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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

Read first time 01/18/18. Referred to Committee on Higher Education.

1            AN ACT Relating to creating the Washington children's educational  
2 savings account program; amending RCW 28B.95.010, 28B.95.020, and  
3 43.79A.040; adding new sections to chapter 28B.95 RCW; creating a new  
4 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 educational savings accounts  
11 experience the greatest erosion between the high school student's  
12 aspiration to attend college and his or her subsequent rate of  
13 college enrollment by age twenty-two. Academic gains in students'  
14 math and reading performances, as well as social and emotional health  
15 benefits, have been conclusively tied to ownership of children's  
16 savings accounts.

17            (2) The legislature recognizes that it is vitally important for  
18 the state to encourage young people to pursue their dreams of  
19 attending and completing postsecondary educational programs of their  
20 choice, whether that may be a college degree or a postsecondary  
21 certificate, to prepare a skilled and educated workforce. The

1 legislature finds that promoting children's educational savings  
2 accounts is a promising strategy for helping young Washingtonians  
3 identify as college bound, while at the same time stimulating the  
4 continued growth and dynamism of the state's economy and helping to  
5 end the cycle of intergenerational poverty.

6 (3) The legislature recognizes that at least twenty-six other  
7 jurisdictions, including many states and local communities across the  
8 country, have created children's educational savings account programs  
9 either statutorily or administratively. Each program models an  
10 example of different approaches and strategies that can be taken to  
11 expand educational opportunity and financial capability to all  
12 families. Many of the state and local governments have embraced their  
13 community of private donors to leverage their programs, thereby  
14 ensuring a funding source when government budgets are constrained,  
15 but also fostering community engagement. Cultivating community  
16 support creates a larger college-bound environment where community  
17 leaders become champions for kids and local philanthropic  
18 organizations recognize the value in investing in their community's  
19 youth.

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

23 **Sec. 2.** RCW 28B.95.010 and 2016 c 69 s 1 are each amended to  
24 read as follows:

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

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

34 (b) The children's educational savings account program is  
35 established through the Washington college savings program. The goal  
36 of the children's educational savings account program is to foster a  
37 college bound culture and promote financial stability to help end the  
38 cycle of intergenerational poverty. The purpose of the children's  
39 educational savings account program is to encourage families to open

1 and contribute to college savings program accounts and to create  
2 incentives for account beneficiaries to achieve specific milestones  
3 in their progress towards postsecondary education.

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

12 **Sec. 3.** RCW 28B.95.020 and 2016 c 69 s 2 are each amended to  
13 read as follows:

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

16 (1) "Academic year" means the regular nine-month, three-quarter,  
17 or two-semester period annually occurring between August 1st and July  
18 31st.

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

26 (3) "Advisor sold" means a channel through which a broker dealer,  
27 investment advisor, or other financial intermediary recommends the  
28 Washington college savings program established pursuant to RCW  
29 28B.95.010 to eligible investors and assists with the opening and  
30 servicing of individual college savings program accounts.

31 (4) "College savings program account" means the Washington  
32 college savings program account established pursuant to RCW  
33 (~~(28B.95.010)~~) 28B.95.085.

34 (5) "Committee on advanced tuition payment and college savings"  
35 or "committee" means a committee of the following members: The state  
36 treasurer, the director of the office of financial management, the  
37 director of the office, or their designees, and two members to be  
38 appointed by the governor, one representing program participants and

1 one private business representative with marketing, public relations,  
2 or financial expertise.

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

9 (7) "Council" means the student achievement council under chapter  
10 28B.77 RCW.

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

14 ~~((+8))~~ (9) "Eligible beneficiary" means the person designated as  
15 the individual whose education expenses are to be paid from the  
16 advanced college tuition payment program or the college savings  
17 program. Qualified organizations, as allowed under section 529 of the  
18 federal internal revenue code, purchasing tuition unit contracts as  
19 future scholarships need not designate a beneficiary at the time of  
20 purchase.

21 ~~((+9))~~ (10) "Eligible contributor" means an individual or  
22 organization that contributes money for the purchase of tuition  
23 units, and for an individual college savings program account  
24 established pursuant to this chapter for an eligible beneficiary.

25 ~~((+10))~~ (11) "Eligible purchaser" means an individual or  
26 organization that has entered into a tuition unit contract with the  
27 governing body for the purchase of tuition units in the advanced  
28 college tuition payment program for an eligible beneficiary, or that  
29 has entered into a participant college savings program account  
30 contract for an eligible beneficiary. The state of Washington may be  
31 an eligible purchaser for purposes of purchasing tuition units to be  
32 held for granting Washington college bound scholarships.

33 ~~((+11))~~ (12) "Full-time tuition charges" means resident tuition  
34 charges at a state institution of higher education for enrollments  
35 between ten credits and eighteen credit hours per academic term.

36 ~~((+12))~~ (13) "Governing body" means the committee empowered by  
37 the legislature to administer the Washington advanced college tuition  
38 payment program and the Washington college savings program.

1        ~~((13))~~ (14) "Individual college savings program account" means  
2 the formal record of transactions relating to a Washington college  
3 savings program beneficiary.

4        ~~((14))~~ (15) "Institution of higher education" means an  
5 institution that offers education beyond the secondary level and is  
6 recognized by the internal revenue service under chapter 529 of the  
7 internal revenue code.

8        ~~((15))~~ (16) "Investment board" means the state investment board  
9 as defined in chapter 43.33A RCW.

10       ~~((16))~~ (17) "Investment manager" means the state investment  
11 board, another state, or any other entity as selected by the  
12 governing body, including another college savings plan established  
13 pursuant to section 529 of the internal revenue code.

14       ~~((17))~~ (18) "Office" means the office of student financial  
15 assistance as defined in chapter 28B.76 RCW.

16       ~~((18))~~ (19) "Owner" means the eligible purchaser or the  
17 purchaser's successor in interest who shall have the exclusive  
18 authority to make decisions with respect to the tuition unit contract  
19 or the individual college savings program contract. The owner has  
20 exclusive authority and responsibility to establish and change the  
21 asset investment options for a beneficiaries' individual college  
22 savings program account.

23       ~~((19))~~ (20) "Participant college savings program account  
24 contract" means a contract to participate in the Washington college  
25 savings program between an eligible purchaser and the office.

26       ~~((20))~~ (21) "State institution of higher education" means  
27 institutions of higher education as defined in RCW 28B.10.016.

28       ~~((21))~~ (22) "Tuition and fees" means undergraduate tuition and  
29 services and activities fees as defined in RCW 28B.15.020 and  
30 28B.15.041 rounded to the nearest whole dollar. For purposes of this  
31 chapter, services and activities fees do not include fees charged for  
32 the payment of bonds heretofore or hereafter issued for, or other  
33 indebtedness incurred to pay, all or part of the cost of acquiring,  
34 constructing, or installing any lands, buildings, or facilities.

35       ~~((22))~~ (23) "Tuition unit contract" means a contract between an  
36 eligible purchaser and the governing body, or a successor agency  
37 appointed for administration of this chapter, for the purchase of  
38 tuition units in the advanced college tuition payment program for a  
39 specified beneficiary that may be redeemed at a later date for an

1 equal number of tuition units, except as provided in RCW  
2 28B.95.030(7).

3 ~~((+23))~~ (24) "Unit purchase price" means the minimum cost to  
4 purchase one tuition unit in the advanced college tuition payment  
5 program for an eligible beneficiary. Generally, the minimum purchase  
6 price is one percent of the undergraduate tuition and fees for the  
7 current year, rounded to the nearest whole dollar, adjusted for the  
8 costs of administration and adjusted to ensure the actuarial  
9 soundness of the account. The analysis for price setting shall also  
10 include, but not be limited to consideration of past and projected  
11 patterns of tuition increases, program liability, past and projected  
12 investment returns, and the need for a prudent stabilization reserve.

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

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

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

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

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

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

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

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

37 (b) Coordinate with the counties selected in the first phase of  
38 the program to create a marketing platform to publicize and promote  
39 the program to parents and guardians of kindergarten-aged children.

1 As part of the council's outreach and education, it must work with  
2 educational service districts, community-based organizations, and  
3 city and county human services in the counties to promote the  
4 program;

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

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

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

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

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

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

31 NEW SECTION. **Sec. 5.** A new section is added to chapter 28B.95  
32 RCW to read as follows:

33 (1) To encourage families to open college savings accounts for  
34 their children and to encourage children to achieve certain  
35 milestones on their way to postsecondary education, the children's  
36 educational savings account program shall provide an initial deposit  
37 of twenty-five dollars into each individual college savings program  
38 account opened through the children's educational savings account  
39 program. In addition, the council shall provide incentive grants of

1 fifty dollars to be deposited into an eligible beneficiary's  
2 individual college savings program account each time the eligible  
3 beneficiary reaches a milestone. Milestones are to be determined by  
4 the council, but should include events that encourage financial  
5 stability and college-going behavior, such as the eligible  
6 beneficiary signing up for the college bound scholarship under  
7 chapter 28B.118 RCW, the eligible beneficiary's individual college  
8 savings program account reaching a certain balance, or the eligible  
9 beneficiary's parents or guardians participating in activities to  
10 increase financial stability, such as opening an account at a  
11 federally insured financial institution.

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

17 (3)(a) If an eligible beneficiary does not use the initial and  
18 incentive grant dollars deposited by the council for the purposes  
19 specified under subsection (2) of this section before the eligible  
20 beneficiary turns twenty-nine years of age, or in the event the  
21 eligible beneficiary dies, the unused initial and incentive grant  
22 dollars and any interest earned on those dollars must be returned to  
23 the children's educational savings account program created in section  
24 7 of this act.

25 (b) If the eligible beneficiary serves in a national service  
26 program, including the United States armed forces, national guard,  
27 AmeriCorps, or the peace corps, the eligible beneficiary has an  
28 additional month for each month of service to use the initial and  
29 incentive grant dollars after the age of twenty-nine years.

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

32 Unless expressly prohibited by federal law, any amounts deposited  
33 in an individual college savings program account established under  
34 the children's educational savings account program must not be  
35 considered when determining an individual's eligibility for any  
36 federally or state-funded assistance or benefit, including the amount  
37 the individual might be eligible to receive. Federally or state-  
38 funded assistance or benefits, include but are not limited to,  
39 temporary assistance for needy families, supplemental nutrition



1 assistance program aid, medicaid, early childhood education and  
2 assistance program, working connections child care, head start and  
3 early head start, or state financial aid.

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

6 The children's educational savings account program account is  
7 created in the custody of the state treasurer. All receipts from any  
8 appropriation made by the legislature for the purposes of sections 4  
9 through 6 of this act, gifts or grants from the private sector or  
10 foundations, and other sources must be deposited into the account.  
11 Expenditures from the account may be used only for the purposes of  
12 the children's educational savings account program established in  
13 sections 4 through 6 of this act. Only the director of the council or  
14 the director's designee may authorize expenditures from the account.  
15 The account is subject to allotment procedures under chapter 43.88  
16 RCW, but an appropriation is not required for expenditures.

17 **Sec. 8.** RCW 43.79A.040 and 2017 3rd sp.s. c 5 s 89 are each  
18 amended to read as follows:

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

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

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

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

1 (b) The following accounts and funds must receive their  
2 proportionate share of earnings based upon each account's or fund's  
3 average daily balance for the period: The 24/7 sobriety account, the  
4 Washington promise scholarship account, the Gina Grant Bull memorial  
5 legislative page scholarship account, the Washington advanced college  
6 tuition payment program account, the Washington college savings  
7 program account, the children's educational savings account program  
8 account, the accessible communities account, the Washington achieving  
9 a better life experience program account, the community and technical  
10 college innovation account, the agricultural local fund, the American  
11 Indian scholarship endowment fund, the foster care scholarship  
12 endowment fund, the foster care endowed scholarship trust fund, the  
13 contract harvesting revolving account, the Washington state combined  
14 fund drive account, the commemorative works account, the county  
15 enhanced 911 excise tax account, the toll collection account, the  
16 developmental disabilities endowment trust fund, the energy account,  
17 the fair fund, the family and medical leave insurance account, the  
18 food animal veterinarian conditional scholarship account, the forest  
19 health revolving account, the fruit and vegetable inspection account,  
20 the future teachers conditional scholarship account, the game farm  
21 alternative account, the GET ready for math and science scholarship  
22 account, the Washington global health technologies and product  
23 development account, the grain inspection revolving fund, the  
24 industrial insurance rainy day fund, the juvenile accountability  
25 incentive account, the law enforcement officers' and firefighters'  
26 plan 2 expense fund, the local tourism promotion account, the low-  
27 income home rehabilitation revolving loan program account, the  
28 multiagency permitting team account, the northeast Washington wolf-  
29 livestock management account, the pilotage account, the produce  
30 railcar pool account, the regional transportation investment district  
31 account, the rural rehabilitation account, the Washington sexual  
32 assault kit account, the stadium and exhibition center account, the  
33 youth athletic facility account, the self-insurance revolving fund,  
34 the children's trust fund, the Washington horse racing commission  
35 Washington bred owners' bonus fund and breeder awards account, the  
36 Washington horse racing commission class C purse fund account, the  
37 individual development account program account, the Washington horse  
38 racing commission operating account, the life sciences discovery  
39 fund, the Washington state heritage center account, the reduced  
40 cigarette ignition propensity account, the center for childhood

1 deafness and hearing loss account, the school for the blind account,  
2 the Millersylvania park trust fund, the public employees' and  
3 retirees' insurance reserve fund, and the radiation perpetual  
4 maintenance fund.

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

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

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

22 NEW SECTION. **Sec. 9.** A new section is added to chapter 28B.95  
23 RCW to read as follows:

24 (1) The council shall evaluate the children's educational savings  
25 account program and submit a report to the appropriate committees of  
26 the legislature by December 1, 2025. The council's report must review  
27 how the children's educational savings account program is working  
28 towards the goal of creating a college bound culture and addressing  
29 intergenerational poverty. The report must include data regarding the  
30 individual college savings program accounts opened and the children's  
31 educational savings account program, such as:

- 32 (a) The number of accounts opened under the program;
- 33 (b) The average balances of the accounts, including data on the  
34 dollar amounts contributed to the accounts by the eligible  
35 beneficiary's family, and data on the grant dollars added to the  
36 accounts;

37 (c) The amount of private funding raised for the program and  
38 indicators of community support; and

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

3           (2) This section expires June 30, 2026.

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