

By: Zaffirini

S.B. No. 62

A BILL TO BE ENTITLED

AN ACT

relating to the creation of the individual development account program to provide savings incentives and opportunities to eligible low-income individuals and households.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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

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

Sec. 403.501. DEFINITIONS. In this subchapter:

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

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

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

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

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

(A) a public or private institution of higher

1 education;

2 (B) a provider of occupational or vocational
3 education, including a proprietary school;

4 (C) a mortgage lender;

5 (D) a title insurance company;

6 (E) the lessor or vendor of office supplies or
7 equipment or retail space, office space, or other business space;
8 and

9 (F) any other provider of goods or services used
10 for the start of a business.

11 (6) "Sponsoring organization":

12 (A) means a nonprofit organization that is:

13 (i) exempt from taxation under Section
14 501(a), Internal Revenue Code of 1986, as an organization described
15 by Section 501(c)(3) of that code; and

16 (ii) selected by the comptroller to
17 establish and administer individual development accounts under the
18 program; and

19 (B) includes an Indian tribe, as defined by
20 Section 4(12) of the Native American Housing Assistance and
21 Self-Determination Act of 1996 (25 U.S.C. Section 4103(12)),
22 including any tribal subsidiary, division, or other wholly owned
23 tribal entity of an Indian tribe.

24 Sec. 403.502. ESTABLISHMENT OF PROGRAM; RULES. (a) The
25 comptroller by rule may develop and implement a program under
26 which:

27 (1) individual development accounts are facilitated

1 and administered by sponsoring organizations for eligible
2 low-income individuals and households to provide those individuals
3 and households with an opportunity to accumulate assets and to
4 facilitate and mobilize savings;

5 (2) sponsoring organizations are provided grant funds
6 for use in administering the program and matching qualified
7 expenditures made by program participants; and

8 (3) at least 85 percent of the grant funds described by
9 Subdivision (2) must be used by the sponsoring organization for
10 matching qualified expenditures.

11 (b) The comptroller shall contract with sponsoring
12 organizations to facilitate the establishment of and to administer
13 the individual development accounts in accordance with the rules
14 adopted by the comptroller. The comptroller's rules must include
15 guidelines for contract monitoring, reporting, and termination.

16 (c) In adopting rules under the program, the comptroller
17 shall state the selection criteria for sponsoring organizations and
18 give priority to organizations that have demonstrated:

19 (1) a capacity to administer individual development
20 account programs; and

21 (2) a commitment to serve areas of this state that
22 currently do not have individual development account programs
23 available.

24 Sec. 403.503. PARTICIPANT ELIGIBILITY. (a) The
25 comptroller by rule shall establish eligibility criteria for
26 participants in the program.

27 (b) The eligibility criteria established by the comptroller

1 must:

2 (1) require an eligible individual or member of an
3 eligible household, other than an eligible individual or member of
4 an eligible household receiving supplemental security income or
5 other public disability payments, to agree to make regular
6 contributions to the individual's or household's individual
7 development account from the individual's or household's earned
8 income;

9 (2) provide that the annual income of an eligible
10 individual or household may not exceed 200 percent of the poverty
11 level according to the federal Office of Management and Budget
12 poverty index;

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

17 (4) establish limits on the amount of matching funds a
18 participant is eligible to receive, not to exceed the limit on
19 federal matching funds established by the federal Assets for
20 Independence Act.

21 Sec. 403.504. CONTRIBUTIONS AND EXPENDITURES BY
22 PARTICIPANT. (a) A participant may contribute to the
23 participant's individual development account.

24 (b) A participant's contributions to the participant's
25 individual development account shall accrue interest.

26 (c) A participant may withdraw money from the participant's
27 account only to pay for the following qualified expenditures:

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

3 (2) the expenses of purchasing or financing a home for
4 the adult account holder for the first time;

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

6 (4) start-up business expenses for the adult account
7 holder.

8 Sec. 403.505. DUTIES OF SPONSORING ORGANIZATIONS. (a) The
9 comptroller shall adopt rules to establish the duties of sponsoring
10 organizations under the program. The rules must include:

11 (1) recruiting requirements;

12 (2) standards for determination of eligibility of
13 participants;

14 (3) provisions for education of participants;

15 (4) provisions for operations and account management;

16 (5) procedures for solicitation of matching funds; and

17 (6) other subjects as may be considered necessary by
18 the comptroller to carry out the purposes and objectives of this
19 subchapter.

20 (b) Each sponsoring organization shall provide to the
21 comptroller any information necessary to evaluate the sponsoring
22 organization's performance in fulfilling the duties outlined in
23 Subsection (a).

24 Sec. 403.506. MATCHING FUNDS; LIMITATIONS ON AMOUNT AND
25 AVAILABILITY. (a) At the time a participant in the program makes a
26 withdrawal from the participant's individual development account
27 for a qualified expenditure described by Section 403.504(c), the

1 participant shall receive matching funds from the sponsoring
2 organization, payable directly to the service provider.

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

10 (c) This subchapter may not be construed to create an
11 entitlement of a participant to receive matching funds. The number
12 of participants who receive matching funds under the program in any
13 year is limited by the amount of funds available for that purpose in
14 that year.

15 Sec. 403.507. WITHDRAWALS; TERMINATION OF ACCOUNT FOR
16 UNQUALIFIED WITHDRAWALS. (a) The comptroller by rule shall
17 establish guidelines to ensure that a participant does not withdraw
18 money from the participant's individual development account,
19 except for a qualified expenditure described by Section 403.504(c).
20 The guidelines must:

21 (1) require that any approvals by a sponsoring
22 organization of a participant's request to make a withdrawal from
23 an individual development account be made in writing;

24 (2) provide that no participant may withdraw money
25 from an individual development account before the 180th day after
26 the date the participant first deposits money in the account; and

27 (3) require a participant to reimburse the individual

1 development account for any money withdrawn for a purpose other
2 than for a qualified expenditure described by Section 403.504(c).

3 (b) The sponsoring organization shall instruct the
4 financial institution to terminate a participant's account if the
5 participant does not comply with the guidelines established under
6 Subsection (a).

7 (c) A participant whose individual development account is
8 terminated under this section is entitled to withdraw from the
9 participant's account the amount of money the participant
10 contributed to the account and any interest that has accrued on that
11 amount.

12 Sec. 403.508. FUNDING. (a) The legislature may
13 appropriate money for the purposes of this subchapter.

14 (b) The comptroller may accept gifts, grants, and donations
15 from any public or private source for the purposes of this
16 subchapter.

17 Sec. 403.509. COORDINATION. The comptroller shall:

18 (1) serve as a clearinghouse for information relating
19 to state and local and public and private programs that facilitate
20 asset development among low-income families; and

21 (2) post the information described by Subdivision (1)
22 on the comptroller's Internet website.

23 Sec. 403.510. INTERAGENCY CONTRACTS. The comptroller may
24 enter into interagency contracts with other state agencies to
25 facilitate the effective administration of this subchapter.

26 Sec. 403.511. AGENCY COOPERATION. To the extent allowed by
27 law, the Health and Human Services Commission shall provide

1 information to the comptroller as necessary to implement this
2 subchapter.

3 SECTION 2. This Act takes effect September 1, 2007.