

## **BILL ANALYSIS**

Senate Research Center  
82R23701 ALB-D

C.S.S.B. 63  
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Committee Report (Substituted)

### **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.

C.S.S.B. 63 amends current law relating to the creation of the individual development account program to provide savings incentives and opportunities for certain foster children to pursue home ownership, postsecondary education, and business development.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to executive commissioner of the Health and Human Services Commission in SECTION 1 (Sections 40.202, 40.203, 40.205, and 40.207, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 40, Human Resources Code, by adding Subchapter E, as follows:

#### **SUBCHAPTER E. ASSET DEVELOPMENT INITIATIVE FOR CERTAIN FOSTER CHILDREN**

Sec. 40.201. DEFINITIONS. Defines "Assets for Independence Act," "financial institution," "individual development account," "participant," "program," "service provider," and "sponsoring organization."

Sec. 40.202. ESTABLISHMENT OF PROGRAM; RULES. (a) Authorizes the executive commissioner of the Health and Human Services Commission (executive commissioner) 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 to provide those individuals 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 program 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) Requires the Department of Family and Protective Services (DFPS) to contract with sponsoring organizations to facilitate the establishment of and administer the individual development accounts in accordance with the rules adopted by the executive commissioner. Requires the executive commissioner's rules to include guidelines for contract monitoring, reporting, termination, and recapture of state funds.

(c) Requires the executive commissioner, in adopting rules under the program, 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 a commitment to serve areas of this state that currently do not have individual development account programs available.

Sec. 40.203. PARTICIPANT ELIGIBILITY. (a) Authorizes only foster children who are at least 15 years of age and younger than 23 years of age to participate in the program.

(b) 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 the Assets for Independence Act.

Sec. 40.204. 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 education or training expenses for the account holder and dependent children; the expenses of purchasing or financing a home for the account holder for the first time; the expenses of a self-employment enterprise; and start-up business expenses for the account holder.

Sec. 40.205. DUTIES OF SPONSORING ORGANIZATIONS. (a) Requires the executive commissioner to adopt rules to establish the duties of sponsoring organizations under the program.

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

Sec. 40.206. 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 40.204(c).

(b) 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 Assets for Independence Act.

(c) Provides that this subchapter does not 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. 40.207. WITHDRAWALS; TERMINATION OF ACCOUNT FOR UNQUALIFIED WITHDRAWALS. (a) Requires the executive commissioner 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 40.204(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 executive commissioner 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. 40.208. FUNDING. (a) Authorizes the legislature to appropriate money for the purposes of this subchapter.

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

(c) Provides that, if money is not appropriated to DFPS for the purposes of this subchapter, DFPS is only required to implement Section 40.209.

(d) Prohibits money from the general revenue fund and other state money, notwithstanding Subsection (a), from being used for the purposes of this subchapter for the state fiscal biennium ending August 31, 2013. Provides that this subsection expires September 1, 2013.

Sec. 40.209. COORDINATION. Requires DFPS 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 DFPS's Internet website.

Sec. 40.210. INTERAGENCY CONTRACTS. Authorizes DFPS to enter into interagency contracts with other state agencies to facilitate the effective administration of this subchapter.

Sec. 40.211. AGENCY COOPERATION. Requires the Health and Human Services Commission, to the extent allowed by law, to provide information to DFPS as necessary to implement this subchapter.

SECTION 2. Effective date: September 1, 2011.