
Trade & Economic Development Committee

HB 2827

Brief Description: Creating individual development accounts for low-income wage earners.

Sponsors: Representatives Chase, Veloria, Eickmeyer, Santos and Kagi.

Brief Summary of Bill

- Creates a state-funded Individual Development Account (IDA) Program to provide matching funds to low-income wage earners to save for post-secondary education expenses, purchase of their first home, or start a small business.
- Appropriates \$500,000 from general fund--state to the Department of Community, Trade, and Economic Development to fund the IDA Program.

Hearing Date: 2/5/02

Staff: Kenny Pittman (786-7392).

Background:

Individual Development Accounts (IDAs) are a tool designed to help low-income families build assets that will help them achieve economic self-sufficiency. The concept of an IDA is that low-income families are rewarded for monthly savings that are used to purchase their first home, to pay for post-secondary education, or to capitalize a small business. Under an IDA, earned income that is deposited into the account by the low-income family is matched with a variety of public or private funds. Most IDA programs require that the low-income families receive financial management education, as well as other types of training to help them attain their goals, such as home buyer education, or micro-enterprise development.

In 1997, the Legislature created the Washington WorkFirst Program as a part of its welfare reform activities. The Department of Social and Health Services was authorized to operate a program creating individual development accounts (IDAs) to help recipients of Temporary Assistance for Needy Families (TANF) purchase their first homes, attend school, and capitalize business ventures. The Department of Community, Trade, and Economic Development administers the program under its WorkFirst activities.

Under the state IDA program, the state provides \$2 in match, using federal TANF funds, for every \$1 saved by the TANF participant, up to a maximum match of \$4,000 per participant. The state match is available for the three years after the participant opens the IDA.

Summary of Bill:

The Department of Community, Trade, and Economic Development (DCTED) is authorized to implement a state-funded Individual Development Account (IDA) Program that is targeted to low-income wage earners. A "low-income wage earner" is defined as a person whose adjusted income is less than 80 percent of the median family income, adjusted for household size, for the county or metropolitan statistical area where they reside.

A low-income wage earner may establish an IDA for the purpose of accumulating savings from earned income that can only be used for post-secondary educational expenses, the purchase of a first home, or for small business ownership opportunities.

The DCTED is required to adopt rules: (a) to ensure that funds held in the IDAs are only withdrawn for qualified purposes; and (b) to establish state matching requirements and limitations on deposits into the IDAs.

The establishment of the state-funded IDA program does not create an entitlement to matching funds from the state.

Appropriation: \$500,000 general fund -- state to DCTED.

Fiscal Note: Available.

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