
HOUSE BILL 2662

State of Washington

64th Legislature

2016 Regular Session

By Representatives Kilduff, Haler, Muri, Ortiz-Self, Riccelli, Orwall, Walkinshaw, Robinson, Farrell, Bergquist, Stanford, Goodman, Frame, and Fey

Read first time 01/18/16. Referred to Committee on Higher Education.

1 AN ACT Relating to creating the Washington next generation
2 educational savings account program; reenacting and amending RCW
3 43.79A.040; adding a new chapter to Title 28B RCW; and providing
4 contingent effective dates.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) Research shows that low-income and
7 moderate-income students who are the beneficiaries of postsecondary
8 educational savings accounts are three times more likely to enroll in
9 college and four times more likely to graduate. Research further
10 indicates that youth without a postsecondary educational savings
11 account of their own experience the greatest erosion between the high
12 school student's aspiration to attend college and his or her
13 subsequent rate of college enrollment by age twenty-two.

14 (2) The legislature therefore finds that it is of vital
15 importance to the state to encourage young people to pursue their
16 dreams of attending and completing postsecondary educational programs
17 of their choice, whether that may be a college degree, a
18 postsecondary certificate program, or an apprenticeship. The
19 legislature further finds that establishing a postsecondary
20 educational savings account in the name of each child in the state is
21 a promising strategy for helping young Washingtonians achieve their

1 dreams while at the same time stimulating the continued growth and
2 dynamism of the state's economy.

3 (3) The legislature intends to facilitate the creation of
4 postsecondary educational savings accounts for every child born in
5 Washington or adopted by Washington families. The intent is to
6 finance the program with nonstate funds by partnering with the
7 state's robust philanthropic sector and business and industry
8 leaders. Maine, the first state to launch a universal children's
9 savings account program in 2008, has funded its program entirely with
10 private foundation contributions, thereby creating a model that has
11 been emulated by several states. Based on the successful experience
12 of several other states, the legislature intends to partner with the
13 state's generous private community of funders to create a successful
14 postsecondary educational savings account program for the children of
15 Washington.

16 NEW SECTION. **Sec. 2.** The definitions in this section apply
17 throughout this chapter unless the context clearly requires
18 otherwise.

19 (1) "Beneficiary" means a child who was born or adopted in
20 Washington and upon the child's birth or adoption, had an educational
21 savings account opened on his or her behalf by the state.

22 (2) "College savings plan" means a qualified state tuition
23 program as defined by the internal revenue service under section 529
24 of the internal revenue code.

25 (3) "Council" means the student achievement council created in
26 chapter 28B.77 RCW.

27 (4) "Educational savings account" means an account established
28 for postsecondary education purposes on behalf of a beneficiary by
29 the council in accordance with this chapter and any rules adopted to
30 implement this chapter.

31 (5) "Program" means the Washington next generation educational
32 savings account program.

33 (6) "Qualifying higher education expense" means tuition, fees,
34 books, supplies, and equipment required for enrollment or attendance
35 at an eligible educational institution, room and board, and special
36 needs services incurred in connection with such enrollment or
37 attendance at an eligible educational institution, as recognized by
38 the internal revenue service under section 529 of the internal
39 revenue code.

1 NEW SECTION. **Sec. 3.** (1) The Washington next generation
2 educational savings account program is established to expand
3 educational opportunity and financial capability for every child born
4 or adopted in the state.

5 (2) The council shall administer the program and may adopt rules
6 necessary to administer the program. The council shall partner with
7 one or more private organizations to establish and fund the program.
8 The council shall determine when an adequate amount of funding has
9 been secured to begin implementation of the program.

10 NEW SECTION. **Sec. 4.** The program must include the following
11 features:

12 (1)(a) With the issuance of each birth certificate for a child
13 born in the state, or for each decree of adoption issued for a child
14 who is not already the beneficiary of an educational savings account,
15 the council shall establish an educational savings account on behalf
16 of the child, contingent upon funding being available. The council
17 shall coordinate with the department of health for birth and adoption
18 notifications.

19 (b) The beneficiary's family must have the option to opt out of
20 the program.

21 (2)(a) Upon establishment of an educational savings account, the
22 council shall deposit an initial grant of two hundred fifty dollars
23 into the account.

24 (b) In addition to the initial grant in (a) of this subsection,
25 for a beneficiary's family with an income less than two hundred fifty
26 percent of the federal poverty level using the most current
27 guidelines available from the United States department of health and
28 human services, the council shall provide a one-time matching grant
29 of two hundred seventy-nine dollars if the family deposits two
30 hundred fifty dollars into the account.

31 (3) Additional deposits into the account may be made by the
32 beneficiary, the beneficiary's family, and other private and public
33 individuals.

34 (4) To make a withdrawal from an account the beneficiary must be:

35 (a) Eighteen years of age; or

36 (b) Enrolled in an eligible educational institution as recognized
37 by the internal revenue service under section 529 of the internal
38 revenue code; and

1 (c) Less than twenty-nine years of age, unless the beneficiary
2 serves in a national service program, including the United States
3 armed forces, national guard, americorps, or the peace corps, in
4 which case each month of service shall increase the maturity date of
5 the account by one month.

6 (5) Withdrawals from an account may only be used for qualifying
7 higher education expenses.

8 (6) An educational savings account will be considered mature when
9 a beneficiary turns twenty-nine years of age. If a beneficiary does
10 not use the grant funds in his or her account before reaching his or
11 her twenty-ninth birthday for a qualifying higher education expense,
12 or in the event that the beneficiary dies, unused grant money
13 originally deposited by the council and any interest earned on grant
14 money must be returned to the Washington next generation educational
15 savings account program account created in section 10 of this act.
16 Any private contributions added to a beneficiary's account and
17 interest earned on those private contributions must remain with the
18 beneficiary or the beneficiary's family or heir. If private
19 contributions and interest earned on private contributions are not
20 used for a qualifying higher education expense, they may be subject
21 to tax regulations.

22 NEW SECTION. **Sec. 5.** The program must be established through
23 the college savings plan.

24 NEW SECTION. **Sec. 6.** (1) The council shall seek to contract
25 with a federally insured financial institution to establish the
26 program using traditional savings accounts.

27 (2) If the program is established as stated in subsection (1) of
28 this section and a Washington college savings plan is established in
29 the future, the council shall study the feasibility of transferring
30 the traditional savings accounts over to the college savings plan. If
31 the council's study deems a transfer as feasible, the council may
32 move forward with transferring and establishing the program through
33 the college savings plan.

34 NEW SECTION. **Sec. 7.** An educational savings account opened up
35 for a beneficiary under this chapter is exempt from unclaimed
36 property laws and rules until the beneficiary turns twenty-nine years
37 of age.

1 NEW SECTION. **Sec. 8.** The council may coordinate the program
2 with the advanced college tuition payment program in chapter 28B.95
3 RCW to the extent the council deems appropriate. However, the
4 committee on advanced college tuition payment program shall not have
5 authority over the program.

6 NEW SECTION. **Sec. 9.** The council shall coordinate with the
7 financial education public private partnership to make financial
8 literacy information available, including information about resources
9 and curriculum available through the financial education public
10 private partnership, to beneficiaries and their families enrolled in
11 the program.

12 NEW SECTION. **Sec. 10.** (1) The Washington next generation
13 educational savings account program account is created in the custody
14 of the state treasurer. Expenditures from the account may be used
15 only for the purposes of the Washington next generation educational
16 savings account program established under this chapter. The account
17 must be a discrete nontreasury account retaining its interest
18 earnings in accordance with RCW 43.79A.040.

19 (2) The council shall deposit into the account all money received
20 for the program. The account shall be self-sustaining and consist of
21 funds received from public or private sources. The account shall be
22 credited with all investment income earned by the account.
23 Disbursements from the account are exempt from appropriations and the
24 allotment provisions of chapter 43.88 RCW. Money used for program
25 administration is subject to the allotment of all expenditures.
26 However, an appropriation is not required for such expenditures.
27 Program administration shall include, but not be limited to: The
28 salaries and expenses of the program personnel including lease
29 payments, travel, and goods and services necessary for program
30 operation; contracts for program promotion and advertisement, audits,
31 and account management; and other general costs of conducting the
32 business of the program.

33 (3) The assets of the account may be spent without appropriation
34 for the purpose of making initial deposits to open educational
35 savings accounts and for additional grants for qualifying low-income
36 beneficiaries. Only the council's executive director or the executive
37 director's designee may authorize expenditures from the account.

1 (4) With regard to the assets of the account, the state acts in a
2 fiduciary, not ownership, capacity. Therefore the assets of the
3 program are not considered state money, common cash, or revenue to
4 the state.

5 NEW SECTION. **Sec. 11.** The council shall report to the
6 appropriate committees of the legislature in accordance with the
7 reporting requirements in RCW 43.01.036 by November 1st of the
8 beginning of each biennium on the status of the program. The report
9 must include data on the number of accounts opened, the average
10 balances of the accounts, the demographics of the account holders and
11 their families, and any other relevant data the council deems
12 appropriate.

13 NEW SECTION. **Sec. 12.** The Washington state institute for public
14 policy shall conduct a program evaluation after six years of the
15 program's inception, and every six years thereafter.

16 **Sec. 13.** RCW 43.79A.040 and 2013 c 251 s 5 and 2013 c 88 s 1 are
17 each reenacted and amended to read as follows:

18 (1) Money in the treasurer's trust fund may be deposited,
19 invested, and reinvested by the state treasurer in accordance with
20 RCW 43.84.080 in the same manner and to the same extent as if the
21 money were in the state treasury, and may be commingled with moneys
22 in the state treasury for cash management and cash balance purposes.

23 (2) All income received from investment of the treasurer's trust
24 fund must be set aside in an account in the treasury trust fund to be
25 known as the investment income account.

26 (3) The investment income account may be utilized for the payment
27 of purchased banking services on behalf of treasurer's trust funds
28 including, but not limited to, depository, safekeeping, and
29 disbursement functions for the state treasurer or affected state
30 agencies. The investment income account is subject in all respects to
31 chapter 43.88 RCW, but no appropriation is required for payments to
32 financial institutions. Payments must occur prior to distribution of
33 earnings set forth in subsection (4) of this section.

34 (4)(a) Monthly, the state treasurer must distribute the earnings
35 credited to the investment income account to the state general fund
36 except under (b), (c), and (d) of this subsection.

1 (b) The following accounts and funds must receive their
2 proportionate share of earnings based upon each account's or fund's
3 average daily balance for the period: The Washington promise
4 scholarship account, the Washington advanced college tuition payment
5 program account, the Washington next generation educational savings
6 account program account, the accessible communities account, the
7 community and technical college innovation account, the agricultural
8 local fund, the American Indian scholarship endowment fund, the
9 foster care scholarship endowment fund, the foster care endowed
10 scholarship trust fund, the contract harvesting revolving account,
11 the Washington state combined fund drive account, the commemorative
12 works account, the county enhanced 911 excise tax account, the toll
13 collection account, the developmental disabilities endowment trust
14 fund, the energy account, the fair fund, the family leave insurance
15 account, the food animal veterinarian conditional scholarship
16 account, the fruit and vegetable inspection account, the future
17 teachers conditional scholarship account, the game farm alternative
18 account, the GET ready for math and science scholarship account, the
19 Washington global health technologies and product development
20 account, the grain inspection revolving fund, the industrial
21 insurance rainy day fund, the juvenile accountability incentive
22 account, the law enforcement officers' and firefighters' plan 2
23 expense fund, the local tourism promotion account, the multiagency
24 permitting team account, the pilotage account, the produce railcar
25 pool account, the regional transportation investment district
26 account, the rural rehabilitation account, the stadium and exhibition
27 center account, the youth athletic facility account, the self-
28 insurance revolving fund, the children's trust fund, the Washington
29 horse racing commission Washington bred owners' bonus fund and
30 breeder awards account, the Washington horse racing commission class
31 C purse fund account, the individual development account program
32 account, the Washington horse racing commission operating account,
33 the life sciences discovery fund, the Washington state heritage
34 center account, the reduced cigarette ignition propensity account,
35 the center for childhood deafness and hearing loss account, the
36 school for the blind account, the Millersylvania park trust fund, the
37 public employees' and retirees' insurance reserve fund, and the
38 radiation perpetual maintenance fund.

39 (c) The following accounts and funds must receive eighty percent
40 of their proportionate share of earnings based upon each account's or

1 fund's average daily balance for the period: The advanced right-of-
2 way revolving fund, the advanced environmental mitigation revolving
3 account, the federal narcotics asset forfeitures account, the high
4 occupancy vehicle account, the local rail service assistance account,
5 and the miscellaneous transportation programs account.

6 (d) Any state agency that has independent authority over accounts
7 or funds not statutorily required to be held in the custody of the
8 state treasurer that deposits funds into a fund or account in the
9 custody of the state treasurer pursuant to an agreement with the
10 office of the state treasurer shall receive its proportionate share
11 of earnings based upon each account's or fund's average daily balance
12 for the period.

13 (5) In conformance with Article II, section 37 of the state
14 Constitution, no trust accounts or funds shall be allocated earnings
15 without the specific affirmative directive of this section.

16 NEW SECTION. **Sec. 14.** (1) Section 5 of this act takes effect
17 July 1, 2019, only if the notice required in subsection (3) of this
18 section is provided by June 30, 2019, that a college savings plan has
19 been established.

20 (2) Section 6 of this act takes effect July 1, 2019, only if the
21 notice required in subsection (3) of this section is provided by June
22 30, 2019, that a college savings plan has not been established.

23 (3) The chair of the committee on advanced tuition payment shall
24 notify the legislature and the office of the code reviser if the
25 event in subsection (1) of this section occurs or does not occur.

26 NEW SECTION. **Sec. 15.** Sections 1 through 12 of this act
27 constitute a new chapter in Title 28B RCW.

--- END ---