

# HOUSE BILL REPORT

## HB 3156

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### As Passed Legislature

**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:** By Representatives Darneille, Haler, Dickerson, Morrell, Pettigrew and Simpson.

#### Brief History:

##### Committee Activity:

Children & Family Services: 1/30/06 [DP].

##### Floor Activity:

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

Senate Amended.

Passed Senate: 2/28/06, 48-0.

House Concurred.

Passed House: 3/4/06, 96-1.

Passed Legislature.

#### Brief Summary of Bill

- Requires the Department of Community, Trade, and Economic Development to establish a pilot program to assist low-income families to accumulate assets and to develop an outreach campaign to increase utilization of the federal Earned Income Tax Credit.

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### HOUSE COMMITTEE ON CHILDREN & FAMILY SERVICES

**Majority Report:** Do pass. Signed by 8 members: Representatives Kagi, Chair; Roberts, Vice Chair; Walsh, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Darneille, Dickerson, Haler and Pettigrew.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Dunn.

**Staff:** Sonja Hallum (786-7092).

#### Background:

Department of Community, Trade, and Economic Development

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. The Community Action Agency Network is comprised of local Community Action Agencies that serve low-income persons in the counties.

### 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 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 such as a house, higher education or a small business.
- 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.

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### **Summary of Bill:**

#### Program

The Department of Community, Trade, and Economic Development (CTED) must offer consulting services to Community Action Agency who are interested in developing pilot programs to assist low-income families to accumulate assets. The Community Action Agencies are encouraged to facilitate bringing together community partners to determine the asset building programs to initiate within the community.

"Asset" or "asset building" is defined to mean an investment or saving for an investment in a family home, higher education, small business, or other long-term asset that will assist low-income families to attain greater self-sufficiency.

The CTED must select four sites to whom they will offer consulting services, 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.

A Community Action Agency may submit an application to be selected as a pilot site. The application must include the following:

- identification of the local agency that will be the lead agency for the pilot program;
- identification of the community partners with whom the Community Action Agency will be collaborating and a description of how the lead agency will work with community partners to implement the program activities;
- identification of the areas of potential need based upon input from the community partners. Areas of potential need may include financial literacy, assistance with federal income tax preparation and the use of tax credits, the use of individual development accounts, and other asset-building strategies; and
- identification of the 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 program including the application process, the status of the program, and any implementation issues that arose in initiating the program.

#### 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.

The asset building and Earned Income Tax Credit programs expire on January 1, 2008.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Testimony For:** (In support) These bills were motivated by talking to people in Pierce County about helping low-income people build assets. The Pierce County Asset Building Coalition was started in Pierce County and received a grant to increase the number of people

applying for the Earned Income Tax Credit. Six million, three hundred thousand dollars that could have been paid out by the Earned Income Tax Credit was left on the table by Pierce County. This bill establishes a program to provide incentive grants to establish pilots like the program in Pierce County. It is a real public-private partnership.

(With concerns) Community Action Agencies within the state work differently in each county. We would like to have the bill apply to either the counties or the Community Action Agencies. Some counties may be slower or less reluctant to get involved.

**Testimony Against:** None.

**Persons Testifying:** (In support) Representative Darneille, prime sponsor.

(With concerns) Jean Wessman, Association of Counties.

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