

1-1 By: Barrientos, Shapleigh S.B. No. 1538
1-2 (In the Senate - Filed March 10, 2005; March 22, 2005, read
1-3 first time and referred to Committee on Finance; April 21, 2005,
1-4 reported adversely, with favorable Committee Substitute by the
1-5 following vote: Yeas 13, Nays 0; April 21, 2005, sent to printer.)

1-6 COMMITTEE SUBSTITUTE FOR S.B. No. 1538 By: Barrientos

1-7 A BILL TO BE ENTITLED
1-8 AN ACT

1-9 relating to the creation of the individual development account
1-10 program to provide savings incentives and opportunities to eligible
1-11 low-income, working individuals or households.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Chapter 403, Government Code, is amended by
1-14 adding Subchapter O to read as follows:

1-15 SUBCHAPTER O. ASSET DEVELOPMENT INITIATIVE FOR CERTAIN LOW-INCOME
1-16 INDIVIDUALS AND HOUSEHOLDS

1-17 Sec. 403.501. DEFINITIONS. In this subchapter:

1-18 (1) "Financial institution" has the meaning assigned
1-19 by Section 201.101, Finance Code.

1-20 (2) "Individual development account" means a deposit
1-21 account established by a participant at a financial institution
1-22 selected by a sponsoring organization.

1-23 (3) "Participant" means an individual or household
1-24 that has entered into an agreement with a sponsoring organization
1-25 to participate in the program.

1-26 (4) "Program" means the individual development
1-27 account program established under this subchapter.

1-28 (5) "Service provider" means a person to whom a
1-29 qualified expenditure from a participant's individual development
1-30 account is made. The term includes:

1-31 (A) a public or private institution of higher
1-32 education;

1-33 (B) a provider of occupational or vocational
1-34 education, including a proprietary school;

1-35 (C) a mortgage lender;

1-36 (D) a title insurance company;

1-37 (E) the lessor or vendor of office supplies or
1-38 equipment or retail space, office space, or other business space;
1-39 and

1-40 (F) any other provider of goods or services used
1-41 for the commencement of a business.

1-42 (6) "Sponsoring organization":

1-43 (A) means a nonprofit organization that is:

1-44 (i) exempt from taxation under Section
1-45 501(a), Internal Revenue Code of 1986, as an organization described
1-46 by Section 501(c)(3) of that code; and

1-47 (ii) selected by the comptroller to
1-48 establish and administer individual development accounts under the
1-49 program; and

1-50 (B) includes an Indian tribe, as defined by
1-51 Section 4(12) of the Native American Housing Assistance and
1-52 Self-Determination Act of 1996 (25 U.S.C. Section 4103(12)),
1-53 including any tribal subsidiary, division, or other wholly owned
1-54 tribal entity of an Indian tribe.

1-55 Sec. 403.502. ESTABLISHMENT OF PROGRAM; RULES. (a) The
1-56 comptroller by rule may develop and implement a program under
1-57 which:

1-58 (1) individual development accounts are facilitated
1-59 and administered by sponsoring organizations for eligible
1-60 low-income individuals and households to provide those individuals
1-61 and households with an opportunity to accumulate assets and to
1-62 facilitate and mobilize savings; and

1-63 (2) sponsoring organizations are provided grant funds

2-1 for use in administering the program and matching qualified
 2-2 expenditures made by program participants. At least 85 percent of
 2-3 the grant funds must be used by the sponsoring organization for
 2-4 matching qualified expenditures.

2-5 (b) The comptroller shall contract with sponsoring
 2-6 organizations to facilitate the establishment of and to administer
 2-7 the individual development accounts in accordance with the rules
 2-8 adopted by the comptroller. The comptroller's rules promulgated to
 2-9 implement this subchapter shall include guidelines for contract
 2-10 monitoring, reporting, and termination of grant recipients.

2-11 (c) In adopting rules under the program, the comptroller
 2-12 shall state the selection criteria for sponsoring organizations.
 2-13 The comptroller shall give priority to organizations that have
 2-14 demonstrated:

2-15 (1) a capacity to administer individual account
 2-16 programs; and

2-17 (2) a commitment to serve areas of the state that
 2-18 currently do not have individual development account programs
 2-19 available.

2-20 Sec. 403.503. PARTICIPANT ELIGIBILITY. (a) The
 2-21 comptroller by rule shall establish eligibility criteria for
 2-22 participants in the program.

2-23 (b) The eligibility criteria established by the comptroller
 2-24 must:

2-25 (1) require an eligible individual or member of an
 2-26 eligible household, other than an eligible individual or member of
 2-27 an eligible household receiving supplemental security income or
 2-28 other public disability payments, to agree to make regular
 2-29 contributions to the individual's or household's individual
 2-30 development account from the individual's or household's earned
 2-31 income;

2-32 (2) provide that the annual income of an eligible
 2-33 individual or household may not exceed 200 percent of the poverty
 2-34 level according to the federal Office of Management and Budget
 2-35 poverty index;

2-36 (3) establish the rate at which a participant's
 2-37 contributions to the individual development account may be matched,
 2-38 not to exceed the match rate established by the federal Assets for
 2-39 Independence Act (Pub. L. No. 105-285); and

2-40 (4) establish limits on the amount of matching funds a
 2-41 participant is eligible to receive, not to exceed the limit on
 2-42 federal matching funds established by the federal Assets for
 2-43 Independence Act.

2-44 Sec. 403.504. CONTRIBUTIONS AND EXPENDITURES BY
 2-45 PARTICIPANT. (a) A participant may contribute to the
 2-46 participant's individual development account.

2-47 (b) A participant's contributions to the participant's
 2-48 individual development account shall accrue interest.

2-49 (c) A participant may withdraw money from the participant's
 2-50 account only to pay for the following qualified expenditures:

2-51 (1) postsecondary educational or training expenses
 2-52 for the adult account holder and dependent children;

2-53 (2) the expenses of purchasing or financing a home for
 2-54 the adult account holder for the first time;

2-55 (3) the expenses of a self-employment enterprise; and

2-56 (4) start-up business expenses for the adult account
 2-57 holder.

2-58 Sec. 403.505. DUTIES OF SPONSORING ORGANIZATIONS. (a) The
 2-59 comptroller shall promulgate rules that establish the duties of
 2-60 sponsoring organizations that shall include recruiting
 2-61 requirements, standards for determination of eligibility of
 2-62 participants, education of participants, operations and account
 2-63 management, solicitation of matching funds and such other subjects
 2-64 as may be deemed necessary by the comptroller to carry out the
 2-65 purposes and objectives of this subchapter.

2-66 (b) Each sponsoring organization shall provide to the
 2-67 comptroller any information necessary to evaluate the sponsoring
 2-68 organization's performance in fulfilling the duties outlined in
 2-69 Subsection (a).

3-1 Sec. 403.506. MATCHING FUNDS; LIMITATIONS ON AMOUNT
3-2 AND AVAILABILITY. (a) At the time a participant in the program
3-3 makes a withdrawal for a qualified expenditure described by Section
3-4 403.504(c) from the participant's individual development account,
3-5 the participant shall receive matching funds from the sponsoring
3-6 organization, payable directly to the service provider.

3-7 (b) If federal Assets for Independence Act money is used as
3-8 matching funds, the amount of federal matching funds spent for each
3-9 individual development account may not exceed the limits
3-10 established by the federal Assets for Independence Act. If money
3-11 other than federal Assets for Independence Act money is used as
3-12 matching funds, the comptroller by rule may set a different limit on
3-13 the amount of matching funds that may be spent for each account.

3-14 (c) This subchapter may not be construed to create an
3-15 entitlement of a participant to receive matching funds. The number
3-16 of participants who receive matching funds under the program in any
3-17 year is limited by the amount of funds available for that purpose in
3-18 that year.

3-19 Sec. 403.507. TERMINATION OF ACCOUNT FOR UNQUALIFIED
3-20 WITHDRAWALS. (a) The comptroller by rule shall establish
3-21 guidelines to ensure that a participant does not withdraw funds in
3-22 the individual development account, except for a qualified
3-23 expenditure described by Section 403.504(c). These guidelines
3-24 shall:

3-25 (1) include a requirement that a sponsoring
3-26 organization approve a participant's request to make a withdrawal
3-27 from an individual development account in writing;

3-28 (2) provide that no participant may withdraw funds
3-29 from an individual development account earlier than six months
3-30 after the date on which the participant first deposits funds in the
3-31 account; and

3-32 (3) require a participant to reimburse the individual
3-33 development account for any funds withdrawn for a purpose other
3-34 than for a qualified expenditure described by Section 403.504(c).

3-35 (b) The sponsoring organization shall instruct the
3-36 financial institution to terminate the participant's account if the
3-37 participant does not comply with the guidelines established under
3-38 Subsection (a).

3-39 (c) A participant whose individual development account is
3-40 terminated under this section is entitled to withdraw from the
3-41 participant's account the amount of money the participant
3-42 contributed to the account and any interest that has accrued on that
3-43 amount.

3-44 Sec. 403.508. FUNDING. (a) The legislature may
3-45 appropriate money for the purposes of this subchapter.

3-46 (b) The comptroller may accept gifts, grants, and donations
3-47 from any public or private source for the purposes of this
3-48 subchapter.

3-49 Sec. 403.509. COORDINATION. The comptroller shall:

3-50 (1) serve as a clearinghouse for information relating
3-51 to state and local and public and private programs that facilitate
3-52 asset development among low-income families; and

3-53 (2) post the information described by Subdivision (1)
3-54 on the comptroller's Internet website.

3-55 Sec. 403.510. INTERAGENCY CONTRACTS. The comptroller may
3-56 enter into interagency contracts with other state agencies to
3-57 facilitate the effective administration of this subchapter.

3-58 Sec. 403.511. AGENCY COOPERATION. To the extent allowed by
3-59 law, the Health and Human Services Commission shall provide
3-60 information to the comptroller as necessary to implement this
3-61 subchapter.

3-62 SECTION 2. The comptroller of public accounts shall develop
3-63 and implement the individual development account program
3-64 established under Subchapter O, Chapter 403, Government Code, as
3-65 added by this Act, as soon as practicable but not later than the
3-66 180th day after the effective date of this Act.

3-67 SECTION 3. This Act takes effect September 1, 2005.

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