BILL ANALYSIS

H.B. 445
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Human Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Children aging out of foster care often have little or no financial savings. Interested parties assert that individual development accounts can help families and individuals build wealth by encouraging participants to save money. H.B. 445 seeks to provide savings incentives and opportunities for certain eligible foster children to pursue home ownership, postsecondary education, and business development by creating an individual development account program.

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

H.B. 445 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. The bill establishes that, under the program, individual development accounts at financial institutions 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 for use in administering the program and matching qualified expenditures made by program participants, and at least 85 percent of those grant funds are required to be used by the sponsoring organization for matching qualified expenditures. The bill 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 defines, among other terms, "sponsoring organization" as having the same meaning assigned to "qualified entity" in the federal Assets for Independence Act and specifies that the term does not include a state agency.

H.B. 445 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 rules adopted by the executive commissioner and requires such rules to include guidelines for contract monitoring, reporting, termination, and recapture of state funds. The bill 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 either a capacity to administer individual development account programs or a commitment to serve areas of Texas that currently do not have such programs available. The bill requires the executive commissioner to adopt rules to establish the duties of sponsoring organizations under the program and 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.

H.B. 445 authorizes a program participant to contribute to the participant's individual development account and requires such contributions to accrue interest. The bill limits the types of expenditures for which a participant is authorized to withdraw money from the participant's account to postsecondary education or training expenses for the account holder, 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. The bill requires a program participant who makes a withdrawal from the individual development account for a qualified expenditure to receive matching funds from the sponsoring organization at the time of the withdrawal, payable directly to the service provider. 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 an entitlement of a participant 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.

H.B. 445 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 and 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. The bill entitles a participant whose individual development account is terminated to withdraw from the account the amount of money the participant contributed to the account and any interest that has accrued on that amount.

H.B. 445 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 that information on its Internet website, regardless of whether money is appropriated for purposes of the asset development initiative. The bill specifies that, if money is not appropriated to DFPS for purposes of the asset development initiative, DFPS is only required to implement the requirement that it serve as a clearinghouse for the applicable information and that it post that information on its Internet website.

H.B. 445 authorizes the legislature to appropriate money and authorizes DFPS to solicit and accept gifts, grants, and donations from any public or private source for the purposes of the asset development initiative. The bill adds a temporary provision, set to expire September 1, 2015, prohibiting the use of money from the general revenue fund and other state money for the purposes of the initiative for the state fiscal biennium ending August 31, 2015. The bill authorizes DFPS to enter into interagency contracts with other state agencies to facilitate the effective administration of the initiative and requires HHSC, to the extent allowed by law, to provide information to DFPS as necessary to implement the initiative.

EFFECTIVE DATE

September 1, 2013.