

SENATE BILL REPORT

SHB 1408

As Reported By Senate Committee On:
International Trade & Economic Development, March 29, 2005
Ways & Means, April 4, 2005

Title: An act relating to individual development accounts.

Brief Description: Creating an individual development account program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Pettigrew, Hinkle, Morrell, Jarrett, Darneille, McDonald, B. Sullivan, Kagi, Skinner, Schual-Berke, Chase, McIntire, McCoy, Hasegawa, Upthegrove, Ormsby, Woods, Miloscia, P. Sullivan, Santos and Simpson).

Brief History: Passed House: 3/11/05, 93-0.

Committee Activity: International Trade & Economic Development: 3/22/05, 3/29/05
[DPA-WM].

Ways & Means: 4/4/05 [DPA(ITED), w/oRec].

SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Shin, Chair; Sheldon, Vice Chair; Pflug, Ranking Minority Member; Doumit, Eide, and Roach.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on International Trade & Economic Development.

Signed by Senators Prentice, Chair; Doumit, Vice Chair; Fraser, Vice Chair; Zarelli, Ranking Minority Member; Kohl-Welles, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Minority Report: That it be referred without recommendation.

Signed by Senators Brandland, Parlette and Pflug.

Staff: Kirstan Arestad (786-7708)

Background: Low-income wage earners fewer limited assets and savings. Individual Development Accounts (IDAs) allow low-income workers to match earned income with public or private funds. Washington, like many states, currently operates an IDA program for recipients of Temporary Assistance for Needy Families (TANF). Under this program, the state provides a \$2 match, using Federal TANF funds, for every dollar deposited by the TANF

recipient, with a maximum match of \$4,000 per participant. The monies saved may only be used for the purchase of a first home, educational purposes, and to capitalize business ventures. This program is administered by the Department of Community, Trade, and Economic Development (CTED). This program will cease when current funds are exhausted in 2005.

Summary of Amended Bill: An Individual Development Account program is created in CTED. Criteria is established for CTED to use when selecting organizations to establish and monitor the accounts. An individual contribution to the account may be matched up to four thousand dollars by the state. The accounts may be used for post-secondary education and training; the purchase of a primary residence; the capitalization of a business; the purchase of a computer, automobile, or home improvements; or the purchase of assistive technologies enabling a person of disability to work. Withdrawals from the account may also be made for emergencies, including medical expenses, payment of rent to avoid eviction, living expenses if unemployed, and other circumstance determined by the organization.

CTED is to adopt rules necessary to implement the program and provide the legislature with an annual report on the program.

A separate Foster Youth Individual Development Account program is created within the Individual Development Account program. It will serve foster youth fifteen years or older.

The Individual Development Account Program Account is created in the State Treasurer's Office to be used only to meet the obligations of the program. This IDA program account is to receive its proportionate share of earnings from the Treasurer's investments of its surplus balances.

Amended Bill Compared to Original Bill: The amendments provide that a participant in the program must contribute to an individual development account.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed. The bill is null and void if not funded in the budget.

Testimony For (International Trade & Economic Development): This will continue an outstanding program and allow the state to get federal matching funds. This will allow people to build lasting assets. It is a welfare reform strategy that is working. It is an economic development tool. So many foster kids are out of the system with so little support; this bill provides the possibility of funding assistance for secondary education and housing. This bill allows individuals to get financial literacy training. It helps communities by allowing for home ownership.

Testimony Against (International Trade & Economic Development): None.

Who Testified: (International Trade & Economic Development) PRO: Representative Pettigrew, prime sponsor; Representative Hinkel, co-sponsor; Laurie Lippold, Children's

Home Society; Dave Sieminski, United Way of King County; Nick Rebo, United Way of Snohomish County; Gary Gardner, BECU; Julie Watts, Statewide Poverty Action Network.

Testimony For (Ways & Means): This bill would maintain and expand Individual Development Accounts (IDAs). IDAs are not just another social service program. IDAs have dramatic economic benefit to Washington State. To date, the TANF program has allowed participants to invest half a million dollars and leverage \$9 million. There is significant support from banks.

Testimony Against (Ways & Means): None.

Who Testified (Ways & Means): PRO: Julie Watts, Statewide Poverty Action Network; Remy Trupin, King County United Way; Snohomish County United Way.