

By: Naishtat

H.B. No. 2213

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the creation of the individual development account
3 program to provide savings incentives and opportunities to eligible
4 low-income, working individuals.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Subtitle B, Title 4, Labor Code, is amended by
7 adding Chapter 312 to read as follows:

8 CHAPTER 312. INDIVIDUAL DEVELOPMENT ACCOUNT PROGRAM

9 Sec. 312.001. DEFINITIONS. In this chapter:

10 (1) "Financial institution" has the meaning assigned
11 by Section 201.101, Finance Code.

12 (2) "Individual development account" means a deposit
13 account established by a participant at a financial institution
14 selected by a sponsoring organization.

15 (3) "Participant" means an individual or household
16 that has entered into an agreement with a sponsoring organization
17 to participate in the program.

18 (4) "Program" means the individual development
19 account program established under this chapter.

20 (5) "Service provider" means a person to whom a
21 qualified expenditure from a participant's individual development
22 account is made. The term includes:

23 (A) a public or private institution of higher
24 education;

1 (B) a provider of occupational or vocational
2 education, including a proprietary school;

3 (C) a mortgage lender;

4 (D) a title company;

5 (E) the lessor or vendor of office supplies or
6 equipment or retail space, office space, or other business space;
7 and

8 (F) any other provider of goods or services used
9 for the commencement of a business.

10 (6) "Sponsoring organization" means a nonprofit
11 organization that is:

12 (A) exempt from taxation under Section
13 501(c)(3), Internal Revenue Code of 1986 (26 U.S.C. Section
14 501(c)(3)); and

15 (B) selected by the commission to establish and
16 administer individual development accounts under the program.

17 Sec. 312.002. ESTABLISHMENT OF PROGRAM; RULES. (a) The
18 commission by rule shall develop and implement a program under
19 which individual development accounts are established for eligible
20 low-income individuals to provide those individuals with an
21 opportunity to accumulate assets and to facilitate and mobilize
22 savings.

23 (b) The commission shall contract with sponsoring
24 organizations to establish and administer the accounts in
25 accordance with commission rules.

26 (c) In adopting rules under the program, the commission
27 shall state the selection criteria for sponsoring organizations.

1 Sec. 312.003. PARTICIPANT ELIGIBILITY. (a) The commission
2 by rule shall establish eligibility criteria for participants.

3 (b) The eligibility criteria established by the commission
4 must:

5 (1) require an eligible individual or member of an
6 eligible household to be employed by the public or private sector;
7 and

8 (2) provide that the income of an eligible individual
9 or household may not exceed 200 percent of the poverty level
10 according to the federal Office of Management and Budget poverty
11 index when applied to the savings goals of the individual or
12 household.

13 (c) The commission may establish different eligibility
14 criteria for participants receiving matching funds from different
15 sources.

16 Sec. 312.004. CONTRIBUTIONS AND EXPENDITURES BY
17 PARTICIPANT. (a) A participant may contribute to the
18 participant's individual development account.

19 (b) A participant's contributions to the participant's
20 individual development account shall accrue interest.

21 (c) A participant may withdraw money from the participant's
22 account only to pay for the following qualified expenditures:

23 (1) postsecondary educational or training expenses
24 for the adult account holder and dependent children;

25 (2) the expenses of purchasing or financing a home for
26 the adult account holder for the first time;

27 (3) the expenses of a self-employment enterprise;

1 (4) start-up business expenses for the adult account
2 holder; and

3 (5) emergency expenses.

4 Sec. 312.005. DUTIES OF SPONSORING ORGANIZATIONS. Each
5 sponsoring organization shall:

6 (1) recruit low-income individuals or households
7 employed by the public or private sector to participate in the
8 program;

9 (2) determine the eligibility of individuals or
10 households to participate in the program based on the criteria
11 established by the commission under Section 312.003;

12 (3) conduct orientations for prospective participants
13 on the philosophy underlying the program and the general
14 requirements of the program;

15 (4) facilitate the opening of an individual
16 development account for each participant at a participating
17 financial institution to enable the participant to save money for
18 qualified expenditures described by Section 312.004(c);

19 (5) provide credit counseling, budgeting, and
20 financial management training to each participant;

21 (6) assist each participant in developing specific
22 goals and performance criteria for the participant's account;

23 (7) monitor contributions to and withdrawals from each
24 individual development account to ensure that any applicable limits
25 on withdrawals are not exceeded;

26 (8) instruct a financial institution to terminate a
27 participant's individual development account if termination is

1 required by Section 312.007; and

2 (9) solicit matching funds from any public or private
3 source to be used to match the contributions made by participants to
4 individual development accounts under this chapter.

5 Sec. 312.006. MATCHING FUNDS; LIMITATIONS ON AMOUNT AND
6 AVAILABILITY. (a) Subject to the availability of matching funds,
7 at the time a participant in the program makes a qualified
8 expenditure from the participant's account, the participant shall
9 receive matching funds from the sponsoring organization, payable
10 directly to the service provider, at the time of the eligible
11 individual's expenditure of the money.

12 (b) If federal Temporary Assistance for Needy Families
13 (TANF) funds are used as matching funds, the amount of matching
14 funds expended for each individual development account may not
15 exceed \$2,000 a year. If funds other than TANF funds are used as
16 matching funds, the commission by rule may set a different limit on
17 the amount of matching funds that may be expended per account per
18 year.

19 (c) This chapter may not be construed to create an
20 entitlement of a participant to receive matching funds. The number
21 of participants who receive matching funds under the program in any
22 year is limited by the amount of funds available for that purpose in
23 that year.

24 Sec. 312.007. TERMINATION OF ACCOUNT FOR UNQUALIFIED
25 WITHDRAWALS. (a) A participant may withdraw contributions made by
26 the participant to the participant's individual development
27 account for a purpose other than for a qualified expenditure

1 described by Section 312.004(c) only once. The participant's
2 account terminates if the participant again withdraws
3 contributions for a purpose other than for a qualified expenditure.

4 (b) A participant whose account is terminated under this
5 section is entitled to withdraw from the participant's account the
6 amount of money contributed to the account by the participant and
7 any interest that has accrued on that amount.

8 Sec. 312.008. FUNDING. (a) The legislature may
9 appropriate money for the purposes of this chapter.

10 (b) The commission may accept gifts, grants, and donations
11 from any public or private source for the purposes of this chapter.

12 SECTION 2. As soon as possible after the effective date of
13 this Act, the Texas Workforce Commission shall develop and
14 implement the individual development account program required by
15 Chapter 312, Labor Code, as added by this Act.

16 SECTION 3. This Act takes effect September 1, 2003.