

Date of Hearing: April 19, 2022

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 2821 (Nazarian) – As Amended April 4, 2022

SUBJECT: California Kids Investment and Development Savings Program.

SUMMARY: Delays the annual submission of the California Kids Investment and Development Savings (CalKIDS) Program implementation report by the Scholarshare Investment Board (SIB) to the Department of Finance and the Legislature from June 30, 2022, and annually thereafter, to June 30, 2023, and annually thereafter. Further, this measure delays the implementation of the CalKIDS Program from July 1, 2022, to July 1, 2023, if the SIB does not secure adequate funds to implement the CalKIDS Program before July 2, 2023.

EXISTING LAW:

- 1) Establishes the CalKIDS Program, under the administration of the SIB for the purposes of expanding access to higher education through savings.
- 2) Establishes the CalKIDS Program Fund in the State Treasury to serve as the initial repository for all moneys received from the state and private sources for the CalKIDS Program, and continuously appropriates moneys in the fund to the board for the CalKIDS Program.
- 3) Requires the SIB to provide awards from these CalKIDS Accounts, as specified, for each recipient child's qualified higher education expenses at an eligible postsecondary education institution.
- 4) Requires the SIB, on or before June 30, 2022, and annually thereafter, to report to the Department of Finance and the Legislature, information pertaining to the CalKIDS Program's implementation, as specified; and, requires subject to available funding, that the CalKIDS Program be implemented on or before July 1, 2022. If the SIB does not secure adequate funds to implement the CalKIDS Program before July 2, 2022, existing law authorizes implementation of the CalKIDS Program to be delayed while the SIB makes good faith efforts to secure necessary funding (Education Code (EC) Section 69996, et seq.).
- 5) Establishes the SIB, which consists of the Treasurer, the Director of Finance, the executive Director of the State Board of Education, a member of the Student Aid Commission appointed by the Governor, a member of the public appointed by the Governor, a representative from a California public institution of higher education appointed by the Senate Committee on Rules, and a representative from a California independent college or university or a state-approved college, university, or vocational/technical school appointed by the Speaker of the Assembly. The Treasurer serves as chair of the SIB. (EC Section 69984).

FISCAL EFFECT: Unknown

COMMENTS: *Purpose of the measure.* According to the author, "CalKIDS Program will create savings accounts for 3.7 million low-income K-12th graders initially, and then 450,000 newborns, and hundreds of thousand low-income first-graders and make way for the next generation of entrepreneurs, scientists, educators, and community leaders. With Governor

Newsom’s expanded investment in CalKIDS, we needed to take additional time to ensure a smooth launch and implementation of the CalKIDS program. To keep the SIB compliant, we need to delay the reporting deadline by one year to give them adequate time to gather their findings of the program.”

This measure seeks to delay the SIB reporting deadline from June 30, 2022, to June 30, 2023, and annually thereafter.

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. However, in 2021, CalKIDS was expanded significantly to include 3.7 million low-income public school students enrolled in grades one through 12 who qualify for free or reduced lunch, are homeless, or are in foster care.

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 supporting children in reaching the goal of higher education.

Each CalKIDS account will be seeded with a minimum deposit held in the ScholarShare 529 college savings plan or another investment mechanism in which money can potentially grow and eventually be used for a range of postsecondary expenses. This statewide program—which is part of a growing child savings accounts movement—provides universal eligibility, automatic enrollment, investment growth potential, and opportunities for progressive subsidies for our most vulnerable Californians.

Committee comments and amendments. According to the author, “Since the CalKIDS Program is set to launch this summer, there will be insufficient data to report to the Legislature, so the SIB needs one year of implementation in order to properly report back to the Legislature.”

Committee staff understands that the intent of the author is to delay the due date of the initial SIB report; however, as presently drafted, this measure not only delays the due date of the SIB report, but also, subject to available funding, the implementation date of the CalKIDS Program.

Further, seeing that June 30, 2022, the initial deadline for the SIB to submit a report of the implementation of the CalKIDS Program to the Department of Finance and the Legislature is fast approaching, but the CalKIDS Program will not commence to be implemented until July 1, 2022, the author requested, and was granted approval, for an urgency clause to be added to this measure, in order to ensure that the SIB remains compliant.

With the aforementioned in mind, the author has accepted the following amendments:

- 1) 69996.6. (b) (1) Subject to available funding, the program shall be implemented on or before ~~July 1, 2023~~ **July 1, 2022**. The board may establish an implementation timeline for the program based on available funding. If the board does not secure adequate funds to implement the program before ~~July 1, 2023~~ **July 1, 2022**, program implementation may be delayed while the board makes good faith efforts to secure necessary funding.

- 2) Adds an urgency clause, making the measure go into effect immediately upon enactment.

Additionally, Committee Staff understands that future amendments to the CalKIDS Program and Fund may transpire via this year's Budget Process.

Prior legislation. 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**

None on file.

Opposition

None on file.

Analysis Prepared by: Jeanice Warden / HIGHER ED. / (916) 319-3960