

SENATE BILL REPORT

HB 3156

As Reported By Senate Committee On:
Human Services & Corrections, February 23, 2006

Title: An act relating to creating a pilot program to assist in asset building for low-income persons.

Brief Description: Creating a pilot program to assist low-income families.

Sponsors: Representatives Darneille, Haler, Dickerson, Morrell, Pettigrew and Simpson.

Brief History: Passed House: 2/13/06, 93-5.

Committee Activity: Human Services & Corrections: 2/21/06, 2/23/06 [DPA].

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: Do pass as amended.

Signed by Senators Hargrove, Chair; Regala, Vice Chair; Stevens, Ranking Minority Member; Brandland, Carrell, McAuliffe and Thibaudeau.

Staff: Shani Bauer (786-7468)

Background: The Department of Community, Trade, and Economic Development (CTED) provides assistance to Washington's communities, businesses, and families. The CTED is organized into several different agencies, 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 funds for anti-poverty programs including funds distributed to the Community Action Agencies. The Community Action Agency Network is a delivery system for federal and state anti-poverty programs in the state, including but not limited to the Community Services Block Grant Program, the Low-Income Energy Assistance Program, and the federal Department of Energy Weatherization Program.

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. The theory behind this approach is that helping people purchase an asset, as opposed to simply increasing their income, provides stability that may allow them to escape the cycle of poverty permanently. Examples of long-term assets include a home, higher education and training, and a business.

The federal government suggests the use of a variety of tools to assist low-income families accumulate assets including financial literacy education, the Earned Income Tax Credit (EITC) and Individual Development Accounts (IDAs). IDAs are savings accounts matched by federal grant funds to help low-income families accumulate savings to purchase a house, higher education, or a small business.

Summary of Amended Bill: Pilot Program

The CTED must establish a process to offer consulting services to community action agencies who are interested in developing pilot programs to assist low-income families to accumulate assets. Asset or asset building is defined as investment or savings for an investment in a family home, higher education, small business, or other long-term asset that will assist low-income families attain greater self-sufficiency.

The pilot programs must consist of four sites with at least one of the pilot sites located in eastern Washington. The CTED will select the pilot sites through an application process which must begin by July 31, 2006.

Any county, or group of counties, in which a Community Action Agency is located may submit an application to be selected as a pilot site. The application must include identification of:

- The agency that will lead the pilot program;
- Community partners with whom the Community Action Agency will collaborate and a description of how the partners and agency will work together;
- Areas of potential need within the community. Areas of potential need may include financial literacy, assistance with federal income tax preparation and the use of tax credits, the use of IDAs, and other asset-building strategies; and
- Resources within the community that might support training for the implementation of the selected best practices chosen to address the needs identified by the community.

The CTED must report to the Legislature by December 1, 2007, on the progress of the implementation of the pilot programs including the application process, the status of the programs, and any implementation issues that arose in initiating the pilot programs.

Earned Income Tax Credit

To the extent funding is appropriated, the CTED must establish a program to create an outreach campaign to increase the number of eligible families who claim the federal Earned Income Tax Credit. The CTED may work collaboratively with other state agencies, private and nonprofit agencies, local communities, and others with expertise that might assist the CTED in implementing the program.

Amended Bill Compared to Original Bill: The request for proposal process is removed in favor of a less formal application process, allowing the CTED to operate as a consultant to the pilot programs within the community action agencies. The community action agencies are designated as the primary entities to conduct the pilot programs. An expiration date is added.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: A bi-partisan group has been working with NCSL on strategies to work on asset building for low income families. Only two percent of the population has a savings account. The IRS estimates that 6.3 million dollars in earned income tax credits (EITC) are left on the table in Pierce County alone. Pierce County has already started employing some of these strategies to assist low income strategies. The CTED had an outreach program at one time to assist citizens in applying for the EITC, but the program was defunded in a previous legislative session.

This bill allows four more communities to establish a community based response effort to work on strategies to move low income working families toward greater self-sufficiency. The bill also reestablishes the outreach efforts of the CTED in telling people about the EITC and how they can apply for it.

Community Action Agencies are happy to take on this role and believe this is a good bill. County governments do not need to be involved unless they want to participate in a particular project. CTED supports the policy premise of the bill, but would need funding to accomplish its purposes.

Testimony Against: None.

Who Testified: PRO: Representative Darneille (sponsor); Seth Dawson, WA State Association for Community Action; Jean Wessman, Association of Counties; Marie Sullivan, CTED.