

SENATE BILL REPORT

SB 5361

As of February 4, 2003

Title: An act relating to family development accounts for low-income wage earners.

Brief Description: Creating family development accounts for low-income wage earners.

Sponsors: Senators Reardon, Doumit, Schmidt and Kohl-Welles.

Brief History:

Committee Activity: Economic Development: 2/5/03.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Staff: Alison Mendiola-Hamilton (786-7576)

Background: Individual Development Accounts (IDAs) help low-income wage earners build assets to achieve economic self-sufficiency by matching earned income that is deposited into the account with public or private funds. Most IDA programs require that the low-income wage earners receive financial management education as well as other types of training, such as home buyer education or micro-enterprise development training.

Washington, like many states, currently operates an IDA program for recipients of Temporary Assistance for Needy Families (TANF). Under this program, the state provides a \$2 match, using Federal TANF funds, for every dollar deposited by the TANF recipient, with a maximum match of \$4,000 per participant. The monies saved may only be used for the purchase of a first home, educational purposes, and to capitalize business ventures. This program is administered by the Department of Community, Trade, and Economic Development. This program will cease when current funds are exhausted in 2005.

Summary of Bill: The Department of Community, Trade, and Economic Development (CTED) is authorized to implement a state funded Family Development Account (FDA) Program targeted to low-income wage earners, who are defined as those with income of less than 80 percent of the area median income, adjusted for household size.

Deposits made by the low-income wage earner may be matched by qualified entities. The purpose of creating a FDA is to establish savings for post-secondary education, first-time home buyers, or small business ownership opportunities.

CTED must adopt rules 1) to ensure that FDA funds are only withdrawn for qualified purposes, and 2) to establish qualified entity matching requirements and limitations on deposits into FDAs.

Appropriation: \$500,000 for the biennium, general fund“state to CTED.

Fiscal Note: Not requested.

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