

MAINE STATE LEGISLATURE

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HEALTH AND HUMAN SERVICES

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
118TH LEGISLATURE
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1216, L.D. 1716, Bill, "An Act to Establish Family Development Accounts"

Amend the bill by striking out everything after the title and before the summary and inserting in its place the following:

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, low-income Maine families lack the income and resources to save money and develop assets in a manner that will assist them to overcome poverty and respond to unanticipated crises; and

Whereas, family development accounts are a method to develop the means and incentive for low-income families to invest in their future; and

Whereas, private funding will be more quickly and readily attracted to the State of Maine to match savings in family development accounts if the legal framework for them is immediately effective; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

COMMITTEE AMENDMENT

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Sec. 1. 5 MRSA §12004-I, sub-§25-B is enacted to read:

<u>25-B.</u>	<u>Advisory</u>	<u>Not</u>	<u>10 MRSA</u>
<u>Finance</u>	<u>Committee on</u>	<u>Authorized</u>	<u>§1079</u>
	<u>Family</u>		
	<u>Development</u>		
	<u>Accounts</u>		

Sec. 2. 10 MRSA c. 110, sub-c. IV-A is enacted to read:

SUBCHAPTER IV-A

FAMILY DEVELOPMENT ACCOUNT PROGRAM

§1075. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Account holder. "Account holder" means a person, whose family income is below 200% of the nonfarm income official poverty line as defined by the federal Office of Management and Budget and revised annually in accordance with the United States Omnibus Budget Reconciliation Act of 1981, Section 673, subsection 2, who owns a family development account.

2. Community development organization. "Community development organization" means a charitable organization, a community action agency or a nonprofit organization under the Internal Revenue Code, Section 501(c)(3) approved by the authority to administer a family development account program.

3. Family development account; account. "Family development account" or "account" means a financial instrument established pursuant to this subchapter.

4. Family development account reserve fund. "Family development account reserve fund" means the fund created by an approved community development organization for the purposes of funding the administrative costs of the program and providing matching funds for deposit in family development accounts.

5. Financial institution. "Financial institution" means a credit union or financial institution authorized to do business in this State under Title 9-B and that meets standards established by the authority.

6. Program. "Program" means the family development account program established in this subchapter.

§1076. Family development account program

There is established the family development account program to allow eligible persons to establish savings accounts to be used for education, job training, purchase or repair of a home, purchase or repair of a vehicle for access to work or education, capitalization of a small business, health care costs over \$500 not covered by private or public insurance or other basic necessity. The program is designed to encourage savings as a means of investing in the future and investing in Maine people, institutions and businesses.

1. Soliciting proposals. The authority shall solicit proposals from community development organizations seeking to administer family development accounts on a nonprofit basis. The authority may not limit the number of community development organizations participating based solely upon geographic region. The proposals must include:

A. A process for including account holders in decision making regarding the investment of funds in the accounts;

B. The specific populations the community development organization plans to identify for participation in the program; and

C. A requirement that deposits into accounts must be accepted from account holders with or without matching contributions and from community development organizations.

2. Reviewing proposals. In reviewing the proposal of a community development organization, the authority shall establish criteria to use that must include the following factors:

A. The nonprofit status of the community development organization;

B. The fiscal accountability of the community development organization;

C. The ability of the community development organization to provide or raise money for matching contributions and to establish and administer a reserve fund account; and

D. The significance and quality of proposed auxiliary services and their relationship to the goals of the family development account program.

2 3. Administrative costs. Administrative costs may not
4 exceed 15% of the family development account reserve fund.

6 4. Establishment of accounts. A financial institution
8 approved by the authority may establish family development
10 accounts pursuant to this subchapter. The financial institution
12 shall certify to the authority in the manner required by the
authority that accounts have been established pursuant to the
provisions of this subchapter and that deposits have been made on
behalf of account holders. A financial institution establishing
a family development account shall:

14 A. Keep the account in the name of the account holder;

16 B. Permit deposits to be made into the account by the
18 account holder or a community development organization on
20 behalf of the account holder, including money deposited to
22 match the account holder's deposits. Matching contribution
deposits may not exceed \$2000 per year. An account with a
balance exceeding \$10,000 is ineligible for matching
contribution deposits;

24 C. Credit interest to the account at a rate equal to or
26 higher than the rate applicable to comparable accounts
within the financial institution; and

28 D. Permit the account holder, after obtaining the
30 cosignature of the administrator of the community
32 development organization, to withdraw money from the account
for any of the purposes listed in section 1077, subsection 1.

34 5. Appeals. Any dispute between the account holder and the
36 community development organization may be appealed to the
authority. Any adverse decision of the authority may be appealed
to the Superior Court pursuant to Title 5, chapter 375,
subchapter VII.

38 6. Rules. The authority shall adopt rules to implement and
40 administer the provisions of this subchapter. Rules adopted
42 pursuant to this subsection are routine technical rules as
defined in Title 5, chapter 375, subchapter II-A.

44 §1077. Withdrawal of funds

46 1. Use of funds. An account holder may withdraw funds from
48 the account with the approval of the community development
organization administrator without penalty for the following
expenditures:

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2 A. Expenses for education or job training or to attend an
4 accredited or approved postsecondary education or training
6 institution;

8 B. The purchase or repair of a home that is or will be the
10 person's principal residence;

12 C. The purchase or repair of a vehicle used for
14 transportation to work or to attend an education or training
16 program;

18 D. Expenses for an emergency that may cause the loss of
20 shelter, employment or other basic necessities;

22 E. Capital to start a small business for any family member
24 who is 18 years of age or older; or

26 F. Health care costs exceeding \$500 not covered by public or
28 private insurance.

30 2. Unauthorized withdrawal; penalty. Money withdrawn from
32 an account by an account holder that is not withdrawn pursuant to
34 subsection 1 is subject to a penalty of 15%. When a penalty is
36 assessed, the account holder must be paid the funds that the
38 account holder deposited less any penalties, plus interest on
40 that amount. All matching contribution deposits and the interest
42 on them are forfeited. All penalties and forfeited funds must
44 be paid into the family development account reserve fund of the
46 community development organization.

48 3. Death of account holder. When opening an account an
50 account holder may name a beneficiary and contingent
52 beneficiaries. An account holder may change beneficiaries at any
54 time. When an account holder dies the account must be
56 transferred to the ownership of the designated beneficiary or, if
58 there is none or if the transfer is not possible, the account
60 must be transferred to the estate of the deceased.

62 4. Exempt from taxation. Account balances and withdrawals
64 are exempt from taxation pursuant to Title 36, chapter 803.

66 **§1078. No reduction in benefits**

68 Notwithstanding any other rule or provision of state law,
70 the first \$10,000 of funds and any accrued interest in an account
72 under this subchapter are excluded from consideration in
74 determining eligibility or benefit levels for any assistance or
76 benefit granted under state law.

78 **§1079. Advisory committee**

2 The Advisory Committee on Family Development Accounts,
3 established in Title 5, section 12004-I, subsection 25-B, is
4 referred to in this section as the "committee."

6 1. Committee membership. The committee consists of 15
7 members as follows:

8 A. Five members appointed by the Governor, including one
9 representative of the Maine State Housing Authority, one
10 representative of the Department of Economic and Community
11 Development, one representative of the Department of Human
12 Services and 2 representatives of financial institutions
13 participating in the program;

14 B. Five members appointed by the Speaker of the House of
15 Representatives, including 2 persons who are account holders
16 or are eligible to be account holders, 2 representatives of
17 contributors of matching funds to the program and one
18 representative of a community development organization; and

19 C. Five members appointed by the President of the Senate,
20 including one representative of a contributor of matching
21 funds to the program, one representative of a statewide
22 community development foundation, one person who is an
23 account holder or is eligible to be an account holder and 2
24 representatives of community development organizations.

25 2. Chair. The committee shall elect a chair from its
26 members.

27 3. Duties; report. The committee shall meet at least 4
28 times per year to study and evaluate the effectiveness of family
29 development accounts in this State and other states; make
30 recommendations with respect to changes in law, rule or policy
31 that will enhance the ability of account holders to improve their
32 economic security; and advise the authority, relevant state
33 agencies, community development organizations and the Legislature
34 as to its findings. The committee shall provide a comprehensive
35 report to the joint standing committee of the Legislature having
36 jurisdiction over business and economic development matters and
37 the joint standing committee of the Legislature having
38 jurisdiction over health and human services matters by March 1st
39 of each year, beginning in 1999.

40 4. Freedom of access; confidential information. Meetings of
41 the committee are public meetings and records and papers of the
42 committee are public records for the purposes of the freedom of
43 access laws in Title 1, chapter 13, subchapter I, except that
44 information obtained about account holders and their families

that is confidential under state or federal law, rule or regulation is confidential and may not be disclosed.

5. Staffing. The authority shall provide staffing to the committee and may, within existing resources, obtain technical assistance from appropriate sources with expertise in asset development for low-income households.

6. Voluntary service. Members of the committee serve without compensation or reimbursement for expenses.

Sec. 3. Appointments. All appointments to the Advisory Committee on Family Development Accounts, established in the Maine Revised Statutes, Title 5, section 12004-I, must be made by August 1, 1997 and the first meeting of the committee convened by the Chief Executive Officer of the Finance Authority of Maine or the designee of the chief executive officer by September 15, 1997.

Emergency clause. In view of the emergency cited in the preamble, this Act takes effect when approved.

Further amend the bill by inserting at the end before the summary the following:

FISCAL NOTE

The additional income tax exemption for interest income arising from family development accounts will decrease General Fund revenue by amounts that can not be estimated at this time beginning in fiscal year 1997-98. The corresponding decreases in dedicated revenue to the Local Government Fund for state-municipal revenue sharing also can not be determined.

Exempting certain income and balances in these accounts for eligibility purposes will result in additional costs to the Department of Human Services. Additional General Fund appropriations will be required. The amounts can not be determined at this time.

The additional costs associated with establishing and administering the family development account program can be absorbed by the Finance Authority of Maine utilizing existing budgeted resources.

The Finance Authority of Maine can also absorb the additional costs to provide staffing and other assistance to the Advisory Committee on Family Development Accounts. The state department and agency members of the committee will incur some

2 minor additional participation costs. These costs can be
absorbed within those agencies' existing budgeted resources.

4 This bill may increase the number of civil suits filed in
the court system. The additional workload and administrative
6 costs associated with the minimal number of new cases filed can
be absorbed within the budgeted resources of the Judicial
8 Department. The collection of additional filing fees may also
increase General Fund revenue by minor amounts.'

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SUMMARY

14 This amendment replaces the bill. It combines provisions of
the bill with provisions of L.D. 1021, "An Act to Promote the
16 Establishment of Individual Development Accounts by Low-income
Families." It restricts account holders to persons below 200% of
18 the federal poverty level. It allows administrative expenses of
15%. The amendment also adds a fiscal note to the bill.

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