

HOUSE BILL 378

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HB 640/00 - APP

2001 Regular Session  
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By: **Delegates Rawlings, Rosenberg, Kopp, Grosfeld, Turner, V. Jones, Bobo,  
R. Baker, McIntosh, Marriott, Benson, and Pitkin**

Introduced and read first time: January 31, 2001

Assigned to: Appropriations

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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; 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 2000 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

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

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

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

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

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

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

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

22 **MARYLAND INDIVIDUAL DEVELOPMENT ACCOUNTS**

23 90.

24 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
25 INDICATED.

26 (B) "INDIVIDUAL DEVELOPMENT ACCOUNT" MEANS A SAVINGS ACCOUNT  
27 OPENED BY A PROGRAM PARTICIPANT UNDER THE TERMS OF THE PROGRAM THAT  
28 WILL BE THE BASIS FOR DETERMINING THE AMOUNT OF MATCHING FUNDS  
29 PROVIDED TO THE PARTICIPANT UNDER THE PROGRAM.

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

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

35 (E) "SERVICE PROVIDER" MEANS ANY PUBLIC ENTITY OR NONPROFIT  
36 ORGANIZATION EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE INTERNAL  
37 REVENUE CODE.

1 (F) "TECHNICAL ASSISTANCE ORGANIZATION" MEANS AN ORGANIZATION  
2 THAT PROVIDES TECHNICAL ASSISTANCE, TRAINING, PROGRAM DESIGN, TRACKING,  
3 AND EVALUATION TO THE SERVICE PROVIDERS.

4 91.

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

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

11 (C) ELIGIBILITY FOR PARTICIPATION IN THE PROGRAM SHALL BE LIMITED TO  
12 INDIVIDUALS WHO MEET THE FOLLOWING CRITERIA:

13 (1) THE INDIVIDUAL IS EMPLOYED;

14 (2) THE INCOME OF THE INDIVIDUAL'S HOUSEHOLD DOES NOT EXCEED  
15 200% OF THE FEDERAL POVERTY LEVEL;

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

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

20 (D) INDIVIDUAL DEVELOPMENT ACCOUNTS MAY BE USED BY ACCOUNT  
21 HOLDERS FOR THE FOLLOWING PURPOSES:

22 (1) POSTSECONDARY AND VOCATIONAL EDUCATIONAL EXPENSES;

23 (2) ACQUISITION COSTS FOR A HOME;

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

26 (4) AMOUNTS PAID DIRECTLY INTO A BUSINESS CAPITALIZATION  
27 ACCOUNT THAT IS:

28 (I) ESTABLISHED IN A FEDERALLY INSURED FINANCIAL  
29 INSTITUTION; AND

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

32 92.

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

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

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

4 (3) SELECT PURCHASE GOALS FOR WHICH THE SAVINGS WILL BE USED;  
5 AND

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

8 (B) A SERVICE PROVIDER SHALL:

9 (1) RECRUIT AND SELECT ELIGIBLE PROGRAM PARTICIPANTS;

10 (2) HELP ELIGIBLE PROGRAM PARTICIPANTS OPEN INDIVIDUAL  
11 DEVELOPMENT ACCOUNTS IN FEDERALLY INSURED INSTITUTIONS;

12 (3) PROVIDE FINANCIAL LITERACY TRAINING;

13 (4) HELP PROGRAM PARTICIPANTS IDENTIFY APPROPRIATE USES FOR  
14 THE SAVINGS;

15 (5) SOLICIT DONATIONS FROM PRIVATE ENTITIES INCLUDING THE  
16 FINANCIAL INSTITUTION AT WHICH THE INDIVIDUAL DEVELOPMENT ACCOUNTS  
17 ARE LOCATED;

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

20 (7) AFTER OBTAINING WRITTEN AUTHORIZATION FROM THE PROGRAM  
21 PARTICIPANT, SHARE ALL ACCOUNT INFORMATION WITH THE ASSIGNED TECHNICAL  
22 ASSISTANCE ORGANIZATION;

23 (8) HELP INDIVIDUALS RECEIVE THEIR MATCHING FUNDS AT THE  
24 CONCLUSION OF THE PROGRAM;

25 (9) PROVIDE OR IDENTIFY SUPPORTIVE SERVICES TO HELP THE  
26 PROGRAM PARTICIPANT REACH THE OUTCOME SELECTED;

27 (10) LINK PROGRAM PARTICIPANTS TO OTHER ACTIVITIES THAT FOSTER  
28 INDEPENDENCE;

29 (11) LIMIT THE NUMBER OF PROGRAM PARTICIPANTS UNDER ITS  
30 SUPERVISION TO 150; AND

31 (12) PROVIDE OTHER SERVICES NECESSARY FOR THE EFFECTIVE  
32 IMPLEMENTATION OF THE PROGRAM.

33 (C) A TECHNICAL ASSISTANCE ORGANIZATION SHALL:

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

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

5 (II) TRANSMITTING MATCHING STATE FUNDS AND DONATED  
6 PRIVATE FUNDS TO THE SERVICE PROVIDERS;

7 (III) TRANSMITTING \$200 PER PROGRAM PARTICIPANT FOR A  
8 MAXIMUM OF 3 YEARS TO EACH SERVICE PROVIDER FOR TRAINING AND  
9 EDUCATIONAL EXPENSES;

10 (IV) DEPOSITING PRIVATE DONATIONS; AND

11 (V) REDEPOSITING FUNDING RETURNED BY SERVICE PROVIDERS;

12 (2) SOLICIT NONPROFIT ORGANIZATIONS TO APPLY TO BECOME  
13 SERVICE PROVIDERS;

14 (3) SELECT SERVICE PROVIDERS FROM APPLICANTS BASED ON  
15 FACTORS INCLUDING:

16 (I) STABILITY;

17 (II) GEOGRAPHICAL DISTRIBUTION; AND

18 (III) ABILITY TO PROVIDE SERVICES DESCRIBED IN SUBSECTION (B)  
19 OF THIS SECTION;

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

22 (5) TRACK AND EVALUATE PROGRAM PARTICIPATION;

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

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

25 (8) INCLUDE STAKEHOLDERS IN THE DEVELOPMENT AND  
26 IMPLEMENTATION OF THE PROGRAM; AND

27 (9) SOLICIT CONTRIBUTIONS FROM PRIVATE ENTITIES.

28 (D) THE SECRETARY SHALL:

29 (1) SOLICIT PROPOSALS FROM ENTITIES INTERESTED IN BECOMING  
30 TECHNICAL ASSISTANCE ORGANIZATIONS;

31 (2) SELECT ONE OR MORE TECHNICAL ASSISTANCE ORGANIZATIONS  
32 BASED ON FACTORS INCLUDING:

1 (I) STABILITY; AND

2 (II) ABILITY TO PROVIDE SERVICES DESCRIBED IN SUBSECTION (C)  
3 OF THIS SECTION; AND

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

6 93.

7 (A) THE CONTRACT BETWEEN THE PROGRAM PARTICIPANT AND THE SERVICE  
8 PROVIDER SHALL PROVIDE THAT MONEY MAY BE WITHDRAWN BY A PROGRAM  
9 PARTICIPANT FROM AN INDIVIDUAL DEVELOPMENT ACCOUNT OTHER THAN FOR  
10 QUALIFIED PURPOSES ONLY FOR EMERGENCIES:

11 (1) AS DETERMINED BY THE DEPARTMENT; AND

12 (2) IF REPLACED WITHIN 6 MONTHS.

13 (B) IF A SERVICE PROVIDER LEARNS THAT FUNDS WERE WITHDRAWN FROM  
14 AN INDIVIDUAL DEVELOPMENT ACCOUNT FOR PURPOSES OTHER THAN THOSE  
15 LISTED IN §§ 91 AND 93(A) OF THIS SUBTITLE, THEN THE SERVICE PROVIDER SHALL:

16 (1) WITHHOLD ANY MATCHING FUNDS; AND

17 (2) TERMINATE THE INDIVIDUAL'S CONTRACT WITH THE SERVICE  
18 PROVIDER.

19 (C) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL ESTABLISH A  
20 GRIEVANCE PROCESS TO HEAR, REVIEW, AND DECIDE IN WRITING ANY GRIEVANCE  
21 MADE BY A PROGRAM PARTICIPANT WHO DISPUTES A DECISION BY THE SERVICE  
22 PROVIDER.

23 (D) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL DEVELOP  
24 PROCEDURES TO FOLLOW WHEN A PROGRAM PARTICIPANT MOVES FROM THE  
25 COMMUNITY OR IS OTHERWISE UNABLE TO CONTINUE TO PARTICIPATE IN THE  
26 PROGRAM.

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

30 (2) A FEDERALLY INSURED FINANCIAL INSTITUTION HAS NO DUTY OR  
31 RESPONSIBILITY TO RECOGNIZE OR GIVE EFFECT TO ANY WITHDRAWAL  
32 RESTRICTION ESTABLISHED IN THE CONTRACT BETWEEN THE PROGRAM  
33 PARTICIPANT AND THE SERVICE PROVIDER.

1 94.

2 (A) THE STATE SHALL PROVIDE MATCHING FUNDS IN THE AMOUNT OF \$2 TO  
3 EACH DOLLAR DEPOSITED IN THE INDIVIDUAL DEVELOPMENT ACCOUNT BY THE  
4 PROGRAM PARTICIPANT.

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

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

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

12 (1) MATCH PROGRAM PARTICIPANTS' CONTRIBUTIONS TO THEIR  
13 SAVINGS ACCOUNTS AS PROVIDED UNDER FEDERAL LAW; OR

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

16 95.

17 (A) THE INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROGRAM  
18 SHALL:

19 (1) BE CONDUCTED FROM JULY 1, 2001 TO JUNE 30, 2006;

20 (2) BE LIMITED TO 800 PROGRAM PARTICIPANTS;

21 (3) PERMIT FUNDS IN AN INDIVIDUAL DEVELOPMENT ACCOUNT TO BE  
22 MATCHED THROUGH THE PROGRAM FOR NO MORE THAN 3 YEARS FROM THE  
23 OPENING OF THE SAVINGS ACCOUNT; AND

24 (4) BE ALLOCATED NOT MORE THAN \$3,280,000.

25 (B) THE DEPARTMENT SHALL PROVIDE THE ANNUALLY ALLOTTED FUNDING  
26 FOR THE PROGRAM TO THE TECHNICAL ASSISTANCE ORGANIZATIONS ON OR BEFORE  
27 JULY 1 OF EACH YEAR.

28 (C) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL SUBMIT AN  
29 ANNUAL WRITTEN REPORT TO THE SECRETARY ON OR BEFORE DECEMBER 31 OF  
30 EACH PROGRAM YEAR INCLUDING:

31 (1) THE NUMBER OF PROGRAM PARTICIPANTS;

32 (2) THE AMOUNT OF SAVINGS IN EACH INDIVIDUAL DEVELOPMENT  
33 ACCOUNT AND THE AMOUNT OF MATCHING FUNDS DEDICATED TO EACH ACCOUNT;

34 (3) THE USES OF THE SAVINGS AND MATCHED FUNDS; AND

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

3     (D)     THE SECRETARY SHALL SUBMIT AN ANNUAL EVALUATION OF THE  
4 PROGRAM, INCLUDING A FINANCIAL STATEMENT, TO THE SENATE BUDGET AND  
5 TAXATION AND HOUSE APPROPRIATIONS COMMITTEES ON OR BEFORE JULY 1.

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

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

9           (2)     RECOMMENDING WHETHER THE PROGRAM SHOULD BE EXTENDED  
10 OR EXPANDED.

11    (F)     THE SECRETARY SHALL ADOPT REGULATIONS NECESSARY TO  
12 EFFECTIVELY IMPLEMENT THE PROGRAM.

13    (G)     FUNDING FOR THE PROGRAM SHALL BE INCLUDED IN THE DEPARTMENT'S  
14 ANNUAL BUDGET.

15    SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 July 1, 2001.