
**College & Workforce Development
Committee**

HB 1592

Brief Description: Establishing the Washington children's educational savings account program.

Sponsors: Representatives Kilduff, Leavitt, Doglio, Frame, Bergquist, Goodman, Ortiz-Self, Thai, Valdez, Pollet, Callan, Stonier, Appleton, Lovick, Shewmake, Jinkins, Lekanoff and Slatter.

Brief Summary of Bill

- Creates the Washington Children's Educational Savings Account (WCESA) Program to establish college savings accounts for low-income kindergartners in Washington public schools.
- Requires the Student Achievement Council (Council) to administer the program, including establishing a master account within the DreamAhead College Investment Plan to automatically enroll eligible beneficiaries with \$100 seed grants.
- Requires the Washington State Institute for Public Policy to evaluate the WCESA Program.
- Requires the Council to develop a pilot project to engage schools, school districts, and community organizations to innovatively market the WCESA program.

Hearing Date: 2/6/19

Staff: Megan Mulvihill (786-7304).

Background:

529 College Savings Plans.

A 529 plan, named after section 529 of the Internal Revenue Code, is a tax-advantaged savings plan used to encourage families to save for future education expenses. There are two types of 529 plans: pre-paid tuition plans and college savings plans. Washington has both. The

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Guaranteed Education Tuition (GET) program is the state's pre-paid tuition plan, in which a purchaser can buy a tuition unit at a set price with the guarantee that the tuition unit will be worth the same amount of tuition in the future, regardless of the price of tuition. The DreamAhead College Investment Plan (DreamAhead) is Washington's college savings plan. Similar to 401K plans and Individual Retirement Accounts, a person can invest a sum of money into a market-based investment option. The account savings will fluctuate and grow based on market conditions.

Children Savings Account Programs.

Various states, including Maine, Rhode Island, Connecticut, Vermont, Indiana, Nevada, and Oklahoma have established children savings account programs. Most of the CSA programs either provide an initial deposit or incentivize families to open 529 accounts by providing a state match. Maine has one of the longest running universal programs, in which every baby born to a Maine resident has a \$500 grant automatically invested in Maine's 529 college savings plan.

Summary of Bill:

The Student Achievement Council (Council) must establish and administer the Washington Children's Educational Savings Account (WCESA) Program. The WCESA Program's purpose is to establish college savings accounts for low-income kindergartners in Washington public schools. The Council must automatically enroll all eligible beneficiaries (beneficiaries) in the WCESA Program by maintaining and administering an omnibus, master account within the DreamAhead program that contains state-funded grants for each beneficiary. Beneficiaries are Washington state residents who are kindergartners enrolled in a public school who are eligible for the free or reduced-price lunch program. Each beneficiary receives an initial \$100 seed grant and has the possibility of earning incentive grants as well. Parents and guardians have the option to opt-out of the WCESA Program.

Incentive Grants: The Council must deposit \$50 incentive grants for beneficiaries whose parent or guardian does any of the following:

- opens an individual DreamAhead account for the beneficiary and deposits a \$50 match;
- participates in a financial education training approved by the Council; or
- participates in an engagement and education activity established by the Pilot Project.

Administration: In administering the WCESA Program, the Council also has the following duties:

- coordinate with the GET Committee as necessary;
- coordinate with the Office of the Superintendent of Public Instruction (OSPI) to identify beneficiaries;
- develop partnerships with local communities, schools, school districts, or private organizations to promote and market the WCESA program;
- coordinate with the Financial Education Public-Private Partnership (FEPPP) and OSPI to provide financial education training and make information available to parents, guardians, and beneficiaries;
- accept donations for the WCESA Program; and
- adopt necessary rules.

Marketing: The Council must encourage families to open individual DreamAhead accounts by including information about how to do so with WCESA Program materials and in marketing. This may include a simplified and streamline application form. The Council also must establish a method for a parent or guardian of a beneficiary to claim the state grant money deposited on behalf of the beneficiary within 15 years. If the grant money is not claimed within 15 years, any initial or incentive grant dollars are returned to the WCESA Program.

Qualifying Use: Grants dollars received through the WCESA Program may only be used to attend an eligible educational institution for qualifying higher education expenses, as defined by the Internal Revenue Service. A beneficiary must use the grant dollars before the age of 29, unless the beneficiary serves in a national service program, such as the United States Armed Forces, National Guard, or Peace Corps. In which case, for each month of service, the beneficiary has an additional month to use the grant dollars.

Miscellaneous: All beneficiary and parent or guardian information obtained for use in the WCESA Program must only be used by the Council and is confidential. Unless expressly prohibited by Federal law, any funds deposited into an individual DreamAhead account for a WCESA Program beneficiary may not be considered when determining the individual's eligibility for federal or state funded assistance or benefits, such as Temporary Assistance for Needy Families or the Supplemental Nutrition Assistance Program.

The WCESA Program account is created in the State Treasurer's custody.

Reports and Evaluation: The Council must submit a report to the Legislature by December 1, 2025. The report must review how the WCESA Program is working towards the goals of increasing college attendance and boosting college savings among residents; fostering a college bound identity in young Washingtonians; and promoting the financial security, financial literacy, and economic stability of Washington families. The report must also include WCESA Program data.

The Washington State Institute for Public Policy must complete an evaluation on the WCESA Program due December 1, 2035.

WCESA Marketing Pilot Project.

Subject to appropriation, the Council must coordinate with the OSPI and the FEPPP to engage schools, school districts, and community organizations to develop pilot projects to innovatively market the WCESA program. The content must be designed to educate and engage parents and guardians of beneficiaries about the WCESA Program, DreamAhead, and other college savings options. Populations with the greatest barriers to college savings must be prioritized for the pilot project. The Council must report to the Legislature regarding the pilot projects by December 1, 2025 on pilot project data, outcomes, and options for statewide expansion.

Appropriation: None.

Fiscal Note: Requested on January 24, 2019.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.