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THIRD READING

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Bill No: AB 2548  
Author: Nazarian (D)  
Amended: 8/11/22 in Senate  
Vote: 21

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SENATE EDUCATION COMMITTEE: 6-0, 6/30/22  
AYES: Leyva, Ochoa Bogh, Cortese, Glazer, McGuire, Pan  
NO VOTE RECORDED: Dahle

SENATE APPROPRIATIONS COMMITTEE: 5-1, 8/11/22  
AYES: Portantino, Bradford, Laird, McGuire, Wieckowski  
NOES: Jones  
NO VOTE RECORDED: Bates

ASSEMBLY FLOOR: 76-0, 5/25/22 - See last page for vote

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**SUBJECT:** California Kids Investment and Development Savings Program

**SOURCE:** Author

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**DIGEST:** 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.

**ANALYSIS:**

Existing law:

- 1) Establishes the CalKIDS Program, under the administration of the ScholarShare Investment Board (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.
- 5) Establishes the SIB, which consists of the Treasurer, the Director of the Department 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.

This bill increases, commencing with the 2024-25 fiscal year, and upon appropriation by the Legislature, the initial seed deposit for the CalKIDS Program from at least \$25 to at least \$100.

### **Comments**

- 1) *Need for this 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.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- The Scholarshare Investment Board estimates that the annual cost of increasing the seed deposit from \$25 to \$100 would grow from the current level of \$11.25 million ( $\$25 \times 450,000$  newborns) to \$45 million ( $\$100 \times 450,000$  newborns), an increase of \$33.75 million. The 2022 Budget Act includes \$15.3 million General Fund for the program.
- The SIB also indicates one-time costs of approximately \$50,000 to update videos, marketing materials, the website, and regulations as a result of the bill.

**SUPPORT:** (Verified 8/12/22)

National Association of Social Workers

**OPPOSITION:** (Verified 8/12/22)

None received

**ASSEMBLY FLOOR:** 76-0, 5/25/22

**AYES:** Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Bigelow, Bloom, Boerner Horvath, Mia Bonta, Bryan, Calderon, Carrillo, Cervantes, Chen, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Mike Fong, Fong, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Gray, Grayson, Haney, Holden, Irwin, Jones-Sawyer, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wilson, Wood, Rendon

**NO VOTE RECORDED:** Berman, O'Donnell

Prepared by: Ian Johnson / ED. / (916) 651-4105  
8/15/22 13:01:47

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