

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 1538  
By: Barrientos, Shapleigh  
Finance  
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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." 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.

C.S.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, 403.505, 403.506, and 403.507, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

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

#### **SUBCHAPTER O. ASSET DEVELOPMENT INITIATIVE FOR CERTAIN 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 facilitated and administered by sponsoring organizations for eligible low-income individuals and households to provide those individuals and households with an opportunity to accumulate assets and to facilitate and mobilize savings; and sponsoring organizations are provided grant funds for use in administering the program and matching qualified expenditures made by program participants. Requires at least 85 percent of the grant funds to be used by the sponsoring organizations for matching qualified expenditures.

(b) Requires the comptroller to contract with sponsoring organizations to facilitate the establishment of and to administer the accounts in accordance with the rules adopted by the comptroller. Requires the comptroller's rules promulgated to implement this subchapter to include guidelines for contract monitoring, reporting, and termination of grant recipients.

(c) Requires the comptroller, in adopting rules under the program, to state the selection criteria for sponsoring organizations. Requires the comptroller to give priorities to organization that have demonstrated certain characteristics.

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.

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 certain qualified expenditures.

Sec. 403.505. DUTIES OF SPONSORING ORGANIZATIONS. (a) Requires the comptroller to promulgate rules that establish the duties of sponsoring organizations in certain subjects and any other such subject as may be deemed necessary by the comptroller to carry out the purposes and objectives of this subchapter.

(b) Requires each sponsoring organization to provide to the comptroller any information necessary to evaluate the sponsoring organization's performance in fulfilling the duties outlined in Subsection (a).

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

(b) Prohibits the amount of federal matching funds spent for each account from exceeding the limits established by the federal Assets for Independence Act (AFIA), if federal AFIA money is used as matching funds. Authorizes the comptroller, by rule, if funds other than AFIA money is used as matching funds, to set a different limit on the amount of matching funds that may be spent for each account.

(c) Prohibits this subchapter 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 the 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) Requires the comptroller, by rule, to establish guidelines to ensure that a participant does not withdraw funds in the account, except for a qualified expenditure. Requires the guidelines to include certain requirements.

(b) Requires the sponsoring organization to instruct the financial institution to terminate the participant's account if the participant does not comply with the guidelines established under Subsection (a).

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

Sec. 403.509. COORDINATION. (1) Requires the comptroller to serve as an information clearing house relating to certain programs that facilitate asset development among low-income families.

(2) Requires information described by Subdivision (1) to be posted on the comptroller's Internet website.

Sec. 403.510. INTERAGENCY CONTRACTS. Authorizes the comptroller to enter into interagency contracts with other state agencies to facilitate the effective administration of this subchapter.

Sec. 403.511. AGENCY COOPERATION. Requires the Health and Human Services Commission, to the extent allowed by law, to provide information to the comptroller as necessary to implement this subchapter.

SECTION 2. 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 3. Effective date: September 1, 2005.