

1 *[As Amended by Senate Committee of the Whole]*

2
3 *As Amended by Senate Committee*

4 *Session of 2001*

5
6 **SENATE BILL No. 231**

7
8 By Senator Haley

9
10 2-5

11
12 AN ACT establishing the family development account program and fam-
13 ily development account reserve fund.

14
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. This act shall be known and may be cited as the family
17 development account program.

18 Sec. 2. As used in this act:

19 (a) "Account holder" means a person who is the owner of a family
20 development account.

21 (b) "Community-based organization" means any religious or chari-
22 table association that is approved by the secretary of commerce and hous-
23 ing to implement the family development account reserve fund.

24 (c) "Department" means the department of commerce and housing.

25 (d) "Family development account" means a financial instrument es-
26 tablished in section 3, and amendments thereto.

27 (e) "Family development account reserve fund" means the fund cre-
28 ated by an approved community-based organization for the purposes of
29 funding the costs incurred in the administration of the program by the
30 financial institutions and the community-based organizations and for pro-
31 viding matching funds for moneys in family development accounts.

32 (f) "Federal poverty level" means the most recent poverty income
33 guidelines published in the calendar year by the United States depart-
34 ment of health and human services.

35 (g) "Financial institution" means any bank, trust company, savings
36 bank, credit union or savings and loan association or any other financial
37 institution regulated by the state of Kansas, any agency of the United
38 States or other state with an office in Kansas which is approved by the
39 secretary to create and manage the necessary financial instruments setting
40 up family development accounts for eligible families or individuals to
41 implement this program.

42 (h) "Matching funds" means the moneys ~~contributed~~ **designated for**
43 **contribution** from a family development account reserve fund to a family

1 development account by a community-based organization at a one-to-one
2 ratio up to a three-to-one ratio.

3 (i) “Program” means the Kansas family development account pro-
4 gram established in sections 1 through 8, and amendments thereto.

5 (j) “Program contributor” means a person or entity who makes a con-
6 tribution to a family development account reserve fund.

7 (k) “Secretary” means the secretary of commerce and housing.

8 Sec. 3. (a) There is hereby established within the department a pro-
9 gram to be known as the family development account program. The pro-
10 gram shall provide eligible families and individuals with an opportunity
11 to establish special savings accounts for moneys which may be used by
12 such families and individuals for ~~education, home ownership or small~~
13 ~~business capitalization~~ **the purposes enumerated by section 4.**

14 (b) The secretary shall adopt rules and regulations and policies to
15 implement and administer the provisions of sections 1 through 8, and
16 amendments thereto.

17 (c) The secretary shall enter into contracts as deemed appropriate to
18 carry out the provisions of this act.

19 (d) The department of commerce and housing shall prepare a request
20 for proposals from community-based organizations seeking to administer
21 a family development account reserve fund on a not-for-profit basis. The
22 community-based organization proposals shall include:

23 (1) A requirement that the community-based organization make
24 matching contributions to the development account of an individual ac-
25 count holder’s or family’s contributions to the family development
26 account;

27 (2) a process for including account holders in decision making re-
28 garding the investment of funds in the accounts;

29 (3) specifications of the population or populations targeted for pri-
30 ority participation in the program;

31 (4) a requirement that the individual account holder or the family of
32 the account holder attend economic ~~literacy~~ **education** seminars;

33 (5) a process for including economic ~~literacy~~ **education** seminars in
34 the family development account program; and

35 (6) a process for regular evaluation and review of family development
36 accounts to ensure program compliance by account holders.

37 (e) A notice of the request for proposals shall be published once a
38 week for two consecutive weeks in a newspaper having general circulation
39 in the community at least 30 days before any action thereon. The request
40 for proposals shall also be posted on readily accessible bulletin boards in
41 all offices of the department and sent elsewhere as the secretary of com-
42 merce and housing deems best.

43 (f) In reviewing the proposals of community-based organizations, the

1 department shall consider the following factors:

- 2 (1) The not-for-profit status of such organization;
- 3 (2) the fiscal accountability of the community-based organization;
- 4 (3) the ability of the community-based organization to provide or
- 5 raise moneys for matching contributions;
- 6 (4) the ability of the community-based organization to establish and
- 7 administer a reserve fund account which shall receive all contributions
- 8 from program contributors; and
- 9 (5) the significance and quality of proposed auxiliary services; includ-
- 10 ing economic ~~literacy~~ **education** seminars and their relationship to the
- 11 goals of the family development account program.

12 (g) No more than 20% of all funds in the reserve fund account may

13 be used for administrative costs of the program in the first and second

14 years of the program, and no more than 15% of such funds may be used

15 for administrative costs in any subsequent year. Funds deposited by ac-

16 count holders shall not be used for administrative costs.

17 Sec. 4. A family or individual whose household income is less than

18 or equal to 200% of the federal poverty level may open a family devel-

19 opment account for the purpose of accumulating and withdrawing mon-

20 eys for specified expenditures. The account holder may withdraw moneys

21 from the account on the approval of the ~~financial institution~~ **community-**

22 **based organization**, without penalty, for any of the following

23 expenditures:

- 24 (a) Educational costs for any family member at an accredited insti-
- 25 tution of higher education;
- 26 (b) job training costs for any family member 18 years of age or older,
- 27 at an accredited or licensed training program;
- 28 (c) purchase of a primary residence;
- 29 (d) major repairs or improvements to a primary residence; or
- 30 (e) start-up capitalization of a small business for any family member
- 31 18 years of age or older.

32 Sec. 5. (a) Financial institutions seeking to administer family devel-

33 opment accounts ~~on a not for profit basis~~ approved by the department

34 shall be permitted to establish family development accounts pursuant to

35 sections 1 through 8, and amendments thereto. The financial institution

36 shall certify to the department, on forms prescribed by the department

37 and accompanied by any documentation required by the department, that

38 such accounts have been established pursuant to this act and that deposits

39 have been made on behalf of the account holder.

40 (b) A financial institution establishing a family development account

41 shall:

- 42 (1) Keep the account in the name of the account holder;
- 43 (2) permit deposits to be made in the account by the following, sub-

1 ject to the indicated conditions:

2 (A) The account holder; or

3 (B) a community-based organization on behalf of the account holder.

4 Such a deposit may include moneys to match the account holder's de-
5 posits, up to a three to one match ratio;

6 (3) require the account to earn at least the market rate of interest;
7 and

8 (4) permit the account holder to withdraw moneys **upon approval**
9 **of a community-based organization** from the account for any of the
10 purposes listed in subsections (a) through (e) of section 4, and amend-
11 ments thereto.

12 (c) The total of all deposits by the account holder into a family de-
13 velopment account in a calendar year shall not exceed \$2,000. The total
14 balance in a family development account at any time shall not exceed
15 \$50,000.

16 Sec. 6. (a) Account holders who withdraw moneys from a family de-
17 velopment account not in accordance with subsections (a) through (e) of
18 section 4, and amendments thereto, shall forfeit all matching moneys in
19 the account.

20 (b) All moneys forfeited by an account holder pursuant to subsection
21 (a) shall be returned to the family development account reserve fund of
22 the contributing community-based organization.

23 (c) In the event of an account holder's death, the account may be
24 transferred to the ownership of a contingent beneficiary. An account
25 holder shall name contingent beneficiaries at the time the account is
26 established and may change such beneficiaries at any time. If the named
27 beneficiary is deceased or otherwise cannot accept the transfer, the mon-
28 eys shall be transferred to the family development account reserve fund
29 of the contributing community-based organization.

30 Sec. 7. (a) Moneys deposited in a family development account by an
31 account holder, pursuant to section 4, and amendments thereto, shall be
32 exempt from income taxation imposed under the Kansas income tax act
33 unless withdrawn for an unapproved use.

34 (b) Earnings by any financial institution attributable to its family de-
35 velopment accounts shall be exempt from privilege taxation imposed by
36 article 11 of chapter 79 of the Kansas Statutes Annotated.

37 (c) Interest earned by a family development account shall be exempt
38 from taxation under the Kansas income tax act.

39 (d) Any funds in a family development account, including accrued
40 interest, shall be disregarded when determining eligibility to receive, or
41 the amount of, any public assistance or benefits.

42 (e) A program contributor shall be allowed a credit against state in-
43 come tax imposed under the Kansas income tax act in an amount not to

1 exceed ~~\$50,000~~ **[\$25,000]** per program contributor or ~~50%~~ **[25%]** of the
2 contribution amount, whichever is less.

3 (f) The department of commerce and housing shall verify all tax credit
4 claims by contributors. The administration of the community-based or-
5 ganization, with the cooperation of the participating financial institutions,
6 shall submit the names of contributors and the total amount each con-
7 tributor contributes to the family development account reserve fund for
8 the calendar year. The secretary shall determine the date by which such
9 information shall be submitted to the secretary by the local administrator.
10 The department shall submit verification of qualified tax credits pursuant
11 to sections 1 through 8 and amendments thereto to the department of
12 revenue.

13 (g) The total tax credits authorized pursuant to this section shall not
14 exceed ~~\$4,000,000~~ **\$500,000** in any fiscal year.

15 (h) The provisions of this section shall be applicable to ~~all taxable~~
16 ~~years commencing after December 31, 2000~~ **[tax years 2001, 2002 and**
17 **2003]**.

18 ~~Sec. 8.—(a) Subject to appropriations, the department shall award an-~~
19 ~~nually up to \$100,000 for an independent evaluation of the program. The~~
20 ~~secretary shall develop the necessary criteria and prepare requests for~~
21 ~~proposals to perform an independent evaluation of the program. Notice~~
22 ~~for the request for proposals shall be performed as set out in subsection~~
23 ~~(e) of section 3 and amendments thereto.~~

24 ~~—(b) Based on the independent evaluation, the department shall pro-~~
25 ~~vide a comprehensive report on the program to the legislature during~~
26 ~~each legislative session, beginning in the year 2002.~~

27 ~~Sec. 9. [8.]~~ This act shall take effect and be in force from and after
28 its publication in the statute book.

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