

114TH CONGRESS
1ST SESSION

S. 687

To authorize the establishment of American Dream Accounts.

IN THE SENATE OF THE UNITED STATES

MARCH 10, 2015

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

A BILL

To authorize the establishment of American Dream Accounts.

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”.

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) **AMERICAN DREAM ACCOUNT.**—The term
 22 “American Dream Account” means a personal on-
 23 line account for low-income students that monitors
 24 higher education readiness and includes a college
 25 savings account.

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

12 (3) CHARTER SCHOOL.—The term “charter
13 school” has the meaning given such term in section
14 5210 of the Elementary and Secondary Education
15 Act of 1965 (20 U.S.C. 7221i).

16 (4) COLLEGE SAVINGS ACCOUNT.—The term
17 “college savings account” means a trust created or
18 organized exclusively for the purpose of paying the
19 qualified expenses of only an individual who, when
20 the trust is created or organized, has not obtained
21 18 years of age, if the written governing instrument
22 creating the trust contains the following require-
23 ments:

24 (A) The trustee is a Federally insured fi-
25 nancial institution, or a State insured financial

1 institution if a Federally insured financial insti-
2 tution is not available.

3 (B) The assets of the trust will be invested
4 in accordance with the direction of the indi-
5 vidual or of a parent or guardian of the indi-
6 vidual, after consultation with the entity pro-
7 viding the initial contribution to the trust or, if
8 applicable, a matching or other contribution for
9 the individual.

10 (C) The assets of the trust will not be
11 commingled with other property except in a
12 common trust fund or common investment
13 fund.

14 (D) Any amount in the trust that is attrib-
15 utable to an account seed or matched deposit
16 may be paid or distributed from the trust only
17 for the purpose of paying qualified expenses of
18 the individual.

19 (5) DUAL OR CONCURRENT ENROLLMENT PRO-
20 GRAM.—The term “dual or concurrent enrollment
21 program” means a program of study—

22 (A) provided by an institution of higher
23 education through which a student who has not
24 graduated from high school with a regular high
25 school diploma (as defined in section

200.19(b)(1)(iv) of title 34, Code of Federal Regulations, as such section was in effect on November 28, 2008) is able to earn postsecondary credit; and

(B) that shall consist of not less than 2 postsecondary credit-bearing courses and support and academic services that help a student persist and complete such courses.

(6) EARLY COLLEGE HIGH SCHOOL PROGRAM.—The term “early college high school program” means a formal partnership between at least 1 local educational agency and at least 1 institution of higher education that allows participants, who are primarily low-income students, to simultaneously complete requirements toward earning a regular high school diploma (as defined in section 200.19(b)(1)(iv) of title 34, Code of Federal Regulations, as such section was in effect on November 28, 2008) and earn not less than 12 transferable credits as part of an organized course of study toward a postsecondary degree or credential.

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

(A) a State educational agency;

1 (B) a local educational agency, including a
 2 charter school that operates as its own local
 3 educational agency;

4 (C) a charter management organization or
 5 charter school authorizer;

6 (D) an institution of higher education or a
 7 Tribal College or University;

8 (E) a nonprofit organization;

9 (F) an entity with demonstrated experience
 10 in educational savings or in assisting low-in-
 11 come students to prepare for, and attend, an in-
 12 stitution of higher education;

13 (G) a consortium of 2 or more of the enti-
 14 ties described in subparagraphs (A) through
 15 (F); or

16 (H) a consortium of 1 or more of the enti-
 17 ties described in subparagraphs (A) through
 18 (F) and a public school, a charter school, a
 19 school operated by the Bureau of Indian Af-
 20 fairs, or a tribally controlled school.

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

1 (9) LOCAL EDUCATIONAL AGENCY.—The term
 2 “local educational agency” has the meaning given
 3 such term in section 9101 of the Elementary and
 4 Secondary Education Act of 1965 (20 U.S.C. 7801).

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

10 (11) PARENT.—The term “parent” has the
 11 meaning given such term in section 9101 of the Ele-
 12 mentary and Secondary Education Act of 1965 (20
 13 U.S.C. 7801).

14 (12) QUALIFIED EXPENSES.—The term “quali-
 15 fied expenses” means, with respect to an individual,
 16 expenses that—

17 (A) are incurred after the individual re-
 18 ceives a secondary school diploma or its recog-
 19 nized equivalent; and

20 (B) are associated with attending an insti-
 21 tution of higher education, including—

22 (i) tuition and fees;

23 (ii) room and board;

24 (iii) textbooks;

25 (iv) supplies and equipment; and

1 (v) Internet access.

2 (13) SECRETARY.—The term “Secretary”
3 means the Secretary of Education.

4 (14) STATE EDUCATIONAL AGENCY.—The term
5 “State educational agency” has the meaning given
6 such term in section 9101 of the Elementary and
7 Secondary Education Act of 1965 (20 U.S.C. 7801).

8 (15) TRIBAL COLLEGE OR UNIVERSITY.—The
9 term “Tribal College or University” has the meaning
10 given such term in section 316(b) of the Higher
11 Education Act of 1965 (20 U.S.C. 1059c(b)).

12 (16) TRIBALLY CONTROLLED SCHOOL.—The
13 term “tribally controlled school” has the meaning
14 given such term in section 5212 of the Tribally Con-
15 trolled Schools Act of 1988 (25 U.S.C. 2511).

16 **SEC. 4. GRANT PROGRAM.**

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

22 (b) RESERVATION.—From the amounts appropriated
23 each fiscal year to carry out this Act, the Secretary shall
24 reserve not more than 5 percent of such amount to carry
25 out the evaluation activities described in section 7.

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

7 **SEC. 5. APPLICATIONS; PRIORITY.**

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

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

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

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

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

21 (2) A description of how the eligible entity will
 22 engage, and provide support (such as tutoring and
 23 mentoring for students, and training for teachers
 24 and other stakeholders) either online or in person,
 25 to—

1 (A) the students in the group described in
2 paragraph (1);

3 (B) the family members and teachers of
4 such students; and

5 (C) other stakeholders such as school ad-
6 ministrators and school counselors.

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

10 (4) A description of what experience the eligible
11 entity or the partners of the eligible entity have in
12 managing college savings accounts, preparing low-in-
13 come students for postsecondary education, man-
14 aging online systems, and teaching financial literacy.

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

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

24 (7) A description of how the eligible entity will
25 notify each participating student in the group de-

1 scribed in paragraph (1), on a semiannual basis, of
2 the current balance and status of the college savings
3 account portion of the American Dream Account of
4 the student.

5 (8) A plan that describes how the eligible entity
6 will monitor participating students in the group de-
7 scribed in paragraph (1) to ensure that the Amer-
8 ican Dream Account of each student will be main-
9 tained if a student in such group changes schools be-
10 fore graduating from secondary school.

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

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

20 (11) A description of how the eligible entity will
21 evaluate the grant program, including by collecting,
22 as applicable, the following data about the students
23 in the group described in paragraph (1) during the
24 grant period, or until the time of graduation from a
25 secondary school, whichever comes first, and, if suf-

1 ficient grant funds are available, after the grant pe-
2 riod:

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-

1 scribed in paragraph (9), including how the eligible
2 entity will give students this information.

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

6 (14) A description of how the eligible entity will
7 take into consideration how funds in the college sav-
8 ings account portion of American Dream Accounts
9 will affect participating families' eligibility for public
10 assistance.

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

14 (1) are described in subparagraph (G) or (H) of
15 section 3(7);

16 (2) serve the largest number of low-income stu-
17 dents;

18 (3) in the case of an eligible entity described in
19 subparagraph (A) or (B) of section 3(7), provide op-
20 portunities for participating students described in
21 subsection (b)(1) to participate in a dual or concur-
22 rent enrollment program or early college high school
23 program at no cost to the student or the student's
24 family; or

1 (4) as of the time of application, have been
 2 awarded a grant under chapter 2 of subpart 2 of
 3 part A of title IV of the Higher Education Act of
 4 1965 (20 U.S.C. 1070a–21 et seq.) (commonly re-
 5 ferred to as the “GEAR UP program”).

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

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

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

13 (2) monitor the progress of such student online,
 14 which—

15 (A) shall include monitoring student data
 16 relating to—

17 (i) grades and course selections;

18 (ii) progress reports; and

19 (iii) attendance and disciplinary
 20 records; and

21 (B) may also include monitoring student
 22 data relating to a broad range of information,
 23 provided by teachers and family members, re-
 24 lated to postsecondary education readiness, ac-
 25 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;

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; and

11 (C) enhancing student understanding of
12 consumer, economic, and personal finance con-
13 cepts;

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

18 (A) choosing the appropriate courses to
19 prepare for postsecondary education;

20 (B) applying to an institution of higher
21 education;

22 (C) building a student portfolio, which may
23 be used when applying to an institution of high-
24 er education;

1 (D) selecting an institution of higher edu-
 2 cation;

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

6 (F) adapting to life at an institution of
 7 higher education; and

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

11 (b) ACCESS TO AMERICAN DREAM ACCOUNT.—

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

20 (2) VESTED STAKEHOLDERS.—The vested
 21 stakeholders that an eligible entity shall permit to
 22 access an American Dream Account are individuals
 23 (such as the student's teachers, school counselors,
 24 school administrators, or other individuals) that are
 25 designated, in accordance with section 444 of the

1 General Education Provisions Act (20 U.S.C. 1232g,
 2 commonly known as the “Family Educational Rights
 3 and Privacy Act of 1974”), by the parent of a par-
 4 ticipating student in whose name such American
 5 Dream Account is held, as having permission to ac-
 6 cess the account. A student’s parent may withdraw
 7 such designation from an individual at any time.

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

14 (4) ADULT STUDENTS.—Notwithstanding para-
 15 graphs (1), (2), and (3), if a participating student
 16 is age 18 or older, an eligible entity that receives a
 17 grant under this Act shall not provide access to such
 18 participating student’s American Dream Account
 19 without the student’s consent, in accordance with
 20 section 444 of the General Education Provisions Act
 21 (20 U.S.C. 1232g, commonly known as the “Family
 22 Educational Rights and Privacy Act of 1974”).

23 (5) INPUT OF STUDENT INFORMATION.—Stu-
 24 dent data collected pursuant to subsection (a)(2)(A)
 25 shall be entered into an American Dream Account

1 only by a school administrator or the designee of
2 such administrator.

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

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

14 **SEC. 7. REPORTS AND EVALUATIONS.**

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

22 (b) CONTENTS.—The report described in subsection
23 (a) shall—

24 (1) list the grants that have been awarded
25 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 et seq.),
11 and shall not be considered in determining the amount of
12 any such Federal student aid.

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

14 There are authorized to be appropriated to carry out
15 this Act such sums as may be necessary for fiscal year
16 2016 and each of the 4 succeeding fiscal years.

○