

SENATE BILL 311

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HB 640/00 - APP

2001 Regular Session  
11r1642

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By: **Senators Van Hollen, Bromwell, Dorman, Hafer, Hoffman, Kasemeyer,  
Madden, McFadden, Middleton, Pinsky, and Sfikas**

Introduced and read first time: January 29, 2001

Assigned to: Finance and Budget and Taxation

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

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

21 **MARYLAND INDIVIDUAL DEVELOPMENT ACCOUNTS**

22 90.

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

25 (B) "INDIVIDUAL DEVELOPMENT ACCOUNT" MEANS A SAVINGS ACCOUNT  
26 OPENED BY A PROGRAM PARTICIPANT UNDER THE TERMS OF THE PROGRAM THAT

1 WILL BE THE BASIS FOR DETERMINING THE AMOUNT OF MATCHING FUNDS  
2 PROVIDED TO THE PARTICIPANT UNDER THE PROGRAM.

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

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

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

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

14 91.

15 (A) THE SECRETARY SHALL INITIATE AN INDIVIDUAL DEVELOPMENT  
16 ACCOUNT DEMONSTRATION PROGRAM WHOSE PURPOSE IS TO ASSIST LOW-INCOME  
17 PEOPLE TO SAVE MONEYS FOR THE PURCHASE OF CERTAIN ASSETS.

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 PARTICIPATION IN THE PROGRAM SHALL BE LIMITED TO  
22 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% 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 PURPOSES:

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 PROGRAM PARTICIPANTS;

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

20 (3) PROVIDE FINANCIAL LITERACY TRAINING;

21 (4) HELP PROGRAM PARTICIPANTS IDENTIFY APPROPRIATE USES FOR  
22 THE SAVINGS;

23 (5) SOLICIT DONATIONS FROM PRIVATE ENTITIES INCLUDING THE  
24 FINANCIAL INSTITUTION AT WHICH THE INDIVIDUAL DEVELOPMENT ACCOUNTS  
25 ARE LOCATED;

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

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

31 (8) HELP INDIVIDUALS RECEIVE THEIR MATCHING FUNDS AT THE  
32 CONCLUSION OF THE PROGRAM;

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

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

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

7 (12) PROVIDE OTHER SERVICES NECESSARY FOR THE EFFECTIVE  
8 IMPLEMENTATION OF THE 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 PROGRAM PARTICIPANT FOR A  
17 MAXIMUM OF 3 YEARS TO EACH SERVICE PROVIDER FOR TRAINING AND  
18 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; AND

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 A PROGRAM  
18 PARTICIPANT FROM AN INDIVIDUAL DEVELOPMENT ACCOUNT OTHER THAN FOR  
19 QUALIFIED PURPOSES ONLY FOR EMERGENCIES:

20 (1) AS DETERMINED BY THE DEPARTMENT; AND

21 (2) IF REPLACED WITHIN 6 MONTHS.

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

25 (1) WITHHOLD ANY MATCHING FUNDS; AND

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

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

32 (D) THE TECHNICAL ASSISTANCE ORGANIZATIONS SHALL DEVELOP  
33 PROCEDURES TO FOLLOW WHEN A PROGRAM PARTICIPANT MOVES FROM THE

1 COMMUNITY OR IS OTHERWISE UNABLE TO CONTINUE TO PARTICIPATE IN THE  
2 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 IN THE AMOUNT OF \$2 TO  
12 EACH DOLLAR DEPOSITED IN THE INDIVIDUAL DEVELOPMENT ACCOUNT BY THE  
13 PROGRAM PARTICIPANT.

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

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

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

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

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

25 95.

26 (A) THE INDIVIDUAL DEVELOPMENT ACCOUNT DEMONSTRATION PROGRAM  
27 SHALL:

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

29 (2) BE LIMITED TO 800 PROGRAM PARTICIPANTS;

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

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

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

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

7 (1) THE NUMBER OF PROGRAM PARTICIPANTS;

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

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

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

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

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

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

19 (2) RECOMMENDING WHETHER THE PROGRAM SHOULD BE EXTENDED  
20 OR EXPANDED.

21 (F) THE SECRETARY SHALL ADOPT REGULATIONS NECESSARY TO  
22 EFFECTIVELY IMPLEMENT THE PROGRAM.

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

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