

**CALIFORNIA CODE OF REGULATIONS
TITLE 5, DIVISION 4.5, CHAPTER 1
SCHOLARSHARE INVESTMENT BOARD
GOLDEN STATE SCHOLARSHARE TRUST PROGRAM**

INITIAL STATEMENT OF REASONS

PROBLEM STATEMENT

The Golden State ScholarShare Trust Program Regulations (“Regulations”) were adopted at the inception of the ScholarShare College Savings Plan (“ScholarShare” or the “Plan”) and have since been amended pursuant to the State rulemaking process. The regulations outline various aspects about the Plan including, but not limited to, defined terms, communications, opening accounts, making changes to the accounts, distributions, and disputes.

The ScholarShare Investment Board (the “Board”) recognizes the importance of periodically reviewing the Regulations to adequately and appropriately represent the needs of the Plan, as well as its existing and prospective participants. The Board proposes to amend the Regulations to permit account owners to name an entity as a contingent account owner.

Under current Regulation section 30950(b) an entity can be an account owner. Regulation section 30955(d), however, which regulates naming a Contingent Account Owner, does not allow for an entity to be named as a successor account owner. The proposed amendment to Regulation section 30955(d) would allow account owners to name an entity as a contingent account owner.

In addition, the Board proposes technical amendments to add clarifying and consistent language throughout the Regulations and consistency with the Golden State Scholarshare Trust Act.

BENEFITS

The proposed amendment will allow the Plan to offer broader options to meet the needs of existing and prospective participants by allowing participants the ability to name an entity as a contingent account owner. The added flexibility to name an entity as a contingent account owner is consistent with common practice in the financial services and 529 industries. The technical changes will add clarifying and consistent language throughout the Regulations and consistency with the Golden State Scholarshare Trust Act.

PURPOSE

Section 30950, subdivisions (a) and (b): To clarify existing definitions and to define Act and Program administrator.

Section 30950, subdivision (b); Section 30951 subdivisions (a), (c), and (f); Section 30951.1 subdivisions (a) and (b); Section 30952, subdivision (a); Section 30954, subdivisions (a), (d), (e) and (f); Section

30955, subdivisions (a), (b), (d), and (e); Section 30956, subdivision (c); Section 30958, subdivisions (a), (d), (e), and (f); Section 30959, subdivisions (b), (c), (d), and (e): To change “program administrator’s designee” to “program administrator or its designee” to allow for a broader administration of duties by including either the program administrator or its designee to fulfill program actions and responsibilities.

Section 30953, subdivision (a); Section 30954, subdivision (d); Section 30956 subdivision (c); Section 30957 subdivision (a), (e), and (f): To change “program administrator or his or her designee” to “program administrator or its designee” to provide consistency and to accurately reference program administrator as an entity rather than a person as defined in section 30950, subdivision (b).

Section 30955, subdivision (d): Added “or an entity” to allow the Plan broader options to meet the needs of existing and prospective participants.

Section 30956, subdivision (a): Deleted “on or before March 1st” to provide consistency with amendments made to the Golden State ScholarShare College Savings Trust Act.

Section 30958, subdivision (c): Deleted and replaced “savings account” to accurately reference qualified tuition program as defined by the Internal Revenue Code.

The proposed amendment will allow the Plan to offer broader options to meet the needs of existing and prospective participants. The technical changes will add clarifying and consistent language throughout the Regulations and consistency with the Golden State Scholarshare Trust Act and Internal Revenue Code.

NECESSITY

Section 30950, subdivisions (a) and (b): The change is necessary to accurately reflect that Act is not an existing definition in Section 69980 of the Education Code and to accurately represent that Golden State Scholarshare College Savings Trust is an existing definition in Section 69980 of the Education Code.

Section 30950, subdivision (b); section 30951 subdivisions (a), (c), and (f); section 30951.1 subdivisions (a) and (b); section 30952, subdivision (a); section 30954, subdivisions (a), (d), (e) and (f); section 30955, subdivisions (a), (b), (d), and (e); section 30956, subdivision (c); section 30958, subdivisions (a), (d), (e), and (f); section 30959, subdivisions (b), (c), (d), and (e): The proposed changes are necessary for the Plan to better serve existing and prospective participants by allowing for broader administration of duties by including either the program administrator, ScholarShare Investment Board, or its designee to fulfill program actions and responsibilities rather than putting the sole duty and responsibility on the program administrator’s designee. These changes also provide clarity and consistent language throughout the Regulations.

Section 30953, subdivision (a); Section 30954, subdivision (d); Section 30956 subdivision (c); Section 30957 subdivision (a), (e), and (f): Necessary to accurately represent program administrator as an entity rather than a person as defined in section 30950, subdivision (b) and to provide clarity and consistent language throughout the Regulations.

Section 30955, subdivision (d): Necessary for the Plan to better serve existing and prospective participants by allowing Plan participants to name an individual or an entity as a contingent account owner upon the death of the individual account owner.

Section 30956, subdivision (a): Necessary to provide consistency with amendments made to the Golden State ScholarShare College Savings Trust Act.

Section 30958, subdivision (c): Necessary to provide consistency in accurately referencing qualified tuition program, as defined in Section 529 (b)(1)(A)(ii) of the Internal Revenue Code.

TECHNICAL, THEORITICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The Board did not rely on any technical, theoretical, and/or empirical study, reports, or documents in proposing the adoption of the amendment.

ECONOMIC IMPACT ASSESSMENT/ANALYSIS

The Board proposes to amend California Code of Regulations sections 30950 through 30959 to meet the needs of existing and prospective participants by allowing participants to elect an entity as a contingent account owner and to allow for a broader administration of duties by clarifying that either the program administrator or its designee can fulfill program actions and responsibilities. The proposed regulations will also add clarifying and consistent language throughout the regulations and consistency with the Golden State Scholarshare Trust Act and Internal Revenue Code.

Creation or Elimination of Jobs within the State of California

The regulations are designed to offer broader options to meet the needs of existing and prospective participants and to allow for a broader administration of duties for either the program administrator or its designee to fulfill program actions and responsibilities. The technical changes will add clarifying and consistent language throughout the regulations and consistency with the Golden State Scholarshare Trust Act and Internal Revenue Code. These activities are currently being performed by existing state staff and contracted vendors and the regulations enhance their job abilities. Therefore, no jobs in California will be created or eliminated.

Creation of New or Elimination of Existing Businesses within the State of California

The regulations are designed to offer broader options to meet the needs of existing and prospective participants and to allow for a broader administration of duties for either the program administrator or its designee to fulfill program actions and responsibilities. The technical changes will add clarifying and consistent language throughout the regulations and consistency with the Golden State Scholarshare Trust Act and Internal Revenue Code. These activities are currently being performed by existing state staff and contracted vendors and the regulations enhance their job abilities. Therefore, no new businesses in California will be created or existing businesses eliminated.

Expansion of Businesses or Elimination of Existing Businesses within the State of California

The regulations are designed to offer broader options to meet the needs of existing and prospective participants and to allow for a broader administration of duties for either the program administrator or

its designee to fulfill program actions and responsibilities. The technical changes will add clarifying and consistent language throughout the regulations and consistency with the Golden State Scholarshare Trust Act and Internal Revenue Code. These activities are currently being performed by existing state staff and contracted vendors and the regulations enhance their job abilities. Therefore, no existing businesses in California will be expanded or eliminated.

Benefits of the Regulations

The regulations are designed to offer broader options to meet the needs of existing and prospective participants by allowing participants the ability to name an entity as a contingent account owner and to allow for a broader administration of duties for either the program administrator or its designee to fulfill program actions and responsibilities. The Scholarshare Investment Board can better administer the program by allowing either the program administrator or its designee to carry out program actions and responsibilities. The technical changes will add clarifying and consistent language throughout the regulations and consistency with the Golden State Scholarshare Trust Act and Internal Revenue Code.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

The proposed regulations amendment will allow the Plan to offer broader options to meet the needs of existing and prospective participants by allowing participants the ability to name an entity as a contingent account owner and will only directly impact ScholarShare account owners and the account records held by ScholarShare's custodian of records. The proposed regulations amendment will also allow for a broader administration of duties for the program administrator or its designee to fulfill program actions and responsibilities. The technical changes will add clarifying and consistent language throughout the regulations and consistency with the Golden State Scholarshare Trust Act.

REASONABLE ALTERNATIVES TO THE REGULATION AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES

The Board has not identified any other reasonable alternatives.

DUPLICATION OR CONFLICT WITH FEDERAL REGULATIONS

N/A