LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 10, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SB1538** by Barrientos (Relating to the creation of the individual development account program to provide savings incentives and opportunities to eligible low-income working individuals.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1538, As Introduced: a negative impact of ($4,634,025) through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	($2,297,399)
2007	($2,336,626)
2008	($2,336,626)
2009	($2,336,626)
2010	($2,336,626)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *GENERAL REVENUE FUND* 1	Change in Number of State Employees from FY 2005
2006	($2,297,399)	10.0
2007	($2,336,626)	12.0
2008	($2,336,626)	12.0
2009	($2,336,626)	12.0
2010	($2,336,626)	12.0

Fiscal Analysis

The bill would amend the Government Code and require the Comptroller of Public Accounts to develop an individual development account program. Through this program, the agency would contract with nonprofit organizations to assist low-income persons accumulate assets and savings, expend funds on employment related items, first time home purchases, home repairs, and other approved items.

Methodology

The bill would require the agency to establish a separate division to develop and maintain the individual development account program. The division would have responsibility for providing information on programs that facilitated low-income family asset development, publicizing the availability of the federal earned income and other tax credits, partnering with financial institutions and the Internal Revenue Service to provide tax credit outreach and financial literacy education, working with financial institutions to encourage low-cost investment and home loan options, adopting statewide asset building performance indicators, studying the feasibility of child savings accounts, and to examine the impact of asset policies in public assistance programs.

The agency estimates that approximately 10 FTEs would be needed in fiscal year 2006 at a cost of $1,797,399 in General Revenue. Those costs would include salaries and other operating expenses incurred by the agency. In addition, the agency estimates that 12 FTEs would be needed in fiscal year 2007 and beyond to maintain the division and it's responsibilities at a cost of $1,836,626 in General Revenue. Those costs would also include salaries and other operating expenses incurred by the agency.

The bill would also authorize the Legislature to appropriate funds for the program. It is assumed that approximately $500,000 in General Revenue would be appropriated in each fiscal year for this purpose.

The nonprofit organizations involved with the program may solicit matching funds on approved participant expenditures. As mentioned in the bill, if Temporary Assistance for Needy Families (TANF) funds is used as matching funds, funds would be limited to $2,000 per year, per account. However, if the legislature appropriated TANF funds for this purpose, the corresponding amounts would be diverted from other state programs.

This bill would take effect September 1, 2005.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 529 Health and Human Services Commission

LBB Staff: JOB, SD, MS, JM