
SUBSTITUTE SENATE BILL 5469

State of Washington

59th Legislature

2005 Regular Session

By Senate Committee on International Trade & Economic Development
(originally sponsored by Senators Schmidt, Regala, Fairley, Esser,
Shin, Roach, Rasmussen, Kohl-Welles and Brown)

READ FIRST TIME 02/17/05.

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

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 must contribute to an
4 individual development account. The contribution may be derived from
5 earned income or other income, as provided by the department. Other
6 income shall include child support payments, supplemental security
7 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 must contribute to an individual development
21 account. The contribution may be derived from earned income or other
22 income, as provided by the department. Other income shall include
23 financial incentives for educational achievement provided by entities
24 contracted with the department of social and health services for
25 independent living services for youth who are or have been dependents
26 of the department of social and health services.

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

29 (1) An account is created in the custody of the state treasurer to
30 be known as the individual development account program account. The
31 account shall consist of all moneys appropriated to the account by the
32 legislature and any other federal, state, or private funds,
33 appropriated or nonappropriated, as the department receives for the
34 purpose of matching low-income individuals' contributions to their
35 individual development accounts. Expenditures from the account may be
36 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.** The sum of three million dollars, or as
16 much thereof as may be necessary, is appropriated from the general fund
17 to the individual development account program account for the biennium
18 ending June 30, 2007, to carry out the purposes of this act.

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