

## No. 2000-29

## AN ACT

## HB 2083

Amending the act of June 29, 1996 (P.L.434, No.67), entitled, as amended, "An act to enhance job creation and economic development by providing for an annual financing strategy, for opportunity grants, for job creation tax credits, for small business assistance, for the Small Business Advocacy Council, for a family savings program, for industrial development assistance, for community development bank grants and loans and for tax-exempt bond allocation; conferring powers and duties on various administrative agencies and authorities; further providing for various funds; and making repeals," further providing for the Family Savings Account Program; and making a repeal.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Sections 2101 and 2102 of the act of June 29, 1996 (P.L.434, No.67), known as the Job Enhancement Act, amended November 17, 1998 (P.L.788, No.100), are amended to read:

Section 2101. Definitions.

The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

**"Account."** A family savings account [at a financial institution or other institution that is approved by the Department of Community and Economic Development and which is] *that is opened and* maintained by [the] a saver [as part of an approved account program for the restricted purpose of providing funds for an eligible use] *enrolled in the program.*

**["Approved account program."** A program approved by the Department of Community and Economic Development and that is operated by a service provider.]

**"Approved plan."** A plan *developed for an individual saver* defining savings goals and program requirements, including the *saver's* anticipated use of both the savings and the match. The *approved* plan shall serve as the contract between the saver and the service provider and shall be for a contribution period of not less than 12 months nor more than 24 months.

**"Department."** *The Department of Community and Economic Development of the Commonwealth.*

**"Education."** A postsecondary program of instruction provided by a college, university, community college, area vocational-technical school, professional institution or specialized degree-granting college or school legally authorized to grant degrees. The term shall also include a job training or related educational program approved by the Department of Community and Economic Development. The term shall not include a school of theology or theological seminary.

“Eligible uses.” Education, purchase of a home, participation in entrepreneurial activity, enrollment of a saver’s child in day care to enable the saver to participate in job training, any work-related activity or educational program or other activity based on an approved plan.

“Entrepreneurial activity.” Purchase of or investment in a for-profit venture in which the saver will be a principal.

“Financial institution.” Any of the following:

(1) A Federal or State-chartered bank, bank and trust company, savings bank, savings and loan association, trust company or credit union.

(2) A financial entity which:

(i) is licensed or regulated by a Federal or Commonwealth agency; and

(ii) insures its deposits up to \$100,000.

“Match.” An amount equal to 50%, up to \$500 per year, of the [contribution amount] *money* deposited into [an] *the* account by a saver during the *contribution* period of the *saver’s* approved plan.

“Minimum savings amount.” An amount established in the approved plan as the minimum amount to be deposited by a saver in order to be eligible for the match.

“Program.” The Family Savings Account Program established pursuant to this chapter.

“Saver.” An individual or family who resides in this Commonwealth and whose total annual income at the time of enrollment is not more than 200% of the Federal poverty standard and who has applied for enrollment in [an approved account] *the* program.

“Service provider.” A nonprofit institution that encourages and assists local community building and that is certified by the Department of Community and Economic Development for participation in the program.

Section 2102. Administration.

(a) Certification of service providers.—The department shall certify service providers who shall enroll eligible savers into the program.

(b) Application process.—Eligible savers shall apply to a service provider to participate in the program. The service provider shall develop an approved plan with each enrolled saver which specifies a minimum savings amount and how much money the saver intends to contribute to the saver’s family savings account on either a weekly, biweekly or monthly basis. The application and *approved* plan shall be on a form and shall meet such requirements as deemed appropriate by the department.

(c) Ownership.—Each enrolled saver shall open an account as defined under this chapter at a financial institution that is certified by the department as qualified to participate in the program for deposit of the saver’s contributions. All moneys in that account, including interest earned thereon, shall belong to the individual saver.

[(d) Grants.—

(1) The department shall make grants to service providers from funds appropriated for this purpose. The amount and number of grants shall be calculated by the department in such a manner as to ensure payment of the maximum match required for the contribution period for all approved plans for enrolled savers and in such a manner as to not exceed the amount appropriated.

(2) Service providers shall keep all matching grant funds in a separate account at a financial institution approved by the department until the funds are withdrawn or returned to the department according to the provisions of this chapter. The service provider shall use grant proceeds to provide the required match for the accounts of enrolled savers who have met all program requirements. Service providers shall be eligible for administrative costs in an amount as determined by the department. Not more than 5% of funds annually appropriated for this program may be used to reimburse service providers for eligible administrative costs. The department may approve the use of interest earnings on grant funds held by service providers as a portion of a service provider's approved administrative costs.]

*(d) Grants.—*

*(1) The department shall make a grant to a service provider from which the service provider shall provide the match for approved plans. A service provider shall deposit all grant funds in a separate account at a financial institution until the funds are withdrawn to provide the required match for a saver or are returned to the Commonwealth. Grants to service providers shall be made from and limited to funds appropriated for this purpose.*

*(2) If a saver's approved plan is modified and the match is reduced or a saver drops out of the program within the fiscal year in which the grant was made to the service provider or the next fiscal year, the service provider may reassign the grant funds to other savers with approved plans within this time period. Any grant funds remaining unassigned at the end of the fiscal year in which the grant was made to the service provider or the next fiscal year must be returned to the Commonwealth as provided in paragraph (3). If a saver's approved plan is modified and the match is reduced or a saver drops out of the program after the fiscal year in which the grant was made to the service provider or the next fiscal year, the service provider must return the unused grant funds to the Commonwealth as provided in paragraph (3).*

*(3) Service providers shall return any funds due the Commonwealth pursuant to guidelines published by the department but no later than quarterly.*

*(4) A service provider shall be eligible for administrative and counseling costs in an amount determined by the department. No more*

*than 9.5% of funds annually appropriated for this program may be used to reimburse service providers for eligible administrative and counseling costs of which no more than 5% may be used for administrative costs. The department may approve the use of interest earnings on grant funds held by service providers as a portion of a service provider's approved administrative and counseling costs. Eligible counseling costs shall include, but not be limited to, costs associated with interviewing potential savers, enrolling savers, monitoring a saver's progress toward fulfilling the terms of an approved plan and providing periodic money management and financial skills meetings for savers to foster the habit of continued saving. The department shall determine eligible administrative costs.*

(e) Eligibility for match.—An enrolled saver with an approved plan and account monitored by a service provider must fulfill the requirements of the *approved* plan for a minimum of 12 months but not more than 24 months. The saver shall present satisfactory evidence to the service provider on a quarterly basis that the savings requirements are being met.

(f) Restrictions on withdrawal.—

(1) In order to obtain [**matching funds**] *the match*, the saver must present satisfactory evidence to the service provider that the amount being withdrawn from the saver's family savings account is being used for an eligible use. Withdrawals from a family savings account for an eligible use by a saver shall be made payable to the legal entity which provides the eligible use.

(2) [**Match funds**] *The match* shall be paid by the service provider to the legal entity which provides the eligible use. [**Match funds**] *The match* shall not be paid to the saver.

(3) [**Match funds which have**] *A match which has* not been paid for an eligible use within [**five**] *three* years after the end of the [**match**] *contribution* period shall be returned to the [**department**] *Commonwealth* for deposit in the State Treasury.

(4) A saver who fails to meet the savings goal set forth in the approved plan or who decides to drop out of the program shall terminate his approved plan with the service provider according to procedures determined by the department. Upon the termination of an approved plan between a saver and a service provider, the service provider [**shall return the amount of match to the department in accordance with the guidelines established by the department**] *shall reassign or return the matching funds according to the provisions of subsection (d)*, and the saver shall be entitled to withdraw funds within the saver's account for purposes other than provided by this chapter.

Section 2. The act is amended by adding a section to read:

**Section 5106.1. Family Savings Account Program/Tuition Account Program Coordination.**

*(a) Program coordination.—A saver under the Family Savings Account Program (FSA) established under Chapter 21 may transfer the saver's Family Savings Account contributions into a Tuition Account Program (TAP) contract pursuant to the act of April 3, 1992 (P.L.28, No.11), known as the Tuition Account Program and College Savings Bond Act, and become an FSA/TAP account owner if the FSA saver has successfully completed all the terms of the FSA saver's approved plan pursuant to section 2102(e) and the FSA saver's approved plan specifies education as the eligible use. The FSA saver does not have to be the beneficiary of the education.*

*(b) Match payment.—The match to be provided pursuant to Chapter 21 shall be paid by the FSA saver's service provider directly to the Treasury Department for deposit in the FSA/TAP saver's selected Tuition Account Program account.*

*(c) Waiver of restrictions.—The restrictions on withdrawal of the FSA match pursuant to section 2102(f)(3) shall not apply to an FSA/TAP account owner.*

*(d) Termination.—In the event an FSA/TAP account owner terminates the Tuition Account Program contract pursuant to section 313 of the Tuition Account Program and College Savings Bond Act, the amount refunded to the FSA/TAP account owner shall exclude the match made pursuant to section 2102(f) and any increase in value resulting from that match. The Treasury Department shall pay the match to the Department of Community and Economic Development.*

*(e) Agency coordination.—The Treasury Department and the Department of Community and Economic Development may issue regulations to further facilitate coordination of the Tuition Account Program and the Family Savings Account Program.*

Section 3. Section 21 of the act of July 2, 1993 (P.L.439, No.64), known as the Ben Franklin/IRC Partnership Act, is repealed.

Section 4. Within one year of the effective date of this act and each following year, the Department of Community and Economic Development shall issue a report to the General Assembly on the amount of bank fees that are assessed on or paid for on behalf of participants of the program.

Section 5. This act shall take effect immediately.

APPROVED—The 22nd day of June, A.D. 2000.

THOMAS J. RIDGE