

HOUSE BILL REPORT

HB 1848

As Reported by House Committee On:
Higher Education

Title: An act relating to earned income training credits.

Brief Description: Establishing an earned income training credit program.

Sponsors: Representatives McIntire, Jarrett, Kenney, Cox, Tokuda, Ruderman, Conway, Santos, Ogden, McDermott, O'Brien, Wood and Schual-Berke.

Brief History:

Committee Activity:

Higher Education: 2/16/01, 2/23/01 [DPS].

Brief Summary of Substitute Bill

- Creates a two-year pilot program providing qualified families with an earned income training credit of 50 percent of the federal earned income tax credit that may be applied to tuition at a public baccalaureate institution of higher education, accredited private post-secondary schools, community or technical college, private career school or on-the-job training expense incurred by an employer.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Cox, Republican Co-Chair; Kenney, Democratic Co-Chair; Gombosky, Democratic Vice Chair; Jarrett, Republican Vice Chair; Dunn, Fromhold, Lantz and Skinner.

Staff: Tracey Taylor (786-7196).

Background:

The federal earned income tax credit is a tax credit for low- and moderate-income workers, especially those with children, and is designed to offset the burden of Social Security payroll taxes, supplement earnings, and complement efforts to help families make the transition from welfare to work. Two-parent families can receive the earned

income tax credit whether both parents work or whether one parent works while the other parent stays home to care for the children, so long as the family's income is below the earned income tax credit limit. For tax year 2000, a family of four (with two children) having gross wages equal to the federal poverty line (\$17,050) could receive a maximum federal earned income tax credit of \$3,816.

In 2000, 64 percent of Washington employers reported having difficulty finding qualified applicants during the previous 12 months. Over three-quarters report difficulty recruiting workers with bachelor's degrees, vocational certificates, and vocational associate degrees. Employers report that the scarcity of workers has affected productivity, output and quality.

Finally, new federal regulations offer the states the opportunity to use some of their Temporary Assistance to Needy Families (TANF) funds on programs that assist low income working families.

Summary of Substitute Bill:

An earned income training credit pilot program is created and will be administered by the Higher Education Coordinating Board (HECB) with the assistance of the State Board for Community and Technical Colleges (SBCTC).

A person is eligible if he or she is a resident student, has qualifying children, and received an earned income tax credit under the federal internal revenue code. The amount of the award is 50 percent of the earned income tax credits received in the previous three tax years. A person may receive credits up to a maximum of six times the quarterly tuition at a community or technical college. An eligible person must have at least \$1,000 in training credits before the credits may be used. The training credits, along with the financial aid supplement will be awarded on a first-come, first-served basis, subject to available funding..

The earned income training credits may be used for tuition at a public institution of higher education, a private, accredited post-secondary school or at a private vocational school. The credits may not be used for graduate level courses. The training credit may also be used to reimburse a current or prospective employer providing training to an eligible person under a training contract. At least 25 percent of the income training credits must be used for on-the-job training and will be administered by the SBCTC.

An eligible person enrolled at least half-time in a program of study at an eligible institution may also receive state subsidized child care and a financial aid supplement to cover his or her unmet financial need. If an eligible person has training credits but is receiving tuition assistance from another source, he or she will remain eligible for the financial aid supplement and the state subsidized child care.

Administrative cost may not exceed 4 percent of the funds available for earned income training credit pilot program.

The earned income training credit pilot program expires June 30, 2003.

A report prepared by the HECB, with the assistance of the SBCTC and the Employment Security Department, will be delivered to the Workforce Training and Education Coordinating Board and the appropriate committees of the Legislature by December 1, 2003. The report should include, but is not limited to, the number of people receiving training, the cost of the program administration, the training outcomes, job and wage progression, and the number of people receiving tuition benefits.

Substitute Bill Compared to Original Bill:

The substitute gives explicit rulemaking authority to the HECB and the SBCTC. The definition of "resident student" is narrowed to include only 1) a financially independent student domiciled in Washington for at least one year preceding registration, 2) dependent of a person domiciled in Washington for the year preceding registration, and 3) a student who spent 75 percent of his or her junior and senior year in a Washington high school enrolled in a public institution of higher education within six months of high school graduation and whose parents were domiciled in the state for at least one year of the past five years.

Accredited private post-secondary schools are added as eligible institutions for the tuition portion of the training credit program.

Like the training credits, the financial aid supplement will be awarded to eligible persons on a first-come, first served basis. The financial aid supplement maximum set by the HECB cannot exceed two times the annual tuition at a community college. To remain eligible for the financial aid supplement, the eligible person must make satisfactory progress towards a degree or certificate as defined by the institution offering the program.

Persons receiving training or education under this program shall be eligible for Working Connections Child Care. If a person has eligible training credits but is receiving tuition assistance from another source, he or she remains eligible for the financial aid supplement and the state-subsidized child care.

Administrative costs are limited to 4 percent of the available funds.

Appropriation: The sum of \$3 million for fiscal year ending June 30, 2002 from the general fund-federal TANF grant. The sum of \$7 million is appropriated for the fiscal

year ending June 30, 2003 from the general fund-federal TANF grant.

Fiscal Note: Requested on February 9, 2001. A fiscal note was requested on the substitute bill on February 23, 2001.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This program is targeted to assist persons with a significant connection to employment who, despite working full-time, must support his or her family on minimum wage. The Earn to Learn Pilot Program can capture persons who could really benefit from some educational opportunities. Currently, employers are having a difficult time finding qualified workers. This program allows the flexibility to get people the training or education needed to enter an occupation that pays a living wage and provides job progression. A goal of TANF is to make people self-sufficient and this would be a significant step. The on-the-job portion of the pilot would permit persons to move from a low-paying entry level job to a career.

Testimony Against: None.

Testified: Representative McIntire, prime sponsor; Kit Hawkins, Washington Restaurant Association; Glen Hudson, Association of Washington Business; Jeff Johnson, Washington State Labor Council, AFL-CIO; Jan Gee, Washington Retail Association; Bruce Botka, Higher Education Coordinating Board; Ron LaFayette, State Board of Community and Technical Colleges; and Ken Miller, Office of Financial Management.