

115TH CONGRESS  
1ST SESSION

# S. 1205

To authorize the establishment of American Dream Accounts.

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IN THE SENATE OF THE UNITED STATES

MAY 23, 2017

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

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## 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) CollegeBoard reports that the maximum  
23          Federal Pell Grant covered 87 percent of the aver-  
24          age tuition and fees for a public 4-year institution

1 of higher education in academic year 2003–2004 but  
2 only 60 percent in academic year 2016–2017.

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

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

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

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

18 (11) In 2013, only 2.5 percent of all families  
19 had a 529 college savings account and the majority  
20 of these families had higher incomes. Only 0.3 per-  
21 cent of families with incomes in the 0–49.9 per-  
22 centile had a 529 college savings account.

23 (12) According to the Center for Social Devel-  
24 opment, compared to those without college savings,  
25 children from low- and moderate-income households

1 with college savings from \$1 to \$499 were more  
2 than three times more likely to attend college and  
3 more than four times more likely to graduate from  
4 college.

5 **SEC. 3. DEFINITIONS.**

6 In this Act:

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

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

23 (3) CHARTER SCHOOL.—The term “charter  
24 school” has the meaning given such term in section

1 4310 of the Elementary and Secondary Education  
2 Act of 1965 (20 U.S.C. 7221i).

3 (4) COLLEGE SAVINGS ACCOUNT.—The term  
4 “college savings account” means a trust created or  
5 organized exclusively for the purpose of paying the  
6 qualified expenses of only an individual who, when  
7 the trust is created or organized, has not obtained  
8 18 years of age, if the written governing instrument  
9 creating the trust contains the following require-  
10 ments:

11 (A) The trustee is a federally insured fi-  
12 nancial institution, or a State insured financial  
13 institution if a federally insured financial insti-  
14 tution is not available.

15 (B) The assets of the trust will be invested  
16 in accordance with the direction of the indi-  
17 vidual or of a parent or guardian of the indi-  
18 vidual, after consultation with the entity pro-  
19 viding the initial contribution to the trust or, if  
20 applicable, a matching or other contribution for  
21 the individual.

22 (C) The assets of the trust will not be  
23 commingled with other property except in a  
24 common trust fund or common investment  
25 fund.

1           (D) Any amount in the trust that is attrib-  
2           utable to an account seed or matched deposit  
3           may be paid or distributed from the trust only  
4           for the purpose of paying qualified expenses of  
5           the individual.

6           (5) DUAL OR CONCURRENT ENROLLMENT PRO-  
7           GRAM.—The term “dual or concurrent enrollment  
8           program” has the meaning given such term in sec-  
9           tion 8101 of the Elementary and Secondary Edu-  
10          cation Act of 1965 (20 U.S.C. 7801).

11          (6) EARLY COLLEGE HIGH SCHOOL.—The term  
12          “early college high school” has the meaning given  
13          such term in section 8101 of the Elementary and  
14          Secondary Education Act of 1965 (20 U.S.C. 7801).

15          (7) ELIGIBLE ENTITY.—The term “eligible enti-  
16          ty” means—

17                 (A) a State educational agency;

18                 (B) a local educational agency, including a  
19                 charter school that operates as its own local  
20                 educational agency;

21                 (C) a charter management organization or  
22                 charter school authorizer;

23                 (D) an institution of higher education or a  
24                 Tribal College or University;

25                 (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;

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

8 (H) a consortium of 1 or more of the enti-  
9 ties described in subparagraphs (A) through  
10 (F) and a public school, a charter school, a  
11 school operated by the Bureau of Indian Af-  
12 fairs, or a tribally controlled school.

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

17 (9) LOCAL EDUCATIONAL AGENCY.—The term  
18 “local educational agency” has the meaning given  
19 such term in section 8101 of the Elementary and  
20 Secondary Education Act of 1965 (20 U.S.C. 7801).

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

1           (11) PARENT.—The term “parent” has the  
2 meaning given such term in section 8101 of the Ele-  
3 mentary and Secondary Education Act of 1965 (20  
4 U.S.C. 7801).

5           (12) QUALIFIED EXPENSES.—The term “quali-  
6 fied expenses” means, with respect to an individual,  
7 expenses that—

8                   (A) are incurred after the individual re-  
9 ceives a secondary school diploma or its recog-  
10 nized equivalent; and

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

13                           (i) tuition and fees;

14                           (ii) room and board;

15                           (iii) textbooks;

16                           (iv) supplies and equipment; and

17                           (v) Internet access.

18           (13) SECRETARY.—The term “Secretary”  
19 means the Secretary of Education.

20           (14) STATE EDUCATIONAL AGENCY.—The term  
21 “State educational agency” has the meaning given  
22 such term in section 8101 of the Elementary and  
23 Secondary Education Act of 1965 (20 U.S.C. 7801).

24           (15) TRIBAL COLLEGE OR UNIVERSITY.—The  
25 term “Tribal College or University” has the meaning



1 given such term in section 316(b) of the Higher  
2 Education Act of 1965 (20 U.S.C. 1059c(b)).

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

7 **SEC. 4. GRANT PROGRAM.**

8 (a) PROGRAM AUTHORIZED.—The Secretary is au-  
9 thorized to award grants, on a competitive basis, to eligible  
10 entities to enable such eligible entities to establish and ad-  
11 minister American Dream Accounts for a group of low-  
12 income students.

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

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

23 **SEC. 5. APPLICATIONS; PRIORITY.**

24 (a) IN GENERAL.—Each eligible entity desiring a  
25 grant under this Act shall submit an application to the

1 Secretary at such time, in such manner, and containing  
2 such information as the Secretary may require.

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

5 (1) A description of the characteristics of a  
6 group of not less than 30 low-income public school  
7 students who—

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

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

12 (2) A description of how the eligible entity will  
13 engage, and provide support (such as tutoring and  
14 mentoring for students, and training for teachers  
15 and other stakeholders) either online or in person,  
16 to—

17 (A) the students in the group described in  
18 paragraph (1);

19 (B) the family members and teachers of  
20 such students; and

21 (C) other stakeholders such as school ad-  
22 ministrators and school counselors.

23 (3) An identification of partners who will assist  
24 the eligible entity in establishing and sustaining  
25 American Dream Accounts.

1           (4) A description of what experience the eligible  
2           entity or the partners of the eligible entity have in  
3           managing college savings accounts, preparing low-in-  
4           come students for postsecondary education, man-  
5           aging online systems, and building financial capa-  
6           bility.

7           (5) A demonstration that the eligible entity has  
8           sufficient resources to provide an initial deposit into  
9           the college savings account portion of each American  
10          Dream Account.

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

16          (7) A description of how the eligible entity will  
17          notify each participating student in the group de-  
18          scribed in paragraph (1), on a semiannual basis, of  
19          the current balance and status of the college savings  
20          account portion of the American Dream Account of  
21          the student.

22          (8) A plan that describes how the eligible entity  
23          will monitor participating students in the group de-  
24          scribed in paragraph (1) to ensure that the Amer-  
25          ican Dream Account of each student will be main-

1       tained if a student in such group changes schools be-  
2       fore graduating from secondary school.

3               (9) A plan that describes how the American  
4       Dream Accounts will be managed for not less than  
5       1 year after a majority of the students in the group  
6       described in paragraph (1) graduate from secondary  
7       school.

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

12              (11) A description of how the eligible entity will  
13      evaluate the grant program, including by collecting,  
14      as applicable, the following data about the students  
15      in the group described in paragraph (1) during the  
16      grant period, or until the time of graduation from a  
17      secondary school, whichever comes first, and, if suf-  
18      ficient grant funds are available, after the grant pe-  
19      riod:

20                      (A) Attendance rates.

21                      (B) Progress reports.

22                      (C) Grades and course selections.

23                      (D) The four-year adjusted cohort gradua-  
24      tion rate, as defined in section in section 8101

1 of the Elementary and Secondary Education  
2 Act of 1965 (20 U.S.C. 7801).

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

7 (F) Rates of enrollment in an institution of  
8 higher education.

9 (G) Rates of completion at an institution  
10 of higher education.

11 (12) A description of what will happen to the  
12 funds in the college savings account portion of the  
13 American Dream Accounts that are dedicated to  
14 participating students described in paragraph (1)  
15 who have not matriculated at an institution of high-  
16 er education at the time of the conclusion of the pe-  
17 riod of American Dream Account management de-  
18 scribed in paragraph (9), including how the eligible  
19 entity will give students this information.

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

23 (14) A description of how the eligible entity will  
24 take into consideration how funds in the college sav-  
25 ings account portion of American Dream Accounts

1 will affect participating families' eligibility for public  
2 assistance.

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

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

8 (2) serve the largest number of low-income stu-  
9 dents;

10 (3) in the case of an eligible entity described in  
11 subparagraph (A) or (B) of section 3(7), provide op-  
12 portunities for participating students described in  
13 subsection (b)(1) to participate in a dual or concur-  
14 rent enrollment program or early college high school  
15 program at no cost to the student or the student's  
16 family; or

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

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

23 (a) IN GENERAL.—An eligible entity that receives a  
24 grant under this Act shall use such grant funds to estab-

1 lish an American Dream Account for each participating  
2 student described in section 5(b)(1), that will be used to—

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

5 (2) monitor the progress of such student online,  
6 which—

7 (A) shall include monitoring student data  
8 relating to—

9 (i) grades and course selections;

10 (ii) progress reports; and

11 (iii) attendance and disciplinary  
12 records; and

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

18 (3) provide opportunities for such students, ei-  
19 ther online or in person, to build financial capability,  
20 including by—

21 (A) assisting such students in financial  
22 planning for enrollment in an institution of  
23 higher education;

24 (B) assisting such students in identifying  
25 and applying for financial aid (such as loans,

1 grants, and scholarships) for an institution of  
2 higher education; and

3 (C) enhancing student understanding of  
4 consumer, economic, and personal finance con-  
5 cepts;

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

10 (A) choosing the appropriate courses to  
11 prepare for postsecondary education;

12 (B) applying to an institution of higher  
13 education;

14 (C) building a student portfolio, which may  
15 be used when applying to an institution of high-  
16 er education;

17 (D) selecting an institution of higher edu-  
18 cation;

19 (E) choosing a major for the student's  
20 postsecondary program of education or a career  
21 path; and

22 (F) adapting to life at an institution of  
23 higher education; and



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

4           (b) ACCESS TO AMERICAN DREAM ACCOUNT.—

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

13          (2) VESTED STAKEHOLDERS.—The vested  
14          stakeholders that an eligible entity shall permit to  
15          access an American Dream Account are individuals  
16          (such as the student’s teachers, school counselors,  
17          school administrators, or other individuals) that are  
18          designated, in accordance with section 444 of the  
19          General Education Provisions Act (20 U.S.C. 1232g,  
20          commonly known as the “Family Educational Rights  
21          and Privacy Act of 1974”), by the parent of a par-  
22          ticipating student in whose name such American  
23          Dream Account is held, as having permission to ac-  
24          cess the account. A student’s parent may withdraw  
25          such designation from an individual at any time.

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

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

16          (5) INPUT OF STUDENT INFORMATION.—Stu-  
17          dent data collected pursuant to subsection (a)(2)(A)  
18          shall be entered into an American Dream Account  
19          only by a school administrator or the designee of  
20          such administrator.

21          (c) PROHIBITION ON USE OF STUDENT INFORMA-  
22          TION.—An eligible entity that receives a grant under this  
23          Act shall not use any student-level information or data for  
24          the purpose of soliciting, advertising, or marketing any fi-  
25          nancial or non-financial consumer product or service that

1 is offered by such eligible entity, or on behalf of any other  
2 person.

3 (d) PROHIBITION ON THE USE OF GRANT FUNDS.—

4 An eligible entity shall not use grant funds provided under  
5 this Act to provide the initial deposit into a college savings  
6 account portion of a student’s American Dream Account.

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

8 (a) IN GENERAL.—Not later than 1 year after the  
9 Secretary has disbursed grants under this Act, and annu-  
10 ally thereafter until each grant disbursed under this Act  
11 has ended, the Secretary shall prepare and submit a report  
12 to the appropriate committees of Congress, which shall in-  
13 clude an evaluation of the effectiveness of the grant pro-  
14 gram established under this Act, including in building fi-  
15 nancial capability.

16 (b) CONTENTS.—The report described in subsection  
17 (a) shall—

18 (1) list the grants that have been awarded  
19 under section 4(a);

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

23 (3) provide data (including the interest accrued  
24 on college savings accounts that are part of an  
25 American Dream Account) in the aggregate, regard-

1 ing students who have an American Dream Account  
2 established through a grant awarded under section  
3 4(a), as compared to similarly situated students who  
4 do not have an American Dream Account;

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

7 (5) identify any issues related to student pri-  
8 vacy and stakeholder accessibility to American  
9 Dream Accounts;

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

13 (A) the impact of the program;

14 (B) aspects of the program that are suc-  
15 cessful;

16 (C) aspects of the program that are not  
17 successful; and

18 (D) any other data required by the Sec-  
19 retary; and

20 (7) provide recommendations for expanding the  
21 American Dream Accounts program.

22 **SEC. 8. ELIGIBILITY TO RECEIVE FEDERAL STUDENT FI-**  
23 **NANCIAL AID.**

24 Notwithstanding any other provision of law, any  
25 funds that are in the college savings account portion of

1 a student's American Dream Account shall not affect such  
2 student's eligibility to receive Federal student financial  
3 aid, including any Federal student financial aid under the  
4 Higher Education Act of 1965 (20 U.S.C. 1001 et seq.),  
5 and shall not be considered in determining the amount of  
6 any such Federal student aid.

7 **SEC. 9. AUTHORIZATION OF APPROPRIATIONS.**

8       There are authorized to be appropriated to carry out  
9 this Act such sums as may be necessary for fiscal year  
10 2018 and each of the 4 succeeding fiscal years.

○