MARYLAND DEPARTMENT OF
HUMAN SERVICES

July 1, 2017

The Honorable Edward J. Kasemeyer
Chairman, Senate Budget & Taxation Committee
3 West Miller Senate Building
Annapolis Maryland 21401-1991

The Honorable Maggie McIntosh
Chairman, House Appropriations Committee
131 Lowe House Office Building
Annapolis Maryland 21401-1991

RE: 2017 Joint Chairmen's Report – Foster Youth Savings Program

Dear Chairman Kasemeyer and Madam Chair McIntosh:

The Department of Human Resources (DHR) is required to submit a report to the Joint Chairmen of the Senate Budget and Taxation and the House Appropriations Committees on the Implementation of the Foster Youth Savings Program in accordance with the provisions of the 2017 Joint Chairmen's Report, pages 101-102. In accordance with this reporting requirement, DHR is pleased to provide you with the enclosed report.

As always, if there are any questions or if additional information is needed, please contact Rebecca Jones Gaston, Executive Director for the Social Services Administration at 410-767-7345.

Sincerely,

Lourdes R Padilla

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Secretary

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REPORT ON THE IMPLEMENTATION OF THE FOSTER YOUTH SAVINGS PROGRAM

MARYLAND DEPARTMENT OF HUMAN SERVICES

Completed pursuant to the 2017 Joint Chairmen's Report

July 1, 2017

REPORT REQUIREMENT

This report is hereby submitted in response to the following reporting requirement found under the 2017 Joint Chairmen's Report, pages 101-102:

Further provided that $200,000 of this appropriation made for the purpose of a new Foster Youth Savings Program shall be restricted pending the submission of two reports to the budget committees. The first report shall be submitted by July 1, 2017, and provide a detailed implementation plan for the Foster Youth Savings Program, including:

1) *The match terms*
2) *Limitations on withdrawals of matched funds*
3) *Type of accounts offered*
4) *How children will be enrolled in the program*
5) *The types of education and financial literacy courses required as part of this program*

Source: 2017 Joint Chairmen's Report, pages 101-102

GOAL STATEMENT

The Foster Youth Savings Program creates Individual Development Accounts (IDAs) (also known as matched savings account) for youth in the Maryland foster care system. The Foster Youth Savings Program ***will assist transitional aged youth ages 16-20 to have access to a modest pool of resources, a savings account, and an infrastructure for meeting their savings needs throughout their lives.*** Furthermore, the accounts will help youth develop and build skills around financial literacy and independence. The services provided by the Foster Youth Savings Program will serve as part of the foundation for youth achieving successful adulthood. DHR set the following goals for the Foster Youth Savings Program:

1. **Create savings accounts for each eligible foster youth**
2. **Curriculum of financial education programs covering the following areas:**

    - **Value:** youth learn to analyze and compare the cost and benefits of goods and services
    - **Decision-Making:** youth learn the benefits of saving money, investing, and making smart financial decisions
    - **Banking:** youth learn how to use banking services to achieve a long-term financial plan
    - **Debt and Credit:** youth learn how credit works, why it is so important, and how debt can impact life goals; additionally, youth are exposed to concepts such as loan interest and credit rating

3. **Prior to enrollment a fiscal/financial screening should be conducted to assess financial standing** (baseline survey); this screening should include credit scoring and thereafter be conducted annually and upon program completion to determine whether or not the youth are better off as a result of their involvement

4. **Connect youth to credit and debt counseling to help manage debts**
5. **Support in opening, managing and building credit with a secured credit card**
6. **Consider offering monetary incentives attached to Ready By 21 Benchmarks**

RESEARCH

Foster youth and young adults leaving foster care are a subset of young people for whom the need to encourage savings and asset development is even more urgent. Individual Development Accounts (IDAs) have shown great promise as asset building tools. Rigorous systematic studies conducted by the Corporation for Enterprise Development (CFED), analyzing the contributions and outcomes of IDA participants concluded that program characteristics (i.e., monthly savings targets, financial education, withdrawal restrictions, etc.) rather than income levels were most strongly linked with saving performance. Additionally, involvement in an IDA provides opportunity for experiential learning about finance and is therefore an ideal starter-system for youth. Furthermore, the evaluation of the Foster Youth Savings Program, which will focus on specific outcomes for foster care youth, will fill an existing gap in research on the effects of asset accumulation for this population.

DHR has partnered with the Maryland CASH Campaign to assist with research and planning for a matched savings program for foster youth aged 16-20 years old. The contract runs from April 1, 2017-July 30, 2017. To date, the Maryland CASH Campaign has completed or made progress on the below activities:

- Environmental scan of 9 program models operating in 12 states
- Environmental scan of relevant legislation in 18 states and agency regulation in 3 states plus the District of Columbia
- Two interviews with the Jim Casey Youth Initiative with another to be scheduled in early June
- Interviews with EARN about their new matched savings Starter Account Program
- Interview scheduled with MyPath program
- Information provided to DHR on the ABLE account program
- Started list of potential program partners for implementation that are available state-wide or in select counties
- Started a list of critical design questions for DHR to consider.

PROGRAM DESCRIPTION

The Foster Youth Savings Program supplements existing support services for youth in the foster care system by matching deposits at a 2:1 or 1:1 ratio and requiring participants to partake in financial education workshops. The Foster Youth Savings Program will help young adults save for housing, education, and career investments. Using stipends, earnings from work and other income, youth may contribute up to $1,000 to their IDAs. Youth may apply their IDA savings to investments towards their futures.

The match savings ratios vary based on the following criteria:

- 2:1 match
  - Youth who are 18-20 years of age (978 youth as of May 2017)
  - Youth who are in college, aging out of foster care within 90 days
  - Youth that are parenting and or pregnant

- 1:1 match
  - Youth who are 16-17 years of age (10-13 as of May 2017)

EXPECTED OUTCOMES

Short-Term:

- Youth will establish savings accounts from federally insured financial institutions
- Youth will increase their financial management skills and knowledge

Long-Term:

- Enable youth to achieve successful adulthood
- Improve housing, education, and employment outcomes for participants
- Increase youth savings and use of banking products/services

LIMITATIONS ON WITHDRAWALS

Youth may withdraw their contributions and matched funds for asset-specific purchases only. These purposes may include, but are not limited to as follows:

- **Post-secondary educational expenses**. Payments are made directly from the IDA to an educational institution for tuition, fees, books, supplies, and equipment. Before payments are made, the youth must first apply for federal student financial aid.
- The **purchase of a home and or housing expenses**, including down payments for purchases or the first and last month's rent and security fees for rentals.
- **Starting a business**. The business plan must be approved by a financial institution, The Department of Human Services, or a nonprofit loan fund.
- **Debt Repayment**. Only applies to debt reported on a consumer credit report issued by TransUnion, Equifax or Experian.

Aside from withdrawing the funds from their account to purchase the particular asset they have saved for, youth are only permitted access to their account funds for certain emergency needs that arise while they are participating in the IDA. Youth are permitted to withdraw their contributions from the IDA to pay for medical expenses; payments to prevent eviction; and necessary living expenses following loss of employment. Match funds cannot be withdrawn for these emergency expenses.

There are no restrictions on what the funds can be used for when the youth formally emancipates from foster care after their 18th birthday.

EDUCATION AND FINANCIAL LITERACY COURSES

The Foster Youth Savings Program actively engages youth in foster care by providing a series of financial education courses designed to assist in the development of money management and goal-setting skills. The financial education courses cover the following areas:

- **Value:** youth learn to analyze and compare the cost and benefits of goods and services
- **Decision-Making:** youth learn the benefits of saving money, investing, and making smart financial decisions
- **Banking:** youth learn how to use bank services to achieve a long-term financial plan
- **Savings, Investing, and Retirement Planning:** youth learn ways to grow the money you keep
- **Debt and Credit:** youth learn how credit works, why it is so important, and how debt can impact life goals; additionally, youth are exposed to concepts such as loan interest and credit rating; principles of money management
- **Other topics may include:**
    - setting goals and needs vs. wants
    - career development
    - spending plans, paychecks, and taxes
    - saving and investing
    - housing and transportation
    - credit and identity protection

The financial education courses are designed to provide instruction and real-world situations that will give foster youth the knowledge and general understanding of all key aspects of personal finances necessary to be successful now and throughout their adult lives. The education and financial literacy courses will be a requirement for youth participating in the match savings program.

PERFORMANCE MEASURES

A way to assess the impact the Foster Youth Savings Program is having on youths' overall financial health is through surveys that assess financial health measures and knowledge of financial concepts before participation in the program, during and again after completion. **Prior to enrollment a fiscal/financial screening should be conducted to assess financial standing** (baseline survey); this screening should include credit scoring and thereafter be conducted annually and upon program completion to determine whether or not the youth are better off as a result of their involvement in The Foster Youth Savings Program. Additionally, pre- and post-testing can improve program outcomes and program design by identifying which elements are successful and where there may be a need for adjustments in program design. Examples of measures The Foster Youth Savings Program intends to use to evaluate success include:

- Number of savings and checking accounts opened;

- Amount and frequency of deposits;
- Amount of personal debt;
- Credit score changes;

TYPES OF SAVINGS VEHICLES

Many stakeholders are invested in securing a youth's financial future. Three methods to accomplish this are starting a Children's Savings Account (CSA), an ABLE Account, or an Individual Development Account (IDA). It is important to understand how CSAs and IDAs work for a youth.

- **Children's Savings Accounts:** Children's Savings Accounts, or CSAs, are long-term asset-building accounts, established for children as early as birth and allowed to grow over their lifetime. Accounts are seeded with an initial deposit and built by contributions from family, friends and the children themselves. Accounts are augmented by savings matches and/or other incentives, and gain meaning as young account-holders and their families engage in age-appropriate financial education. At age 18, the savings in CSAs are used to purchase an asset – typically financing higher education (CFED, 2017).
- **ABLE Accounts:** ABLE Accounts are tax-advantaged savings accounts for individuals with disabilities and their families, created as a result of the passage of the Achieving a Better Life Experience Act of 2014 or better known as the ABLE Act (ABLE National Resource Center, 2017). The beneficiary of the account is the account owner, and income earned by the accounts will not be taxed.
- **Individual Development Accounts:** Individual Development Accounts, or IDAs, are a special savings account for people with low incomes. When you save in an IDA, your savings are matched. This means that for every dollar that you save you can receive another dollar or more. While most organizations will provide a one-to-one match, others might provide up to an eight-to-one match.

  In addition to earning matching dollars, you will learn about budgeting, saving, banking and more when you open an IDA. In most cases, individuals who open IDAs (accountholders) are required to attend financial education classes. Accountholders may also receive one-on-one counseling and other training depending on the specifics of their local program (CFED, 2017).

  Maryland CASH Campaign has identified two (2) IDA programs that can be implemented in the immediate near term:

  1. **EARN Starter Savings Program**

     - No cost to the state for enrollment
     - This program can be implemented immediately. Youth simply need to sign up for the EARN program.
     - Youth save for a goal
     - For every $20 saved, participants receive $10 in cash rewards

- In 6 months, participants have at least $180 dollars saved from contributions and earned rewards
- EARN Starter is not a bank or savings account. To participate in EARN Starter, participants need an online savings account with a bank or credit union based in the United States that connects to our savings program.
- EARN currently offers connections to 15 banks: Ally Financial, Bank of America, BB&T, BBVA, Capital One 360, Chase, Citi, Navy Federal Credit Union, PNC, Simple, SunTrust, TD Bank, USAA, US Bank, Wells Fargo

EARN Saver Profile (national data)

- Average income is $21,000
- 76% are women
- 79% did not complete college
- 83% identify as a person of color
- 80% work full-time
- Located in 25+ states

Impact to Date

- 99% would recommend EARN
- 64% consider themselves a regular saver at the end of the program (35% increase from start of program)
- 83% have strategy for dealing with financial emergency
- 50+ nonprofits have incorporated EARN into their services
- Ages 14 – 21

2. **MyPath Savings** is delivered in a blended model that includes both online and in-person delivery. They provide partners with a Train-the-Trainer for staff to prepare them to deliver MyPath Savings workshops and to support their youth participants to use MyPath Money; and support access to safe, quality youth-owned Savings and Checking accounts through partnerships with local financial institutions. MyPath Savings includes:

- Tested financial education curriculum
- Licenses of MyPath Money, youth money management tool which has four interactive savings and budgeting modules (it is mobile-responsive, and online accessible via computer or tablet)
- Access to safe, quality youth-owned Savings and Checking accounts through partnerships with local financial institutions
- In-person Train-the-Trainer session for youth employment provider line staff
- Planning and implementation tools
- Personalized Technical Assistance hours for each organization

My Path initiatives have generated the following outcomes:

- 96% of youth enroll into youth-owned savings accounts and use direct deposit
- 100% set a savings goal; 90% meet their savings goal, on average saving 30% of their income
- Youth gain confidence in money management, and increased confidence to carry out basic financial behaviors (i.e., saving, budgeting, spending)
- MyPath's 50+ youth employment organizations in 12 cities have engaged 5,000 low-income working youth in banking, savings, and credit-building, generating over $1.5 million in savings.

ENROLLMENT/DEMONSTRATION PROJECT

All youth in Maryland foster care between the ages of 16 and 20 will be given the opportunity to enroll in the match savings program. A proposed enrollment process is currently under review and will be further developed once a vendor is identified through the procurement process. The Department of Human Services will initially roll-out the Foster Youth Savings Program to a jurisdiction that contains approximately 50 foster youth between the ages of 16 and 20. Local Department of Social Services staff will be tasked with the responsibility of identifying youth and assisting with the enrollment process. This targeted approach provides for a manageable starting point and will facilitate identification of issues with respect to program design and implementation. In turn, the refined model will serve as an important first step toward scaling efforts to reach more youth in foster care. The Department of Human Services will then engage key stakeholders in the development and implementation of plans for increased scalability of the Foster Youth Savings Program.