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**JANUARY 31, 2022**

**AGENDA ITEM  
ACTION ITEM 3**

**SCHOLARSHARE INVESTMENT BOARD**

*Resolution to Approve Regulations for the California Kids Investment and Development Savings Program*

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***Recommendation***

ScholarShare Investment Board (SIB or Board) staff recommend the Board adopt Resolution No. 2022-02 approving regulations for the California Kids Investment and Development Savings Program (CalKIDS or Program).

***Background***

CalKIDS, California's statewide children's savings account (CSA) program, was established in July 2019 and significantly expanded in July 2021. CalKIDS is currently in development and preparing for launch.

Statute authorizes the Board to establish and adopt regulations for the implementation and administration of the Program and requires the Board to establish rules and regulations regarding the establishment and operation of program components. In developing the proposed Program regulations (Exhibit A), SIB staff considered current statute, operational needs, and Program goals, and outlined details about the Program, which include, but are not limited to, defined terms, eligibility, deposits, notifications, distributions, and forfeitures. SIB staff consulted with legal staff at the State Treasurer's Office, who concur with proposed regulations for CalKIDS.

If adopted by the Board, SIB staff will move forward with initiating the rulemaking action, which includes posting the proposed regulations for public comment and submittal to the Office of Administrative Law for approval.

***Presenters***

Julio Martinez, Executive Director, ScholarShare Investment Board  
Noah Lightman, Manager, CSA Initiatives, ScholarShare Investment Board

## RESOLUTION NO. 2022-02

### RESOLUTION OF THE SCHOLARSHARE INVESTMENT BOARD RELATING TO THE APPROVAL OF REGULATIONS 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 are established pursuant to Education Code sections 69996.1 and 69996.9, respectively;

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

**WHEREAS**, Section 69996.4(n) of the Education Code provides that the Board shall have the powers and authority to adopt regulations for the implementation and administration of the Program;

**WHEREAS**, Section 69996.3(d) of the Education Code provides that the Board shall establish rules and regulations regarding the establishment and operation of Program components;

**WHEREAS**, in developing the proposed Program regulations (“Regulations”), SIB staff reviewed statutory authority and requirements of the Program, goals and objectives for the Program, and other components necessary for the implementation and administration of the Program, and are recommending the Board approve the Regulations as shown in Exhibit A; and

**WHEREAS**, the executive director of SIB (“Executive Director”) is authorized to make substantive and non-substantive amendments to the Regulations based on public comment or review by the Office of Administrative Law (“OAL”).

**NOW, THEREFORE, BE IT RESOLVED**, that the Board hereby approves the Regulations for CalKIDS as recommended by SIB staff and as shown in Exhibit A, and that the chair of the Board (“Chair”), any deputy to the Chair, and Executive Director are hereby authorized, for and on behalf of the Board:

1. To file such regulations, with the supporting documentation required by law, with the OAL in substantially the form submitted to the Board, and
2. Proceed with procedures required by the Administrative Procedure Act to OAL, and
3. Take such actions, including making or causing to be made such changes to the Regulations as may be required for approval thereof by OAL, and to execute and deliver any and all documents that they may deem necessary or advisable in order to effectuate the purposes of this Resolution

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

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

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

## California Code of Regulations

### Title 5: Education

#### Division 4.5: Scholarshare Investment Board

#### Chapter 3: California Kids Investment and Development Savings Program

#### Section 31010 Definitions Applicable to California Kids Investment and Development Savings Program

- (a) The following definitions shall apply within this Chapter:
- (1) All definitions as stated in Education Code 69996.2.
  - (2) “CaKIDS Account” shall have the same meaning as “KIDS Account” as described in Education Code 69996.2.
  - (3) “Owner” means the ScholarShare Investment Board.
  - (4) “Financial Incentive” means any additional funds placed into a CaKIDS account not including a seed deposit or enhanced deposit.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.2, Education Code.

#### Section 31011 Eligibility

- (a) The following Beneficiaries will be automatically enrolled into the Program:
- (1) Each child born on or after July 1, 2022 to a California resident for whom the Board receives birth data from the California Department of Public Health.
  - (2) Each child enrolled in grades one to 12, inclusive, on the California Department of Education census day of fiscal year 2021-2022 who meets the requirements described in Education Code 69996.9 (a)(1)(A) for which the Board received data will be eligible for the Program.
  - (3) Each child described in Education Code 69996.9 (a)(2)(A) and enrolled in first grade on the California Department of Education census day in Fiscal Year 2022-2023 and ongoing years who meets the requirements for which the Board receives data will be eligible for the Program.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.3, Education Code. Section 69996.9, Education Code.

#### Section 31012 Deposits

- (a) Each Beneficiary enrolled at birth will receive a seed deposit of at least twenty-five dollars (\$25).
- (b) Beginning July 1, 2022, the Board may provide Beneficiaries enrolled at birth financial incentives as specified.
- (1) A financial incentive of twenty-five dollars (\$25) may be placed into a Beneficiary’s account when they or their parent or legal guardian register on the Program’s online portal before the Beneficiary reaches the age of 12.
  - (2) A financial incentive of fifty dollars (\$50) may be placed into a Beneficiary’s account when their parent or legal guardian opens and contributes to an individual ScholarShare 529 account and linked that account to their KIDS Account through the Program’s online portal before the Beneficiary reaches the age of 12.
- (c) Each Beneficiary described in Education Code 69996.9 will receive an enhanced deposit of five hundred dollars (\$500).

- (d) Each Beneficiary described in Education Code 69996.9 who is identified by the California Department of Education as homeless will receive an enhanced deposit of five hundred dollars (\$500).
- (e) Each Beneficiary described in Education Code 69996.9 who is identified by the California Department of Education as a foster youth will receive an enhanced deposit of five hundred dollars (\$500).
- (f) The Executive Director of the Board may establish or modify the structure for financial incentives for the Program based on the following criteria:
  - (1) Participation levels;
  - (2) Available funding;
  - (3) Grants, gifts, appropriations, and other moneys from any unit of federal, state, or local government or any other person, firm, partnership, or corporation for deposit to the fund.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.3, Education Code. Section 69996.9, Education Code.

### **Section 31013 Notifications**

- (a) Notifications shall be made based on data made available by the California Department of Public Health or the California Department of Education.
- (b) No more than 90 days after receiving the birth data from the California Department of Public Health, the Board will notify parents of each eligible newborn Beneficiary about the Program. The notification may be sent through mail, electronic mail, or text message communication based on the available information provided by the California Department of Public Health. The notification will be available in at least English and Spanish, and include the following information:
  - (1) How the parent may opt out of the Program.
  - (2) The CaKIDS Account opened for the child pursuant to Education Code 69996.3(f).
  - (3) How the parent may establish a ScholarShare 529 account pursuant to Education Code Article 19 (commencing with Section 69980) and additional financial incentives available.
- (c) Subject to available funding and contact information made available by the California Department of Education, the Board will notify eligible school-age Beneficiaries or Participants through a delivery method as determined by the Executive Director of the Board.
- (d) The Executive Director of the Board will use the following criteria to determine available funding:
  - (1) Operational needs and available resources;
  - (2) Participation levels;
  - (3) Grants, gifts, appropriations, and other moneys from any unit of federal, state, or local government or any other person, firm, partnership, or corporation for deposit to the fund.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.3, Education Code. Section 69996.9, Education Code.

**Section 31014 Opt-Out**

- (a) A Participant may opt their Beneficiary out of the Program only by completing the Opt-Out Form available on the Program website at [www.CalKIDS.org](http://www.CalKIDS.org) by providing the following information:
- (1) Beneficiary's name;
  - (2) Beneficiary's date of birth;
  - (3) Beneficiary's zip code as registered at birth or as registered on the California Department of Education's official Census Day for the academic year if the Beneficiary is enrolled at school-age;
  - (4) Either the Beneficiary's Local Registration Number as displayed on the Beneficiary's birth certificate if they are enrolled at birth, the Beneficiary's local district identification number or Statewide Student Identifier if the Beneficiary is enrolled at school-age, or the uniquely generated code for that Beneficiary provided by the Board on notifications.
- (b) By choosing to opt-out, the Participant forfeits any claim to a CalKIDS account and any rights conferred to Participants or Beneficiaries.
- (c) Opting-out of CalKIDS shall in no way prohibit a person from opening their own individual ScholarShare 529 account.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.3, Education Code.

**Section 31015 Access CalKIDS Account**

- (a) Participants or Beneficiaries may only register and access their CalKIDS account through the Program's online portal at [www.CalKIDS.org](http://www.CalKIDS.org).
- (b) To access a CalKIDS account, Participants or Beneficiaries must have the following information available:
- (1) Beneficiary's name;
  - (2) Beneficiary's date of birth;
  - (3) Beneficiary's zip code as registered at birth or as registered on the California Department of Education's official Census Day for the academic year if the Beneficiary is enrolled at school-age;
  - (4) Either the Beneficiary's Local Registration Number as displayed on the Beneficiary's birth certificate if they are enrolled at birth, the Beneficiary's local district identification number or Statewide Student Identifier if the Beneficiary is enrolled at school-age, or the uniquely generated code for that Beneficiary provided by the Board on notifications.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.3, Education Code.

**Section 31016 Claims and Withdrawal Process**

- (a) A Beneficiary is eligible to file a withdrawal claim on or after they reach the age of 17.
- (b) Each Beneficiary with a CalKIDS account must file a withdrawal claim by the Beneficiary's 26<sup>th</sup> birthday.
- (c) Beneficiaries may file a withdrawal claim from their CalKIDS Account by completing and submitting the withdrawal form available on the Program's online portal, and providing all required information as follows:
- (1) The Beneficiary's legal name;
  - (2) The Beneficiary's date of birth;
  - (3) The Beneficiary's mailing address;
  - (4) Documentation of enrollment at an institution of higher education;

- (d) Beneficiaries making a withdrawal claim shall self-certify that they have resided in the state of California for at least one year immediately preceding the payment of qualified higher education expenses on the Beneficiary's behalf
- (e) Upon receipt of withdrawal claim and documentation of a Beneficiary's enrollment as a student at an institution of higher education, the Board shall withdrawal an amount, as designated by the Beneficiary, from the Beneficiary's KIDS account and make a payment to the institution of higher education as designated by the Beneficiary for qualified higher education expenses associated with the Beneficiary's attendance at that institution of higher education.

Note: Authority cited: Section 69996.4, Education Code. Section 69996.8, Education Code. Reference: Section 69996.3, Education Code. Section 69996.7, Education Code.

### **Section 31017 Forfeiture of Account Funds**

- (a) The following disqualifying events, if not disproved, will result in forfeiture by the Beneficiary:
  - (1) The Beneficiary provided false or misleading information in registering or submitting a withdrawal claim for CalKIDS Account funds;
  - (2) The Beneficiary was incorrectly identified as eligible.
- (b) The Board shall provide the Beneficiary with written notice of the disqualifying event which, if not resolved, would result in forfeiture. The written notice shall inform the Beneficiary that they have thirty (30) days from receipt of the notice to resolve the disqualifying event before a final determination of forfeiture is made by the Executive Director of the Board and that funds will not be distributed pending resolution of the disqualifying event. If the Beneficiary receives an unsatisfactory final determination, they may appeal the determination. Such an appeal shall be submitted within thirty (30) days of receipt of the final determination.
- (c) After a final determination of forfeiture has been issued and no appeal has been submitted or the Board has upheld the final determination, the Board shall withdraw the forfeited funds and deposit the funds back into the Program.
- (d) Absent a successful appeal, if a Beneficiary does not use any portion, or all, of the moneys intended for the Beneficiary in a CalKIDS Account for a qualified higher education expense for any reason, including the death or disability of the Beneficiary, before the Beneficiary's 26<sup>th</sup> birthday, all deposits and financial incentives designated for the Beneficiary in a CalKIDS Account and any earnings from those moneys shall be forfeited and deposited back into the Program.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.3, Education Code.

### **Section 31018 The Appeals Process**

- (a) A Beneficiary may appeal to use the moneys designated for the Beneficiary in a KIDS Account after the Beneficiary turns 26 years of age. In the event that a Beneficiary wishes to appeal the determination of their eligibility to claim CalKIDS Account funds, such an appeal shall be submitted in writing and emailed to the Board at Appeals@calkids.org with the subject line "CalKIDS Appeal" no later than 90 days after the Beneficiary's 26<sup>th</sup> birthday, and shall include a signed and dated letter, including appropriate documentation, explaining the extenuating circumstances of why the CalKIDS account funds could not be used until after the Beneficiary's 26<sup>th</sup> birthday. The Board will mail or email a written decision to the Beneficiary, including the reason for the decision, within thirty (30) days unless SIB notifies the Beneficiary of a different timeline.

- (b) In the event a Beneficiary is not satisfied with the resulting decision, the Beneficiary may request that the dispute be reviewed by the Executive Director of the Board. Such a request shall be in writing and shall be received by the Executive Director within thirty (30) days of the adverse decision. The Executive Director shall mail or email a written decision, and the reasons therefore, to the Beneficiary within thirty (30) days of the request for the review or such period as may be mutually acceptable. The decision of the Executive Director of the Board is the final administrative decision.

Note: Authority cited: Section 69996.4, Education Code. Reference: Section 69996.3, Education Code.