

HOUSE BILL 239

54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019

INTRODUCED BY

G. Andrés Romero

AN ACT

RELATING TO EDUCATION; ENACTING THE CHILDREN'S SAVINGS ACCOUNT ACT; CREATING THE CHILDREN'S SAVINGS ACCOUNT COUNCIL AND THE CHILDREN'S SAVINGS ACCOUNT FUND; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be cited as the "Children's Savings Account Act".

SECTION 2. [NEW MATERIAL] PURPOSE OF ACT.--The purpose of the Children's Savings Account Act is to empower New Mexico families to plan and save for their children's higher education by providing for the creation and initial funding of children's savings accounts for eligible individuals.

SECTION 3. [NEW MATERIAL] DEFINITIONS.--As used in the Children's Savings Account Act:

A. "account owner" means the person in whose name a

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1 children's savings account is originally established;

2 B. "allowable use" means a use that complies with
3 the provisions of the Children's Savings Account Act or rules
4 promulgated pursuant to that act;

5 C. "authorized financial institution" means a bank,
6 bank and trust, savings bank, savings association or credit
7 union authorized to be a trustee of individual retirement
8 accounts as defined by federal law, the deposits of which are
9 insured by the federal deposit insurance corporation or the
10 national credit union administration, and that is authorized by
11 the state treasurer to hold and manage children's savings
12 accounts;

13 D. "children's savings account" means a financial
14 savings account established and maintained in an authorized
15 financial institution on behalf of an eligible individual; and

16 E. "eligible individual" means a person who meets
17 the criteria for opening a children's savings account.

18 SECTION 4. [NEW MATERIAL] CHILDREN'S SAVINGS ACCOUNTS--
19 ESTABLISHMENT--WITHDRAWALS.--

20 A. A children's savings account shall be
21 established if:

22 (1) the account owner is an eligible
23 individual at the time the account is established; and

24 (2) the children's savings account is
25 established and maintained in an authorized financial

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1 institution.

2 B. Withdrawals from a children's savings account
3 shall only be made in accordance with the Children's Savings
4 Account Act and rules adopted pursuant to that act.

5 C. The authorized financial institution in which a
6 children's savings account is held shall not be liable for
7 withdrawals made for uses other than allowable uses.

8 SECTION 5. [NEW MATERIAL] ELIGIBLE INDIVIDUALS.--An
9 eligible individual is a person who:

10 A. is less than six months of age;

11 B. is a citizen or legal resident of the United
12 States;

13 C. is a resident of New Mexico; and

14 D. has a family or household income that does not
15 exceed two hundred percent of the federal poverty level.

16 SECTION 6. [NEW MATERIAL] RESPONSIBILITIES OF THE STATE
17 TREASURER.--The state treasurer shall:

18 A. implement and administer a program that opens
19 and maintains children's savings accounts pursuant to the
20 Children's Savings Account Act;

21 B. promulgate rules necessary to implement and
22 administer the provisions of the Children's Savings Account
23 Act;

24 C. open a children's savings account upon
25 verification that the proposed account owner is an eligible

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1 individual;

2 D. provide financial education and other necessary
3 training pertinent to allowable uses by account owners, develop
4 partnerships with authorized financial institutions and oversee
5 the management of children's savings accounts established
6 pursuant to the Children's Savings Account Act;

7 E. make an annual report each November to the
8 governor and to the legislative finance committee; and

9 F. use no more than five percent of the money
10 appropriated to fund the Children's Savings Account Act to
11 administer that act.

12 SECTION 7. [NEW MATERIAL] ESTABLISHMENT OF ACCOUNTS--
13 ALLOWABLE USES--WITHDRAWALS FROM CHILDREN'S SAVINGS ACCOUNTS--
14 FORFEITURE OF INITIAL DEPOSIT.--

15 A. The state treasurer shall establish by rule the
16 manner in which eligible individuals may be identified.

17 B. The state treasurer shall, within three months
18 of the identification of an eligible individual, establish a
19 children's savings account with the eligible individual as the
20 account owner, and shall make an initial deposit from the
21 children's savings account fund into that account in the amount
22 of five hundred dollars (\$500).

23 C. More than one eligible individual per household
24 may hold a children's savings account.

25 D. Allowable uses of the money withdrawn from a

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1 children's savings account are limited to the following:

2 (1) expenses to attend an approved post-
3 secondary or vocational educational institution, including
4 payment for tuition, books, supplies and equipment required for
5 courses;

6 (2) expenses to participate in programs
7 administered by the workforce solutions department; and

8 (3) other uses specified by rule promulgated
9 by the state treasurer.

10 E. In the case of a deceased account owner, amounts
11 deposited by the state and held in a children's savings account
12 shall revert back to the state and be paid to the state
13 treasurer.

14 F. In the case of a deceased account owner, amounts
15 deposited by the account owner and held in a children's savings
16 account shall be distributed directly to the account owner's
17 spouse or, if the spouse is deceased or there is no spouse, to
18 a dependent or other named beneficiary of the deceased. If the
19 recipient is an eligible individual, the account may be
20 transferred and maintained in the name of the surviving spouse,
21 dependent or beneficiary.

22 G. Account owners qualifying as eligible
23 individuals pursuant to the provisions of Section 5 of the
24 Children's Savings Account Act shall not be permitted to
25 withdraw money from a children's savings account until such

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1 time as the account owner has:

2 (1) completed a financial education program
3 prior to the withdrawal of money from the account owner's
4 children's savings account unless written approval is obtained
5 from the state treasurer; and

6 (2) completed a high school curriculum at a
7 public or accredited private New Mexico high school or received
8 a high school equivalency credential.

9 H. If an account owner withdraws money from a
10 children's savings account for a use other than an allowable
11 use, the account owner forfeits the amount of the initial
12 deposit provided by the state, as set forth in the agreement
13 between the state treasurer and the account owner.

14 I. If an account owner fails to withdraw, for the
15 purposes set forth in Subsection D of this section, the entire
16 balance of a children's savings account by the day the account
17 owner reaches twenty-six years of age:

18 (1) amounts deposited by the state and held in
19 that children's savings account shall revert back to the state
20 and be paid to the state treasurer; and

21 (2) the account owner may use the balance
22 remaining in that children's savings account without
23 restrictions set forth in this section.

24 J. At the request of the account owner and with the
25 written approval of the state treasurer, amounts may be

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1 withdrawn from the account owner's children's savings account
2 and deposited in another children's savings account established
3 for an eligible individual.

4 SECTION 8. [NEW MATERIAL] CHILDREN'S SAVINGS ACCOUNT
5 COUNCIL.--

6 A. The "children's savings account council" is
7 created. The council shall:

8 (1) provide oversight of the administration of
9 the Children's Savings Account Act;

10 (2) suggest possible changes that benefit
11 account owners or improve the effectiveness of the children's
12 savings account programs throughout the state; and

13 (3) obtain subject matter expertise through
14 attendance at conferences and workshops related to asset-
15 building strategies.

16 B. The children's savings account council shall
17 meet at least two times per calendar year to perform its
18 duties.

19 C. The children's savings account council shall
20 consist of the lieutenant governor or the lieutenant governor's
21 designee and eight members appointed by the governor to
22 represent the state geographically. The state treasurer or the
23 state treasurer's designee shall serve as an ex-officio member
24 of the council.

25 D. Appointed members of the children's savings

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1 account council shall receive per diem and mileage pursuant to
2 the Per Diem and Mileage Act for attendance at required
3 meetings and at authorized conferences and workshops and shall
4 receive no other compensation, perquisite or allowance for
5 their participation on the council.

6 E. The state treasurer shall provide adequate staff
7 support and administrative services for the children's savings
8 account council.

9 SECTION 9. ~~[NEW MATERIAL]~~ CHILDREN'S SAVINGS ACCOUNT

10 FUND--CREATED.--The "children's savings account fund" is
11 created in the state treasury. The fund shall consist of
12 appropriations by the legislature, gifts, grants, donations and
13 bequests made to the fund. Income from the fund shall be
14 credited to the fund, and money in the fund shall not revert or
15 be transferred to any other fund at the end of a fiscal year.
16 Money in the fund is appropriated to the office of the state
17 treasurer for the purposes of implementing the provisions of
18 the Children's Savings Account Act. Expenditures from the fund
19 shall be made on warrant of the secretary of finance and
20 administration pursuant to vouchers signed by the state
21 treasurer.

22 SECTION 10. APPROPRIATION.--Seven million five hundred
23 thousand dollars (\$7,500,000) is appropriated from the general
24 fund to the office of the state treasurer for expenditure in
25 fiscal year 2020 and subsequent fiscal years to carry out the

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1 provisions of the Children's Savings Account Act. Any
2 unexpended or unencumbered balance remaining at the end of a
3 fiscal year shall not revert to the general fund.

4 SECTION 11. EFFECTIVE DATE.--The effective date of the
5 provisions of this act is July 1, 2019.