

HOUSE BILL 640

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2000 Regular Session
0lr1401

By: ~~Delegates Rawlings and Rosenberg, Rosenberg, R. Baker, V. Jones,~~
Pitkin, Turner, Bobo, Hill, Kopp, Kagan, Finifter, McIntosh, and Benson

Introduced and read first time: February 9, 2000

Assigned to: Appropriations

Committee Report: Favorable with amendments

House action: Adopted with floor amendments

Read second time: March 25, 2000

CHAPTER _____

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; requiring the Department of Human Resources to
9 submit an annual evaluation of the Program to the General Assembly; and
10 generally relating to the Individual Development Account Demonstration
11 Program.

12 BY adding to
13 Article 88A - Department of Human Resources
14 Section 90 through 95 to be under the new subtitle "Maryland Individual
15 Development Accounts"
16 Annotated Code of Maryland
17 (1998 Replacement Volume and 1999 Supplement)

18 Preamble

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

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

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

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

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

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

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

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

28 MARYLAND INDIVIDUAL DEVELOPMENT ACCOUNTS

29 90.

30 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
 31 INDICATED.

32 (B) "INDIVIDUAL DEVELOPMENT ACCOUNT" MEANS A ~~MATCHED SAVINGS~~
 33 ~~ACCOUNT OPENED UNDER THE OVERSIGHT OF THE DEPARTMENT AND SUBJECT TO~~
 34 ~~QUALIFIED USES BY THE INDIVIDUAL HOLDER BY A PROGRAM PARTICIPANT UNDER~~
 35 THE TERMS OF THE PROGRAM THAT WILL BE THE BASIS FOR DETERMINING THE
 36 AMOUNT OF MATCHING FUNDS PROVIDED TO THE PARTICIPANT UNDER THE
 37 PROGRAM.

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

1 (D) "PROGRAM PARTICIPANT" MEANS AN INDIVIDUAL WHO HAS CONTRACTED
2 WITH A SERVICE PROVIDER TO PARTICIPATE IN THE PROGRAM AND HAS OPENED AN
3 INDIVIDUAL DEVELOPMENT ACCOUNT.

4 ~~(D)~~ (E) "SERVICE PROVIDER" MEANS ANY PUBLIC ENTITY OR NONPROFIT
5 ORGANIZATION, EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE INTERNAL
6 REVENUE CODE, ~~THAT SERVES AS AN INTERMEDIARY BETWEEN INDIVIDUAL~~
7 ~~ACCOUNT HOLDERS AND FINANCIAL INSTITUTIONS AND WHOSE RESPONSIBILITIES~~
8 ~~MAY INCLUDE MARKETING PARTICIPATION, SOLICITING MATCHING~~
9 ~~CONTRIBUTIONS, AND COUNSELING PROGRAM PARTICIPANTS.~~

10 ~~(E)~~ (F) "TECHNICAL ASSISTANCE ORGANIZATION" MEANS AN
11 ORGANIZATION THAT PROVIDES TECHNICAL ASSISTANCE, TRAINING, PROGRAM
12 DESIGN, TRACKING, AND EVALUATION TO ~~SERVICE PROVIDING AGENCIES~~ THE
13 SERVICE PROVIDERS.

14 91.

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

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

21 (C) ELIGIBILITY FOR AN ACCOUNT PARTICIPATION IN THE PROGRAM SHALL
22 BE LIMITED TO INDIVIDUALS WHO MEET THE FOLLOWING CRITERIA:

23 (1) THE INDIVIDUAL IS EMPLOYED;

24 (2) THE INCOME OF THE INDIVIDUAL'S HOUSEHOLD DOES NOT EXCEED
25 200 PERCENT OF THE FEDERAL POVERTY LEVEL;

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

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

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

32 (1) POSTSECONDARY AND VOCATIONAL EDUCATIONAL EXPENSES;

33 (2) ACQUISITION COSTS FOR A HOME;

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

1 (4) AMOUNTS PAID DIRECTLY INTO A BUSINESS CAPITALIZATION
2 ACCOUNT THAT IS:

3 (I) ESTABLISHED IN A FEDERALLY INSURED FINANCIAL
4 INSTITUTION; AND

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

7 92.

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

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

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

12 (3) SELECT PURCHASE GOALS FOR WHICH THE SAVINGS WILL BE USED;
13 AND

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

16 (B) A SERVICE PROVIDER SHALL:

17 (1) RECRUIT AND SELECT ELIGIBLE ~~ACCOUNT HOLDERS~~ PROGRAM
18 PARTICIPANTS;

19 (2) HELP ELIGIBLE ~~ACCOUNT HOLDERS~~ PROGRAM PARTICIPANTS OPEN
20 ~~SAVINGS ACCOUNTS~~ INDIVIDUAL DEVELOPMENT ACCOUNTS IN FEDERALLY
21 INSURED INSTITUTIONS;

22 (3) PROVIDE FINANCIAL LITERACY TRAINING;

23 (4) HELP ~~INDIVIDUAL HOLDERS~~ PROGRAM PARTICIPANTS IDENTIFY
24 APPROPRIATE USES FOR THE SAVINGS;

25 (5) SOLICIT DONATIONS FROM PRIVATE ENTITIES INCLUDING THE
26 FINANCIAL INSTITUTION AT WHICH THE ~~PERSONAL SAVINGS ACCOUNTS~~
27 INDIVIDUAL DEVELOPMENT ACCOUNTS ARE LOCATED;

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

30 (7) AFTER OBTAINING WRITTEN AUTHORIZATION FROM THE PROGRAM
31 PARTICIPANT, SHARE ALL ACCOUNT INFORMATION WITH THE ASSIGNED TECHNICAL
32 ASSISTANCE ORGANIZATION;

33 (8) HELP INDIVIDUALS RECEIVE THEIR ~~SAVINGS AND~~ MATCHING FUNDS
34 AT THE CONCLUSION OF THE PROGRAM;

1 (9) PROVIDE OR IDENTIFY SUPPORTIVE SERVICES TO HELP THE
2 ~~ACCOUNT HOLDER~~ PROGRAM PARTICIPANT REACH THE OUTCOME SELECTED;

3 (10) LINK PROGRAM PARTICIPANTS TO OTHER ACTIVITIES THAT FOSTER
4 INDEPENDENCE;

5 (11) LIMIT THE NUMBER OF ~~ACCOUNT HOLDERS~~ PROGRAM
6 PARTICIPANTS UNDER ITS SUPERVISION TO 150; AND

7 (12) PROVIDE OTHER SERVICES NECESSARY FOR THE EFFECTIVE
8 IMPLEMENTATION OF THIS PROGRAM.

9 (C) A TECHNICAL ASSISTANCE ORGANIZATION SHALL:

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

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

14 (II) TRANSMITTING MATCHING STATE FUNDS AND DONATED
15 PRIVATE FUNDS TO THE SERVICE PROVIDERS;

16 (III) TRANSMITTING \$200 PER ~~ACCOUNT HOLDER~~ PROGRAM
17 PARTICIPANT FOR A MAXIMUM OF 3 YEARS TO EACH SERVICE PROVIDER FOR
18 TRAINING AND EDUCATIONAL EXPENSES;

19 (IV) DEPOSITING PRIVATE DONATIONS; AND

20 (V) REDEPOSITING FUNDING RETURNED BY SERVICE PROVIDERS;

21 (2) SOLICIT NONPROFIT ORGANIZATIONS TO APPLY TO BECOME
22 SERVICE PROVIDERS;

23 (3) SELECT SERVICE PROVIDERS FROM APPLICANTS BASED ON
24 FACTORS INCLUDING:

25 (I) STABILITY;

26 (II) GEOGRAPHICAL DISTRIBUTION; AND

27 (III) ABILITY TO PROVIDE SERVICES DESCRIBED IN SUBSECTION (B)
28 OF THIS SECTION;

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

31 (5) TRACK AND EVALUATE PROGRAM PARTICIPATION;

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

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

2 (8) INCLUDE STAKEHOLDERS IN THE DEVELOPMENT AND
3 IMPLEMENTATION OF THE PROGRAM; AND

4 (9) SOLICIT CONTRIBUTIONS FROM PRIVATE ENTITIES.

5 (D) THE SECRETARY SHALL:

6 (1) SOLICIT PROPOSALS FROM ENTITIES INTERESTED IN BECOMING
7 TECHNICAL ASSISTANCE ORGANIZATIONS;

8 (2) SELECT ONE OR MORE TECHNICAL ASSISTANCE ORGANIZATIONS
9 BASED ON FACTORS INCLUDING:

10 (I) STABILITY; AND

11 (II) ABILITY TO PROVIDE SERVICES DESCRIBED IN SUBSECTION (C)
12 OF THIS SECTION;

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

15 93.

16 (A) THE CONTRACT BETWEEN THE PROGRAM PARTICIPANT AND THE SERVICE
17 PROVIDER SHALL PROVIDE THAT MONEY MAY BE WITHDRAWN BY AN ACCOUNT
18 HOLDER A PROGRAM PARTICIPANT FROM AN INDIVIDUAL DEVELOPMENT ACCOUNT
19 OTHER THAN FOR QUALIFIED PURPOSES ONLY FOR EMERGENCIES:

20 (1) AS DETERMINED ~~WITH THE SERVICE PROVIDER~~ BY THE
21 DEPARTMENT; AND

22 (2) IF REPLACED WITHIN 6 MONTHS.

23 (B) IF A SERVICE PROVIDER LEARNS THAT FUNDS WERE WITHDRAWN FROM
24 AN INDIVIDUAL DEVELOPMENT ACCOUNT FOR PURPOSES OTHER THAN THOSE
25 LISTED IN §§ 91 AND 92 ~~93(A)~~ OF THIS SUBTITLE THEN THE SERVICE PROVIDER SHALL:

26 (1) ~~WITHDRAW~~ WITHHOLD ANY MATCHING FUNDS; AND

27 (2) TERMINATE THE INDIVIDUAL'S CONTRACT WITH THE SERVICE
28 PROVIDER.

29 (C) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL ESTABLISH A
30 GRIEVANCE PROCESS TO HEAR, REVIEW, AND DECIDE IN WRITING ANY GRIEVANCE
31 MADE BY ~~AN ACCOUNT HOLDER A PROGRAM PARTICIPANT~~ WHO DISPUTES A
32 DECISION BY THE SERVICE PROVIDER.

33 (D) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL DEVELOP
34 PROCEDURES TO FOLLOW WHEN ~~AN ACCOUNT HOLDER A PROGRAM PARTICIPANT~~

1 MOVES FROM THE COMMUNITY OR IS OTHERWISE UNABLE TO CONTINUE TO
2 PARTICIPATE IN THE PROGRAM.

3 (E) (1) A FEDERALLY INSURED FINANCIAL INSTITUTION HAS NO GREATER
4 DUTIES OR RESPONSIBILITIES AS TO AN INDIVIDUAL DEVELOPMENT ACCOUNT THAN
5 IT HAS AS TO ANY OTHER SAVINGS ACCOUNT.

6 (2) A FEDERALLY INSURED FINANCIAL INSTITUTION HAS NO DUTY OR
7 RESPONSIBILITY TO RECOGNIZE OR GIVE EFFECT TO ANY WITHDRAWAL
8 RESTRICTION ESTABLISHED IN THE CONTRACT BETWEEN THE PROGRAM
9 PARTICIPANT AND THE SERVICE PROVIDER.

10 94.

11 (A) ~~THE STATE SHALL PROVIDE MATCHING FUNDS TO EACH QUALIFIED~~
12 ~~INDIVIDUAL ACCOUNT~~ IN THE AMOUNT OF \$2 TO EACH DOLLAR DEPOSITED IN THE
13 INDIVIDUAL DEVELOPMENT ACCOUNT BY THE QUALIFIED INDIVIDUAL PROGRAM
14 PARTICIPANT.

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

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

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

22 (1) ~~MATCH ACCOUNT HOLDERS PROGRAM PARTICIPANTS~~
23 CONTRIBUTIONS TO THEIR SAVINGS ACCOUNTS AS PROVIDED UNDER FEDERAL LAW;
24 OR

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

27 95.

28 (A) THE INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROGRAM
29 SHALL:

30 (1) BE CONDUCTED FROM ~~JANUARY 1, 2001~~ JULY 1, 2001 TO ~~DECEMBER~~
31 ~~31, 2005~~ JUNE 30, 2006;

32 (2) BE LIMITED TO ~~4,000~~ 600 ACCOUNTS PROGRAM PARTICIPANTS;

33 (3) ~~PERMIT CONTRIBUTION TO EACH PERSONAL SAVINGS ACCOUNT~~
34 FUNDS IN AN INDIVIDUAL DEVELOPMENT ACCOUNT TO BE MATCHED THROUGH THE
35 PROGRAM FOR NO MORE THAN 3 YEARS FROM THE OPENING OF THE SAVINGS
36 ACCOUNT; AND

1 (4) BE ALLOCATED NOT MORE THAN ~~\$4,000,000~~ \$2,560,000.

2 (B) THE DEPARTMENT SHALL PROVIDE THE ANNUALLY ALLOTTED FUNDING
3 FOR THE PROGRAM TO THE TECHNICAL ASSISTANCE ORGANIZATIONS ON OR BEFORE
4 ~~JANUARY 1~~ JULY 1 OF EACH YEAR.

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

8 (1) THE NUMBER OF ~~ACCOUNTS~~ PROGRAM PARTICIPANTS;

9 (2) THE AMOUNT OF SAVINGS ~~AND MATCHES FOR~~ IN EACH INDIVIDUAL
10 DEVELOPMENT ACCOUNT AND THE AMOUNT OF MATCHING FUNDS DEDICATED TO
11 EACH ACCOUNT;

12 (3) THE USES OF THE ~~ACCOUNT~~ SAVINGS AND MATCHED FUNDS; AND

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

15 (D) THE SECRETARY SHALL SUBMIT AN ANNUAL EVALUATION OF THE
16 PROGRAM, INCLUDING A FINANCIAL STATEMENT, TO THE SENATE BUDGET AND
17 TAXATION AND HOUSE APPROPRIATIONS COMMITTEES ON OR BEFORE JULY 1.
18 ~~SUBMIT A FINANCIAL STATEMENT OF THE PROGRAM TO THE APPROPRIATE~~
19 ~~COMMITTEES.~~

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

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

23 (2) RECOMMENDING WHETHER THE PROGRAM SHOULD BE EXTENDED
24 OR EXPANDED.

25 (F) THE SECRETARY SHALL ADOPT REGULATIONS NECESSARY TO
26 EFFECTIVELY IMPLEMENT THE PROGRAM.

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

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

