institution, statute does not clarify whether or not the school may transfer the funds directly to the student to be used for an alternative eligible expense under the Program. For example, students often pay for eligible expenses, such as books and other required equipment, at retailers or retail websites not associated with the institution.

Conclusion

The implementation of a statewide CSA in California is a major accomplishment for the CSA field and represents a public commitment to students. CalKIDS illustrates how a single program can have far reaching impacts, from newborn parents to students entering college or a career training program. CalKIDS can provide the state the following lessons learned:

- A substantial initial deposit can make a significant impact on participation.
- Families should be offered an incentive to save on their own.
- Distribution requests illustrate how funds are being utilized for their intended purpose.

Over time, CalKIDS will provide further insights into the successes and challenges of the Program. Until then, SIB staff remain engaged and committed to ensuring each eligible CalKIDS participant is aware of the free money available for college and the commitment the State has made in their path to higher education.