BILL ANALYSIS

S.B. 62
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Financial Institutions
Committee Report (Unamended)

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.

S.B. 62 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

Rulemaking authority is expressly granted to the Comptroller of Public Accounts in SECTION 1 of this bill.

ANALYSIS

S.B. 62 defines "Assets for Independence Act," "financial institution," "individual development account," "participant," "program," "service provider," and "sponsoring organization." The bill authorizes the Comptroller of Public Accounts by rule to develop and implement a program where sponsoring organizations facilitate and administer individual development accounts. The legislation provides for the sponsoring organizations to receive grant funds for use in administering the program and matching qualified expenses from program participants. S.B. 62 requires at least 85 percent of the grant funds to be used for matching qualified expenses. The bill requires the Comptroller, in adopting rules, to contract with sponsoring organizations to facilitate the establishment of, and administer individual development accounts under, rules set forth by the Comptroller. S.B. 62 requires those rules to include guidelines for contract monitoring, reporting, termination, and recapture of state funds. The legislation requires the Comptroller to state, in adopting rules for the selection criteria of the sponsoring organizations, and to give priority to organizations that have demonstrated a capacity to administer individual development accounts and who are committed to serving parts of the state which currently do not have such accounts available.

S.B. 62 requires the Comptroller by rule to establish eligibility criteria for participation in the program that are consistent with the purposes of the program and with the Assets for Independence Act. The bill authorizes a participant to contribute to the participant's account. The bill requires the participant's account to accrue interest. S.B. 62 authorizes the participant to withdraw money from the account only to pay for qualified expenditures, including postsecondary educational or training expenses for the adult participant and dependent children, first-time home purchasing or financing, expenses for self-employment, and expenses for operating a start-up business. The bill requires the Comptroller to adopt rules to establish the duties of sponsoring organizations. The legislation requires each sponsoring organization to provide any necessary information to the Comptroller for the purposes of evaluating the organization's fulfillment of the duties outlined in the Comptroller's rules.

S.B. 62 requires that a participant, upon a withdrawal from the participant's account for a qualified expenditure, receive matching funds and that said funds are paid directly to the entity providing service to the participant. The bill prohibits federal matching funds from exceeding the limits set by the Assets for Independence Act if such matching funds are used. S.B. 62 authorizes the Comptroller by rule to set a different limit on matching funds for non-federal funds. S.B. 62 prohibits this subchapter from being construed to create an entitlement to matching funds, and limits the program in any year to funds available for that purpose.

S.B. 62 requires the Comptroller by rule to establish guidelines to ensure that withdrawals from an account are only for qualified expenditures, and requires the sponsoring organization to instruct the financial institution to terminate a participant's account if the guidelines established by Comptroller rule are not complied with by the participant. The bill entitles a participant whose account is terminated to withdraw money deposited by the participant and any accrued interest on that money. The bill authorizes the legislature to appropriate money for the purposes of this subchapter, and authorizes the Comptroller to accept gifts, grants, and donations from private and public sources for the purposes of this subchapter.

S.B. 62 requires the Comptroller to serve as a clearinghouse for certain programs that facilitate asset development among low-income families and to post said information on the Comptroller's Internet website. The bill authorizes the Comptroller to enter into interagency contracts with other state agencies towards the purposes of this subchapter. S.B. 62 requires the Health and Human Services Commission to provide information to the extent allowable by law to the Comptroller as necessary to implement this subchapter.

EFFECTIVE DATE

September 1, 2007.