

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

8 SUBCHAPTER O. ASSET DEVELOPMENT INITIATIVE

9 FOR LOW-INCOME INDIVIDUALS AND HOUSEHOLDS

10 Sec. 403.501. DEFINITIONS. In this subchapter:

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

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

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

19 (4) "Program" means the individual development
20 account program established by the comptroller under this
21 subchapter.

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

1 (A) a public or private institution of higher
2 education;

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

5 (C) a mortgage lender;

6 (D) a title insurance company;

7 (E) a provider of goods or services used for home
8 repairs;

9 (F) the lessor or vendor of office supplies or
10 equipment or retail space, office space, or other business space;

11 (G) the vendor of an automobile; and

12 (H) any other provider of goods or services used
13 for the commencement of a business.

14 (7) "Sponsoring organization":

15 (A) means a nonprofit organization that is:

16 (i) exempt from taxation under Section
17 501(c)(3), Internal Revenue Code of 1986; and

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

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

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

1 individual development accounts are established for eligible
2 low-income individuals to provide those individuals with an
3 opportunity to accumulate assets and to facilitate and mobilize
4 savings.

5 (b) The comptroller shall contract with sponsoring
6 organizations to establish and administer the accounts in
7 accordance with the rules adopted by the comptroller.

8 (c) In adopting rules under the program, the comptroller
9 shall state the selection criteria for sponsoring organizations.

10 Sec. 403.503. PARTICIPANT ELIGIBILITY. (a) The
11 comptroller by rule shall establish eligibility criteria for
12 participants.

13 (b) The eligibility criteria established by the comptroller
14 must:

15 (1) require an eligible individual or member of an
16 eligible household, other than an eligible individual or member of
17 an eligible household receiving supplemental security income or
18 other public disability payments, to agree to make any
19 contributions to the individual's or household's individual
20 development account from the individual's or household's earned
21 income; and

22 (2) provide that the annual income of an eligible
23 individual or household may not exceed 200 percent of the poverty
24 level according to the federal Office of Management and Budget
25 poverty index.

26 (c) The comptroller may establish different eligibility
27 criteria for participants receiving matching funds from different

1 sources.

2 Sec. 403.504. CONTRIBUTIONS AND EXPENDITURES BY
3 PARTICIPANT. (a) A participant may contribute to the
4 participant's individual development account.

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

7 (c) Except as provided by Subsection (d), a participant may
8 withdraw money from the participant's account only to pay for the
9 following qualified expenditures:

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

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

14 (3) the expenses of necessary home repairs;

15 (4) the expenses of a self-employment enterprise;

16 (5) start-up business expenses for the adult account
17 holder; and

18 (6) the purchase of a used automobile if the
19 automobile is necessary for the participant or a member of the
20 participant's household to hold employment, including any need to
21 transport a child to a day care facility in order to be able to hold
22 employment.

23 (d) A participant may withdraw money contributed by the
24 participant to the participant's account to pay for expenses
25 relating to a personal crisis of the adult account holder or the
26 account holder's dependent child, including expenses relating to
27 illness, eviction, potential foreclosure, loss of employment, and

1 urgent family business.

2 Sec. 403.505. DUTIES OF SPONSORING ORGANIZATIONS. Each
3 sponsoring organization shall:

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

7 (2) determine the eligibility of individuals or
8 households to participate in the program based on the criteria
9 established by the participating agency under Section 403.503;

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

13 (4) facilitate the opening of an individual
14 development account for each participant at a participating
15 financial institution to enable the participant to save money for
16 qualified expenditures described by Section 403.504(c);

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

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

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

24 (8) instruct a financial institution to terminate a
25 participant's individual development account if termination is
26 required by Section 403.507; and

27 (9) solicit matching funds from any public or private

1 source to be used to match the contributions made by participants to
2 individual development accounts under this subchapter.

3 Sec. 403.506. MATCHING FUNDS; LIMITATIONS ON AMOUNT AND
4 AVAILABILITY. (a) Subject to the availability of matching funds,
5 at the time a participant in a program makes a qualified expenditure
6 from the participant's account, the participant shall receive
7 matching funds from the sponsoring organization, payable directly
8 to the service provider, at the time of the eligible individual's
9 expenditure of the money.

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

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

22 Sec. 403.507. TERMINATION OF ACCOUNT FOR UNQUALIFIED
23 WITHDRAWALS. (a) A participant may withdraw contributions made by
24 the participant to the participant's individual development
25 account for a purpose other than for a qualified expenditure
26 described by Section 403.504(c) only once. The participant's
27 account terminates if the participant again withdraws

1 contributions for a purpose other than for a qualified expenditure.

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

6 Sec. 403.508. FUNDING. (a) The legislature may
7 appropriate money for the purposes of this chapter.

8 (b) A participating agency may accept gifts, grants, and
9 donations from any public or private source for the purposes of this
10 chapter.

11 Sec. 403.509. COORDINATION. (a) The comptroller shall
12 establish a division within the office of the comptroller to:

13 (1) serve as an information clearing house about state
14 and local, public and private, programs that facilitate asset
15 development among low-income families, including:

16 (A) earned income tax credit outreach
17 initiatives;

18 (B) financial literacy education;

19 (C) banks and other financial institutions that
20 provide low-cost savings options to low-income families, such as
21 free savings and checking accounts, individual development
22 accounts, 529 plans, the Texas Tomorrow fund, individual retirement
23 accounts, and 401(k) plans; and

24 (D) information regarding public and private
25 funding sources for earned income tax credit outreach, financial
26 literacy education, and matched savings accounts reserved for
27 equity-building purposes;

1 (2) publicize the availability of earned income tax
2 credits and other tax credits through statewide media campaigns and
3 other appropriate efforts; and

4 (3) partner with banks, nonprofit corporations,
5 chambers of commerce, the internal revenue service, and state
6 agencies that offer earned income tax credit outreach, financial
7 literacy education, or low-cost savings and investment options, to:

8 (A) help low-income individuals establish a
9 relationship with mainstream financial institutions;

10 (B) improve and expand financial service options
11 for working families;

12 (C) inform low-income individuals about the high
13 cost and liability of acquiring short term loans from tax refund
14 vendors;

15 (D) expand micro-enterprise efforts to encourage
16 more business opportunities for low and moderate income
17 individuals; and

18 (E) educate low income individuals about
19 low-cost savings and investment options, such as individual
20 development accounts, and the importance of saving;

21 (4) work with financial institutions and lending
22 institutions to encourage those institutions to:

23 (A) offer low-cost investment options; and

24 (B) expand programs that offer low-interest,
25 low-downpayment loans and refinancing packages to first-time and
26 low-income homebuyers;

27 (5) adopt statewide asset building performance

1 indicators to gauge state progress on providing opportunities for
2 asset development, asset protection, and economic mobility;

3 (6) examine the impact and feasibility of policies to
4 encourage children's savings accounts; and

5 (7) examine the impact of asset policies in public
6 assistance programs by analyzing information collected by the
7 Health and Human Services Commission under Section 531.078.

8 (b) The comptroller shall post the information described by
9 Subsection (a)(1) on the comptroller's Internet website.

10 (c) In this section, "public assistance program" includes:

11 (1) the nutritional assistance programs under Chapter
12 33, Human Resources Code;

13 (2) the financial assistance program under Chapter 31,
14 Human Resources Code;

15 (3) the child health plan program under Chapter 62,
16 Health and Safety Code; and

17 (4) the medical assistance program under Chapter 32,
18 Human Resources Code.

19 SECTION 2. Subchapter B, Chapter 531, Government Code, is
20 amended by adding Section 531.078 to read as follows:

21 Sec. 531.078. ASSET INFORMATION. (a) (c) In this section,
22 "public assistance program" includes:

23 (1) the nutritional assistance programs under Chapter
24 33, Human Resources Code;

25 (2) the financial assistance program under Chapter 31,
26 Human Resources Code;

27 (3) the child health plan program under Chapter 62,

1 Health and Safety Code; and

2 (4) the medical assistance program under Chapter 32,
3 Human Resources Code.

4 (b) The commission or the commission's contractor shall
5 collect information regarding the assets of low-income
6 individuals, including:

7 (1) applicants for public assistance programs who are
8 denied benefits or assistance because of program asset rules; and

9 (2) recipients of benefits under public assistance
10 programs described under Subdivision (1).

11 (c) Information collected under Subsection (a) must
12 include:

13 (1) the value of the individual's automobile, if any;

14 (2) the amount of money in savings or checking
15 accounts, if any; and

16 (3) the value of any other liquid or non-liquid assets
17 used to determine eligibility for a program described by Subsection
18 (a)(1).

19 (d) The commission shall provide the information obtained
20 under this section to the comptroller as necessary to implement
21 Subchapter O, Chapter 403.

22 SECTION 3. (a) The executive commissioner of the Health
23 and Human Services Commission shall collect the initial information
24 required under Section 531.078, Government Code, as added by this
25 Act, not later than the 90th day after the effective date of this
26 Act.

27 (b) The comptroller shall develop and implement the

1 individual development account program established under
2 Subchapter O, Chapter 403, Government Code, as added by this Act, as
3 soon as practicable but not later than the 180th day after the
4 effective date of this Act.

5 SECTION 4. This Act takes effect September 1, 2005.