BILL ANALYSIS

C.S.H.B. 1709
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Human Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Children aging out of foster care often have little or no financial savings. Individual development account programs have successfully helped many Texas families and individuals build wealth by encouraging participants to save money. C.S.H.B. 1709 creates an individual development account program to provide savings incentives and opportunities for certain eligible foster children to pursue home ownership, postsecondary education, and business development.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the executive commissioner of the Health and Human Services Commission in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 1709 amends the Human Resources Code to establish provisions relating to an asset development initiative authorizing the executive commissioner of the Health and Human Services Commission (HHSC), by rule, to develop and implement an individual development account program for certain foster children who are at least 15 years of age and younger than 23 years of age under which individual development accounts are facilitated and administered by sponsoring organizations to provide eligible individuals with an opportunity to accumulate assets and to facilitate and mobilize savings; sponsoring organizations are provided grant funds to administer the program and matching qualified expenditures made by program participants; and at least 85 percent of the grant funds must be used by the sponsoring organization for matching qualified expenditures. The bill requires the Department of Family and Protective Services (DFPS) to contract with sponsoring organizations to facilitate the establishment of and to administer the individual development accounts in accordance with the rules adopted by the executive commissioner, which must include guidelines for contract monitoring, reporting, termination, and recapture of state funds. The bill requires the executive commissioner, in adopting rules, to state the selection criteria for sponsoring organizations and give priority to organizations that have demonstrated a capacity to administer individual development account programs or that have demonstrated a commitment to serve areas of the state that currently do not have individual development account programs available.

C.S.H.B. 1709 requires the executive commissioner, by rule, to establish eligibility criteria for participation in the program that are consistent with the purposes of the program and with the federal Assets for Independence Act. The bill authorizes a participant to make contributions, which must accrue interest, to the participant's individual development account. The bill authorizes a participant to withdraw money from the participant's account only to pay for the following expenses for the account holder: postsecondary education or training, first-time purchasing or financing of a home, a self-employment enterprise, and a start-up business.

C.S.H.B. 1709 requires the executive commissioner to adopt rules to establish the duties of sponsoring organizations and requires each sponsoring organization to provide to DFPS any information necessary to evaluate the sponsoring organization's performance in fulfilling the duties. The bill requires a participant in the program to receive matching funds from the sponsoring organization, payable directly to the service provider, at the time the participant makes a withdrawal from the participant's individual development account for a qualified expenditure. The bill requires the sponsoring organization to determine the amount of federal matching funds spent for each individual development account as limited by the guidelines established by the federal Assets for Independence Act. The bill specifies that its provisions do not create a participant entitlement to receive matching funds and that the number of participants who receive matching funds under the program in any year is limited by the amount of money available for that purpose in that year.

C.S.H.B. 1709 requires the executive commissioner, by rule, to establish guidelines to ensure that a participant does not withdraw money from the account except for a qualified expenditure and requires the sponsoring organization to instruct the financial institution to terminate a participant's account for noncompliance with the guidelines. The bill entitles a participant whose individual development account is terminated in such a manner to withdraw the amount of money the participant contributed to the account and any interest that has accrued on that amount.

C.S.H.B. 1709 authorizes the legislature to appropriate money for the purposes of the program and authorizes DFPS to solicit and accept gifts, grants, and donations from any public or private source for the same purposes. The bill requires DFPS to serve as a clearinghouse for information relating to state and local and public and private programs that facilitate asset development and to post the information on the department's Internet website. The bill limits the required duties of DFPS to serving as a clearinghouse for the information described above and posting that information on the department's Internet website if money is not appropriated to the department for the purposes of the bill's provisions.

C.S.H.B. 1709 adds a temporary provision, set to expire September 1, 2013, prohibiting money from the general revenue fund and other state money from being used for the purposes of the individual development account program set out in the bill's provisions for the state fiscal biennium ending August 31, 2013.

C.S.H.B. 1709 authorizes DFPS to enter into interagency contracts with other state agencies to facilitate the effective administration of the bill's provisions and requires HHSC to provide information to DFPS as necessary to implement the bill's provisions to the extent allowed by law. The bill defines "Assets for Independence Act," "individual development account," "participant," "program," and "service provider" and provides for the meaning of "financial institution" by reference to the Finance Code. The bill provides for the meaning of "sponsoring organization" by reference to the federal Assets for Independence Act and specifies that the term does not include a state agency.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 1709 differs from the original by specifying that the definition of "sponsoring organization" does not include a state agency, whereas the original contains no such specification.

C.S.H.B. 1709 contains a temporary provision not included in the original prohibiting money from the general revenue fund and other state money from being used for the purposes of the program for the state fiscal biennium ending August 31, 2013. The substitute differs from the original in a nonsubstantive way to reflect certain bill drafting conventions.