OPPORTUNITY NYC: CONDITIONAL CASH TRANSFERS

BACKGROUND AND INTRODUCTION

"We don't know if these initiatives will work, but shame on us if we do not try new things, especially if there is strong evidence of their ability to have a significant impact on poverty reduction."
– Mayor Michael R. Bloomberg

Conditional cash transfer (CCT) programs provide monetary incentives to households living in poverty when they complete activities aimed at increasing human capital development and breaking the cycle of poverty. The most established and rigorously evaluated CCT program is Mexico's *Oportunidades*. Over the course of the past ten years *Oportunidades* has increased the educational and health outcomes of its participants, including significant increases in school attendance, achievement and preventive health visits.[1] International CCT programs traditionally offer payments for education, health, and nutrition related activities.

Opportunity NYC is a privately-funded $53 million pilot initiative[2] that builds on the conceptual framework and lessons learned from international CCT programs. It is the first major CCT initiative implemented in the United States. Opportunity NYC innovates on the traditional CCT model by adding employment and training incentives as core program components.

The initiative consists of three distinct programs:

Opportunity NYC: *Family Rewards* is the most comprehensive of the three, offering monetary incentives to families living in poverty for education, health, and workforce participation and job training activities.

Opportunity NYC: *Work Rewards* offers monetary incentives to adults in subsidized housing for enhanced workforce participation and job training. The CCTs will be compared to other self-sufficiency strategies.

Opportunity NYC is made possible by funding from:

- The Rockefeller Foundation
- The Starr Foundation
- Bloomberg Philanthropies
- American International Group (AIG)
- The Robin Hood Foundation
- The Open Society Institute
- The Broad Foundation
- New York Community Trust
- The John D. and Catherine T. MacArthur Foundation
- The Annie E. Casey Foundation

Funders made their donations to the Mayor's Fund to Advance New York City*, the not-for-profit organization established in 1994 to strengthen public programs serving the needs and general welfare of New Yorkers.

* Except for The Broad Foundation's grant

Opportunity NYC: *Spark* provides small monetary incentives to fourth and seventh grade public school students for achievement on periodic assessments offered throughout the academic year.

The principal objective of the three pilots is to test the impact of monetary incentives on child, adult, and family outcomes, as well as their overall impact on poverty reduction. Each of the three programs is being evaluated using a random assignment design to rigorously assess the impact of the incentives.

CEO selected MDRC, a nonprofit, nonpartisan education and social policy research organization with over three

[1] For the most recent and comprehensive review of urban, rural and national results of the Oportunidades program, see: Cruz, C., Rodolfo de la Torre, and Cesar Velazquez. *Informe compilatorio. Evaluación externa de impacto de Programa Oportunidades 2001-2006*. Cuernavaca, México: Instituto Nacional de Salud Pública, 2006.

[2] CEO has raised $46 million for Opportunity NYC as of November 2007.

decades of experience designing and evaluating programs at this scale, and Seedco, a national non-profit intermediary development organization with over two decades of experience to lead the design, implementation, and evaluation of the *Opportunity NYC: Family Rewards* and *Opportunity NYC: Work Rewards* programs. CEO, MDRC, and Seedco designed the pilots with the support of international governments, national and international experts and academics, private foundations, the Mayor's Fund to Advance New York City, community groups, and City agencies. *Opportunity NYC: Spark* was developed by the Department of Education (DOE) in collaboration with Harvard economist Dr. Roland Fryer and the American Inequality Lab (AIL) at Harvard University.

EARLY ACCOMPLISHMENTS

Six community based organizations, selected through a competitive procurement process, are actively recruiting families for *Opportunity NYC: Family Rewards*. Enrollment began in July 2007 and to date, more than 4,521 families are participating in the experiment. The goal is to reach full enrollment of 5,100 families by the end of the calendar year. Half of the families will be randomly assigned to a control group. As of September 1, activities completed by participating families in the program group were eligible for monetary rewards.

The first incentive payments were granted to program families who opened bank accounts (or already had accounts upon enrollment). To date, 2,048 program participants received this incentive for a total of over $102,400. The first payments for health, education, and work activities will be made in mid-December.

Thirteen community based organizations were selected to recruit and enroll Section 8 voucher holders into *Opportunity NYC: Work Rewards* (Federal Section 8 vouchers offer rental subsidies to low-income households). The CBOs began recruitment in mid-December and the expected date for the program start is February 2008. As part of *Opportunity NYC: Work Rewards*, some participants will also be enrolled in a Federally supported program,[3] which will be enriched by the Department of Housing Preservation and Development (HPD). HPD is in the process of contracting with additional community based organizations to provide enhanced services to participants in this program.

Opportunity NYC: Spark began in September 2007. Fifty-nine public schools are participating in the project – fourth graders at 34 schools and seventh graders at 31 schools – representing close to 8,600 students. At the time of this writing, participating students have taken four of the ten assessments required during the program year and are scheduled to take the fifth and sixth the first week of December. Together the students earned over $19,000 on the first two tests.

Full descriptions of each program follow.

OPPORTUNITY NYC: FAMILY REWARDS

Overview

Opportunity NYC: Family Rewards is the largest and most comprehensive of three incentive-based pilots in New York City. The program aims to:

1. Lessen immediate income-related hardships for poor families through cash transfers
2. Encourage families living in poverty to increase—or sustain—positive efforts to improve their futures
3. Help and encourage families to invest in their children's futures

[3] The HUD Family Self-Sufficiency program.

A total of 5,100 families from six of the poorest communities in New York City are being enrolled in the program, 2,550 of which will be randomly assigned to a control group that will not receive incentives. The rigorous evaluation of the program will help determine if incentive-based strategies are a cost-effective approach to reducing poverty in New York City.

Family Rewards	
Design	CEO, MDRC, Seedco, DOHMH, DOE, HRA, SBS & DCA
Operation	Seedco & CBOs
Evaluation	MDRC

LEARNING FROM OPORTUNIDADES AND ADDING A NEW YORK INNOVATION

Over the past decade, over 20 countries around the world have developed and implemented CCT programs. To date, Mexico's CCT program, known today as *Oportunidades*, has been the most comprehensively and rigorously evaluated. The empirical evidence suggests that incentive-based strategies are an effective approach to investing in human capital and to reducing poverty and its associated social problems.[4] The program currently serves over 25 million very low-income Mexicans – about one-fourth of the country's population.

Oportunidades achieved wide acclaim and became the largest targeted social program in Mexico because it demonstrated significant, positive impacts. Rigorous evaluation is embedded in the program design. Best practices learned from *Oportunidades* inform CCT programs in Brazil, Chile, Colombia, Peru, Turkey, South Africa, and other countries.[5]

A critical part of the design process for *Opportunity NYC: Family Rewards* was identifying the activities that would be incentivized through the program. *Oportunidades* and most other CCT programs incentivize activities related to education, health and nutrition. New York City is the first in the world to include workforce activities as a core CCT element. Adapting the CCT model to include a robust employment and training component was a natural choice for New York. Supporting work participation is the major thrust of recent American social policy and, certainly in high-cost New York City, increasing household earnings is critical to any anti-poverty initiative. Other countries are now considering including work incentives in their models.

Mayor Bloomberg and Judith Rodin, President of the Rockefeller Foundation, meet with high level Mexican Government Officials and *Oportunidades* Program participants.

Learning from Abroad

In January 2007, CEO in collaboration with the Rockefeller Foundation, invited representatives from the *Oportunidades* program, as well as independent evaluators of the program from around the world to meet with the design team in NYC to discuss *Oportunidades*.

Following the January visit, the Mexican government invited the *Opportunity NYC* team to visit *Oportunidades* to learn about its operation first hand and to meet program administrators. In April 2007, a New York City delegation, led by Mayor Bloomberg and Deputy Mayor Linda Gibbs, visited Mexico, traveling to Tepotzlan, a small town near Mexico City, and Toluca to witness *Oportunidades* in action.

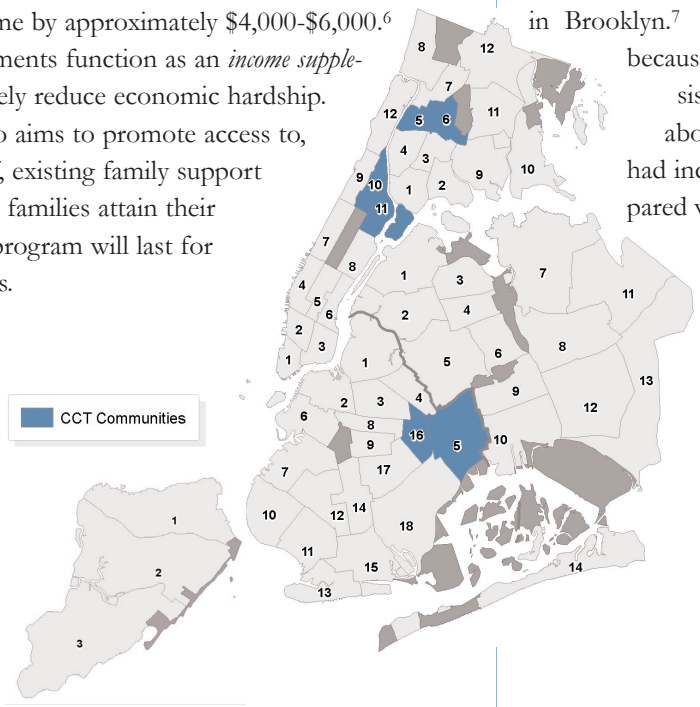
The visits provided insight from renowned international experts on the possibilities for the design of *Opportunity NYC*. The New York team was particularly interested in the operational structure of this large and complicated program, as well as its fully integrated evaluation component.

[4] Cruz et al., 2006 (full citation in footnote 1).

[5] In addition to CCT programs implemented abroad, there are several smaller scale programs using incentives in the U.S. At least three programs have used financial incentives to encourage a range of activities. Their positive results add to the growing body of experimental literature suggesting that financial incentives can generate improvements in health, education, and workforce outcomes.

Program Design

Opportunity NYC: Family Rewards offers monetary incentives to low-income families for fulfilling targeted activities in education, health, and workforce and training domains. The payments are significant and together have the potential to raise family income by approximately $4,000-$6,000.[6] As such, the payments function as an *income supplement* to immediately reduce economic hardship. The program also aims to promote access to, and utilization of, existing family support resources to help families attain their goals. The pilot program will last for two to three years.



Targeted Neighborhoods

Opportunity NYC: Family Rewards is being implemented in a total of six community districts in the City. The districts are located in the Central Bronx, East Harlem and Central Harlem in Manhattan, and Brownsville and East New York in Brooklyn.[7] These community districts were chosen because they are among New York City's most persistently disadvantaged. For instance, in 2000, about 40% of the households in these districts had incomes below the Federal poverty level, compared with a citywide rate of 21%. The unemployment rate across the districts was 19%, on average, compared with 5% for the City as a whole. Higher proportions of residents in these communities also relied on public benefits, including TANF, Food Stamps, and Medicaid. Table 1 presents an overview of the poverty and unemployment rates of the targeted communities.

Table 1: Key Income and Benefit-Receipt Information, by Community District

	Bronx		Brooklyn		Manhattan		Citywide
Characteristics	***CD 5***	***CD 6***	***CD 5***	***CD 16***	***CD 10***	***CD 11***	
Total Population in 2000	***128,313***	***75,668***	***173,198***	***83,343***	***107,109***	***117,743***	***8,008,278***
Equal or below poverty-level income (% of Households)	***41***	***46***	***33***	***43***	***37***	***37***	***21***
Unemployed persons over 16 years (%)	***20***	***21***	***16***	***23***	***18***	***17***	***5***
Persons receiving Public Assistance (%)	***17***	***19***	***11***	***16***	***10***	***11***	***5***
Persons receiving SSI (%)	***9***	***10***	***8***	***9***	***8***	***10***	***5***
Persons receiving Medicaid (%)	***58***	***56***	***48***	***50***	***44***	***48***	***33***
Total Food Stamp recipients (%)	***32***	***33***	***25***	***30***	***23***	***26***	***14***

Sources: Poverty: New York City Department of City Planning (2000 Census); benefit information (as of 10/05) from Human Resources Administration (HRA). Public Assistance is defined as TANF, Safety Net Assistance, and Safety Net Converted; Medicaid program data include Child Health Plus Part A and Family Health Plus.

[6] International CCT experts have found that for a CCT program to be effective, its monetary incentives need to offer between 25-30% of a family's income.

[7] Bronx Community Districts (CD) 5 and 6, Brooklyn CDs 5 and 16, and Manhattan CDs 10 and 11.

Target Population

Opportunity NYC: Family Rewards will provide incentive payments to 2,550 families[8] in the selected community districts, whose household income is equal to or less than 130% of the Federal poverty level[9] and who have school-age children at home. Families must have at least one child in the fourth, seventh, or ninth grade attending a New York City public school. These grades were carefully chosen in light of evidence that suggests that they are critical transition years where children face increasing risk of falling behind. It should be noted, however, that once a family has enrolled in the program, *all* school-age children in the family are eligible for the program's education-focused incentive payments regardless of their grade level. In addition, a family must have at least one parent who is a U.S. Citizen or legal permanent resident.

Incentive Payments

Monetary rewards are granted bi-monthly to participating households that meet specific targets in children's education, family preventive healthcare practices, and parents' workforce efforts. For example:

- **Education targets** include children's superior school attendance, sustained high achievement or improved performance on standardized tests, and parental engagement in children's education.
- **Health targets** include maintaining adequate health coverage for all children and adults in participant households, and age-appropriate medical and dental visits for each family member.
- **Workforce targets** include sustaining full-time work and/or combining work with approved education or job training.

Incentive payments range from $25 for attending parent-teacher conferences and $600 for passing a regents exam to $100 for a preventive health screening and $150 a month for maintaining full-time employment. In total, it is expected that participating families can earn approximately $4,000-$6,000 per year depending on family size and the number of target activities met successfully.

Although each of these components targets specific problems that contribute to long-term and intergenerational poverty, the CCT model builds on the recognition that sustained achievements in any one of these areas may be aided by progress in the others. For example, improvements in children's health may lead to improved attendance and school performance. Children's health and education, in turn, may benefit from growing up in a household that has more economic resources at its disposal, for which parents' sustained employment is critical.

The multi-dimensional conditional cash transfer program also makes it easier to construct a transfer that has a sizable total cash value without attaching excessive amounts of money to any one area of progress.

Delivery of Payments

Each program family received a coupon book highlighting the incentivized activities, and every two months families submit documentation for completed activities, such as a signed doctor's form verifying a health check-up. Some activities, like school attendance, are automatically verified using administrative data. Each two-month period, Seedco receives and processes each family's documentation and then distributes the earned rewards.

The bi-monthly reward payments are deposited into a bank account or a stored-value card. The program encourages participants to open, and/or maintain, a bank account to promote savings and reduce the use of services that have high transaction costs, such as check cashing services. The Department of Consumer Affairs' Office of Financial Empowerment (OFE), which helps low-income New Yorkers build assets and maximize their financial resources,

[8] As noted in the previous section, 5,100 families will be selected to participate in the program, with 2,550 families randomly assigned to a control group.

[9] 130% of the poverty level represents an annual income of less than $22,321 for a family of three. Source: *Federal Register*, Vol. 72, No. 15, January 24, 2007, pp. 3147–3148. This is also the same eligibility standard used for Food Stamps, free school lunches, and a number of other benefit programs.

negotiated with eight financial institutions[10] to provide special *Opportunity NYC* savings accounts that have no minimum balance, protect against overdraft, and waive fees for at least four monthly withdrawals from ATMs operated by other institutions.

Participants that open an *Opportunity NYC* savings account, or use an existing account, receive a one-time $50 reward. To date, participants have opened over 1,050 *Opportunity NYC* accounts.

IMPLEMENTATION AND EVALUATION

Enrollment and Support

Six community based organizations (CBOs), one in each of the target community districts, were selected to enroll families into the program.[11] Once enrolled, families were randomly assigned into the program or control group by MDRC. Each family had an equal chance of being in the program group and was notified of their status.

Families selected to be in the program group participated in an orientation workshop conducted by the CBOs in their respective communities. During the orientation workshop, families learned specific details about the incentivized activities and the process by which they earn and receive the monetary rewards.

Enrollment began in July and 4,521 families have been enrolled in the project to date, half of which were randomly selected to receive incentives (forming the program group). CBOs offer information and referrals to program participants seeking guidance on services that might help them fulfill the requirements for the incentives.

Earning Rewards

The initial program incentive period began September 1, 2007 and ended October 31, 2007. Seedco reviewed families' submitted documentation and the administrative data, and will directly deposit the first period's rewards into participants' bank accounts (or stored value cards) in mid-December. The first incentive payments were made in October and early December to more than 2,000 program participants for establishing Opportunity NYC bank accounts (or maintaining accounts they had prior to enrollment).

Mayor Bloomberg and Deputy Mayor Gibbs
at the Opportunity NYC Program Launch

Evaluation

MDRC will evaluate *Opportunity NYC: Family Rewards*. The study will track members of the program and control groups for five years using surveys and administrative data. The comprehensive evaluation of the program will include three major strands of research: implementation and process analysis, impact analysis, and benefit-cost analysis.

The implementation study will focus particularly on the roles and experiences of the institutions involved in the program (Seedco, City agencies, and community partners) and on the perceptions and experiences of the participating families.

The outcomes of participants will be assessed against those of the control group. Because it is a controlled study, any differences that emerge between the groups over time—for example, differences in employment and earnings, poverty rates, or even school performance among children—will be attributable to the CCT.

Finally, MDRC will also provide a benefit-cost analysis that will estimate the cost of operating Opportunity NYC, distinguishing how much was spent on various aspects of program delivery versus the amount of cash transferred to the participating families.

[10] The eight financial institutions that are offering the Opportunity NYC accounts are Amalgamated Bank, Bethex Federal Credit Union, Brooklyn Cooperative Federal Credit Union, Carver Federal Savings Bank, Lower East Side Peoples Federal Credit Union, M&T Bank, North Fork Bank, and Union Settlement Federal Credit Union.

[11] *Opportunity NYC: Family Rewards* CBOs are Union Settlement Association, Groundwork, Inc., Urban Health Plan, Citizens Advice Bureau, Catholic Charities Community Services, and Brownsville Multi-Service Family Health Center. Appendix C includes a list of all CEO partner organizations.

MDRC's benefit-cost analysis will make a number of comparisons, examining the economic "gains" and "losses" from several perspectives, such as from the viewpoint of participants and their families and from the perspective of taxpayers and

government budgets. It will look at benefits and costs that are directly observable during the period of data collection, as well as over a longer time horizon (e.g., 10 years), based on systematic projections using alternative assumptions about trends in costs and impacts.

CEO and its partners hope that the combination of education, health, and workforce incentives in this program will be more powerful than one or two of these components alone. The three domains are expected to mutually support progress towards achieving *Opportunity NYC: Family Reward's* goals — alleviating poverty in the short run, improving health, education, and self-sufficiency outcomes in the intermediate term, and reducing intergenerational poverty in the long term.

OPPORTUNITY NYC: WORK REWARDS

Overview

Opportunity NYC: Work Rewards offers work incentives to adults living in subsidized housing. The program will target 4,100 Section 8 voucher recipients. Section 8 is a Federal means-tested housing voucher program that calculates program eligibility and rent payments on income, thereby creating a disincentive to increase earnings. The Federal Family Self-Sufficiency (FSS) program was established by the U.S. Department of Housing and Urban Development (HUD) in 1990 to increase work participation and earnings among residents of public and subsidized housing by providing them with a savings escrow account that matches any increased rental payments and is receivable after five years.[12]

Approximately 75,000 households participate in FSS nationwide, representing only a proportion of eligible households.[13] Among the reasons cited for the low take-up rate are that most FSS programs do not actively assist families to attain self-sufficiency and that the five-year term before households can access the money is perceived as too long.

Opportunity NYC: Work Rewards tests the impact of an enriched FSS model and the workforce incentives from the comprehensive *Opportunity NYC: Family Rewards* program to provide a more immediate work incentive for voucher holders.

Work Rewards	
Design	CEO, MDRC, Seedco, HPD & NYCHA
Operation	Seedco & CBOs
Evaluation	MDRC

THE OPPORTUNITY NYC: WORK REWARDS MODEL

In New York City, both the Department of Housing Preservation and Development (HPD) and the New York City Housing Authority (NYCHA) grant Section 8 vouchers and implement FSS programs. *Opportunity NYC* is conducting several incentive-based and asset-building demonstrations with the two housing agencies.

HPD's FSS Program is one of the largest FSS programs in the country and has been recognized as a "best practice" by HUD.[14] The HPD program has offered case management and support services through a contract with LaGuardia

[12] The accumulated escrow savings are available upon successful completion of the five-year program (sooner if the person "earns out" of Section 8), or for approved purposes in the interim related to the client's self-sufficiency objectives.

[13] Cramer, Reid. "Family Self-Sufficient Program: An Asset-Building Opportunity." Washington, D.C.: New America Foundation, 2004.

[14] See "*Working with Community Colleges to Link WtW/FSS Families to Employment Opportunities in New York, NY,*" at http://www.hud.gov/offices/pih/programs/hcv/wtw/ppp/learning/newyork_ny.cfm.

Community College's Division of Adult and Continuing Education. The program has increased FSS program participation and earnings rates among some participants; generally those proximate to LaGuardia's campus in Queens.

With funding from the Center for Economic Opportunity, HPD is expanding its promising FSS model; the agency is contracting with community based organizations (CBOs) in Upper Manhattan, the South Bronx and Central Brooklyn to make the FSS case management services more accessible to participants throughout the City.

A workforce-focused CCT is also being offered to a randomly selected subset of HPD's voucher holders.[15] This CCT offers a more immediate incentive to promote work and training. Participants are eligible to receive cash bonuses for sustained full-time employment[16] and for completing education and training courses while employed.

Opportunity NYC: Work Rewards measures the impact of three distinct HPD program models:

- Group 1 (700 participants): Enriched FSS program only.
- Group 2 (700 participants): Enriched FSS program and CCT component.
- Group 3 (700 participants): Serves as the control group and is not enrolled in FSS or offered the CCT, but is invited to re-apply for the enriched FSS program after 1 year.

The NYCHA component of the program targets voucher holders who are not participating in FSS and offers them the employment or training incentive payments. Families participating in the NYCHA program include:

- Group 1 (1,000 participants): Eligible for CCT incentives.
- Group 2 (1,000 participants): Serves as the control group and is not offered the CCT incentives.

Program participants receiving the CCT may earn up to $3,000 per year depending on the number of employment activities that are completed successfully. Sustained full-time employment is rewarded with a $150 monthly benefit or up to $1,800 per year. Incentives are also offered for approved education and training courses.

Implementation and Evaluation

In collaboration with HPD and NYCHA, Seedco is implementing the program and MDRC is conducting the evaluation. Seedco and HPD have contracted with 13 community based organizations to recruit program participants.[17] The contracted CBOs will support families so that they are well-positioned to maximize their receipt of the new CCT bonuses. The CBOs will also provide service referrals, and offer other customer service support. Seedco will administer the CCT verification and payments. Participants will begin earning incentives in February 2008.

The evaluation will be structured as a randomized control trial. Because slots in the enriched FSS and CCT programs will be limited, a lottery-like process will be used to select participants from among a larger group of eligible volunteers. Those who are not selected for a program group will form a control group. The study will track members of the program and control groups for a number of years using surveys and administrative data. Because it is a controlled study, any differences that emerge between the groups over time—for example, differences employment and earnings—will be attributable to the FSS and/or CCT interventions.

The program is the first random assignment evaluation of the FSS program in the nation.[18] As such, it has the potential to provide a rich set of data to assess the effectiveness of FSS as well as CCTs. The CEO initiative will also broaden the nation's knowledge about housing as a platform for lifting residents out of poverty and towards economic self-sufficiency.

[15] Eligible participants must also have a household income that is within 130% of the Federal poverty line (approximately $22,000/year for a family of three).

[16] In order to receive this bonus, the participant must be employed for at least 30 hours per week for 6 out of every 8 weeks (that is, about 75% of the weeks in each two-month accounting period).

[17] *Opportunity NYC: Work Rewards* CBOs are Phipps Community Development Corporation, St. Nicholas Neighborhood Preservation Corporation, CAMBA, Erasmus Neighborhood Federation, Ridgewood Bushwick Senior Citizens Council, Inc., Asian Americans for Equality, Strycker's Bay Neighborhood Council, Inc., Bronx Shepherds Restoration Corporation, Mid-Bronx Senior Citizen's Council, Bedford Stuyvesant Restoration Corporation, Brooklyn Housing and Family Services, Harlem Congregations for Community Improvement, and Northern Manhattan Improvement Corporation. Appendix D includes a list of all CEO partner organizations.

[18] There have been other significant evaluations of the FSS program, however, none have employed a random assignment design. See www.fsspartnerships.org for more information.

OPPORTUNITY NYC: SPARK

Overview

As part of CEO's *Opportunity NYC*, the Department of Education (DOE), in collaboration with Harvard University Economics Professor Roland Fryer, is implementing a program that rewards students for academic achievement.

The pilot program will study the impact of modest financial incentives on student performance. The program is serving students in high-poverty schools and hopes to foster significant gains in student achievement. The program is also offered as a strategy to help close the racial achievement gap.

Spark	
Design	DOE, Fryer & AIL
Operation	DOE, Fryer & AIL
Evaluation	Fryer & AIL

Project Design and Implementation

The primary objective of *Opportunity NYC: Spark* is to improve the academic achievement of participating students and create a lasting connection between students and academic success. The hypothesis is that offering direct financial incentives to students will be a significant motivator for improving academic achievement. In a city where close to 70% of students are eligible for free or reduced-price school lunch, it is expected that earning discretionary funds of their own – perhaps for the first time – will send a powerful signal to students about the value of education, achievement, and future opportunity. This program will test whether short-term monetary incentives are effective in getting students to do what is in their long-term best interest.

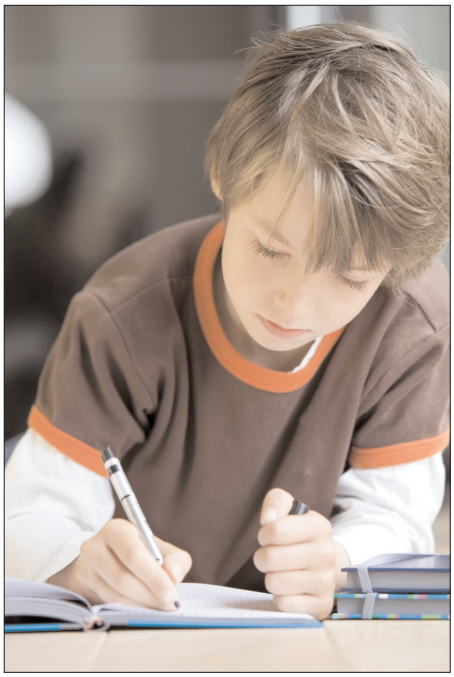
Spark offers students in select New York City public schools the opportunity to earn financial incentives for performance on periodic assessments. The two-year initiative began in September 2007 and has enrolled 59 schools throughout the City into the program, representing a total of close to 8,600 participating elementary and middle school students. Students have the chance to earn up to $250 in the fourth grade and up to $500 in the seventh grade based on their achievement on ten standardized assessments offered during the school year.

This program represents a new strategy for engaging students and fostering academic achievement. Individual and group incentive models are being assessed to better understand their impact and potential for system-wide expansion.

In the first year, the program will test the impact of *individual incentives* by offering performance awards of up to $25 per test for forth graders and up to $50 for seventh graders. All students will receive a minimum of $5 in the fourth grade and $10 in the seventh grade for the effort associated with sitting for the assessments. Students will receive their incentive payments after each of ten tests assessments throughout the school year.

At the time of this writing, the students have taken four of the ten assessments in the program year and are scheduled to take the fifth and sixth the first week of December. Based on participating students' scores on the first two assessments, they earned over $19,000 in aggregate.

To help evaluate the effectiveness of the program, student performance on the Predictive Assessments (which are low stakes assessments that students across New York City take) and on the state standardized tests (which do not have awards directly associated with them) in January and March will be compared to the performance of students in a control group of schools not selected for the program. Some general comparisons will also be made to a larger sample of non-participating schools on a citywide and statewide basis.



In the second year of the program, *group incentives* will be tested. The group incentives closely mirror individual incentives. The crucial distinction is that performance is determined by the average of one's group. So, if the five-person group achieves, all students are rewarded equally regardless of the achievement of any single student. Group rewards may also provide the impetus for collaborative learning and tutoring across different ability levels.

Evaluation

There is a growing interest in student incentives and several states have recently established programs. These programs encourage outcomes including homework completion, test

performance, attendance, pleasure reading, and graduation. Incentives range from symbolic dollars or points that students can use to purchase tangible items of interest (pens, small toys, assorted trinkets) to actual cash. The impact of student incentive programs has yet to be rigorously evaluated in the United States. International evidence suggests that incentives can boost student performance and graduation rates. During the 2004-2005 school year, Professor Fryer conducted an initial pilot study of a student incentives program in the third grade of a Bronx elementary school. Participating students received movie passes and pizza parties. While this was a small project, the early results were encouraging: incentives had a positive impact on student achievement and teachers were enthusiastic about the program. The controlled study structure of *Opportunity NYC: Spark* will allow for a robust evaluation of the impact of monetary incentives on the academic achievement of children.