HOUSE
RESEARCH
ORGANIZATION bill analysis 5/22/2007

SB 62
Zaffirini
(Naishtat)

SUBJECT: Creating individual development accounts for low-income individuals

COMMITTEE: Financial Institutions — favorable, without amendment

VOTE: 6 ayes — Solomons, Chavez, Anchia, Anderson, McCall, Orr

0 nays

1 absent — Flynn

SENATE VOTE: On final passage, May 11 — 28 - 3 (Harris, Patrick, Williams)

WITNESSES: (*On House companion bill, HB 939 by Naishtat*:)
For — Don Baylor, Center for Public Policy Priorities; Steven A. Carriker, Texas Association of Community Development Corps; Cliff Gay; Julian Heurta, Darsha Wilds, Foundation Communities IDA Program; Woody Widrow, Texas Asset Building Coalition; Louise Pettigrew; Michael R. Terry; United Way of Texas; (*Registered, but did not testify*: Melody Chatelle, United Way Capital Area and United Way of Texas; Krista DelGallo, Texas Council of Family Violence; John Heasley, Texas Bankers Association; Jill Johnson, Texans Care for Children; Sarah Mills, Advocacy, Inc.; Steve Scurlock, Independent Bankers Association of Texas)

Against — None

On — Paul Cockreham, Comptroller of Public Accounts; (*Registered, but did not testify*: Cindy Coats and Tom Smelker, Comptroller of Public Accounts)

BACKGROUND: Government Code, ch. 403 governs the comptroller of public accounts. The federal Assets for Independence Act (42 U.S.C., sec. 604) was established by Congress in 1998. It is intended to give grants to nonprofit organizations so they can operate local individual development account programs. There is $25 million per year available to states that supply matching funds.

DIGEST:

SB 62 would amend Government Code, ch. 402 by adding subch. O to establish the asset development initiative for certain low-income individuals and households to provide those persons with an opportunity to accumulate assets and to facilitate and mobilize savings. It would authorize the comptroller, by rule, to develop and implement the individual development account program and to contract with sponsoring organizations to facilitate and administer the interest-bearing individual development accounts to low-income persons for accumulating assets and facilitating savings.

Sponsoring organizations would be provided grant funds for use in administering the program and matching qualified expenditures made by program participants. At least 85 percent of the grant funds would have to be used by the sponsoring organization for matching qualified expenditures. Participants in the program would receive matching funds from the sponsoring organization when they made qualified expenditures from their account. Eligible expenditures would include post-secondary educational and training expenses for the adult account holder and dependent children, first-time home purchases, self-employment enterprises, and start-up businesses expenses.

The comptroller would develop and implement rules on the selection criteria for sponsoring organizations, participant eligibility, the rate and limit of the use of matching funds, duties of sponsoring organizations, participant withdrawal requirements, and contract and participant monitoring for the program.

If Assets for Independence Act (AFI) money were used as matching funds, the amount of federal matching funds spent for each individual account could not exceed the limits established by the act. If money other than AFI funds were used, the comptroller by rule could set a different limit on the amount of matching funds that could be spent for each account.

The comptroller would act as a clearinghouse for information on programs that facilitate low-income family asset development and post the information on the Comptroller's Office web site. To the extent allowed by law, the Health and Human Services Commission would provide information to the comptroller, as necessary, to implement the program. The comptroller could enter into interagency contracts with other state agencies to implement the program.

The bill would take effect September 1, 2007.

SUPPORTERS SAY:

Congress found that economic well-being does not come solely from income, spending, and consumption, but also requires savings, investment and the accumulation of assets. There is reason to believe that the financial returns, including increased income, tax revenue, and decreased welfare assistance, resulting from individual development accounts would far exceed the cost of investment in those accounts. If SB 62 were enacted, local sponsoring organizations would have access to matching state funds so they could apply for the federal funding. It would be an incentive for working families who otherwise would not be able to save any money.

OPPONENTS SAY:

This bill would increase the size of government. It is not the role of the state to be involved in and spend money to influence people's savings habits.

NOTES:

The House companion bill, HB 939 by Naishtat, was reported favorably, as substituted, by the House Financial Institutions Committee on April 2.

According to the Legislative Budget Board, the bill would cost $527,557 in fiscal 2008-09 and $251,091 a year thereafter.