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**College & Workforce Development  
Committee**

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**HB 2776**

**Brief Description:** Creating a statewide child savings account program.

**Sponsors:** Representatives Kilduff, Leavitt, Ortiz-Self, Doglio and Ramos.

**Brief Summary of Bill**

- Requires the Washington Student Achievement Council to study design options and an implementation plan for a statewide child savings account program.

**Hearing Date:** 1/28/20

**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, of which Washington has both. The 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 future 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 (CSA) programs. Many of the CSA

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programs either provide an initial seed 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 into Maine's 529 college savings plan.

**Summary of Bill:**

The Washington Student Achievement Council (WSAC) must complete a study examining design options and an implementation plan for a statewide child savings account (CSA) program. The CSA program's purpose is to establish college savings accounts at birth for every child born in Washington, with the following goals:

- foster a higher education and career-readiness culture and boost college savings among residents, particularly low-income families;
- promote financial security, financial literacy, and economic stability for families; and
- increase families ability to save for college.

The study and implementation plan must include the following elements:

- CSA program options and mechanisms for automatic enrollment in the CSA program at birth unless parents opt out;
- CSA program structure, initial seed deposits, and progressive incentives to help reduce inequities in account accumulation between low-income and higher-income families;
- incentive structures so that families that contribute, regardless of amount, can receive bonus deposits;
- plans for how relevant state agencies and programs would conduct outreach and provide information for families and children about their accounts, opportunities to interact and save in the account, and other resources for families to build their financial capabilities;
- options for potential state funding sources and the feasibility of making the CSA program self-sustaining or options for partially off-setting seed deposits through administrative fees charged in the DreamAhead program or other college savings programs;
- possible ways for the state to collaborate with the philanthropic and private sectors; and
- possible ways for the accounts of foster youth to grow.

In developing the implementation plan, the WSAC may consult with a variety of state agencies and commissions, nonprofit and community-based organizations, institutions of higher education, and others. The WSAC must convene stakeholders to review preliminary recommendations by November 30, 2020, and submit the preliminary findings to the Legislature by December 30, 2020. A final report is due June 30, 2021.

**Appropriation:** None.

**Fiscal Note:** Requested on January 24, 2020.

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