

114TH CONGRESS  
1ST SESSION

# H. R. 1359

To authorize the establishment of American Dream Accounts.

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IN THE HOUSE OF REPRESENTATIVES

MARCH 13, 2015

Mr. FATTAH (for himself and Mr. HINOJOSA) introduced the following bill;  
which was referred to the Committee on Education and the Workforce

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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.

11           (2) Lack of knowledge about how to apply to,  
12       and pay for, an institution of higher education is a

1 barrier for many low-income students and students  
2 who would be in the first generation in their families  
3 to attend an institution of higher education.

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

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

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

20 (6) In the 1990–1991 school year, the max-  
21 imum Federal Pell Grant covered 45 percent of the  
22 average cost of attendance at a public 4-year institu-  
23 tion of higher education (including tuition, fees,  
24 room, and board), but in the 2010–2011 school year,

1 the maximum Federal Pell Grant covered only 34  
2 percent of such cost.

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 **SEC. 3. DEFINITIONS.**

19 In this Act:

20 (1) **AMERICAN DREAM ACCOUNT.**—The term  
21 "American Dream Account" means a personal on-  
22 line account for low-income students that monitors  
23 higher education readiness and includes a college  
24 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 34 C.F.R.

1           200.19(b)(1)(iv), as such section was in effect  
2           on November 28, 2008) is able to earn postsec-  
3           ondary credit; and

4                   (B) that shall consist of not less than 2  
5           postsecondary credit-bearing courses and sup-  
6           port and academic services that help a student  
7           persist and complete such courses.

8           (6) EARLY COLLEGE HIGH SCHOOL PRO-  
9           GRAM.—The term “early college high school pro-  
10          gram” means a formal partnership between at least  
11          1 local educational agency and at least 1 institution  
12          of higher education that allows participants, who are  
13          primarily low-income students, to simultaneously  
14          complete requirements toward earning a regular  
15          high school diploma (as defined in 34 C.F.R.  
16          200.19(b)(1)(iv), as such section was in effect on  
17          November 28, 2008) and earn not less than 12  
18          transferable credits as part of an organized course  
19          of study toward a postsecondary degree or creden-  
20          tial.

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

23                           (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       efficient 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

