

112TH CONGRESS
2D SESSION

H. R. 4207

To award grants in order to establish longitudinal personal college readiness
and savings online platforms for low-income students.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 2012

Mr. FATTAH introduced the following bill; which was referred to the
Committee on Education and the Workforce

A BILL

To award grants in order to establish longitudinal personal
college readiness and savings online platforms for low-
income students.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American Dream Ac-
5 counts Act of 2012”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) Only 9.8 out of every 100 individuals from
9 low-income families will graduate from an institution
10 of higher education before reaching the age of 24.

1 (2) Lack of knowledge about how to apply to,
2 and pay for, an institution of higher education is a
3 barrier for many low-income students and students
4 who would be in the first generation in their families
5 to attend an institution of higher education.

6 (3) According to Public Agenda, most young
7 adults give secondary school counselors fair or poor
8 ratings for advice about attending an institution of
9 higher education, including advice about how to de-
10 cide what institution of higher education to attend,
11 how to pay for higher education, what careers to
12 pursue, and how to apply to an institution of higher
13 education.

14 (4) More than 1,700,000 students fail to file
15 the Free Application for Federal Student Aid
16 (FAFSA), and about one-third of such students
17 would qualify for a Federal Pell Grant.

18 (5) During the last 2 decades, costs of attend-
19 ing institutions of higher education have increased
20 dramatically, but need-based financial aid has not
21 kept pace with such increasing costs.

22 (6) In the 1990–1991 school year, the max-
23 imum Federal Pell Grant covered 45 percent of the
24 average cost of attendance at a public 4-year institu-
25 tion of higher education (including tuition, fees,

1 room, and board), but in the 2010–2011 school year,
2 the maximum Federal Pell Grant covered only 34
3 percent of such cost.

4 (7) Parental and youth college savings are
5 strong predictors of a youth’s expectations about at-
6 tendance at an institution of higher education.

7 (8) Only 32 percent of parents who earn less
8 than \$35,000 a year are saving for their child’s edu-
9 cation at an institution of higher education.

10 (9) According to the Center for Social Develop-
11 ment, “wilt” occurs when a young person who ex-
12 pects to graduate from a 4-year institution of higher
13 education has not yet attended such institution by
14 the ages of 19 to 22.

15 (10) Children who have savings dedicated for
16 attendance at an institution of higher education are
17 4 times more likely to attend a 4-year institution of
18 higher education and avoid “wilt”.

19 **SEC. 3. DEFINITIONS.**

20 In this Act:

21 (1) ESEA DEFINITIONS.—The terms “local
22 educational agency”, “parent”, “State educational
23 agency”, and “Secretary” shall have the meanings
24 given the terms in section 9101 of the Elementary
25 and Secondary Education Act of 1965 (20 U.S.C.

1 7801) and the term “charter school” shall have the
2 meaning given the term in section 5210 of such Act.

3 (2) AMERICAN DREAM ACCOUNT.—The term
4 “American Dream Account” means a personal on-
5 line account for low-income students that monitors
6 higher education readiness and includes a college
7 savings account.

8 (3) APPROPRIATE COMMITTEES OF CON-
9 GRESS.—The term “appropriate committees of Con-
10 gress” means the Committee on Health, Education,
11 Labor, and Pensions, the Committee on Appropria-
12 tions, and the Committee on Finance of the Senate,
13 and the Committee on Education and the Work-
14 force, the Committee on Appropriations, and the
15 Committee on Ways and Means of the House of
16 Representatives, as well as any other Committee of
17 the Senate or House of Representatives that the
18 Secretary determines appropriate.

19 (4) COLLEGE SAVINGS ACCOUNT.—The term
20 “college savings account” means a savings account
21 that—

22 (A) provides some tax-preferred accumula-
23 tion;

24 (B) is widely available (such as Qualified
25 Tuition Programs under section 529 of the In-

1 ternal Revenue Code of 1986 or Coverdell Edu-
2 cation Savings Accounts under section 530 of
3 the Internal Revenue Code of 1986); and

4 (C) contains funds that may be used only
5 for the costs associated with attending an insti-
6 tution of higher education, including—

7 (i) tuition and fees;

8 (ii) room and board;

9 (iii) textbooks;

10 (iv) supplies and equipment; and

11 (v) Internet access.

12 (5) DUAL ENROLLMENT PROGRAM.—The term
13 “dual enrollment program” means an academic pro-
14 gram through which a secondary school student is
15 able simultaneously to earn credit toward a sec-
16 ondary school diploma and a postsecondary degree
17 or credential.

18 (6) ELIGIBLE ENTITY.—The term “eligible enti-
19 ty” means—

20 (A) a State educational agency;

21 (B) a local educational agency;

22 (C) a charter school;

23 (D) an institution of higher education;

24 (E) a nonprofit organization;

1 (F) an entity with demonstrated experience
 2 in educational savings or in assisting low-in-
 3 come students to prepare for, and attend, an in-
 4 stitution of higher education; or

5 (G) a consortium of 2 or more of the enti-
 6 ties described in subparagraphs (A) through
 7 (F).

8 (7) INSTITUTION OF HIGHER EDUCATION.—The
 9 term “institution of higher education” has the
 10 meaning given the term in section 101(a) of the
 11 Higher Education Act of 1965 (20 U.S.C. 1001(a)).

12 (8) LOW-INCOME STUDENT.—The term “low-in-
 13 come student” means a student who is eligible to re-
 14 ceive a free or reduced price lunch under the Rich-
 15 ard B. Russell National School Lunch Act (42
 16 U.S.C. 1751 et seq.).

17 **SEC. 4. GRANT PROGRAM.**

18 (a) PROGRAM AUTHORIZED.—The Secretary is au-
 19 thorized to award grants, on a competitive basis, to eligible
 20 entities to enable such eligible entities to establish and ad-
 21 minister American Dream Accounts for a group of low-
 22 income students.

23 (b) RESERVATION.—From the amount appropriated
 24 each fiscal year to carry out this Act, the Secretary shall

1 reserve not more than 5 percent of such amount to carry
2 out the evaluation activities described in section 7(a).

3 (c) DURATION.—A grant awarded under this Act
4 shall be for a period of not more than 3 years. The Sec-
5 retary may extend such grant for an additional 2-year pe-
6 riod if the Secretary determines that the eligible entity has
7 demonstrated significant progress, based on the factors
8 described in section 5(b)(10).

9 **SEC. 5. APPLICATIONS; PRIORITY.**

10 (a) IN GENERAL.—Each eligible entity desiring a
11 grant under this Act shall submit an application to the
12 Secretary at such time, in such manner, and containing
13 such information as the Secretary may require.

14 (b) CONTENTS.—At a minimum, the application de-
15 scribed in subsection (a) shall include the following:

16 (1) A description of the characteristics of a
17 group of not less than 30 low-income public school
18 students who—

19 (A) are, at the time of the application, at-
20 tending a grade not higher than grade 9; and

21 (B) will, under the grant, receive an Amer-
22 ican Dream Account.

23 (2) A description of how the eligible entity will
24 engage, and provide support (such as tutoring and
25 mentoring for students, and training for teachers

1 and other stakeholders) either online or in person,
2 to—

3 (A) the students in the group described in
4 paragraph (1);

5 (B) the family members and teachers of
6 such students; and

7 (C) other stakeholders such as school ad-
8 ministrators and school counselors.

9 (3) An identification of partners who will assist
10 the eligible entity in establishing and sustaining
11 American Dream Accounts.

12 (4) A description of what experience the eligible
13 entity or the eligible entity's partners have in man-
14 aging college savings accounts, preparing low-income
15 students for postsecondary education, managing on-
16 line systems, and teaching financial literacy.

17 (5) A demonstration that the eligible entity has
18 sufficient resources to provide an initial deposit into
19 the college savings account portion of each American
20 Dream Account.

21 (6) A description of how the eligible entity will
22 help increase the value of the college savings account
23 portion of each American Dream Account, such as
24 by providing matching funds or incentives for aca-
25 demic achievement.

1 (7) A description of how the eligible entity will
2 notify each participating student in the group de-
3 scribed in paragraph (1), on a semiannual basis, of
4 the current balance and status of the student's col-
5 lege savings account portion of the student's Amer-
6 ican Dream Account.

7 (8) A plan that describes how the eligible entity
8 will monitor participating students in the group de-
9 scribed in paragraph (1) to ensure that each stu-
10 dent's American Dream Account will be maintained
11 if a student in such group changes schools before
12 graduating from secondary school.

13 (9) A plan that describes how the American
14 Dream Accounts will be managed for not less than
15 1 year after a majority of the students in the group
16 described in paragraph (1) graduate from secondary
17 school.

18 (10) A description of how the eligible entity will
19 encourage students in the group described in para-
20 graph (1) who fail to graduate from secondary
21 school to continue their education.

22 (11) A description of how the eligible entity will
23 evaluate the grant program, including by collecting,
24 as applicable, the following data about the students
25 in the group described in paragraph (1) during the

1 grant period, and, if sufficient grant funds are avail-
2 able, after the grant period:

3 (A) Attendance rates.

4 (B) Progress reports.

5 (C) Grades and course selections.

6 (D) The student graduation rate, as de-
7 fined in section 1111(b)(2)(C)(vi) of the Ele-
8 mentary and Secondary Education Act of 1965
9 (20 U.S.C. 6311(b)(2)(C)(vi)).

10 (E) Rates of student completion of the
11 Free Application for Federal Student Aid de-
12 scribed in section 483 of the Higher Education
13 Act of 1965 (20 U.S.C. 1090).

14 (F) Rates of enrollment in an institution of
15 higher education.

16 (G) Rates of completion at an institution
17 of higher education.

18 (12) A description of what will happen to the
19 funds in the college savings account portion of the
20 American Dream Accounts that are dedicated to
21 participating students described in paragraph (1)
22 who have not matriculated at an institution of high-
23 er education at the time of the conclusion of the pe-
24 riod of American Dream Account management de-
25 scribed in paragraph (8).

1 (13) A description of how the eligible entity will
2 ensure that funds in the college savings account por-
3 tion of the American Dream Accounts will not make
4 families ineligible for public assistance.

5 (14) A description of how the eligible entity will
6 ensure that participating students described in para-
7 graph (1) will have access to the Internet.

8 (c) PRIORITY.—In awarding grants under this Act,
9 the Secretary shall give priority to applications from eligi-
10 ble entities that—

11 (1) are described in section 3(6)(G);

12 (2) serve the largest number of low-income stu-
13 dents; or

14 (3) in the case of an eligible entity described in
15 subparagraphs (A) or (B) of section 3(6), provide
16 opportunities for participating students described in
17 paragraph (1) to participate in a dual enrollment
18 program at no cost to the student.

19 **SEC. 6. AUTHORIZED ACTIVITIES.**

20 (a) IN GENERAL.—An eligible entity that receives a
21 grant under this Act shall use such grant funds to estab-
22 lish an American Dream Account for each participating
23 student described in section 5(b)(1), which will be used
24 to—

1 (1) open a college savings account for such stu-
2 dent;

3 (2) monitor the progress of such student online,
4 which—

5 (A) shall include monitoring student data
6 relating to—

7 (i) grades and course selections;

8 (ii) progress reports; and

9 (iii) attendance and disciplinary
10 records; and

11 (B) may also include monitoring student
12 data relating to a broad range of information,
13 provided by teachers and family members, re-
14 lated to postsecondary education readiness, ac-
15 cess, and completion;

16 (3) provide opportunities for such students, ei-
17 ther online or in person, to learn about financial lit-
18 eracy, including by—

19 (A) assisting such students in financial
20 planning for enrollment in an institution of
21 higher education; and

22 (B) assisting such students in identifying
23 and applying for financial aid (such as loans,
24 grants, and scholarships) for an institution of
25 higher education;

1 (4) provide opportunities for such students, ei-
2 ther online or in person, to learn about preparing for
3 enrollment in an institution of higher education, in-
4 cluding by providing instruction to students about—

5 (A) choosing the appropriate courses to
6 prepare for postsecondary education;

7 (B) applying to an institution of higher
8 education;

9 (C) building a student portfolio, which may
10 be used when applying to an institution of high-
11 er education;

12 (D) selecting an institution of higher edu-
13 cation;

14 (E) choosing a major for the student's
15 postsecondary program of education or a career
16 path; and

17 (F) adapting to life at an institution of
18 higher education; and

19 (5) provide opportunities for such students, ei-
20 ther online or in person, to identify skills or inter-
21 ests, including career interests.

22 (b) ACCESS TO AMERICAN DREAM ACCOUNT.—

23 (1) IN GENERAL.—Subject to paragraphs (3)
24 and (4), and in accordance with applicable Federal
25 laws and regulations relating to privacy of informa-

1 tion and the privacy of children, an eligible entity
2 that receives a grant under this Act shall allow vest-
3 ed stakeholders, as described in paragraph (2), to
4 have secure access, through the Internet, to an
5 American Dream Account.

6 (2) VESTED STAKEHOLDERS.—The vested
7 stakeholders that an eligible entity shall permit to
8 access an American Dream Account are individuals
9 (such as the student’s teachers, school counselors,
10 counselors at an institution of higher education,
11 school administrators, or other individuals) that are
12 designated, in accordance with the Family Edu-
13 cational Rights and Privacy Act of 1974 (20 U.S.C.
14 1232g), by the parent of a participating student in
15 whose name such American Dream Account is held,
16 as having permission to access the account. A stu-
17 dent’s parent may withdraw such designation from
18 an individual at any time.

19 (3) EXCEPTION FOR COLLEGE SAVINGS AC-
20 COUNT.—An eligible entity that receives a grant
21 under this Act shall not be required to give vested
22 stakeholders, as described in paragraph (2), access
23 to the college savings account portion of a student’s
24 American Dream Account.

1 (4) ADULT STUDENTS.—Notwithstanding para-
2 graphs (1), (2), and (3), if a participating student
3 is age 18 or older, an eligible entity that receives a
4 grant under this Act shall not provide access to such
5 participating student’s American Dream Account
6 without the student’s consent, in accordance with
7 the Family Educational Rights and Privacy Act of
8 1974 (20 U.S.C. 1232g).

9 (5) INPUT OF STUDENT INFORMATION.—Stu-
10 dent data collected pursuant to subsection (a)(2)(A)
11 shall be entered into an American Dream Account
12 only by a school administrator or such administra-
13 tor’s designee.

14 (c) PROHIBITION ON USE OF STUDENT INFORMA-
15 TION.—An eligible entity that receives a grant under this
16 Act shall not use any student-level information or data for
17 the purpose of soliciting, advertising, or marketing any fi-
18 nancial or non-financial consumer product or service that
19 is offered by such eligible entity, or on behalf of any other
20 person.

21 (d) PROHIBITION ON THE USE OF GRANT FUNDS.—
22 An eligible entity shall not use grant funds provided under
23 this Act to provide the initial deposit into a college savings
24 account portion of a student’s American Dream Account.

1 **SEC. 7. REPORTS AND EVALUATIONS.**

2 (a) IN GENERAL.—Not later than 1 year after the
3 Secretary has disbursed grants under this Act, and annu-
4 ally thereafter until each grant disbursed under section 4
5 has ended, the Secretary shall prepare and submit a report
6 to the appropriate committees of Congress, which shall in-
7 clude an evaluation of the effectiveness of the grant pro-
8 gram established under this Act.

9 (b) CONTENTS.—The report described in subsection
10 (a) shall—

11 (1) list the grants that have been awarded
12 under section 4(a);

13 (2) include the number of students who have an
14 American Dream Account established through a
15 grant awarded under section 4(a);

16 (3) provide data (including the interest accrued
17 on college savings accounts that are part of an
18 American Dream Account) in the aggregate, regard-
19 ing students who have an American Dream Account
20 established through a grant awarded under section
21 4(a), as compared to similarly situated students who
22 do not have an American Dream Account;

23 (4) identify best practices developed by the eli-
24 gible entities receiving grants under this Act;

1 (5) identify any issues related to student pri-
2 vacy and stakeholder accessibility to American
3 Dream Accounts;

4 (6) provide feedback from participating stu-
5 dents and the parents of such students about the
6 grant program, including—

7 (A) the impact of the program;

8 (B) aspects of the program that are suc-
9 cessful;

10 (C) aspects of the program that are not
11 successful; and

12 (D) any other data required by the Sec-
13 retary; and

14 (7) provide recommendations for expanding the
15 American Dream Accounts program.

16 **SEC. 8. ELIGIBILITY TO RECEIVE FEDERAL STUDENT FI-**
17 **NANCIAL AID.**

18 Notwithstanding any other provision of law, any
19 funds that are in the college savings account portion of
20 a student's American Dream Account shall not affect such
21 student's eligibility to receive Federal student financial
22 aid, including any Federal student financial aid under the
23 Higher Education Act of 1965 (20 U.S.C. 1001), and
24 shall not be considered in determining the amount of any
25 such Federal student aid.

1 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

2 There are authorized to be appropriated to carry out
3 this Act \$3,000,000 for fiscal year 2013, from existing
4 Department of Education funds, and such sums as may
5 be necessary for each subsequent fiscal year.

6 **SEC. 10. CONFORMING AMENDMENT.**

7 Section 480(j) of the Higher Education Act of 1965
8 (20 U.S.C. 1087vv(j)) is amended by adding at the end
9 the following:

10 “(5) Notwithstanding paragraph (1), amounts
11 made available under the college savings account
12 portion of an American Dream Account under the
13 American Dream Accounts Act of 2012 shall not be
14 treated as estimated financial assistance for pur-
15 poses of section 471(3).”.

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