

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

September 30, 2024

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 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. Prior to the Program's launch, 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 September 30, 2024, 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. This report covers the program through June 30, 2024.

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

Program Expenditures

Expenditure Item	Expenditures			
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Staff	\$ 51,595	\$ 145,890	\$ 361,832	\$ 459,576
Recordkeeping Platform	\$ -	\$ 286,534	\$ 485,054	\$ 435,520
Notifications	\$ -	\$ -	\$ 2,516,741	\$ 471,981
Service Contracts	\$ -	\$ 91,563	\$ 1,093,911	\$ 1,189,726
Marketing and Outreach	\$ -	\$ -	\$ 59,248	\$ 1,383,922
Miscellaneous	\$ -	\$ 60,385	\$ 16,448	\$ 7,130
TOTAL	\$ 51,595	\$ 584,372	\$ 4,533,234	\$ 3,947,855

Note: Program expenditures provided are for fiscal years 2020-2021 through 2023-2024. Certain amounts may slightly differ when compared to prior reports due to reclassification of expenditure categories. Staff expenditures increased year-over-year as personnel grew. Recordkeeping costs did not commence until the second half of fiscal Year 2021 – 2022. SIB required several one-time start-up costs with the recordkeeping platform in advance and during the program’s first full year. Program notifications will be highest in fiscal Year 2022 – 2023 compared to subsequent and future years due to SIB’s requirement to notify the 3.4 million students initially enrolled into the program. In comparison, SIB enrolls approximately 270,000 to 300,000 students in ongoing years. Service contracts represent the program’s call center, audit services, and SIB’s administrative services contract with the California State Treasurer’s Office. Expenses increased over time as services were utilized. Similarly, marketing expenses increased year-over-year after the Program’s launch. SIB reduced its miscellaneous costs over time as these expenses were one-time in nature.

CalKIDS Accounts and Contributions

	Newborns	Students	Total
Number of CalKIDS Accounts Opened	764,525	3,665,607	4,430,132
Total State Contributions to CalKIDS Accounts	\$48,035,975	\$1,934,265,500	\$1,982,301,475
Total Non-State Contributions to CalKIDS Accounts	\$0	\$34,700	\$34,700

Note: Information provided through June 30, 2024. Non-state contributions refer to funding provided by the ScholarShare 529 Plan Manager—TIAA-CREF Tuition Financing, Inc. (TFI) as part of a pilot project to incentivize student participants to link a ScholarShare 529 account to their CalKIDS Account. SIB is exploring additional opportunities for increased non-state contributions.

Rate of Investment Return

Population	CalKIDS Account Type	ScholarShare 529 Investment Portfolio	7/1/2022 - 6/30/2023 Return as of 6/30/23*	7/1/2023 - 6/30/2024 Return as of 6/30/24*
Newborns	Master Holding Account	Principal Plus Interest Portfolio	1.91%	2.89%
Newborns (2022-23)	Cohort Account	2038/2039 Enrollment Portfolio Passive	13.05%	15.12%
Newborns (2023-24)	Cohort Account	2040/2041 Enrollment Portfolio Passive	N/A	13.6%**
Students	Master Holding Account	Principal Plus Interest Portfolio	1.91%	2.89%
Students (Grade 1, Census Day 2021)	Cohort Account	2032/2033 Enrollment Portfolio Passive	11.17%	13.23%
Students (Grade 2, Census Day 2021)	Cohort Account	2032/2033 Enrollment Portfolio Passive	11.17%	13.23%
Students (Grade 3, Census Day 2021)	Cohort Account	2030/2031 Enrollment Portfolio Passive	10.06%	11.84%
Students (Grade 4, Census Day 2021)	Cohort Account	2030/2031 Enrollment Portfolio Passive	10.06%	11.84%
Students (Grade 5, Census Day 2021)	Cohort Account	2028/2029 Enrollment Portfolio Passive	8.17%	10.16%
Students (Grade 1, Census Day 2022)	Cohort Account	2034/2035 Enrollment Portfolio Passive	11.76%	13.92%
Students	Master Holding Account	Non-ScholarShare 529 Funding Agreement	2.10%	2.94%
Students (Grades 6-12, Census Day 2021)	Cohort Account	Non-ScholarShare 529 Funding Agreement	2.10%	2.94%

Note: 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.

*Returns are those of the portfolio in which CalKIDS invests and does not reflect the experience of any individual participant.

**The inception date of the 2040/2041 Enrollment Portfolio Passive was 7/14/2023. Return reflects performance from July 14, 2023 to June 30, 2024.

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 (claim) 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. As of June 30, 2024 notification letters have been mailed to the parents/guardians of 763,881 newborns and 3.6 million students. 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 student participants are sent pursuant to an agreed upon schedule with the California Department of General Services. Additionally, SIB participates in a range of activities to increase parental notification within communities. These activities are relayed in greater detail below.

Active Participant Account Engagement

Active participant account engagement in the Program is measured by claims, ScholarShare 529 linkages, and distribution requests. A description of each activity is described below.

Claims: The eligible CalKIDS participant has logged in to the Program's online portal to claim their CalKIDS account.

- ScholarShare 529 Linkages: The eligible CalKIDS participant has claimed their 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 claimed their account and requested the distribution of funds to pay for an eligible expense at an institution of higher education.

Data for these actions, as of June 30, 2024, are presented in the table below.

	Newborns	Students	Total
Claims	55,785	312,056	367,841
ScholarShare 529 Linkages	18,164	17,159	35,323
Distribution Requests	N/A	36,097	36,097
Number of Participants Who Requested a Distribution	N/A	34,639	34,639
Amount Distributed	N/A	\$18,034,534	\$18,034,534

Additional information about Program participation can be found in SIB's recently released Impact Report found [here](#).

Demographic Information

Outlined below is a summary of various demographic information, as of June 30, 2024, for eligible CalKIDS account recipients which include gender and ethnicity. This demographic information is provided by the CDE (for students) and the CDPH (for parents of the newborns).

Student Participants

- Ethnicity

Race Ethnicity	Students (#)	Students (%)
Hispanic or Latino	2,570,973	53.7%
White	411,974	28.0%
Asian*	306,168	10.0%
African American	217,414	4.9%
Two or More Races	90,825	2.7%
Other	33,798	0.1%
American Indian or Alaskan Native	17,901	0.3%
Pacific Islander	16,554	0.2%

*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

Note: Percentages are rounded to the nearest tenth decimal.

- Gender

Gender	Students (#)	Students (%)
Female	1,777,061	48.5%
Male	1,887,049	51.5%
Nonbinary	1,497	0.0%

Note: Percentages are rounded to the nearest tenth decimal.

- Family Income of Students – The CDE does not collect family income information on students. Low-income student participant eligibility is determined by the Local Control Funding Formula (LCFF). SIB is exploring opportunities to gather this information in the future.

Newborn Participants

- Ethnicity

Multi-Race Status*	Parent Giving Birth (#)	Parent Giving Birth (%)	Parent Not Giving Birth (#)	Parent Not Giving Birth (%)
Hispanic	373,364	53.7%	335,912	51.8%
White	194,888	28.0%	195,188	30.1%
Asian	69,752	10.0%	57,401	8.9%
Black	34,176	4.9%	37,494	5.8%
Two or more races	18,928	2.7%	18,109	2.8%
American Indian / Alaskan Native	2,154	0.3%	1,826	0.3%
Native Hawaiian / Pacific Islander	1,109	0.2%	1,263	0.2%
Other	842	0.1%	982	0.2%

*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. Percentages are rounded to the nearest tenth decimal.

- Gender

Gender	Newborns (#)	Newborns (%)
Female	373,227	48.8%
Male	391,280	51.2%
Nonbinary	3	0.0%

Note: Percentages are rounded to the nearest tenth decimal.

- 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

SIB has implemented marketing methods to increase awareness, uptake, and usage of the CalKIDS program. These efforts include grassroots partnerships within communities, as well as earned and unearned media buys.

Since the Program’s launch in summer 2022, SIB engaged with statewide associations, non-profit entities, community-based organizations, public agencies, and key local educational agencies (LEAs). These engagement strategies include reaching important stakeholders such as county offices of education, school districts and individual schools, to support outreach initiatives. These efforts have included in-person and virtual presentations to students, families, and community

stakeholders to help promote the Program. Additionally, SIB staff hosted monthly webinars reaching over 2,800 attendees since the program launched.

During the summer of 2023, SIB conducted a survey of approximately 3,000 eligible CalKIDS participants. The survey provided insight into the CalKIDS user experience and messaging. Following a review and analysis of the survey results, SIB incorporated its findings in developing an enhanced Program website, which launched in March 2024, to achieve the following objectives described below:

- Build on existing website to enhance user experience.
- Increase claims by providing more immediate pathway for visitors ready to check eligibility or claim account.
- Optimize and streamline language, navigation, and functionality.

An additional component of the website redesign included the creation of new marketing collateral. SIB produced new materials for community partners to use, which is available at www.calkids.org.

SIB also coordinated paid marketing campaigns to promote CalKIDS. These activities include the following:

- *Anniversary Campaign* - A six-week campaign to celebrate the program's one year anniversary. The campaign used multiple communication channels to effectively reach smaller counties and diverse populations. This included video advertisements in multiple languages, display banners, audio streaming, search, and out of home displays. These efforts increased website traffic by 15%, sessions by 46%, and the number of new users by 75% compared to the prior six weeks. The goal of this campaign was to increase awareness for all potentially eligible CalKIDS participants and build a baseline for measuring future campaign engagement. For this reason, SIB and its media partners crafted messaging to reach a wide audience, such as parents, students, and community-based organizations. This strategy was employed to strengthen brand awareness in preparation for future, more targeted campaigns. These efforts resulted in a 17% increase in claims compared with the same period in 2022.
- *High School Senior Campaign* - A two-month paid campaign targeting eligible high school senior participants. SIB tailored its advertisements and messaging to Gen-Z high school seniors, reaching them through various channels such as display, audio, and social media. Given the wide age range of CalKIDS participants, SIB built a unique landing page more representative of an older (high-school age) audience group. Paid advertisements directed this targeted population to reach this new page. Additionally, SIB conducted a mail campaign to school districts and facilitated both on-site and virtual opportunities to educate families on how to claim their accounts. The campaign increased claims for high school seniors by 63% from the end of February to the end of May 2024 and increased overall student claims for all grade levels by 16% during that same time period. A critical lesson through this campaign was the importance of building a segmented approach in communications and outreach.

SIB worked with different media partners to support these initiatives. ScholarShare 529's Plan Manager supported media creative. SIB previously awarded the firm Gleeson Digital Strategies to support advertising and media buying services in key media markets. Due to increased marketing funding in the 2023-2024 State Budget, SIB released a request for proposals for marketing services to support various efforts moving forward. As of the time of this report, the new marketing vendor has been approved and planning is in process to commence activity.

Fundraising

Philanthropic partnering is a new concept within SIB and limited to the CalKIDS program. Our philanthropic outreach has included contact with multiple foundations and partners. The program has met with eight (8) philanthropic organizations and has secured funding from one of those. Much of the initial work in this space has focused on introducing the CalKIDS program and socializing 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. This initial grant is being used by the Board through the end of 2024 to increase awareness and education about the Program. We are continuing to partner with the Mott Foundation to determine other ways they can contribute to the overall success of the Program. In 2021, the Program executed a contract for fundraising consulting services that went unutilized due to changing priorities in implementing the program as a whole. The Program is re-evaluating our fundraising efforts and hopes to report on additional partnerships in the upcoming year.

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, SIB requests additional full-time staff to meet the needs of the program. Our workload assessment indicates the need for three (3) additional full time employees, one (1) Staff Services Manager I (SSMI) and two (2) additional Associate Governmental Program Analysts (AGPA). Currently, SIB has four (4) staff dedicated to the Program. This current staffing requires that we utilize additional SIB staff not directly assigned to CalKIDS for programmatic needs. An experienced SSMI would support marketing initiatives and strategic partnerships to grow program uptick. Additional AGPA staff is necessary to support imperative assignments related to procurement, customer service, coordinating digital enhancements, data management, analysis, outreach, and more. The need for additional staff positions and the current workload were not anticipated in prior fiscal years.
- *Data Linkage* – SIB will develop a process with our partner state departments to ensure data matching between newborn and student participants will be achievable in the coming years. Pursuant to statute, SIB is to provide each eligible first grader an “enhanced deposit” in a new or existing CalKIDS account. This means that SIB will need to eventually place an additional \$500 to \$1,500 in accounts that were already created for children who were added into the program as a newborn. Since eligibility for newborns (universal) is different than eligibility for low-income public school students (LCFF-based).

- *Distributions* – SIB recommends further guidance be clarified in state law to support higher education institutions in applying CalKIDS funds for qualified expenses. 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. However, after speaking with various colleges and universities, SIB staff has learned that most institutions need additional guidance for applying CalKIDS funds. This is particularly important for unique cases where a student’s enrollment status at the institution may change from the time they requested their CalKIDS funds be sent to the institution. In coordination with financial aid officers, SIB is in the process of developing additional guidance for these purposes.

Conclusion

The implementation of a statewide CSA program in California is a major accomplishment for the CSA field and represents an important public commitment to students. The diverse population of the CalKIDS audience demonstrates a significant dedication to helping families of all backgrounds plan for higher education. CalKIDS can provide the state the following lessons learned:

- A substantial state-funded initial deposit is important in generating engagement amongst both families and partners to demonstrate the program’s impact in supporting higher education costs.
- The CalKIDS program has encouraged more families across the state to save for higher education. This has been demonstrated through the following achievements: ScholarShare 529 had its single-highest year of new account openings in calendar year 2023 with 52,053 new accounts, compared to 33,760 new accounts in calendar year 2022 and 36,696 new accounts in calendar year 2021; 33,298 of the reported 35,323 ScholarShare 529 linkages to CalKIDS accounts were opened after the CalKIDS program launched, representing 94% of linked accounts; ScholarShare 529 saw a 102% increase in accounts opened for newborns compared to before the Program launched; and CalKIDS families are saving on average \$3,117 in their linked ScholarShare 529 account. Additional incentive opportunities should be considered for more families to begin saving through ScholarShare 529.
- The CalKIDS program is providing direct and immediate support to students in financing the costs of their higher education. CalKIDS funds are being utilized by eligible students at public and private institutions across the country. This includes the majority of students sending their funds to pay for expenses at a California Community College.

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.