

105TH CONGRESS  
1ST SESSION

# S. 1255

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.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 6, 1997

Mr. COATS (for himself and Mr. HARKIN) introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

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## 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) PROJECT YEAR.—The term “project year”  
13 means, with respect to a demonstration project, any  
14 of the 4 consecutive 12-month periods beginning on  
15 the date the project is originally authorized to be  
16 conducted.

17 (6) QUALIFIED ENTITY.—

18 (A) IN GENERAL.—The term “qualified en-  
19 tity” means—

20 (i) one or more not-for-profit organi-  
21 zations described in section 501(c)(3) of  
22 the Internal Revenue Code of 1986 and ex-  
23 empt from taxation under section 501(a)  
24 of such Code; or

1                   (ii) a State or local government agen-  
 2                   cy submitting an application under section  
 3                   5 jointly with an organization described in  
 4                   clause (i).

5                   (B) RULE OF CONSTRUCTION.—Nothing in  
 6                   this paragraph shall be construed as preventing  
 7                   an organization described in subparagraph  
 8                   (A)(i) from collaborating with a financial insti-  
 9                   tution or for-profit community development cor-  
 10                  poration to carry out the purposes of this Act.

11                  (7) QUALIFIED EXPENSES.—The term “quali-  
 12                  fied expenses” means 1 or more of the following, as  
 13                  provided by the qualified entity:

14                  (A) POSTSECONDARY EDUCATIONAL EX-  
 15                  PENSES.—Postsecondary educational expenses  
 16                  paid from an individual development account di-  
 17                  rectly to an eligible educational institution. In  
 18                  this subparagraph:

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

22                               (I) TUITION AND FEES.—Tuition  
 23                               and fees required for the enrollment  
 24                               or attendance of a student at an eligi-  
 25                               ble educational institution.



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

6 (ii) ELIGIBLE EDUCATIONAL INSTITU-  
7 TION.—The term “eligible educational in-  
8 stitution” means the following:

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

16 (II) POSTSECONDARY VOCA-  
17 TIONAL EDUCATION SCHOOL.—An  
18 area vocational education school (as  
19 defined in subparagraph (C) or (D) of  
20 section 521(4) of the Carl D. Perkins  
21 Vocational and Applied Technology  
22 Education Act (20 U.S.C. 2471(4)))  
23 which is in any State (as defined in  
24 section 521(33) of such Act), as such

1 sections are in effect on the date of  
2 enactment of this Act.

3 (B) FIRST-HOME PURCHASE.—Qualified  
4 acquisition costs with respect to a qualified  
5 principal residence for a qualified first-time  
6 homebuyer, if paid from an individual develop-  
7 ment account directly to the persons to whom  
8 the amounts are due. In this subparagraph:

9 (i) QUALIFIED ACQUISITION COSTS.—

10 The term “qualified acquisition costs”  
11 means the costs of acquiring, constructing,  
12 or reconstructing a residence. The term in-  
13 cludes any usual or reasonable settlement,  
14 financing, or other closing costs.

15 (ii) QUALIFIED PRINCIPAL RESI-  
16 DENCE.—The term “qualified principal  
17 residence” means a principal residence  
18 (within the meaning of section 1034 of the  
19 Internal Revenue Code of 1986), the quali-  
20 fied acquisition costs of which do not ex-  
21 ceed 100 percent of the average area pur-  
22 chase price applicable to such residence  
23 (determined in accordance with paragraphs  
24 (2) and (3) of section 143(e) of such  
25 Code).

1 (iii) QUALIFIED FIRST-TIME HOME-  
2 BUYER.—

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

13 (II) DATE OF ACQUISITION.—  
14 The term “date of acquisition” means  
15 the date on which a binding contract  
16 to acquire, construct, or reconstruct  
17 the principal residence to which this  
18 subparagraph applies is entered into.

19 (C) BUSINESS CAPITALIZATION.—Amounts  
20 paid from an individual development account di-  
21 rectly to a business capitalization account which  
22 is established in a federally insured financial in-  
23 stitution and is restricted to use solely for  
24 qualified business capitalization expenses. In  
25 this subparagraph:

1 (i) QUALIFIED BUSINESS CAPITALIZA-  
2 TION EXPENSES.—The term “qualified  
3 business capitalization expenses” means  
4 qualified expenditures for the capitalization  
5 of a qualified business pursuant to a quali-  
6 fied plan.

7 (ii) QUALIFIED EXPENDITURES.—The  
8 term “qualified expenditures” means ex-  
9 penditures included in a qualified plan, in-  
10 cluding capital, plant, equipment, working  
11 capital, and inventory expenses.

12 (iii) QUALIFIED BUSINESS.—The term  
13 “qualified business” means any business  
14 that does not contravene any law or public  
15 policy (as determined by the Secretary).

16 (iv) QUALIFIED PLAN.—The term  
17 “qualified plan” means a business plan, or  
18 a plan to use a business asset purchased,  
19 which—

20 (I) is approved by a financial in-  
21 stitution, a microenterprise develop-  
22 ment organization, or a nonprofit loan  
23 fund having demonstrated fiduciary  
24 integrity;

1 (II) includes a description of  
2 services or goods to be sold, a market-  
3 ing plan, and projected financial  
4 statements; and

5 (III) may require the eligible in-  
6 dividual to obtain the assistance of an  
7 experienced entrepreneurial adviser.

8 (D) TRANSFERS TO IDAS OF FAMILY MEM-  
9 BERS.—Amounts paid from an individual devel-  
10 opment account directly into another such ac-  
11 count established for the benefit of an eligible  
12 individual who is—

13 (i) the individual’s spouse; or

14 (ii) any dependent of the individual  
15 with respect to whom the individual is al-  
16 lowed a deduction under section 151 of the  
17 Internal Revenue Code of 1986.

18 (8) QUALIFIED SAVINGS OF THE INDIVIDUAL  
19 FOR THE PERIOD.—The term “qualified savings of  
20 the individual for the period” means the aggregate  
21 of the amounts contributed by the individual to the  
22 individual development account of the individual  
23 during the period.

24 (9) SECRETARY.—The term “Secretary” means  
25 the Secretary of Health and Human Services.

1 **SEC. 5. APPLICATIONS.**

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

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

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

18 (2) ADMINISTRATIVE ABILITY.—The experience  
19 and ability of the applicant to responsibly administer  
20 the project.

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

1           (4) COMMITMENT OF NON-FEDERAL FUNDS.—

2           The aggregate amount of direct funds from non-  
3           Federal public sector and from private sources that  
4           are formally committed to the project as matching  
5           contributions.

6           (5) ADEQUACY OF PLAN FOR PROVIDING IN-

7           FORMATION FOR EVALUATION.—The adequacy of  
8           the plan for providing information relevant to an  
9           evaluation of the project.

10          (6) OTHER FACTORS.—Such other factors rel-

11          evant to the purposes of this Act as the Secretary  
12          may specify.

13          (c) PREFERENCES.—In considering an application to

14          conduct a demonstration project under this Act, the Sec-  
15          retary shall give preference to an application that—

16               (1) demonstrates the willingness and ability to

17               select individuals described in section 8 who are pre-

18               dominantly from households in which a child (or

19               children) is living with the child's biological or adop-

20               tive mother or father, or with the child's legal guard-

21               ian;

22               (2) provides a commitment of non-Federal

23               funds with a proportionately greater amount of such

24               funds committed by private sector sources; and

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

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

14          (e) CONTRACTS WITH NONPROFIT ENTITIES.—The  
15          Secretary may contract with an entity described in section  
16          501(c)(3) of the Internal Revenue Code of 1986 and ex-  
17          empt from taxation under section 501(a) of such Code to  
18          conduct any responsibility of the Secretary under this sec-  
19          tion or section 12 if—

20                (1) such entity demonstrates the ability to con-  
21                duct such responsibility; and

22                (2) the Secretary can demonstrate that such re-  
23                sponsibility would not be conducted by the Secretary  
24                at a lower cost.



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

2           (a) DEMONSTRATION AUTHORITY.—If the Secretary  
3 approves an application to conduct a demonstration  
4 project under this Act, the Secretary shall, not later than  
5 10 months after the date of enactment of this Act, author-  
6 ize the applicant to conduct the project for 4 project years  
7 in accordance with the approved application and the re-  
8 quirements of this Act.

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

14               (1) the aggregate amount of funds committed  
15 as matching contributions by non-Federal public or  
16 private sector sources; or

17               (2) \$1,000,000.

18   **SEC. 7. RESERVE FUND.**

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

23           (b) AMOUNTS IN RESERVE FUND.—

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

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

4 (B) the proceeds from any investment  
 5 made under subsection (c)(2).

6 (2) UNIFORM ACCOUNTING REGULATIONS.—

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

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

11 (1) IN GENERAL.—A qualified entity shall use  
 12 the amounts in the Reserve Fund established under  
 13 subsection (a) to—

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

20 (B) provide deposits in accordance with  
 21 section 10 for individuals selected by the quali-  
 22 fied entity to participate in the demonstration  
 23 project;

24 (C) administer the demonstration project;  
 25 and

1 (D) provide the research organization eval-  
2 uating the demonstration project under section  
3 14 with such information with respect to the  
4 demonstration project as may be required for  
5 the evaluation.

6 (2) AUTHORITY TO INVEST FUNDS.—

7 (A) GUIDELINES.—The Secretary shall es-  
8 tablish guidelines for investing amounts in the  
9 Reserve Fund established under subsection (a)  
10 in a manner that provides an appropriate bal-  
11 ance between return, liquidity, and risk.

12 (B) INVESTMENT.—A qualified entity shall  
13 invest the amounts in its Reserve Fund that are  
14 not immediately needed to carry out the provi-  
15 sions of paragraph (1), in accordance with the  
16 guidelines established under subparagraph (A).

17 (3) LIMITATION ON USES.—Not more than 7.5  
18 percent of the amounts provided to a qualified entity  
19 under section 6(b) shall be used by the qualified en-  
20 tity for the purposes described in subparagraphs  
21 (A), (C), and (D) of paragraph (1), except that if  
22 2 or more qualified entities are jointly administering  
23 a project, no qualified entity shall use more than its  
24 proportional share for such purposes.

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

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

9 (2) a percentage equal to—

10 (A) the aggregate amount of grants made  
 11 to the qualified entity under section 6(b); di-  
 12 vided by

13 (B) the aggregate amount of all funds pro-  
 14 vided to the qualified entity by all sources to  
 15 conduct the project.

16 **SEC. 8. ELIGIBILITY FOR PARTICIPATION.**

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

24 (1) INCOME TEST.—The adjusted gross income  
 25 of the household does not exceed the income limits

1 established under section 32(b)(2) of the Internal  
2 Revenue Code of 1986.

3 (2) NET WORTH TEST.—

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

8 (B) DETERMINATION OF NET WORTH.—

9 For purposes of subparagraph (A), the net  
10 worth of a household is the amount equal to—

11 (i) the aggregate market value of all  
12 assets that are owned in whole or in part  
13 by any member of the household; minus

14 (ii) the obligations or debts of any  
15 member of the household.

16 (C) EXCLUSIONS.—For purposes of deter-  
17 mining the net worth of a household, a house-  
18 hold's assets shall not be considered to include  
19 the primary dwelling unit and 1 motor vehicle  
20 owned by the household.

21 (b) INDIVIDUALS UNABLE TO COMPLETE THE  
22 PROJECT.—The Secretary shall establish such regulations  
23 as are necessary, including prohibiting future eligibility to  
24 participate in any other demonstration project conducted  
25 under this Act, to ensure compliance with this Act if an

1 individual participating in the demonstration project  
2 moves from the community in which the project is con-  
3 ducted or is otherwise unable to continue participating in  
4 that project.

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

6 From among the individuals eligible to participate in  
7 a demonstration project conducted under this Act, each  
8 qualified entity shall select the individuals—

9 (1) that the qualified entity deems to be best  
10 suited to participate; and

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

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

14 (a) IN GENERAL.—Not less than once every 3 months  
15 during each project year, each qualified entity under this  
16 Act shall deposit in the individual development account of  
17 each individual participating in the project, or into a par-  
18 allel account maintained by the qualified entity—

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

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

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

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

13          (c) LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—  
14          Not more than \$4,000 from a grant made under section  
15          6(b) shall be provided to any 1 household over the course  
16          of the demonstration project.

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

1 **SEC. 11. LOCAL CONTROL OVER DEMONSTRATION**  
2 **PROJECTS.**

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

11 **SEC. 12. ANNUAL PROGRESS REPORTS.**

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

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

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

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

22 (4) The amounts withdrawn from the individual  
23 development accounts and the purposes for which  
24 such amounts were withdrawn.

25 (5) The balances remaining in the individual  
26 development accounts.



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

3           (b) SUBMISSION OF REPORTS.—The qualified entity  
4           shall submit each report required to be prepared under  
5           subsection (a) to—

6           (1) the Secretary; and

7           (2) the Treasurer (or equivalent official) of the  
8           State in which the project is conducted, if the State  
9           or a local government committed funds to the dem-  
10          onstration project.

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

17   **SEC. 13. SANCTIONS.**

18          (a) AUTHORITY TO TERMINATE DEMONSTRATION  
19          PROJECT.—If the Secretary determines that a qualified  
20          entity under this Act is not operating the demonstration  
21          project in accordance with the entity's application or the  
22          requirements of this Act (and has not implemented any  
23          corrective recommendations directed by the Secretary),  
24          the Secretary shall terminate such entity's authority to  
25          conduct the demonstration project.

1 (b) ACTIONS REQUIRED UPON TERMINATION.—If  
2 the Secretary terminates the authority to conduct a dem-  
3 onstration project, the Secretary—

4 (1) shall suspend the demonstration project;

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

7 (3) shall make every effort to identify another  
8 qualified entity (or entities) willing and able to con-  
9 duct the project in accordance with the approved ap-  
10 plication (or, as modified, if necessary to incorporate  
11 the recommendations) and the requirements of this  
12 Act;

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

15 (A) authorize the entity (or entities) to  
16 conduct the project in accordance with the ap-  
17 proved application (or, as modified, if nec-  
18 essary, to incorporate the recommendations)  
19 and the requirements of this Act;

20 (B) transfer to the entity (or entities) con-  
21 trol over the Reserve Fund established pursuant  
22 to section 7; and

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

24 (i) such other entity (or entities) to be  
25 the qualified entity (or entities) originally

1 authorized to conduct the demonstration  
 2 project; and

3 (ii) the date of such authorization to  
 4 be the date of the original authorization;  
 5 and

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

10 (A) terminate the project; and

11 (B) from the amount remaining in the Re-  
 12 serve Fund established as part of the project,  
 13 remit to each source that provided funds under  
 14 section 5(b)(4) to the entity originally author-  
 15 ized to conduct the project, an amount that  
 16 bears the same ratio to the amount so remain-  
 17 ing as the amount provided by the source under  
 18 section 5(b)(4) bears to the amount provided by  
 19 all such sources under that section.

20 **SEC. 14. EVALUATIONS.**

21 (a) IN GENERAL.—Not later than 10 months after  
 22 the date of enactment of this Act, the Secretary shall enter  
 23 into a contract with an independent research organization  
 24 to evaluate, individually and as a group, all qualified enti-

1 ties and sources participating in the demonstration  
2 projects conducted under this Act.

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

6 (1) The savings account characteristics (such as  
7 threshold amounts and match rates) required to  
8 stimulate participation in the demonstration project,  
9 and how such characteristics vary among different  
10 populations or communities.

11 (2) What service configurations of the qualified  
12 entity (such as peer support, structured planning ex-  
13 ercises, mentoring, and case management) increase  
14 the rate and consistency of participation in the dem-  
15 onstration project and how such configurations vary  
16 among different populations or communities.

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

21 (4) The effects of individual development ac-  
22 counts on savings rates, homeownership, level of  
23 education attained, and self-employment, and how  
24 such effects vary among different populations or  
25 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 Act 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 evaluat-  
 12          ing any demonstration project conducted under this Act,  
 13          the research organization shall—

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

16               (2) before, during, and after the project, obtain  
 17               such quantitative data as are necessary to evaluate  
 18               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 days  
 24               after the end of the calendar year in which the Sec-  
 25               retary first authorizes a qualified entity to conduct

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

7 (2) FINAL REPORTS.—Not later than 12  
 8 months after the conclusion of all demonstration  
 9 projects conducted under this Act, 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 Act.

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

16 **SEC. 15. AUTHORIZATIONS OF APPROPRIATIONS.**

17 There is authorized to be appropriated to carry out  
 18 this Act, \$25,000,000 for each of fiscal years 1998, 1999,  
 19 2000, and 2001, to remain available until expended.

20 **SEC. 16. FUNDS IN INDIVIDUAL DEVELOPMENT ACCOUNTS**  
 21 **OF DEMONSTRATION PROJECT PARTICI-**  
 22 **PANTS DISREGARDED FOR PURPOSES OF ALL**  
 23 **MEANS-TESTED FEDERAL PROGRAMS.**

24 Notwithstanding any other provision of law that re-  
 25 quires consideration of 1 or more financial circumstances

1 of an individual, for the purpose of determining eligibility  
2 to receive, or the amount of, any assistance or benefit au-  
3 thorized by such law to be provided to or for the benefit  
4 of such individual, funds (including interest accruing) in  
5 an individual development account (as defined in section  
6 4(4)) shall be disregarded for such purpose with respect  
7 to any period during which the individual participates in  
8 a demonstration project conducted under this Act (or  
9 would be participating in such a project but for the sus-  
10 pension of the project).

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