Date of Hearing: April 9, 2024

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Mike Fong, Chair
AB 2508 (McCarty) – As Amended April 1, 2024

[Note: This bill is double referred to the Assembly Committee on Human Services and will be heard by that Committee as it relates to issues under its jurisdiction.]

SUBJECT: Student financial aid: California Kids Investment and Development Savings (KIDS) Program: foster youth.

SUMMARY: Expands California Kids Investment and Development Savings (KIDS) Program (CalKIDS) eligibility to all foster youth, in grades one through 12, inclusive. Each foster child enrolled in public school will receive an additional $500 in their college savings account. Specifically, **this bill**:

1) Stipulates that, commencing with the 2025–26 fiscal year, and subject to an appropriation by the Legislature, through the CalKIDS Program, both of the following must occur:

   a) Each pupil who is a foster youth, as defined under subdivision, and is enrolled in any of grades one to 12, inclusive, at a school district, public charter school, state special school, or other local educational agency, will have a KIDS Account opened on their behalf, unless their account has already been established, and must receive an enhanced deposit of an additional $500; and,

   b) Each foster youth, as specified, who did not previously receive a deposit, as specified, must further receive an enhanced deposit of $500 in addition to the deposit, as specified.

2) Stipulates that upon receiving an enhanced deposit as specified, in any fiscal year, a pupil may not be eligible for an enhanced deposit, as specified, in any subsequent fiscal year.

3) Requires that for pupils for whom a KIDS Account has already been established who are also eligible for an enhanced deposit, the enhanced deposit must be deposited in the KIDS Account in which funding for that pupil is currently held.

4) Authorizes that a pupil who receives an enhanced deposit into their KIDS Account pursuant or a pupil who receives an enhanced deposit pursuant to subparagraph may also receive enhanced deposits, as specified.

5) Requires the ScholarShare Investment Board (SIB), commencing with the 2025–26 fiscal year, to collaborate with the California Department of Education to establish a process to enable a foster youth pupil who met the eligibility criteria to receive an enhanced deposit into their KIDS Account, as specified, but who did not receive this enhanced deposit due to a failure in the identification process, to subsequently receive the enhanced deposit.

6) Requires that the annual CalKIDS report, as specified, include:

a) The number of pupils who received augmented payments based on status as foster youth or homeless pupils;

b) A disaggregation of the number of parents or legal guardians of pupils who received augmented payments based on status as foster youth or homeless pupils who engage with KIDS Accounts; and,

c) Efforts of the SIBs marketing must include any efforts to reach foster youth.

7) Makes technical and clarifying changes.

EXISTING LAW:

1) Establishes the CalKIDS Program, under the administration of the SIB, for purposes of expanding access to higher education through savings;

2) Requires, for the 2021–22 fiscal year, that a KIDS Account be established for all unduplicated pupils enrolled at a school district, public charter school, state special school, or other local educational agency, if one has not already been established for them, and requires the account to receive an enhanced deposit of $500;

3) Requires, for the 2021–22 fiscal year, an eligible pupil who is also a foster youth, as defined, to receive an additional enhanced deposit of $500;

4) Requires, commencing with the 2022–23 fiscal year, that a KIDS Account to be opened for all unduplicated pupils enrolled at a school district, public charter school, state special school, or other local educational agency when the pupil is enrolled in first grade, if an account has not already been established for them, and requires the account to receive an enhanced deposit of $500;

5) Requires, commencing with the 2022–23 fiscal year, that an eligible first grade pupil who is also a foster youth, as defined, to receive an additional enhanced deposit of $500; and,

6) Authorizes the SIB to consider marketing the CalKIDS Program to California residents, as provided, and requires the SIB to annually report to the Department of Finance and the Legislature information pertaining to the program's implementation, as provided (Education Code Section 69996.5, et seq.).

FISCAL EFFECT: Unknown

COMMENTS: *Purpose of the measure*. According to the author, "college savings accounts are one of the best, proven ways of increasing the likelihood that a student will go to college; even with savings of less than $500, a child is 25% more likely to enroll in college and 64% more likely to graduate than a child with no savings."

CalKIDS Program and Fund. Enacted in the 2019-20 State Budget, CalKIDS was designed to expand access to higher education through savings with tools like ScholarShare 529, California's official tax-advantaged college savings plan. CalKIDS is administered by the SIB, an agency of the State of California, and was initially established to automatically provide newborns in

California with college savings accounts, including seed deposits and other potential financial rewards.

In 2021, CalKIDS was expanded significantly to include 3.7 million low-income public school students enrolled in grades one through 12, inclusive, who qualify for free or reduced lunch, are homeless, or are in foster care. First graders who are identified as low-income receive an additional $500, and first graders who are foster youth or homeless receive an additional $500 augmentation in their account. Currently, they must be in first grade when they are identified to receive an additional $500 deposit. If a student becomes a foster child as a fifth grader for example, they will have missed the chance to benefit from the augmented deposit for foster youth through the CalKIDS Program.

The author states that, "AB 2508 expands CalKIDS eligibility to all foster youth, in first through twelfth grade. Each foster child enrolled in public school will receive an additional $500 in their college savings account."

Further, the State Budget Act of 2023 provided $8 million from previously allocated funding to support a statewide integrated marketing campaign comprised of advertising, public relations, and community outreach elements, including a focus on low-income and disadvantaged communities. Additionally, the State Budget Act of 2023 increased the amount the ScholarShare Board can provide in seed grants for newborns from $25 to $100, and clarified Legislative intent that the State Department of Public Health and the ScholarShare Board enter into a data-sharing agreement that promotes data privacy and security.

The investments provided in CalKIDS accounts can be a steppingstone to building a new savings behavior for families and serve as a tangible demonstration of the state's commitment to children in reaching the goal of higher education.

However, even with the State's financial allocation to support an integrated marketing campaign, according to a March 19, 2024 article in *EdSource*: Few low-income Californians claiming kids' free money in college savings accounts | EdSource, on March 6, 2024, CalKIDS announced that 300,000 students and families – a fraction of the 3.6 million eligible across the state, have accessed the state-funded account. According to *EdSource*, that translates to about 8.3% of eligible students statewide. The article contends that CalKIDS is underutilized because eligible families lack awareness about its existence.

According to the SIB, in its June 30, 2023 CalKIDS Annual Report, overtime, CalKIDS will provide further insights into the successes and challenges of the Program. Until then, SIB staff remain engaged and committed to ensuring each eligible CalKIDS participant is aware of the free money available for college and the commitment the State has made in their path to higher education. The table below reflects the CalKIDS program expenditures over the past three fiscal years.

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

Source: CalKIDS June 30, 2023 Annual Report

Foster youth. According to the Children's Law Center of California (CLC), a child in California is placed in the foster care system nearly 100 times a day. Many of these children enter foster care, because they have been abused, neglected, or abandoned by their parents or guardians. Further, CLC estimates that there are over 60,000 children in the foster care system in California.

The author states that, "Research shows that 93% of foster youth want to attend college, but only 10% will graduate with a 2-year or 4-year degree by the age of 23. Unfortunately, for foster youth, the financial resources, mentorship, support, stability, and guidance needed to complete postsecondary education or training programs are not common. Most foster youth face extreme poverty. One study found that the most common reason that foster youth chose not to attend college was because of affordability and their need to work. Foster youth are some of the most vulnerable students who need additional services and programs to further their education."

Committee comments. As noted in the *Background of CalKIDS* section of this analysis, CalKIDS remains relatively unknown, despite millions of dollars being allocated to increase the marketing of CalKIDS. Committee Staff understands from the leading supporters of this measure, the John Burton Advocates for Youth (JBAY), that, if this measure is signed into law, in order to ensure foster youth are made aware that they are eligible to benefit from CalKIDS, JBAY will conduct a major outreach campaign, ensuring that foster youth are aware of the resource. According to JBAY, foster youth often fall through the cracks given the level of instability, however, there are many systems that touch these students that can be leverages to spread awareness.

Committee Staff understands that JBAY will use private funding secured from philanthropy to develop and implement the outreach efforts.

Arguments in support. According to the JBAY, "children and youth enter foster care due to serious abuse and neglect. This trauma is often compounded by the instability they experience while in foster care, through placement and school changes. Despite these challenges, research shows that 93% of foster youth in California want to attend college."

Further, JBAY states that, "most foster youth face extreme poverty and have neither a financial nor emotional safety net in place. One study found that the most common reason that foster youth chose not to attend college was because of affordability and their need to work. Together, these lead to poor educational outcomes, most notably low rates of college completion: in California, only 10% of foster youth will graduate with a 2-year or 4-year degree by the age of

23 compared to 36% of their non-foster youth peers. Foster youth are some of the most vulnerable students who need additional services and programs to further their education."

Lastly, JBAY finds that, "AB 2508 will expand CalKIDS eligibility to all foster youth in first through twelfth grades so that each student will receive an additional $500 in their college savings account, thereby increasing the likelihood that foster youth have the necessary resources to reach their educational goals."

Prior legislation. AB 2821 (Nazarian), Chapter 164, Statutes of 2022, delays the submission of the CalKIDS Program implementation report by the SIB to the Department of Finance and the Legislature from June 30, 2022, and annually thereafter, to June 30, 2023, and annually thereafter.

AB 2548 (Nazarian) of the 2021-22 Legislative Session, which was vetoed by the Governor, would have, increased the initial seed deposit for the CalKIDS Program from at least $25 to at least $100. The Governor's veto message said the following:

> "This bill, starting in the 2024-25 fiscal year and upon appropriation by the Legislature, would increase the initial newborn recipient seed deposit for the California Kids Investment and Development Savings (CalKIDS) Program from at least $25 to at least $100. CalKIDS is an important tool that gives California's kids a jump start on saving for college or career training. I appreciate the author's leadership and partnership to establish this program and his advocacy to expand it. While I appreciate the intent of the bill, it creates an estimated $33.8 million in ongoing cost pressures not contemplated in the budget. With our state facing lower-than-expected revenues over the first few months of this fiscal year, it is important to remain disciplined when it comes to spending, particularly spending that is ongoing. We must prioritize existing obligations and priorities, including education, health care, public safety and safety-net programs. The Legislature sent measures with potential costs of well over $20 billion in one-time spending commitments and more than $10 billion in ongoing commitments not accounted for in the state budget. Bills with significant cost pressures, such as this measure, should be considered and accounted for as part of the annual budget process. For these reasons, I cannot sign this bill."

SB 77 (Senate Committee on Budget and Fiscal Review), Chapter 53, Statutes of 2019, established the CalKIDS Program.

AB 15 (Nazarian) of 2019, which was not referred by the Senate Committee on Rules, would have automatically established a ScholarShare 529 college savings account for every child born in California after January 1, 2020, subject to available funding.

AB 34 (Nazarian) of 2017, which was held on the Suspense File in the Assembly Committee on Appropriations, would have established a 529 college savings account for every child born in California after January 1, 2018.

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda County Office of Education
All Saints Church Foster Care Project
Alliance for Children's Rights
California Alliance of Child and Family Services
California Child Savings Account Coalition
California Competes: Higher Education for A Strong Economy
CASA of Los Angeles
Children Now
Children’s Institute
Children's Legal Services of San Diego
City College of San Francisco - Guardian Scholars Program
Clovis Community College - EOPS
Doing Good Works
Excite Credit Union
Foster Greatness
Fullerton College - FYSI Program
Haven of Hope
John Burton Advocates for Youth
Los Angeles County Office of Education
National Center for Youth Law
Norco College - Special Funded Programs
Northern California College Promise Coalition
Orangewood Foundation
Oxnard College - EOPS
Pasadena City College-next Up Program
Peacock Acres, Inc.
Riverside City College - Guardian Scholars Program
San Bernardino County Superintendent of Schools
San Diego Youth Services
San Mateo Special Education Local Plan Area
Schoolhouse Connection
Skyline College
Taft College - EOPS Program
TLC Child and Family Services Transition Age Youth Housing Programs

Opposition

None on file.

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