
SENATE COMMITTEE ON EDUCATION

Senator Connie Leyva, Chair

2021 - 2022 Regular

Bill No: AB 2548 **Hearing Date:** June 30, 2022
Author: Nazarian
Version: June 13, 2022
Urgency: No **Fiscal:** Yes
Consultant: Ian Johnson

Subject: California Kids Investment and Development Savings Program

SUMMARY

This bill increases the initial seed deposit for the California Kids Investment and Development Savings (CaKIDS) Program from at least \$25 to at least \$100.

BACKGROUND

Existing law:

- 1) Establishes the CaKIDS Program, under the administration of the ScholarShare Investment Board (SIB) for the purposes of expanding access to higher education through savings.
- 2) Establishes the CaKIDS Program Fund in the State Treasury to serve as the initial repository for all moneys received from the state and private sources for the CaKIDS Program, and continuously appropriates moneys in the fund to the board for the CaKIDS Program.
- 3) Requires the SIB to provide awards from these CaKIDS 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 CaKIDS Program's implementation, as specified; and, requires subject to available funding, that the CaKIDS Program be implemented on or before July 1, 2022. If the SIB does not secure adequate funds to implement the CaKIDS Program before July 2, 2022, existing law authorizes implementation of the CaKIDS Program to be delayed while the SIB makes good faith efforts to secure necessary funding.
- 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.

ANALYSIS

This bill increases the initial seed deposit for the California Kids Investment and Development Savings (CalKIDS) Program from at least \$25 to at least \$100.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, “When the program was initially established, the goal was to provide an initial seed deposit of at least \$100. Since there was only \$25 million one-time funding for the program, the \$100 seed deposit would not have sustained the program for very long.

“With the Governor’s expanded the program for low-income first graders across the state, and foster and homeless youth, the \$25 initial seed deposit for newborns is a very miniscule investment. Furthermore, since the Governor provided ongoing funding to sustain the newborn portion of CalKIDS, the state can now make a bigger investment in its children across the board.”

- 2) ***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 stepping stone 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.

SUPPORT

None received

OPPOSITION

None received

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