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TITLE 13. CALIFORNIA SAVINGS AND ASSET PROJECT [95500 - 95508] (Title 13 added by Stats. 2002, Ch. 1024, Sec. 2.)

95500. An individual development account program, to be known as the California Savings and Asset Project, is hereby established. The program shall be administered by the Employment Development Department.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)

95501. This title shall become operative upon an appropriation of funds by the Legislature, or the allocation of existing discretionary funds by the Governor pursuant to Section 128(a) of the Workforce Investment Act of 1998 (29 U.S.C. Sec. 2853(a)), for the specific stated purpose of establishing the California Savings and Asset Project. This title shall be implemented to the extent that funding is appropriated in the annual Budget Act or any future act by the Legislature, or allocated by the Governor.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Note: This section prescribes conditions for operation of Title 13, comprising Sections 95500 to 95508.)

95502. For purposes of this title, the following definitions apply:

- (a) "Community development credit union" means any credit union chartered under federal or state law.
- (b) "Community development financial institution" means any community development financial institution certified by the Community Development Financial Institution Fund.
- (c) "Department" means the Employment Development Department.
- (d) "Indian tribe" means any Indian tribe, as defined in Section 4(12) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. Sec. 4103(12)), and includes any tribal subsidiary, subdivision, or other wholly owned tribal entity.
- (e) "Individual development account" means a matched savings account held in a financial institution, created or organized for an individual as part of an individual development account program earmarked for specific asset-building purposes.
- (f) "Nonprofit facilitator" means the nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code that contracts with the department for the project.
- (g) "Participant" means any individual who has contracted with a service provider to participate in the California Savings and Asset Project.
- (h) "Project" means the California Savings and Asset Project.
- (i) "Qualified business capitalization" means qualified business expenditures for the capitalization of a qualified business pursuant to a qualified plan.
- (j) "Qualified business expenditures" means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.
- (k) "Qualified plan" means a business plan or a plan to use a business asset purchase that is approved by a financial institution, a business development training or technical assistance organization, or a nonprofit loan fund having demonstrated fiduciary integrity; contains a description of services, or goods to be sold, a marketing plan, and a projected financial statement; and requires the eligible individual to obtain the assistance of an experienced entrepreneurial adviser to review the plan for quality and completeness.
- (l) "Service providers" means entities that contract with the nonprofit facilitator, and that are nonprofit organizations exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, community development credit unions, community development financial institutions, or Indian tribes that are eligible to receive funds appropriated or allocated for the project.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)

95503. (a) The department shall issue by July 1, 2003, a request for proposals to entities that may apply to become the nonprofit facilitator of the project. Applications shall include, but need not be limited to, all of the following components:

- (1) A description of the organization submitting the proposal.
- (2) A description of the planning process used to design the project.
- (3) A business plan, including a market assessment, to be developed and used during the planning process, describing a target group or target area and the needs to be served, and cultural considerations.
- (4) A marketing plan, including a description of the outreach and recruitment of participants for the project that uses information developed in the planning and market assessments.
- (5) A description of project operations, including a description of the fiscal management plan, staffing pattern, arrangements with financial institutions, data management plan, and partnerships with other organizations.
- (6) A description of the accounting methods to be used and evidence that the entity has the capacity to monitor pooled matching funds and project funding.
- (7) A financial projection, including a proposed budget and fund development strategies.
- (8) An annual audit.
- (9) A description of primary project policies and procedures.
- (10) A description and plan for delivery of personal financial management training and asset-specific training.

(b) The department shall, with the cooperation of the nonprofit facilitator, submit an annual report to the Legislature on the first day of January, commencing in 2004. The report shall include, but is not limited to, all of the following:

- (1) The number of enrolled participants.
- (2) The number of individual development accounts established.
- (3) The aggregate savings achievements.
- (4) The number of participants who have completed the program.
- (5) The number of participants who have completed financial education.
- (6) A minimum of two participant profiles.
- (7) A financial report, including the use of state funds, other leveraged funds, and the status of other committed funds.
- (8) A summary of program achievements and obstacles.
- (9) Program and fiscal projections for the next year.

(c) (1) The department shall assemble a review committee to read and score proposals by interested nonprofit facilitators in response to the request for proposals. The review committee shall include a staff member from the department and other experienced individual development account practitioners from diverse communities.

(2) The review committee shall score the proposals according to the components required in Section 95504, as well as best practice standards agreed upon by the asset-building field and a demonstrated capacity to conduct statewide activities and subcontract with service providers around the state.

(d) The department shall select a nonprofit facilitator to participate in the project based on the proposals submitted and scored pursuant to this section.

(e) The department shall allocate funding to the nonprofit facilitator for the project, subject to the requirements and limitations of the funding source.

(f) The department shall annually pay the nonprofit facilitator up to 10 percent of the project's total annual allocation for the purpose described in Section 95504, and may reserve up to 5 percent of the project's total annual allocation for its own administrative purposes.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)

95504. (a) The nonprofit facilitator shall subcontract with service providers to implement the project around the state. The nonprofit facilitator shall make an attempt to select service providers for programs of different size, geographical distribution, and target population to be served. Additionally, the nonprofit facilitator may consider giving special consideration to service providers that demonstrate partnerships with local public agencies.

(b) The service providers shall perform all of the following duties in implementing the project:

(1) Recruit and select participants who meet the following criteria:

(A) The individual is at least 18 years of age.

(B) The individual is a member of a household with an income of not more than 80 percent of the area median income based on United States Department of Housing and Urban Development guidelines at the time of program enrollment.

(C) The individual is not a dependent of another person for federal income tax purposes.

(D) The individual is not a debtor for a judgment resulting from nonpayment of a court-ordered child support obligation.

(E) The individual meets eligibility criteria as defined by the funding source for the program created under this title.

(2) Develop and sign contracts with each participant, to include all program requirements and policies governing the participant's account.

(3) Assist participants in opening individual development accounts. CalWORKs recipients participating in the project may consider using a restricted account as described in Section 11155.2 of the Welfare and Institutions Code. Otherwise, the accounts shall be established using a parallel account structure that meets both of the following requirements:

(A) One separate account shall be established for each participant in a federally or state insured financial institution, community development financial institution, any financial institution eligible to hold an individual retirement account, or community development credit union, in which each participant's savings are deposited and maintained. The program participant may withdraw his or her own savings at any time.

(B) Another separate, parallel account shall be established and maintained by service providers in which the matching funds from state, federal, and private donations are kept. The parallel account may contain all matching funds for a pool of any service provider's participants.

(4) Help individuals receive their matching funds at the conclusion of the program.

(5) Provide participants with a minimum of 12 hours of financial education and training. The education and training shall include, but need not be limited to, all of the following:

(A) Household and personal budget management.

(B) Economic literacy.

(C) Credit repair.

(6) Develop a program dismissal process for participants who do not fulfill program participation requirements, and seek to ensure that matching funds are used for their intended purposes.

(7) Collect and maintain information about their programs, in a manner that provides the capacity to report semiannually all of the following information to the department:

(A) The number and demographic characteristics of participants enrolled in the program.

- (B) The number of accounts established.
- (C) The individual and aggregate savings level of participants.
- (D) The number of participants who closed accounts and the amount of associated savings.
- (E) The actual and proposed program budget.
- (F) The size and origin of matching pool funds received, obligated, and paid to participants.
- (G) The program achievements and obstacles.
- (H) Twelve-month program and financial projections.
- (I) At least one participant profile.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)

95505. (a) Prior to receiving funds under this title, each service provider shall, within six months of being selected to act as a service provider, provide written documentation to the department that it has secured matching funds from nonstate sources to match each state dollar provided under this title.

(b) Service providers shall recruit and select participants who meet the following criteria:

- (1) The individual is at least 18 years of age.
- (2) The individual is a member of a household with an income of not more than 80 percent of the area median income based on United States Department of Housing and Urban Development guidelines at the time of program enrollment.
- (3) The individual is not a dependent or another person for federal income tax purposes.
- (4) The individual is not a debtor for a judgment resulting from nonpayment of a court-ordered child support obligation.

(c) Service providers shall develop and sign contracts with each participant, to include all program requirements and policies governing the participant's account.

(d) Service providers shall assist participants in opening individual development accounts. The accounts shall be established using a parallel account structure that meets both of the following requirements:

- (1) One separate account is established for each participant in a federally or state insured financial institution, community development financial institution, any financial institution eligible to hold an individual retirement account, or community development credit union, in which each participant's savings are deposited and maintained. The program participant may withdraw his or her own savings at any time.
- (2) Another separate, parallel account is established and maintained by service providers in which the matching funds from state, federal, and private donations are kept. The parallel account may contain all matching funds for a pool of any service provider's participants.

(e) Service providers shall help individuals receive their matching funds at the conclusion of the program. All state matching funds shall be paid directly to the vendor as specified by the program participant.

(f) Service providers shall provide participants with a minimum of 12 hours of financial education and training. The education and training shall include, but is not limited to, all of the following:

- (1) Household and personal budget management.
- (2) Economic literacy.
- (3) Credit repair.

(g) Service providers shall develop a program dismissal process for participants who do not fulfill program participation requirements, and seek to ensure that matching funds are used for their intended purposes.

(h) Service providers shall collect and maintain information about their programs, and participants shall do so in a manner that provides the capacity to report all of the following information, semiannually, to the department:

- (1) The number and demographic characteristics of participants enrolled in the program.

- (2) The number of accounts established.
- (3) The individual and aggregate savings level of participants.
- (4) The number of participants who closed accounts and the amount of associated savings.
- (5) The actual and proposed program budget.
- (6) The size and origin of matching pool funds received, obligated, and paid to participants.
- (7) The program achievements and obstacles.
- (8) Twelve-month program and financial projections.
- (9) At least one participant profile, and state maintenance of effort requirements.

(i) Each participant may save up to a maximum of three thousand dollars (\$3,000) in total, over the life of his or her individual development account.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)

95506. Individuals selected to participate in the project shall do all of the following:

(a) Contract with his or her service provider.

(b) Regularly deposit funds into the individual development account. Participants may contribute to the individual development account using resources generated from the following sources:

- (1) Earned income.
- (2) Federal Earned Income Tax Credit refunds.
- (3) Disability benefits.
- (4) Child support payments.
- (5) AmeriCorps stipends.
- (6) Wages earned through self-employment.
- (7) Job training program stipends.

(c) Select purchase goals for which the savings will be used. Participants may use savings generated by individual development accounts for any of the following purposes:

- (1) Postsecondary and vocational education expenses, including tuition, fees, books, supplies, and equipment.
- (2) Home purchase costs with respect to a principal residence.
- (3) Major home repair.
- (4) Assistive technology equipment or services for disabled participants when used to access employment, education, or training.
- (5) Purchase of a vehicle to be used for employment, education, or training purposes.
- (6) Qualified business capitalization.

(d) Communicate regularly with the service provider regarding the account.

(e) Participate in a minimum of 12 hours of training and education provided by the service provider.

(f) Maintain savings in the individual development account for a minimum of six months from the time the account was established.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)

95507. Pursuant to Internal Revenue Service Ruling 99-44, interest earned on funds deposited in the individual development account by the participant is taxable to the participant in the year it is earned, and funds matched to an individual development

account are considered a gift at the time they are paid and, therefore, are not considered taxable income to the participant.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)

95508. The financial institution in which an individual development account is established shall:

(a) Have no greater duties or responsibilities as to an individual development account than it has to any other savings account.

(b) Have no duty or responsibility to any withdrawal restriction established in the contract between the participant and the service provider.

(Added by Stats. 2002, Ch. 1024, Sec. 2. Effective January 1, 2003. Conditionally operative as prescribed in Section 95501.)