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Legislative Document

No. 1217

S.P. 379

In Senate, March 12, 2019

An Act To Clarify the Oversight of the Family Development Account Program

Reference to the Committee on Innovation, Development, Economic Advancement and Business suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator VITELLI of Sagadahoc.
Cosponsored by Representative JORGENSEN of Portland and
Senators: LIBBY of Androscoggin, MILLETT of Cumberland, MOORE of Washington,
POULIOT of Kennebec, Representatives: McCREIGHT of Harpswell, RECKITT of South
Portland, WARREN of Hallowell.

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

2 **Sec. 1. 5 MRSA §12004-I, sub-§18-F** is enacted to read:

3 **18-F.**

4 <u>Education:</u>	<u>Advisory Committee</u>	<u>Expenses for</u>	<u>20-A MRSA §10985</u>
5 <u>Financial Aid</u>	<u>on Family</u>	<u>members</u>	
6	<u>Development</u>	<u>representing account</u>	
7	<u>Accounts</u>	<u>holders; not</u>	
8		<u>authorized for all</u>	
9		<u>other members</u>	

10 **Sec. 2. 5 MRSA §12004-I, sub-§25-B**, as amended by PL 2003, c. 673, Pt. QQ,
11 §1, is repealed.

12 **Sec. 3. 10 MRSA c. 110, sub-c. 4-A**, as amended, is repealed.

13 **Sec. 4. 20-A MRSA c. 412-B** is enacted to read:

14 **CHAPTER 412-B**

15 **FAMILY DEVELOPMENT ACCOUNT PROGRAM**

16 **§10981. Definitions**

17 As used in this chapter, unless the context otherwise indicates, the following terms
18 have the following meanings.

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

24 **2. Community development organization.** "Community development
25 organization" means a charitable organization, a community action agency or a nonprofit
26 organization under the United States Internal Revenue Code of 1986, Section 501(c)(3)
27 approved by the university to administer family development accounts.

28 **3. Family development account; account.** "Family development account" or
29 "account" means a financial instrument established pursuant to this chapter.

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

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

4 **6. Program.** "Program" means the family development account program established
5 in this chapter.

6 **7. University.** "University" means the University of Maine System.

7 **§10982. Family development account program**

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

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

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

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

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

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

30 A. The nonprofit status of the community development organization;

31 B. The fiscal accountability of the community development organization;

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

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

37 **3. Administrative costs.** Administrative costs may not exceed 15% of the family
38 development account reserve fund.

1 **4. Establishment of accounts.** A financial institution approved by the university
2 may establish family development accounts pursuant to this chapter. The financial
3 institution shall certify to the university in the manner required by the university that
4 accounts have been established pursuant to the provisions of this chapter and that deposits
5 have been made on behalf of account holders. A financial institution establishing a
6 family development account shall:

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

8 B. Permit deposits to be made into the account by the account holder or a community
9 development organization on behalf of the account holder, including money
10 deposited to match the account holder's deposits. Matching contribution deposits
11 may not exceed \$4,000 per year and must be approved in writing by the community
12 development organization. An account with a balance exceeding \$10,000 is
13 ineligible for matching contribution deposits;

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

16 D. Permit the account holder to withdraw money from the account for any of the
17 purposes listed in section 10983, subsection 1; and

18 E. Require the account holder to allow the financial institution to provide all account
19 information to the community development organization.

20 **5. Appeals.** Any dispute between the account holder and the community
21 development organization may be appealed to the university. Any adverse decision of the
22 university may be appealed to the Superior Court pursuant to Title 5, chapter 375,
23 subchapter 7.

24 **6. Rules; stakeholders.** The university shall adopt rules to implement and
25 administer the provisions of this chapter. Rules adopted pursuant to this subsection are
26 routine technical rules as defined in Title 5, chapter 375, subchapter 2-A. In
27 administering the program and periodically assessing its effectiveness, the university may
28 consult with stakeholders from the community, including but not limited to program
29 participants, community development organizations and financial institutions, as well as
30 organizations representing the interests of low-income persons in the State.

31 **§10983. Withdrawal of funds**

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

35 A. Expenses for education or job training or to attend an accredited or approved
36 postsecondary education or training institution;

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

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

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

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

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

6 **2. Unauthorized withdrawal; penalty.** Money withdrawn from an account by an
7 account holder that is not withdrawn pursuant to subsection 1 is subject to a penalty of
8 15%. When a penalty is assessed, the account holder must be paid the funds that the
9 account holder deposited less any penalties, plus interest on that amount. All matching
10 contribution deposits and the interest on them are forfeited. All penalties and forfeited
11 funds must be paid into the family development account reserve fund of the community
12 development organization.

13 **3. Death of account holder.** When opening an account an account holder may name
14 a beneficiary and contingent beneficiaries. An account holder may change beneficiaries
15 at any time. When an account holder dies the account must be transferred to the
16 ownership of the designated beneficiary or, if there is none or if the transfer is not
17 possible, the account must be transferred to the estate of the deceased.

18 **4. Exempt from taxation.** Account balances and withdrawals are exempt from
19 taxation pursuant to Title 36, chapter 803.

20 **§10984. No reduction in benefits**

21 Notwithstanding any other rule or provision of state law, the first \$10,000 of funds
22 and any accrued interest in an account under this chapter are excluded from consideration
23 in determining eligibility or benefit levels for any assistance or benefit granted under state
24 law.

25 **§10985. Advisory committee**

26 The Advisory Committee on Family Development Accounts, established in Title 5,
27 section 12004-I, subsection 18-F, is referred to in this section as "the committee."

28 **1. Committee membership.** The committee consists of 12 members as follows:

29 A. Four members appointed by the Governor, including one representative of the
30 Maine State Housing Authority, one representative of the Department of Health and
31 Human Services and 2 representatives of financial institutions participating in the
32 program;

33 B. Four members appointed by the Speaker of the House of Representatives,
34 including one person who is an account holder or is eligible to be an account holder,
35 2 representatives of contributors of matching funds to the program and one
36 representative of a community development organization; and

37 C. Four members appointed by the President of the Senate, including one
38 representative of a contributor of matching funds to the program, one representative
39 of a statewide community development foundation, one person who is an account

1 holder or is eligible to be an account holder and one representative of a community
2 development organization.

3 Members from state departments serve at the pleasure of their appointing authorities. All
4 other members serve 3-year terms and may continue to serve beyond their terms until
5 their successors are appointed. If a vacancy occurs before a term has expired, the
6 vacancy must be filled for the remainder of the unexpired term by the authority who
7 made the original appointment. If a member is absent for 2 consecutive meetings and has
8 not been excused by the chair from either meeting, the committee may remove the
9 member by majority vote.

10 **2. Chair.** The committee shall elect a chair from its members.

11 **3. Duties; report.** The committee shall meet at least 2 times per year to study and
12 evaluate the effectiveness of family development accounts in this State and other states;
13 make recommendations with respect to changes in law, rule or policy that will enhance
14 the ability of account holders to improve their economic security; and advise the
15 university, relevant state agencies, community development organizations and the
16 Legislature as to its findings. The committee shall provide a comprehensive report to the
17 joint standing committee of the Legislature having jurisdiction over business and
18 economic development matters and the joint standing committee of the Legislature
19 having jurisdiction over health and human services matters by March 1st of each year.

20 **4. Freedom of access; confidential information.** Meetings of the committee are
21 public meetings and records and papers of the committee are public records for the
22 purposes of the freedom of access laws in Title 1, chapter 13, subchapter 1, except that
23 information obtained about account holders and their families that is confidential under
24 state or federal law, rule or regulation is confidential and may not be disclosed.

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

28 **6. Voluntary service.** Members of the committee serve without compensation or
29 reimbursement for expenses, except that members representing account holders may be
30 reimbursed for expenses.

31 **Sec. 5. 22 MRSA §3769-D**, as enacted by PL 2015, c. 267, Pt. RRRR, §4, is
32 amended to read:

33 **§3769-D. Temporary Assistance for Needy Families block grant; family**
34 **development accounts**

35 In fiscal year 2016-17 and annually thereafter, the Department of Health and Human
36 Services may use \$500,000 in funds provided under the Temporary Assistance for Needy
37 Families block grant to promote financial literacy and healthy savings habits of families
38 with income less than 200% of the federal poverty guidelines through the placement of
39 funds in family development accounts established pursuant to Title ~~40~~ 20-A, chapter ~~40~~
40 ~~412-B~~, subchapter 4-A.

1

SUMMARY

2 This bill amends the family development account program by transferring
3 administration from the Finance Authority of Maine to the University of Maine System.
4 The bill also allows the University of Maine System to consult key stakeholders such as
5 program participants, community development organizations and financial institutions, as
6 well as organizations representing the interests of low-income persons in the State, as part
7 of administering the program and assessing its effectiveness.