## GENERAL ASSEMBLY OF NORTH CAROLINA

## **SESSION 1997**

S SENATE BILL 1031

Short Title: Establish IDA Accounts/Funds. (Public)

Sponsors: Senator Shaw of Cumberland.

Referred to: Appropriations.

## April 21, 1997

1 A BILL TO BE ENTITLED

2

3

4

AN ACT AUTHORIZING THE DEPARTMENT OF LABOR TO ESTABLISH AN INDIVIDUAL DEVELOPMENT ACCOUNT PROJECT TO ASSIST WORKING FAMILIES AND APPROPRIATING FUNDS FOR THAT PURPOSE.

Whereas, Americans of most economic classes are having difficulty climbing the economic ladder and most American households have no, or negligible, investable assets; and

Whereas, economic well-being does not come solely from income, spending, and consumption, but also requires savings, investment, and accumulation of assets, since assets can improve economic stability, connect people with a viable and hopeful future, stimulate development of human and other capital, yield personal and social dividends, and enhance the well-being of children; and

Whereas, almost one million North Carolinians live in households with incomes below the poverty line; and

Whereas, the household savings rate of the United States lags far behind other industrial nations, presenting a barrier to economic growth; and

Whereas, it is in the best interest of people of the State to encourage savings by working families, including the working poor, through the use of Individual Development Accounts that promote higher rates of personal savings by providing incentives; and

Whereas, in the current fiscal environment, the State should invest existing resources in high-yielding initiatives and the financial returns of Individual Development Accounts, including increased income, tax revenue, and decreased public assistance costs, will exceed the cost of investment; Now, therefore,

The General Assembly of North Carolina enacts:

1 2

Section 1. There is appropriated from the General Fund to the Department of Labor the sum of three hundred thousand dollars (\$300,000) for the 1997-98 fiscal year and the sum of three hundred thousand dollars (\$300,000) for the 1998-99 fiscal year to establish a pilot project creating Individual Development Accounts (IDA) designed to:

- (1) Provide individuals and families, especially the working poor, an opportunity and an incentive to accumulate assets.
- (2) Promote investments in education, homeownership, and microenterprise development.
- (3) Demonstrate that household savings strategies, such as the development of IDAs, can be a powerful strategy for assisting working persons and families to achieve long-term self-sufficiency.
- (4) Utilize and build comprehensive community partnerships that support asset building in low-wealth communities.

Section 2. The funds appropriated by this act shall be made available to serve as matching funds for personal savings of qualified participants selected to participate in a multiyear demonstration to last not more than five years. Other expenses of the demonstration, including training, technical assistance, evaluation, and other program and administrative expenses, shall be covered from other public and private sources. Matching funds provided from the funds appropriated in this act may be used by qualified participants for home purchase, investment in a business or self-employment venture owned by the participant, or costs of postsecondary education or training for the participant. Participants shall not be restricted as to the amounts or sources of funds deposited in the account, but in order to create the incentive for continued savings, only savings from earned income will qualify for State matching funds. Tax return reports of earned income shall be used to verify compliance.

Section 3. This act becomes effective July 1, 1997.