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**Community & Economic  
Development & Trade Committee**

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**HB 2898**

**Brief Description:** Expanding asset building strategies.

**Sponsors:** Representatives Darneille, Haler, Appleton, Miloscia, Pettigrew, O'Brien, Santos, Roberts, Hasegawa, Upthegrove, Kagi, Morrell, Simpson, Conway and Kenney.

**Brief Summary of Bill**

- Establishes the Washington Asset Building Coalition.
- Directs the Coalition, the Department, community based asset building coalitions, and other partners to jointly pursue initiatives that foster financial self-sufficiency and economic security for low-income working families and foster youth.
- Clarifies uses of Individual Development Account funds.
- Appropriates \$2 million from the State General Fund for individual development accounts.

**Hearing Date:** 1/24/08

**Staff:** Meg Van Schoorl (786-7105).

**Background:**

Department of Community, Trade and Economic Development

The Department of Community, Trade and Economic Development (Department) provides assistance to Washington's communities, businesses and families. The Department is organized into several divisions, including the Community Services Division. This division works to build community partnerships to provide service and advocacy for individuals and families. The Community Services Division administers federal and state funds for anti-poverty programs including but not limited to the Community Services Block Grant Program, the Individual Development Account Program and other asset-building strategies for low-income workers, the

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Low-Income Home Energy Assistance Program, and the federal Department of Energy Weatherization Program.

### Asset Building Programs

According to the U.S. Department of Health and Human Services, asset building is an anti-poverty strategy that helps low-income people move toward greater self-sufficiency by accumulating savings and purchasing long-term assets. Examples of long-term assets include homes, higher education and training, and businesses.

Asset building strategies incorporate many different approaches and use a variety of methods to help achieve the goal of creating asset wealth for low-income people. Some of the most common tools for asset building include the following:

Individual Development Accounts (IDAs) - matched savings accounts designed to help low-income families accumulate savings for high return investments in long-term assets.

Earned Income Tax Credit (EITC) - refundable federal income tax credit for low-income workers. The EITC enables many low-income tax filers to receive a cash payment from the government regardless of whether they pay income taxes.

Financial Literacy - skills and knowledge that successfully enable low- and moderate- income individuals to manage their finances.

During the past three legislative sessions, legislation has been enacted and funding allocated for asset-building. The Saving, Earning and Enabling Dreams (SEED) Act of 2005 established individual development account programs for low-income individuals and for foster youth. The SEED Act also created an account in the State Treasury through which monies would be appropriated for use as grants to sponsoring organizations, match for individual development accounts, and Department administration.

### **Summary of Bill:**

#### Statewide and Community Based Asset Building Coalitions

The Washington Asset Building Coalition (Coalition) is created to provide statewide leadership on initiatives that foster financial self-sufficiency and economic security for low-income working families. The Coalition will be staffed by the Department and both are directed to work with community asset building coalitions and other partners to identify and promote approaches that help low-income working families build and manage their assets including:

- Creating private and public prosperity products;
- Promoting lending policies that encourage asset building;
- Marketing savings, smart borrowing and federal tax credit programs; and,
- Expanding financial literacy opportunities.

Community asset building coalitions involve collaboration at the local level among social service, faith-based, governmental, job training and health care agencies, and the private sector, including financial institutions. Community asset building coalitions are recognized as important partners because they deliver direct services to low-income working families. The Department is required to help them begin, expand and strengthen services by providing technical assistance, and grants (to the extent funding is provided).

For 2009-11, to the extent funding is provided, the Department, Coalition, and other partners are directed to design, implement, and fund a statewide public education and outreach campaign that includes activities such as a website, a telephone-based call-in assistance and referral system, public service announcements and other educational outreach to target groups, and an outreach campaign to increase the number of eligible working families who claim earned income tax credits.

#### Individual Development Accounts

Current law relating to individual development accounts is clarified. A low-income individual or a foster youth may accumulate funds within an IDA to: (1) purchase an automobile if necessary for employment or post-secondary education; (2) purchase home repairs, rather than improvements; and, (3) purchase assistive technologies that allow a person with a disability to participate in community as well as work-related activities. Contributions to a foster youth's individual development account may be made by sources other than the youth himself, such as foster parents or community organizations.

#### Accountability

The Department must report to the Legislature and Governor biennially on the status, outcomes and recommendations regarding the Individual Development Account Program and other financial self-sufficiency programs. For the 2010 report, the Department is required to make a recommendation regarding formalizing membership and operations of the Washington Asset Building Coalition.

**Appropriation:** For Fiscal Year 2009, the sum of \$2 million from the State General Fund to the Individual Development Account Program Account. The full sum is to be allocated by the Department for the purpose of the Individual Development Account program.

**Fiscal Note:** Requested on January 17, 2008.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.