

BILL ANALYSIS

Senate Research Center
80R1658 CLG-D

S.B. 62
By: Zaffirini
Business & Commerce
4/20/2007
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Individual Development Accounts (IDAs) are savings accounts established by the federal Assets for Independence Act to assist working, low-income individuals and households with asset building and financial planning. Under current law, Texas has rules regarding formation of IDAs, but there are no provisions for any type of state-level support for those IDAs, including statewide coordination and matching of saved IDA money with state funds.

As proposed, S.B. 62 authorizes the creation of a statewide IDA program to provide coordination and matching funds towards building modest savings accounts, budgeting against unexpected expenses, and planning for future expenditures by those who can apply for an IDA.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 1 (Sections 403.502, 403.503, 403.505, 403.506, and 403.507, Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 403, Government Code, by adding Subchapter O, as follows:

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

Sec. 403.501. DEFINITIONS. Defines "financial institution," "individual development account," "participant," "program," "service provider," and "sponsoring organization."

Sec. 403.502. ESTABLISHMENT OF PROGRAM; RULES. (a) Authorizes the comptroller of public accounts (comptroller) by rule to develop and implement a program where sponsoring organizations facilitate and administer individual development accounts (accounts). Provides for the sponsoring organizations to receive grant funds for use in administering the program and matching qualified expenses from program participants. Requires at least 85 percent of the grant funds to be used for matching qualified expenses.

(b) 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. Requires those rules to include guidelines for contract monitoring, reporting, and termination.

(c) 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.

Sec. 403.503. PARTICIPANT ELIGIBILITY. Requires the comptroller by rule to establish eligibility criteria for participants in the program. Requires that eligible individuals or members of eligible households must agree to make regular contributions to their appropriate individual development account and to have an income less than 200 percent of the federal poverty level. Requires sponsoring organizations to establish a

matching rate to individual contributions and to limit matching funds based upon standards from the federal Assets for Independence Act.

Sec. 403.504. **CONTRIBUTIONS AND EXPENDITURES BY PARTICIPANT.** Authorizes a participant to contribute to the participant's account. Requires the participant's account to accrue interest. 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.

Sec. 403.505. **DUTIES OF SPONSORING ORGANIZATIONS.** Requires the comptroller to adopt rules regarding the duties of sponsoring organizations. Sets forth required categories of duties within those rules. 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 this section.

Sec. 403.506. **MATCHING FUNDS; LIMITATIONS ON AMOUNT AND AVAILABILITY.** 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. Prohibits matching federal funds from exceeding the limits set by the federal Assets for Independence Act if such matching funds are used. Authorizes the comptroller by rule to set a different limit on matching funds for non-federal funds. Prohibits this section from being construed to create an entitlement to matching funds, and limits the program in any year to funds available for that purpose.

Sec. 403.507. **WITHDRAWALS; TERMINATION OF ACCOUNT FOR UNQUALIFIED WITHDRAWALS.** Requires the comptroller by rule to establish guidelines to ensure that withdrawals from an account are only for qualified expenditures. Requires the guidelines to require a sponsoring organization's approval in writing before a participant withdraws any funds from the account, to prohibit the withdrawal of money from the account within the first 180 days after the first deposit, and to require money withdrawn from the account for non-qualifying funds to be reimbursed. Requires the sponsoring organization to instruct the financial institution to terminate a participant's account if the above guidelines are not complied with by the participant. Entitles a participant whose account is terminated to withdraw money deposited by the participant and any accrued interest on that money.

Sec. 403.508. **FUNDING.** Authorizes the legislature to appropriate money for the purposes of this subchapter. Authorizes the comptroller to accept gifts, grants, and donations from private and public sources for the purposes of this subchapter.

Sec. 403.509. **COORDINATION.** 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.

Sec. 403.510. **INTERAGENCY CONTRACTS.** Authorizes the comptroller to enter into interagency contracts with other state agencies towards the purposes of this subchapter.

Sec. 403.511. **AGENCY COOPERATION.** 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.

SECTION 2. Effective date: September 1, 2007.