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Wisniewski, Assemblywoman Pou, Assemblymen Zisa, T.Smith,
Assemblywomen Watson Coleman, Cruz-Perez, Quigley, Assemblyman
Connors and Assemblywoman Greenstein

SYNOPSIS
Establishes the "New Jersey Individual Development Account Program;"
appropriates $5 million.

CURRENT VERSION OF TEXT
As introduced.

(Sponsorship Updated As Of: 6/30/2000)
AN ACT concerning individual development accounts, supplementing parts of the statutory law and making an appropriation.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. This act shall be known and may be cited as the "New Jersey Individual Development Account Act."

2. a. The Legislature finds and declares that:

(1) Economic well-being does not come solely from income, spending, and consumption, but also requires savings, investment, and accumulation of assets, since assets can improve economic stability, connect people with a viable and hopeful future, stimulate development of human and other capital, yield personal and social dividends, and enhance the welfare of offspring.

(2) With the enactment of the "Work First New Jersey Act," P.L. 1997, c.38 (C.44:10-55 et seq.) and companion legislation, emphasizing moving people off of public assistance and into employment, there is an urgent need to provide incentives for savings accounts that will compliment and stabilize the movement of people from public assistance and into employment.

(3) Income-based social policy should be complemented with asset-based social policy, because while income-based policies ensure that consumption needs (including food, child care, rent, clothing and health care) are met, asset-based policies provide the means to achieve some degree of economic self-sufficiency.

(4) The State of New Jersey should develop policies, such as individual development accounts, that promote higher rates of personal savings and net private domestic investment.

b. It is the intent of the Legislature, therefore, to provide for the establishment of Individual Development Accounts (IDA's) which accounts are designed to:

(1) provide individuals and families, especially those with limited means, an opportunity to accumulate assets;

(2) facilitate and mobilize savings;

(3) promote education, home ownership and micro enterprise development; and

(4) stabilize families and build communities.

3. As used in this act:

"Account holder" means a person who is the owner of an individual development account.

"Commissioner" means the Commissioner of Community Affairs.

"Community development organization" means any religious or charitable organization, which is a nonprofit corporation incorporated
pursuant to the "New Jersey Nonprofit Corporation Act," N.J.S.15A:1-1 et seq., that is approved by the commissioner to implement the individual development account program, or any community action agency as that term is defined pursuant to subsection c. of section 3 of P.L.1991, c.51(C.52:27D-397).

"Department" means the Department of Community Affairs.

"Economic literacy" means: a basic understanding of budgets and savings accounts, credit and interest and how to use financial services; and having a savings plan and using it to reach the account holder's savings goal for an individual development account.

"Eligible individual" means an individual or a family who earns less than 80 percent of the median income of the county in which the individual or family resides or an individual or family whose net worth does not exceed $10,000 excluding the individual's or family's primary dwelling unit and one motor vehicle.

"Financial institution" means a state or federally chartered bank, savings bank, savings and loan association or credit union with an office in this State or an entity which is a member of the Securities Investor Protection Corporation established pursuant to the "Securities Investor Protection Act of 1970," 15 U.S.C. s.78aaa et seq.

"Fund" means the Individual Development Account Fund established pursuant to section 4 of this act.

"Individual development account" means a financial instrument established pursuant to section 5 of this act.

"Program" means the Individual Development Account Program established in this act.

"Program contributor" means a person or entity who makes a contribution to an individual development account reserve fund, except that "program contributor" does not mean the State or the account holder.

"Reserve fund" means the individual development account reserve fund created by a community development organization for the purposes of: funding the costs incurred in the administration of the program; receiving matching funds from the State and other program contributors; and providing matching funds for individual development accounts pursuant to paragraph (6) of subsection b. of section 5 of this act.

4. a. The Individual Development Account Program is hereby established within the Department of Community Affairs. The purpose of this program shall be to provide each eligible individual in this State with an opportunity to establish an individual development account, which may be used by that individual for the any of the purposes specified under subsection a. of section 5 of this act.

b. There is established in the department, the Individual Development Account Fund. This fund shall be used by the
commissioner to provide:
(1) grants to community development organizations selected by the commissioner to participate in the Individual Development Account Program; and
(2) a State match of two dollars for every one dollar deposited into an individual deposit account, except that the maximum amount provided as a match per individual development account per calendar year shall be $5,000.

c. The commissioner shall implement this program throughout the State by entering into agreements with community development organizations which the commissioner selects pursuant to the provisions of this section. In order to ensure the targeting of areas of high poverty in the State, the commissioner shall use the Community Service Block Grant allocation formula as a guide for distribution of moneys in the Individual Development Account Fund established pursuant to subsection b. of this section.

d. The commissioner shall solicit proposals from community development organizations for the purpose of implementing the Individual Development Account Program. Proposals from community development organizations shall include:
(1) a plan for the establishment and management of the community development organization’s individual development account reserve fund;
(2) a plan for the establishment and oversight of individual development accounts;
(3) specification of the persons targeted for priority participation;
(4) a detailed description of the economic literacy training that will be required of every account holder;
(5) a request for funds to be used:
(a) in establishing and administering the individual development account program for the duration of the program;
(b) to provide economic literacy training and one-on-one financial counseling for eligible individuals; and
(c) for the State’s match pursuant to paragraph (2) of subsection b. of this section, the amount of which request shall be reasonably based on the number of persons targeted for individual development accounts and the total amount of savings per year expected of those persons; and
(6) any other information the commissioner deems important for selecting community development organizations to participate in the Individual Development Account Program.

e. In reviewing the proposals of community development organizations, the commissioner shall consider the following factors:
(1) the not-for-profit status of the community development organization;
(2) the fiscal accountability of the community development
organization;

(3) the ability of the community development organization to
provide its moneys or raise moneys from program contributors for
matching contributions which are in addition to State matching funds;

(4) the plan of the community development organization for the
development, implementation and management of an individual
development account program;

(5) the capacity of the community development organization to
provide economic literacy training, either directly or through another
provider;

(6) the organization's history of working with low- and moderate-
income populations; and

(7) the extent to which the organization has included its
constituents as members of its board.

f. (1) The commissioner shall select community development
organizations and enter into an agreement with each community
development organization selected that requires the community
development organization to establish and maintain an individual
development account reserve fund and work with each eligible
individual and any local financial institution to establish an individual
development account, among other services to be provided for eligible
individuals and their households, if any.

(2) As part of the agreement, the commissioner shall disperse
moneys from the fund. The amount dispersed shall be based on the
request made pursuant to paragraph (5) of subsection d. of this
section, but may be dispersed in quarterly payments.

g. (1) No more than 10 percent of all funds contributed to the
reserve fund may be used for administrative purposes, except for
additional administrative costs approved by the commissioner as start-
up costs for a community development organization to implement an
individual development account program.

(2) Moneys from the reserve fund may be used to provide
economic literacy training and one-on-one financial counseling for
eligible individuals, except that the amount used for these purposes
shall not exceed 10 percent of the reserve fund, which amount shall be
in addition to that permitted pursuant to paragraph (1) of this
subsection.

5. a. An eligible individual may, in agreement with a community
development organization selected by the commissioner pursuant to
section 4 of this act, open an individual development account for the
purpose of accumulating and withdrawing moneys for specified
expenditures. Upon satisfaction of the community development
organization's requirements for economic literacy by an account
holder, the community development organization shall certify to the
commissioner that the account holder may withdraw moneys from the
account on the approval of the community development organization, without penalty, for any of the expenditures listed in subsection b. of this section

b. Upon satisfaction of the community development organization's requirements for economic literacy by an account holder and notification of the commissioner by the community development organization as required pursuant to subsection a. of this section, the account holder may withdraw moneys from the account holder's individual development account for any of the following purposes:

(1) educational costs for any family member at an accredited institution of higher education;

(2) job training costs for any family member at an accredited institution of higher education or an accredited or licenced training program;

(3) purchase of a primary residence;

(4) major repairs or improvements to a primary residence;

(5) capitalization of a small business for any family member; or

(6) an individualized expenditure, approved by the community development organization and the commissioner, which would move the account holder towards economic self-sufficiency.

c. Community development organizations approved by the department shall establish an individual development account for an eligible individual in a financial institution as required pursuant to this act. A community development organization shall certify to the department that the accounts have been established pursuant to the provisions of this act and that deposits have been made on behalf of the account holder.

d. A community development organization establishing an individual development account shall:

(1) sign an agreement with an eligible individual to the effect that the account shall be opened and kept in the name of the eligible individual as the account holder and that the eligible individual shall have an officer of the economic development organization as a co-signor on the account;

(2) open and keep the account in the name of the eligible individual, with an officer of the community development organization as co-signor;

(3) permit deposits to be made in the account by the following:

(a) the account holder;

(b) a community development organization on behalf of the account holder, including moneys to match the account holder's deposits;

(4) maintain the records of individual development accounts in a manner that enables the community development organization to determine the amounts deposited by the account holder and amounts deposited by the community development organization as matching
funds;
(5) require the account to earn at least the market rate of interest;
(6) permit the account holder, after obtaining the signature of the
administrator of the community development organization, as
cosignatory, to withdraw moneys from the account for any of the
purposes listed in subsection b. of this section; and
(7) deposit matching funds into an individual development account
for an account holder just prior to the time the account holder
withdraws funds for a purpose permitted pursuant to subsection b. of
this section.

6. a. If the account holder withdraws any moneys from the
account and uses those moneys, or any part of those moneys, for a
purpose not permitted pursuant to subsection b. of section 5 of this
act, the account shall be closed and the account holder shall not be
eligible to receive matching fund amounts from the account. The
account holder shall receive only the moneys which the account holder
has deposited into the account.

b. If an account holder dies, the account may be transferred to the
ownership of a contingent beneficiary. An account holder shall name
a contingent beneficiary at the time the account is established and may
change the beneficiary at any time. If the beneficiary is deceased or
otherwise cannot accept the transfer, the moneys shall be transferred
to the individual development account reserve fund of the community
development organization.

c. If an individual development account is closed pursuant to
subsection a. or b. of this section or an account holder withdraws from
the individual development account program, any moneys held for
matching funds for that account may be retained in the reserve fund for
reallocation to be used as matching funds for new individual
development accounts.

7. a. Moneys deposited into or withdrawn from an individual
development account by an account holder pursuant to section 5 of
this act or by a community development organization pursuant to
paragraph (7) of subsection d. of section 5 of this act shall not be
considered gross income otherwise includable pursuant to subsections
a., b., k., and p. of N.J.S.54A:5-1.

b. Interest earned by an individual development account shall not
be considered gross income otherwise includable pursuant to
subsection e. of N.J.S.54A:5-1.

8. a. The commissioner shall promulgate regulations pursuant to
the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
seq). necessary to effectuate the provisions of this act.

b. The commissioner may request from and the Commissioner of
Human Services may provide moneys received from the federal government for Temporary Assistance to Needy Families, as permitted by federal law, to the department for deposit into the fund.

   c. The commissioner shall report to the Legislature annually on the effectiveness of the Individual Development Account program in providing eligible individuals in this State with an opportunity to establish an individual development account and may include in the report recommendations for change, if any, to make the program more effective. This report shall be due within 30 days of the end of anniversary of the effective date of the act for each of the three years of the program's operation.

9. There is appropriated the sum of $5,000,000 from the General Fund to the Department of Community Affairs for the purpose of funding the Individual Development Account Fund established pursuant to subsection b. of section 4 of this act.

10. This act shall take effect on the 180th day following enactment, except that subsection a. of section 8 shall take effect immediately, and shall expire three years after the effective date.

STATEMENT

This bill establishes the "Individual Development Account Program" in the Department of Community Affairs. The purpose of the program is to provide an incentive to low and moderate income families, including those persons who are eligible for public assistance under the Work First New Jersey program, to establish savings accounts. The bill establishes an Individual Development Account Fund in the department and appropriates to that fund $5 million from the General Fund. The fund will be used to provide grants to community development organizations selected by the commissioner to implement the Individual Development Account Program and to provide matching funds, on a $2 to $1 basis, for deposits made by account holders into individual development accounts up to a maximum of $5,000 per calendar year.

The Commissioner of Community Affairs is to implement the program throughout the State by entering into agreements with community development organizations which the commissioner selects following the solicitation of proposals from community development organizations and the evaluation of the responses of community development organizations. Under the bill, community development organizations are required to include certain information in a proposal submitted to the commissioner, including, but not limited to: a plan for the establishment and management of the community development
organization's individual development account reserve fund; a plan for
the establishment and oversight of individual development accounts;
specification of the persons targeted for priority participation; a
detailed description of the economic literacy training that will be
required of every account holder; and a request for funds to be used
in establishing and administering the individual development account
program for the duration of the program, to provide economic literacy
training and one-on-one financial counseling for eligible individuals
and to provide for the State’s match, the amount of which request is
to be reasonably based on the number of persons targeted for
individual development accounts and the total amount of savings per
year expected of those persons.

Under the bill, upon satisfaction of the community development
organization’s requirements for economic literacy by an account holder
and certification of that fact to the commissioner, the account holder
may withdraw moneys from the account on the approval of the
community development organization for any of the following
expenditures:

(1) educational costs for any family member at an accredited
institution of higher education;

(2) job training costs for any family member at an accredited
institution of higher education or an accredited or licenced training
program;

(3) purchase of a primary residence;

(4) major repairs or improvements to a primary residence;

(5) capitalization of a small business for any family member; or

(6) any individualized expenditure, approved by the community
development organization and the commissioner, which would move
the account holder towards economic self-sufficiency.

Under the bill, the community development organization will
deposit the 2 for 1 match in funds just prior to the time an account
holder withdraws money from the account for a permitted purpose.

Amounts deposited by the account holder or the community
development organization and interest earned on the account are
exempted from State income tax.