

## **BILL ANALYSIS**

C.S.H.B 939  
By: Naishtat  
Financial Institutions  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Based on a federal program established in 1998, states have the ability to draw down federal funds to help low-income families establish Individual Development Accounts (IDAs). IDAs are interest-bearing, tax-free, savings accounts allowed under federal law for individuals and families whose income is at or below 200% of the federal poverty level. The state matches the earned income that a family contributes to an IDA. IDAs can be used for the purchase of a first home, a post-secondary education, and the start or expansion of a small business.

C.S.H.B 939 would establish a grant program in the Texas Comptroller of Public Accounts to assist local communities in setting up IDAs. The bill would provide the administrative infrastructure for the state to award grants to nonprofit organizations to establish IDA programs and provide matching funds to participants.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Comptroller in SECTION 1 (Sec. 403.502; Section 403.503; Section 403.505; Section 403.507) of this bill.

### **ANALYSIS**

C.S.H.B. 939 amends the Government Code by adding Subchapter O, Ch. 403 which permits the Comptroller, by rule, to develop and implement a state sponsored program that would provide grant funds to sponsoring organizations to be used to administer community-based individual development account programs and to provide matching funds for individual program participants.

C.S.H.B. 939 requires the Comptroller to contract with sponsoring organizations to facilitate the establishment of individual development accounts and to administer individual development accounts. C.S.H.B. 939 requires the Comptroller to include the selection criteria for sponsoring organizations to receive grants in the rules, and to give priority to organizations that have demonstrated a capacity to administer individual development account programs and a commitment to serve areas of the state that do not have individual development account programs. C.S.H.B. 939 requires the Comptroller to adopt rules for contract monitoring, reporting, termination and recapture of state funds. C.S.H.B. 939 requires individual participant eligibility to be consistent with requirements in the federal Assets for Independence Act. In accordance with the federal Assets for Independence Act, individual participants would be required to agree to make regular contributions to their individual development accounts from their earned income.

C.S.H.B. 939 authorizes participants to withdraw funds from their individual development accounts to purchase postsecondary education or training for the adult account holder or his or her dependent children, to purchase a first home, or to start or expand a small business. C.S.H.B. 939 requires the Comptroller to establish guidelines to ensure participant individual development account funds are used only for those allowable expenses. C.S.H.B. 939 requires a sponsoring organization to instruct the financial institution to close an individual development account if the participant does not comply with established guidelines. C.S.H.B. 939 requires matching funds to be paid directly to the service provider and not to the individual participant.

C.S.H.B. 939 permits the Legislature to appropriate money for the purposes of this subchapter and authorizes the Comptroller to accept grants, gifts, and donations to fund the program.

C.S.H.B. 939 requires the Comptroller to act as a clearinghouse of information about programs that help low-income families to build assets, and requires this information to be posted on the Comptroller's website. The Comptroller may contract with other state agencies to facilitate the administration of this subchapter and the Health and Human Services Commission shall provide information to the Comptroller that is deemed necessary to implement this subchapter, to the extent allowed by law.

### **EFFECTIVE DATE**

September 1, 2007.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

C.S.H.B. 939 defines "Assets for Independence Act" as the federal Assets for Independence Act (42 U.S.C. Section 604 note). H.B. 939, as filed, did not define the Assets for Independence Act.

C.S.H.B. 939 defines a sponsoring organization consistent with the definition of a qualified entity in the federal Assets for Independence Act. H.B. 939, as filed, listed specific criteria of a sponsoring organization which would have excluded credit unions and certain organizations that currently have individual development account programs.

C.S.H.B. 939 requires the Comptroller to establish guidelines by rule for the recapture of state funds. This ensures the state can recapture state matching funds if a participant does not comply with program requirements and his or her account is closed. H.B. 939, as filed, did not specify authorization of the Comptroller to recapture state funds.

C.S.H.B. 939 clarifies the Comptroller's responsibilities related to participant eligibility. C.S.H.B. 939 requires the Comptroller to establish participant eligibility criteria consistent with federal law under the Assets for Independence Act. H.B. 939, as filed, listed the specific criteria that are included in the federal law.

C.S.H.B. 939 requires the Comptroller to adopt rules relating to duties of the sponsoring organizations. H.B. 939, as filed, identified specific requirements relating to sponsoring organizations to be included in the Comptroller's rules.

C.S.H.B. 939 eliminates language relating to the use of non-federal Assets for Independence Act funds as matching dollars requiring a sponsoring organization to receive federal Assets for Independence Act funds to be eligible to receive state matching funds. H.B. 939, as filed, allowed a sponsoring organization to receive state matching funds without drawing down federal funds.

C.S.H.B. 939 requires the Comptroller by rule to establish guidelines to ensure a participant only uses his or her individual development account savings for qualified expenditures. H.B. 939, as filed, listed specific guidelines to be included in the Comptroller's rules.