

## California Child Savings Accounts Program

### **Sec. 1. Education Code Section 69995 is added to read:**

69995. (a) As used in this article, the following terms have the following meanings, unless the context requires otherwise:

(1) "California Opportunity Fund" means the fund established pursuant to section 69995.1.

(2) "Child Savings Account" means a child savings account established pursuant to this article.

(3) "Board" means the Scholarshare Investment Board established pursuant to subparagraph (B) of paragraph (2) of subdivision (a) of Section 69984.

(4) "Investment manager" means a manager contracted to perform functions delegated by the board. "Investment management" means the functions performed by a manager contracted to perform functions delegated by the board.

(5) "Program" means the California Child Savings Account Program.

(6) "Qualified higher education expenses" means the expenses of attendance at an institution of higher education as provided in paragraph (3) of subsection (e) of Section 529 of the Internal Revenue Code of 1986, as it is amended from time to time, if, as determined by the board, the amendment is consistent with the purposes of this article, and as determined and certified by the institution of higher education in the same manner as prescribed in Title IV of the Higher Education Act of 1965 (20 U.S.C. Sec. 10871 I, as amended).

(7) "Tuition and fees" means the quarterly or semester charges imposed to attend an institution of higher education and required as a condition of enrollment.

### **Sec. 2. Education Code Section 69995.1 is added to read:**

69995.1 (a) To support the activities required and authorized by this article, the California Opportunity Fund is hereby established. The fund shall include any moneys appropriated in the annual Budget Act or other legislation and any private donations made in support of the California Child Savings Account

Program. The moneys in the fund shall be administered by the board for the purpose of establishing child savings accounts for eligible pupils.

(b) The board shall deposit any funds donated or appropriated in support of the California Child Savings Account Act first into an account that is separate and apart from all participant accounts within the Golden State Scholarshare Trust. California Opportunity Fund assets may not be commingled for investment purposes with participant accounts established pursuant to the Golden State Scholarshare Trust. Notwithstanding the provisions of Section 69991, all assets of the California Opportunity Fund and funds allocated to individual child savings accounts pursuant to the requirements of this article shall be considered to be owned by the state.

(c) Deposits made to the California Opportunity Fund or disbursements from the fund allocated to individual accounts shall be invested according to the guidelines established by the board pursuant to the requirements of state and federal law. The deposits shall be invested through a guaranteed funding agreement with an interest rate to be declared annually by the investment manager, or through another investment determined by the board to be equally or more secure. For purposes of this section, a guaranteed funding agreement is an approved investment vehicle for the California Opportunity Fund or the individual child savings accounts established with those funds.

(d) Nothing in this article shall be construed to prevent any pupil from seeking private or other funding sources to supplement the amount of any funds deposited into their child savings account pursuant to this article.

(e) Child savings account recipients shall be informed of their account's establishment authorized by this article.

(f) Notwithstanding any other provision of state law, any funds deposited and investment returns accrued in a child savings account established pursuant to this article shall augment and not supplant student financial aid from other public sources, inclusive of calculating eligibility for student financial aid.

(g) Notwithstanding any other provision of law, any funds deposited and investment returns accrued in a child savings account established pursuant to this article and claimed by a recipient pursuant to this article shall be exempt from state income tax liability.

(h) To the extent allowed under federal law, any funds deposited and investment returns accrued in a child savings account established pursuant to this article may

not be considered in the federal needs analysis for student financial aid, as they shall be considered an asset of the state until used for the payment of qualified higher education expenses.

**Sec. 3. Education Code Section 69995.2 is added to read:**

69995.2. (a) Child savings accounts established pursuant to this article and the investment earnings accumulated in those accounts pursuant to this article shall be available for the payment of qualified higher education expenses, as defined in subdivisions (g) and (l) of Section 69980. Pursuant to its authority under subdivision (d) of Section 69981, the board shall adopt rules and regulations to ensure that funding in the accounts authorized by this article are disbursed directly to the institution of higher education indicated by an award recipient's claim form.

(b) Funds authorized by this article are nontransferable to any other person or entity and may only be used for the purposes stated herein. No funds authorized by this article may be pledged as collateral for any loan.

(c) (1) Child savings accounts established pursuant to this article and their investment earnings shall remain assets of, and owned by, the state until used for the payment of qualified higher education expenses as authorized by this section, and shall remain invested until they are used for the purposes authorized by this section or until the recipient achieves the age of 35, whichever occurs first. If, due to death or disability, a child savings account recipient is unable to attend a postsecondary educational institution before reaching the age of 35 and the child savings account funds have not already been used for purposes of this article, the child savings account funds designated for the recipient shall revert to the California Opportunity Fund and be available for allocation to establish future child savings accounts consistent with the requirements of the California Child Savings Account Program.

(2) Any funds, less any applicable penalties, collected pursuant to Section 529 of the federal Internal Revenue Code not utilized within this time period shall revert to the California Child Savings Account Program after the payment of any amount determined to be due the federal government as a result of the reversion.

(d) The board shall establish rules and regulations for a California Child Savings Account Program recipient to be notified of the funds deposited and accrued in their account, including, but not limited to, the claims process, necessary documentation, deadlines for the claims and the granting of awards and an appeals procedure, and any forfeiture procedures.

(e) The board shall request each award recipient to voluntarily report personal information, including, but not limited to, ethnicity, gender, and family income. The board shall compile and retain this information in a confidential manner so that the personal information of any award recipient is not publicly disclosed in a manner that may be associated with particular individuals.

(f) Within the annual report required pursuant to Section 69989, the board shall also include, at a minimum, the number of pupils qualifying for a child savings account pursuant to this article, the number of accounts established, the rate of return earned by the funds authorized by this article in the previous five fiscal years, and the amount of funds expended to establish child savings accounts pursuant to this article in the previous five fiscal years. To the extent that information is available and can be disclosed without allowing the information to be associated with particular individuals, the board shall include information on the ethnicity, gender, and family income of account recipients.

**Sec. 4. Education Code Section 69995.3 is added to read:**

69995.3. (a) The California Child Savings Account Program is hereby established to support the creation of a child savings account for every eligible pupil pursuant to this article.

(b) (1) For the 2021-22 fiscal year, through this Program:

(A) Every pupil that meets the requirements to be considered an unduplicated pupil for purposes of paragraph (1) subdivision (b) of section 42238.02 or paragraph (1) of subdivision (b) of section 2574 that is enrolled a public school district, charter school, or local educational agency shall have a child savings account established for them and their account shall be allocated \$500 from the California Opportunity Account.

(B) In addition to the amount allocated pursuant to paragraph (A), every pupil that is also a foster youth as defined pursuant to paragraph (b) of section 42238.01 shall be allocated an additional \$500 from the California Opportunity Account.

(C) In addition to the amount allocated pursuant to paragraphs (A) and (B), every pupil that is also a homeless pupil that meets the definition of "homeless children and youths" in subsection (2) of Section 725 of the federal McKinney-Vento Homeless Assistance Act (42 U.S.C. Sec. 11434a(2)) shall be allocated an additional \$500 from the California Opportunity Account.

(2) Commencing with the 2022-23 fiscal year, through this Program:

(A) Every pupil that is entering first grade in the applicable fiscal year that meets the requirements to be considered an unduplicated pupil for purposes of paragraph (1) subdivision (b) of section 42238.02 or paragraph (1) of subdivision (b) of section 2574 that is enrolled a public school district, charter school, or local educational agency shall have a child savings account established for them and their account shall be allocated \$500 from the California Opportunity Account.

(B) In addition to the amount allocated pursuant to paragraph (A), every pupil that is entering the first grade in the applicable fiscal year that is also a foster youth as defined pursuant to paragraph (b) of section 42238.01 shall be allocated an additional \$500 from the California Opportunity Account.

(C) In addition to the amount allocated pursuant to paragraphs (A) and (B), every pupil that that is first entering first grade in the applicable fiscal year that is also a homeless pupil that meets the definition of "homeless children and youths" in subsection (2) of Section 725 of the federal McKinney-Vento Homeless Assistance Act (42 U.S.C. Sec. 11434a(2)) shall be allocated an additional \$500 from the California Opportunity Account.

(3) A pupil that has a child savings account established pursuant to paragraphs (1) or (2) may only have one child savings account established pursuant to this section.

(c) (1) The board shall collaborate with the State Department of Education, or other relevant governmental agencies to identify eligible pupils for the purpose of establishing a child savings account pursuant to this article. For purposes of this subdivision, the information received by the board shall be considered necessary to facilitate their reception of this financial aid.

(2) The Board shall comply with federal and state laws to protect individual privacy, including, but not limited to, the state Information Practices Act of 1977 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil Code), and all of the following federal statutes: Family Educational Rights and Privacy Act of 1974 (Public Law 93-380, as amended), the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191, as amended), and the Higher Education Act of 1965 (Public Law 89-329, as amended).

(3) Notwithstanding any other law, individual records or source data associated with the establishment of a child savings account pursuant to this article shall not

be subject to disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

(d) The Board may provide a child savings account that is derived from state funds received for the purpose of establishing child savings accounts, to any pupil who meets the eligibility requirements established by the Board for receipt of a child savings account pursuant to this Article.

(e) The Legislature finds and declares that undocumented persons are eligible for a child savings account, within the meaning of subsection (d) of Section 1621 of Title 8 of the United States Code.

(f) It is the intent of the Legislature to appropriate state funding in the annual Budget Act to support the establishment of a child saving account for any eligible pupil that meets, or could meet in a future year, the requirements to be exempt from non-resident tuition pursuant to subdivision (a) of Section 68130.5.