

HOUSE RESEARCH

Bill Summary

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Subject: Minnesota Child Savings Account Initiative

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Overview

This bill establishes a Minnesota child savings account pilot initiative.

Section

1 Child savings accounts.

Subd. 1. Establishment. Establishes the Minnesota child savings account pilot initiative to provide a onetime savings deposit for low-income children to accrue assets for post-secondary education, career technical education, or training purposes.

Subd. 2. Definitions. Defines the terms “child savings account,” “fiduciary organization,” “financial institution,” and “permissible use.”

Subd. 3. Program eligibility; application. Requires the commissioner of education to allocate funds to provide child savings accounts through participating Head Start programs located in an area with a local family assets for independence (FAIM) program. Requires Head Start programs to apply to the commissioner to participate in the pilot initiative and agree to partner with a local FAIM program in administering the program. Requires the commissioner to review applications and choose four programs representing rural, urban, suburban, and tribal Head Start programs to participate in the initiative.

Subd. 4. Duties. Lists the duties the participating Head Start programs must fulfill.

Subd. 5. Child eligibility; participation. Establishes the eligibility criteria families must meet in order to participate in the program. Requires participating families to agree to complete a 12-hour financial literacy training program. Requires the child for whom the account is established to graduate prior to age 21 in order to access the funds in the savings account established under this section.

Subd. 6. Withdrawal; permissible uses. Specifies that participating families will receive a onetime deposit of \$750 from the child savings account initiative. Requires the family to provide a \$250 match at the time the account is opened. Prohibits children from accessing funds from these accounts until proof of high school graduation has been shown. Specifies that funds may only be used for the permissible uses listed in subdivision 2.

Subd. 7. Tax exemption. Makes the child savings accounts exempt from individual income tax.

Subd. 8. Eligibility for other benefits. Prohibits funds in a child savings account from being counted for the purposes of determining eligibility of an individual or family for a state or federal program intended to provide assistance to low-income individuals or families.

Subd. 9. Penalty for early or unauthorized withdrawal. Sets out penalties for early withdrawals and distribution of funds from a child savings account that is not spent on a permissible use.

Subd. 10. Program reporting. Requires participating Head Start programs to report quarterly to the commissioner with specified information.

Subd. 11. Sunset. Makes the Minnesota child savings account initiative sunset on June 30, 2011.

Makes this section effective July 1, 2010.

- 2 Child savings accounts; appropriation.** Appropriates an unspecified amount from the general fund to the commissioner of education in fiscal year 2011 for the Minnesota child savings account initiative. Allows an unspecified amount of this appropriation to be used for administration.