

# COLLEGE SAVINGS PROGRAM

## Helping Hand: State-Sponsored College Savings Program: Plan targets low-income families

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Community Action Project plans to lobby the Legislature early next year for a taxpayer-funded program that would create college savings accounts for babies from families below certain income levels and match money the families invest in the accounts, said David Blatt, the organization's director of public policy.

James Wilbanks, the director of revenue and fiscal policy in the state treasurer's office, called it the newest tactic in fighting poverty -- helping people create their assets, rather than just handing them money.

"The parents may have a built-in expectation that their children won't go to college," Wilbanks said. But children's and parents' attitudes and thoughts about college -- even their performance in school -- could be changed by knowing they were saving money for college, he said.

The Legislature created a task force this year to study the feasibility of a state-sponsored savings program. The task force also will examine how to increase the number of Oklahomans with college savings accounts and increase the amounts invested.

Rep. Randy Terrill, R-Moore, who helped create the task force, expects the idea to be well-received in the Legislature, but he said a program might not begin for another year or two. He does not know what money could pay for the program, and he pointed out that a state scholarship program for low- and middle-income students still does not have a permanent funding source.

Blatt said Community Action Project was working with the State Regents for Higher Education, CareerTech, the state treasurer's office and financial literacy groups on the proposal, which he estimated could cost \$10 million to \$20 million when fully operational.

Five states match money put into college savings accounts, according to the Center for Enterprise Development ( [www.cfed.org](http://www.cfed.org) ). Blatt said Oklahoma groups envision a broader program, more like the United Kingdom's universal children's savings accounts.

Such a program could transform children, he said.

He quoted studies that have found that even low-income families can save with help. The habit of saving can get people thinking in the longer term instead of from paycheck to paycheck. Then their expectations may rise, he said.

Community Action Project proposes that the state deposit \$100, for example, in accounts when children are born and offer perhaps \$10 or \$50 annual matches for investments the families make, Blatt said.

Kerry Alexander, the program manager for the Oklahoma College Savings Plan, said the savings accounts, sometimes called 529 accounts, give people hope. He talked with a shift worker at Bama Pie Co. who was surprised how much \$15 invested from each paycheck added up over a year. After the employee started the college savings account, the employee's child started studying harder and had a better attitude toward school, Alexander said.

He tells people to work toward saving enough for their children to attend one semester or one year of college if saving for the entire education is too much.

About 32,000 Oklahoma children have college savings accounts, which contain \$208 million, he said. The average account contains \$6,600 to \$6,700. Parents, grandparents and others can deduct the amount they put in the accounts from their taxes, up to \$10,000 per person per year.

A national program, SEED -- Saving for Education, Entrepreneurship and Down payment -- is looking into the effectiveness of "asset-building accounts for children and youth," according to <http://gwbweb.wustl.edu/csd/SEED/SEED.htm>.