
Higher Education Committee

HB 1425

Brief Description: Creating the Washington next generation educational savings account pilot program.

Sponsors: 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.

Brief Summary of Bill

- Establishes the Washington Next Generation Educational Savings Account Pilot Program (Pilot Program) to incentivize parents and guardians to open 529 accounts for their kindergarten-aged children.
- Requires the Student Achievement Council (Council) to administer the Pilot Program, including identifying pilot locations to participate, securing private funding to implement the Pilot Program, marketing the Pilot Program, creating a simplified 529 account application form, and making grants to Pilot Program accounts.
- Requires the Council to deposit initial grants of \$25 to 529 accounts opened up under the Pilot Program and incentive grants of \$50 when the account beneficiary achieves certain milestones.
- Requires the Joint Legislative Audit and Review Committee to evaluate the Pilot Program by December 1, 2024.

Hearing Date: 2/1/17

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 higher education expenses. There are two

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types of 529 plans: pre-paid tuition plans and college savings plans. Washington has a pre-paid tuition plan known as the Guaranteed Education Tuition (GET) program, 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 529 college savings plans are similar to 401Ks and Individual Retirement Accounts in which a person invests a sum of money in market-based investment option. The account savings fluctuate and grow based on market conditions. In 2016 the Legislature established the Washington College Savings Program (529 Program). The GET Committee is tasked with administering the 529 Program, in addition to the GET program. The GET Committee is seeking proposals for an investment manager to run the 529 Program and anticipates opening it in the summer of 2017.

Children Savings Account Programs.

The states of Maine, Rhode Island, Connecticut, Vermont, and Indiana have established children savings account (CSA) programs. Maine has one of the longest running universal CSA programs, in which every baby born to a Maine resident will have a \$500 grant automatically invested in Maine's 529 college savings plan.

Promise Indiana is an example of a CSA program implemented at a local level. The program creates a streamlined process for enrolling in the state's 529 program, and if a parent of a child in the local community decides to opt-in to the program, the account receives an initial seed deposit of \$25. The account beneficiary may receive additional matching grants if the child can secure a grant from a community supporter.

Summary of Bill:

Washington Next Generation Educational Savings Account Pilot Program.

The Washington Next Generation Educational Savings Account Pilot Program is established through the 529 program to create children's educational savings accounts. The Student Achievement Council (Council) must administer the Pilot Program, may adopt rules to implement the program, and may coordinate with the GET Committee as deemed necessary. The Council must identify two Pilot Program participants, such as counties, cities, school districts, or elementary schools, with one on the west side and one on the east side of the Cascade mountains. The Pilot Program participants must be located in communities with strong support that is demonstrated by pledged donations. The Council must also:

- 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;
- Create an application form for the Pilot Program that is a simplified and more user-friendly version of the 529 program contract form;
- Create a marketing platform to publicize the program to parents and guardians of kindergarten-aged children;
- Make the application form available to every parent or guardian of kindergarteners located in the Pilot Program; and
- 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 Pilot Program into the financial education k-12 learning standards.

Incentive Grants.

The Council must also make grants to Pilot Program account beneficiaries. Each time an individual 529 account is opened through the Pilot Program, the Council must deposit an initial \$25 grant. In addition, the Council must make \$50 incentive grants each time a beneficiary:

- Or their parent or guardian opens a financial account at a federally insured financial institution;
- Signs the College Bound Scholarship Pledge in the seventh or eighth grade;
- Meets an attendance record benchmark in any given year; and
- Has their 529 account reach a balance of \$250.

The grant dollars received by a beneficiary must be used to attend a post secondary institution for a qualifying higher education expense. If the beneficiary does not use the grant dollars by the age of 29, or if the beneficiary dies, the unused grant dollars must be returned to the Pilot Program's account. However, if the beneficiary serves in the United States Armed Forces, National Guard, AmeriCorps, or the Peace Corps, the beneficiary has an additional month for each month of service to use the grant dollars after the age of 29.

529 accounts under the Pilot Program are not to be considered when determining an individual's eligibility to receive, or the amount of, any federally or state-funded assistance or benefit, unless expressly prohibited by federal law.

An account is created for the Pilot Program.

Pilot Program Review.

The Joint Legislative Audit and Review Committee (JLARC) must review the pilot program and submit a report to the Legislature by December 1, 2024. The review must include information on the 529 accounts opened up under the Pilot Program and the beneficiaries, such as:

- Number of accounts opened;
- Average balances of the accounts, and data on family contributions and the grants;
- Demographics of students with accounts compared to students without accounts located in the Pilot Program location and the state;
- Attendance and disciplinary rates of students with accounts compared to students without accounts; and
- Test scores of fourth grade students with accounts compared to other fourth grade students without accounts.

The review must also include information on the amount of funding raised for the Pilot Program from nonstate sources, the amount of funding used to establish the Pilot Program and make grant contributions, and how much additional funding from nonstate sources would be needed to expand the Pilot Program to additional locations. The JLARC must also provide an analysis of the Pilot Program on student outcomes in primary and secondary school, students identifying themselves as college bound, and changes in savings for post secondary education.

Appropriation: None.

Fiscal Note: Requested on 01/19/17.

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