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Bill matches contributions to college-fund 529 plans

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ARKANSAS DEMOCRAT-GAZETTE

Lt. Gov. Bill Halter, Sen. Gilbert Baker and several others on Monday touted Baker's bill that would create a pilot program to match contributions by low and middle-income families to Arkansas' college savings plans for their children and grandchildren.

Senate Bill 822 would require the state's 529 Plan Review Committee to develop and implement a program to use administrative funds to match a contribution made into an account for a designated beneficiary. It's called the Aspiring Scholars Matching Grant Program.

Baker, R-Conway, said the review committee decides how to spend funds collected from a management fee paid on these accounts to the firm that manages them. It's paid to cover administrative expenses such as advertising, legal and auditing fees.

Pittsburgh-based Mellon Bank is the custodian of the accounts. The owner of an account designates a beneficiary and draws money out of the account for the beneficiary, said Christina Miller, a spokesman for the state Department of Higher Education.

Baker, who also who is chairman of the state Republican Party, said he expects about \$ 200, 000 to be available for matching grants in the next biennium.

Halter, a Democrat, said the maximum contribution to such an account is \$ 11, 000 a year per child, and \$ 5, 000 of it may be taken as a deduction on the Arkansas income tax return if the taxpayer itemizes deductions. The earnings on the account and disbursements from the account for college expenses are tax free, he said.

As of the end of January, there were 12, 634 such accounts in Arkansas with assets totaling \$ 152, 935, 128, said Miller.

"The program will provide an additional financial incentive to low-income and middle-income families to make these contributions," Halter said.

Supporters of the bill said they would like the program to provide three dollars to match each dollar contributed by households with an annual income up to the federal poverty level ceiling. They said they also would like the program to provide two dollars to match each dollar contributed by households with annual income of 101 to 200 percent of the federal poverty level and a dollar to match each dollar contributed by households with annual income of 201 percent to 300 percent of the federal poverty level.

The matching funds would be limited to the first \$ 500 saved each year by account holders under the proposed program.

Baker said Mike Leach of the Southern Good Faith Fund approached him with this idea before the legislative session.

“We have got to do a better job of getting young people in college and getting those number of adults with degrees up [and] this is one way to do that,” he said.

Linda Beene, director of the Higher Education Department and chairman of the 529 Plan Review Committee, said Gov. Mike Beebe supports this bill.

Baker said he hopes to present the bill to the Senate Education Committee on Wednesday.