

112TH CONGRESS
2D SESSION

S. 2194

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

IN THE SENATE OF THE UNITED STATES

MARCH 15, 2012

Mr. COONS (for himself, Mr. RUBIO, and Mr. BINGAMAN) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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:

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

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

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

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

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

1 (6) In the 1990–1991 school year, the max-
2 imum Federal Pell Grant covered 45 percent of the
3 average cost of attendance at a public 4-year institu-
4 tion of higher education (including tuition, fees,
5 room, and board), but in the 2010–2011 school year,
6 the maximum Federal Pell Grant covered only 34
7 percent of such cost.

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

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

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

19 (10) Children who have savings dedicated for
20 attendance at an institution of higher education are
21 4 times more likely to attend a 4-year institution of
22 higher education and avoid “wilt.”

23 **SEC. 3. DEFINITIONS.**

24 In this Act:

1 (1) ESEA DEFINITIONS.—The terms “local
2 educational agency”, “parent”, “State educational
3 agency”, and “Secretary” shall have the meanings
4 given the terms in section 9101 of the Elementary
5 and Secondary Education Act of 1965 (20 U.S.C.
6 7801) and the term “charter school” shall have the
7 meaning given the term in section 5210 of such Act.

8 (2) AMERICAN DREAM ACCOUNT.—The term
9 “American Dream Account” means a personal on-
10 line account for low-income students that monitors
11 higher education readiness and includes a college
12 savings account.

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

1 (4) COLLEGE SAVINGS ACCOUNT.—The term
 2 “college savings account” means a savings account
 3 that—

4 (A) provides some tax-preferred accumula-
 5 tion;

6 (B) is widely available (such as Qualified
 7 Tuition Programs under section 529 of the In-
 8 ternal Revenue Code of 1986 or Coverdell Edu-
 9 cation Savings Accounts under section 530 of
 10 the Internal Revenue Code of 1986); and

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

14 (i) tuition and fees;

15 (ii) room and board;

16 (iii) textbooks;

17 (iv) supplies and equipment; and

18 (v) Internet access.

19 (5) DUAL ENROLLMENT PROGRAM.—The term
 20 “dual enrollment program” means an academic pro-
 21 gram through which a secondary school student is
 22 able simultaneously to earn credit toward a sec-
 23 ondary school diploma and a postsecondary degree
 24 or credential.

(6) ELIGIBLE ENTITY.—The term “eligible entity” means—

(A) a State educational agency;

(B) a local educational agency;

(C) a charter school;

(D) an institution of higher education;

(E) a nonprofit organization;

(F) an entity with demonstrated experience in educational savings or in assisting low-income students to prepare for, and attend, an institution of higher education; or

(G) a consortium of 2 or more of the entities described in subparagraphs (A) through (F).

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

(8) LOW-INCOME STUDENT.—The term “low-income student” means a student who is eligible to receive a free or reduced price lunch under the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et seq.).

1 **SEC. 4. GRANT PROGRAM.**

2 (a) PROGRAM AUTHORIZED.—The Secretary is au-
 3 thorized to award grants, on a competitive basis, to eligible
 4 entities to enable such eligible entities to establish and ad-
 5 minister American Dream Accounts for a group of low-
 6 income students.

7 (b) RESERVATION.—From the amount appropriated
 8 each fiscal year to carry out this Act, the Secretary shall
 9 reserve not more than 5 percent of such amount to carry
 10 out the evaluation activities described in section 7(a).

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

17 **SEC. 5. APPLICATIONS; PRIORITY.**

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

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

24 (1) A description of the characteristics of a
 25 group of not less than 30 low-income public school
 26 students who—

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

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

5 (2) A description of how the eligible entity will
6 engage, and provide support (such as tutoring and
7 mentoring for students, and training for teachers
8 and other stakeholders) either online or in person,
9 to—

10 (A) the students in the group described in
11 paragraph (1);

12 (B) the family members and teachers of
13 such students; and

14 (C) other stakeholders such as school ad-
15 ministrators and school counselors.

16 (3) An identification of partners who will assist
17 the eligible entity in establishing and sustaining
18 American Dream Accounts.

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

24 (5) A demonstration that the eligible entity has
25 sufficient resources to provide an initial deposit into

1 the college savings account portion of each American
2 Dream Account.

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

8 (7) A description of how the eligible entity will
9 notify each participating student in the group de-
10 scribed in paragraph (1), on a semiannual basis, of
11 the current balance and status of the student's col-
12 lege savings account portion of the student's Amer-
13 ican Dream Account.

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

20 (9) A plan that describes how the American
21 Dream Accounts will be managed for not less than
22 1 year after a majority of the students in the group
23 described in paragraph (1) graduate from secondary
24 school.

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

5 (11) A description of how the eligible entity will
6 evaluate the grant program, including by collecting,
7 as applicable, the following data about the students
8 in the group described in paragraph (1) during the
9 grant period, and, if sufficient grant funds are avail-
10 able, after the grant period:

11 (A) Attendance rates.

12 (B) Progress reports.

13 (C) Grades and course selections.

14 (D) The student graduation rate, as de-
15 fined in section 1111 (b)(2)(C)(vi) of the Ele-
16 mentary and Secondary Education Act of 1965
17 (20 U.S.C. 6311(b)(2)(C)(vi)).

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

22 (F) Rates of enrollment in an institution of
23 higher education.

24 (G) Rates of completion at an institution
25 of higher education.

1 (12) A description of what will happen to the
 2 funds in the college savings account portion of the
 3 American Dream Accounts that are dedicated to
 4 participating students described in paragraph (1)
 5 who have not matriculated at an institution of high-
 6 er education at the time of the conclusion of the pe-
 7 riod of American Dream Account management de-
 8 scribed in paragraph (8).

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

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

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

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

20 (2) serve the largest number of low-income stu-
 21 dents; or

22 (3) in the case of an eligible entity described in
 23 subparagraphs (A) or (B) of section 3(6), provide
 24 opportunities for participating students described in

1 paragraph (1) to participate in a dual enrollment
 2 program at no cost to the student.

3 **SEC. 6. AUTHORIZED ACTIVITIES.**

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

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

11 (2) monitor the progress of such student online,
 12 which—

13 (A) shall include monitoring student data
 14 relating to—

15 (i) grades and course selections;

16 (ii) progress reports; and

17 (iii) attendance and disciplinary
 18 records; and

19 (B) may also include monitoring student
 20 data relating to a broad range of information,
 21 provided by teachers and family members, re-
 22 lated to postsecondary education readiness, ac-
 23 cess, and completion;

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

4 (A) assisting such students in financial
5 planning for enrollment in an institution of
6 higher education; and

7 (B) assisting such students in identifying
8 and applying for financial aid (such as loans,
9 grants, and scholarships) for an institution of
10 higher education;

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

15 (A) choosing the appropriate courses to
16 prepare for postsecondary education;

17 (B) applying to an institution of higher
18 education;

19 (C) building a student portfolio, which may
20 be used when applying to an institution of high-
21 er education;

22 (D) selecting an institution of higher edu-
23 cation;

1 (E) choosing a major for the student's
2 postsecondary program of education or a career
3 path; and

4 (F) adapting to life at an institution of
5 higher education; and

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

9 (b) ACCESS TO AMERICAN DREAM ACCOUNT.—

10 (1) IN GENERAL.—Subject to paragraphs (3)
11 and (4), and in accordance with applicable Federal
12 laws and regulations relating to privacy of informa-
13 tion and the privacy of children, an eligible entity
14 that receives a grant under this Act shall allow vest-
15 ed stakeholders, as described in paragraph (2), to
16 have secure access, through the Internet, to an
17 American Dream Account.

18 (2) VESTED STAKEHOLDERS.—The vested
19 stakeholders that an eligible entity shall permit to
20 access an American Dream Account are individuals
21 (such as the student's teachers, school counselors,
22 counselors at an institution of higher education,
23 school administrators, or other individuals) that are
24 designated, in accordance with the Family Edu-
25 cational Rights and Privacy Act of 1974 (20 U.S.C.

1 1232g), by the parent of a participating student in
2 whose name such American Dream Account is held,
3 as having permission to access the account. A stu-
4 dent's parent may withdraw such designation from
5 an individual at any time.

6 (3) EXCEPTION FOR COLLEGE SAVINGS AC-
7 COUNT.—An eligible entity that receives a grant
8 under this Act shall not be required to give vested
9 stakeholders, as described in paragraph (2), access
10 to the college savings account portion of a student's
11 American Dream Account.

12 (4) ADULT STUDENTS.—Notwithstanding para-
13 graphs (1), (2), and (3), if a participating student
14 is age 18 or older, an eligible entity that receives a
15 grant under this Act shall not provide access to such
16 participating student's American Dream Account
17 without the student's consent, in accordance with
18 the Family Educational Rights and Privacy Act of
19 1974 (20 U.S.C. 1232g).

20 (5) INPUT OF STUDENT INFORMATION.—Stu-
21 dent data collected pursuant to subsection (a)(2)(A)
22 shall be entered into an American Dream Account
23 only by a school administrator or such administra-
24 tor's designee.

1 (c) PROHIBITION ON USE OF STUDENT INFORMA-
 2 TION.—An eligible entity that receives a grant under this
 3 Act shall not use any student-level information or data for
 4 the purpose of soliciting, advertising, or marketing any fi-
 5 nancial or non-financial consumer product or service that
 6 is offered by such eligible entity, or on behalf of any other
 7 person.

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

12 **SEC. 7. REPORTS AND EVALUATIONS.**

13 (a) IN GENERAL.—Not later than 1 year after the
 14 Secretary has disbursed grants under this Act, and annu-
 15 ally thereafter until each grant disbursed under section 4
 16 has ended, the Secretary shall prepare and submit a report
 17 to the appropriate committees of Congress, which shall in-
 18 clude an evaluation of the effectiveness of the grant pro-
 19 gram established under this Act.

20 (b) CONTENTS.—The report described in subsection
 21 (a) shall—

22 (1) list the grants that have been awarded
 23 under section 4(a);

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

4 (3) provide data (including the interest accrued
5 on college savings accounts that are part of an
6 American Dream Account) in the aggregate, regard-
7 ing students who have an American Dream Account
8 established through a grant awarded under section
9 4(a), as compared to similarly situated students who
10 do not have an American Dream Account;

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

13 (5) identify any issues related to student pri-
14 vacy and stakeholder accessibility to American
15 Dream Accounts;

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

19 (A) the impact of the program;

20 (B) aspects of the program that are suc-
21 cessful;

22 (C) aspects of the program that are not
23 successful; and

24 (D) any other data required by the Sec-
25 retary; and

1 (7) provide recommendations for expanding the
2 American Dream Accounts program.

3 **SEC. 8. ELIGIBILITY TO RECEIVE FEDERAL STUDENT FI-**
4 **NANCIAL AID.**

5 Notwithstanding any other provision of law, any
6 funds that are in the college savings account portion of
7 a student's American Dream Account shall not affect such
8 student's eligibility to receive Federal student financial
9 aid, including any Federal student financial aid under the
10 Higher Education Act of 1965 (20 U.S.C. 1001), and
11 shall not be considered in determining the amount of any
12 such Federal student aid.

13 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

14 There are authorized to be appropriated to carry out
15 this Act \$3,000,000 for fiscal year 2012, from existing
16 Department of Education funds, and such sums as may
17 be necessary for each subsequent fiscal year.

18 **SEC. 10. CONFORMING AMENDMENT.**

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

22 “(5) Notwithstanding paragraph (1), amounts
23 made available under the college savings account
24 portion of an American Dream Account under the
25 American Dream Accounts Act of 2012 shall not be

- 1 treated as estimated financial assistance for pur-
- 2 poses of section 471(3).”.

○