
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, Jenkins, Ryu, Appleton, Fey, Bergquist, Slatter, and Doglio)

READ FIRST TIME 02/17/17.

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

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 children's
8 educational savings accounts are three times more likely to enroll in
9 college and four times more likely to graduate college. Research
10 further indicates that youth without children's educational savings
11 accounts of their own experience the greatest erosion between the
12 high 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 finds that it is of vital importance to the
15 state to encourage young people to pursue their dreams of attending
16 and completing postsecondary educational programs of their choice,
17 whether that may be a college degree, a postsecondary certificate, or
18 a vocational or apprenticeship program, to prepare a skilled and
19 educated workforce. The legislature further finds that promoting
20 children's educational savings accounts is a promising strategy for
21 helping young Washingtonians identify as college bound while at the

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

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

18 NEW SECTION. **Sec. 2.** A new section is added to chapter 28B.95
19 RCW to read as follows:

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

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

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

38 (b) Partner with one or more private organizations to secure
39 funding for the pilot program and determine when an adequate amount

1 of funding has been secured to begin implementation of the pilot
2 program;

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

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

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

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

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

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

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

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

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

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

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

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

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

19 NEW SECTION. **Sec. 3.** A new section is added to chapter 28B.95
20 RCW to read as follows:

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

29 NEW SECTION. **Sec. 4.** A new section is added to chapter 28B.95
30 RCW to read as follows:

31 The Washington next generation educational savings account pilot
32 program account is created in the custody of the state treasurer. All
33 receipts from any appropriation made by the legislature for the
34 purposes of sections 2 through 4 and 6 of this act, gifts or grants
35 from the private sector or foundations, and other sources must be
36 deposited into the account. Expenditures from the account may be used
37 only for the purposes of the Washington next generation educational
38 savings account pilot program established in sections 2 through 4 and

1 6 of this act. Only the director of the student achievement council
2 or the director's designee may authorize expenditures from the
3 account. The account is subject to allotment procedures under chapter
4 43.88 RCW, but an appropriation is not required for expenditures.

5 **Sec. 5.** RCW 43.79A.040 and 2016 c 203 s 2, 2016 c 173 s 10, 2016
6 c 69 s 21, and 2016 c 39 s 7 are each reenacted and amended to read
7 as follows:

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

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

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

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

27 (b) The following accounts and funds must receive their
28 proportionate share of earnings based upon each account's or fund's
29 average daily balance for the period: The 24/7 sobriety account, the
30 Washington promise scholarship account, the Washington advanced
31 college tuition payment program account, the Washington college
32 savings program account, the Washington next generation educational
33 savings account pilot program account, the accessible communities
34 account, the Washington achieving a better life experience program
35 account, the community and technical college innovation account, the
36 agricultural local fund, the American Indian scholarship endowment
37 fund, the foster care scholarship endowment fund, the foster care
38 endowed scholarship trust fund, the contract harvesting revolving
39 account, the Washington state combined fund drive account, the

1 commemorative works account, the county enhanced 911 excise tax
2 account, the toll collection account, the developmental disabilities
3 endowment trust fund, the energy account, the fair fund, the family
4 leave insurance account, the food animal veterinarian conditional
5 scholarship account, the fruit and vegetable inspection account, the
6 future teachers conditional scholarship account, the game farm
7 alternative account, the GET ready for math and science scholarship
8 account, the Washington global health technologies and product
9 development account, the grain inspection revolving fund, the
10 industrial insurance rainy day fund, the juvenile accountability
11 incentive account, the law enforcement officers' and firefighters'
12 plan 2 expense fund, the local tourism promotion account, the
13 multiagency permitting team account, the pilotage account, the
14 produce railcar pool account, the regional transportation investment
15 district account, the rural rehabilitation account, the Washington
16 sexual assault kit account, the stadium and exhibition center
17 account, the youth athletic facility account, the self-insurance
18 revolving fund, the children's trust fund, the Washington horse
19 racing commission Washington bred owners' bonus fund and breeder
20 awards account, the Washington horse racing commission class C purse
21 fund account, the individual development account program account, the
22 Washington horse racing commission operating account, the life
23 sciences discovery fund, the Washington state heritage center
24 account, the reduced cigarette ignition propensity account, the
25 center for childhood deafness and hearing loss account, the school
26 for the blind account, the Millersylvania park trust fund, the public
27 employees' and retirees' insurance reserve fund, and the radiation
28 perpetual maintenance fund.

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

36 (d) Any state agency that has independent authority over accounts
37 or funds not statutorily required to be held in the custody of the
38 state treasurer that deposits funds into a fund or account in the
39 custody of the state treasurer pursuant to an agreement with the
40 office of the state treasurer shall receive its proportionate share

1 of earnings based upon each account's or fund's average daily balance
2 for the period.

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

6 NEW SECTION. **Sec. 6.** A new section is added to chapter 28B.95
7 RCW to read as follows:

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

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

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

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

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

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

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

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

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

1 (b) An analysis of the Washington next generation educational
2 savings account pilot program on:
3 (i) Student outcomes in primary and secondary school;
4 (ii) Students identifying themselves as college bound; and
5 (iii) Changes in savings for postsecondary education.
6 (3) This section expires June 30, 2025.

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