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HOUSE BILL 2898

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State of Washington

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

Read first time 01/17/08. Referred to Committee on Community & Economic Development & Trade.

1 AN ACT Relating to expanding asset building strategies to assist  
2 low-income working families; amending RCW 43.31.450, 43.31.455,  
3 43.31.460, 43.31.465, 43.31.470, and 43.31.480; adding a new section to  
4 chapter 43.31 RCW; creating a new section; and making an appropriation.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 43.31.450 and 2005 c 402 s 2 are each amended to read  
7 as follows:

8 The legislature finds that economic well-being encompasses not only  
9 income, spending, and consumption, but also savings, investment, and  
10 asset-building. The legislature recognizes that low-income working  
11 families often encounter significant barriers as they strive to achieve  
12 financial self-sufficiency. Their challenges include acquiring  
13 employment that pays enough to cover the costs of daily living,  
14 accumulating funds for the down payment on a home, and setting aside  
15 money for their children's education or for retirement. The  
16 legislature also finds that one in five American households owes more  
17 than it owns, and in the event of a job loss, one in four households  
18 cannot support itself at the poverty line for three months. Asset-poor  
19 families do not have enough cash reserves or equity in their homes or

1 businesses to meet basic needs through a period of joblessness, health  
2 emergency, divorce, or other unexpected financial hardship. The  
3 building of assets, in particular, can improve individuals' economic  
4 independence and stability. The legislature further finds that it is  
5 appropriate for the state to institute an asset-based strategy to  
6 assist low-income families. It is the purpose of chapter 402, Laws of  
7 2005 and chapter . . . , Laws of 2008 (this act) to promote job  
8 training, home ownership, and business development among low-income  
9 individuals and to provide assistance in meeting the financial goals of  
10 low-income individuals.

11 **Sec. 2.** RCW 43.31.455 and 2005 c 402 s 3 are each amended to read  
12 as follows:

13 The definitions in this section apply throughout RCW 43.31.450  
14 through 43.31.475 unless the context clearly requires otherwise.

15 (1) "Asset building" means investment or savings for an investment  
16 in a family home, higher education, small business, or other long-term  
17 asset that will assist low-income families to attain greater self-  
18 sufficiency.

19 (2) "Department" means the department of community, trade, and  
20 economic development.

21 ((+2)) (3) "Director" means the director of the department of  
22 community, trade, and economic development.

23 ((+3)) (4) "Foster youth" means a person who is fifteen years of  
24 age or older who is a dependent of the department of social and health  
25 services; or a person who is at least fifteen years of age, but not  
26 more than twenty-three years of age, who was a dependent of the  
27 department of social and health services for at least twenty-four  
28 months after attaining thirteen years of age.

29 ((+4)) (5) "Individual development account" or "account" means an  
30 account established by contract between a low-income individual and a  
31 sponsoring organization for the benefit of the low-income individual  
32 and funded through periodic contributions by the low-income individual  
33 which are matched with contributions by or through the sponsoring  
34 organization.

35 ((+5)) (6) "Low-income individual" means a person whose household  
36 income is equal to or less than either:

1 (a) Eighty percent of the median family income, adjusted for  
2 household size, for the county or metropolitan statistical area where  
3 the person resides; or

4 (b) Two hundred percent of the federal poverty guidelines updated  
5 periodically in the federal register by the United States department of  
6 health and human services under the authority of 42 U.S.C. 9902(2).

7 ~~((+6))~~ (7) "Program" means the individual development account  
8 program established pursuant to RCW 43.31.450 through 43.31.475.

9 ~~((+7))~~ (8) "Sponsoring organization" means: (a) A nonprofit,  
10 fund-raising organization that is exempt from taxation under section  
11 501(c)(3) of the internal revenue code as amended and in effect on  
12 January 1, 2005; (b) a housing authority established under RCW  
13 35.82.030; or (c) a federally recognized Indian tribe.

14 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.31 RCW  
15 to read as follows:

16 ASSET BUILDING COALITIONS. (1) The Washington asset building  
17 coalition is created. Its mission is to provide statewide leadership  
18 on initiatives that foster financial self-sufficiency and economic  
19 security for low-income working families and foster youth. The  
20 Washington asset building coalition shall be staffed by the department  
21 and shall work together with the department, community asset building  
22 coalitions, and other public and private sector partners to:

23 (a) Create private and public prosperity products;

24 (b) Develop and promote public and private lending policies that  
25 encourage asset building;

26 (c) Market savings, smart borrowing, and federal tax credit  
27 programs;

28 (d) Expand financial literacy opportunities and outcomes; and

29 (e) Identify and promote other approaches that will help low-income  
30 working families reach self-sufficiency by building and managing their  
31 assets.

32 (2)(a) Community-based asset building coalitions involve  
33 collaboration among local social service, faith-based, governmental,  
34 job training, and health care agencies and the private sector,  
35 including financial institutions. They are important partners to the  
36 department and the statewide coalition because they deliver direct  
37 services to low-income working families.

1 (b) The department shall help initiate, expand, and strengthen  
2 services of community-based asset building coalitions by providing them  
3 with technical assistance and grants.

4 (c) To the extent that funding is appropriated for this purpose,  
5 the department shall conduct an application process and evaluate and  
6 select community-based asset building coalitions for grant awards. The  
7 application must identify a local lead agency, specific needs,  
8 appropriate community partners, and any matching funds or in-kind  
9 contributions to complement the state's grant.

10 (3) To the extent funding is appropriated for this purpose, for the  
11 2009-2011 biennium, the department shall work with the Washington asset  
12 building coalition, relevant state agencies, community-based asset  
13 building coalitions, and other partners to design, implement, and fund  
14 a statewide public education and outreach campaign. The department  
15 shall use state funds to attract matching investments by other public  
16 and private sector organizations. The campaign shall feature  
17 marketing, self-help tools, and local services, including activities  
18 such as:

19 (a) Creation of a web site with financial information, savings and  
20 investment calculators, credit repair links, and other self-help tools;

21 (b) Call-in assistance and referrals through a universal telephone  
22 number that provides a directory to local services;

23 (c) Public service announcements and other educational outreach  
24 through media outlets, WorkFirst agencies, the temporary assistance for  
25 needy families program, mailing inserts, and print and electronic  
26 materials designed to reach target groups such as seniors, the  
27 military, foster youth, former offenders, WorkFirst participants,  
28 recipients of temporary assistance for needy families, limited English  
29 speakers, and other high-need groups;

30 (d) An outreach campaign to increase the number of eligible  
31 low-income working families who claim the federal earned income tax  
32 credit and the federal child and dependent care tax credit.

33 **Sec. 4.** RCW 43.31.460 and 2005 c 402 s 4 are each amended to read  
34 as follows:

35 An individual development account program is hereby established  
36 within the department for the purpose of facilitating the creation by

1 sponsoring organizations of individual development accounts for low-  
2 income individuals.

3 (1) The department shall select sponsoring organizations to  
4 establish and monitor individual development accounts using the  
5 following criteria:

6 (a) The ability of the sponsoring organization to implement and  
7 administer an individual development account program, including the  
8 ability to verify a low-income individual's eligibility, certify that  
9 matching deposits are used only for approved purposes, and exercise  
10 general fiscal accountability;

11 (b) The capacity of the sponsoring organization to provide or raise  
12 funds to match the contributions made by low-income individuals to  
13 their individual development accounts;

14 (c) The capacity of the sponsoring organization to provide or  
15 arrange for the provision of financial counseling and other related  
16 services to low-income individuals;

17 (d) The links the sponsoring organization has to other activities  
18 and programs related to the purpose of chapter 402, Laws of 2005; and

19 (e) Such other criteria as the department determines are consistent  
20 with the purpose of chapter 402, Laws of 2005 and ease of  
21 administration.

22 (2) An individual development account may be established by or on  
23 behalf of an eligible low-income individual to enable the individual to  
24 accumulate funds for the following purposes:

25 (a) The acquisition of postsecondary education or job training;

26 (b) The purchase of a primary residence, including any usual or  
27 reasonable settlement, financing, or other closing costs;

28 (c) The capitalization of a small business. Account moneys may be  
29 used for capital, land, plant, equipment, and inventory expenses or for  
30 working capital pursuant to a business plan. The business plan must  
31 have been developed with a business counselor, trainer, or financial  
32 institution approved by the sponsoring organization. The business plan  
33 shall include a description of the services or goods to be sold, a  
34 marketing strategy, and projected financial statements;

35 (d) The purchase of a computer, an automobile if necessary for  
36 employment or postsecondary education, or home ~~((improvements))~~  
37 repairs; or

1 (e) The purchase of assistive technologies that will allow a person  
2 with a disability to participate in community and work-related  
3 activities.

4 (3) An eligible low-income individual participating in the program  
5 must contribute to an individual development account. The  
6 contributions may be derived from earned income or other income, as  
7 provided by the department. Other income shall include child support  
8 payments, supplemental security income, and disability benefits.

9 (4) A sponsoring organization may authorize a low-income individual  
10 for whom an individual development account has been established to  
11 withdraw all or part of the individual's deposits for the following  
12 emergencies:

13 (a) Necessary medical expenses;

14 (b) To avoid eviction of the individual from the individual's  
15 residence;

16 (c) Necessary living expenses following loss of employment; or

17 (d) Such other circumstances as the sponsoring organization  
18 determines merit emergency withdrawal.

19 The low-income individual making an emergency withdrawal shall  
20 reimburse the account for the amount withdrawn within twelve months of  
21 the date of withdrawal or the individual development account shall be  
22 closed.

23 (5) Funds held in an individual development account established  
24 under RCW 43.31.450 through 43.31.475 shall not be used in the  
25 determination of eligibility for, or the amount of, assistance in any  
26 state or federal means-tested program.

27 (6) The department shall adopt rules as necessary to implement  
28 chapter 402, Laws of 2005, including rules regulating the use of  
29 individual development accounts by eligible low-income individuals.  
30 The department's rules shall require that funds held in an individual  
31 development account are to be withdrawn only for the purposes specified  
32 in subsection (2) of this section or withdrawn as permitted for  
33 emergencies under subsection (4) of this section.

34 (7) Nothing in this section shall be construed to create an  
35 entitlement to matching moneys.

36 **Sec. 5.** RCW 43.31.465 and 2005 c 402 s 5 are each amended to read  
37 as follows:

1 (1) A foster youth individual development account program is hereby  
2 established within the individual development account program  
3 established pursuant to RCW 43.31.460 for the purpose of facilitating  
4 the creation by sponsoring organizations of individual development  
5 accounts for foster youth.

6 (2) The department shall select sponsoring organizations to  
7 establish and monitor individual development accounts for foster youth  
8 from those entities with whom the department of social and health  
9 services contracts for independent living services for youth who are or  
10 have been dependents of the department of social and health services.

11 (3) An individual development account may be established by or on  
12 behalf of a foster youth to enable the individual to accumulate funds  
13 for the following purposes:

14 (a) The acquisition of postsecondary education or job training;

15 (b) Housing needs, including rent, security deposit, and utilities  
16 costs;

17 (c) The purchase of a computer if necessary for postsecondary  
18 education or job training;

19 (d) The purchase of a car if necessary for employment or  
20 postsecondary education; (~~and~~))

21 (e) Payment of health insurance premiums; and

22 (f) The purchase of assistive technologies that will allow a person  
23 with a disability to participate in community and work-related  
24 activities.

25 (4) Contributions to an individual development account may be made  
26 by a foster youth participating in the program (~~must contribute to an~~  
27 individual development account)) or by other sources, including but not  
28 limited to, foster parents and community organizations. The  
29 contributions may be derived from earned income or other income, as  
30 provided by the department. Other income shall include financial  
31 incentives for educational achievement provided by entities contracted  
32 with the department of social and health services for independent  
33 living services for youth who are or have been dependents of the  
34 department of social and health services.

35 **Sec. 6.** RCW 43.31.470 and 2005 c 402 s 6 are each amended to read  
36 as follows:

37 (1) An account is created in the custody of the state treasurer to

1 be known as the individual development account program account. The  
2 account shall consist of all moneys appropriated to the account by the  
3 legislature and any other federal, state, or private funds,  
4 appropriated or nonappropriated, as the department receives for the  
5 purpose of matching low-income individuals' contributions to their  
6 individual development accounts. Expenditures from the account may be  
7 used only for the following:

8 (a) Grants to sponsoring organizations selected by the department  
9 to participate in the individual development account program to assist  
10 sponsoring organizations in providing or arranging for the provision of  
11 financial counseling and other related services to low-income  
12 individuals participating in the program and for program administration  
13 purposes;

14 (b) A match to be determined by the department of up to four  
15 dollars for every dollar deposited by an individual into the  
16 individual's individual development account, except that the maximum  
17 amount provided as a match for each individual development account  
18 shall be four thousand dollars; and

19 (c) The department's administrative expenses in carrying out the  
20 purposes of chapter 402, Laws of 2005 and chapter . . . , Laws of 2008  
21 (this act).

22 (2) Only the director or the director's designee may authorize  
23 expenditures from the account.

24 (3) The account is subject to allotment procedures under chapter  
25 43.88 RCW, but an appropriation is not required for expenditures.

26 **Sec. 7.** RCW 43.31.480 and 2005 c 402 s 9 are each amended to read  
27 as follows:

28 The department shall (~~annually~~) report biennially to the  
29 legislature and the governor on the individual development account  
30 program and other financial self-sufficiency programs established  
31 pursuant to RCW 43.31.450 through 43.31.475 and section 3 of this act.  
32 The report shall include the status of the programs in place, the  
33 outcomes achieved since the previous report, and recommendations for  
34 changed practices and additional tools that would improve program  
35 outcomes. For the report due in 2010, the department shall assess and  
36 make a recommendation regarding the need and options for formalizing  
37 membership and operations of the Washington asset building coalition.

1        NEW SECTION.    **Sec. 8.**    APPROPRIATION.    The sum of two million  
2 dollars, or as much thereof as may be necessary, is appropriated for  
3 the fiscal year ending June 30, 2009, from the general fund to the  
4 individual development account program account in RCW 43.31.470. The  
5 department of community, trade, and economic development shall allocate  
6 the full amount for the purposes of RCW 43.31.460.

7        NEW SECTION.    **Sec. 9.**    CAPTIONS NOT LAW.    Captions used in this act  
8 are not any part of the law.

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