

INITIAL STATEMENT OF REASONS

SCHOLARSHARE INVESTMENT BOARD

Title 5, Sections 31010 to 31018 REGARDING THE CALIFORNIA KIDS INVESTMENT AND DEVELOPMENT SAVINGS PROGRAM

INTRODUCTION

The Scholarshare Investment Board (SIB) is organized and operated pursuant to sections 69980-69994 of the California Education Code. In 2019, the California Kids Investment and Development Savings Program (CalKIDS) was created. Subsequent legislation expanded the program. This program provides each child born in California and eligible public school students with an initial deposit to begin saving for college through accounts developed and managed by SIB.

1. Specific Purpose of the Regulation – Education Code 69996 – 69996.9

Section 31010. Definitions Applicable to CalKIDS Program. Defines the meaning of the words and phrases used in the article as applicable to the CalKIDS Program.

Section 31011. Eligibility. Outlines the eligibility criteria that must be met by those under consideration for a CalKIDS Account.

Section 31012. Deposits. Provides an overview of the amounts and types of financial incentives available to CalKIDS participants on behalf of the Program. Outlines criteria for the Executive Director to consider if the amount and types of financial incentives need to be modified.

Section 31013. Notifications. Outlines details on the information that will be included in notifications sent to parents of each child eligible for a CalKIDS account.

Section 31014. Opt-Out. Provides information on how CalKIDS Program participants may opt-out from the Program if they choose.

Section 31015. Access CalKIDS Account. Provides information on how CalKIDS participants may view and access their CalKIDS Accounts.

Section 31016. Claims and Withdrawals Process. Provides information on how CalKIDS participants may request a withdrawal of funds from their CalKIDS accounts for qualified expenses.

Section 31017. Forfeiture. Provides information on the forfeiture of CalKIDS account funds.

Section 31018. Appeals. Provides information on appeals process for CalKIDS Beneficiaries requesting to withdraw CalKIDS account funds past the CalKIDS beneficiaries' 26th birthday deadline outlined in statute.

2. Rationale for Necessity.

Sections 31010 - 31018. The legislature adopted the Golden State ScholarShare Trust Act in 1999 because it had determined it was in the interest of the State to assist its residents with saving for future higher education expenses. In 2019, the Legislature determined that it was in the interest of the State to provide each newborn with an account seeded with money to begin saving for higher education through the ScholarShare Trust. As such, the Legislature created the California Kids Investment and Development Savings Program (CalKIDS or Program). In 2021, the Legislature determined that it was in the interest of the State to provide eligible public school students money to begin saving for higher education through the Program. After reviewing statutory guidance for the Board, Beneficiaries, and Participants, SIB believes the proposed regulations are necessary to facilitate Program access, engagement, and use by participants.

3. Studies, Reports, or Documents Relied Upon

SIB relied on the policy memo cited below from the Washington University in St. Louis Center for Social Development to determine a financial incentive structure for newborns as proposed in the regulations.

[Clancy, M. M., Sherraden, M., & Beverly, S. G.](#) (2019, December). *Essential policy design elements for statewide Child Development Accounts* (CSD Fact Sheet No. 19-47). St. Louis MO: Washington University, Center for Social Development. <https://doi.org/10.7936/1rvq-dy43>

4. Reasonable alternatives to the regulations and the agency reasons for rejecting those alternatives.

No other alternatives to the proposed regulations implementing the program were presented to or considered by SIB. These regulations are necessary to administer the CalKIDS program.

Consideration of different incentive amounts and a modified timeframe to apply incentives were rejected due to budgetary constraints.

5. Determination of no significant statewide adverse economic impact directly affecting business.

SIB has not identified any adverse impacts on business nor have any adverse impacts been identified and brought to the attention of SIB.

6. Description of efforts to avoid conflict with and duplication of federal regulations.

SIB has not identified any conflict or duplication with any federal regulations.