

# HOUSE BILL REPORT

## HB 2898

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**As Reported by House Committee On:**  
Community & Economic Development & Trade

**Title:** An act relating to expanding asset building strategies to assist low-income working families.

**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 History:**

**Committee Activity:**

Community & Economic Development & Trade: 1/24/08, 1/30/08 [DPS].

### Brief Summary of Substitute Bill

- Establishes the Washington Asset Building Coalition (Coalition).
- Directs the Coalition, the Department of Community, Trade and Economic Development, 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.

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### HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Rolfes and Sullivan.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Bailey, Ranking Minority Member; Haler.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

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

**Background:**

Department of Community, Trade and Economic Development

The Department of Community, Trade and Economic Development (DCTED) provides assistance to Washington's communities, businesses, and families. The DCTED 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 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 IDA 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 IDAs, and DCTED administration.

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**Summary of Substitute 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 DCTED 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 DCTED 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 DCTED, Coalition, and other partners are directed to design, implement, and fund a statewide public education and outreach campaign that includes activities such as a Web site, 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 (IDAs)

Current law relating to IDAs 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 IDA may be made by sources other than the youth himself, such as foster parents or community organizations.

#### Accountability

The DCTED must report to the Legislature and Governor biennially on the status, outcomes, and recommendations regarding the IDA Program and other financial self-sufficiency programs. For the 2010 report, the DCTED is required to make a recommendation regarding formalizing membership and operations of the Coalition.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill appropriates \$2 million for Fiscal Year 2009 from the IDA Program Account to the DCTED solely for allocation as state match to IDAs.

**Appropriation:** For Fiscal Year 2009, the sum of \$2 million is appropriated from the State General Fund to the IDA Program Account, and from the IDA Program Account to the DCTED for allocation as state match for IDAs.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) Washington has one of the most progressive asset-building programs in the country. Our programs are focused on the working poor, those people who are employed but whose incomes do not stretch as far as today's economy requires. Twelve percent of people in our state live in "income poverty," but more than 20 percent live in "asset poverty" under which, if they lost their income, they would not have sufficient savings to live at poverty level for at least three months. Individual development accounts (IDAs) and outreach to increase the "take up" of federal earned income tax credits (EITC) are two of the most used approaches. With the \$650,000 state grant, we were able to leverage \$800,000 in private and public funds for IDAs in our county. Fifteen IDA "graduates" have used the accounts toward purchasing a home or starting a business. We offered free tax preparation sites and prepared returns for 500 families whose average incomes were \$19,000 per year. As a group, they got back \$750,000, about \$2,000 per family, which helped them establish savings accounts, fix cars, and get educational help. We agree that contributions to foster youth IDAs should be allowed not only from the youth themselves but from foster parents, clergy, churches, and community organizations. We also agree with the policy change to allow persons with disabilities to purchase not only work-related, but also community-related assistive technologies with IDA funds. Isolation is a major side effect of having a disability, and it is important to reduce the isolation by increasing community access.

(Opposed) None.

**Persons Testifying:** Representative Darneille, prime sponsor; Jim Morris, The Governor's Commission on Disability Issues and Employment; Abby Cooper, Kennedy Douglas Consulting; David Sieminski; Dennis Smith, United Way of Snohomish County; and Frances Pennell, Washington Assistive Technology Foundation.

**Persons Signed In To Testify But Not Testifying:** None.