

Approved: March 24, 1997
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on March 20, 1997 in Room 527-S of the Capitol.

All members were present except: Representative Bradley
Representative Wilson

Committee staff present: Bill Wolff, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Maggie Breen, Committee Secretary

Conferees appearing before the committee: Connie Hubbell, Social and Rehabilitation Services

Others attending: See attached list

The chairman presented the minutes of the March 18, 1997 meeting for approval. Representative Gilbert moved to approve the minutes as presented, seconded by Representative Campbell. The motion carried.

The chairman opened the hearing on:

HB 2330 - Individual development accounts for certain expenses; earnings income tax exempt

Proponent appearing in favor of **HB 2330**:

Connie Hubbell, SRS, testified that the agency supports **HB 2330**, as it allows the state to implement provisions set forth in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Under Welfare Reform, Temporary Assistance to Needy Families (TANF) block grant funds are to be used to carry out a program to establish individual development accounts (IDA's) with certain stipulations. An IDA program can allow the poor to dream for the future; an important step in eradicating inter-generational poverty. As written, this bill has broad applicability to all Kansans. It would allow anyone in the state to establish an Individual Development Account. (Attachment 1)

There were numerous questions aimed at clarifying the intent and ramifications of the bill.

There were no opponents to **HB 2330**.

The chairman closed the hearing on **HB 2330**.

Meeting adjourned at 4:17 p.m.

Next meeting is scheduled for March 24, 1997.

KANSAS DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
Rochelle Chronister, Secretary

House Committee on Financial Institutions
Testimony on House Bill 2330
March 20, 1997

SRS MISSION STATEMENT

To provide services to Kansans in need that contribute to their safety and promote dignity, independence and responsibility

Mr. Chairman and members of the Committee, thank you for allowing me the opportunity to provide you with information regarding the implementation of establishing individual development accounts for adults and children.

The agency supports House Bill 2330, as it allows the state to implement provisions set forth in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Under Welfare Reform, Temporary Assistance to Needy Families (TANF) block grant funds are to be used to carry out a program to establish individual development accounts (IDA's) with the following stipulations:

- ▶ An IDA may be established by or on behalf of an individual eligible for cash assistance to be used for a qualified purpose.
- ▶ A qualified purpose is one or more of the following:
 - Postsecondary education expenses (college or vocational-technical)
 - First home purchase (must not have owned a home within three years of acquisition)
 - Business capitalization (business plan must be approved by financial institution or non-profit loan fund)
- ▶ IDA must be a trust funded through periodic contributions from earnings by the establishing individual and can be matched by either a not-for-profit organization or the state, or local government agency acting in cooperation with a 501(c)(3) organization.
- ▶ Cash assistance recipients may only contribute to IDA's with income derived from earnings. All funds in an IDA must be disregarded in determining a person's eligibility to receive assistance or the amount of the assistance payment during the time an individual maintains or makes contributions to the IDA.
- ▶ Parents would be able to establish IDA's for themselves as well as for their children. Children could also contribute their earnings to accounts established by or for them.

An IDA program could be managed by SRS or SRS could contract with a 501(c)(3) not-for-profit organization to manage the program. Whoever manages the program must also monitor

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the accounts to assure recipient contributions are made only from earned income, must assure the correct amount of matching contributions are made, and must monitor and oversee withdrawals from the accounts to assure the money is being used for its intended purpose.

An IDA program can allow the poor to dream for the future. That is an important step in eradicating intergenerational poverty. IDA's may have their biggest impact on teenagers. Teenagers raised in poverty-stricken families and neighborhoods and living in substandard housing where crime and violence is common, drugs are common, physical and sexual abuse is a part of life, no education or employment opportunities exist, and their greatest realistic aspiration is a high school diploma and a full-time job at McDonalds. An IDA program can provide the hope for a future and serve as an incentive for remaining in school, delaying pregnancy, and resisting drugs and gangs.

This bill also allows IDA's for medical expenses. Medical expenses were not in the federal PRWORA legislation, so it is unclear how this part of the bill is intended to work.

As written, this bill has broad applicability to all Kansans. It would allow anyone in the state to establish an Individual Development Account.

Fiscal Impact:

Should the agency decide to enter into a contract with a 501 (c)(3) not-for-profit agency to assist our customers in the establishment of an IDA, there would be a fiscal impact. Through a not-for-profit entity, the agency would encourage and promote match funds from outside sources. The agency does not plan to match the customers IDA contributions with state or federal funds. The estimated administrative overhead costs of contracting with a 501 (c)(3) is less than \$100.00. annually.

It is assumed that the Kansas Department of Revenue would be responsible for any control or audit of the IDA accounts because it is applicable to the public in general.