

PLANNING STUDY:
Testing Philanthropic Support for the
Universal Children's Saving Account Program

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Introduction

We thank the Advisory Committee and VSAC for inviting our participation in testing the potential of the Universal Children's Savings Account program. There is so much to be valued in this program, and the need for increased confidence and aspiration on the part of Vermont children is so great, that we are deeply hopeful the results of this study will lead to a positive program for support of higher education.

This was a challenging concept to test, particularly as there is no parent program with existing donors; one of the traditional fundamentals of philanthropy is that donors tend to work with people and organizations with which they have had experience. We hope that this, as it might be one of the roadblocks to immediate implementation, will lead to the most successful way to make this program work.

We are grateful for the thoughtful support of the Advisory Committee, and for the staffing support in preparing materials and scheduling our appointments. Tom Little, Shana Trombley, Michelle Bullard, and Sabina Haskell were essential and forthcoming in our work.

We hope the Committee finds valuable guidance in this report, both from the interviewees' very thoughtful responses and our summaries and recommendations based on their opinions. There are innovative paths to success: we hope this report illuminates a few of the more viable routes, and provides the information you need.

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Scope of the Study

Based on 2015 legislation enacted by the Vermont General Assembly to establish a Universal Children's Savings Account (UCSA) program, the appointed Advisory Committee contracted with CPG Enterprises, Inc., to conduct a series of confidential interviews with known Vermont philanthropists who have evidenced interest in education, supporting the lower-income population, and/or early childhood issues.

The study considered the capacity and enthusiasm of Vermont's philanthropic communities to support and fund the UCSA program either as a fully endowed program (at \$60-\$85 million) or as annually funded program (\$2.65 million in the first years, and increasing over time). Interviews were invited by mail, with materials attached in the Appendix of this report, and a VSAC staff member followed up invitations. Confidential, personal interviews were conducted by Christine Graham, Principal Consultant with CPG Enterprises, Inc., or Joyce Cellars, Associate.

Thirty-seven interviews were invited, and 15 conducted. Only one invitee explicitly declined, but most of the remaining 23 did not return calls or emails despite repeated attempts. This is a very low response rate for typical studies, and might be attributed to the fact that the UCSA does not exist as an organization and had not been publicized after legislative approval, because the signatory on invitation letter and the staff caller were unknown to the invitees, because of the busy holiday season, or because people assumed the letter was a year-end fundraising appeal and were not inclined to give at that time. Letters were sent shortly before Thanksgiving and interviews were conducted from December 1- January 13, in order to facilitate completion of the report by the January 2017 deadline set by the Advisory Committee. Due to the nature of the invitees, their residences and their lifestyles, responses often came from their staff and it is also possible some staff made decisions not to pass along the invitation.

Each interview lasted about an hour and was conducted by Christine Graham or Joyce Cellars, with the same list of questions for each interview (attached in the Appendix of this report). The questions were used as discussion starters, and in many cases led to more detailed information and suggestions, reflected in the Summary of Responses. The goal was to learn more about the interviewee's interest in the UCSA, their assessment of the philanthropic community's reactions to the plans, and their recommendations on moving forward. Questions on the interviewees' potential involvement in the campaign, as donors and as leaders, were critical.

The overarching questions to be answered were:

1. Is the UCSA program a good way to address challenges for lower- and middle-income families, to motivate and then fund their children's higher education?
2. Will Vermont philanthropists support this adequately to launch the campaign; and if so, through endowment or through annual gifts?
3. What are the most powerful aspects of this program, and what are the least appealing?
4. How can this program best be implemented in Vermont?
5. Who are the most likely supporters of the UCSA?

A feasibility study is not a scientific test, and cannot yield reliable statistics or measures. It focuses on opinions, and those of a particularly unusual group of individuals, some of the highest capacity and best-connected Vermonters with philanthropic intent. The study cannot be interpreted to reflect the opinions of the whole community, but it should reflect the opinions of those individuals who could make the first 65-85 percent of a campaign a success, through their donations, connections, hard work, and attitudes.

Throughout the Summary of Findings, it is likely that numbers of responses will not add up to 15: not everyone answered every question, and some individuals made two or more pertinent, valuable comments in response to a single question. This report attempts to reflect the depth of their thinking and attitudes more than a numerical response. Due to the small number of interviewees, responses are often reported by number rather than percentage. While tempting, it would be a mistake to expend effort trying to figure out which interviewee made which comment!

Interviewees were assured of the confidentiality of their interviews, and therefore no names are attached to the opinions reflected in this report. A small number offered thoughts and suggestions they wanted carried back, or made requests for additional information, and those requests have been honored.

VSAC staff thanked all interviewees following their interviews, and each will expect some communication following the Advisory Committee's review and acceptance of this report. They will expect to hear what message is carried back to the General Assembly. A final thank you letter with the Executive Summary, a summary of Advisory Committee action, or both, would be an appropriate way to close the study with interviewees, but all should be kept closely in touch with progress from here forward. Because of the high number of non-respondents, it would also be wise to continue sending updates to those who were not interviewed, if the UCSA program is launched.

Summary of Findings

This section of the report includes a summary of the comments and opinions expressed by the interviewees, providing background and understanding for the analysis and recommendations to follow. The Summary is presented in the same format as the questions that were asked.

Did you receive the mailing, and do you have any questions about this proposed program? Were you aware of this legislation prior to receiving the packet?

Half the interviewees (7) understood the proposed UCSA program; five had questions they wanted answered before offering their thoughts and three were totally unfamiliar with the concept. A few of the interviewees were quite aware of the UCSA because of their work in or near the General Assembly and VSAC. Three unfamiliar had not received the materials in advance of the interview because of second home addresses or travel. Others had discarded the materials and needed electronic copies sent before interviewing.

The most frequent response to opening questions was about legislative funding. A majority of the interviewees felt it was shocking to pass such a bill and begin to talk with donors without having some state support: they called it: “an unfunded mandate.”

Do you currently support higher education with gifts or grants? Is higher education a top priority among your philanthropic interests? (If not, what is?)

Ten of the interviewees (65 percent) said they do regularly support higher education but for some that meant only supporting their own alma maters. Because several of the interviewees were responding in their positions with foundations or organizations, they referred to the organizations’ giving habits and answered on their behalf through the interview. Three of the interviewees work with organizations that specifically offer higher education support for low-income students. Eight said higher education is not a high priority in their giving (53 percent).

Do you feel the argument for establishment of the UCSAs is compelling?

Eleven of the interviewees found the argument for UCSAs powerful and compelling. Two felt it was distinctly not compelling; two were undecided.

Supporters were fascinated by the concept and many were shocked by the statistics indicating the need to motivate kids early (in elementary school and at home) to strive for higher education. The socio-economic benefits for the children and families, as well as for Vermont, were convincing.

There were concerns about the program, much as they all agreed that striving for education is important:

- There are other more immediate, social, and educational problems that demand philanthropic support now.
- The numbers/results/impact are not proven yet.
- There is no State funding, so no guarantee that the State is supportive.
- The program is in direct conflict with Vermont’s poor level of support of the Vermont State Colleges system.

What are the most positive aspects of this project in your opinion?

By far the most positive aspect is “building aspirations for individual students” and was mentioned by every interviewee. Interviewees mentioned several positives, so the percentages are worth reviewing:

Long-term impact on Vermonters' education continuation rate	42.86% 6
– Building aspirations for individual Vermont students	100.00% 14
– Engaging families in planning for higher education	71.43% 10
– Offering financial planning training for low-income families	42.86% 6
– Building support and enrollment for Vermont colleges	7.14% 1
– Introducing more families and students to VSAC	7.14% 1
– Expanding the range of services offered by VSAC	0.00% 0

Interviewees also mentioned the long-term impact on the Vermont economy, for employment, incarceration numbers and recidivism, and decreasing long-term dependence on social programs. One liked the fact that parents had to be engaged in the program, in establishing the 529 account and receiving financial literacy training. Some hoped this would be only for low-income families and others urged inclusion of middle-income families, despite the fact that the original concept is to offer the 529 at birth to all, and then match by socio-economic formulas later.

What aspects of the UCSA give you concern or hesitation?

Interviewees had several equally strong concerns about the program, with the greatest (85 percent) being the amount of money needed to fund it. They were hard-pressed to think of other statewide programs, even with large fundraising staffs, that can consistently raise \$2 million or more per year. (Please see the Appendix for a partial list of Vermont

organizations that raise over \$2 million per year in annual funding, based on 990 returns, which supports this concern.)

With multiple responses from several interviewees, the concerns include:

The very long timeframe before results are seen	66.67% 10
— The amount that must be raised each year	86.67% 13
— Management expense and effort for fundraising and 529 accounts	0.00% 0
— Requiring the 529 mechanism for saving	0.00% 0
— Difficulty in determining who will get the matching funds	0.00% 0
— Marketing the program	33.33% 5
— Lack of State funding (“unfunded mandate”)	60.00% 9
— Low-income families will not be able to invest, faced with immediate food and shelter needs	13.33% 2
Total Respondents: 15	

Some other concerns:

- The enormous pressing immediate needs that would be shelved to support this.
- The State does not prioritize higher education. The low support for state colleges will make this a competitive and difficult story to tell.
- There simply are no sources to endow this in Vermont.
- Concern that families don't have "skin in the game."
- Treats a symptom of deeper problems; but it won't fix fundamental problems.
- We haven't changed the conversation about cost of higher education in Vermont.
- It is not affordable because of spending decisions by institutions, and lack of State funding.
- For all this expense it provides very little for students at age 18.
- Getting low-income families to contribute, given all the financial pressures they have: the choice will be to pay the rent or contribute to the 529.

What aspects of the program would be the most effective in attracting philanthropic support?

Not all the interviewees thought the UCSA would appeal to philanthropists. Still, six interviewees thought the social service aspects, such as financial literacy training, would

be a draw, and seven thought the long-term impact on the economy, employment, and social service costs would be appealing.

Other aspects that would attract philanthropic support are:

- Evidence of college enrollment improvement with similar programs elsewhere.
- Stories from other states and “feel good” stories from students who benefited from similar programs.
- Having a prominent “champion” who could put a “face on the program.”
- Focus on first-generation, veteran, and single-parent students.
- Making UCSA part of a comprehensive change in state support for higher education.

Nearly all thought state support would make the program more appealing to donors, but one interviewee said it would be a powerful negative for their foundation. Others said it would be very difficult to make this appealing given current social issues, state deficits, Vermont State Colleges’ challenges, and the endangered political environment.

Do you feel VSAC is an appropriate manager for this program?

Most interviewees knew of VSAC and gave it very high marks. Those who had been involved with VSAC were supportive of its involvement in managing the program. Just one respondent said that VSAC would be perceived as “quasi-governmental” and turn off donors. Generally, VSAC was seen as very professional but it was not seen as a fundraising entity and interviewees agreed that designated staff would be needed to raise the funds for the UCSA.

There were three interviewees who were undecided because they did not really understand what VSAC does or what kind of staff it has.

Funding

In Maine, this program was supported by a \$100 million endowment gift. Do you think this is possible in Vermont? (The program currently described would require a \$60-85 million endowment to be fully funded at the onset.) Do you think a group of philanthropists might join together to accomplish this, or would a single donor fund it?

Eleven interviewees gave this an emphatic “no.” Just one interviewee thought it might be possible, and two thought perhaps a couple of philanthropists might join together to fund it. However, one mentioned that it took the Permanent Fund five years to raise \$20 million for the Birth-to-Three initiative despite the fact it focuses on immediate programs and results. (The five-year figure was not verified.)

Some foundation leaders said:

- *“Anyone in Vermont who has this much to give and is philanthropically inclined would already be overcome with other needs.”*

- “We are unaware of any philanthropist or institution in Vermont that could invest this amount without giving up their current giving.” (5 respondents)
- “There are no assets or foundations this size in Vermont except those already designated for other causes.”
- “Possible a few philanthropists together could do this, but they would address the issue of annual vs. endowment funding.”
- “Maybe there are pockets of money I don’t know about! (laughing)”
- “No, and I say that as someone who works with this population full-time.”

Even if several philanthropists joined together to do this, there was 60 percent agreement that it could not happen.

Can you suggest individuals or families who might support this through an endowment?

Despite their hesitation on funding an endowment, interviewees suggested 23 philanthropists who are known to have supported education and socio-economic projects in the past. It should be noted that many of these were people who had been invited to participate in the study and did not respond.

If this were supported on an annual basis, can you suggest others who might be significant annual donors (\$100,000 and above) to the program?

While interviewees felt that annual funding would be more doable than the endowment, they considered the amount (\$2.65 million in the first year, then increasing) would be very difficult or impossible. Twelve (80 percent) agreed, “I cannot imagine raising this much per year.” One mentioned that it had been impossible to raise \$10 million in Irene Recovery funds, despite the urgency, and over three years.

- “Annual funding would compete with support for programs like Let’s Grow Kids and early childhood initiatives, serving the same population.”
- “We would not want this to compete with other programs for kids.”
- “I can hardly think of more than 5-6 other organizations that raise this much annually and they all are fully staffed and have developed donors outside Vermont.”
- “Maybe consider building the endowment over five or more years?”
- “As difficult as annual funding would be, it would be easier than finding that much endowment.”

Do you think this program would have statewide appeal to donors at lower levels, and to grassroots donors (under \$100,000 donors, and under \$1,000 donors)?

Four interviewees thought the UCSA would have appeal to lower-level donors, but didn’t think enough could be raised to fund the program. Two-thirds of the interviewees felt that it would be impossible to fund the program with grassroots giving; it would be expensive and produce far too little funds. Some also reflected that it would target the same people who need the UCSA support.

- *“It might appeal but would take many years to build up to a meaningful level of support.”*
- *“This would take too much staffing to make it worthwhile. It would also detract from other programs serving the same populations in a more immediate way.”*
- *“Maybe you could raise \$20,000 a year.”*
- *“Too labor-intensive.”*
- *“There are too many other pressing, immediate needs.”*
- *“Do not think anyone will give until the state partially funds it.”*

Would this be a priority in your own giving? For endowment or for annual giving? At what level?

Nine interviewees said this would not be a priority. Four individuals said they might give but it would not be a priority: “this would be a gesture, not an investment.” For those who might give, it would be a one-time, small gift, or an annual gift at a lower level (\$50, under \$1000, \$5000, “four figures”).

One interviewee said it might appeal to their foundation’s board if another major philanthropist invested first and if the state had no involvement in it. (This was the only interviewee who preferred no state involvement.)

Others said:

- *“We are already committed to higher education but 18 years is too long to wait for results.”*
- *“We do not give to capital needs or endowments and are committed to immediate social needs, particularly in the next few years.”*
- *“We are particularly interested in supporting low-income folks, but work through organizations we already support.”*
- *“We are focused on current postsecondary training and career readiness.”*

How would you like to be involved in the program or the process?

One interviewee offered to have a conversation about marketing the program, and another offered to share the Case Statement with a friend, but none (93 percent) were interested in involvement in the program, the process or the Committee.

Would naming the program be attractive for you? For others?

While the interviewees themselves were generally uninterested in naming opportunities, even for programs they support substantially, five agreed that this can be a motivator and must be approached on an individual basis. One thought an eight-figure gift would warrant naming the program, but otherwise thought donors might prefer to name parts of the program, not the entire thing. *“That way they get the ‘feel good’ benefit without becoming ‘targets’ for other fundraising.”*

Still, one interviewee said naming might be interesting to their board, as a memorial, and another said that the right, prominent, name might help attract additional donors. One other said it would be “*offensive, and we hope it won’t happen.*”

There is an Advisory Committee established by statute, with diverse membership. Can you suggest any individuals who might be the right choices to fill the Committee position for philanthropy?

Six individuals were suggested for the Committee, and two foundations; however no individual philanthropists. These people have not been approached as a result of this study, although some may have been invited to join the Committee previously.

Overall

How do you think this program should be presented to prospective donors?

Six interviewees felt the program should be developed as a traditional-type capital campaign; no one thought it should be a new, standalone 501(c)(3), and no one felt it should include a statewide grassroots campaign.

Some suggested that it could be promoted by pre-existing education organizations such as the VT Community Foundation, VSAC, Association of Higher Education, the American Association of University Women, or a similar group.

There was strong encouragement (except for one) not to establish the program without state support, and some asked what Governor Phil Scott thought of the program. They urged better communication about the program, particularly in the education field, and the importance of a “champion” with high recognition and respect to promote it.

On government involvement:

- “*State funding is entirely unlikely; there is already a deficit and higher education is already underfunded; philanthropists in general assume government can't do this sort of thing anymore.*”
- “*An unfunded mandate is a challenge. But it's helpful to have a defined place to start; good that work has already been done.*”
- “*This program raises the serious issue of underfunded colleges in Vermont: it would be a mixed message to fund this and not make the Vermont State Colleges more affordable and sustainable.*”
- “*Without state funding, it cannot succeed, and government funding will make it a state, or quasi-state, program.*”

What other thoughts would you like to add to this study?

- “*There are wealthy people in Vermont who stay ‘under the radar’ and it is always possible you might find one who would see this as a special way to make a*

- difference, but finding those people is difficult and usually requires a substantial infrastructure in the fundraising realm.”*
- *“We do not think this program should be pursued at this time. Too many other immediate needs.”*
 - *“This is a tough sell in an overcrowded world of Vermont nonprofits.”*
 - *“Keep government out of it unless they are going to fund it.”*
 - *“This will require a significant marketing effort, a more understandable name, and a ‘face on it,’ along with powerful stories and a very personal feel.”*
 - *“Probably the best opportunities are for bequests and for gifts from remarkably successful young entrepreneurs.”*
 - *“This would take an exhaustive and expensive effort with staff and volunteers. I don’t see it happening.”*
 - *“Look at the Let’s Grow Kids model: very effective, and it started with funded outreach about the problem before they promoted solutions.”*
 - *“The program should be promoted by state leaders, the Chancellor of the Vermont State Colleges System, the Governor, etc.”*
 - *“The Committee should be made up of philanthropic peers who promote this to their friends.”*
 - *“Consider a check box on Vermont tax forms, like the Vermont Children’s Trust, to support UCSA.”*
 - *“Get out to businesses and talk about the economic aspects.”*

Final Individual Comments:

- *“VSAC will have to decide whether to use its limited political capital on this. State funding is highly unlikely, especially without powerful advocates in government. This will create even more aggressive competition among the Vermont State Colleges and also UVM, for state funding.”*
- *“We like the 529 format. Do not want to see government involvement or control. Most attracted to the very long-term impact (40-50 years): to change the economic landscape.”*
- *“Concerned about detracting from immediate impact programs.”*
- *“Do not like the endowment concept as that creates a large vulnerable corpus.”*
- *“If you do this, we encourage doing this with as little staff as possible, in an existing institution (VSAC probably).”*
- *“Too many unknowns to put all eggs in this basket. Confident that Scott administration will prioritize workforce development and postsecondary education, but through EXISTING channels and priorities as laid out by advocates like McClure Foundation. We need to support current students and address cost of state college first. In sum, lots of energy and momentum to meet more urgent and shorter-term goals.”*
- *“This program would require a sophisticated, strategic marketing approach that first explains the problem (like Let’s Grow Kids). Best to treat this as a complementary program to ‘B to 3’ and other educational encouragement programs.”*

- *“This is an investment in viability of Vermont's economy, in an educated future population.”*
- *“Funders are burnt out on new programming in VT. There are finite resources. Vermont could do a lot with \$60+ million. Is this the best use for funds?”*
- *“The very people who need this most would not be able to make the minimum contributions since they are struggling to pay rent and provide food.*
- *“Financial literacy is an important aspect, and should be a focus of education and VSAC.”*
- *“We are anticipating a greatly increased needy population in the next couple years, and will have to focus on food, shelter, and health care. How can you think about college when you cannot find childcare for your toddler so that you can work to earn money for food? This program might better benefit middle-income families, since low-income students are more likely to be eligible for scholarships and special support in college.”*
- *“The state does a lousy job investing in postsecondary education so we have to fund it ‘the hard way.’ UCSA has merit because it results in long-term economic vitality. This would be a symbolic statement that we begin empowering students.”*
- *“This proposal has two very serious problems: long results payoff, and no state support. Plus a secondary problem: there are so many other immediate needs to satisfy.”*

Analysis and Recommendations

The messages in this interview series were very clear: the UCSA proposal fosters aspirational education and addresses real economic problems, and the idea of encouraging higher education and family savings through matching funds and financial literacy training is truly compelling. However, there are serious drawbacks.

- The lack of state funding which, with the exception of one interviewee, is seen as an “unfunded mandate.” Most interviewees find the legislation insincere or shallow without funding to launch it.
- The enormous amount of money needed, particularly in comparison to available charitable dollars found in, or focused on, Vermont.
- People feel that higher education is dramatically underfunded in Vermont, which distracts from the very appealing idea of supporting low- and middle-income college aspirants. It subtly politicizes the program and to some seems competitive with, and potentially undermining of, the Vermont State Colleges.
- The 18-year timeframe for results is unimaginably long for most funders who are facing daily appeals to tackle immediate, urgent human needs. They see these needs increasing over the next few years, and while more access to postsecondary education could be part of the solution, it is needed now, not beginning in 2035.
- Vermont is experiencing dramatic and expensive human/social/government funding challenges and its relatively small pool of capable philanthropists feel a powerful desire to fund immediate demands yet inadequate to meet the need.

This series of interviews elicited a remarkable lack of interest on the part of philanthropists: they would like to solve this problem, which they all understand, but not to solve it with a long-term savings approach. To have 23 invitees either decline to participate or fail to return calls and mail, and to have eleven of 15 interviewees say they would not fund the program (and the four who might, would support it with a “gesture”) is not an endorsement of this program.

Three funding models were discussed:

1. Endowment: The greatest emphasis was on fully endowing the UCSA since that is what has worked so well in Maine, and now in New York City. There, individual families have embraced the idea and funded it: it is basically a gift to the state/city and its residents.

The general sense of these Vermont interviewees is that a new endowment of \$60-\$85 million is not available in Vermont, regardless of its focus. In fact, there are only eight Vermont-based foundations with assets greater than \$20 million, and the most they donate is \$1.0-\$1.8 million annually, to education as well as other causes. The exception is the Vermont Community Foundation, an anomaly as its giving is through Advised Funds. Two Vermont-based foundations have assets of \$60 million or more and active giving programs.

There are 40 national foundations, not including banks, with assets of \$20 million or more, which identify Vermont as an area of interest and which already identify education as a priority: but many of these give to a single college (members' alma maters), or make very small gifts in their Directors' communities.

These figures might be slightly too discouraging because there are always foundations that will give outside their "designated" areas of interest and focus, but the overall message is that the Vermont funding scene is very tight, need is great, and philanthropists are already quite focused on certain causes and geography. All nonprofits face these challenges, but most face it with staff and a long-term plan to grow donor relationships before achieving success with significant endowment or \$1 million-plus annual appeals.

2. Annual, Grassroots, or General Statewide Funding: There was no support for this means of funding the UCSA. Interviewees agreed that a grassroots fundraising approach would be expensive, labor intensive, and insufficient to launch this program. Few Vermont statewide and community organizations, other than private colleges and hospitals, raise more than \$2 million in expendable funds each year. None of the Vermont State Colleges raises this amount, even with 2-5 fundraising staff at each institution, presidents to conduct solicitations, and a body of alumni to contact.

Many interviewees thought this statewide approach would mean trying to raise modest gifts from the same people who most need the UCSA.

3. Taking a Creative or Hybrid Approach: Some suggested it might be possible to attempt funding this program annually with a small group of philanthropists making 6-figure gifts (at least) with a long-term commitment. Statewide foundations and philanthropic advisors agree this would also be a daunting challenge, but more doable. Obtaining multi-year commitments, guaranteeing the promised programmatic continuity, and staffing would still be a significant challenge. One of the interviewees was receptive to this approach, though non-committal.

SUMMARY: There is a real, recognized need. But the innovative solution demonstrated in Maine is offset by an extraordinarily challenging fundraising scenario in Vermont.

If the Advisory Committee, the State, the Legislature and VSAC choose to pursue this, it appears that the only plan worth considering would:

- Revise components of the proposal so that funding can begin more immediately for current students.
- Consider reducing the annual matching component to reduce cost.
- Revise the plan to serve a smaller portion of the babies born in Vermont, selected by income level, family situation, or geography, or perhaps one group as a test.
- Find a way for the state to be engaged without politicizing the program. Receive seed money from the state, either as a short-term program, a tax check-off, or a quasi-state designation (such as the Vermont Arts Council receives).

- Enlist highly visible, respected Vermonters to champion the cause (such as Bernie Sanders, Ben and Jerry, etc.), backed by a well-funded marketing campaign that educates the public about the issues the program will address.
- Make the current Advisory Committee into a working board, and create a new Advisory Board consisting of supportive philanthropists who do not govern the UCSA.
- Change the name to something people can remember and relate to (in Maine it is part of the Alford College Challenge, and is subtitled '500forBaby').
- Work with VSAC for investing, managing and distributing the 529s, but consider affiliating with a known and respected education or early childhood program (such as Let's Grow Kids, the Vermont Children's Trust Fund, or the Curtis Fund).
- Partner in a related statewide financial literacy program specifically focused on young families.
- Hire an experienced fundraiser(s) to develop the materials, strategies, prospect lists, and timeline, and do a major portion of the fundraising with the advice and introductions provided by the Advisory Board.
- Begin a well-researched cultivation program to find new prospects and to develop existing prospects.
- Establish congenial, symbiotic relationships with Vermont colleges. Recruit good spokespeople from the Vermont State Colleges' student bodies and recent alumni, and use them in solicitations, videos, publicity and media.

Most critical to success is finding a way to create more immediate impact for needy students in Vermont. Through wise partnerships, UCSA could be the bridge between the Birth-to-Three movement and college scholarship assistance. If this also can be seen as a benefit to the Vermont State Colleges, many potential conflicts or competitions can be avoided.

The program will require a funding plan, staff, research, proven fundraising systems, and a group of strong funders. Eventually bequests would benefit UCSA, but this will take visibility and cultivation over years and decades of the program.

Finally, this program needs a warmer, more personal feel to it: it needs a memorable and meaningful name, a prominent leader to speak on its behalf, and great stories about young people whose lives have turned around with college assistance.

There is no doubt that Vermonters need help affording college, and no doubt that more higher education for Vermonters will have a powerful and positive impact on the state's economy, socio-economic well-being, and family stability. The UCSA program is not promising as tested in this study, but the innovative aspects of it and the comprehensive range of statewide advantages may make it worth the effort of further exploration and creative program development.

Executive Summary

In 2015, the Vermont Legislature created the Universal College Savings Account (UCSA), to award a modest cash gift to each baby born in Vermont every year, deposited in a 529 Education Savings Account which could be matched annually. This was modeled in Maine and recently launched in New York City. The premise is that children raised with family expectations for and investment in their postsecondary education, will strive to achieve this.

Research illustrates that any and all postsecondary education improves the safety, health and quality of life of families and provides long-term social and economic benefits. Young people who take advantage of postsecondary opportunities are more likely to thrive, will have greater confidence and well being, and will pass that privilege to their children as well.

This study tested the likelihood of establishing the UCSA in Vermont, either through a charitably endowed program, or through statewide annual appeals: \$60-plus million to endow, or \$2.6-plus million annually. Through the interview process a hybrid idea evolved, with funding from a small number of high-level donors giving annually.

Philanthropists and their representatives are aware of the need for postsecondary support and fully appreciate the individual and socio-economic improvements it would offer statewide. As much as they appreciate these factors, they do not believe the program as designed would succeed. The greatest concerns are:

- Lack of state support for this and other postsecondary education.
- Enormity of the cost in comparison to current philanthropic capacity in Vermont.
- The long wait for benefit to individual children, and therefore for social improvement.
- The program's impersonal feel.
- The burden of creating a new nonprofit or linking with an existing organization, requiring new staff and expense.

If there is strong support to continue the work developing the UCSA, several key factors are needed:

- A cohesive board of philanthropists who will commit to long-term support.
- Relationship with an existing nonprofit accustomed to charitable work.
- Personality: a recognized leader, great stories, spokespeople of all ages, a working board with good connections, and a name that tells the mission.
- A well-articulated relationship with the State, including some form of support.
- A marketing program that will reach all Vermonters to explain the UCSA.
- A financial literacy program enacted as soon as the 529 Program is established.

Even with a hybrid approach, this will be a very challenging program to establish during difficult economic times in Vermont. It could succeed, if re-envisioned, but a clear new plan is needed along with respected, visible, generous leaders and supporters.

APPENDIX
Case Statement for Planning Study of Vermont's
Universal Children's Savings Account Program

Based on 2015 legislation enacted by the Vermont legislature to establish a Universal Children's Savings Account (UCSA) program, we have invited a small group of Vermonters to help us explore ways to raise the necessary funds. The study will consider the capacity and enthusiasm of Vermont's philanthropic communities to support and fund the UCSA program. We are reaching out to key members of those communities to assess these capacities and thank you for your willingness to participate.

Universal Children's Savings Accounts (UCSA) are a new type of savings vehicle designed to help lower and middle income families save for postsecondary education and training, beginning at the time of their child's birth. Vermont's proposed program contemplates VSAC leading an effort to raise substantial donations to a fund that would provide "seed" money for a child's "529" college savings account, matching funds when the child's family opens the 529 account and makes contributions to it. (The UCSA program allows donated funds to be held in a trust by VSAC and limits access to the funds exclusively for pursuit of a postsecondary education. If the donated funds are not used by an individual, generally by age 29, the program may reuse them to seed new accounts.) No state funds are currently proposed for the program. Within the past few years, similar programs have been successfully established in other states and municipalities, with families actively participating.

What are the advantages of UCSAs? The evidence is clear that when a family saves at even a modest level, a child's chances are improved for completing high school, attending college, and completing college – all of which are essential to the child's lifelong well being and economic security. There is also a strong correlation between higher education and societal benefits, including increased economic mobility and long-term savings for taxpayers.

Vermont currently enjoys one of the highest rates of high school graduation in the country, but one of the lowest rates of college enrollment. The UCSA is designed to increase the rate at which Vermont students go beyond high school and complete a college degree or training. Beyond individual assistance, the program also promotes Vermont's economic development and job creation goals. Other states have found:

- Children provided a UCSA at birth score better on socio-emotional development indicators than their counterparts without one.
- Families with children who are provided a seeded, matched savings account at birth save significantly more for college than families of children who did not receive these accounts.

- Children who start planning early to go to college are more likely to enroll in college. Children with college savings have greater college expectations. Children with even \$500 saved for college are 3 times more likely to enroll and 4 times more likely to graduate. See that research here: [Small-Dollar Children's Savings Accounts, Income, and College Outcomes](#).
- Education and training after high school are essential strategies for earning a livable wage. Higher earners pay more taxes and save more for retirement, have higher employment rates and are less likely to receive public assistance, and re-enter the workforce more quickly if they become unemployed.

Research shows that children develop ideas about their higher education plans early on; that college savings help children think of themselves as college-bound; and that UCSAs help children and their families build a financial plan around paying for college. Parents who begin to think about college savings are more inclined to learn about financial literacy. As part of this program, VSAC would provide that training. Having the literacy and the intention encourages all members of the family to think differently about higher education.

Because the legislation for the UCSA does not include a funding mechanism, and because Vermont was encouraged to follow the path that Maine took (a privately funded program), we seek advice on raising the necessary funding. The seed funding levels outlined by statute call for \$250 per child at birth/adoption and \$500 for children born to families with an income 250 percent below the federal poverty line. Furthermore, the statute established a “matching” component of the program, providing a 1:1 match up to \$250 annually for low-income families. With around 6,000 newborns per year (half of whom are low-income), depending on the participation rate of newborns’ families this could require annual fundraising of approximately \$2,600,000 in the first year.

In Maine, private philanthropists have generously stepped up to fund the seed and match elements of the program. The core question this study asks is: can and will Vermont’s giving communities and their leaders support these goals and help establish a successful UCSA program for Vermont’s children?

We are anxious to hear your thoughts about this program, and ideas you may have on putting it in action. Thank you for your participation!

Universal Child Savings Accounts

Birth year	Year of funding	Births	Cumulative children enrolled*	% Low-income*	Initial \$250 seed to all babies	Additional \$250 to low-income babies**	Total seed contributions to CSAs annually	% of low-income families making their own contribution***	Average annual contribution by low-income family***	Annual CSA match for low-income accounts	Anticipated operational costs****	Total funds need per year
2017	1	6000	6,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$90,000	\$300,000	\$2,640,000
2018	2	6000	12,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$180,000	\$300,000	\$2,730,000
2019	3	6000	18,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$270,000	\$300,000	\$2,820,000
2020	4	6000	24,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$360,000	\$300,000	\$2,910,000
2021	5	6000	30,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$450,000	\$300,000	\$3,000,000
2022	6	6000	36,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$540,000	\$300,000	\$3,090,000
2023	7	6000	42,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$630,000	\$300,000	\$3,180,000
2024	8	6000	48,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$720,000	\$300,000	\$3,270,000
2025	9	6000	54,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$810,000	\$500,000	\$3,560,000
2026	10	6000	60,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$900,000	\$500,000	\$3,650,000
2027	11	6000	66,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$990,000	\$500,000	\$3,740,000
2028	12	6000	72,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$1,080,000	\$500,000	\$3,830,000
2029	13	6000	78,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$1,170,000	\$500,000	\$3,920,000
2030	14	6000	84,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$1,260,000	\$500,000	\$4,010,000
2031	15	6000	90,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$1,350,000	\$500,000	\$4,100,000
2032	16	6000	96,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$1,440,000	\$500,000	\$4,190,000
2033	17	6000	102,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$1,530,000	\$500,000	\$4,280,000
2034	18	6000	108,000	50%	\$1,500,000	\$750,000	\$2,250,000	20%	\$150	\$1,620,000	\$500,000	\$4,370,000

* This assumes 6,000 babies born or adopted in Vermont each year.

** Low-income refers to family income at 250 percent of poverty and below. Approximately 50 percent of families fall in this category and would qualify for an additional \$250 in CSA seed funding.

*** Contribution rates and amounts are based on the experiences of the Maine CSA program.

**** Anticipated costs include salary & benefits for three positions, costs of communication with families (quarterly statements, etc.) and operations/technology to run the CSA program. This is comparable to other Vermont nonprofits that raise similar amounts each year.

Gift Pyramids Tested

Universal Children's Savings Account: \$2,640,000 annual goal or
\$60 million endowment goal.

Option One: endowment, one donor

1 gift of \$60,000,000- \$85,000,000
a draw of 4.5% per year = \$2,700,000+ annually

Option Two: annually funded, 13 donors

Top gift of \$1,000,000, smallest gifts \$50,000

\$1,000,000: 1

\$500,000: 1: \$1,500,000

\$250,000: 2: \$2,000,000

\$100,000: 4: \$2,400,000

\$50,000: 5: \$2,650,000

Option Three: annually funded, 80 donors

Top gift of \$500,000, some 'grassroots' donors at \$1000.

\$500,000: 1: \$500,000

\$250,000: 3: \$1,250,000

\$100,000: 6: \$1,850,000

\$50,000: 10: \$2,350,000

\$25,000: 10: \$2,600,000

\$1000: 50 gifts: \$2,650,000

Option Four: annually funded, 206 donors

Top gift of \$500,000, some 'grassroots' donors at \$1000.

\$500,000: 1: \$500,000

\$250,000: 2: \$1,000,000

\$100,000: 3: \$1,300,000

\$50,000: 10: \$1,800,000

\$25,000: 15: \$2,175,000

\$10,000: 20 gifts: \$2,375,000

\$5000: 30 gifts: \$2,525,000

\$1000: 125: \$2,650,000

UCSA Interview Questions

Overview:

Did you receive the mailing, and do you have any questions about this proposed program?

Were you aware of this legislation prior to receiving the packet?

Do you currently support higher education with gifts or grants?

Is higher education a top priority among your philanthropic interests? *(If not, what is?)*

Program

Do you feel the argument for establishment of the UCSA's is compelling?

What are the most positive aspects of this project, in your opinion?

What aspects of the UCSA give you concern or hesitation?

What aspects of the program would be the most effective in attracting philanthropic support?

Do you feel VSAC is an appropriate manager for this program?

Funding

In Maine, this program was supported by a \$100 million endowment gift. Do you think this is possible in Vermont? *(The program currently described would require an \$85 million endowment to be fully funded at the onset).*

Do you think a group of philanthropists might join together to accomplish this, or would a single donor fund it?

Can you suggest individuals or families who might support this through an endowment?

If this were supported on an annual basis, can you suggest others who might be significant annual donors (\$100,000 and above) to the program?

Do you think this program would have statewide appeal to donors at lower levels, and to grassroots donors *(under \$100,000 donors, and under \$1000 donors)?*

Giving

Would this be a priority in your own giving?

Would you be more inclined to support this with annual gifts or with an endowment gift?

Can you estimate the range of giving you might consider:

Annual:

Endowment:

How would you like to be involved in the program or the process?

Would naming the program be attractive for you? For others?

There is an Advisory Board established by statute, with diverse membership. Can you suggest any individuals who might be the right choices to fill the board position for philanthropy?

Overall

How do you think this program should be presented to prospective donors?
(For instance, could this be a traditional type of capital campaign, or a highly publicized program from the start, or established in a traditional institutional, donor relations approach like a college or agency?)

Do you have other suggestions for the design or management of this program: for instance: would this be a stand-alone foundation, or a project within VSAC, or a supporting foundation?

How do you think prospective donors should be approached?

This program was established through a legislative act. How do you think state government and politics might affect it?

What other thoughts would you like to add to this study?

Examples of VT Nonprofits that raise \$2 million+/year outside of a capital campaign

Private Colleges* (none of the Vermont State Colleges)

UVM**

UVM Medical Center and other major Hospitals**

Visiting Nurse Assoc. of Chittenden, Grand Isle and Franklin County

United Way of Northwest VT and some other United Way chapters

VT Community Foundation (although this is through Advised Funds)*

VT Land Trust*

Spectrum

Institute for Sustainable Communities (international)**

Champlain Housing Trust (includes federal and foundation grants)

Shelburne Museum**

Shelburne Farms**

St. Johnsbury Academy (possible only through capital campaigns)**

Sports Venue Foundation (possible during one capital campaign)

Burr and Burton (private/public high school)

World Learning (probably through capital campaign)**

The Stern Center (probably only through capital campaign)

* Statewide

** Significant numbers of out-of-state donors