SENATE BILL REPORT
2SHB 2256

As Reported By Senate Committee On:
Financial Institutions & Insurance, March 21, 2007
Ways & Means, April 13, 2007

Title: An act relating to establishing the family prosperity act.

Brief Description: Establishing the family prosperity act.

Sponsors: House Committee on Finance (originally sponsored by Representatives Darneille, Haler, Morrell, Walsh, Pettigrew, Dickerson, Kenney, Schual-Berke, Kagi, P. Sullivan, Lantz, Hinkle, Upthegrove, Appleton, Williams, Seaquist, O'Brien, Hasegawa, Green, Linville, Simpson, Ormsby and Santos).

Brief History: Passed House: 3/12/07, 61-34.
Committee Activity: Financial Institutions & Insurance: 3/21/07 [w/oRec-EDTM].
Economic Development, Trade & Management: 3/23/07 [DPA-WM].
Ways & Means: 4/02/07, 4/13/07 [DPA, DNP, w/oRec].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Clements, Kauffman and Shin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.
Signed by Senators Prentice, Chair; Carrell, Fairley, Hatfield, Hobbs, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala, Rockefeller and Tom.

Minority Report: Do not pass.
Signed by Senator Schoesler.

Minority Report: That it be referred without recommendation.
Signed by Senators Zarelli, Ranking Minority Member; Brandland and Honeyford.

Staff: Richard Ramsey (786-7412)

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.

Background: Department of Community, Trade and Economic Development (CTED) provides assistance to Washington's communities, businesses, and families. CTED is organized into several different divisions, one of which is 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 Low-Income Home Energy Assistance Program, and the federal Department of Energy Weatherization Program.

Asset Building Programs: According to the United States 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 a home, higher education and training, and a business.

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 and low-wealth 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 EITCs enable 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 2005 and 2006 Legislative Sessions, bills were enacted and funding allocated to assist low-income families to accumulate assets. As a result, one statewide asset building coalition and local asset building coalitions in 12 regions have emerged along with CTED to promote savings and banking, financial literacy, credit repair, the earned income tax credit, and home ownership and business start-ups. In addition, 200 individual development accounts have been created, with another 100 to be added in the first quarter of 2007. Funded by the state at $1 million through the 2005-07 budget, the state matches personal savings dollar for dollar, up to a maximum of $4,000. According to CTED, the state's investment has leveraged $579,000 in personal savings and $1.5 million in additional federal and private funds into these accounts. Eligibility is limited to those whose income is 80 percent of the area's median income or 200 percent of the federal poverty rate. The state match is held in trust by a bank until all requirements are met, at which time the match is paid to the entity from whom the asset is being purchased (for example, to a bank for a home mortgage, to a post-secondary institution for education or training, or a car dealer to buy an automobile for school or work).

Consumer Reports: A consumer credit report contains: (1) information on the consumer's identity, including current and previous addresses, number of dependents, marital status, date of birth, and social security number; (2) the consumer's employment history, including income information; (3) the consumer's credit history; and (4) public records regarding the consumer, including civil judgments and suits, bankruptcies, and other legal proceedings. The disclosure of consumer credit reports by credit reporting agencies is governed by federal and state law. A consumer credit agency may disclose a consumer's credit report to any person or entity that has a legitimate business need involving a transaction with the consumer. Situations where an entity may have a legitimate business need for a consumer's credit report include extension of credit, insurance underwriting, security clearances, and where a credit report is needed for employment purposes, including hiring.

An employer may only request a job applicant's credit report if the employer either (1) conspicuously discloses to the applicant in writing that she or he will be requesting the applicant's credit report, or (2) the applicant authorizes the request. An employer may only request an employee's credit report if the employee receives written notice that the employer may use such credit reports for employment purposes. If an employer takes any adverse action against an employee or job applicant based on a consumer credit report, the employee or applicant must be given an opportunity to respond and the employer must inform the employee or applicant how to obtain a free copy of his or her credit report.

Summary of Second Substitute Bill: 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 is directed to work with CTED, local 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; expanding financial literacy opportunities; and increasing protections from predatory lending, fraud, and consumer scams.

For 2007-09, CTED 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. CTED is also directed to provide at least 12 local asset building coalitions with technical assistance or grants to initiate or expand services; as funding is appropriated, create an outreach campaign to increase the number of low-income working families who claim federal earned income or child and dependent care tax credits; and report to the Legislature by December 1, 2008, and annually thereafter on the status of the asset building and financial literacy programs.

The Department of Social and Health Services is directed to encourage recipients of Temporary Assistance for Needy Families to learn about and participate in asset-building programs. The Family Prosperity Account is created in the State Treasury. Expenditures may only be made, after appropriation, to support initiatives that foster financial self-sufficiency and economic security for low-income working families. An employer may not procure a consumer report on a job applicant unless the contents of the report are substantially job-related and the employer has disclosed to the applicant in writing the reasons for checking the applicant's credit report. In addition, before taking adverse action based on the consumer report, an employer must provide an applicant or current employee with a description of his or her rights under this chapter, the reporting agency's contact information, and a reasonable opportunity to dispute information in the report.

This bill is null and void if not provided funding in the biennial budget.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Economic Development, Trade & Management): A person may not procure a consumer report for employment purposes unless the information is either reasonably job related and disclosed to the consumer in writing, or required by law.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Ways & Means): Removes the provision creating the Family Prosperity Account – Appropriated; and removes the provision restricting credit reporting.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony (Economic Development, Trade & Management): PRO: Lower-income people rarely put money in savings today – the working poor barely earn enough to pay the bills, let alone put money in savings. Low-income families in our state need tax preparation assistance so federal tax credits of $100 million are not left on the table. Employers' use of credit reports puts a burden on low-income people who may not have good credit ratings.

CON: Section 7 should be removed from the bill – the prohibition should be on the person procuring the credit report, not the credit bureau. The term "reasonably" appears throughout the Retail Credit Act, but the term "substantially" does not.

Persons Testifying (Economic Development, Trade & Management): PRO: Representative Darneille, prime sponsor; Kim Justice, Statewide Poverty Action Network.

CON: Cliff Webster, Consumer Data industry Association; Vicky Marin, Washington Retail Association; Carolyn Logue, National Federation of Independent Business.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill creates important programs for low-income people. In the last year, the pilot programs codified by this bill have created 700 individual development accounts and helped low-income people file their tax returns and apply for 25,000 earned income tax credits. These programs strengthen the financial standing of low-income persons. The funds provided can be used to leverage additional federal and private funds.

Persons Testifying (Ways & Means): PRO: David Sieminski, United Way of King County.