H-3622.2

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**HOUSE BILL 2860**

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**State of Washington 65th Legislature 2018 Regular Session**

**By** Representatives Kilduff, Sawyer, Bergquist, Doglio, and Goodman

AN ACT Relating to creating the Washington children's educational savings account program; amending RCW 28B.95.010, 28B.95.020, and 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 educational savings accounts 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. Academic gains in students' math and reading performances, as well as social and emotional health benefits, have been conclusively tied to ownership of children's savings accounts.

(2) The legislature recognizes that it is vitally important for 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 or a postsecondary certificate, to prepare a skilled and educated workforce. The legislature 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 and helping to end the cycle of intergenerational poverty.

(3) The legislature recognizes that at least twenty-six other jurisdictions, including many states and local communities across the country, have created children's educational savings account programs either statutorily or administratively. 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.

(4) The legislature intends to foster a college-bound culture by creating the children's educational savings account program and encouraging both public and private funding of the program.

**Sec.**  RCW 28B.95.010 and 2016 c 69 s 1 are each amended to read as follows:

(1) The Washington advanced college tuition payment program is established to help make higher education affordable and accessible to all citizens of the state of Washington by offering a savings incentive that will protect purchasers and beneficiaries against rising tuition costs.

(2)(a) Subject to the availability of amounts appropriated for this specific purpose, the Washington college savings program is established to provide an additional financial option for individuals, organizations, and families to save for college.

(b) The children's educational savings account program is established through the Washington college savings program. The goal of the children's educational savings account program is to foster a college bound culture and promote financial stability to help end the cycle of intergenerational poverty. The purpose of the children's educational savings account program is to encourage families to open and contribute to college savings program accounts and to create incentives for account beneficiaries to achieve specific milestones in their progress towards postsecondary education.

(3) These programs are designed to encourage savings and enhance the ability of Washington citizens to obtain financial access to institutions of higher education. In addition, the programs encourage elementary and secondary school students to do well in school as a means of preparing for and aspiring to higher education attendance. These programs are intended to promote a well-educated and financially secure population to the ultimate benefit of all citizens of the state of Washington.

**Sec.**  RCW 28B.95.020 and 2016 c 69 s 2 are each amended to read as follows:

The definitions in this section apply throughout this chapter, unless the context clearly requires otherwise.

(1) "Academic year" means the regular nine-month, three-quarter, or two-semester period annually occurring between August 1st and July 31st.

(2) "Account" means the Washington advanced college tuition payment program account established for the deposit of all money received by the office from eligible purchasers and interest earnings on investments of funds in the account, as well as for all expenditures on behalf of eligible beneficiaries for the redemption of tuition units and for the development of any authorized college savings program pursuant to RCW 28B.95.150.

(3) "Advisor sold" means a channel through which a broker dealer, investment advisor, or other financial intermediary recommends the Washington college savings program established pursuant to RCW 28B.95.010 to eligible investors and assists with the opening and servicing of individual college savings program accounts.

(4) "College savings program account" means the Washington college savings program account established pursuant to RCW ((~~28B.95.010~~)) 28B.95.085.

(5) "Committee on advanced tuition payment and college savings" or "committee" means a committee of the following members: The state treasurer, the director of the office of financial management, the director of the office, or their designees, and two members to be appointed by the governor, one representing program participants and one private business representative with marketing, public relations, or financial expertise.

(6) "Contractual obligation" means a legally binding contract of the state with the purchaser and the beneficiary establishing that purchases of tuition units in the advanced college tuition payment program will be worth the same number of tuition units at the time of redemption as they were worth at the time of the purchase, except as provided in RCW 28B.95.030(7).

(7) "Council" means the student achievement council under chapter 28B.77 RCW.

(8) "Dual credit fees" means any fees charged to a student for participation in college in the high school under RCW 28A.600.290 or running start under RCW 28A.600.310.

((~~(8)~~)) (9) "Eligible beneficiary" means the person designated as the individual whose education expenses are to be paid from the advanced college tuition payment program or the college savings program. Qualified organizations, as allowed under section 529 of the federal internal revenue code, purchasing tuition unit contracts as future scholarships need not designate a beneficiary at the time of purchase.

((~~(9)~~)) (10) "Eligible contributor" means an individual or organization that contributes money for the purchase of tuition units, and for an individual college savings program account established pursuant to this chapter for an eligible beneficiary.

((~~(10)~~)) (11) "Eligible purchaser" means an individual or organization that has entered into a tuition unit contract with the governing body for the purchase of tuition units in the advanced college tuition payment program for an eligible beneficiary, or that has entered into a participant college savings program account contract for an eligible beneficiary. The state of Washington may be an eligible purchaser for purposes of purchasing tuition units to be held for granting Washington college bound scholarships.

((~~(11)~~)) (12) "Full-time tuition charges" means resident tuition charges at a state institution of higher education for enrollments between ten credits and eighteen credit hours per academic term.

((~~(12)~~)) (13) "Governing body" means the committee empowered by the legislature to administer the Washington advanced college tuition payment program and the Washington college savings program.

((~~(13)~~)) (14) "Individual college savings program account" means the formal record of transactions relating to a Washington college savings program beneficiary.

((~~(14)~~)) (15) "Institution of higher education" means an institution that offers education beyond the secondary level and is recognized by the internal revenue service under chapter 529 of the internal revenue code.

((~~(15)~~)) (16) "Investment board" means the state investment board as defined in chapter 43.33A RCW.

((~~(16)~~)) (17) "Investment manager" means the state investment board, another state, or any other entity as selected by the governing body, including another college savings plan established pursuant to section 529 of the internal revenue code.

((~~(17)~~)) (18) "Office" means the office of student financial assistance as defined in chapter 28B.76 RCW.

((~~(18)~~)) (19) "Owner" means the eligible purchaser or the purchaser's successor in interest who shall have the exclusive authority to make decisions with respect to the tuition unit contract or the individual college savings program contract. The owner has exclusive authority and responsibility to establish and change the asset investment options for a beneficiaries' individual college savings program account.

((~~(19)~~)) (20) "Participant college savings program account contract" means a contract to participate in the Washington college savings program between an eligible purchaser and the office.

((~~(20)~~)) (21) "State institution of higher education" means institutions of higher education as defined in RCW 28B.10.016.

((~~(21)~~)) (22) "Tuition and fees" means undergraduate tuition and services and activities fees as defined in RCW 28B.15.020 and 28B.15.041 rounded to the nearest whole dollar. For purposes of this chapter, services and activities fees do not include fees charged for the payment of bonds heretofore or hereafter issued for, or other indebtedness incurred to pay, all or part of the cost of acquiring, constructing, or installing any lands, buildings, or facilities.

((~~(22)~~)) (23) "Tuition unit contract" means a contract between an eligible purchaser and the governing body, or a successor agency appointed for administration of this chapter, for the purchase of tuition units in the advanced college tuition payment program for a specified beneficiary that may be redeemed at a later date for an equal number of tuition units, except as provided in RCW 28B.95.030(7).

((~~(23)~~)) (24) "Unit purchase price" means the minimum cost to purchase one tuition unit in the advanced college tuition payment program for an eligible beneficiary. Generally, the minimum purchase price is one percent of the undergraduate tuition and fees for the current year, rounded to the nearest whole dollar, adjusted for the costs of administration and adjusted to ensure the actuarial soundness of the account. The analysis for price setting shall also include, but not be limited to consideration of past and projected patterns of tuition increases, program liability, past and projected investment returns, and the need for a prudent stabilization reserve.

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

(1)(a) The children's educational savings account program is established through the Washington college savings program.

(b) The children's educational savings account program will be phased in, beginning no later than July 1, 2019, in ten counties, and will be fully implemented statewide no later than July 1, 2022.

(2) The council shall administer the children's educational savings account program. The council may:

(a) Coordinate with the committee on advanced tuition payment and college savings, as the council determines is necessary; and

(b) Adopt rules to implement the children's educational savings account program.

(3) In implementing the children's educational savings account program, the council shall, at a minimum:

(a) Identify five counties east of the Cascade mountain range and five counties west of the Cascade mountain range, to participate in the first phase of the program. The counties must be located in communities with strong public and private interest in the program, including private support that may, for example, be demonstrated by pledged donations from philanthropic or corporate foundations, local businesses, community organizations, or individuals. The counties must provide evidence of readiness for the children's educational savings account program and ability to achieve successful outcomes;

(b) Coordinate with the counties selected in the first phase of the program to create a marketing platform to publicize and promote the program to parents and guardians of kindergarten-aged children. As part of the council's outreach and education, it must work with educational service districts, community-based organizations, and city and county human services in the counties to promote the program;

(c) Create an application form for the children's educational savings account program that, when properly filled out and submitted, will result in the opening of an individual college savings program account for the eligible beneficiary, if one has not already been opened. The application form must be a simplified and more user-friendly version of the participant college savings program account contract used by participants enrolling in the Washington college savings program;

(d) Make the children's educational savings account program application form available to every parent or guardian of kindergarteners located in the counties selected in the first phase of the program. The application form must be available in multiple languages as appropriate and necessary;

(e) Coordinate with the financial education public-private partnership to make financial literacy information available to parents, guardians, and children in the counties selected in the first phase of the program, including integrating discussion of the children's educational savings account program into the financial education K-12 learning standards;

(f) Develop and carry out an incentive program in compliance with section 5 of this act;

(g) Develop partnerships with local communities and private organizations to secure additional funding for the children's educational savings account program; and

(h) Take necessary steps to ensure the children's educational savings account program is operational statewide by July 1, 2022.

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

(1) To encourage families to open college savings accounts for their children and to encourage children to achieve certain milestones on their way to postsecondary education, the children's educational savings account program shall provide an initial deposit of twenty-five dollars into each individual college savings program account opened through the children's educational savings account program. In addition, the council shall provide incentive grants of fifty dollars to be deposited into an eligible beneficiary's individual college savings program account each time the eligible beneficiary reaches a milestone. Milestones are to be determined by the council, but should include events that encourage financial stability and college-going behavior, such as the eligible beneficiary signing up for the college bound scholarship under chapter 28B.118 RCW, the eligible beneficiary's individual college savings program account reaching a certain balance, or the eligible beneficiary's parents or guardians participating in activities to increase financial stability, such as opening an account at a federally insured financial institution.

(2) Any initial and incentive grant dollars received by an eligible beneficiary through the children's educational savings account program may only be used to attend an eligible educational institution for qualifying higher education expenses, as defined under section 529 of the internal revenue code.

(3)(a) If an eligible beneficiary does not use the initial and incentive grant dollars deposited by the council for the purposes specified under subsection (2) of this section before the eligible beneficiary turns twenty-nine years of age, or in the event the eligible beneficiary dies, the unused initial and incentive grant dollars and any interest earned on those dollars must be returned to the children's educational savings account program created in section 7 of this act.

(b) If 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 initial and incentive 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:

Unless expressly prohibited by federal law, any amounts deposited in an individual college savings program account established under the children's educational savings account program must not be considered when determining an individual's eligibility for any federally or state-funded assistance or benefit, including the amount the individual might be eligible to receive. Federally or state-funded assistance or benefits, include but are not limited to, temporary assistance for needy families, supplemental nutrition assistance program aid, medicaid, early childhood education and assistance program, working connections child care, head start and early head start, or state financial aid.

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

The children's educational savings account 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 4 through 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 children's educational savings account program established in sections 4 through 6 of this act. Only the director of the 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 2017 3rd sp.s. c 5 s 89 are each 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 Gina Grant Bull memorial legislative page scholarship account, the Washington advanced college tuition payment program account, the Washington college savings program account, the children's educational savings account 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 and medical leave insurance account, the food animal veterinarian conditional scholarship account, the forest health revolving 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 low-income home rehabilitation revolving loan program account, the multiagency permitting team account, the northeast Washington wolf-livestock management 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 council shall evaluate the children's educational savings account program and submit a report to the appropriate committees of the legislature by December 1, 2025. The council's report must review how the children's educational savings account program is working towards the goal of creating a college bound culture and addressing intergenerational poverty. The report must include data regarding the individual college savings program accounts opened and the children's educational savings account program, such as:

(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 amount of private funding raised for the program and indicators of community support; and

(d) Any other data the council considers appropriate and relevant.

(2) This section expires June 30, 2026.

**--- END ---**