Center for
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GEORGE WARREN BROWN
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Pursuing 529 College Savings Plan Exclusion from Oklahoma Asset Limit Tests

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Public benefits such as Temporary Assistance for Needy Families, Medicaid, and Food Stamps are an important resource for many low-income families. However, receipt of these benefits is associated with limited asset accumulation, which may hinder recipients' long-term social and economic development (Nam, 2007).

Like many states, Oklahoma uses asset limit tests when determining eligibility for various state-administered public benefit programs. These asset limits vary by program and range from $1,000 to $3,000.

Senate Bill 1390

In November 2007, the Center for Social Development (CSD) initiated work with the Oklahoma Treasury to pursue an exclusion of 529 college savings plan (529 plan) assets from Oklahoma asset limit tests. Nearly every state administers a 529 plan, which is a tax-preferred investment tool to help families save for postsecondary education. Oklahoma's 529 plan is known as the Oklahoma College Savings Plan (OCSP).[1]

To assist the Oklahoma Treasury, CSD summarized the two options for pursuing asset limit reform: 1) state legislation or 2) administrative rule change at the Oklahoma Department of Human Services. CSD compiled sample language from select states that have pursued similar exclusions through legislation (see Appendix), and also provided Treasury with information from the Sargent Shriver National Center on Poverty Law's State Asset Limit Toolkit (S.A.L.T.; available online) about pursuing administrative rule change. The Oklahoma Treasury decided to pursue asset limit reform through state legislation, and worked with Senate legal staff to draft legislative language.

In February 2008, Senate Bill (SB) 1390 was introduced in the Oklahoma Senate, stating that, "an Oklahoma College Savings Plan account shall be exempt for purposes of determining eligibility for Temporary Assistance for Needy Families, Medicaid, and Food Stamps" where

[1] CSD and the Oklahoma Treasury are partners in SEED for Oklahoma Kids (SEED OK), a large experimental test of Child Development Accounts (CDAs) in Oklahoma. In 2007, newborns from across the state were randomly selected to participate in the SEED OK research study. Half of the newborns received $1,000 in a special SEED OK OCSP account. Through SEED OK, these newborns' families can save for their children's future by opening their own OCSP account and may receive matching funds for their savings. For more information about SEED OK, visit http://gwbweb.wustl.edu/csd/SEED/OK/about.htm.

permissible by federal law. In March 2008, SB 1390 unanimously passed the Senate. The bill is currently pending hearing in the House of Representatives (click here for full bill text).

A summary of milestones follows:

November 2007	CSD provides Oklahoma Treasury with options for pursuing 529 plan exclusion from Oklahoma asset limit tests; Treasury decides to pursue legislative change and identifies potential bill author
December 2007	Bill request submitted for 2008 legislative session
February 2008	SB 1390 introduced in the Oklahoma Senate and assigned to Senate Appropriations Committee; bill reference to "Temporary Assistance for Needy Families, Medicaid, and Food Stamps" replaced with the broader term "public assistance"; SB 1390 passed out of committee by a 15-0 vote
March 2008	SB 1390 passed out of the Senate with a 64-0 vote; bill referred to the House of Representatives and assigned to the Appropriations and Budget Committee
April 2008	SB 1390 expected to be heard in committee by mid-April

Updates on the progress of SB 1390 will be provided as they occur.

Internet Resources

Sargent Shriver National Center on Poverty Law's State Asset Limit Toolkit
http://www.povertylaw.org/advocacy/community-investment/asset-limit-tool-kit/asset-limit-tool-kit-homepage.html

Senate Bill 1390
http://webserver1.lsb.state.ok.us/2007-08bills/HB/sb1390_hflr.rtf

References

Nam, Y. (2007). *Welfare reform and asset accumulation: Asset limit changes, financial assets, and vehicle ownership* (Working Paper No. 07-04). St. Louis, MO: Washington University, Center for Social Development.

Appendix

Sample Legislative Language: Prepared for the Oklahoma Treasury in November 2007[2]

State Legislation	Excerpts from Legislative Language	Additional Notes
Arkansas Act 597, 2007	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.	Act 597 of 2007 authorized the Aspiring Scholars Matching Grant Program, and included a provision to exclude accounts in Arkansas' 529 plan from counting toward asset determination for certain public assistance programs. Transitional Employment Assistance is Arkansas' Temporary Assistance for Needy Families (TANF) program.
California A.B. 2466, 2006 California A.B. 1078, 2007	SECTION 1. Section 11155.6 is added to the Welfare and Institutions Code, to read: 11155.6. (a) (1) The principal and interest in a 401(k) plan, 403 (b) plan, IRA, 457 plan, 529 college savings plan, or Coverdell ESA, shall be excluded from as property when redetermining eligibility and the amount of assistance for recipients of CalWORKs benefits. Under existing law, principal and interest in designated federally created retirement or college savings plans held by existing CalWORKs recipients, but not new applicants, are excluded as property for purposes of redetermining eligibility and the amount of assistance. This bill would delete the maximum amount of savings and interest that a CalWORKs recipient would be permitted to retain. The bill would extend the provisions excluding from income the principal and interest in the designated federal savings plans to CalWORKs applicants.	CalWORKs is California's TANF program.

[2] CSD utilized Rand (2007) to help determine which states' legislative language should be compiled for the Oklahoma Treasury.

State Legislation	Excerpts from Legislative Language	Additional Notes
California A.B. 1078, 2007 (continued)	SEC. 3. Section 11155.6 of the Welfare and Institutions Code is amended to read: 11155.6. (a) […] (2) The principal and interest in a 401(k) plan, 403(b) plan, IRA, 457 plan, 529 college savings plan, or Coverdell ESA, shall be excluded from consideration as property when redetermining eligibility and the amount of assistance for recipients of CalWORKs benefits. (b) For purposes of this section, the following terms have the following meanings: (5) "529 college savings plan" means a qualified tuition program that satisfies the requirements of Section 529 of the Internal Revenue Code. […] (D) That a CalWORKs recipient who receives the federal EITC may invest these funds in an individual development account, 401(k) plan, 403(b) plan, IRA, 457 plan, 529 college savings plan, Coverdell ESA, or restricted account, and that investments in these accounts will not make the recipient ineligible for CalWORKs benefits or reduce the recipient's CalWORKs benefits.	
Colorado S.B. 134, 2006	[…] (6) The following resources and assets designated to promote self-sufficiency shall be exempt from the fifteen thousand dollar resource limitation specified in paragraph (b) of subsection (2) of this section: (a) Retirement savings accounts; (b) Health care savings accounts; (c) Individual development accounts; (d) Education savings accounts, scholarships, and educational stipends; (e) Earned income tax credit refunds received by the assistance unit; (f) Any real estate asset that does not produce or provide income for the	This bill raised TANF asset limits from $2,000 to $15,000 and exempted retirement, education, and health savings accounts and one vehicle per household from consideration as assets under TANF. “Education savings account” typically means a Coverdell Education Savings Account. Although the bill does not explicitly define 529 college savings plans as a type of education

State Legislation	Excerpts from Legislative Language	Additional Notes
Colorado S.B. 134, 2006 (continued)	participant and is not a secondary residence of the participant; (g) Burial plots and burial insurance plans; (h) Life or disability insurance policies that may have a cash value; and (i) Any additional resource or asset that the state board exempts by rule.	savings account, legislation in other states could include this specification.

Internet Resources

Arkansas – Act 597, 2007
ftp://www.arkleg.state.ar.us/acts/2007/public/Act597.pdf

California – A.B. 2466, 2006
http://www.leginfo.ca.gov/pub/05-06/bill/asm/ab_2451-2500/ab_2466_bill_20060929_chaptered.pdf

California – A.B. 1078, 2007
http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_1051-1100/ab_1078_bill_20071013_chaptered.pdf

Colorado – S.B. 134, 2006
http://www.leg.state.co.us/clics2006a/csl.nsf/fsbillcont3/65311596E9F4CD51872570E40080DC6A?open&file=134_enr.pdf

References

Rand, D. (2007). Reforming state rules on asset limits: How to remove barriers to saving and asset accumulation in public benefit programs. *Clearinghouse Review Journal of Poverty Law and Policy*, March–April 2007: 625-635.