LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 11, 2011

TO: Honorable John Carona, Chair, Senate Committee on Business & Commerce

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

IN RE: **SB63** by Zaffirini (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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB63, As Introduced: a negative impact of ($650,000) through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	($325,000)
2013	($325,000)
2014	($325,000)
2015	($325,000)
2016	($325,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1
2012	($325,000)
2013	($325,000)
2014	($325,000)
2015	($325,000)
2016	($325,000)

Fiscal Analysis

The bill would add a new Subchapter M-1 to Chapter 487 of the Government Code. The new subchapter creates the Asset Development Initiative for certain eligible individuals and households and would be implemented by the Texas Department of Rural Affairs (TDRA). The bill would require TDRA 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 would allow certain eligible individuals and households to spend funds accrued in savings accounts overseen by sponsoring organizations for qualified purposes, such as certain educational, academic, homebuying or business-related expenses. Qualified withdrawals from individual development accounts receive equivalent matching funds.

The bill would take effect on September 1, 2011.

Methodology

The estimated annual cost of the bill is $325,000 in General Revenue each fiscal year.

It is assumed that TDRA would establish rules for eligible populations that are identical to the federal Assets for Independence Act, specifically that eligible adults must be eligible for Temporary Assistance for Needy Families, those eligible for the Federal Earned Income Tax Credit, and those whose income is less than two times the federal poverty line. Based on the 2010 U.S. Census, the eligible populations is 6,074,010 adults. The bill directs TDRA to state selection criteria for sponsoring organizations and give priorities to those that serve rural areas. Based on the analysis by TDRA, it is assumed that 325 eligible adults will make qualified withdrawls every year.

This cost estimate 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) 325 eligible adults 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 (325 eligible adults making qualified withdrawals each year multiplied by $1,000 match = $325,000). The General Revenue cost would be decreased to the extent that Temporary Assistance for Needy Families or other federal funds are available for the matching of qualified withdrawals.

For purposes of this analysis, it is assumed eligibility for the program will be based on the eligibility standards of the Assets for Independence federal program that provides the grants. This population includes adults eligible for Temporary Assistance for Needy Families (TANF) cash assistance, adults who receive the Earned Income Tax Credit (EITC), and adults at or below 200 percent of the Federal Poverty Level (FPL). Some of the adults at or below 200 percent of FPL are served themselves or have children who are served by HHSC in the TANF, Medicaid and CHIP programs. As such, there could be a significant fiscal impact to HHSC for meeting the requirements of the bill to transfer information to TDRA. The information to be transferred and the method of transfer is not specified at this time; based on HHSC analysis, the fiscal impact of technology-related costs or how the IDAs could impact costs and savings in the eligibility determination processes and HHSC-based programs cannot be projected at this time.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 357 Texas Department of Rural Affairs, 529 Health and Human Services Commission

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