

AMENDED IN ASSEMBLY APRIL 9, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2578**

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**Introduced by Assembly Member Solorio**

February 24, 2012

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An act to ~~amend Section 69984 of the Education Code, relating to student financial aid, and making an appropriation therefor.~~ *add Section 19534 to the Revenue and Taxation Code, relating to taxation.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2578, as amended, Solorio. ~~Student financial aid: Golden State Scholarshare Trust.~~ *Franchise Tax Board: information: tax refund deposits: tax-advantaged savings plans.*

*Existing law requires the Franchise Tax Board to make a refund to a taxpayer of any overpayment of taxes. Existing law authorizes the Franchise Tax Board to electronically deposit a taxpayer's refund into the taxpayer's checking or savings account.*

*This bill would require the Franchise Tax Board to include information on its Internet Web site, taxpayer form instructions, and any other publications for taxpayers, stating that on tax returns, the taxpayer has the ability or option to directly deposit all or a portion of a tax refund into an account under specified tax-advantaged savings plans.*

~~The Golden State Scholarshare Trust Act establishes the Golden State Scholarshare Trust, under the administration of the Scholarshare Investment Board, to provide financial aid for postsecondary education costs of participating students. Under the act, the board segregates moneys received by the Scholarshare Trust into 2 funds, the program fund and the administrative fund. Moneys in the program fund are~~

~~continuously appropriated to the board for purposes of the act, and moneys in the administrative fund are available upon appropriation for costs of administration of the Scholarshare trust. Existing law requires that, on an annual basis, expenditures from the administrative fund not exceed more than 1% of the total program fund.~~

~~This bill would require, commencing on January 1, 2013, that contributions by participants who make their contributions pursuant to a qualified state tuition plan, as provided in a designated section of the Internal Revenue Code of 1986, be matched by an equal amount of state funds. The bill would require these state matching funds to be transferred from the administrative fund to the program fund, and credited to the appropriate account. The bill would exempt these matching funds from the 1% limit on expenditures from the administrative fund. Because the bill would direct the transfer of funds into the continuously appropriated program fund, it would constitute an appropriation.~~

Vote: majority. Appropriation: ~~yes~~-no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. Section 19534 is added to the Revenue and
- 2     Taxation Code, to read:
- 3     19534. The Franchise Tax Board shall include information on
- 4     its Internet Web site, taxpayer form instructions, and any other
- 5     publications for taxpayers, stating that on returns required to be
- 6     filed pursuant to Article 1 (commencing with Section 18501) of
- 7     Chapter 2 of Part 10.2 of Division 2, the taxpayer has the ability
- 8     or option to directly deposit all or a portion of a tax refund into
- 9     an account under the following tax-advantaged savings plans:
- 10    (a) A plan that meets the requirements of Section 401(k) of Title
- 11    26 of the United States Code.
- 12    (b) A plan that meets the requirements of Section 403(b) of Title
- 13    26 of the United States Code.
- 14    (c) A plan that meets the requirements of Section 457 of Title
- 15    26 of the United States Code.
- 16    (d) A plan that meets the requirements of Section 529 of Title
- 17    26 of the United States Code.
- 18    (e) A Roth 401(k) plan that meets the requirements of Section
- 19    402A of Title 26 of the United States Code.

1 (f) A Roth IRA plan that meets the requirements of Section 408A  
2 of Title 26 of the United States Code.

3 (g) A simplified employee pension individual retirement  
4 arrangement (SEP-IRA) plan that meets the requirements of Section  
5 408(k) of Title 26 of the United States Code.

6 (h) A savings incentive match plan for employees (SIMPLE)  
7 retirement plan that meets the requirements of Section 408(p) of  
8 Title 26 of the United States Code.

9 (i) A traditional individual retirement account (traditional IRA)  
10 plan that meets the requirements of Section 408 of Title 26 of the  
11 United States Code.

12 SECTION 1. ~~Section 69984 of the Education Code is amended~~  
13 ~~to read:~~

14 ~~69984. (a) (1) The board shall segregate moneys received by~~  
15 ~~the Scholarshare trust into two funds, which shall be identified as~~  
16 ~~the program fund and the administrative fund. Notwithstanding~~  
17 ~~Section 13340 of the Government Code, the program fund is hereby~~  
18 ~~continuously appropriated, without regard to fiscal years, to the~~  
19 ~~board for the purposes of this article. Funds in the administrative~~  
20 ~~fund shall be available for expenditure, upon appropriation, for~~  
21 ~~the purposes specified in this article.~~

22 ~~(2) (A) The board shall separately account for any moneys~~  
23 ~~received by an entity exempt from taxation under Section 501(c)(3)~~  
24 ~~of the Internal Revenue Code or a state or local government agency,~~  
25 ~~depositing the money for the benefit of a beneficiary to be named~~  
26 ~~later pursuant to the operation of a bona fide scholarship program.~~

27 ~~(B) There is hereby created the Scholarshare Investment Board,~~  
28 ~~that consists of the Treasurer, the Director of Finance, the executive~~  
29 ~~director of the State Board of Education, a member of the Student~~  
30 ~~Aid Commission appointed by the Governor, a member of the~~  
31 ~~public appointed by the Governor, a representative from a~~  
32 ~~California public institution of higher education appointed by the~~  
33 ~~Senate Committee on Rules, and a representative from a California~~  
34 ~~independent college or university or a state-approved college,~~  
35 ~~university, or vocational/technical school appointed by the Speaker~~  
36 ~~of the Assembly. The Treasurer shall serve as chair of the board.~~  
37 ~~The board shall annually prepare and adopt a written statement of~~  
38 ~~investment policy. The board shall consider the statement of~~  
39 ~~investment policy and any changes in the investment policy at a~~

1 public hearing. The board shall approve the investment  
2 management entity or entities consistent with subparagraph (D):

3 (C) Not later than 30 days after the close of each month, the  
4 investment manager shall place on file for public inspection during  
5 business hours a report with respect to investment performance.  
6 The investment manager shall report the following information,  
7 to the extent applicable, to the board within 30 days following the  
8 end of each month:

9 (i) The type of investment, name of the issuer, date of maturity,  
10 par and dollar amount invested in each security, investment, and  
11 money within the program fund.

12 (ii) The weighted average maturity of the investments within  
13 the program fund.

14 (iii) Any amounts in the program fund that are under the  
15 management of an investment manager.

16 (iv) The market value as of the date of the report and the source  
17 of this valuation for any security within the program fund.

18 (v) A description of the compliance with the statement of  
19 investment policy.

20 (D) Moneys in the program fund may be invested or reinvested  
21 by the Treasurer or may be invested in whole or in part under  
22 contract with an investment manager, as determined by the board.

23 (b) (1) Transfers may be made from the program fund to the  
24 administrative fund for the purpose of paying operating costs  
25 associated with administering the Scholarshare trust and as required  
26 by this article. Except for funds transferred pursuant to paragraph  
27 (2), on an annual basis, expenditures from the administrative fund  
28 shall not exceed more than 1 percent of the total program fund.  
29 All costs of administration of the Scholarshare trust shall be paid  
30 out of the administrative fund.

31 (2) Commencing on January 1, 2013, contributions by  
32 participants who make their contributions pursuant to a qualified  
33 state tuition plan, as provided in Section 529 of the Internal  
34 Revenue Code of 1986, as it is amended from time to time, shall  
35 be matched by an equal amount of state funds. These matching  
36 funds shall be transferred from the administrative fund to the  
37 program fund, and credited to the appropriate account.

38 (e) All moneys paid by participants in connection with  
39 participation agreements shall be deposited as received into the  
40 program fund, and shall be promptly invested and accounted for

1 ~~separately. Deposits and interest thereon accumulated on behalf~~  
2 ~~of participants in the program fund of the Scholarshare trust may~~  
3 ~~be used for payments to any institution of higher education.~~

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