

105TH CONGRESS
2D SESSION

H. R. 4254

To amend the Community Services Block Grant Act to provide for the establishment of demonstration projects designed to determine the social, civic, psychological, and economic effects of providing to individuals and families with limited means an incentive to accumulate assets and to determine the extent to which an asset-based policy may be used to enable individuals and families with limited means to increase their economic self-sufficiency.

IN THE HOUSE OF REPRESENTATIVES

JULY 16, 1998

Mr. HALL of Ohio (for himself and Mr. KASICH) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Community Services Block Grant Act to provide for the establishment of demonstration projects designed to determine the social, civic, psychological, and economic effects of providing to individuals and families with limited means an incentive to accumulate assets and to determine the extent to which an asset-based policy may be used to enable individuals and families with limited means to increase their economic self-sufficiency.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. AMENDMENTS.**

4 The Community Services Block Grant Act (42 U.S.C.
 5 9901–9912) is amended—

6 (1) by striking “This subtitle” each place it ap-
 7 pears (other than in section 671) and inserting
 8 “‘This subtitle”,

9 (2) by striking “this subtitle’ each place it ap-
 10 pears (other than in section 671) and inserting “‘this
 11 subtitle”,

12 (3) by inserting the following after section 671:

13 “PART A—COMMUNITY SERVICES GRANTS”, AND

14 (4) by adding at the end the following:

15 “PART B— ASSETS FOR INDEPENDENCE

16 **“SEC. 685. SHORT TITLE.**

17 “‘This part may be cited as the ‘Assets for Independ-
 18 ence Act’.

19 **“SEC. 686. FINDINGS.**

20 “Congress makes the following findings:

21 “(1) Economic well-being does not come solely
 22 from income, spending, and consumption, but also
 23 requires savings, investment, and accumulation of
 24 assets because assets can improve economic inde-
 25 pendence and stability, connect individuals with a

1 viable and hopeful future, stimulate development of
2 human and other capital, and enhance the welfare of
3 offspring.

4 “(2) Fully $\frac{1}{2}$ of all Americans have either no,
5 negligible, or negative assets available for invest-
6 ment, just as the price of entry to the economic
7 mainstream, the cost of a house, an adequate edu-
8 cation, and starting a business, is increasing. Fur-
9 ther, the household savings rate of the United States
10 lags far behind other industrial nations presenting a
11 barrier to economic growth.

12 “(3) In the current tight fiscal environment, the
13 United States should invest existing resources in
14 high-yield initiatives. There is reason to believe that
15 the financial returns, including increased income, tax
16 revenue, and decreased welfare cash assistance, re-
17 sulting from individual development accounts will far
18 exceed the cost of investment in those accounts.

19 “(4) Traditional public assistance programs
20 concentrating on income and consumption have rare-
21 ly been successful in promoting and supporting the
22 transition to increased economic self-sufficiency. In-
23 come-based domestic policy should be complemented
24 with asset-based policy because, while income-based
25 policies ensure that consumption needs (including

1 food, child care, rent, clothing, and health care) are
2 met, asset-based policies provide the means to
3 achieve greater independence and economic well-
4 being.

5 **“SEC. 687. PURPOSES.**

6 “The purposes of this part are to provide for the es-
7 tablishment of demonstration projects designed to deter-
8 mine—

9 “(1) the social, civic, psychological, and eco-
10 nomic effects of providing to individuals and families
11 with limited means an incentive to accumulate assets
12 by saving a portion of their earned income;

13 “(2) the extent to which an asset-based policy
14 that promotes saving for postsecondary education,
15 homeownership, and microenterprise development
16 may be used to enable individuals and families with
17 limited means to increase their economic self-suffi-
18 ciency; and

19 “(3) the extent to which an asset-based policy
20 stabilizes and improves families and the community
21 in which they live.

22 **“SEC. 688. DEFINITIONS.**

23 “In this part:

24 “(1) APPLICABLE PERIOD.—The term “applica-
25 ble period” means, with respect to amounts to be

1 paid from a grant made for a project year, the cal-
2 endar year immediately preceding the calendar year
3 in which the grant is made.

4 “(2) ELIGIBLE INDIVIDUAL.—The term “eligi-
5 ble individual” means an individual who is selected
6 to participate by a qualified entity under section
7 693.

8 “(3) EMERGENCY WITHDRAWAL.—The term
9 “emergency withdrawal” means a withdrawal by an
10 eligible individual that—

11 “(A) is a withdrawal of only those funds,
12 or a portion of those funds, deposited by the in-
13 dividual in the individual development account
14 of the individual;

15 “(B) is permitted by a qualified entity on
16 a case-by-case basis; and

17 “(C) is made for—

18 “(i) expenses for medical care or nec-
19 essary to obtain medical care, for the indi-
20 vidual or a spouse or dependent of the in-
21 dividual described in paragraph (8)(D);

22 “(ii) payments necessary to prevent
23 the eviction of the individual from the resi-
24 dence of the individual, or foreclosure on
25 the mortgage for the principal residence of

1 the individual, as defined in paragraph
2 (8)(B); or

3 “(iii) payments necessary to enable
4 the individual to meet necessary living ex-
5 penses following loss of employment.

6 “(4) HOUSEHOLD.—The term “household”
7 means all individuals who share use of a dwelling
8 unit as primary quarters for living and eating sepa-
9 rate from other individuals.

10 “(5) INDIVIDUAL DEVELOPMENT ACCOUNT.—

11 “(A) IN GENERAL.—The term “individual
12 development account” means a trust created or
13 organized in the United States exclusively for
14 the purpose of paying the qualified expenses of
15 an eligible individual, or enabling the eligible in-
16 dividual to make an emergency withdrawal, but
17 only if the written governing instrument creat-
18 ing the trust meets the following requirements:

19 “(i) No contribution will be accepted
20 unless it is in cash or by check.

21 “(ii) The trustee is a federally insured
22 financial institution, or a State insured fi-
23 nancial institution if no federally insured
24 financial institution is available.

1 “(iii) The assets of the trust will be
2 invested in accordance with the direction of
3 the eligible individual after consultation
4 with the qualified entity providing deposits
5 for the individual under section 694.

6 “(iv) The assets of the trust will not
7 be commingled with other property except
8 in a common trust fund or common invest-
9 ment fund.

10 “(v) Except as provided in clause (vi),
11 any amount in the trust which is attrib-
12 utable to a deposit provided under section
13 694 may be paid or distributed out of the
14 trust only for the purpose of paying the
15 qualified expenses of the eligible individual,
16 or enabling the eligible individual to make
17 an emergency withdrawal.

18 “(vi) Any balance in the trust on the
19 day after the date on which the individual
20 for whose benefit the trust is established
21 dies shall be distributed within 30 days of
22 that date as directed by that individual to
23 another individual development account es-
24 tablished for the benefit of an eligible indi-
25 vidual.

1 “(B) CUSTODIAL ACCOUNTS.—For pur-
2 poses of subparagraph (A), a custodial account
3 shall be treated as a trust if the assets of the
4 custodial account are held by a bank (as de-
5 fined in section 408(n) of the Internal Revenue
6 Code of 1986) or another person who dem-
7 onstrates, to the satisfaction of the Secretary,
8 that the manner in which such person will ad-
9 minister the custodial account will be consistent
10 with the requirements of this part, and if the
11 custodial account would, except for the fact that
12 it is not a trust, constitute an individual devel-
13 opment account described in subparagraph (A).
14 For purposes of this part, in the case of a cus-
15 todial account treated as a trust by reason of
16 the preceding sentence, the custodian of that
17 custodial account shall be treated as the trustee
18 thereof.

19 “(6) PROJECT YEAR.—The term “project year”
20 means, with respect to a demonstration project, any
21 of the 5 consecutive 12-month periods beginning on
22 the date the project is originally authorized to be
23 conducted.

24 “(7) QUALIFIED ENTITY.—

1 “(A) IN GENERAL.—The term “qualified
2 entity” means—

3 “(i) one or more not-for-profit organi-
4 zations described in section 501(c)(3) of
5 the Internal Revenue Code of 1986 and ex-
6 empt from taxation under section 501(a)
7 of such Code; or

8 “(ii) a State or local government
9 agency, or a tribal government, submitting
10 an application under section 689 jointly
11 with an organization described in clause
12 (i).

13 “(B) RULE OF CONSTRUCTION.—Nothing
14 in this paragraph shall be construed as prevent-
15 ing an organization described in subparagraph
16 (A)(i) from collaborating with a financial insti-
17 tution or for-profit community development cor-
18 poration to carry out the purposes of this part.

19 “(8) QUALIFIED EXPENSES.—The term “quali-
20 fied expenses” means 1 or more of the following, as
21 provided by the qualified entity:

22 “(A) POSTSECONDARY EDUCATIONAL EX-
23 PENSES.—Postsecondary educational expenses
24 paid from an individual development account di-

rectly to an eligible educational institution. In
this subparagraph:

“(i) POSTSECONDARY EDUCATIONAL
EXPENSES.—The term “postsecondary
educational expenses” means the following:

“(I) TUITION AND FEES.—Tui-
tion and fees required for the enroll-
ment or attendance of a student at an
eligible educational institution.

“(II) FEES, BOOKS, SUPPLIES,
AND EQUIPMENT.—Fees, books, sup-
plies, and equipment required for
courses of instruction at an eligible
educational institution.

“(ii) ELIGIBLE EDUCATIONAL INSTI-
TUTION.—The term “eligible educational
institution” means the following:

“(I) INSTITUTION OF HIGHER
EDUCATION.—An institution described
in section 481(a)(1) or 1201(a) of the
Higher Education Act of 1965 (20
U.S.C. 1088(a)(1) or 1141(a)), as
such sections are in effect on the date
of enactment of this part.

1 “(II) POSTSECONDARY VOCA-
2 TIONAL EDUCATION SCHOOL.—An
3 area vocational education school (as
4 defined in subparagraph (C) or (D) of
5 section 521(4) of the Carl D. Perkins
6 Vocational and Applied Technology
7 Education Act (20 U.S.C. 2471(4)))
8 which is in any State (as defined in
9 section 521(33) of such Act), as such
10 sections are in effect on the date of
11 enactment of this part.

12 “(B) FIRST-HOME PURCHASE.—Qualified
13 acquisition costs with respect to a principal res-
14 idence for a qualified first-time homebuyer, if
15 paid from an individual development account di-
16 rectly to the persons to whom the amounts are
17 due. In this subparagraph:

18 “(i) PRINCIPAL RESIDENCE.—The
19 term “principal residence” means a prin-
20 cipal residence, the qualified acquisition
21 costs of which do not exceed 100 percent
22 of the average area purchase price applica-
23 ble to such residence.

24 “(ii) QUALIFIED ACQUISITION
25 COSTS.—The term “qualified acquisition

costs” means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.

“(iii) QUALIFIED FIRST-TIME HOME-BUYER.—

“(I) IN GENERAL.—The term “qualified first-time homebuyer” means an individual participating in the project (and, if married, the individual’s spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this subparagraph applies.

“(II) DATE OF ACQUISITION.—

The term “date of acquisition” means the date on which a binding contract to acquire, construct, or reconstruct the principal residence to which this subparagraph applies is entered into.

“(C) BUSINESS CAPITALIZATION.—

Amounts paid from an individual development

1 account directly to a business capitalization ac-
2 count which is established in a federally insured
3 financial institution (or in a State insured fi-
4 nancial institution if no federally insured finan-
5 cial institution is available) and is restricted to
6 use solely for qualified business capitalization
7 expenses. In this subparagraph:

8 “(i) QUALIFIED BUSINESS CAPITAL-
9 IZATION EXPENSES.—The term “qualified
10 business capitalization expenses” means
11 qualified expenditures for the capitalization
12 of a qualified business pursuant to a quali-
13 fied plan.

14 “(ii) QUALIFIED EXPENDITURES.—
15 The term “qualified expenditures” means
16 expenditures included in a qualified plan,
17 including capital, plant, equipment, work-
18 ing capital, and inventory expenses.

19 “(iii) QUALIFIED BUSINESS.—The
20 term “qualified business” means any busi-
21 ness that does not contravene any law or
22 public policy (as determined by the Sec-
23 retary).

24 “(iv) QUALIFIED PLAN.—The term
25 “qualified plan” means a business plan, or

1 a plan to use a business asset purchased,
2 which—

3 “(I) is approved by a financial in-
4 stitution, a microenterprise develop-
5 ment organization, or a nonprofit loan
6 fund having demonstrated fiduciary
7 integrity;

8 “(II) includes a description of
9 services or goods to be sold, a market-
10 ing plan, and projected financial
11 statements; and

12 “(III) may require the eligible in-
13 dividual to obtain the assistance of an
14 experienced entrepreneurial adviser.

15 “(D) TRANSFERS TO IDAS OF FAMILY
16 MEMBERS.—Amounts paid from an individual
17 development account directly into another such
18 account established for the benefit of an eligible
19 individual who is—

20 “(i) the individual’s spouse; or

21 “(ii) any dependent of the individual
22 with respect to whom the individual is al-
23 lowed a deduction under section 151 of the
24 Internal Revenue Code of 1986.

1 “(9) QUALIFIED SAVINGS OF THE INDIVIDUAL
2 FOR THE PERIOD.—The term “qualified savings of
3 the individual for the period” means the aggregate
4 of the amounts contributed by the individual to the
5 individual development account of the individual
6 during the period.

7 “(10) SECRETARY.—The term “Secretary”
8 means the Secretary of Health and Human Services.

9 “(11) TRIBAL GOVERNMENT.—The term “tribal
10 government” means a tribal organization, as defined
11 in section 4 of the Indian Self-Determination and
12 Education Assistance Act (25 U.S.C. 450b) or a Na-
13 tive Hawaiian organization, as defined in section
14 9212 of the Native Hawaiian Education Act (20
15 U.S.C. 7912).

16 **“SEC. 689. APPLICATIONS.**

17 “(a) ANNOUNCEMENT OF DEMONSTRATION
18 PROJECTS.—Not later than 3 months after the date of
19 enactment of this part, the Secretary shall publicly an-
20 nounce the availability of funding under this part for dem-
21 onstration projects and shall ensure that applications to
22 conduct the demonstration projects are widely available to
23 qualified entities.

24 “(b) SUBMISSION.—Not later than 6 months after
25 the date of enactment of this part, a qualified entity may

1 submit to the Secretary an application to conduct a dem-
2 onstration project under this part.

3 “(c) CRITERIA.—In considering whether to approve
4 an application to conduct a demonstration project under
5 this part, the Secretary shall assess the following:

6 “(1) SUFFICIENCY OF PROJECT.—The degree
7 to which the project described in the application ap-
8 pears likely to aid project participants in achieving
9 economic self-sufficiency through activities requiring
10 qualified expenses. In making such assessment, the
11 Secretary shall consider the overall quality of project
12 activities in making any particular kind or combina-
13 tion of qualified expenses to be an essential feature
14 of any project.

15 “(2) ADMINISTRATIVE ABILITY.—The experi-
16 ence and ability of the applicant to responsibly ad-
17 minister the project.

18 “(3) ABILITY TO ASSIST PARTICIPANTS.—The
19 experience and ability of the applicant in recruiting,
20 educating, and assisting project participants to in-
21 crease their economic independence and general well-
22 being through the development of assets.

23 “(4) COMMITMENT OF NON-FEDERAL FUNDS.—
24 The aggregate amount of direct funds from non-
25 Federal public sector and from private sources that

1 are formally committed to the project as matching
2 contributions.

3 “(5) ADEQUACY OF PLAN FOR PROVIDING IN-
4 FORMATION FOR EVALUATION.—The adequacy of
5 the plan for providing information relevant to an
6 evaluation of the project.

7 “(6) OTHER FACTORS.—Such other factors rel-
8 evant to the purposes of this part as the Secretary
9 may specify.

10 “(d) PREFERENCES.—In considering an application
11 to conduct a demonstration project under this part, the
12 Secretary shall give preference to an application that—

13 “(1) demonstrates the willingness and ability to
14 select individuals described in section 692 who are
15 predominantly from households in which a child (or
16 children) is living with the child’s biological or adop-
17 tive mother or father, or with the child’s legal guard-
18 ian;

19 “(2) provides a commitment of non-Federal
20 funds with a proportionately greater amount of such
21 funds committed by private sector sources; and

22 “(3) targets such individuals residing within 1
23 or more relatively well-defined neighborhoods or
24 communities (including rural communities) that ex-
25 perience high rates of poverty or unemployment.

1 “(e) APPROVAL.—Not later than 9 months after the
2 date of enactment of this part, the Secretary shall, on a
3 competitive basis, approve such applications to conduct
4 demonstration projects under this part as the Secretary
5 deems appropriate, taking into account the assessments
6 required by subsections (c) and (d). The Secretary is en-
7 couraged to ensure that the applications that are approved
8 involve a range of communities (both rural and urban) and
9 diverse populations.

10 “(f) CONTRACTS WITH NONPROFIT ENTITIES.—The
11 Secretary may contract with an entity described in section
12 501(c)(3) of the Internal Revenue Code of 1986 and ex-
13 empt from taxation under section 501(a) of such Code to
14 conduct any responsibility of the Secretary under this sec-
15 tion or section 696 if—

16 “(1) such entity demonstrates the ability to
17 conduct such responsibility; and

18 “(2) the Secretary can demonstrate that such
19 responsibility would not be conducted by the Sec-
20 retary at a lower cost.

21 **“SEC. 690. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.**

22 “(a) DEMONSTRATION AUTHORITY.—If the Sec-
23 retary approves an application to conduct a demonstration
24 project under this part, the Secretary shall, not later than
25 10 months after the date of enactment of this part, au-

1 authorize the applicant to conduct the project for 5 project
 2 years in accordance with the approved application and the
 3 requirements of this part.

4 “(b) GRANT AUTHORITY.—For each project year of
 5 a demonstration project conducted under this part, the
 6 Secretary may make a grant to the qualified entity author-
 7 ized to conduct the project. In making such a grant, the
 8 Secretary shall make the grant on the first day of the
 9 project year in an amount not to exceed the lesser of—

10 “(1) the aggregate amount of funds committed
 11 as matching contributions by non-Federal public or
 12 private sector sources; or

13 “(2) \$1,000,000.

14 **“SEC. 691. RESERVE FUND.**

15 “(a) ESTABLISHMENT.—A qualified entity under this
 16 part, other than a State or local government agency, or
 17 a tribal government, shall establish a Reserve Fund which
 18 shall be maintained in accordance with this section.

19 “(b) AMOUNTS IN RESERVE FUND.—

20 “(1) IN GENERAL.—As soon after receipt as is
 21 practicable, a qualified entity shall deposit in the Re-
 22 serve Fund established under subsection (a)—

23 “(A) all funds provided to the qualified en-
 24 tity by any public or private source in connec-
 25 tion with the demonstration project; and

1 “(B) the proceeds from any investment
2 made under subsection (c)(2).

3 “(2) UNIFORM ACCOUNTING REGULATIONS.—
4 The Secretary shall prescribe regulations with re-
5 spect to accounting for amounts in the Reserve
6 Fund established under subsection (a).

7 “(c) USE OF AMOUNTS IN THE RESERVE FUND.—
8 “(1) IN GENERAL.—A qualified entity shall use
9 the amounts in the Reserve Fund established under
10 subsection (a) to—

11 “(A) assist participants in the demonstra-
12 tion project in obtaining the skills (including
13 economic literacy, budgeting, credit, and coun-
14 seling) and information necessary to achieve
15 economic self-sufficiency through activities re-
16 quiring qualified expenses;

17 “(B) provide deposits in accordance with
18 section 694 for individuals selected by the quali-
19 fied entity to participate in the demonstration
20 project;

21 “(C) administer the demonstration project;
22 and

23 “(D) provide the research organization
24 evaluating the demonstration project under sec-
25 tion 698 with such information with respect to

1 the demonstration project as may be required
2 for the evaluation.

3 “(2) AUTHORITY TO INVEST FUNDS.—

4 “(A) GUIDELINES.—The Secretary shall
5 establish guidelines for investing amounts in the
6 Reserve Fund established under subsection (a)
7 in a manner that provides an appropriate bal-
8 ance between return, liquidity, and risk.

9 “(B) INVESTMENT.—A qualified entity
10 shall invest the amounts in its Reserve Fund
11 that are not immediately needed to carry out
12 the provisions of paragraph (1), in accordance
13 with the guidelines established under subpara-
14 graph (A).

15 “(3) LIMITATION ON USES.—Not more than 9.5
16 percent of the amounts provided to a qualified entity
17 under section 698(b) shall be used by the qualified
18 entity for the purposes described in subparagraphs
19 (A), (C), and (D) of paragraph (1), of which not less
20 than 2 percent of the amounts shall be used by the
21 qualified entity for the purposes described in para-
22 graph (1)(D). If 2 or more qualified entities are
23 jointly administering a project, no qualified entity
24 shall use more than its proportional share for the

1 purposes described in subparagraphs (A), (C), and
 2 (D) of paragraph (1).

3 “(d) UNUSED FEDERAL GRANT FUNDS TRANS-
 4 FERRED TO THE SECRETARY WHEN PROJECT TERMI-
 5 NATES.—Notwithstanding subsection (c), upon the termi-
 6 nation of any demonstration project authorized under this
 7 section, the qualified entity conducting the project shall
 8 transfer to the Secretary an amount equal to—

9 “(1) the amounts in its Reserve Fund at time
 10 of the termination; multiplied by

11 “(2) a percentage equal to—

12 “(A) the aggregate amount of grants made
 13 to the qualified entity under section 698(b); di-
 14 vided by

15 “(B) the aggregate amount of all funds
 16 provided to the qualified entity by all sources to
 17 conduct the project.

18 **“SEC. 692. ELIGIBILITY FOR PARTICIPATION.**

19 “(a) IN GENERAL.—Any individual who is a member
 20 of a household that is eligible for assistance under the
 21 State temporary assistance for needy families program es-
 22 tablished under part A of title IV of the Social Security
 23 Act (42 U.S.C. 601 et seq.), or that meets each of the
 24 following requirements shall be eligible to participate in
 25 a demonstration project conducted under this part:

1 “(1) INCOME TEST.—The adjusted gross in-
 2 come of the household does not exceed the earned in-
 3 come amount described in section 32 of the Internal
 4 Revenue Code of 1986 (taking into account the size
 5 of the household).

6 “(2) NET WORTH TEST.—

7 “(A) IN GENERAL.—The net worth of the
 8 household, as of the end of the calendar year
 9 preceding the determination of eligibility, does
 10 not exceed \$10,000.

11 “(B) DETERMINATION OF NET WORTH.—
 12 For purposes of subparagraph (A), the net
 13 worth of a household is the amount equal to—

14 “(i) the aggregate market value of all
 15 assets that are owned in whole or in part
 16 by any member of the household; minus

17 “(ii) the obligations or debts of any
 18 member of the household.

19 “(C) EXCLUSIONS.—For purposes of de-
 20 termining the net worth of a household, a
 21 household’s assets shall not be considered to in-
 22 clude the primary dwelling unit and 1 motor ve-
 23 hicle owned by the household.

24 “(b) INDIVIDUALS UNABLE TO COMPLETE THE
 25 PROJECT.—The Secretary shall establish such regulations

1 as are necessary, including prohibiting future eligibility to
2 participate in any other demonstration project conducted
3 under this part, to ensure compliance with this part if an
4 individual participating in the demonstration project
5 moves from the community in which the project is con-
6 ducted or is otherwise unable to continue participating in
7 that project.

8 **“SEC. 693. SELECTION OF INDIVIDUALS TO PARTICIPATE.**

9 “From among the individuals eligible to participate
10 in a demonstration project conducted under this part, each
11 qualified entity shall select the individuals—

12 “(1) that the qualified entity deems to be best
13 suited to participate; and

14 “(2) to whom the qualified entity will provide
15 deposits in accordance with section 694.

16 **“SEC. 694. DEPOSITS BY QUALIFIED ENTITIES.**

17 “(a) IN GENERAL.—Not less than once every 3
18 months during each project year, each qualified entity
19 under this Act shall deposit in the individual development
20 account of each individual participating in the project, or
21 into a parallel account maintained by the qualified en-
22 tity—

23 “(1) from the non-Federal funds described in
24 section 689(c)(4), a matching contribution of not
25 less than \$0.50 and not more than \$4 for every \$1

1 of earned income (as defined in section 911(d)(2) of
2 the Internal Revenue Code of 1986) deposited in the
3 account by a project participant during that period;

4 “(2) from the grant made under section 690(b),
5 an amount equal to the matching contribution made
6 under paragraph (1); and

7 “(3) any interest that has accrued on amounts
8 deposited under paragraph (1) or (2) on behalf of
9 that individual into the individual development ac-
10 count of the individual or into a parallel account
11 maintained by the qualified entity.

12 “(b) LIMITATION ON DEPOSITS FOR AN INDIVID-
13 UAL.—Not more than \$2,000 from a grant made under
14 section 690(b) shall be provided to any 1 individual over
15 the course of the demonstration project.

16 “(c) LIMITATION ON DEPOSITS FOR A HOUSE-
17 HOLD.—Not more than \$4,000 from a grant made under
18 section 690(b) shall be provided to any 1 household over
19 the course of the demonstration project.

20 “(d) WITHDRAWAL OF FUNDS.—The Secretary shall
21 establish such guidelines as may be necessary to ensure
22 that funds held in an individual development account are
23 not withdrawn, except for 1 or more qualified expenses,
24 or for an emergency withdrawal. Such guidelines shall in-
25 clude a requirement that a responsible official of the quali-

1 fied entity conducting a project approve such withdrawal
2 in writing. The guidelines shall provide that no individual
3 may withdraw funds from an individual development ac-
4 count earlier than 6 months after the date on which the
5 individual first deposits funds in the account.

6 “(e) REIMBURSEMENT.—An individual shall reim-
7 burse an individual development account for any funds
8 withdrawn from the account for an emergency withdrawal,
9 not later than 12 months after the date of the withdrawal.
10 If the individual fails to make the reimbursement, the
11 qualified entity administering the account shall transfer
12 the funds deposited into the account or a parallel account
13 under section 694 to the Reserve Fund of the qualified
14 entity, and use the funds to benefit other individuals par-
15 ticipating in the demonstration project involved.

16 **“SEC. 695. LOCAL CONTROL OVER DEMONSTRATION**
17 **PROJECTS.**

18 “A qualified entity under this part, other than a
19 State or local government agency or a tribal government,
20 shall, subject to the provisions of section 697, have sole
21 authority over the administration of the project. The Sec-
22 retary may prescribe only such regulations or guidelines
23 with respect to demonstration projects conducted under
24 this part as are necessary to ensure compliance with the
25 approved applications and the requirements of this part.

1 **“SEC. 696. ANNUAL PROGRESS REPORTS.**

2 “(a) IN GENERAL.—Each qualified entity under this
3 part shall prepare an annual report on the progress of the
4 demonstration project. Each report shall include both pro-
5 gram and participant information and shall specify for the
6 period covered by the report the following information:

7 “(1) The number and characteristics of individ-
8 uals making a deposit into an individual develop-
9 ment account.

10 “(2) The amounts in the Reserve Fund estab-
11 lished with respect to the project.

12 “(3) The amounts deposited in the individual
13 development accounts.

14 “(4) The amounts withdrawn from the individ-
15 ual development accounts and the purposes for
16 which such amounts were withdrawn.

17 “(5) The balances remaining in the individual
18 development accounts.

19 “(6) The savings account characteristics (such
20 as threshold amounts and match rates) required to
21 stimulate participation in the demonstration project,
22 and how such characteristics vary among different
23 populations or communities.

24 “(7) What service configurations of the quali-
25 fied entity (such as peer support, structured plan-
26 ning exercises, mentoring, and case management) in-

1 creased the rate and consistency of participation in
2 the demonstration project and how such configura-
3 tions varied among different populations or commu-
4 nities.

5 “(8) Such other information as the Secretary
6 may require to evaluate the demonstration project.

7 “(b) SUBMISSION OF REPORTS.—The qualified entity
8 shall submit each report required to be prepared under
9 subsection (a) to—

10 “(1) the Secretary; and

11 “(2) the Treasurer (or equivalent official) of the
12 State in which the project is conducted, if the State
13 or a local government or a tribal government com-
14 mitted funds to the demonstration project.

15 “(c) TIMING.—The first report required by sub-
16 section (a) shall be submitted not later than 60 days after
17 the end of the calendar year in which the Secretary au-
18 thorized the qualified entity to conduct the demonstration
19 project, and subsequent reports shall be submitted every
20 12 months thereafter, until the conclusion of the project.

21 **“SEC. 697. SANCTIONS.**

22 “(a) AUTHORITY TO TERMINATE DEMONSTRATION
23 PROJECT.—If the Secretary determines that a qualified
24 entity under this part is not operating the demonstration
25 project in accordance with the entity’s application or the

1 requirements of this part (and has not implemented any
2 corrective recommendations directed by the Secretary),
3 the Secretary shall terminate such entity's authority to
4 conduct the demonstration project.

5 “(b) ACTIONS REQUIRED UPON TERMINATION.—If
6 the Secretary terminates the authority to conduct a dem-
7 onstration project, the Secretary—

8 “(1) shall suspend the demonstration project;

9 “(2) shall take control of the Reserve Fund es-
10 tablished pursuant to section 691;

11 “(3) shall make every effort to identify another
12 qualified entity (or entities) willing and able to con-
13 duct the project in accordance with the approved ap-
14 plication (or, as modified, if necessary to incorporate
15 the recommendations) and the requirements of this
16 part;

17 “(4) shall, if the Secretary identifies an entity
18 (or entities) described in paragraph (3)—

19 “(A) authorize the entity (or entities) to
20 conduct the project in accordance with the ap-
21 proved application (or, as modified, if nec-
22 essary, to incorporate the recommendations)
23 and the requirements of this part;

1 “(B) transfer to the entity (or entities)
2 control over the Reserve Fund established pur-
3 suant to section 691; and

4 “(C) consider, for purposes of this part—

5 “(i) such other entity (or entities) to
6 be the qualified entity (or entities) origi-
7 nally authorized to conduct the demonstra-
8 tion project; and

9 “(ii) the date of such authorization to
10 be the date of the original authorization;
11 and

12 “(5) if, by the end of the 1-year period begin-
13 ning on the date of the termination, the Secretary
14 has not found a qualified entity (or entities) de-
15 scribed in paragraph (3), shall—

16 “(A) terminate the project; and

17 “(B) from the amount remaining in the
18 Reserve Fund established as part of the project,
19 remit to each source that provided funds under
20 section 689(c)(4) to the entity originally au-
21 thorized to conduct the project, an amount that
22 bears the same ratio to the amount so remain-
23 ing as the amount provided by the source under
24 section 689(c)(4) bears to the amount provided
25 by all such sources under that section.

1 **“SEC. 698. EVALUATIONS.**

2 “(a) IN GENERAL.—Not later than 10 months after
3 the date of enactment of this part, the Secretary shall
4 enter into a contract with an independent research organi-
5 zation to evaluate, individually and as a group, all quali-
6 fied entities and sources participating in the demonstra-
7 tion projects conducted under this part.

8 “(b) FACTORS TO EVALUATE.—In evaluating any
9 demonstration project conducted under this part, the re-
10 search organization shall address the following factors:

11 “(1) The effects of incentives and organiza-
12 tional or institutional support on savings behavior in
13 the demonstration project.

14 “(2) The savings rates of individuals in the
15 demonstration project based on demographic charac-
16 teristics including gender, age, family size, race or
17 ethnic background, and income.

18 “(3) The economic, civic, psychological, and so-
19 cial effects of asset accumulation, and how such ef-
20 fects vary among different populations or commu-
21 nities.

22 “(4) The effects of individual development ac-
23 counts on homeownership, level of postsecondary
24 education attained, and self-employment, and how
25 such effects vary among different populations or
26 communities.

1 “(5) The potential financial returns to the Fed-
2 eral Government and to other public sector and pri-
3 vate sector investors in individual development ac-
4 counts over a 5-year and 10-year period of time.

5 “(6) The lessons to be learned from the dem-
6 onstration projects conducted under this part and if
7 a permanent program of individual development ac-
8 counts should be established.

9 “(7) Such other factors as may be prescribed by
10 the Secretary.

11 “(c) METHODOLOGICAL REQUIREMENTS.—In evalu-
12 ating any demonstration project conducted under this
13 part, the research organization shall—

14 “(1) for at least 1 site, use control groups to
15 compare participants with nonparticipants;

16 “(2) before, during, and after the project, ob-
17 tain such quantitative data as are necessary to
18 evaluate the project thoroughly; and

19 “(3) develop a qualitative assessment, derived
20 from sources such as in-depth interviews, of how
21 asset accumulation affects individuals and families.

22 “(d) REPORTS BY THE SECRETARY.—

23 “(1) INTERIM REPORTS.—Not later than 90
24 days after the end of the calendar year in which the
25 Secretary first authorizes a qualified entity to con-

1 duct a demonstration project under this part, and
 2 every 12 months thereafter until all demonstration
 3 projects conducted under this part are completed,
 4 the Secretary shall submit to Congress an interim
 5 report setting forth the results of the reports sub-
 6 mitted pursuant to section 696(b).

7 “(2) FINAL REPORTS.—Not later than 12
 8 months after the conclusion of all demonstration
 9 projects conducted under this part, the Secretary
 10 shall submit to Congress a final report setting forth
 11 the results and findings of all reports and evalua-
 12 tions conducted pursuant to this part.

13 “(e) EVALUATION EXPENSES.—The Secretary shall
 14 expend such sums as may be necessary, but not less than
 15 2 percent of the amount appropriated under section 699A
 16 for a fiscal year, to carry out the purposes of this section.

17 **“SEC. 699. TREATMENT OF FUNDS.**

18 “Funds (including interest accruing) deposited in in-
 19 dividual development accounts shall not be considered to
 20 be income or assets for purposes of determining eligibility
 21 for, or the amount of assistance furnished under, any Fed-
 22 eral or federally assisted program based on need.

23 **“SEC. 699A. AUTHORIZATION OF APPROPRIATIONS.**

24 “There is authorized to be appropriated to carry out
 25 this part, \$25,000,000 for each of fiscal years 1999, 2000,

1 2001, 2002, and 2003 to remain available until ex-
2 pended.”.

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