STORAGE NAME: h0763a.cf
DATE: March 23, 1999

HOUSE OF REPRESENTATIVES
COMMITTEE ON
CHILDREN & FAMILIES
ANALYSIS

BILL #: HB 763

RELATING TO: Individual Developmental Accounts

SPONSOR(S): Representative Greenstein

COMPANION BILL(S): SB 1532

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) CHILDREN & FAMILIES YEAS 8 NAYS 0
(2) FINANCIAL SERVICES
(3) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
(4)
(5)

I. SUMMARY:

The bill provides for establishing individual development accounts (IDAs), similar to savings accounts, for families on public assistance to save earned income for certain, specified, significant items. Individuals may spend individual development account funds only to purchase a home, pay for a college education, or start a business, without losing public assistance benefits while the savings accumulate in the individual development account.

The bill could be implemented entirely through earned income by the recipient or the local coalition could provide matching from funds currently spent under their authority.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Federal welfare policy historically has penalized asset acquisition by the poor by denying eligibility to public assistance recipients who exceeded the $2,000 asset limit.

The IDA is a new policy tool that is directed toward enabling poor families to build assets and achieve economic well being. Individual development accounts are matched savings accounts that are similar to individual retirement accounts (IRAs). Use of the assets accrued in IDAs is restricted to post-secondary education and training, business capitalization, and home ownership, after the recipient leaves the temporary cash assistance program.

Section 404(h) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 gives states the option to fund IDAs with Temporary Assistance for Needy Families (TANF) funds for individuals who are eligible for TANF assistance. The IDA program can be established using current funding and appropriations. Under the federal law, states that specify IDA programs in their TANF state plans, whether or not they choose to fund them, effectively eliminate current federal disincentives to saving and investing for public assistance recipients with IDAs. By establishing an IDA policy, the state can remove current penalties for savings and investment and create an infrastructure for future state and federal investment.

IDAs help states meet welfare reform goals by helping families' transition from economic dependency to self-sufficiency through a mechanism that encourages families to save, invest, and build assets. Because IDA savings can only come from earned income, protecting IDA savings acts as an employment incentive.

Sixteen states already have implemented IDA programs in different forms, and IDA provisions are included in the new federal welfare reform law. Eleven states fund the IDAs through matching, including: Alabama, Arizona, California, Iowa, Missouri, New Hampshire, North Carolina, Oregon, South Carolina, Tennessee, and Virginia. Iowa, the first state in the nation to pass IDA legislation, will create 10,000 IDAs and provide $1 million in direct matching funds to the IDA savings of low-income families by 2000. North Carolina is funding multi-site IDA legislation with Community Development Block Grant funds. Massachusetts, Mississippi, and Oregon have passed legislation that combines IDAs with wage subsidies: under the "full employment plans," after 30 days of employment, employers are required to pay $1.00 for every hour worked into an IDA for the welfare recipient. The account holder may use the account to pursue further education or job training.

B. EFFECT OF PROPOSED CHANGES:

The bill provides for establishing individual development accounts (IDAs), similar to savings accounts, for families on public assistance to save earned income for certain, specified, significant items. Individuals may spend individual development account funds only to purchase a home, pay for a college education, or start a business, without losing public assistance benefits while the savings accumulate in the individual development account. The bill allows eligible public assistance recipients to establish Individual development accounts to accumulate savings without losing TANF, food stamp, and Medicaid benefits.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Yes. The bill encourages private savings.

4. Individual Freedom:

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes. The bill encourages private savings for purposes directly related to developing independence.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

The parent.

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

No.

(5) Are families penalized for not participating in a program?

No.

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

The bill would create a new section of law.

E. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

The IDA program can be established using current funding and appropriations and can have a beneficial effect even without state matching. A match of the first $100 to $500 per account per year would not be extremely expensive. For example, matching the savings in 1,000 accounts would cost between $100,000 and $500,000. The maximum number of accounts created would be tied to the number of recipients expected to transition off welfare and, as a result, would decline over time as the caseload declines.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

Management, monitoring, counseling, and enforcement responsibilities should be delegated to the local WAGES coalition or another organization designated by the local WAGES coalition.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

There will be a positive economic impact on the private sector. First, funds will be held in accredited financial institutions. Second, some former public assistance recipients may be able to create jobs for themselves and others by utilizing the IDA to fund business capitalization.

3. Effects on Competition, Private Enterprise and Employment Markets:

   N/A

D. FISCAL COMMENTS:

   N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

   N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

   N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

   N/A

V. COMMENTS:

On page 1, line 5 and page 4, line 19, “Revenue” should be changed to “Children and Family Services”.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Children & Families adopted an amendment to change “Revenue” to “Children and Family Services” in order to correct a drafting error that referenced the wrong department.

VII. SIGNATURES:

COMMITTEE ON CHILDREN AND FAMILIES:

Prepared by:	Staff Director:
ROBERT S. COX	ROBERT BARRIOS