H-1950.1

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SUBSTITUTE HOUSE BILL 1425**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 65th Legislature 2017 Regular Session**

**By** House Higher Education (originally sponsored by Representatives Kilduff, Haler, Lovick, Muri, Senn, Holy, Frame, Caldier, Ortiz-Self, Goodman, Orwall, Kagi, Stonier, Santos, Springer, Jinkins, Ryu, Appleton, Fey, Bergquist, Slatter, and Doglio)

AN ACT Relating to creating the Washington next generation educational savings account pilot program; reenacting and amending RCW 43.79A.040; adding new sections to chapter 28B.95 RCW; creating a new section; and providing an expiration date.

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

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

(2) The legislature finds that it is of vital importance to the state to encourage young people to pursue their dreams of attending and completing postsecondary educational programs of their choice, whether that may be a college degree, a postsecondary certificate, or a vocational or apprenticeship program, to prepare a skilled and educated workforce. The legislature further finds that promoting children's educational savings accounts is a promising strategy for helping young Washingtonians identify as college bound while at the same time stimulating the continued growth and dynamism of the state's economy.

(3) The legislature finds that many states and local communities across the country have created children's educational savings account programs. Each program models an example of different approaches and strategies that can be taken to expand educational opportunity and financial capability to all families. Many of the state and local governments have embraced their community of private donors to leverage their programs, thereby ensuring a funding source when government budgets are constrained, but also fostering community engagement. Cultivating community support creates a larger college-bound environment where community leaders become champions for kids and local philanthropic organizations recognize the value in investing in their community's youth. Therefore, the legislature intends to foster a college-bound culture by partnering with the state's generous private community of funders to create a children's educational savings account pilot program.

NEW SECTION. **Sec.**  A new section is added to chapter 28B.95 RCW to read as follows:

(1) The Washington next generation educational savings account pilot program is established through the Washington college savings program with the purpose of expanding educational opportunity and financial capability by creating children's educational savings accounts.

(2) The student achievement council, under chapter 28B.77 RCW, shall administer the pilot program, may coordinate with the committee on advanced tuition payment and college savings as deemed necessary, and may adopt rules to implement the pilot program. The student achievement council's duties in administering the pilot program include the following:

(a) Identify two initial participants, such as counties, cities, school districts, or elementary schools for the pilot program, one west of the crest of the Cascade mountains and one east of the crest of the Cascade mountains, that are located in communities with strong support, demonstrated by pledged donations from philanthropic or corporate foundations, local businesses, community organizations, or individuals;

(b) Partner with one or more private organizations to secure funding for the pilot program and determine when an adequate amount of funding has been secured to begin implementation of the pilot program;

(c) Create an application form for the Washington next generation educational savings account pilot program that:

(i) Is a simplified and more user-friendly version of the participant college savings program account contract that an eligible purchaser would use to enroll in the Washington college savings program; and

(ii) Will open an individual college savings program account for an eligible beneficiary;

(d) Coordinate with the participants selected for the pilot program to create a marketing platform to publicize and promote the pilot program to parents and guardians of kindergarten-aged children;

(e) Make the Washington next generation educational savings account pilot program application form available to every parent or guardian of kindergarteners located in the pilot program;

(f) Coordinate with the financial education public-private partnership to make financial literacy information available to parents, guardians, and children in the pilot program, including integrating discussion of the Washington next generation educational savings account pilot program into the financial education K-12 learning standards;

(g) Make an initial deposit of twenty-five dollars into each individual college savings program account opened through the Washington next generation educational savings account pilot program;

(h) Make incentive grants of fifty dollars to a Washington next generation educational savings account pilot program-eligible beneficiary's individual college savings program account each time the eligible beneficiary reaches one of the following milestones:

(i) The eligible beneficiary or the eligible beneficiary's parent or guardian opens a financial account at a federally insured financial institution and submits the appropriate documentation to the student achievement council for verification;

(ii) The eligible beneficiary signs the college bound scholarship pledge in the seventh or eighth grade;

(iii) The eligible beneficiary has met an attendance record benchmark in any given school year, as determined by the student achievement council; and

(iv) The eligible beneficiary's individual college savings program account reaches a balance of two hundred fifty dollars.

(3) Any initial and incentive grant dollars received by an eligible beneficiary through the Washington next generation educational savings account pilot program must be used to attend an eligible educational institution for qualifying higher education expenses, both as defined under section 529 of the internal revenue code. If an eligible beneficiary does not use the grant dollars deposited by the student achievement council for a qualifying higher education expense at an eligible educational institution before the eligible beneficiary turns twenty-nine years of age, or in the event the eligible beneficiary dies, the unused grant dollars and any interest earned on the grant dollars must be returned to the Washington next generation educational savings account pilot program account created in section 4 of this act. In the event that the eligible beneficiary serves in a national service program, including the United States armed forces, national guard, AmeriCorps, or the peace corps, the eligible beneficiary has an additional month for each month of service to use the grant dollars after the age of twenty-nine years.

NEW SECTION. **Sec.**  A new section is added to chapter 28B.95 RCW to read as follows:

Any amounts deposited in an individual college savings program account established under the Washington next generation educational savings account pilot program shall not be taken into account in determining an individual's eligibility to receive, or the amount of, any federally or state-funded assistance or benefit, such as temporary assistance for needy families, supplemental nutrition assistance program aid, medicaid, or state financial aid, unless expressly prohibited by federal law.

NEW SECTION. **Sec.**  A new section is added to chapter 28B.95 RCW to read as follows:

The Washington next generation educational savings account pilot program account is created in the custody of the state treasurer. All receipts from any appropriation made by the legislature for the purposes of sections 2 through 4 and 6 of this act, gifts or grants from the private sector or foundations, and other sources must be deposited into the account. Expenditures from the account may be used only for the purposes of the Washington next generation educational savings account pilot program established in sections 2 through 4 and 6 of this act. Only the director of the student achievement council or the director's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

**Sec.**  RCW 43.79A.040 and 2016 c 203 s 2, 2016 c 173 s 10, 2016 c 69 s 21, and 2016 c 39 s 7 are each reenacted and amended to read as follows:

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

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

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

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

(b) The following accounts and funds must receive their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The 24/7 sobriety account, the Washington promise scholarship account, the Washington advanced college tuition payment program account, the Washington college savings program account, the Washington next generation educational savings account pilot program account, the accessible communities account, the Washington achieving a better life experience program account, the community and technical college innovation account, the agricultural local fund, the American Indian scholarship endowment fund, the foster care scholarship endowment fund, the foster care endowed scholarship trust fund, the contract harvesting revolving account, the Washington state combined fund drive account, the commemorative works account, the county enhanced 911 excise tax account, the toll collection account, the developmental disabilities endowment trust fund, the energy account, the fair fund, the family leave insurance account, the food animal veterinarian conditional scholarship account, the fruit and vegetable inspection account, the future teachers conditional scholarship account, the game farm alternative account, the GET ready for math and science scholarship account, the Washington global health technologies and product development account, the grain inspection revolving fund, the industrial insurance rainy day fund, the juvenile accountability incentive account, the law enforcement officers' and firefighters' plan 2 expense fund, the local tourism promotion account, the multiagency permitting team account, the pilotage account, the produce railcar pool account, the regional transportation investment district account, the rural rehabilitation account, the Washington sexual assault kit account, the stadium and exhibition center account, the youth athletic facility account, the self-insurance revolving fund, the children's trust fund, the Washington horse racing commission Washington bred owners' bonus fund and breeder awards account, the Washington horse racing commission class C purse fund account, the individual development account program account, the Washington horse racing commission operating account, the life sciences discovery fund, the Washington state heritage center account, the reduced cigarette ignition propensity account, the center for childhood deafness and hearing loss account, the school for the blind account, the Millersylvania park trust fund, the public employees' and retirees' insurance reserve fund, and the radiation perpetual maintenance fund.

(c) The following accounts and funds must receive eighty percent of their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The advanced right-of-way revolving fund, the advanced environmental mitigation revolving account, the federal narcotics asset forfeitures account, the high occupancy vehicle account, the local rail service assistance account, and the miscellaneous transportation programs account.

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

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

NEW SECTION. **Sec.**  A new section is added to chapter 28B.95 RCW to read as follows:

(1) The joint legislative audit and review committee shall review the Washington next generation educational savings account pilot program and submit a report to the appropriate committees of the legislature by December 1, 2024. The committee's review shall include information regarding the individual college savings program accounts opened up under the Washington next generation educational savings account pilot program, and the eligible beneficiaries of the accounts, including, but not limited to:

(a) The number of accounts opened under the program;

(b) The average balances of the accounts, including data on the dollar amounts contributed to the accounts by the eligible beneficiary's family, and data on the grant dollars added to the accounts;

(c) The demographics of students with accounts under the program compared to the demographics of students located in the pilot program location and the state, including race, ethnicity, income, and gender;

(d) The attendance rates of students with accounts compared to similarly aged children without accounts;

(e) The disciplinary rates of students with accounts compared to similarly aged children without accounts; and

(f) Test scores of fourth grade students with accounts compared to other fourth grade students without accounts.

(2) In addition to account and beneficiary information, the review must also include detailed information on:

(a) The amount of funding raised for the program from nonstate sources, the amount of funding used to establish the program and make grant contributions to the individual college savings program accounts opened under the program, and how much additional funding from nonstate sources would need to be secured to expand the program to additional locations;

(b) An analysis of the Washington next generation educational savings account pilot program on:

(i) Student outcomes in primary and secondary school;

(ii) Students identifying themselves as college bound; and

(iii) Changes in savings for postsecondary education.

(3) This section expires June 30, 2025.

**--- END ---**