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**DECEMBER 7, 2021**

**AGENDA ITEM 4  
ACTION ITEM**

**SCHOLARSHARE INVESTMENT BOARD**

*Resolution to Approve Newborn Financial Incentive Structure for the California Kids Investment and Development Savings Program (CaKIDS); Update on CaKIDS*

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***Recommendation***

ScholarShare Investment Board (SIB or Board) staff recommend the Board adopt Resolution No. 2021-05 approving the newborn financial incentive structure for the California Kids Investment and Development Savings Program (CaKIDS or Program).

***Background***

CaKIDS, California's statewide children's savings account (CSA) program, was established through the signing of Senate Bill 77 in July 2019. In July 2021, CaKIDS was significantly expanded through the signing of Assembly Bill 132. At this meeting, SIB staff is providing the Board with an update on the Program (Exhibit A) and a recommendation to approve a financial incentive structure designed specifically for eligible participants enrolled at birth once the Program becomes operational. The recommendation took into consideration Program funding, metrics from a comparable statewide CSA program, and best practices designed to promote positive savings behaviors and asset-building, especially among low- to moderate-income families. SIB staff developed this recommendation in consultation with its Advisory Council, consisting of leaders in academia, policy, and CSA administration. The proposed newborn financial incentive structure is provided on Exhibit B.

***Presenter***

Noah Lightman, Manager, CSA Initiatives, ScholarShare Investment Board

## RESOLUTION NO. 2021-05

### RESOLUTION OF THE SCHOLARSHARE INVESTMENT BOARD RELATING TO THE APPROVAL OF NEWBORN FINANCIAL INCENTIVE STRUCTURE FOR THE CALIFORNIA KIDS INVESTMENT AND DEVELOPMENT SAVINGS PROGRAM

**WHEREAS**, the California Kids Investment and Development Savings Program (“CalKIDS” or the “Program”) and CalKIDS fund (the “Fund”) are established pursuant to Education Code sections 69996.1 and 69996.9, respectively;

**WHEREAS**, the ScholarShare Investment Board (“SIB” or the “Board”) was created under Education Code section 69980 et seq. (the “Golden State ScholarShare Trust Act” or “Act”);

**WHEREAS**, Section 69996.3(f) of the Education Code provides that the Board shall establish one or more ScholarShare 529 (the “Plan”) college savings accounts and shall make a separately accounted-for seed deposit from the CalKIDS fund into a CalKIDS Account established within a Plan account in an amount determined by the Board;

**WHEREAS**, Section 69996.3(f) of the Education Code provides that the Board shall deposit at least twenty five dollars (\$25) for each eligible newborn child and may provide additional financial incentives designated for a child into a CalKIDS Account if the parent or legal guardian of the child engages with the CalKIDS Account by verifying receipt of information provided pursuant to paragraph (2) of subdivision (b), establishes a separate account pursuant to Article 19 (commencing with Section 69980), or engages with the CalKIDS Account by other means approved by the Board.

**WHEREAS**, Section 69996.3(h) of the Education Code provides that subject to available funding, the Board may provide additional incentives from the Fund for children participating in the Program, including, but not limited to, incentives targeting low-income households.

**WHEREAS**, the SIB staff and the Board’s CalKIDS Advisory Council reviewed the goals and objectives for the Program and the Program budget, and recommend each newborn enrolled in the Program receive up to \$100 based on specified engagement opportunities and available funding as outlined in Exhibit B.

**WHEREAS**, the Executive Director is authorized to modify incentive amounts based on available funding.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board hereby approves the newborn financial incentive structure recommended by SIB staff and the Board’s Advisory Council and as shown in Exhibit B dated December 7, 2021.

**BE IT FURTHER RESOLVED**, that this Resolution becomes effective upon its adoption by the Board.

Attest: \_\_\_\_\_  
Chairperson

Date of Adoption: \_\_\_\_\_



# California Kids Investment and Development Savings Program (CalKIDS) Update

ScholarShare Investment Board Meeting  
December 7, 2021

# Status Updates

## Newborns

- Data agreement near complete
- Investment strategy adopted
- Seed and incentive structure determined

## School-Age Students

- Data agreement in progress
- Working with CDE to identify subsets of student data
- Account structure and investment strategy pending

## Entire Program

- Website live
- Statewide marketing and communications strategy in development
- Budget Change Proposal submitted, requesting increase in administrative and operational resources

# Anticipated Launch Timeline

## December 2021

- Determine overall program design
- Update website and develop other marketing materials
- Coordinate data agreements

## Spring 2022

- Complete all data and service agreements
- Complete data testing and import
- Adopt regulations and finalize program terms and conditions
- Secure recordkeeping platform
- Finalize outreach agreements with partner organizations
- Finalize program materials

## June 2022

- Launch CaKIDS
- Implement marketing and outreach efforts
- Finalize and distribute notifications to program participants

*Note: Launch timeline dependent upon data agreements and available resources and is subject to change.*

# Program Challenges

1) **Data:** SIB is working to mitigate challenges related to the following data limitations:

- **Contact Information:** SIB is working with the California Department of Education and other statewide partner organizations to determine additional methods for contacting school-age participants.
- **Data Matching:** SIB is working with partner agencies to ensure data matching between newborn and school-age participants will be achievable in the coming years.

2) **Administrative Resources:** To ensure a successful and timely launch of the expanded program, the Board is expected to incur administrative expenses beyond its current allocation (FY 2019-20 and FY 2021-22) and will be seeking additional resources.

# Recommended Seed and Incentive Model for Newborns

Incentive	Amount	Population Size	Cost
Universal Seed	\$25	450,000	\$11,250,000
Registration	\$25	90,000	\$2,250,000
Linked ScholarShare 529 Account	\$50	45,000	\$2,250,000
<b>Maximum Total</b>	<b>\$100</b>	-----	<b>\$15,750,000</b>

- Assumes 20% of total newborn population registers, 90,000.
- Assumes 10% of total newborn population—or 50% of anticipated registrants—open and link ScholarShare 529 account.
- Offers two engagement incentives.
- Would need \$450,000 to supplement annual \$15.3 million General Fund appropriation
- Over time, scale up opportunities and amount of engagement incentives using 2019-20 \$23.75 million General Fund allocation.

# Newborn Model Contingency Plan

The incentive modeling for the newborn segment of the program is based on a set of participation-related assumptions due to the fixed level of support the ScholarShare Investment Board (SIB) will receive from the General Fund—\$15.3 million ongoing—to support seed contributions and other financial incentives. To ensure the newborn component's fiscal solvency, SIB will develop and implement a set of safeguards to prevent the Program from being oversubscribed and becoming unsustainable over the long-term. Potential safeguards are provided below.

- Offer the non-seed, supplementary financial incentives (e.g. registration, opening and linking ScholarShare 529 account) until a newborn participant reaches a particular age or grade level, to be determined later.
- Should participation levels exceed or fall short of projections, the Board may utilize surplus funds to offset unanticipated costs, enhance existing incentives, or create new ones.



## **EXHIBIT B**

### **California Kids Investment and Development Savings Program Newborn Financial Incentive Structure**

**December 7, 2021**

All newborns enrolled into the California Kids Investment and Development Savings Program (CaKIDS or Program) may be eligible for the following financial awards once the Program becomes operational.

<b>Incentive</b>	<b>Amount</b>
Universal Seed	\$25
Registration	\$25
Linked ScholarShare 529 Account	\$50
<b>Maximum Total</b>	<b>\$100</b>

#### **Contingency Plan**

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