

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

Act 252 of the Regular Session

1 State of Arkansas  
2 86th General Assembly  
3 Regular Session, 2007  
4

As Engrossed: S2/21/07

**A Bill**

HOUSE BILL 1423

5 By: Representative Key  
6  
7

**For An Act To Be Entitled**

9 AN ACT TO TRANSFER THE FAMILY SAVINGS INITIATIVE  
10 FROM THE DEPARTMENT OF HEALTH AND HUMAN SERVICES  
11 TO THE DEPARTMENT OF WORKFORCE SERVICES; AND FOR  
12 OTHER PURPOSES.  
13

**Subtitle**

15 AN ACT TO TRANSFER THE FAMILY SAVINGS  
16 INITIATIVE FROM THE DEPARTMENT OF HEALTH  
17 AND HUMAN SERVICES TO THE DEPARTMENT OF  
18 WORKFORCE SERVICES.  
19  
20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
22

23 SECTION 1. Arkansas Code § 20-86-104 is amended to read as follows:  
24 20-86-104. Definitions.

25 As used in this subchapter:

26 (1)(A) "Administrative costs" includes, but is not limited to,  
27 soliciting matching funds, processing fees charged by the fiduciary  
28 organization or financial institution, and traditional overhead costs.

29 (B) Administrative costs shall be limited to no more than  
30 ten percent (10%) of the contract;

31 ~~(2) "Department" means the Department of Human Services;~~

32 ~~(3)~~(2) "Eligible educational institution" means the following:

33 (A) An institution described in 20 U.S.C., § 1088(a)(1) or  
34 § 1141(a), as such sections are in effect on January 1, 2000;

35 (B) An area vocational education school, as defined in 20



1 U.S.C., § 2471(4), subparagraph (C) or (D), as such section is in effect on  
2 January 1, 2000; and

3 (C) Any other accredited education or training  
4 organization;

5 ~~(4)~~(3) "Federal poverty level" means the poverty income  
6 guidelines published for a calendar year by the United States Department of  
7 Health and Human Services;

8 ~~(5)~~(4) "Fiduciary organization" means the organization that will  
9 serve as an intermediary between an individual account holder and a financial  
10 institution holding account funds. A fiduciary organization shall be a not-  
11 for-profit organization described in § 501(c)(3) of the Internal Revenue Code  
12 of 1986, 26 U.S.C., § 501(c)(3), as in effect on January 1, 2000;

13 ~~(6)~~(5) "Financial institution" means an organization authorized  
14 to do business under state or federal laws relating to financial institutions  
15 and includes, but is not limited to, a bank, trust company, savings bank,  
16 building and loan association, savings and loan company or association, or  
17 credit union;

18 ~~(7)~~(6) "Individual development account" means an account created  
19 pursuant to this subchapter exclusively for the purpose of paying the  
20 expenses of an eligible individual or family for the purposes set forth in §  
21 20-86-107;

22 ~~(8)~~(7) "Net worth" means the aggregate market value of all  
23 assets that are owned in whole or in part by any member of the household,  
24 less the obligations or debts of any member of the household;

25 ~~(9)~~(8) "Operating costs" includes, but is not limited to, costs  
26 of training individual development account participants in economic and  
27 financial literacy and individual development account uses, marketing  
28 participation, counseling participants, and conducting required verification  
29 and compliance activities;

30 ~~(10)~~(9) "Postsecondary educational expenses" means:

31 (A) Tuition and fees required for the enrollment or  
32 attendance of an individual development account holder or immediate family  
33 member thereof who is a student at an eligible educational institution; and

34 (B) Fees, books, supplies, and equipment required for  
35 courses of instruction for an individual development account holder or  
36 immediate family member thereof who is a student at an eligible educational

1 institution;

2 ~~(11)~~(10) "Qualified acquisition costs" means:

3 (A) The costs of acquiring, constructing, or  
4 reconstructing a residence to be occupied by an individual development  
5 account holder or an immediate family member thereof, including, but not  
6 limited to, any usual or reasonable settlement, financing, or other closing  
7 costs; and

8 (B) The costs of acquiring or repairing a motor vehicle to  
9 be used by an individual development account holder or an immediate family  
10 member thereof, including, but not limited to, any taxes, insurance, or  
11 registration costs incurred in acquiring a motor vehicle;

12 ~~(12)~~(11) "Qualified business" means any business that does not  
13 contravene any law or public policy;

14 ~~(13)~~(12) "Qualified business capitalization expenses" means  
15 qualified expenditures for the capitalization of a qualified business  
16 pursuant to a qualified plan;

17 ~~(14)~~(13) "Qualified emergency withdrawals" means a withdrawal by  
18 an eligible individual that is a withdrawal of only those funds or a portion  
19 of those funds deposited by the individual in the individual development  
20 account of the individual and that is permitted by a fiduciary organization  
21 on a case-by-case basis in accordance with the rules established by the  
22 department;

23 ~~(15)~~(14) "Qualified expenditures" means expenditures included in  
24 a qualified plan, including, but not limited to, capital, plant, equipment,  
25 working capital, and inventory expenses;

26 ~~(16)~~(15) "Qualified first-time home buyer" means an individual  
27 who has no ownership interest in a principal residence during the three-year  
28 period ending on the date of acquisition of the principal residence to which  
29 this subchapter applies;

30 ~~(17)~~(16) "Qualified plan" means a plan for the operation of a  
31 business by an individual development account holder or an immediate family  
32 member thereof which:

33 (A) Is approved by a financial institution or by a  
34 nonprofit microenterprise program or loan fund, having demonstrated business  
35 expertise;

36 (B) Includes a description of services or goods to be

1 sold, a marketing plan, and projected financial statements; and

2 (C) May require the eligible individual to obtain the  
3 assistance of an experienced entrepreneurial advisor; and

4 ~~(18)~~(17) "Qualified principal residence" means a principal  
5 residence within the meaning of § 1034 of the Internal Revenue Code of 1986,  
6 26 U.S.C., § 1034, as in effect on January 1, 2000, of an individual  
7 development account holder or an immediate family member thereof, the  
8 qualified acquisition costs of which do not exceed the average area purchase  
9 price applicable to such residence, determined in accordance with paragraphs  
10 (2) and (3) of § 143(e) of the Internal Revenue Code, 26 U.S.C., § 143(e)(2)  
11 and (3), as in effect on January 1, 2000.

12  
13 SECTION 2. Arkansas Code § 20-86-105(a), concerning proposals for  
14 approval as a fiduciary organization under the Family Savings Initiative Act,  
15 is amended to read as follows:

16 (a)(1) The ~~Department of Human Services~~ Department of Workforce  
17 Services shall enter into contracts with one (1) or more fiduciary  
18 organizations pursuant to the provisions of this section in such a manner  
19 that different regions of the state are served by one (1) or more fiduciary  
20 organizations.

21  
22 SECTION 3. Arkansas Code § 20-86-106(a), concerning individual  
23 development account, is amended to read as follows:

24 (a)(1) An individual who is a resident of this state may submit an  
25 application to open an individual development account to a fiduciary  
26 organization approved by the ~~Department of Human Services~~ Department of  
27 Workforce Services pursuant to the provisions of § 20-86-105.

28 (2) The fiduciary organization shall approve the application  
29 only if:

30 ~~(1)~~(A) The individual has gross household income from all  
31 sources for the calendar year preceding the year in which the application is  
32 made which does not exceed one hundred eighty-five percent (185%) of the  
33 federal poverty level; and

34 ~~(2)~~(B) The individual's household net worth at the time  
35 the individual development account is opened does not exceed ten thousand  
36 dollars (\$10,000) disregarding the primary dwelling and one (1) motor vehicle

1 owned by the household.

2  
3 SECTION 4. Arkansas Code § 20-86-109(d)(1)(B), concerning matching  
4 funds, is amended to read as follows:

5 (B) The fiduciary organization shall then notify the  
6 ~~Department of Human Services~~ Department of Workforce Services and request a  
7 certification from the department certifying the amount of the tax credit to  
8 which the taxpayer is entitled.

9  
10  
11 SECTION 5. Arkansas Code §§ 20-86-111 through 20-86-113 are amended to  
12 read as follows:

13 20-86-111. Reporting requirements.

14 Each fiduciary organization shall provide quarterly to the ~~Department~~  
15 ~~of Human Services~~ Department of Workforce Services the following information:

16 (1) The number of individuals making deposits into an individual  
17 development account;

18 (2) The amounts deposited in the individual development account;

19 (3) The amounts not yet allocated to individual development  
20 accounts;

21 (4) The amounts withdrawn from the individual development  
22 accounts and the purposes for which the amounts were withdrawn;

23 (5) The balances remaining in the individual development  
24 accounts;

25 (6) The service configurations such as peer support, structured  
26 planning exercises, mentoring, and case management which increased the rate  
27 and consistency of participation in the demonstration project and how such  
28 configurations varied among different populations or communities; and

29 (7) The number of grievances filed, the resolution of the  
30 grievances, and any penalties imposed.

31  
32 20-86-112. Implementation.

33 The ~~Department of Human Services~~ Department of Workforce Services shall  
34 be responsible for implementation of this subchapter and shall promulgate  
35 rules as necessary in accordance with the provisions of this subchapter.

20-86-113. Reports – Recommendations.

(a) ~~The Department of Human Services~~ Department of Workforce Services shall prepare a written report annually regarding the implementation of the Family Savings Initiative Act and shall make recommendations for improving the program.

(b) The report shall be transmitted to the General Assembly on or before August 1 of each year.

*SECTION 6. Arkansas Code § 19-5-999(a), concerning the creation of the Individual Development Account Trust Fund, is amended to read as follows:*

*(a) There is hereby created on the books of the Treasurer of State, the Auditor of State, and the Chief Fiscal Officer of the State a trust fund for the ~~Department of Human Services~~ Department of Workforce Services to be designated the "Individual Development Account Trust Fund".*

/s/ Key

**APPROVED: 3/9/2007**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36