

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1408**

59th Legislature  
2005 Regular Session

Passed by the House April 18, 2005  
Yeas 95 Nays 0

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**Speaker of the House of Representatives**

Passed by the Senate April 6, 2005  
Yeas 44 Nays 0

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**President of the Senate**

Approved

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**Governor of the State of Washington**

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1408** as passed by the House of Representatives and the Senate on the dates hereon set forth.

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**Chief Clerk**

FILED

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1408**

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AS AMENDED BY THE SENATE

Passed Legislature - 2005 Regular Session

**State of Washington                      59th Legislature                      2005 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Pettigrew, Hinkle, Morrell, Jarrett, Darneille, McDonald, B. Sullivan, Kagi, Skinner, Schual-Berke, Chase, McIntire, McCoy, Hasegawa, Upthegrove, Ormsby, Woods, Miloscia, P. Sullivan, Santos and Simpson)

READ FIRST TIME 03/07/05.

1            AN ACT Relating to individual development accounts; reenacting and  
2 amending RCW 43.79A.040; adding new sections to chapter 43.31 RCW; and  
3 creating new sections.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            NEW SECTION.    **Sec. 1.** This act shall be known as the saving,  
6 earning, and enabling dreams (SEED) act.

7            NEW SECTION.    **Sec. 2.** A new section is added to chapter 43.31 RCW  
8 to read as follows:

9            The legislature finds that economic well-being encompasses not only  
10 income, spending, and consumption, but also savings, investment, and  
11 asset-building. The building of assets, in particular, can improve  
12 individuals' economic independence and stability. The legislature  
13 further finds that it is appropriate for the state to institute an  
14 asset-based strategy to assist low-income families. It is the purpose  
15 of this act to promote job training, home ownership, and business  
16 development among low-income individuals and to provide assistance in  
17 meeting the financial goals of low-income individuals.

1        NEW SECTION.    **Sec. 3.**    A new section is added to chapter 43.31 RCW  
2 to read as follows:

3        The definitions in this section apply throughout sections 2 through  
4 7 of this act unless the context clearly requires otherwise.

5        (1) "Department" means the department of community, trade, and  
6 economic development.

7        (2) "Director" means the director of the department of community,  
8 trade, and economic development.

9        (3) "Foster youth" means a person who is fifteen years of age or  
10 older who is a dependent of the department of social and health  
11 services; or a person who is at least fifteen years of age, but not  
12 more than twenty-three years of age, who was a dependent of the  
13 department of social and health services for at least twenty-four  
14 months after attaining thirteen years of age.

15        (4) "Individual development account" or "account" means an account  
16 established by contract between a low-income individual and a  
17 sponsoring organization for the benefit of the low-income individual  
18 and funded through periodic contributions by the low-income individual  
19 which are matched with contributions by or through the sponsoring  
20 organization.

21        (5) "Low-income individual" means a person whose household income  
22 is equal to or less than either:

23        (a) Eighty percent of the median family income, adjusted for  
24 household size, for the county or metropolitan statistical area where  
25 the person resides; or

26        (b) Two hundred percent of the federal poverty guidelines updated  
27 periodically in the federal register by the United States department of  
28 health and human services under the authority of 42 U.S.C. 9902(2).

29        (6) "Program" means the individual development account program  
30 established pursuant to sections 2 through 7 of this act.

31        (7) "Sponsoring organization" means: (a) A nonprofit, fund-raising  
32 organization that is exempt from taxation under section 501(c)(3) of  
33 the Internal Revenue Code as amended and in effect on January 1, 2005;  
34 (b) a housing authority established under RCW 35.82.030; or (c) a  
35 federally recognized Indian tribe.

36        NEW SECTION.    **Sec. 4.**    A new section is added to chapter 43.31 RCW  
37 to read as follows:

1 An individual development account program is hereby established  
2 within the department for the purpose of facilitating the creation by  
3 sponsoring organizations of individual development accounts for low-  
4 income individuals.

5 (1) The department shall select sponsoring organizations to  
6 establish and monitor individual development accounts using the  
7 following criteria:

8 (a) The ability of the sponsoring organization to implement and  
9 administer an individual development account program, including the  
10 ability to verify a low-income individual's eligibility, certify that  
11 matching deposits are used only for approved purposes, and exercise  
12 general fiscal accountability;

13 (b) The capacity of the sponsoring organization to provide or raise  
14 funds to match the contributions made by low-income individuals to  
15 their individual development accounts;

16 (c) The capacity of the sponsoring organization to provide or  
17 arrange for the provision of financial counseling and other related  
18 services to low-income individuals;

19 (d) The links the sponsoring organization has to other activities  
20 and programs related to the purpose of this act; and

21 (e) Such other criteria as the department determines are consistent  
22 with the purpose of this act and ease of administration.

23 (2) An individual development account may be established by or on  
24 behalf of an eligible low-income individual to enable the individual to  
25 accumulate funds for the following purposes:

26 (a) The acquisition of postsecondary education or job training;

27 (b) The purchase of a primary residence, including any usual or  
28 reasonable settlement, financing, or other closing costs;

29 (c) The capitalization of a small business. Account moneys may be  
30 used for capital, land, plant, equipment, and inventory expenses or for  
31 working capital pursuant to a business plan. The business plan must  
32 have been developed with a business counselor, trainer, or financial  
33 institution approved by the sponsoring organization. The business plan  
34 shall include a description of the services or goods to be sold, a  
35 marketing strategy, and projected financial statements;

36 (d) The purchase of a computer, an automobile, or home  
37 improvements; or

1 (e) The purchase of assistive technologies that will allow a person  
2 with a disability to participate in work-related activities.

3 (3) An eligible low-income individual participating in the program  
4 must contribute to an individual development account. The  
5 contributions may be derived from earned income or other income, as  
6 provided by the department. Other income shall include child support  
7 payments, supplemental security income, and disability benefits.

8 (4) A sponsoring organization may authorize a low-income individual  
9 for whom an individual development account has been established to  
10 withdraw all or part of the individual's deposits for the following  
11 emergencies:

12 (a) Necessary medical expenses;

13 (b) To avoid eviction of the individual from the individual's  
14 residence;

15 (c) Necessary living expenses following loss of employment; or

16 (d) Such other circumstances as the sponsoring organization  
17 determines merit emergency withdrawal.

18 The low-income individual making an emergency withdrawal shall  
19 reimburse the account for the amount withdrawn within twelve months of  
20 the date of withdrawal or the individual development account shall be  
21 closed.

22 (5) Funds held in an individual development account established  
23 under sections 2 through 7 of this act shall not be used in the  
24 determination of eligibility for, or the amount of, assistance in any  
25 state or federal means-tested program.

26 (6) The department shall adopt rules as necessary to implement this  
27 act, including rules regulating the use of individual development  
28 accounts by eligible low-income individuals. The department's rules  
29 shall require that funds held in an individual development account are  
30 to be withdrawn only for the purposes specified in subsection (2) of  
31 this section or withdrawn as permitted for emergencies under subsection  
32 (4) of this section.

33 (7) Nothing in this section shall be construed to create an  
34 entitlement to matching moneys.

35 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.31 RCW  
36 to read as follows:

37 (1) A foster youth individual development account program is hereby

1 established within the individual development account program  
2 established pursuant to section 4 of this act for the purpose of  
3 facilitating the creation by sponsoring organizations of individual  
4 development accounts for foster youth.

5 (2) The department shall select sponsoring organizations to  
6 establish and monitor individual development accounts for foster youth  
7 from those entities with whom the department of social and health  
8 services contracts for independent living services for youth who are or  
9 have been dependents of the department of social and health services.

10 (3) An individual development account may be established by or on  
11 behalf of a foster youth to enable the individual to accumulate funds  
12 for the following purposes:

13 (a) The acquisition of postsecondary education or job training;

14 (b) Housing needs, including rent, security deposit, and utilities  
15 costs;

16 (c) The purchase of a computer if necessary for postsecondary  
17 education or job training;

18 (d) The purchase of a car if necessary for employment; and

19 (e) Payment of health insurance premiums.

20 (4) A foster youth participating in the program must contribute to  
21 an individual development account. The contributions may be derived  
22 from earned income or other income, as provided by the department.  
23 Other income shall include financial incentives for educational  
24 achievement provided by entities contracted with the department of  
25 social and health services for independent living services for youth  
26 who are or have been dependents of the department of social and health  
27 services.

28 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.31 RCW  
29 to read as follows:

30 (1) An account is created in the custody of the state treasurer to  
31 be known as the individual development account program account. The  
32 account shall consist of all moneys appropriated to the account by the  
33 legislature and any other federal, state, or private funds,  
34 appropriated or nonappropriated, as the department receives for the  
35 purpose of matching low-income individuals' contributions to their  
36 individual development accounts. Expenditures from the account may be  
37 used only for the following:

1 (a) Grants to sponsoring organizations selected by the department  
2 to participate in the individual development account program to assist  
3 sponsoring organizations in providing or arranging for the provision of  
4 financial counseling and other related services to low-income  
5 individuals participating in the program and for program administration  
6 purposes;

7 (b) A match to be determined by the department of up to four  
8 dollars for every dollar deposited by an individual into the  
9 individual's individual development account, except that the maximum  
10 amount provided as a match for each individual development account  
11 shall be four thousand dollars; and

12 (c) The department's administrative expenses in carrying out the  
13 purposes of this act.

14 (2) Only the director or the director's designee may authorize  
15 expenditures from the account.

16 (3) The account is subject to allotment procedures under chapter  
17 43.88 RCW, but an appropriation is not required for expenditures.

18 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.31 RCW  
19 to read as follows:

20 Sponsoring organizations may seek additional funds to increase the  
21 match rate and the maximum annual match amount established pursuant to  
22 section 5 of this act. Such funds may also be used for purposes in  
23 addition to those provided in section 4(2) of this act.

24 **Sec. 8.** RCW 43.79A.040 and 2004 c 246 s 8 and 2004 c 58 s 10 are  
25 each reenacted and amended to read as follows:

26 (1) Money in the treasurer's trust fund may be deposited, invested,  
27 and reinvested by the state treasurer in accordance with RCW 43.84.080  
28 in the same manner and to the same extent as if the money were in the  
29 state treasury.

30 (2) All income received from investment of the treasurer's trust  
31 fund shall be set aside in an account in the treasury trust fund to be  
32 known as the investment income account.

33 (3) The investment income account may be utilized for the payment  
34 of purchased banking services on behalf of treasurer's trust funds  
35 including, but not limited to, depository, safekeeping, and  
36 disbursement functions for the state treasurer or affected state

1 agencies. The investment income account is subject in all respects to  
2 chapter 43.88 RCW, but no appropriation is required for payments to  
3 financial institutions. Payments shall occur prior to distribution of  
4 earnings set forth in subsection (4) of this section.

5 (4)(a) Monthly, the state treasurer shall distribute the earnings  
6 credited to the investment income account to the state general fund  
7 except under (b) and (c) of this subsection.

8 (b) The following accounts and funds shall receive their  
9 proportionate share of earnings based upon each account's or fund's  
10 average daily balance for the period: The Washington promise  
11 scholarship account, the college savings program account, the  
12 Washington advanced college tuition payment program account, the  
13 agricultural local fund, the American Indian scholarship endowment  
14 fund, the students with dependents grant account, the basic health plan  
15 self-insurance reserve account, the contract harvesting revolving  
16 account, the Washington state combined fund drive account, the  
17 Washington international exchange scholarship endowment fund, the  
18 developmental disabilities endowment trust fund, the energy account,  
19 the fair fund, the fruit and vegetable inspection account, the future  
20 teachers conditional scholarship account, the game farm alternative  
21 account, the grain inspection revolving fund, the juvenile  
22 accountability incentive account, the law enforcement officers' and  
23 fire fighters' plan 2 expense fund, the local tourism promotion  
24 account, the produce railcar pool account, the rural rehabilitation  
25 account, the stadium and exhibition center account, the youth athletic  
26 facility account, the self-insurance revolving fund, the sulfur dioxide  
27 abatement account, the children's trust fund, the Washington horse  
28 racing commission Washington bred owners' bonus fund account, the  
29 Washington horse racing commission class C purse fund account, the  
30 individual development account program account, and the Washington  
31 horse racing commission operating account (earnings from the Washington  
32 horse racing commission operating account must be credited to the  
33 Washington horse racing commission class C purse fund account).  
34 However, the earnings to be distributed shall first be reduced by the  
35 allocation to the state treasurer's service fund pursuant to RCW  
36 43.08.190.

37 (c) The following accounts and funds shall receive eighty percent  
38 of their proportionate share of earnings based upon each account's or



1 fund's average daily balance for the period: The advanced right of way  
2 revolving fund, the advanced environmental mitigation revolving  
3 account, the city and county advance right-of-way revolving fund, the  
4 federal narcotics asset forfeitures account, the high occupancy vehicle  
5 account, the local rail service assistance account, and the  
6 miscellaneous transportation programs account.

7 (5) In conformance with Article II, section 37 of the state  
8 Constitution, no trust accounts or funds shall be allocated earnings  
9 without the specific affirmative directive of this section.

10 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.31 RCW  
11 to read as follows:

12 The department shall annually report to the legislature and the  
13 governor on the individual development account program established  
14 pursuant to sections 2 through 7 of this act.

15 NEW SECTION. **Sec. 10.** If specific funding for the purposes of  
16 this act, referencing this act by bill or chapter number, is not  
17 provided by June 30, 2005, in the omnibus appropriations act, this act  
18 is null and void.

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