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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2864

03/13/2023   Authored by Kotyza-Witthuhn, Her, Coulter and Kraft
         The bill was read for the first time and referred to the Committee on Children and Families Finance and Policy

1.1   A bill for an act

1.2   relating to education; establishing a statewide children's savings account program
1.3   for higher education and business training; establishing local partner start-up and
1.4   expansion grants; requiring a report; appropriating money; proposing coding for
1.5   new law as Minnesota Statutes, chapter 119C.

1.6   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7   Section 1. **[119C.01] MINNESOTA KIDS INVESTMENT AND DEVELOPMENT**

1.8   **SAVINGS (MINNEKIDS) ACT; CITATION.**

1.9   Sections 119C.01 to 119C.08 may be cited as the "Minnesota Kids Investment and

1.10   Development Savings (MinneKIDS) Act."

1.11   Sec. 2. **[119C.02] DEFINITIONS.**

1.12   (a) For the purposes of this chapter, the following terms have the meanings given.

1.13   (b) "Account" means a designated savings account at a financial institution selected by

1.14   the program administrator.

1.15   (c) "Beneficiary" has the same meaning as "designated beneficiary," as provided in

1.16   section 529(e)(1) of the Internal Revenue Code.

1.17   (d) "Business education program" means a noninstitution of higher education program

1.18   that supports residents in pursuing a job or ownership in a business, entrepreneurship,

1.19   cooperative ownership, or another type of business program as defined by the program

1.20   administrator. This includes but is not limited to the Eligible Training Provider List required

1.21   under the Workforce Innovation Opportunity Act.

2.1   (e) "Fund" means the Minnesota Kids Investment and Development Savings Program

2.2   fund established according to section 119C.08.

2.3   (f) "Institution of higher education" has the same meaning as "eligible educational

2.4   institution," as provided in section 529(e)(5) of the Internal Revenue Code.

2.5   (g) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, if

2.6   it is determined by the program administrator that amendments are consistent with the

2.7   purposes of this chapter.

2.8   (h) "Low-income households" means households where children or households are

2.9   identified by the program administrator or by other means as low-income for purposes of

2.10   the program.

2.11   (i) "Participant" means a parent or legal guardian of an eligible child, a parent or legal

2.12   guardian of a child under section 119C.03, or any private individual or entity who contributes

2.13   monies to the program.

2.14   (j) "Program" means the Minnesota Kids Investment and Development Savings Program

2.15   established under this chapter.

2.16   (k) "Program administrator" means a statewide youth funding intermediary according

2.17   to section 119C.06.

2.18   (l) "Qualified higher education expenses" means the expenses of attendance at an

2.19   institution of higher education, as provided in section 529(e)(3) of the Internal Revenue

2.20   Code. Notwithstanding section 529(c)(7) of the Internal Revenue Code, qualified higher

2.21   education expenses must not include any tuition expenses in connection with enrollment or

2.22   attendance at an elementary or secondary public, private, or religious school.

2.23   (m) "Seed deposit" means an initial financial contribution into an account for a child

2.24   born on or after July 1, 2024.

2.25   Sec. 3. **[119C.03] STATEWIDE MINNEKIDS PROGRAM ESTABLISHED;**

2.26   **ELIGIBILITY, SEED DEPOSITS; ENROLLMENT.**

2.27   Subdivision 1. **Seed deposits.** (a) An eligible child born on or after July 1, 2024, who

2.28   is a Minnesota resident at the time of kindergarten entry, must receive a $50 seed deposit.

2.29   (b) An eligible child born on or after July 1, 2024, who is a Minnesota resident at the

2.30   time of kindergarten entry, and is identified by the program administrator as being from a

2.31   low-income household, must receive a $100 seed deposit.

3.1   (c) The Department of Education must provide the program administrator with school

3.2   directory-level information in a file format as defined by the program administrator no later

3.3   than 90 days after October 1 of each year of which a child described in paragraph (a) or (b)

3.4   enters kindergarten. The school directory-level data must include but not be limited to the

3.5   child's name and birth date, the name and contact information of each parent or guardian

3.6   of the child, the parent or guardian's street or email address, if available, and the child's

3.7   school. No more than 90 days after receiving the school directory-level data from the

3.8   Department of Education, the program administrator must notify each parent or guardian

3.9   of each eligible child about the program. The notification must include:

3.10   (1) how a parent or guardian may opt out of the program;

3.11   (2) the subaccount opened for the child; and

3.12   (3) how a parent or guardian may make deposits into the subaccount for family

3.13   contributions.

3.14   (d) The program administrator must provide seed deposits within 90 days of the birth

3.15   of a child using publicly available birth records.

3.16   (e) The program administrator must provide a balance statement to a child's parent or

3.17   legal guardian with the amount of funds in the subaccount.

3.18   (f) The program administrator may periodically inform a child's parent or legal guardian

3.19   of account earnings designated for the child, information on how a parent or guardian may

3.20   make deposits into the subaccount for family contributions, and information on contribution

3.21   matching opportunities.

3.22   (g) The program administrator must translate notifications and information provided

3.23   under paragraphs (c), (e), and (f) into common languages spoken throughout Minnesota.

3.24   Subd. 2. **Accounts.** Upon appropriation by the legislature, the program administrator

3.25   must select a financial institution to administer the accounts and subaccounts, must establish

3.26   one or more accounts, and must make a seed deposit from the fund into a subaccount

3.27   established within an account in an amount determined by the program administrator. A

3.28   seed deposit under subdivision 1, paragraphs (a) and (b), must be designated for a particular

3.29   child for whom the program administrator receives publicly available birth record data under

3.30   subdivision 1, paragraph (d), if no parent or legal guardian has opted that child out of the

3.31   program. Monies in a subaccount designated for a child, including any investment earnings

3.32   attributed to the amount of the child's seed deposit since the date of the deposit, as calculated

3.33   by the program administrator, must be used for the purpose of providing awards for qualified

4.1 higher education expenses associated with the child's attendance at an eligible institution

4.2 of higher education or to a business education program.

4.3   Subd. 3. **Payment to institution or program.** Upon receiving documentation of a child's

4.4 enrollment as a student at an institution of higher education or a business education program,

4.5 the program administrator must make a payment to that institution or business education

4.6 program in the amount of the seed deposit designated for the child under subdivision 1,

4.7 paragraphs (a) and (b), plus any investment earnings attributed to that amount since the date

4.8 of the deposit, as calculated by the program administrator, for qualified higher education

4.9 expenses associated with the child's attendance at that institution or business education

4.10 program.

4.11   Subd. 4. **Participation incentives.** Subject to available monies in the fund, the program

4.12 administrator may provide additional incentives from the fund for children participating in

4.13 the program, including if a parent or guardian of a child engages with the subaccount by

4.14 verifying receipt of information provided under subdivision 1, paragraph (c), deposits funds

4.15 into the subaccount using family contributions, or engages with the subaccount by other

4.16 means approved by the program administrator.

4.17   Subd. 5. **Enrollment; eligibility.** (a) Subject to available funding, a resident of Minnesota

4.18 who is a parent or legal guardian of a child who meets the criteria in paragraph (b) may

4.19 apply to the program administrator to enroll the child into the program and receive a seed

4.20 deposit. Subject to available funding, the enrollee may be eligible for any incentives described

4.21 in subdivision 4, as applicable.

4.22   (b) A child is eligible for enrollment under paragraph (a) if the child is a current

4.23 Minnesota resident under 18 years of age who was either:

4.24   (1) a Minnesota resident who was born on or after July 1, 2024; or

4.25   (2) not a Minnesota resident at the time of program launch but was born on or after July

4.26 1, 2024.

4.27   Subd. 6. **Account forfeiture; appeal.** (a) If a beneficiary does not use any or all of the

4.28 funds intended for the beneficiary in an account for a qualified higher education or a business

4.29 education program expense for any reason, including death or disability of the beneficiary,

4.30 before the beneficiary turns 26 years of age, all contributions made for the beneficiary into

4.31 the account and any earnings from those funds must be forfeited and deposited into the fund

4.32 for the program and used for other beneficiaries.

5.1 (b) Notwithstanding paragraph (a), subject to available funding, the program administrator

5.2 may establish an appeal process to allow a beneficiary to use monies designated for the

5.3 beneficiary in an account after the beneficiary turns 26 years of age.

5.4 (c) All contributions made into an account for a child who has opted out of the program

5.5 under subdivision 1, including any investment earnings attributed to the amount of the

5.6 child's seed deposit since the date of the deposit, as calculated by the program administrator,

5.7 must be forfeited and deposited into the fund for the program and used for other beneficiaries

5.8 in a timely manner.

5.9 Sec. 4. **[119C.04] MINNEKIDS OPERATING DATE AND OPERATIONS.**

5.10 (a) Subject to available funding, the program must be implemented no later than July 1,

5.11 2024. The program administrator may establish an implementation timeline for the program

5.12 based on available funding. If the program administrator does not secure adequate funds to

5.13 implement the program by July 1, 2024, program implementation may be delayed while

5.14 the program administrator makes good faith efforts to launch the program. The program

5.15 administrator may accept gifts, grants, awards, matching contributions, interest income, and

5.16 appropriations from individuals, businesses, state and local governmental entities, and

5.17 nonstate and third-party sources for the program on terms the program administrator deems

5.18 advisable.

5.19 (b) Before the program is implemented and throughout the program's operation, the

5.20 program administrator must seek alignment and integration with other entities operating an

5.21 existing local children's savings account program and may make program revisions to best

5.22 administer the program in alignment or integration with the existing local children's savings

5.23 account programs.

5.24 Sec. 5. **[119C.05] MINNEKIDS LOCAL PARTNER GRANT PROGRAM**

5.25 **ESTABLISHED.**

5.26 Subdivision 1. **Eligible entities.** (a) The program administrator must implement and

5.27 administer the MinneKIDS Local Partner Grant Program to a qualifying entity, including

5.28 local governments, Tribal governments, philanthropic entities, and nonprofit organizations.

5.29 (b) The program administrator must award a grant to a qualifying entity for the purposes

5.30 of supplying funding to:

5.31 (1) start up a new local child savings account program; or

5.32 (2) expand an existing local child savings account program.

6.1   Subd. 2. **Start-up grants.** (a) To receive a start-up grant, a qualifying entity must:

6.2   (1) not have a local child savings account program in operation;

6.3   (2) seek the grant to establish a local child savings account program that primarily targets

6.4 children from birth to age 25;

6.5   (3) develop a plan to supplement funding received under this chapter to provide continued

6.6 financial support for its proposed program; and

6.7   (4) specify in its application that the proposed local program has the capacity to align

6.8 or integrate the local program with the statewide MinneKIDS program.

6.9   (b) Start-up grant awards must be used for convening, planning, engagement, outreach,

6.10 marketing, staff for local coordination, additional deposits, and other programmatic expenses.

6.11 Fifty percent of the total grant amount must be focused on local programs in greater

6.12 Minnesota and Tribal nations. Fifty percent of the total grant amount must be focused on

6.13 local programs in the Twin Cities.

6.14   Subd. 3. **Expansion grants.** (a) To receive an expansion grant, a qualifying entity must:

6.15   (1) have a local child savings account program in operation that primarily targets children

6.16 from birth to age 25;

6.17   (2) have a one-to-one local match of monies with the grants applied for under this chapter

6.18 to support its program; and

6.19   (3) specify in its application that the proposed local program has the capacity to align

6.20 or integrate the local program with the statewide MinneKIDS program.

6.21   (b) Expansion grant awards must be used for convening, planning, engagement, outreach,

6.22 marketing, staff for local coordination, additional deposits, and other programmatic expenses.

6.23   Subd. 4. **Administration of MinneKIDS Local Partner Grant Program.** (a) The

6.24 program administrator must adopt, as necessary, application procedures, forms, administrative

6.25 guidelines, and other requirements for the purposes of implementing and administering the

6.26 MinneKIDS Local Partner Grant Program.

6.27   (b) The program administrator must provide outreach to potential grantees to review,

6.28 score, and select grantees, and to oversee and evaluate grant implementation. The program

6.29 administrator must give outreach priority to underrepresented regions of the state that are

6.30 not already offering a local child savings account program.

6.31   (c) The program administrator must provide technical assistance to applicants that

6.32 includes but is not limited to developing a toolkit for qualifying entities seeking to

7.1 successfully launch a new local child savings account program, assisting qualifying entities

7.2 that are not offering a local child savings account program in developing an application to

7.3 receive a grant, and other activities to advance the program as determined by the program

7.4 administrator.

7.5 (d) The program administrator must encourage potential applicants to use the technical

7.6 assistance made available by the program administrator to develop program plans.

7.7 (e) The program administrator must distribute grants to qualifying entities based on the

7.8 number of eligible entities under this section, the amount of available funding under the

7.9 MinneKIDS Local Partner Grant Program, the number of children that each participating

7.10 entity intends to serve under the program, and the percentage of low-income families residing

7.11 in the community served by each participating entity. The minimum amount of each grant

7.12 award to a participating entity must be $100,000.

7.13 Subd. 5. **MinneKIDS local partner grant priorities for start-up and expansion.** The

7.14 program administrator must give grant priority to a qualifying entity meeting the

7.15 qualifications in subdivision 2 or 3 based upon:

7.16 (1) data showing lower than average median incomes of families living in the local

7.17 program's geographic region;

7.18 (2) data showing lower than average college attendance rates for students in the local

7.19 program's geographic region;

7.20 (3) a plan that demonstrates a higher total amount of funds saved for the local program;

7.21 (4) a higher number of outreach events demonstrated by the applicant in its application

7.22 to encourage family and community contributions to child savings accounts;

7.23 (5) demonstrated ability to sustain and potentially expand its program;

7.24 (6) existing partnerships with schools and community organizations to execute the

7.25 program plan;

7.26 (7) a higher amount of funding secured through local budget commitments, philanthropy,

7.27 or other nonstate funding sources; and

7.28 (8) other priorities or criteria determined by the program administrator.

7.29 Sec. 6. **[119C.06] PROGRAM ADMINISTRATOR; YOUTHPRISE.**

7.30 The Department of Education must contract with Youthprise as the program administrator

7.31 for the MinneKIDS program.

8.1   Sec. 7. **[119C.07] REPORTING REQUIREMENTS.**

8.2   (a) By February 15, 2026, the program administrator must report information pertaining

8.3   to the first year of the program's implementation to the commissioner of education and the

8.4   chairs and ranking minority members of the legislative committees having jurisdiction over

8.5   kindergarten through grade 12 education and higher education. The report must include but

8.6   not be limited to:

8.7   (1) detailed program expenditure information;

8.8   (2) the number of subaccounts opened;

8.9   (3) the number of state and nonstate contributions made to subaccounts;

8.10   (4) information about how parents were notified about the program;

8.11   (5) a description of the program administrator's marketing of the program;

8.12   (6) a description of the program administrator's efforts and success in:

8.13   (i) soliciting philanthropic or nonstate money to support the program; and

8.14   (ii) aligning and integrating with existing local children's savings account programs; and

8.15   (7) recommendations for improving the program.

8.16   (b) By February 15, 2026, the program administrator must report information regarding

8.17   the MinneKIDS Local Partner Grant Program to the commissioner of the education and the

8.18   chairs and ranking minority members of the legislative committees having jurisdiction over

8.19   kindergarten through grade 12 education and higher education information.The report must

8.20   include but not be limited to:

8.21   (1) a list of start-up and expansion grantees and their progress and successes;

8.22   (2) detailed program expenditure information;

8.23   (3) a description of the success in soliciting nonstate money to support the program and

8.24   its growth or sustainability;

8.25   (4) a description of how local partner grantees are or anticipate aligning and integrating

8.26   with the statewide MinneKIDS program; and

8.27   (5) recommendations for improving the MinneKIDS Local Partner Grant Program.

9.1 Sec. 8. **[119C.08] MINNEKIDS FUND ESTABLISHED.**

9.2 A MinneKIDS fund account is created in the special revenue fund in the state treasury.

9.3 Money in this account is appropriated to the commissioner for seed deposits under section

9.4 119C.03.

9.5 Sec. 9. **APPROPRIATION.**

9.6 Subdivision 1. **Department of Education.** The sums indicated in this section are

9.7 appropriated from the general fund to the Department of Education for the fiscal years

9.8 designated.

9.9 Subd. 2. **MinneKIDS.** (a) For the MinneKIDS program under Minnesota Statutes,

9.10 sections 119C.01 to 119C.08:

9.11 $ 3,570,740 2024
9.12 $ 8,153,400 2025

9.13 (b) Of this amount, $3,000,000 in fiscal year 2024 is for local partner grants under

9.14 Minnesota Statutes, section 119C.05, of which $2,000,000 is for start-up grants and

9.15 $1,000,000 is for expansion grants, and $570,740 in fiscal year 2024 is for Youthprise for

9.16 program administrator services.

9.17 (c) Of this amount, $4,620,000 in fiscal year 2025 is for deposit in the MinneKIDS fund

9.18 account in the special revenue fund, and $3,533,400 in fiscal year 2025 is for local partner

9.19 grants and program administrator costs.

9.20 (d) Any balance in the first year does not cancel and is available in the second year.

9.21 (e) The base for fiscal year 2026 and later is $8,153,400.