

## **BILL ANALYSIS**

Senate Research Center

S.B. 1538  
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Finance  
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As Filed

### **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." As a result, it is often difficult, if not impossible, for those individuals to build even a modest savings account to help them budget against unexpected expenses or plan for future expenditures which require savings.

The federal Assets for Independence grant program provides up to \$1 million in grants (over a five-year period) to public and private entities on a one-to-one match basis to create Individual Development Accounts (IDAs). Privately matched IDA programs currently exist in Texas based on separately issued grants subject to the \$1 million cap.

As proposed, S.B. 1538 establishes a state-sponsored program to provide state matching funds for IDAs which are interest-bearing, tax-free savings accounts restricted to families and individuals at or below 200 percent of the federal poverty level. Similar to a 401(k) retirement account, IDAs help provide low income individuals with an asset-building strategy that rewards work and savings, fosters self-sufficiency, and increases financial literacy.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 1 (Sections 403.502, 403.503, and 403.506).

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 403, Government Code, by adding Subchapter O, as follows:

#### **SUBCHAPTER O. ASSET DEVELOPMENT INITIATIVE FOR LOW-INCOME INDIVIDUALS AND HOUSEHOLDS**

Sec. 403.501. DEFINITIONS. Defines "financial institution," "individual development account," "participant," "program," "service provider," and "sponsoring organization."

Sec. 403.502. ESTABLISHMENT OF PROGRAM; RULES. (a) Authorizes the comptroller of public accounts (comptroller), by rule, to develop and implement a program under which individual development accounts (accounts) are established for eligible low-income individuals to provide those individuals with an opportunity to accumulate assets and to facilitate and mobilize savings.

(b) Requires the comptroller to contract with sponsoring organizations to establish and administer the accounts in accordance with the rules adopted by the comptroller.

(c) Requires the comptroller, in adopting rules under the program, to state the selection criteria for sponsoring organizations.

Sec. 403.503. PARTICIPANT ELIGIBILITY. Requires the comptroller, by rule, to establish eligibility criteria for participants. Requires that the eligibility criteria established by the comptroller adhere to certain requirements. Authorizes the comptroller to establish different eligibility criteria for certain participants.

Sec. 403.504. CONTRIBUTIONS AND EXPENDITURES BY PARTICIPANT. Authorizes a participant to contribute to the participant's account. Requires the participant's contributions to the participant's account to accrue interest. Authorizes a participant to withdraw money from the participant's account only to pay for the certain qualified expenditures, except to withdraw money contributed by the participant to the participant's account to pay for expenses relating to a personal crisis of the adult account holder or the account holder's dependent child, including expenses relating to illness, eviction, potential foreclosure, loss of employment, and urgent family business.

Sec. 403.505. DUTIES OF SPONSORING ORGANIZATIONS. Requires each sponsoring organization to take certain actions.

Sec. 403.506. MATCHING FUNDS; LIMITATIONS ON AMOUNT AND AVAILABILITY. (a) Requires the participant, subject to the availability of matching funds, at the time a participant in a program makes a qualified expenditure from the participant's account, to receive matching funds from the sponsoring organization, payable directly to the service provider, at the time of the eligible individual's expenditure of the money.

(b) Prohibits the amount of matching funds expended for each account from exceeding \$2,000 a year, if federal Temporary Assistance for Needy Families (TANF) funds are used as matching funds. Authorizes the comptroller, by rule, if funds other than TANF funds are used as matching funds, to set a different limit on the amount of matching funds that may be expended per account per year.

(c) Prohibits this chapter 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 a program in any year is limited by the amount of funds available for that purpose in that year.

Sec. 403.507. TERMINATION OF ACCOUNT FOR UNQUALIFIED WITHDRAWALS. (a) Authorizes a participant to withdraw contributions made by the participant to the participant's account for a purpose other than for a qualified expenditure described by Section 403.504 only once. Provides that the participant's account terminates if the participant again withdraws contributions for a purpose other than for a qualified expenditure.

(b) Entitles a participant whose account is terminated under this section to withdraw from the participant's account the amount of money contributed to the account by the participant and any interest that has accrued on that amount.

Sec. 403.508. FUNDING. Authorizes the legislature to appropriate money for the purposes of this chapter. Authorizes a participating agency to accept gifts, grants, and donations from any public or private source for the purposes of this chapter.

Sec. 403.509. COORDINATION. (a) Requires the comptroller to establish a division within the office of the comptroller to: serve as an information clearing house about certain programs that facilitate asset development among low-income families; publicize the availability of earned income tax credits and other tax credits through certain efforts; partner with certain entities that offer earned income tax credit outreach, financial literacy education, or low-cost savings and investment options, to accomplish certain goals of the program; work with financial institutions and lending institutions to encourage those institutions to offer low-cost investment options, and expand certain programs for first-time and low-income homebuyers; adopt statewide asset building performance indicators to gauge state progress on providing opportunities for asset development, asset protection, and economic mobility; examine the impact and feasibility of policies to encourage children's savings accounts; and examine the impact of asset policies in public assistance programs by analyzing information collected by the Health and Human Services Commission under Section 531.078.

(b) Requires the comptroller to post certain information on the comptroller's Internet website.

(c) Defines "public assistance program" in this section.

SECTION 2. Amends Subchapter B, Chapter 531, Government Code, by adding Section 531.078, as follows:

Sec. 531.078. ASSET INFORMATION. (a) Defines "public assistance program" in this section.

(b) Requires the commission or the commission's contractor to collect information regarding the assets of low-income individuals.

(c) Sets forth certain requirements for information collected under Subsection (a).

(d) Requires the Health and Human Services Commission to provide the information obtained under this section to the comptroller as necessary to implement Subchapter O, Chapter 403, as added by this Act.

SECTION 3. (a) Requires the executive commissioner of the Health and Human Services Commission to collect the initial information required under Section 531.078, Government Code, as added by this Act, by a certain date.

(b) Requires the comptroller to develop and implement the individual development account program established under Subchapter O, Chapter 403, Government Code, as added by this Act, as soon as practicable but not later than the 180th day after the effective date of this Act.

SECTION 4. Effective date: September 1, 2005.