

By: Barrientos, et al.

S.B. No. 1538

A BILL TO BE ENTITLED

AN ACT

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

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

SECTION 1. Chapter 403, Government Code, is amended by adding Subchapter O to read as follows:

SUBCHAPTER O. ASSET DEVELOPMENT INITIATIVE FOR CERTAIN LOW-INCOME INDIVIDUALS AND HOUSEHOLDS

Sec. 403.501. DEFINITIONS. In this subchapter:

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

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

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

(4) "Program" means the individual development account program established under this subchapter.

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

(A) a public or private institution of higher

1 education;

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

4 (C) a mortgage lender;

5 (D) a title insurance company;

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

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

11 (6) "Sponsoring organization":

12 (A) means a nonprofit organization that is:

13 (i) exempt from taxation under Section
14 501(a), Internal Revenue Code of 1986, as an organization described
15 by Section 501(c)(3) of that code; and

16 (ii) selected by the comptroller to
17 establish and administer individual development accounts under the
18 program; and

19 (B) includes an Indian tribe, as defined by
20 Section 4(12) of the Native American Housing Assistance and
21 Self-Determination Act of 1996 (25 U.S.C. Section 4103(12)),
22 including any tribal subsidiary, division, or other wholly owned
23 tribal entity of an Indian tribe.

24 Sec. 403.502. ESTABLISHMENT OF PROGRAM; RULES. (a) The
25 comptroller by rule may develop and implement a program under
26 which:

27 (1) individual development accounts are facilitated

1 and administered by sponsoring organizations for eligible
2 low-income individuals and households to provide those individuals
3 and households with an opportunity to accumulate assets and to
4 facilitate and mobilize savings; and

5 (2) sponsoring organizations are provided grant funds
6 for use in administering the program and matching qualified
7 expenditures made by program participants. At least 85 percent of
8 the grant funds must be used by the sponsoring organization for
9 matching qualified expenditures.

10 (b) The comptroller shall contract with sponsoring
11 organizations to facilitate the establishment of and to administer
12 the individual development accounts in accordance with the rules
13 adopted by the comptroller. The comptroller's rules promulgated to
14 implement this subchapter shall include guidelines for contract
15 monitoring, reporting, and termination of grant recipients.

16 (c) In adopting rules under the program, the comptroller
17 shall state the selection criteria for sponsoring organizations.
18 The comptroller shall give priority to organizations that have
19 demonstrated:

20 (1) a capacity to administer individual account
21 programs; and

22 (2) a commitment to serve areas of the state that
23 currently do not have individual development account programs
24 available.

25 Sec. 403.503. PARTICIPANT ELIGIBILITY. (a) The
26 comptroller by rule shall establish eligibility criteria for
27 participants in the program.

1 (b) The eligibility criteria established by the comptroller
2 must:

3 (1) require an eligible individual or member of an
4 eligible household, other than an eligible individual or member of
5 an eligible household receiving supplemental security income or
6 other public disability payments, to agree to make regular
7 contributions to the individual's or household's individual
8 development account from the individual's or household's earned
9 income;

10 (2) provide that the annual income of an eligible
11 individual or household may not exceed 200 percent of the poverty
12 level according to the federal Office of Management and Budget
13 poverty index;

14 (3) establish the rate at which a participant's
15 contributions to the individual development account may be matched,
16 not to exceed the match rate established by the federal Assets for
17 Independence Act (Pub. L. No. 105-285); and

18 (4) establish limits on the amount of matching funds a
19 participant is eligible to receive, not to exceed the limit on
20 federal matching funds established by the federal Assets for
21 Independence Act.

22 Sec. 403.504. CONTRIBUTIONS AND EXPENDITURES BY
23 PARTICIPANT. (a) A participant may contribute to the
24 participant's individual development account.

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

27 (c) A participant may withdraw money from the participant's

1 account only to pay for the following qualified expenditures:

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

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

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

7 (4) start-up business expenses for the adult account
8 holder.

9 Sec. 403.505. DUTIES OF SPONSORING ORGANIZATIONS. (a) The
10 comptroller shall promulgate rules that establish the duties of
11 sponsoring organizations that shall include recruiting
12 requirements, standards for determination of eligibility of
13 participants, education of participants, operations and account
14 management, solicitation of matching funds and such other subjects
15 as may be deemed necessary by the comptroller to carry out the
16 purposes and objectives of this subchapter.

17 (b) Each sponsoring organization shall provide to the
18 comptroller any information necessary to evaluate the sponsoring
19 organization's performance in fulfilling the duties outlined in
20 Subsection (a).

21 Sec. 403.506. MATCHING FUNDS; LIMITATIONS ON AMOUNT
22 AND AVAILABILITY. (a) At the time a participant in the program
23 makes a withdrawal for a qualified expenditure described by Section
24 403.504(c) from the participant's individual development account,
25 the participant shall receive matching funds from the sponsoring
26 organization, payable directly to the service provider.

27 (b) If federal Assets for Independence Act money is used as

1 matching funds, the amount of federal matching funds spent for each
2 individual development account may not exceed the limits
3 established by the federal Assets for Independence Act. If money
4 other than federal Assets for Independence Act money is used as
5 matching funds, the comptroller by rule may set a different limit on
6 the amount of matching funds that may be spent for each account.

7 (c) This subchapter may not be construed to create an
8 entitlement of a participant to receive matching funds. The number
9 of participants who receive matching funds under the program in any
10 year is limited by the amount of funds available for that purpose in
11 that year.

12 Sec. 403.507. TERMINATION OF ACCOUNT FOR UNQUALIFIED
13 WITHDRAWALS. (a) The comptroller by rule shall establish
14 guidelines to ensure that a participant does not withdraw funds in
15 the individual development account, except for a qualified
16 expenditure described by Section 403.504(c). These guidelines
17 shall:

18 (1) include a requirement that a sponsoring
19 organization approve a participant's request to make a withdrawal
20 from an individual development account in writing;

21 (2) provide that no participant may withdraw funds
22 from an individual development account earlier than six months
23 after the date on which the participant first deposits funds in the
24 account; and

25 (3) require a participant to reimburse the individual
26 development account for any funds withdrawn for a purpose other
27 than for a qualified expenditure described by Section 403.504(c).

1 (b) The sponsoring organization shall instruct the
2 financial institution to terminate the participant's account if the
3 participant does not comply with the guidelines established under
4 Subsection (a).

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

10 Sec. 403.508. FUNDING. (a) The legislature may
11 appropriate money for the purposes of this subchapter.

12 (b) The comptroller may accept gifts, grants, and donations
13 from any public or private source for the purposes of this
14 subchapter.

15 Sec. 403.509. COORDINATION. The comptroller shall:

16 (1) serve as a clearinghouse for information relating
17 to state and local and public and private programs that facilitate
18 asset development among low-income families; and

19 (2) post the information described by Subdivision (1)
20 on the comptroller's Internet website.

21 Sec. 403.510. INTERAGENCY CONTRACTS. The comptroller may
22 enter into interagency contracts with other state agencies to
23 facilitate the effective administration of this subchapter.

24 Sec. 403.511. AGENCY COOPERATION. To the extent allowed by
25 law, the Health and Human Services Commission shall provide
26 information to the comptroller as necessary to implement this
27 subchapter.

1 SECTION 2. The comptroller of public accounts shall develop
2 and implement the individual development account program
3 established under Subchapter O, Chapter 403, Government Code, as
4 added by this Act, as soon as practicable but not later than the
5 180th day after the effective date of this Act.

6 SECTION 3. This Act takes effect September 1, 2005.