

105TH CONGRESS
1ST SESSION

S. 1106

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 opportunity 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 achieve economic self-sufficiency.

IN THE SENATE OF THE UNITED STATES

JULY 31, 1997

Mr. COATS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

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 opportunity 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 achieve 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,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Assets for Independence Act”.

4 (b) TABLE OF CONTENTS.—The table of contents of
5 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings.
- Sec. 3. Purposes.
- Sec. 4. Definitions.
- Sec. 5. Applications.
- Sec. 6. Demonstration authority; annual grants.
- Sec. 7. Reserve fund.
- Sec. 8. Eligibility for participation.
- Sec. 9. Selection of individuals to participate.
- Sec. 10. Deposits by qualified entities.
- Sec. 11. Local control over demonstration projects.
- Sec. 12. Annual progress reports.
- Sec. 13. Sanctions.
- Sec. 14. Evaluations.
- Sec. 15. Authorizations of appropriations.
- Sec. 16. Funds in individual development accounts of demonstration project
participants disregarded for purposes of all means-tested Federal
programs.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) Economic well-being does not come solely
9 from income, spending, and consumption, but also
10 requires savings, investment, and accumulation of
11 assets because assets can improve economic inde-
12 pendence and stability, connect individuals with a
13 viable and hopeful future, stimulate development of
14 human and other capital, and enhance the welfare of
15 offspring.

16 (2) Fully ½ of all Americans have either no,
17 negligible, or negative assets available for invest-

1 ment, just as the price of entry to the economic
2 mainstream, the cost of a house, an adequate edu-
3 cation, and starting a business, is increasing. Fur-
4 ther, the household savings rate of the United States
5 lags far behind other industrial nations presenting a
6 barrier to economic growth.

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

14 (4) Traditional public assistance programs con-
15 centrating on income and consumption have rarely
16 been successful in promoting and supporting the
17 transition to increased economic self-sufficiency. In-
18 come-based domestic policy should be complemented
19 with asset-based policy because, while income-based
20 policies ensure that consumption needs (including
21 food, child care, rent, clothing, and health care) are
22 met, asset-based policies provide the means to
23 achieve greater independence and economic well-
24 being.

1 **SEC. 3. PURPOSES.**

2 The purposes of this Act are to provide for the estab-
3 lishment of demonstration projects designed to deter-
4 mine—

5 (1) the social, civic, psychological, and economic
6 effects of providing to individuals and families with
7 limited means an incentive to accumulate assets by
8 saving a portion of their earned income;

9 (2) the extent to which an asset-based policy
10 that promotes saving for education, homeownership,
11 and microenterprise development may be used to en-
12 able individuals and families with limited means to
13 increase their economic self-sufficiency; and

14 (3) the extent to which an asset-based policy
15 stabilizes and improves families and the community
16 in which they live.

17 **SEC. 4. DEFINITIONS.**

18 In this Act:

19 (1) **APPLICABLE PERIOD.**—The term “applica-
20 ble period” means, with respect to amounts to be
21 paid from a grant made for a project year, the cal-
22 endar year immediately preceding the calendar year
23 in which the grant is made.

24 (2) **ELIGIBLE INDIVIDUAL.**—The term “eligible
25 individual” means an individual who is selected to

1 participate by a qualified entity under section 9 of
2 this Act.

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

7 (4) INDIVIDUAL DEVELOPMENT ACCOUNT.—

8 (A) IN GENERAL.—The term “individual
9 development account” means a trust created or
10 organized in the United States exclusively for
11 the purpose of paying the qualified expenses of
12 an eligible individual, but only if the written
13 governing instrument creating the trust meets
14 the following requirements:

15 (i) No contribution will be accepted
16 unless it is in cash or by check.

17 (ii) The trustee is a federally insured
18 financial institution.

19 (iii) The assets of the trust will be in-
20 vested in accordance with the direction of
21 the eligible individual after consultation
22 with the qualified entity providing deposits
23 for the individual under section 10 of this
24 Act.

1 (iv) The assets of the trust will not be
2 commingled with other property except in
3 a common trust fund or common invest-
4 ment fund.

5 (v) Except as provided in clause (vi),
6 any amount in the trust which is attrib-
7 utable to a deposit provided under section
8 10 of this Act may be paid or distributed
9 out of the trust only for the purpose of
10 paying the qualified expenses of the eligible
11 individual.

12 (vi) Any balance in the trust on the
13 day after the date on which the individual
14 for whose benefit the trust is established
15 dies shall be distributed within 30 days of
16 that date as directed by that individual to
17 another individual development account es-
18 tablished for the benefit of an eligible indi-
19 vidual.

20 (B) CUSTODIAL ACCOUNTS.—For purposes
21 of subparagraph (A), a custodial account shall
22 be treated as a trust if the assets of the custo-
23 dial account are held by a bank (as defined in
24 section 408(n) of the Internal Revenue Code of
25 1986) or another person who demonstrates, to

1 the satisfaction of the Secretary, that the man-
2 ner in which such person will administer the
3 custodial account will be consistent with the re-
4 quirements of this Act, and if the custodial ac-
5 count would, except for the fact that it is not
6 a trust, constitute an individual development
7 account described in subparagraph (A). For
8 purposes of this Act, in the case of a custodial
9 account treated as a trust by reason of the pre-
10 ceding sentence, the custodian of that custodial
11 account shall be treated as the trustee thereof.

12 (5) NON-FEDERAL PUBLIC SECTOR FUNDS.—

13 The term “non-Federal public sector funds” includes
14 any non-Federal funds disbursed from a source pur-
15 suant to a program operated under the temporary
16 assistance for needy families program under part A
17 of title IV of the Social Security Act (42 U.S.C. 601
18 et seq.).

19 (6) PROJECT YEAR.—The term “project year”
20 means, with respect to a demonstration project, any
21 of the 4 consecutive 12-month periods beginning on
22 the date the project is originally authorized to be
23 conducted.

24 (7) QUALIFIED ENTITY.—

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

(i) one or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code; or

(ii) a State or local government agency submitting an application under section 5 jointly with an organization described in clause (i).

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing an organization described in subparagraph (A)(i) from collaborating with a financial institution or for-profit community development corporation to carry out the purposes of this Act.

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

(A) POSTSECONDARY EDUCATIONAL EXPENSES.—Postsecondary educational expenses paid from an individual development account directly to an eligible educational institution. In this subparagraph:

(i) POST-SECONDARY EDUCATIONAL EXPENSES.—The term “post-secondary educational expenses” means the following:

(I) TUITION AND FEES.—Tuition and fees required for the enrollment or attendance of a student at an eligible educational institution.

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

(ii) ELIGIBLE EDUCATIONAL INSTITUTION.—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 Act.

(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—An area vocational education school (as

1 defined in subparagraph (C) or (D) of
2 section 521(4) of the Carl D. Perkins
3 Vocational and Applied Technology
4 Education Act (20 U.S.C. 2471(4)))
5 which is in any State (as defined in
6 section 521(33) of such Act), as such
7 sections are in effect on the date of
8 enactment of this Act.

9 (B) FIRST-HOME PURCHASE.—Qualified
10 acquisition costs with respect to a qualified
11 principal residence for a qualified first-time
12 homebuyer, if paid from an individual develop-
13 ment account directly to the persons to whom
14 the amounts are due. In this subparagraph:

15 (i) QUALIFIED ACQUISITION COSTS.—

16 The term “qualified acquisition costs”
17 means the costs of acquiring, constructing,
18 or reconstructing a residence. The term in-
19 cludes any usual or reasonable settlement,
20 financing, or other closing costs.

21 (ii) QUALIFIED PRINCIPAL RESI-

22 DENCE.—The term “qualified principal
23 residence” means a principal residence
24 (within the meaning of section 1034 of the
25 Internal Revenue Code of 1986), the quali-

1 fied acquisition costs of which do not ex-
 2 ceed 100 percent of the average area pur-
 3 chase price applicable to such residence
 4 (determined in accordance with paragraphs
 5 (2) and (3) of section 143(e) of such
 6 Code).

7 (iii) QUALIFIED FIRST-TIME HOME-
 8 BUYER.—

9 (I) IN GENERAL.—The term
 10 “qualified first-time homebuyer”
 11 means an individual participating in
 12 the project (and, if married, the indi-
 13 vidual’s spouse) who has no present
 14 ownership interest in a principal resi-
 15 dence during the 3-year period ending
 16 on the date of acquisition of the prin-
 17 cipal residence to which this subpara-
 18 graph applies.

19 (II) DATE OF ACQUISITION.—
 20 The term “date of acquisition” means
 21 the date on which a binding contract
 22 to acquire, construct, or reconstruct
 23 the principal residence to which this
 24 subparagraph applies is entered into.

1 (C) BUSINESS CAPITALIZATION.—Amounts
 2 paid from an individual development account di-
 3 rectly to a business capitalization account which
 4 is established in a federally insured financial in-
 5 stitution and is restricted to use solely for
 6 qualified business capitalization expenses. In
 7 this subparagraph:

8 (i) QUALIFIED BUSINESS CAPITALIZA-
 9 TION 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.—The
 15 term “qualified expenditures” means ex-
 16 penditures included in a qualified plan, in-
 17 cluding capital, plant, equipment, working
 18 capital, and inventory expenses.

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

23 (iv) QUALIFIED PLAN.—The term
 24 “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 MEM-
16 BERS.—Amounts paid from an individual devel-
17 opment account directly into another such ac-
18 count 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 **SEC. 5. APPLICATIONS.**

10 (a) SUBMISSION.—Not later than 6 months after the
 11 date of enactment of this Act, a qualified entity may sub-
 12 mit to the Secretary an application to conduct a dem-
 13 onstration project under this Act.

14 (b) CRITERIA.—In considering whether to approve an
 15 application to conduct a demonstration project under this
 16 Act, the Secretary shall assess the following:

17 (1) SUFFICIENCY OF PROJECT.—The degree to
 18 which the project described in the application ap-
 19 pears likely to aid project participants in achieving
 20 economic self-sufficiency through activities requiring
 21 qualified expenses. In making such assessment, the
 22 Secretary shall consider the overall quality of project
 23 activities in making any particular kind or combina-
 24 tion of qualified expenses to be an essential feature
 25 of any project.

1 (2) ADMINISTRATIVE ABILITY.—The experience
2 and ability of the applicant to responsibly administer
3 the project.

4 (3) ABILITY TO ASSIST PARTICIPANTS.—The
5 experience and ability of the applicant in recruiting,
6 educating, and assisting project participants to in-
7 crease their economic independence and general well-
8 being through the development of assets.

9 (4) COMMITMENT OF NON-FEDERAL FUNDS.—
10 The aggregate amount of direct funds from non-
11 Federal public sector and from private sources that
12 are formally committed to the project as matching
13 contributions.

14 (5) ADEQUACY OF PLAN FOR PROVIDING IN-
15 FORMATION FOR EVALUATION.—The adequacy of
16 the plan for providing information relevant to an
17 evaluation of the project.

18 (6) OTHER FACTORS.—Such other factors rel-
19 evant to the purposes of this Act as the Secretary
20 may specify.

21 (c) PREFERENCES.—In considering an application to
22 conduct a demonstration project under this Act, the Sec-
23 retary shall give preference to an application that—

24 (1) demonstrates the willingness and ability to
25 select individuals described in section 8 who are pre-

1 dominantly from households in which a child (or
2 children) is living with the child’s biological or adop-
3 tive mother or father, or with the child’s legal guard-
4 ian;

5 (2) provides a commitment of non-Federal
6 funds with a proportionately greater amount of such
7 funds committed by private sector sources; and

8 (3) targets such individuals residing within 1 or
9 more relatively well-defined neighborhoods or com-
10 munities (including rural communities) that experi-
11 ence low rates of income or employment.

12 (d) APPROVAL.—Not later than 9 months after the
13 date of enactment of this Act, the Secretary shall, on a
14 competitive basis, approve such applications to conduct
15 demonstration projects under this Act as the Secretary
16 deems appropriate, taking into account the assessments
17 required by subsections (b) and (c). The Secretary is en-
18 couraged to ensure that the applications that are approved
19 involve a range of communities (both rural and urban) and
20 diverse populations.

21 (e) CONTRACTS WITH NONPROFIT ENTITIES.—The
22 Secretary may contract with an entity described in section
23 501(c)(3) of the Internal Revenue Code of 1986 and ex-
24 empt from taxation under section 501(a) of such Code to

1 conduct any responsibility of the Secretary under this sec-
2 tion or section 12 if—

3 (1) such entity demonstrates the ability to con-
4 duct such responsibility; and

5 (2) the Secretary can demonstrate that such re-
6 sponsibility would not be conducted by the Secretary
7 at a lower cost.

8 **SEC. 6. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.**

9 (a) DEMONSTRATION AUTHORITY.—If the Secretary
10 approves an application to conduct a demonstration
11 project under this Act, the Secretary shall, not later than
12 10 months after the date of enactment of this Act, author-
13 ize the applicant to conduct the project for 4 project years
14 in accordance with the approved application and the re-
15 quirements of this Act.

16 (b) GRANT AUTHORITY.—For each project year of a
17 demonstration project conducted under this Act, the Sec-
18 retary shall make a grant to the qualified entity author-
19 ized to conduct the project on the first day of the project
20 year in an amount not to exceed the lesser of—

21 (1) the aggregate amount of funds committed
22 as matching contributions by non-Federal public or
23 private sector sources; or

24 (2) \$1,000,000.

1 **SEC. 7. RESERVE FUND.**

2 (a) ESTABLISHMENT.—A qualified entity under this
3 Act, other than a State or local government agency, shall
4 establish a Reserve Fund which shall be maintained in ac-
5 cordance with this section.

6 (b) AMOUNTS IN RESERVE FUND.—

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

10 (A) all funds provided to the qualified en-
11 tity by any public or private source in connec-
12 tion with the demonstration project; and

13 (B) the proceeds from any investment
14 made under subsection (c)(2).

15 (2) UNIFORM ACCOUNTING REGULATIONS.—

16 The Secretary shall prescribe regulations with re-
17 spect to accounting for amounts in the Reserve
18 Fund established under subsection (a).

19 (c) USE OF AMOUNTS IN THE RESERVE FUND.—

20 (1) IN GENERAL.—A qualified entity shall use
21 the amounts in the Reserve Fund established under
22 subsection (a) to—

23 (A) assist participants in the demonstra-
24 tion project in obtaining the skills (including
25 economic literacy, budgeting, credit, and coun-
26 seling) and information necessary to achieve

1 economic self-sufficiency through activities re-
2 quiring qualified expenses;

3 (B) provide deposits in accordance with
4 section 10 for individuals selected by the quali-
5 fied entity to participate in the demonstration
6 project;

7 (C) administer the demonstration project;
8 and

9 (D) provide the research organization eval-
10 uating the demonstration project under section
11 14 with such information with respect to the
12 demonstration project as may be required for
13 the evaluation.

14 (2) AUTHORITY TO INVEST FUNDS.—

15 (A) GUIDELINES.—The Secretary shall es-
16 tablish guidelines for investing amounts in the
17 Reserve Fund established under subsection (a)
18 in a manner that provides an appropriate bal-
19 ance between return, liquidity, and risk.

20 (B) INVESTMENT.—A qualified entity shall
21 invest the amounts in its Reserve Fund that are
22 not immediately needed to carry out the provi-
23 sions of paragraph (1), in accordance with the
24 guidelines established under subparagraph (A).

1 (3) LIMITATION ON USES.—Not more than 7.5
 2 percent of the amounts provided to a qualified entity
 3 under section 6(b) shall be used by the qualified en-
 4 tity for the purposes described in subparagraphs
 5 (A), (C), and (D) of paragraph (1), except that if
 6 2 or more qualified entities are jointly administering
 7 a project, no qualified entity shall use more than its
 8 proportional share for such purposes.

9 (d) UNUSED FEDERAL GRANT FUNDS TRANS-
 10 FERRED TO THE SECRETARY WHEN PROJECT TERMI-
 11 NATES.—Notwithstanding subsection (c), upon the termi-
 12 nation of any demonstration project authorized under this
 13 section, the qualified entity conducting the project shall
 14 transfer to the Secretary an amount equal to—

15 (1) the amounts in its Reserve Fund at time of
 16 the termination; multiplied by

17 (2) a percentage equal to—

18 (A) the aggregate amount of grants made
 19 to the qualified entity under section 6(b); di-
 20 vided by

21 (B) the aggregate amount of all funds pro-
 22 vided to the qualified entity by all sources to
 23 conduct the project.

1 **SEC. 8. ELIGIBILITY FOR PARTICIPATION.**

2 (a) IN GENERAL.—Any individual who is a member
3 of a household that is eligible for assistance under the
4 State temporary assistance for needy families program es-
5 tablished under part A of title IV of the Social Security
6 Act (42 U.S.C. 601 et seq.), or that meets the following
7 requirements shall be eligible to participate in a dem-
8 onstration project conducted under this Act:

9 (1) INCOME TEST.—The adjusted gross income
10 of the household does not exceed the income limits
11 established under section 32(b)(2) of the Internal
12 Revenue Code of 1986.

13 (2) NET WORTH TEST.—

14 (A) IN GENERAL.—The net worth of the
15 household, as of the end of the calendar year
16 preceding the determination of eligibility, does
17 not exceed \$10,000.

18 (B) DETERMINATION OF NET WORTH.—
19 For purposes of subparagraph (A), the net
20 worth of a household is the amount equal to—

21 (i) the aggregate market value of all
22 assets that are owned in whole or in part
23 by any member of the household; minus

24 (ii) the obligations or debts of any
25 member of the household.

1 (C) EXCLUSIONS.—For purposes of deter-
2 mining the net worth of a household, a house-
3 hold’s assets shall not be considered to include
4 the primary dwelling unit and 1 motor vehicle
5 owned by the household.

6 (b) INDIVIDUALS UNABLE TO COMPLETE THE
7 PROJECT.—The Secretary shall establish such regulations
8 as are necessary, including prohibiting future eligibility to
9 participate in any other demonstration project conducted
10 under this Act, to ensure compliance with this Act if an
11 individual participating in the demonstration project
12 moves from the community in which the project is con-
13 ducted or is otherwise unable to continue participating in
14 that project.

15 **SEC. 9. SELECTION OF INDIVIDUALS TO PARTICIPATE.**

16 From among the individuals eligible to participate in
17 a demonstration project conducted under this Act, each
18 qualified entity shall select the individuals—

19 (1) that the qualified entity deems to be best
20 suited to participate; and

21 (2) to whom the qualified entity will provide de-
22 posits in accordance with section 10.

23 **SEC. 10. DEPOSITS BY QUALIFIED ENTITIES.**

24 (a) IN GENERAL.—Not less than once every 3 months
25 during each project year, each qualified entity under this

1 Act shall deposit in the individual development account of
 2 each individual participating in the project, or into a par-
 3 allel account maintained by the qualified entity—

4 (1) from the non-Federal funds described in
 5 section 5(b)(4), a matching contribution of not less
 6 than \$0.50 and not more than \$4 for every \$1 of
 7 earned income (as defined in section 911(d)(2) of
 8 the Internal Revenue Code of 1986) deposited in the
 9 account by a project participant during that period;

10 (2) from the grant made under section 6(b), an
 11 amount equal to the matching contribution made
 12 under paragraph (1); and

13 (3) any interest that has accrued on amounts
 14 deposited under paragraph (1) or (2) on behalf of
 15 that individual into the individual development ac-
 16 count of the individual or into a parallel account
 17 maintained by the qualified entity.

18 (b) LIMITATION ON DEPOSITS FOR AN INDIVID-
 19 UAL.—Not more than \$2,000 from a grant made under
 20 section 6(b) shall be provided to any 1 individual over the
 21 course of the demonstration project.

22 (c) LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—
 23 Not more than \$4,000 from a grant made under section
 24 6(b) shall be provided to any 1 household over the course
 25 of the demonstration project.

1 (d) WITHDRAWAL OF FUNDS.—The Secretary shall
 2 establish such guidelines as may be necessary to ensure
 3 that funds held in an individual development account are
 4 not withdrawn, except for 1 or more qualified expenses.
 5 Such guidelines shall include a requirement that a respon-
 6 sible official of the qualified entity conducting a project
 7 approve such withdrawal in writing.

8 **SEC. 11. LOCAL CONTROL OVER DEMONSTRATION**
 9 **PROJECTS.**

10 A qualified entity under this Act, other than a State
 11 or local government agency, shall, subject to the provisions
 12 of section 13, have sole authority over the administration
 13 of the project. The Secretary may prescribe only such reg-
 14 ulations or guidelines with respect to demonstration
 15 projects conducted under this Act as are necessary to en-
 16 sure compliance with the approved applications and the
 17 requirements of this Act.

18 **SEC. 12. ANNUAL PROGRESS REPORTS.**

19 (a) IN GENERAL.—Each qualified entity under this
 20 Act shall prepare an annual report on the progress of the
 21 demonstration project. Each report shall specify for the
 22 period covered by the report the following information:

23 (1) The number of individuals making a deposit
 24 into an individual development account.

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

3 (3) The amounts deposited in the individual de-
4 velopment accounts.

5 (4) The amounts withdrawn from the individual
6 development accounts and the purposes for which
7 such amounts were withdrawn.

8 (5) The balances remaining in the individual
9 development accounts.

10 (6) Such other information as the Secretary
11 may require to evaluate the demonstration project.

12 (b) SUBMISSION OF REPORTS.—The qualified entity
13 shall submit each report required to be prepared under
14 subsection (a) to—

15 (1) the Secretary; and

16 (2) the Treasurer (or equivalent official) of the
17 State in which the project is conducted, if the State
18 or a local government committed funds to the dem-
19 onstration project.

20 (c) TIMING.—The first report required by subsection
21 (a) shall be submitted not later than 60 days after the
22 end of the calendar year in which the Secretary authorized
23 the qualified entity to conduct the demonstration project,
24 and subsequent reports shall be submitted every 12
25 months thereafter, until the conclusion of the project.

1 **SEC. 13. SANCTIONS.**

2 (a) **AUTHORITY TO TERMINATE DEMONSTRATION**
3 **PROJECT.**—If the Secretary determines that a qualified
4 entity under this Act is not operating the demonstration
5 project in accordance with the entity’s application or the
6 requirements of this Act (and has not implemented any
7 corrective recommendations directed by the Secretary),
8 the Secretary shall terminate such entity’s authority to
9 conduct the demonstration project.

10 (b) **ACTIONS REQUIRED UPON TERMINATION.**—If
11 the Secretary terminates the authority to conduct a dem-
12 onstration project, the Secretary—

13 (1) shall suspend the demonstration project;

14 (2) shall take control of the Reserve Fund es-
15 tablished pursuant to section 7;

16 (3) shall make every effort to identify another
17 qualified entity (or entities) willing and able to con-
18 duct the project in accordance with the approved ap-
19 plication (or, as modified, if necessary to incorporate
20 the recommendations) and the requirements of this
21 Act;

22 (4) shall, if the Secretary identifies an entity
23 (or entities) described in paragraph (3)—

24 (A) authorize the entity (or entities) to
25 conduct the project in accordance with the ap-
26 proved application (or, as modified, if nec-

1 essary, to incorporate the recommendations)
2 and the requirements of this Act;

3 (B) transfer to the entity (or entities) con-
4 trol over the Reserve Fund established pursuant
5 to section 7; and

6 (C) consider, for purposes of this Act—

7 (i) such other entity (or entities) to be
8 the qualified entity (or entities) originally
9 authorized to conduct the demonstration
10 project; and

11 (ii) the date of such authorization to
12 be the date of the original authorization;
13 and

14 (5) if, by the end of the 1-year period beginning
15 on the date of the termination, the Secretary has not
16 found a qualified entity (or entities) described in
17 paragraph (3), shall—

18 (A) terminate the project; and

19 (B) from the amount remaining in the Re-
20 serve Fund established as part of the project,
21 remit to each source that provided funds under
22 section 5(b)(4) to the entity originally author-
23 ized to conduct the project, an amount that
24 bears the same ratio to the amount so remain-
25 ing as the amount provided by the source under

1 section 5(b)(4) bears to the amount provided by
2 all such sources under that section.

3 **SEC. 14. EVALUATIONS.**

4 (a) IN GENERAL.—Not later than 10 months after
5 the date of enactment of this Act, the Secretary shall enter
6 into a contract with an independent research organization
7 to evaluate, individually and as a group, all qualified enti-
8 ties and sources participating in the demonstration
9 projects conducted under this Act.

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

13 (1) The savings account characteristics (such as
14 threshold amounts and match rates) required to
15 stimulate participation in the demonstration project,
16 and how such characteristics vary among different
17 populations or communities.

18 (2) What service configurations of the qualified
19 entity (such as peer support, structured planning ex-
20 ercises, mentoring, and case management) increase
21 the rate and consistency of participation in the dem-
22 onstration project and how such configurations vary
23 among different populations or communities.

24 (3) The economic, civic, psychological, and so-
25 cial effects of asset accumulation, and how such ef-

1 fects vary among different populations or commu-
2 nities.

3 (4) The effects of individual development ac-
4 counts on savings rates, homeownership, level of
5 education attained, and self-employment, and how
6 such effects vary among different populations or
7 communities.

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

12 (6) The lessons to be learned from the dem-
13 onstration projects conducted under this Act and if
14 a permanent program of individual development ac-
15 counts should be established.

16 (7) Such other factors as may be prescribed by
17 the Secretary.

18 (c) **METHODOLOGICAL REQUIREMENTS.**—In evaluat-
19 ing any demonstration project conducted under this Act,
20 the research organization shall—

21 (1) to the extent possible, use control groups to
22 compare participants with nonparticipants;

23 (2) before, during, and after the project, obtain
24 such quantitative data as are necessary to evaluate
25 the project thoroughly; and

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

4 (d) REPORTS BY THE SECRETARY.—

5 (1) INTERIM REPORTS.—Not later than 90 days
6 after the end of the calendar year in which the Sec-
7 retary first authorizes a qualified entity to conduct
8 a demonstration project under this Act, and every
9 12 months thereafter until all demonstration
10 projects conducted under this Act are completed, the
11 Secretary shall submit to Congress an interim report
12 setting forth the results of the reports submitted
13 pursuant to section 12(b).

14 (2) FINAL REPORTS.—Not later than 12
15 months after the conclusion of all demonstration
16 projects conducted under this Act, the Secretary
17 shall submit to Congress a final report setting forth
18 the results and findings of all reports and evalua-
19 tions conducted pursuant to this Act.

20 (e) EVALUATION EXPENSES.—The Secretary shall
21 expend such sums as may be necessary to carry out the
22 purposes of this section.

1 **SEC. 15. AUTHORIZATIONS OF APPROPRIATIONS.**

2 There is authorized to be appropriated to carry out
3 this Act, \$25,000,000 for each of fiscal years 1998, 1999,
4 2000, and 2001, to remain available until expended.

5 **SEC. 16. FUNDS IN INDIVIDUAL DEVELOPMENT ACCOUNTS**
6 **OF DEMONSTRATION PROJECT PARTICI-**
7 **PANTS DISREGARDED FOR PURPOSES OF ALL**
8 **MEANS-TESTED FEDERAL PROGRAMS.**

9 Notwithstanding any other provision of law that re-
10 quires consideration of 1 or more financial circumstances
11 of an individual, for the purpose of determining eligibility
12 to receive, or the amount of, any assistance or benefit au-
13 thorized by such law to be provided to or for the benefit
14 of such individual, funds (including interest accruing) in
15 an individual development account (as defined in section
16 4(4)) shall be disregarded for such purpose with respect
17 to any period during which the individual participates in
18 a demonstration project conducted under this Act (or
19 would be participating in such a project but for the sus-
20 pension of the project).

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