

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

Act 597 of the Regular Session

1 State of Arkansas  
2 86th General Assembly  
3 Regular Session, 2007  
4

As Engrossed: S3/12/07

A Bill

SENATE BILL 822

5 By: Senators Baker, Argue, Bryles, *Broadway*  
6 By: Representatives Kenney, Key, Everett, Norton, *Abernathy*  
7  
8

9 **For An Act To Be Entitled**

10 AN ACT TO AUTHORIZE THE SECTION 529 PLAN REVIEW  
11 COMMITTEE TO CREATE A PILOT PROGRAM TO BE KNOWN  
12 AS THE "ASPIRING SCHOLARS MATCHING GRANT PROGRAM"  
13 TO MATCH THE CONTRIBUTION MADE INTO AN ACCOUNT  
14 FOR A DESIGNATED BENEFICIARY ESTABLISHED UNDER  
15 THE ARKANSAS TAX-DEFERRED TUITION SAVINGS  
16 PROGRAM; AND FOR OTHER PURPOSES.  
17

18 **Subtitle**

19 TO AUTHORIZE THE SECTION 529 PLAN REVIEW  
20 COMMITTEE TO CREATE A PILOT PROGRAM TO  
21 BE KNOWN AS THE "ASPIRING SCHOLARS  
22 MATCHING GRANT PROGRAM".  
23  
24

25 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
26

27 SECTION 1. Arkansas Code Title 6, Chapter 84, Subchapter 1 is amended  
28 to add an additional section to read as follows:

29 6-84-114. Aspiring Scholars Matching Grant Program.

30 (a) The Section 529 Plan Review Committee shall develop and implement  
31 a pilot program to be known as the "Aspiring Scholars Matching Grant Program"  
32 that uses available administrative funds to match a contribution made into an  
33 account for a designated beneficiary under this subchapter.

34 (b)(1) An advisory committee shall advise the Section 529 Plan Review  
35 Committee on the development and implementation of the Aspiring Scholars



1 Matching Grant Program.

2 (2) The advisory committee shall consist of three (3) members as  
3 follows:

4 (A) One (1) member appointed by the Chair of the Senate  
5 Committee on Education;

6 (B) One (1) member appointed by the Chair of the House  
7 Committee on Education; and

8 (C) One (1) member appointed by the Governor.

9 (c) A Tax-Deferred Tuition Savings Program account shall be exempt for  
10 purposes of determining eligibility for Transitional Employment Assistance,  
11 Medicaid, and food stamps, provided that the federal rules for these programs  
12 permit such an exemption.

13  
14 /s/ Baker

15  
16 APPROVED: 3/28/2007

LEXSTAT ARK STAT ANN 20-86-103

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\*\*\* CURRENT THROUGH THE 2006 FIRST EXTRAORDINARY SESSION \*\*\*  
\*\*\* ANNOTATIONS CURRENT THROUGH DECEMBER 20, 2006 \*\*\*

Title 20 Public Health And Welfare  
Subtitle 5. Social Services  
Chapter 86 Family Savings Initiative Act

**GO TO THE ARKANSAS CODE ARCHIVE DIRECTORY**

*A.C.A. § 20-86-103 (2007)*

**20-86-103. Purpose.**

The purpose of the Family Savings Initiative Act is to provide for the establishment of individual development accounts designed to:

- (1) Provide individuals and families with limited means an opportunity to accumulate assets;
- (2) Facilitate and mobilize savings;
- (3) Promote home ownership, microenterprise development, education, saving for retirement, and automobile purchase; and
- (4) Stabilize families and build communities.

**HISTORY:** Acts 1999, No. 1217, § 2.

**HIERARCHY NOTES:**

Tit. 20, Subtit. 5, Ch. 86 Note

LEXSTAT ARK STAT ANN 20-86-110

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\*\*\* CURRENT THROUGH THE 2006 FIRST EXTRAORDINARY SESSION \*\*\*  
\*\*\* ANNOTATIONS CURRENT THROUGH DECEMBER 20, 2006 \*\*\*

Title 20 Public Health And Welfare  
Subtitle 5. Social Services  
Chapter 86 Family Savings Initiative Act

**GO TO THE ARKANSAS CODE ARCHIVE DIRECTORY**

*A.C.A. § 20-86-110 (2007)*

**20-86-110. Effect on other programs.**

Funds deposited in an individual development account shall not be counted as income, assets, or resources of the individual in determining financial eligibility for assistance or services pursuant to any federal, federally assisted, state, or municipal program based on need.

**HISTORY:** Acts 1999, No. 1217, § 15.

**HIERARCHY NOTES:**

Tit. 20, Subtit. 5, Ch. 86 Note

**Subject:** Monthly College Savings Newsletter - April 2007  
**From:** Savingforcollege.com <noreply@newsletter.savingforcollege.com>  
**Date:** 24 Apr 2007 12:28:12 -0500  
**To:** doryrand@povertylaw.org

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## Savingforcollege.com Monthly Newsletter

## Savingforcollege.com - Home of the 529 Guru

April 2007 Edition

Going out to 151,176 readers

### **In This Issue...**

- [Medicaid and 529s](#)
- [Scholarship of the month](#)

### **Medicaid and 529s**

by Joe Hurley, founder, [Savingforcollege.com](#)

Savingforcollege.com. Nearly six years ago I wrote an article (click [HERE](#) to founder Joe Hurley read it) about 529 plans and Medicaid. The problem, in a nutshell, is that the revocability of a 529 plan makes it a countable asset in determining Medicaid eligibility. This can be an unpleasant surprise for grandparents, and their families, who with all good intentions may have put some money into

grandparent-owned 529 plans many years ago only to now discover that the grandchildren's college funds must be used to pay nursing home bills or other catastrophic health care costs.

Medicaid is a federal program that gives considerable leeway to the states in developing their own rules and policies. In my article, I called on the states to enact exemptions for 529 accounts. Now I've learned that one state has done just that. On March 29, 2007, Arkansas Governor Mike Beebe signed Senate Bill 822 into law, which provides, among other things, that accounts in the Arkansas 529 savings plan "shall be exempt for purposes of determining eligibility for Transitional Employment Assistance, Medicaid, and food stamps, provided that the federal rules for these programs permit such an exemption."

I can't say with certainty that federal rules permit such an exemption (the Arkansas legislators apparently are not sure, either), but I do know that the Arkansas amendment is a big step forward and in the best case will end up helping Arkansas families protect their college funds for their intended purpose. Other states should step up to the plate and enact similar legislation.

Until your state joins Arkansas in exempting 529 plans from the

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### **More Resources:**

#### [Joe's Blog](#)

Once again we are reminded of the importance of taking distributions from your 529 plan in the same calendar year you pay the expenses....

#### [We're Taking a Poll](#)

Is it appropriate for colleges to receive referral fees from student loan companies?

[World's Simplest College Savings  
Calculator](#)

Medicaid eligibility formula, you should consider keeping the 529 account out of your name if there is a reasonable chance you will be applying for Medicaid in the future. The better approach might be for you—presuming you are the grandparent—to make contributions to a 529 account owned by one of the parents. Another alternative is to establish the 529 account as a "custodial" plan that transfers direct ownership to the beneficiary at the age of 18 or 21. A custodian cannot use the funds for his or her own benefit. Or you might even make your 529 irrevocable by installing an appropriately-drafted trust as account owner.

The Deficit Reduction Act of 2005 made Medicaid less available to gift-giving seniors by extending the "look-back" period from 36 months to 60 months. Even if you are not the owner of the 529 account, each contribution you make to it remains countable in the Medicaid determination for another 60 months. That's assuming, of course, that you do not live in Arkansas.

If you've already established 529 accounts in your own name, and seek to have those accounts excluded from Medicaid calculations down the road, consider transferring the account ownership to your children or grandchildren. You'll still have the 60-month look-back from the date of the ownership change, but at least you can get the clock ticking.

Finally, remember that making yourself eligible for public assistance programs like Medicaid may not be your goal. Under the new Medicaid rules, more seniors should be purchasing long-term care insurance instead of trying to give away their assets. Speak to your attorney and insurance professional about this issue.

### Scholarship of the Month

Apple Scholars Program is available to graduating high school students who plan to attend a two or four-year accredited college or university in the fall of 2007 and demonstrate how they use technology to solve problems more creatively and intuitively.

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LEXSTAT ARK STAT ANN 20-76-407

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\*\*\* CURRENT THROUGH THE 2006 FIRST EXTRAORDINARY SESSION \*\*\*  
\*\*\* ANNOTATIONS CURRENT THROUGH DECEMBER 20, 2006 \*\*\*

Title 20 Public Health And Welfare  
Subtitle 5. Social Services  
Chapter 76 Public Assistance Generally  
Subchapter 4 - Grants of Assistance

**GO TO THE ARKANSAS CODE ARCHIVE DIRECTORY**

*A.C.A. § 20-76-407 (2007)*

**20-76-407. Micro-lending program and individual development accounts.**

(a) (1) In accordance with their personal responsibility agreement, low-income entrepreneurs may escrow profits from their business enterprises which are not reinvested into their businesses into an account which will be placed in a micro-lending program and not be counted against their public assistance benefits until they accumulate an amount to be determined by the Department of Human Services for the period that they are eligible for the Transitional Employment Assistance Program. Under this section, participating low-income entrepreneurs who are otherwise eligible for transitional employment assistance shall not have their benefits reduced and shall not lose any transitional or extended support services available to them as program recipients for the life of the escrow account.

(2) The department will make available a micro-lending program to low-income entrepreneurs. For the purpose of this section, a "low-income entrepreneur" is one who is starting or expanding a business and who meets the eligibility criteria established by the department for the micro-lending program. A "micro-lending program" is one which provides training, technical assistance, and loan funds to low-income entrepreneurs to start or expand a business venture.

(3) Under this section, self-employment shall be considered an allowable work activity. To receive the self-employment exemption outlined in this section, low-income entrepreneurs shall be enrolled in the program and shall be enrolled in a micro-lending program providing entrepreneurship training, technical assistance, and peer support.

(b) The department shall establish an individual development account demonstration project.

(c) Federal funds received by the state pursuant to the Temporary Assistance for Needy Families program shall be available for programs under this section.

**HISTORY:** Acts 1939, No. 280, § 19; A.S.A. 1947, § 83-124; Acts 1997, No. 1058, § 14; 1999, No. 1567, § 14.

**NOTES:**

**Amendments.**

The 1997 amendment rewrote the section.

The 1999 amendment rewrote (a); deleted (b)(2)-(4); and made stylistic changes.

**Case Notes**

Award of Back Payments.

**Award of Back Payments.**

Where the State refused to represent plaintiff in establishing her claims for support payments in arrears and acknowledged that it was not entitled to collect the back payments, the State was estopped from claiming in subsequent proceedings that it was entitled to collect the back payments. *Office of Child Support Enforcement v. Wallace*, 328 Ark. 183, 941 S.W.2d 430 (1997).

**HIERARCHY NOTES:**

Tit. 20, Subtit. 5, Ch. 76 Note

Tit. 20, Subtit. 5, Ch. 76, Subch. 4 Note

**Subject:** [Seedlist] Public assistance and Arkansas' new 529 matched savings program  
**From:** "Michael Rowett" <mrowett@southernngff.org>  
**Date:** Mon, 30 Apr 2007 14:37:17 -0500  
**To:** <seedlist@lists5.cfed.org>

Southern Good Faith Fund has been asked to highlight a key provision of the recently enacted 529 savings match law in Arkansas.

Act 597 of 2007 authorizes the Aspiring Scholars Matching Grant Program. A provision of this new law excludes accounts in Arkansas' 529 plan from counting toward asset determination for key public assistance programs.

The specific language is:

*A Tax-Deferred Tuition Savings Program account shall be exempt for purposes of determining eligibility for Transitional Employment Assistance, Medicaid, and food stamps, provided that the federal rules for these programs permit such an exemption.*

Transitional Employment Assistance is Arkansas' TANF cash assistance program. The exemption applies both to any savings match and to any funds contributed by an account holder.

If anyone has any questions about the Aspiring Scholars Matching Grant Program, please feel free to contact us.

Michael

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<b>Part 1.2</b>	<b>Content-Type:</b> text/plain
	<b>Content-Encoding:</b> 7bit

## Legislative Action

Southern Good Faith Fund's Public Policy program is pursuing several initiatives during this year's legislative session to increase asset building opportunities for working Arkansans.

A key priority is increasing funding for the state's Individual Development Account (IDA) program. The state's IDA program is funded with federal Temporary Assistance for Needy Families (TANF) dollars. IDAs are matched savings accounts to help low-income families save for the purchase or repair of a home, a business, or a college education. For every \$1 an IDA account holder saves, a \$3 match is provided, up to \$2,000.

The current annual appropriation for IDAs is \$550,000. At this funding level IDAs are not accessible statewide or in every county. Currently, four organizations offer TANF-funded IDA accounts in 36 of the state's 75 counties.

TANF funds for IDAs are appropriated to the Arkansas Department of Workforce Services with approval by the state Transitional Employment Assistance (TEA) Board. Based on a proposal to expand IDAs statewide prepared by the Arkansas Assets Coalition, the TEA Board on January 24, 2007, voted to more than triple the state's IDA appropriation, to \$1.7 million annually.

Following the TEA Board's recommendation, the Department of Workforce Services appropriation bill for the next two fiscal years increases the line item for IDA funding to \$1.7 million per fiscal year. Over the next biennium (July 1, 2007, through June 30, 2009), the IDA appropriation would total \$3.4 million.

SGFF's Policy Program in conjunction with the Arkansas Assets Coalition, a network of IDA providers, has recruited new organizations that have expressed an interest in providing IDAs should more funding become available. Also, all of the existing providers can expand their reach with additional funding; several providers currently have participant waiting lists.

Another key asset-building initiative is the Aspiring Scholars Matching Grant Program, which adds a matched savings component for low-income account-holders to Arkansas' 529 College Savings Plan. Senate Bill 822 would authorize the state Section 529 Review Committee to develop and implement the Aspiring Scholars Matching Grant Program using funds the state collects from administration of 529 accounts. The Arkansas Department of Higher Education has agreed to administer the program.

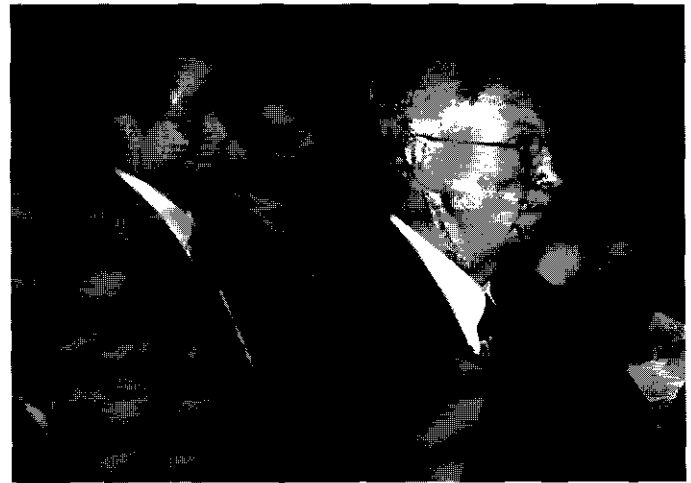
The lead sponsor of Senate Bill 822 is Senator Gilbert Baker of Conway, a member of the Senate Education Committee. Co-sponsors include Senator Jim Argue of Little Rock, Chairman of the Senate Education Committee, and Representative Mike Kenney of Siloam Springs, Chairman of the House Education Committee.

Like every state, Arkansas has a 529 college savings plan, named for the section of the Internal Revenue Service Code under which these plans are authorized. Arkansas' plan is named the Gift Plan. In 1996 Congress authorized 529 college savings plans to enable contributions to a savings account with tax-free earnings to pay for qualified college expenses. The investment earnings from these savings accounts are not subject to federal or state income taxes. In Arkansas, taxpayers can take a state income tax deduction of up to \$5,000 per tax year for contributions to Arkansas' 529 plan.

Although 529 plans are an increasingly popular college savings strategy, they are largely a strategy for middle and upper-

income households—those with an ability to save enough to make the plans a useful college savings strategy. To enable lower-income households to benefit from 529 plans, some states offer an incentive in the form of a savings match grant, which matches, within limits, the contributions families are able to make on their own.

Savings match grants make 529 plan participation possible and worthwhile as a savings tool for families with limited



Mike Leach (back left), director of Southern Good Faith Fund's Public Policy program, listens to a legislative update report at the state capitol.

capacity to save on their own. Savings match grants are ways to turn a 529 plan into a need-based financial aid program. Such incentives enable and encourage lower income families to use 529 plans as college saving tool.

Seven states currently offer a savings match grant as part of their 529 plans: Louisiana, Colorado, Maine, Michigan, Minnesota, Rhode Island, and Utah.

Savings match grants are a highly efficient way for states to invest in need-based financial aid. Savings match grants, particularly if deposited early in a beneficiary's life, can leverage the investment earnings potential of the financial markets to grow exponentially in value. No other state financial aid program offers such leverage.