

# SENATE BILL REPORT

## SB 5469

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As Reported By Senate Committee On:  
International Trade & Economic Development, February 15, 2005

**Title:** An act relating to individual development accounts.

**Brief Description:** Creating an individual development account program.

**Sponsors:** Senators Schmidt, Regala, Fairley, Esser, Shin, Roach, Rasmussen, Kohl-Welles and Brown.

**Brief History:**

**Committee Activity:** International Trade & Economic Development: 2/1/05, 2/15/05[DPS-WM].

Ways & Means: 3/7/05.

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### SENATE COMMITTEE ON INTERNATIONAL TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5469 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

**Staff:** Jack Brummel (786-7428)

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### SENATE COMMITTEE ON WAYS & MEANS

**Staff:** Kirstan Arestad (786-7708)

**Background:** Low-income wage earners not only make less money, they also have fewer assets and savings. Individual Development Accounts (IDAs) help low-income workers build assets to achieve economic self-sufficiency by matching 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 (DCTED). This program will cease when current funds are exhausted in 2005.

**Summary of Substitute Bill:** An Individual Development Account program is created in the DCTED. Criteria is established for the DCTED to follow in selecting sponsoring organizations to establish and monitor the accounts. An individual contribution to the account may be matched up to a maximum state match of four thousand dollars. 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.

The DCTED is to adopt rules necessary to implement the program and report on the program to the legislature annually.

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.

**Substitute Bill Compared to Original Bill:** The substitute provides that a participant must contribute to an individual development account.

**Appropriation:** \$3,000,000. for the biennium ending June, 30, 2007.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Testimony For:** IDAs are savings accounts that are not co-mingled with an individuals other accounts. There is a benefit in public investment, it leverages private funds. This will help low-income people make the transition to being more productive members of society. It gives the proper incentives and support, providing seed money to local communities to get IDA programs off the ground. Foster youth have far fewer resources than youth from intact families and this program will help them.

**Testimony Against:** None.

**Who Testified:** PRO: Senator Schmidt, prime sponsor; Julie Watts, Statewide Poverty Action Network; Janet Abbott, CTED; Dave Sieminski, United Way of King Co.; Jim Thofelis, Mockingbird Society; Michelle Sotello; Donald Ballard; Kevin Glackin Coley, Children's Alliance; Hollis Hill, Treehouse; Yared Deldeyes; Gary Gardner, Boeing Employees Credit Union.