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BILL ANALYSIS



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Senate Bill 1636 (as introduced 11-12-08)
Sponsor: Senator Mark C. Jansen
Committee: Families and Human Services

Date Completed: 11-13-08

CONTENT

The bill would amend the Individual or Family Development Account Program Act to revise requirements for fiduciary organizations selected to administer a program; and provide for involvement of the Department of Labor and Economic Growth (DLEG).

The Act provides for the Individual or Family Development Account Program within the Michigan State Housing Development Authority (MSHDA), and requires the Program to give eligible individuals and families an opportunity to establish accounts for educational expenses, the first-time purchase of a primary residence, and business capitalization. The Act requires MSHDA (the "agency") to select program sites to administer the program and fiduciary organizations to manage reserve funds (to which taxpayers may contribute).

The Act requires MSHDA to establish policies and procedures for the Program taking into consideration the policies and procedures adopted by the Department of Human Services to implement the individual development account program. Under the bill, MSHDA would have to establish these policies and procedures in consultation with DLEG. The Authority would be responsible for approving fiduciary organizations and program sites and for all activities related to the Program. The Department, however, would be responsible for approving fiduciary organizations and program sites and for all activities related to those programs that related solely to accounts to be used for education or business capitalization.

The Act requires MSHDA to select fiduciary organizations to provide technical assistance and support to program sites and establish and manage reserve accounts on a nonprofit basis. Under the bill, fiduciary organizations would oversee program sites' reserve accounts, rather than establish and manage them.

Currently, MSHDA must work cooperatively with financial institutions, fiduciary organizations, program sites, and contributors to implement the programs under the Act. Under the bill, MSHDA would have to work with DLEG, rather than contributors.

The Act requires a program site to provide matching funds for contributions to an account by an account holder pursuant to a participant savings plan agreement. Under the bill, a fiduciary organization would have to provide the matching funds upon request from a program site.

Under the Act, the administrator of a fiduciary organization that administers one or more reserve funds must submit to MSHDA the names of contributors and the total amount that

each contributes to an individual or family development account reserve fund for each calendar year, and requires the MSHDA director to determine the date by which the information must be submitted. The bill, instead, would require the administrator to submit the names of contributors and the amount contributed to a reserve fund within 15 days after receiving each contribution.

Currently, a fiduciary organization selected to administer an individual or family development account program must file with MSHDA an annual report of the program activity. The bill would refer to program activity related to accounts established for the first-time purchase of a primary residence. In addition to other information, the report must include the number of individual development accounts administered by the organization. The bill would require the report to include the number of individual development accounts established for the first-time purchase of a primary residence and administered by the organization.

Under the bill, a fiduciary organization selected to administer an individual or family development account program would have to file with DLEG an annual report of the organization's program activity related to accounts established either for educational purposes or capitalization of a business. The report would have to be filed by September 30 each year, and would have to include all of the following:

- The number of individual development accounts established either for educational purposes or capitalization of a business and administered by the organization.
- The amount of deposits and matching deposits for each account.
- The purpose of each account.
- The number of withdrawals made.
- The number of terminated accounts and the reasons for termination.
- Any other information DLEG required for the purpose of making a return on investment analysis.

The Act requires MSHDA to file an annual report with the Secretary of the Senate and the Clerk of the House of Representatives. The report must include the information reported by fiduciary organizations. The bill would require MSHDA and DLEG jointly to file this report.

Currently, MSHDA may promulgate rules needed to implement the Act. The bill would authorize MSHDA and DLEG, in consultation with one another, to promulgate rules needed to implement their respective responsibilities under the Act.

The definitions of "fiduciary organization" and "program site" refer to a charitable organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code that is approved by the MSHDA director. Under the bill, the organizations would have to be approved by MSHDA.

MCL 206.702 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on the Department of Labor and Economic Growth, which includes the Michigan State Housing Development Authority. Staff from the Department have indicated that the proposed changes would not affect current staffing or costs.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.