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**SUBSTITUTE HOUSE BILL 2662**

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**State of Washington**

**64th Legislature**

**2016 Regular Session**

**By** House Higher Education (originally sponsored by Representatives Kilduff, Haler, Muri, Ortiz-Self, Riccelli, Orwall, Walkinshaw, Robinson, Farrell, Bergquist, Stanford, Goodman, Frame, and Fey)

READ FIRST TIME 02/05/16.

1       AN ACT Relating to creating the Washington next generation  
2 educational savings account program; amending RCW 26.33.390;  
3 reenacting and amending RCW 43.79A.040; adding a new chapter to Title  
4 28B RCW; and providing contingent effective dates.

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 postsecondary  
8 educational savings accounts are three times more likely to enroll in  
9 college and four times more likely to graduate. Research further  
10 indicates that youth without a postsecondary educational savings  
11 account of their own experience the greatest erosion between the high  
12 school student's aspiration to attend college and his or her  
13 subsequent rate of college enrollment by age twenty-two.

14       (2) The legislature therefore finds that it is of vital  
15 importance to the state to encourage young people to pursue their  
16 dreams of attending and completing postsecondary educational programs  
17 of their choice, whether that may be a college degree, a  
18 postsecondary certificate program, or an apprenticeship. The  
19 legislature further finds that establishing a postsecondary  
20 educational savings account in the name of each child in the state is  
21 a promising strategy for helping young Washingtonians achieve their

1 dreams while at the same time stimulating the continued growth and  
2 dynamism of the state's economy.

3 (3) The legislature intends to facilitate the creation of  
4 postsecondary educational savings accounts for every child born in  
5 Washington or adopted by Washington families. The intent is to  
6 finance the program with nonstate funds by partnering with the  
7 state's robust philanthropic sector and business and industry  
8 leaders. Maine, the first state to launch a universal children's  
9 savings account program in 2008, has funded its program entirely with  
10 private foundation contributions, thereby creating a model that has  
11 been emulated by several states. Based on the successful experience  
12 of several other states, the legislature intends to partner with the  
13 state's generous private community of funders to create a successful  
14 postsecondary educational savings account program for the children of  
15 Washington.

16 NEW SECTION. **Sec. 2.** The definitions in this section apply  
17 throughout this chapter unless the context clearly requires  
18 otherwise.

19 (1) "Beneficiary" means a child who had an educational savings  
20 account opened on his or her behalf by the state.

21 (2) "College savings plan" means a qualified state tuition  
22 program as defined by the internal revenue service under section 529  
23 of the internal revenue code.

24 (3) "Council" means the student achievement council created in  
25 chapter 28B.77 RCW.

26 (4) "Educational savings account" means an account established  
27 for postsecondary education purposes on behalf of a beneficiary by  
28 the council in accordance with this chapter and any rules adopted to  
29 implement this chapter.

30 (5) "Program" means the Washington next generation educational  
31 savings account program.

32 (6) "Qualifying higher education expense" means tuition, fees,  
33 books, supplies, and equipment required for enrollment or attendance  
34 at an eligible educational institution, room and board, and special  
35 needs services incurred in connection with such enrollment or  
36 attendance at an eligible educational institution, as recognized by  
37 the internal revenue service under section 529 of the internal  
38 revenue code.

1        NEW SECTION.        **Sec. 3.**        (1) The Washington next generation  
2 educational savings account program is established to expand  
3 educational opportunity and financial capability for every child born  
4 or adopted in the state.

5        (2) The council shall administer the program and may adopt rules  
6 necessary to administer the program. The council shall partner with  
7 one or more private organizations to establish and fund the program.  
8 The council shall determine when an adequate amount of funding has  
9 been secured to begin implementation of the program.

10       NEW SECTION.       **Sec. 4.**       The program must include the following  
11 features:

12        (1)(a) With the registration of each birth record in the state  
13 the council shall establish an educational savings account on behalf  
14 of the child, contingent upon funding being available. The council  
15 shall coordinate with the department of health for birth record  
16 notifications.

17        (b) The beneficiary's family must have the option to opt out of  
18 the program.

19        (c) An adoptive parent shall have the option to opt-in to the  
20 program after adopting a child who is not already the beneficiary of  
21 an educational savings account if he or she submits the request to  
22 the council within one year of the issuance of the decree of  
23 adoption.

24        (2)(a) Upon establishment of an educational savings account, the  
25 council shall deposit an initial grant of two hundred fifty dollars  
26 into the account.

27        (b) In addition to the initial grant in (a) of this subsection,  
28 for a beneficiary's family with an income less than two hundred fifty  
29 percent of the federal poverty level using the most current  
30 guidelines available from the United States department of health and  
31 human services, the council shall provide a one-time matching grant  
32 of two hundred seventy-nine dollars if the family deposits two  
33 hundred fifty dollars into the account.

34        (3) Additional deposits into the account may be made by the  
35 beneficiary, the beneficiary's family, and other private and public  
36 individuals.

37        (4) To make a withdrawal from an account the beneficiary must be:

38        (a) Eighteen years of age; or

1 (b) Enrolled in an eligible educational institution as recognized  
2 by the internal revenue service under section 529 of the internal  
3 revenue code; and

4 (c) Less than twenty-nine years of age, unless the beneficiary  
5 serves in a national service program, including the United States  
6 armed forces, national guard, americorps, or the peace corps, in  
7 which case each month of service shall increase the maturity date of  
8 the account by one month.

9 (5) Withdrawals from an account may only be used for qualifying  
10 higher education expenses.

11 (6) An educational savings account will be considered mature when  
12 a beneficiary turns twenty-nine years of age. If a beneficiary does  
13 not use the grant funds in his or her account before reaching his or  
14 her twenty-ninth birthday for a qualifying higher education expense,  
15 or in the event that the beneficiary dies, unused grant money  
16 originally deposited by the council and any interest earned on grant  
17 money must be returned to the Washington next generation educational  
18 savings account program account created in section 10 of this act.  
19 Any private contributions added to a beneficiary's account and  
20 interest earned on those private contributions must remain with the  
21 beneficiary or the beneficiary's family or heir. If private  
22 contributions and interest earned on private contributions are not  
23 used for a qualifying higher education expense, they may be subject  
24 to tax regulations.

25 NEW SECTION. **Sec. 5.** The program must be established through  
26 the college savings plan.

27 NEW SECTION. **Sec. 6.** (1) The council shall seek to contract  
28 with a federally insured financial institution to establish the  
29 program using traditional savings accounts.

30 (2) If the program is established as stated in subsection (1) of  
31 this section and a Washington college savings plan is established in  
32 the future, the council shall study the feasibility of transferring  
33 the traditional savings accounts over to the college savings plan. If  
34 the council's study deems a transfer as feasible, the council may  
35 move forward with transferring and establishing the program through  
36 the college savings plan.

1        NEW SECTION.        **Sec. 7.**        (1) Any amounts deposited in an  
2 educational savings account established under this chapter shall not  
3 be taken into account in determining an individual's eligibility to  
4 receive, or the amount of, any federally or state-funded assistance  
5 or benefit, including temporary assistance for needy families,  
6 medicaid, or student financial aid, unless expressly prohibited by  
7 federal law.

8        (2) An educational savings account opened up for a beneficiary  
9 under this chapter is exempt from unclaimed property laws and rules  
10 until the beneficiary turns twenty-nine years of age.

11        NEW SECTION.        **Sec. 8.**        The council may coordinate the program  
12 with the advanced college tuition payment program in chapter 28B.95  
13 RCW to the extent the council deems appropriate. However, the  
14 committee on advanced college tuition payment program shall not have  
15 authority over the program.

16        NEW SECTION.        **Sec. 9.**        The council shall coordinate with the  
17 financial education public private partnership to make financial  
18 literacy information available, including information about resources  
19 and curriculum available through the financial education public  
20 private partnership, to beneficiaries and their families enrolled in  
21 the program.

22        NEW SECTION.        **Sec. 10.**        (1) The Washington next generation  
23 educational savings account program account is created in the custody  
24 of the state treasurer. Expenditures from the account may be used  
25 only for the purposes of the Washington next generation educational  
26 savings account program established under this chapter. The account  
27 must be a discrete nontreasury account retaining its interest  
28 earnings in accordance with RCW 43.79A.040.

29        (2) The council shall deposit into the account all money received  
30 for the program. The account shall be self-sustaining and consist of  
31 funds received from public or private sources. The account shall be  
32 credited with all investment income earned by the account.  
33 Disbursements from the account are exempt from appropriations and the  
34 allotment provisions of chapter 43.88 RCW. Money used for program  
35 administration is subject to the allotment of all expenditures.  
36 However, an appropriation is not required for such expenditures.  
37 Program administration shall include, but not be limited to: The

1 salaries and expenses of the program personnel including lease  
2 payments, travel, and goods and services necessary for program  
3 operation; contracts for program promotion and advertisement, audits,  
4 and account management; and other general costs of conducting the  
5 business of the program.

6 (3) The assets of the account may be spent without appropriation  
7 for the purpose of making initial deposits to open educational  
8 savings accounts and for additional grants for qualifying low-income  
9 beneficiaries. Only the council's executive director or the executive  
10 director's designee may authorize expenditures from the account.

11 (4) With regard to the assets of the account, the state acts in a  
12 fiduciary, not ownership, capacity. Therefore the assets of the  
13 program are not considered state money, common cash, or revenue to  
14 the state.

15 NEW SECTION. **Sec. 11.** The council shall report to the  
16 appropriate committees of the legislature in accordance with the  
17 reporting requirements in RCW 43.01.036 by November 1st of the  
18 beginning of each biennium on the status of the program. The report  
19 must include data on the number of accounts opened, the average  
20 balances of the accounts, the demographics of the account holders and  
21 their families, and any other relevant data the council deems  
22 appropriate.

23 NEW SECTION. **Sec. 12.** The Washington state institute for public  
24 policy shall conduct a program evaluation after six years of the  
25 program's inception, and every six years thereafter.

26 **Sec. 13.** RCW 26.33.390 and 1991 c 136 s 5 are each amended to  
27 read as follows:

28 (1) All persons adopting a child through the department shall  
29 receive written information on the department's adoption-related  
30 services including, but not limited to, adoption support, family  
31 reconciliation services, archived records, mental health, ~~((and))~~  
32 developmental disabilities, and information about how to opt-in to  
33 the Washington next generation educational savings account program  
34 established in chapter 28B.-- RCW (the new chapter created in section  
35 16 of this act).

36 (2) Any person adopting a child shall receive from the adoption  
37 facilitator written information on adoption-related services. This

1 information may be that published by the department or any other  
2 social service provider and shall include information about how to  
3 find and evaluate appropriate adoption therapists, and may include  
4 other resources for adoption-related issues. Information about how to  
5 opt-in to the Washington next generation educational savings account  
6 program must also be provided.

7 (3) Any person involved in providing adoption-related services  
8 shall respond to requests for written information by providing  
9 materials explaining adoption procedures, practices, policies, fees,  
10 and services. Information about how to opt-in to the Washington next  
11 generation educational savings account program must also be provided.

12 **Sec. 14.** RCW 43.79A.040 and 2013 c 251 s 5 and 2013 c 88 s 1 are  
13 each reenacted and amended to read as follows:

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

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

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

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

33 (b) The following accounts and funds must receive their  
34 proportionate share of earnings based upon each account's or fund's  
35 average daily balance for the period: The Washington promise  
36 scholarship account, the Washington advanced college tuition payment  
37 program account, the Washington next generation educational savings  
38 account program account, the accessible communities account, the  
39 community and technical college innovation account, the agricultural

1 local fund, the American Indian scholarship endowment fund, the  
2 foster care scholarship endowment fund, the foster care endowed  
3 scholarship trust fund, the contract harvesting revolving account,  
4 the Washington state combined fund drive account, the commemorative  
5 works account, the county enhanced 911 excise tax account, the toll  
6 collection account, the developmental disabilities endowment trust  
7 fund, the energy account, the fair fund, the family leave insurance  
8 account, the food animal veterinarian conditional scholarship  
9 account, the fruit and vegetable inspection account, the future  
10 teachers conditional scholarship account, the game farm alternative  
11 account, the GET ready for math and science scholarship account, the  
12 Washington global health technologies and product development  
13 account, the grain inspection revolving fund, the industrial  
14 insurance rainy day fund, the juvenile accountability incentive  
15 account, the law enforcement officers' and firefighters' plan 2  
16 expense fund, the local tourism promotion account, the multiagency  
17 permitting team account, the pilotage account, the produce railcar  
18 pool account, the regional transportation investment district  
19 account, the rural rehabilitation account, the stadium and exhibition  
20 center account, the youth athletic facility account, the self-  
21 insurance revolving fund, the children's trust fund, the Washington  
22 horse racing commission Washington bred owners' bonus fund and  
23 breeder awards account, the Washington horse racing commission class  
24 C purse fund account, the individual development account program  
25 account, the Washington horse racing commission operating account,  
26 the life sciences discovery fund, the Washington state heritage  
27 center account, the reduced cigarette ignition propensity account,  
28 the center for childhood deafness and hearing loss account, the  
29 school for the blind account, the Millersylvania park trust fund, the  
30 public employees' and retirees' insurance reserve fund, and the  
31 radiation perpetual maintenance fund.

32 (c) The following accounts and funds must receive eighty percent  
33 of their proportionate share of earnings based upon each account's or  
34 fund's average daily balance for the period: The advanced right-of-  
35 way revolving fund, the advanced environmental mitigation revolving  
36 account, the federal narcotics asset forfeitures account, the high  
37 occupancy vehicle account, the local rail service assistance account,  
38 and the miscellaneous transportation programs account.

39 (d) Any state agency that has independent authority over accounts  
40 or funds not statutorily required to be held in the custody of the



1 state treasurer that deposits funds into a fund or account in the  
2 custody of the state treasurer pursuant to an agreement with the  
3 office of the state treasurer shall receive its proportionate share  
4 of earnings based upon each account's or fund's average daily balance  
5 for the period.

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

9 NEW SECTION. **Sec. 15.** (1) Section 5 of this act takes effect  
10 July 1, 2019, only if the notice required in subsection (3) of this  
11 section is provided by June 30, 2019, that a college savings plan has  
12 been established.

13 (2) Section 6 of this act takes effect July 1, 2019, only if the  
14 notice required in subsection (3) of this section is provided by June  
15 30, 2019, that a college savings plan has not been established.

16 (3) The chair of the committee on advanced tuition payment shall  
17 notify the legislature and the office of the code reviser if the  
18 event in subsection (1) of this section occurs or does not occur.

19 NEW SECTION. **Sec. 16.** Sections 1 through 12 of this act  
20 constitute a new chapter in Title 28B RCW.

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