

# SENATE BILL REPORT

## SB 6577

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As of February 3, 2020

**Title:** An act relating to creating a statewide child savings account program.

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

**Sponsors:** Senators Liias, Nguyen, Das, Darneille, Saldaña and Wilson, C.

**Brief History:**

**Committee Activity:** Higher Education & Workforce Development: 1/30/20.

**Brief Summary of Bill**

- Requires the Washington Student Achievement Council to conduct a study to develop design options and an implementation plan for creating a statewide child savings account program.
- Directs the Washington Student Achievement Council to deliver preliminary findings to the Legislature by December 30, 2020, and a final report by June 30, 2021.

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### SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

**Staff:** Alicia Kinne-Clawson (786-7407)

**Background:** Qualified tuition plans, referred to as 529 plans, are plans authorized by the United States Internal Revenue Service and operated by a state or educational institution. These plans provide tax advantages and other potential incentives to make it easier to save for college and other post-secondary training for a designated beneficiary, such as a child or grandchild. There are two 529 plans authorized in the state of Washington—the Guaranteed Education Tuition (GET) Program and the Washington College Savings Plan (WCSP).

Guaranteed Education Tuition. The GET Program, established in 1998, is Washington's 529 prepaid college tuition plan. As a prepaid tuition program, GET has a participant payout structure tied to in-state tuition rather than market-based investment returns.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Washington College Savings Plan. The WCSP was authorized during the 2016 legislative session. The money contributed to a WCSP can be invested in stock or bond mutual funds or in money market funds, and the earnings are not subject to federal tax as long as the money is used only for qualified college expenses. Direct sold savings programs allow states to offer college savings plans through which residents and, in many cases, non-residents can invest without paying a sales fee, known as a load. This type of plan, which can be bought directly from the plan's sponsor or program manager without the assistance of a broker, is generally less expensive because it waives or does not charge sales fees that may apply to broker-sold plans. Unlike the GET program, where tuition units have a guaranteed value when they are redeemed, the state of Washington does not guarantee a specific outcome for an account holder's asset. The District of Columbia and 38 states offer direct sold savings programs.

**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.

When developing the implementation plan, WSAC may consult with a variety of state agencies and commissions, nonprofit and community-based organizations, higher education institutions, and others. 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:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: The rationale for this bill is the amazing life-changing potential of child savings programs. Children with college savings accounts are three times more likely to enroll in college. There is new research about the effects that CSAs have on parents which include measurable health impacts such as reducing maternal and paternal anxiety and postpartum depression. This bill asks WSAC to think through how we setup a program in Washington and fund it in the next Legislature. There is an enormous amount of research that has shown that even small amount of savings influence college going behavior. There are over 95 CSA programs across the country and 17 state programs. We do not want Washington to get left behind in using this important tool for kids. We support this because programs like this increase the likelihood of students enrolling and succeeding in postsecondary education. We want to help the families who have not been able to carve out the money to save for college and expand access to them. This early intervention puts children on a trajectory to complete college. This creates a college-going mindset and culture in Washington.

**Persons Testifying:** PRO: Senator Marko Liias, Prime Sponsor; Julie Watts, Washington State Budget and Policy Center; Juliette Schindler Kelly, Director of Public Affairs, College Success Foundation.

**Persons Signed In To Testify But Not Testifying:** No one.