

Overview of Lifelong Learning Account State Legislation

Lifelong Learning Accounts (LiLAs) are a new way for employers and employees to co-finance education and training. LiLAs encourage employers and employees to leverage their financial resources – with an eye toward increasing productivity, improving retention and meeting the changing needs of the economy. Much like 401(k) retirement accounts, under the LiLA program, employees contribute regularly to a LiLA and employers match contributions, up to an established annual cap. Third parties, such as governments or foundations, could choose to match employee contributions and employee contributions. These combined funds are then leveraged to pay for a broad range of education and training activities, consistent with a learning plan developed by LiLA participants in consultation with their program-sponsored career and education advisors.

LiLAs have been piloted in states and regions across the country since 2001. In addition, elected officials and state agencies have introduced legislation that would make LiLAs more widely available in Hawaii (HI), Illinois (IL), Indiana (IN), Iowa (IA), Minnesota (MN) and Oklahoma (OK). This legislation has taken different forms and included pilot studies, tax credits, matching funds and other incentives. There also have been several initiatives, most notably in Maine (ME), without legislative action. Below, please find an overview of these state-based LiLA efforts.

State Pilot Studies

Elected officials in one state (IN) have introduced and passed legislation to create a pilot study.

Indiana: <http://www.in.gov/legislative/bills/2005/HB/HB1005.1.html>

Indiana Representative Tim Harris (R) introduced and passed HB1005 in 2005. This bill provided \$50,000 for the Department of Workforce Development to determine the feasibility of a statewide LiLA program. It also required DWD to report its findings to the Indiana Legislative Council.

State Matching Funds

Elected officials in two states (IL and IN) have introduced legislation that sought to provide state matching funds. Of the two, Illinois has passed a bill that provides matching funds for LiLAs.

Illinois: <http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=094-1006>

Illinois Senator Don Harmon (D) introduced and passed SB2931 in 2006. This bill provided \$400,000 in state matching funds to administer a statewide LiLA program in the healthcare sector. It also provided funding for support services, such as education and career advising. Contributions by individuals and their employers are matched at a rate of 2:1 up to \$500.

Indiana: <http://www.in.gov/legislative/bills/2006/HB/HB1173.1.html>

Indiana Representative Tim Harris (R) introduced HB1173 in 2006. The bill sought \$300,000 in state funds to administer a LiLA Grant Program. This program proposed that individual workers receive \$500 per year in matching funds if they paid any part of their own educational expenses.

State Tax Credits

Elected officials and agencies in four states (HI, IA, MN and OK) have introduced tax credit bills.

Hawaii: http://www.capitol.hawaii.gov/session2008/Bills/HB916_HD1_.htm

Hawaii State Representative Cindy Evans (D) introduced HB916 in 2007. This bill sought to give employers a non-refundable tax credit of up to \$500, which would be equal to the amount contributed on behalf of employees. It also proposed a refundable tax credit of up to \$500 for workers, which was not to exceed the amount annually contributed to their LiLA. The bill sought funding for technical assistance, evaluation, implementation and offsets for low-income workers.

Hawaii: http://www.capitol.hawaii.gov/session2008/Bills/HB1280_.htm

Hawaii: http://www.capitol.hawaii.gov/session2008/Bills/SB1366_SD1_.htm

Hawaii Governor Linda Lingle (R) incorporated HB916 into her Hawaiian Innovation and Sustainability Initiative, which was introduced in the State Legislature as HB1280 and SB1366.

Iowa: <http://coolice.legis.state.ia.us/Cool-ICE/default.asp?Category=billinfo&Service=Billbook&frame=1&GA=82&hbill=HSB754>

Iowa: <http://coolice.legis.state.ia.us/Cool-ICE/default.asp?Category=BillInfo&Service=Billbook&ga=82&hbill=SSB3253>

Iowa Governor Chet Culver (D) introduced HSB754 and SSB3253 in 2007. These bills sought to create a statewide LiLA program that allowed employers and employees to claim a refundable tax credit of up to \$500 per year. Those refundable credits were equal to 50% of their contributions.

Minnesota: https://www.revisor.leg.state.mn.us/bin/getbill.php?session=ls85&number=HF2779&session_number=0&session_year=2007&version=list

Minnesota State Representative Erik Paulsen (R) introduced HF2779 in 2007. This bill sought to provide employers with a non-refundable tax credit of up to \$500, which was equal to the amount contributed on behalf of their employees. It also proposed that workers receive a refundable tax credit of up to \$500 per year, which would be equal to 50% of their annual contribution. The bill sought to levy a tax of up to 25% on any nonqualified withdrawals that were made by employees.

Oklahoma: <http://www.lsb.state.ok.us/>

Oklahoma State Senator Kathleen Wilcoxson (R) introduced SB927 in 2005. This bill sought to provide a corporate income tax credit for LiLA contributions made by employers. The yearly employer tax credit would be capped at \$500 per employee and could not exceed \$50,000 over the life of the program. Employees were allowed to treat LiLA contributions as non-taxable income.

State LiLA Programs

Maine developed a LiLA program, as a part of its college savings plan, without legislative action.

Maine: <http://www.mainecareercenter.com/lilas/index.shtml>

Governor John Baldacci (D) and the Maine Department of Labor launched the Maine Lifelong Learning Accounts Program in 2005. Under this program, the Maine Centers for Women, Work and Community provide career and education advising to LiLA participants and the Finance Authority of Maine managed the investment of the LiLA contributions as a part of the state's 529 (NextGen) program. A matching contribution is available for low and moderate income workers. CAEL is providing technical assistance for Maine's LiLA program.