

## Policy Brief

August 2011

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### Lifelong Learning Accounts

#### ***What are Lifelong Learning Accounts?***

Lifelong Learning Accounts (LiLAs) are a way to assist adult workers to achieve their career goals. LiLAs are employer-matched, portable, and employee-owned accounts used to finance education. LiLAs allow workers and employers to effectively leverage resources to increase productivity, improve recruitment and retention, and meet the changing needs of our economy. LiLAs are intended to supplement, not replace, existing employer-supported tuition assistance programs.

The Council for Adult and Experimental Learning (CAEL) launched a LiLA pilot project in 2001. The program consisted of a phased rollout in three different geographical areas and four different industries: the Chicago area's restaurant trade; the manufacturing and public sectors in northeast Indiana; and the health care industry in San Francisco. The program ended in 2007 and experienced some success. From 2001 to 2007, the program participants saved (with matches from employers) almost half a million dollars that was used for education and training. As of June 2005, 53 percent of the participants had taken at least one course—with health care and manufacturing courses leading the way, averaging 2.5 classes per participant.<sup>1</sup>

The results of the pilot showed 89 percent of both employers, and employees, being highly satisfied with the program. Additionally, 70 percent of employees were taking classes related to their current industry, and 54 percent of employers saw a modest uptick in productivity.

Since the pilot project, CAEL has helped to set up four other LiLA programs in: Maine, Illinois, San Francisco, and Kansas City. Most notably, Maine was able to set up LiLAs **without** legislative action by combining current college savings programs.<sup>2</sup>

#### ***What are the Current Policies Regarding LiLAs?***

##### **Indiana's LiLA Legislative History**

In 2006, State Representative Tim Harris (R-Marion) introduced and passed HB 1173, *Lifelong Learning Matching Grant*. The bill sought \$300,000 in state funds to administer a pilot 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.

In 2009, State Senator Sue Errington (D-Indianapolis) introduced SB 131, *Lifelong Learning Account Pilot Program*, a bill to establish a LiLA pilot program in Indiana. The pilot program would allow a participating individual to deposit money that may be matched by the participating individual's employer, a financial institution, the state, or any other entity, and could be used by the

participating individual for education and training costs at a postsecondary educational institution, a vocational school, or a training program that may lead to employment for the individual. The bill did not move out of the Senate.

### **Other States**

**Maine:** Governor John Baldacci (D) along with the Maine Department of Labor launched the Maine Lifelong Learning Accounts Program in 2005. Notably, the Governor was able to set up LiLAs **without** legislative action by combining existing college savings programs.<sup>3</sup> Their program serves up to 125 people and is closely tied to One-Stop Career Centers. Under this model, the Maine Centers for Women, Work and Community provides career and education advising to LiLA participants and the Finance Authority of Maine manages the investment of funds through the state's 529 NextGen program. A third-party match for moderate income workers is provided through the NextGen 529 program. CAEL has provided technical assistance and worked closely with a Maine LiLA Advisory Board.<sup>4</sup>

**Hawaii:** Governor Linda Lingle (R) introduced legislation in 2007 focusing on health care, hospitality, and technology industries. The state planned to offer tax-credits to employees and employers. There was also a non-refundable tax credit for employers with an annual cap of \$500 per employee. This legislation, further, provided technical assistance to employers, educational and career advising to individual participants, and a partial offset for the contributions made by low-income workers. Another LiLA bill was introduced in the House by State Representative Cindy Evans (D). Legislation passed out of the House but did not move in the Senate.<sup>5</sup>

**California:** State Assembly member, Paul Fong (D) of California, introduced AB 923, *Lifelong Learning Account Pilot Program*, in 2011 to establish LiLAs for a 2014 program. The bill provides for matching funds for employee LiLA account contribution. In the previous session, Assembly member Fong introduced an identical bill, AB 1320, and a resolution, AJR 45, in support of LiLAs. AJR 45 urged the federal government to provide funding for a California LiLA program. AJR 45 was passed in 2010 and AB 923 has not yet made it out of committee.<sup>6</sup>

**Oklahoma:** State Senator Kathleen Wilcoxsen (R) introduced a bill in 2005. SB 297 would have used the Oklahoma College Savings program, which is one of the state's 529 programs, to administer LiLAs. Under this arrangement, businesses who contributed to an employee's LiLA would be eligible for tax credits of up to \$500 per employee, per year. Employers, however, would not be eligible to receive more than \$50,000 in tax credits. Employer contributions would not be viewed as taxable income to the employees. The bill died in conference committee.<sup>7</sup>

### **Federal Policy**

Nationally, Senator Lawson (D-01/CT) Chairman of the House Democratic Caucus joined together with Congressman Peter Roskam (R-06/IL), Jared Polis (D-02/CO), and Erik Paulsen (R-03/MN), IBM, and the Council for Adult and Experimental Learning (CAEL) to introduce the Lifelong Learning Accounts Act of 2011. Similar legislation has been introduced through bipartisan efforts since 2007.<sup>8</sup> The Act—designed to create worker-owned, employer-matched savings accounts similar to 401Ks for ongoing learning—would amend the Internal Revenue Code of 1986 to establish lifelong learning accounts to provide an incentive for employees to save for career-related skills development and to promote a competitive workforce through lifelong learning.<sup>10</sup>

Additionally, the regions of Coastal Maine and Greater Kansas City regions both won three-year \$15 million grants from the U.S. Department of Labor. The grants are intended to integrate workforce development, higher education and economic development as part of the WIRED (Workforce Innovation in Regional Economic Development) initiative. Both regions' WIRED proposals included LiLAs as one of the core strategies for economic and workforce development, promising continued momentum for LiLAs in those states.<sup>11</sup>

Unlike the Coverdell Education Savings Account (ESA), formally IRA, LiLAs do not expire at the age of 30. This is important as LiLAs are targeted towards adult workers. With portability features in place, distinct from Section 127, and unlike other employee education expense tax deductions, LiLAs can be used for training whether or not the taxpayer is employed at the time of expenditure. Unlike the HOPE Scholarship, Lifetime Learning Credits, or Coverdell ESA, LiLAs allow for employee matching. Additionally, and unlike HOPE Scholarships, students can opt to participate in education programs or training less than part-time. Also contributions can be made to LiLAs after the beneficiary is 18 years of age.<sup>12</sup>

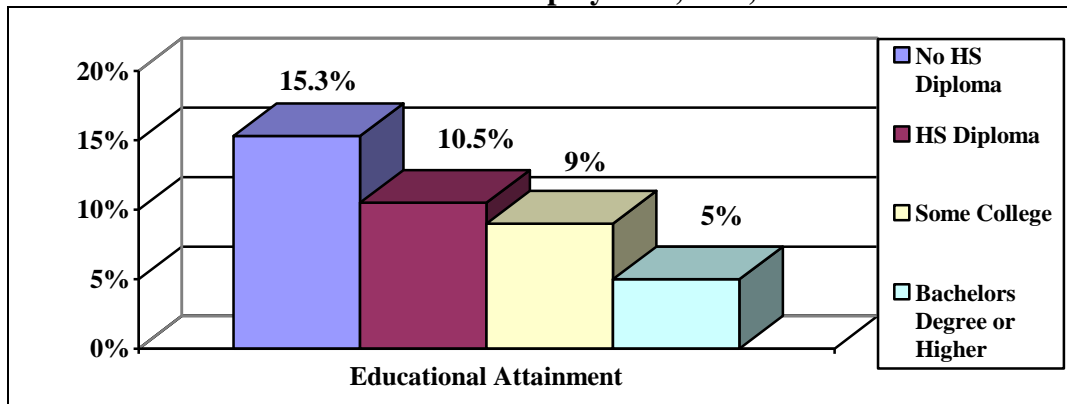
***What are the Costs and Benefits to Having LiLAs?***

Implementation of LiLA programs can boost workforce productivity through a better educated workforce. Additionally, any skills necessary for cross-training, not covered in the employee-sponsored tuition program, such as English and/or computer skills courses, can be covered through LiLAs. Finally, in an age when young workers are expected to change careers 12-15 times during their lifetime, LiLAs can help increase employee retention.<sup>13</sup>

According to the National Center for Education Statistics (NCES), 14 million U.S. higher education students – 43 percent of all students nationally – are “adult learners” who are ages 25 years or older. Specifically, LiLAs are targeted for: low-income workers who are not formally educated; those who lack the ability to qualify for financial aid; and those sectors which need increased education/training.<sup>14</sup>

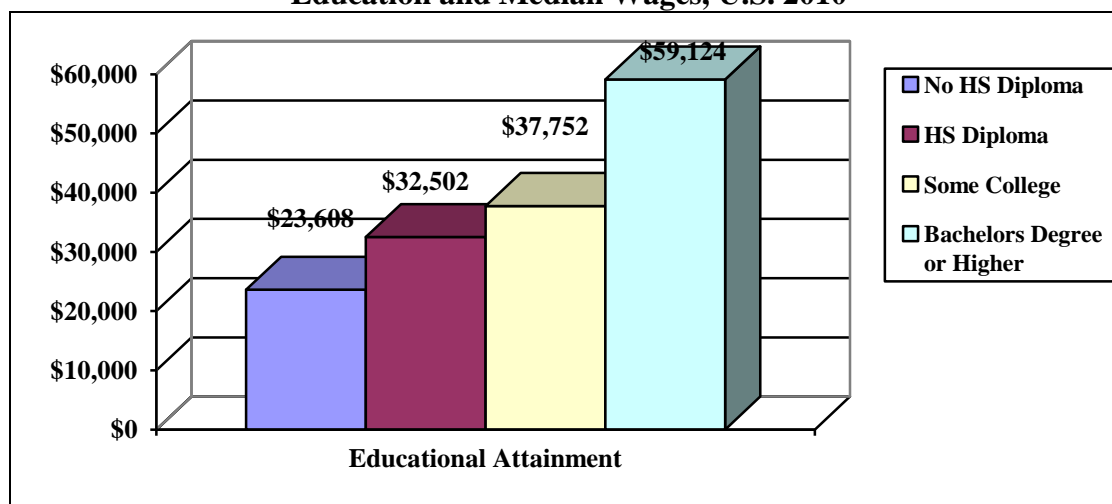
Moreover, CAEL has identified the link between educational attainment, unemployment, and wages. Unemployment strikes the undereducated at almost triple the rate as those with a bachelors degree or higher. Additionally, those with at least some postsecondary training are earning 15 to 80 percent more than those with only a high school diploma. Finally, more than 80 percent of the participants were over the age of 25—accurately focusing on adult learners.

**Education and Unemployment, U.S., 2010**



Source: CAEL, *The Recessions Impact on Adult Learners*, (2010).  
 Online: <http://www.aplu.org/NetCommunity/Document.Doc?id=2698>.

### Education and Median Wages, U.S. 2010



Source: CAEL, *The Recession's Impact on Adult Learners*, (2010).

Online: <http://www.aplu.org/NetCommunity/Document.Doc?id=2698>

### *What are some LiLA best practices?*

**Maine:** A collaboration of policymakers, educators, and industry was key to Maine's success. The partnership members included the Maine State Treasurer and her office, the Commissioner of the Maine DOL, and key representatives from: Maine Centers for Women Work and Community, Maine Department of Education, industry associations, local workforce boards, adult education programs, the university system, and the community college system.

One of the most innovative elements of the Maine LiLA program is the partnership with the Finance Authority of Maine (FAME) to manage the investment of the individual LiLA accounts as a part of the state's successful 529 college savings program, the NextGen College Investing Plan. The beauty of this model is that it not only utilizes an existing infrastructure, but Maine's NextGen program also provides matching grants to eligible participants. FAME is able to offer a matching grant because the program receives annual revenues from accounts sold all over the country by its program manager, Merrill Lynch. FAME uses these revenues to provide matching grants for Maine's lower- and moderate-income families. LiLA participants are eligible for these grants. NextGen is a universal system in that anyone can open a NextGen account.<sup>15</sup>

**Kansas City:** Another innovative function of LiLAs are My LiLA Now. Kansas City allows participants the use of a debit card. In many other LiLA models, employees use letters of credit, or some form of voucher that employees use to pay for course tuition. Upon enrolling in the program, employers receive a debit card for their employees, which they can use to pay for classes, books, and supplies. When a request for funding is approved by the advisor, funds are loaded onto the employee's debit card. The debit card, along with the online enrollment tool, simplifies the transaction, and further eliminates the amount of paper passed back and forth between employer, employee, and training provider.

Individual advising is seen as one of the cornerstones of LiLAs and important for helping participants make good decisions about education that can lead to better jobs and careers. In Missouri, the solution was to enlist the involvement of the One Stop Career Center system.

The career advisors are assigned to employees based on the employee's zip code. For example, when the employees enroll in the LiLA program through the web portal an e-mail is automatically sent to the advisor closest to the employee's workplace. This e-mail alerts the advisors when they have new LiLA participants. At the same time, the employee is sent an e-mail, introducing the employee to the assigned career advisor. In some cases, the employer representatives on the Advisory Board have made an effort to help the advisors understand the intricacies of their sectors, so that the advisors can best help the employees pick classes or training providers.<sup>16</sup>

## ***Recommendations for Implementation of LiLAs in Indiana***

### **1. Indiana Should Pursue LiLAs Without State Legislative Action**

Maine was not only able to save huge amounts of money for the state, but those businesses that participated did not incur transaction costs—they did not have to take on additional paperwork or administrative duties.

### **2. Target Priority Sectors in Indiana's Economic Plan**

While Indiana ranks first in manufacturing productivity, 2010 saw the largest gap between open positions and new hires.<sup>17</sup> LiLA programs will help to ready workers for the technological changes in today's workforce, specifically, the manufacturing sector, health care sector, trucking industry, and emerging technology related industries.

### **3. Seek Non-Profit, Workforce Partners**

Seeing the results from the first pilot program, the Jewish Vocational Service (JVS) in San Francisco partnered with CAEL. They have now launched a second round of LiLAs, focusing on mature workers, in the Bay Area. CAEL had developed the LiLA model, and JVS was given the role of providing local direct service. In that first partnership, CAEL played a more active, visible role at the local level, working closely with JVS on marketing and outreach to employers. JVS had the primary role of enrollment and advising, with CAEL providing support and guidance from a distance. CAEL also benefited from the workforce experience of JVS, its connections to local employers and training programs, and the systems JVS already had in place for providing advising and counseling to individual workers.<sup>18</sup>

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<sup>1</sup> Biswas, R. Choitz, V. & Prince, H. Jobs for the Future, National Council for Workforce Education. (2008). *Pushing the Envelope State Policy Innovations in Financing Postsecondary Education for Workers Who Study*. Online: <http://www.jff.org/publications/education/pushing-envelope-state-policy-innovation/177>.

<sup>2</sup> Maine Career Center, (2011). About LiLA program. Online: <http://www.mainecareercenter.com/services-programs/training/lila/about/index.shtml>.

<sup>3</sup> Ibid.

<sup>4</sup> Center on Adult and Experimental Learning, (2007). *State legislative highlights*. <http://www.lifelonglearningaccounts.org/policy-state.html>.

<sup>5</sup> Ibid.

<sup>6</sup> Center on Adult and Experimental Learning, (2007). *State legislative highlights*. <http://www.lifelonglearningaccounts.org/policy-state.html>.

<sup>7</sup> Ibid.

<sup>8</sup> The Council for Adult & Experimental Learning, (2008). *Lifelong learning accounts summary of H.R. 6036 lifelong learning accounts act of 2008*. Online: <http://www.lifelonglearningaccounts.org/policy-federal.html>.

<sup>10</sup> Text of H.R. 1869: *Lifelong learning accounts act of 2011*. Online: <http://www.govtrack.us/congress/billtext.xpd?bill=h112-1869>.

<sup>11</sup> The Council for Adult & Experimental Learning, (2008). *Lifelong Learning Accounts, LiLAs in the U.S. Department of Labor WIRED Project*. Online: <http://www.lifelonglearningaccounts.org/policy-federal.html>.

<sup>12</sup> Ibid.

<sup>13</sup> The Council for Adult & Experimental Learning (CAEL), (2008). *Federal Policy*. <http://www.lifelonglearningaccounts.org/policy-federal.html>.

<sup>14</sup> The Council for Adult and Experimental Learning, (2007). *The LiLA demonstration after four years*. Online: <http://www.lifelonglearningaccounts.org/policy-results.html>.

<sup>15</sup> Center on Adult and Experimental Learning, (2009). *Jazzing it up, Innovations in the LiLA Model*. Online: <http://www.lifelonglearningaccounts.org/pdf/JazzingItUp.pdf>.

<sup>16</sup> Ibid.

<sup>17</sup> Dwyer, S. & Snyder, T. (2011). *Indy Star. Good jobs start with training*. <http://www.conexusindiana.com/news-release/finding-good-jobs-starts-with-training>.

<sup>18</sup> Center on Adult Learning, (2008). *Workforce Intermediary Collaboration: A Strategy for Greater Impact and Collaboration*. Online: [http://www.cael.org/pdf/publication\\_pdf/Workforce\\_Intermediary\\_Collaboration.pdf](http://www.cael.org/pdf/publication_pdf/Workforce_Intermediary_Collaboration.pdf).