LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 4, 2011

TO: Honorable Richard Pena Raymond, Chair, House Committee on Human Services

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: **HB1709** by Dukes (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.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would add a new Subchapter E to Chapter 40 of the Human Resources Code. The new subchapter creates the Asset Development Initiative for certain foster children and would be implemented by the Department of Family and Protective Services (DFPS). The bill requires the Health and Human Services executive commissioner to establish rules regarding eligibility criteria for participation in individual development accounts consistent with the federal Assets for Independence Act (Public Law 105-285). The individual development accounts established by the bill allow foster children between the ages of 15 and 22 to spend funds accrued in savings accounts overseen by sponsoring organizations for qualified purposes, such as certain educational, academic, homebuying or business-related expenses. Upon a qualified withdrawal from an individual development account, participants receive equivalent matching funds from sponsoring organizations. The Committee Substitute excludes state agencies from the definition of sponsoring organizations.

The Asset Development Initiative established by the bill is anticipated to be available to an estimated 4,907 foster children. The estimate for the number of eligible foster children (those between the ages of 15 and 22) adds 200 to the DFPS 2010 Data Book figure of 4,707 children between the ages of 14 and 21 in Texas foster care in August 2010 to account for age differences and population increases. This analysis assumes that: (1) the rules adopted pursuant to the bill will establish a maximum participant amount of $2,000, identical to that found in the federal Assets for Independence Act; (2) fifteen percent of eligible foster children would make qualified withdrawals every year; and (3) each withdrawal will be in the amount of $1,000, or half of the maximum allowable amount (4,907 eligible foster children each year multiplied by 15 percent making qualified withdrawals multiplied by $1,000 match = $736,050). However, changes made in the Committee Substitute shift this cost from the state to nonprofit entities.

The Committee Substitute of the bill removes the direct costs to the state described in the Introduced bill's fiscal note by excluding state agencies from the definition of sponsoring organizations. The costs anticipated in this analysis relating to providing matching funds are the responsibility of sponsoring organizations, which as defined in the Committee Substitute includes only nonprofits. This analysis assumes that nonprofits will use donations, endowments, or federal Assets for Independence Act grants to provide matching funds. Under existing federal law, nonprofits may apply for and receive such federal funding. Additionally, the Committee Substitute prohibits the use of general revenue or other state funds for the purpose of the subchapter for fiscal years 2012 and 2013. DFPS reports that they can implement the provisions of the bill with existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 530 Family and Protective Services, Department of

LBB Staff: JOB, CL, AG, MB, AM