

## **BILL ANALYSIS**

Senate Research Center  
82R1075 ALB-F

S.B. 63  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Many low-income residents do not have the financial resources to establish financial savings accounts and are thus, considered "unbankable." At least one-third of all American families, including a significant number of "unbanked" families, own virtually no assets. With no savings or assets, low-income families are unable to plan for the future and have no cushion against sudden unemployment, serious illness, or a family emergency. This leaves many low-income Texans trapped in a cycle of poverty that may lead to a regular reliance on government assistance.

This legislation would assist persons with low-incomes to build a modest savings account, budget against unexpected expenses, and to plan for future expenditures by authorizing the creation of a statewide Individual Development Account (IDA) program. IDAs will provide savings incentives and opportunities to eligible low-income, working individuals, or households.

This state-sponsored program will help provide state matching funds for IDAs through the Texas Department of Rural Affairs (TDRA). It would provide infrastructure necessary to conduct a state-wide IDA program hosted through TDRA. The TDRA would offer a request for proposal to organizations working with IDA programs all over the state. TDRA would choose organizations to work with and identify eligible low-income persons that will participate in the statewide program. TDRA would facilitate the federal grant application through the Assets for Independence Act and work with local organizations to implement it.

As proposed, S.B. 63 amends current law relating to the creation of the individual development account program to provide savings incentives and opportunities for eligible persons to pursue home ownership, postsecondary education, and business development.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the board of the Texas Department of Rural Affairs in SECTION 1 (Sections 487.582, 487.583, 487.585, and 487.587, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 487, Government Code, by adding Subchapter M-1, as follows:

#### **SUBCHAPTER M-1. ASSET DEVELOPMENT INITIATIVE FOR CERTAIN ELIGIBLE INDIVIDUALS AND HOUSEHOLDS**

Sec. 487.581. DEFINITIONS. Defines "Assets for Independence Act," "financial institution," "individual development account," "participant," "program," "service provider," and "sponsoring organization."

Sec. 487.582. ESTABLISHMENT OF PROGRAM; RULES. (a) Authorizes the board of the Texas Department of Rural Affairs (board; TDRA) to develop and implement an individual development account program (program) under which:

(1) individual development accounts are facilitated and administered by sponsoring organizations for eligible individuals and households to provide those individuals and households with an opportunity to accumulate assets and to facilitate and mobilize savings;

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

(3) at least 85 percent of the grant funds described by Subdivision (2) are required to be used by the sponsoring organization for matching qualified expenditures.

(b) Authorizes TDRA to contract with sponsoring organizations to facilitate the establishment of and administer the individual development accounts in accordance with the rules adopted by the board. Requires the board's rules to include guidelines for contract monitoring, reporting, termination, and recapture of state funds.

(c) Requires the board, in adopting rules under the program, to state the selection criteria for sponsoring organizations and give priority to organizations that serve rural areas or have demonstrated a capacity to administer individual development account programs or a commitment to serve areas of this state that currently do not have individual development account programs available.

Sec. 487.583. PARTICIPANT ELIGIBILITY. Requires the board by rule to establish eligibility criteria for participation in the program that are consistent with the purposes of the program and the Assets for Independence Act.

Sec. 487.584. CONTRIBUTIONS AND EXPENDITURES BY PARTICIPANT. (a) Authorizes a participant to contribute to the participant's individual development account.

(b) Requires that a participant's contributions to the participant's individual development account accrue interest.

(c) Authorizes a participant to withdraw money from the participant's account only to pay for the following qualified expenditures: postsecondary educational or training expenses for the adult account holder and dependent children; the expenses of purchasing or financing a home for the adult account holder for the first time; the expenses of a self-employment enterprise; and start-up business expenses for the adult account holder.

Sec. 487.585. DUTIES OF SPONSORING ORGANIZATIONS. (a) Requires the board to adopt rules to establish the duties of sponsoring organizations under the program.

(b) Requires each sponsoring organization to provide to TDRA any information necessary to evaluate the sponsoring organization's performance in fulfilling the duties outlined in the board's rules.

Sec. 487.586. MATCHING FUNDS; LIMITATIONS ON AMOUNT AND AVAILABILITY. (a) Requires the participant 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 described by Section 487.584(c).

(b) Prohibits the amount of federal matching funds spent for each individual development account from exceeding the limits established by the Assets for Independence Act.

(c) Prohibits this subchapter from being construed to create an entitlement of a participant to receive matching funds. Provides that the number of participants who receive matching funds under the program in any year is limited by the amount of funds available for that purpose in that year.

Sec. 487.587. WITHDRAWALS; TERMINATION OF ACCOUNT FOR UNQUALIFIED WITHDRAWALS. (a) Requires the board by rule to establish guidelines to ensure that a participant does not withdraw money from the participant's individual development account, except for a qualified expenditure described by Section 487.584(c).

(b) Requires the sponsoring organization to instruct the financial institution to terminate a participant's account if the participant does not comply with the guidelines established by board rule.

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

Sec. 487.588. FUNDING. (a) Authorizes the legislature to appropriate money for the purposes of this subchapter.

(b) Authorizes TDRA to accept gifts, grants, and donations from any public or private source for the purposes of this subchapter.

Sec. 487.589. COORDINATION. Requires TDRA to serve as a clearinghouse for information relating to state and local and public and private programs that facilitate asset development and post the information described by this section on TDRA's Internet website.

Sec. 487.590. INTERAGENCY CONTRACTS. Authorizes TDRA to enter into interagency contracts with other state agencies to facilitate the effective administration of this subchapter.

Sec. 487.591. AGENCY COOPERATION. Requires the Health and Human Services Commission, to the extent allowed by law, to provide information to TDRA as necessary to implement this subchapter.

SECTION 2. Effective date: September 1, 2011.