
By: **Delegates Rawlings and Rosenberg**
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Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Individual Development Account Act**

3 FOR the purpose of requiring the Secretary of Human Resources to initiate an
4 Individual Development Account Demonstration Program with certain purposes
5 and terms; requiring that participants meet certain eligibility requirements and
6 limit use of the account to certain purchases; requiring participating individuals
7 and organizations to perform certain functions; establishing the scope and
8 funding for the Program; and generally relating to the Individual Development
9 Account Demonstration Program.

10 BY adding to
11 Article 88A - Department of Human Resources
12 Section 90 through 95 to be under the new subtitle "Maryland Individual
13 Development Accounts"
14 Annotated Code of Maryland
15 (1998 Replacement Volume and 1999 Supplement)

16 Preamble

17 WHEREAS, Low-income families are having increasing difficulty climbing the
18 economic ladder and half of all Americans have no, negligible, or negative investable
19 assets while the price of entry to the economic mainstream and the cost of a house, an
20 adequate education, or starting a business is increasing; and

21 WHEREAS, Economic well-being does not come solely from income, spending,
22 and consumption, but also requires savings, investment, and accumulation of assets,
23 which can improve economic stability, connect people with a viable and hopeful
24 future, stimulate development of human and other capital, enable people to focus and
25 specialize, yield personal and social dividends, and enhance the welfare of offspring;
26 and

27 WHEREAS, The State of Maryland should invest existing resources in
28 high-yielding initiatives where there is reason to believe that the financial returns,
29 including increased income, tax revenue, and decreased welfare cash assistance of
30 individual development account holders will far exceed the cost of investment; and

1 WHEREAS, The poverty of tens of thousands of Maryland residents represents
2 a loss of human resources, an assault on human dignity, and a drain on social and
3 fiscal resources of the State; and those who receive public assistance through
4 programs, concentrating on income and consumption, have rarely been successful in
5 promoting and supporting the transition to economic self-sufficiency; and

6 WHEREAS, Income-based welfare policy should be complemented with
7 asset-based welfare policy, because while income-based policies ensure that
8 consumption needs (including food, child care, rent, clothing, and health care) are
9 met, asset-based policies provide the means to achieve economic self-sufficiency and
10 then leave public assistance; and

11 WHEREAS, It has been shown that matched savings plans can create a "habit of
12 saving" that can help a family over the long run in asset building, and that a major
13 barrier to home ownership is lack of financial knowledge and personal savings; now,
14 therefore,

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article 88A - Department of Human Resources**

18 **MARYLAND INDIVIDUAL DEVELOPMENT ACCOUNTS**

19 90.

20 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
21 INDICATED.

22 (B) "INDIVIDUAL DEVELOPMENT ACCOUNT" MEANS A MATCHED SAVINGS
23 ACCOUNT OPENED UNDER THE OVERSIGHT OF THE DEPARTMENT AND SUBJECT TO
24 QUALIFIED USES BY THE INDIVIDUAL HOLDER.

25 (C) "PROGRAM" MEANS THE INDIVIDUAL DEVELOPMENT ACCOUNT
26 DEMONSTRATION PROGRAM DESCRIBED IN THIS SUBTITLE.

27 (D) "SERVICE PROVIDER" MEANS ANY PUBLIC ENTITY OR NONPROFIT
28 ORGANIZATION, EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE INTERNAL
29 REVENUE CODE, THAT SERVES AS AN INTERMEDIARY BETWEEN INDIVIDUAL
30 ACCOUNT HOLDERS AND FINANCIAL INSTITUTIONS AND WHOSE RESPONSIBILITIES
31 MAY INCLUDE MARKETING PARTICIPATION, SOLICITING MATCHING
32 CONTRIBUTIONS, AND COUNSELING PROGRAM PARTICIPANTS.

33 (E) "TECHNICAL ASSISTANCE ORGANIZATION" MEANS AN ORGANIZATION
34 THAT PROVIDES TECHNICAL ASSISTANCE, TRAINING, PROGRAM DESIGN, TRACKING,
35 AND EVALUATION TO SERVICE PROVIDING AGENCIES.

1 91.

2 (A) THE SECRETARY SHALL INITIATE AN INDIVIDUAL DEVELOPMENT
3 ACCOUNT DEMONSTRATION PROGRAM WHOSE PURPOSE IS TO DEMONSTRATE THAT
4 LOW-INCOME PEOPLE CAN SAVE FOR ASSET PURCHASE.

5 (B) UNDER THE DEMONSTRATION PROGRAM, STATE MATCHING FUNDS AND
6 PRIVATELY DONATED FUNDS WILL BE PROVIDED TO ELIGIBLE INDIVIDUALS WHO
7 SAVE MONEY FOR PURPOSES SPECIFIED IN THIS SUBTITLE.

8 (C) ELIGIBILITY FOR AN ACCOUNT SHALL BE LIMITED TO INDIVIDUALS WHO
9 MEET THE FOLLOWING CRITERIA:

10 (1) THE INDIVIDUAL IS EMPLOYED;

11 (2) THE INCOME OF THE INDIVIDUAL'S HOUSEHOLD DOES NOT EXCEED
12 200 PERCENT OF THE FEDERAL POVERTY LEVEL;

13 (3) THE LIQUID ASSETS OF THE INDIVIDUAL'S HOUSEHOLD DO NOT
14 EXCEED \$5,000, EXCLUDING HOME EQUITY VALUE AND ONE VEHICLE; AND

15 (4) THE INDIVIDUAL HAS DEMONSTRATED A WILLINGNESS TO ENTER
16 INTO A CONTRACT TO SAVE MONEY FOR ASSET PURCHASE.

17 (D) INDIVIDUAL DEVELOPMENT ACCOUNTS MAY BE USED BY ACCOUNT
18 HOLDERS FOR THE FOLLOWING:

19 (1) POSTSECONDARY AND VOCATIONAL EDUCATIONAL EXPENSES;

20 (2) ACQUISITION COSTS FOR A HOME;

21 (3) MAJOR HOME REPAIRS PROVIDING STRUCTURAL IMPROVEMENTS
22 THAT WILL LAST AT LEAST 10 YEARS; AND

23 (4) AMOUNTS PAID DIRECTLY INTO A BUSINESS CAPITALIZATION
24 ACCOUNT THAT IS:

25 (I) ESTABLISHED IN A FEDERALLY INSURED FINANCIAL
26 INSTITUTION; AND

27 (II) RESTRICTED TO USE FOR QUALIFIED BUSINESS EXPENSES, AS
28 DETERMINED BY THE SERVICE PROVIDER.

29 92.

30 (A) AN INDIVIDUAL SELECTED FOR PARTICIPATION IN THE PROGRAM SHALL:

31 (1) CONTRACT WITH THE INDIVIDUAL'S SERVICE PROVIDER REGARDING
32 THE OPENING AND MANAGEMENT OF A SAVINGS ACCOUNT;

33 (2) DEPOSIT EARNED INCOME EACH MONTH INTO THE ACCOUNT;

1 (3) SELECT PURCHASE GOALS FOR WHICH THE SAVINGS WILL BE USED;
2 AND

3 (4) COMMUNICATE REGULARLY WITH THE SERVICE PROVIDER
4 REGARDING THE ACCOUNT.

5 (B) A SERVICE PROVIDER SHALL:

6 (1) RECRUIT AND SELECT ELIGIBLE ACCOUNT HOLDERS;

7 (2) HELP ELIGIBLE ACCOUNT HOLDERS OPEN SAVINGS ACCOUNTS IN
8 FEDERALLY INSURED INSTITUTIONS;

9 (3) PROVIDE FINANCIAL LITERACY TRAINING;

10 (4) HELP INDIVIDUAL HOLDERS IDENTIFY APPROPRIATE USES FOR THE
11 SAVINGS;

12 (5) SOLICIT DONATIONS FROM PRIVATE ENTITIES INCLUDING THE
13 FINANCIAL INSTITUTION AT WHICH THE PERSONAL SAVINGS ACCOUNTS ARE
14 LOCATED;

15 (6) MAINTAIN A POOL FUND CONSISTING OF STATE MATCHING FUNDS
16 AND PRIVATE DONATIONS;

17 (7) SHARE ALL ACCOUNT INFORMATION WITH THE ASSIGNED
18 TECHNICAL ASSISTANCE ORGANIZATION;

19 (8) HELP INDIVIDUALS RECEIVE THEIR SAVINGS AND MATCHING FUNDS
20 AT THE CONCLUSION OF THE PROGRAM;

21 (9) PROVIDE OR IDENTIFY SUPPORTIVE SERVICES TO HELP THE
22 ACCOUNT HOLDER REACH THE OUTCOME SELECTED;

23 (10) LINK PARTICIPANTS TO OTHER ACTIVITIES THAT FOSTER
24 INDEPENDENCE;

25 (11) LIMIT THE NUMBER OF ACCOUNT HOLDERS UNDER ITS
26 SUPERVISION TO 150; AND

27 (12) PROVIDE OTHER SERVICES NECESSARY FOR THE EFFECTIVE
28 IMPLEMENTATION OF THIS PROGRAM.

29 (C) A TECHNICAL ASSISTANCE ORGANIZATION SHALL:

30 (1) MANAGE THE RESERVE FUND CONSISTING OF THE DEPARTMENT'S
31 ANNUAL FUNDING FOR THE PROGRAM BY:

32 (I) RECEIVING ALLOCATED FUNDING FROM THE DEPARTMENT
33 AND MAINTAINING IT IN A FEDERALLY INSURED INSTITUTION;

1 (II) TRANSMITTING MATCHING STATE FUNDS AND DONATED
2 PRIVATE FUNDS TO THE SERVICE PROVIDERS;

3 (III) TRANSMITTING \$200 PER ACCOUNT HOLDER FOR A MAXIMUM
4 OF 3 YEARS TO EACH SERVICE PROVIDER FOR TRAINING AND EDUCATIONAL
5 EXPENSES;

6 (IV) DEPOSITING PRIVATE DONATIONS; AND

7 (V) REDEPOSITING FUNDING RETURNED BY SERVICE PROVIDERS;

8 (2) SOLICIT NONPROFIT ORGANIZATIONS TO APPLY TO BECOME
9 SERVICE PROVIDERS;

10 (3) SELECT SERVICE PROVIDERS FROM APPLICANTS BASED ON
11 FACTORS INCLUDING:

12 (I) STABILITY;

13 (II) GEOGRAPHICAL DISTRIBUTION; AND

14 (III) ABILITY TO PROVIDE SERVICES DESCRIBED IN SUBSECTION (B)
15 OF THIS SECTION;

16 (4) PROVIDE TECHNICAL ASSISTANCE AND TRAINING IN FINANCIAL
17 LITERACY AND PROGRAM DESIGN TO SERVICE PROVIDERS;

18 (5) TRACK AND EVALUATE PROGRAM PARTICIPATION;

19 (6) ASSIST SERVICE PROVIDERS IN ADVERTISING THE PROGRAM;

20 (7) PROVIDE CONSULTATION TO SERVICE PROVIDERS AS NEEDED;

21 (8) INCLUDE STAKEHOLDERS IN THE DEVELOPMENT AND
22 IMPLEMENTATION OF THE PROGRAM; AND

23 (9) SOLICIT CONTRIBUTIONS FROM PRIVATE ENTITIES.

24 (D) THE SECRETARY SHALL:

25 (1) SOLICIT PROPOSALS FROM ENTITIES INTERESTED IN BECOMING
26 TECHNICAL ASSISTANCE ORGANIZATIONS;

27 (2) SELECT ONE OR MORE ORGANIZATIONS BASED ON FACTORS
28 INCLUDING:

29 (I) STABILITY; AND

30 (II) ABILITY TO PROVIDE SERVICES DESCRIBED IN SUBSECTION (C)
31 OF THIS SECTION;

1 (3) PROVIDE NO MORE THAN \$80,000 ANNUALLY IN FUNDING TO THE
2 TECHNICAL ASSISTANCE ORGANIZATIONS FOR A MAXIMUM OF 5 YEARS.

3 93.

4 (A) MONEY MAY BE WITHDRAWN BY AN ACCOUNT HOLDER OTHER THAN FOR
5 QUALIFIED PURPOSES ONLY FOR EMERGENCIES:

6 (1) AS DETERMINED WITH THE SERVICE PROVIDER; AND

7 (2) IF REPLACED WITHIN 6 MONTHS.

8 (B) IF A SERVICE PROVIDER LEARNS THAT FUNDS WERE WITHDRAWN FROM
9 AN INDIVIDUAL DEVELOPMENT ACCOUNT FOR PURPOSES OTHER THAN THOSE
10 LISTED IN §§ 91 AND 92 OF THIS SUBTITLE THEN THE SERVICE PROVIDER SHALL:

11 (1) WITHDRAW ANY MATCHING FUNDS; AND

12 (2) TERMINATE THE INDIVIDUAL'S CONTRACT WITH THE SERVICE
13 PROVIDER.

14 (C) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL ESTABLISH A
15 GRIEVANCE PROCESS TO HEAR, REVIEW, AND DECIDE IN WRITING ANY GRIEVANCE
16 MADE BY AN ACCOUNT HOLDER WHO DISPUTES A DECISION BY THE SERVICE
17 PROVIDER.

18 (D) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL DEVELOP
19 PROCEDURES TO FOLLOW WHEN AN ACCOUNT HOLDER MOVES FROM THE
20 COMMUNITY OR IS OTHERWISE UNABLE TO CONTINUE TO PARTICIPATE IN THE
21 PROGRAM.

22 94.

23 (A) THE STATE SHALL PROVIDE MATCHING FUNDS TO EACH QUALIFIED
24 INDIVIDUAL ACCOUNT IN THE AMOUNT OF \$2 TO EACH DOLLAR DEPOSITED IN THE
25 ACCOUNT BY THE QUALIFIED INDIVIDUAL.

26 (B) NOT MORE THAN \$1,000 IN STATE MATCHING FUNDS MAY BE ALLOCATED
27 TO ANY SINGLE PARTICIPANT IN A GIVEN YEAR.

28 (C) THE PROGRAM SHALL ADHERE TO ALL APPLICABLE FEDERAL LAW
29 CONCERNING TEMPORARY ASSISTANCE FOR NEEDY FAMILIES PROGRAM AND STATE
30 MAINTENANCE OF EFFORT REQUIREMENTS.

31 (D) TEMPORARY ASSISTANCE FOR NEEDY FAMILIES AND STATE
32 MAINTENANCE OF EFFORT FUNDS MAY BE USED TO:

33 (1) MATCH ACCOUNT HOLDERS CONTRIBUTIONS TO THEIR SAVINGS
34 ACCOUNTS AS PROVIDED UNDER FEDERAL LAW; OR

1 (2) PROVIDE THE EDUCATIONAL AND TRAINING EXPENSES OF THE
2 TECHNICAL ASSISTANCE ORGANIZATIONS AND SERVICE PROVIDERS.

3 95.

4 (A) THE INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROGRAM
5 SHALL:

6 (1) BE CONDUCTED FROM JANUARY 1, 2001 TO DECEMBER 31, 2005;

7 (2) BE LIMITED TO 1,000 ACCOUNTS;

8 (3) PERMIT CONTRIBUTION TO EACH PERSONAL SAVINGS ACCOUNT FOR
9 NO MORE THAN 3 YEARS FROM THE OPENING OF THE SAVINGS ACCOUNT; AND

10 (4) BE ALLOCATED NOT MORE THAN \$4,000,000.

11 (B) THE DEPARTMENT SHALL PROVIDE THE ANNUALLY ALLOTTED FUNDING
12 FOR THE PROGRAM TO THE TECHNICAL ASSISTANCE ORGANIZATIONS ON OR BEFORE
13 JANUARY 1 OF EACH YEAR.

14 (C) THE TECHNICAL ASSISTANCE ORGANIZATION OR ORGANIZATIONS SHALL
15 SUBMIT AN ANNUAL WRITTEN REPORT TO THE SECRETARY ON OR BEFORE
16 DECEMBER 31 OF EACH PROGRAM YEAR INCLUDING:

17 (1) THE NUMBER OF ACCOUNTS;

18 (2) THE AMOUNT OF SAVINGS AND MATCHES FOR EACH ACCOUNT;

19 (3) THE USES OF THE ACCOUNT; AND

20 (4) ANY OTHER INFORMATION REQUIRED FOR THE STATE TO EVALUATE
21 AND OPERATE THE PROGRAM.

22 (D) THE SECRETARY SHALL SUBMIT A FINANCIAL STATEMENT OF THE
23 PROGRAM TO THE APPROPRIATE COMMITTEES.

24 (E) AT THE CONCLUSION OF THE 5-YEAR DEMONSTRATION THE SECRETARY
25 SHALL PREPARE A WRITTEN REPORT TO THE APPROPRIATE COMMITTEES:

26 (1) DESCRIBING THE PROGRAM'S EFFECT; AND

27 (2) RECOMMENDING WHETHER THE PROGRAM SHOULD BE EXTENDED
28 OR EXPANDED.

29 (F) THE SECRETARY SHALL ADOPT REGULATIONS NECESSARY TO
30 EFFECTIVELY IMPLEMENT THE PROGRAM.

31 (G) FUNDING FOR THIS PROGRAM SHALL BE INCLUDED IN THE
32 DEPARTMENT'S ANNUAL BUDGET.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 2000.