

WASHINGTON CREDIT UNIONS

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2024 Washington State Legislative Session Early Issues

The Washington State Legislature gavelled in for a short 60-day session on Monday, January 8th. During the session lawmakers will work to tackle a wide range of emerging issues or items left unfinished during last year's long session with limited time.

Below are just a few of the early issues of note for Washington credit unions at the Capitol, with much more to come over the next two months.

As always for more information, please also feel free to contact Joe Adamack (jadamack@gowest.org) and sign up for the GoWest advocacy blog for real-time updates from the state Capitol.

Financial education graduation requirement considered

After largely setting the discussion aside since it last percolated a decade ago, Washington State Treasurer requested for lawmakers introduce a bill requiring financial education as a high school graduation requirement and ensure it is taught in elementary and middle school.

- The bill has received broad bipartisan support from lawmakers, **including those that have been skeptical or opposed to doing so in the past.**
- Past impediments include anything related to changing graduation requirements (regardless of the reason) given Washington's significant existing requirements.

Based on the current Washington state policy position statements supporting efforts to expand financial education in the state, **GoWest is actively supporting the bill on behalf of Washington credit unions.**

- This presents a great opportunity for credit unions to engage directly in supporting the legislation by sharing the great work credit unions are already doing to provide financial literacy training to students.
- We can cooperatively accomplish this through a coordinated approach by sharing with lawmakers during the upcoming Credit Union Day at the Capitol, emails to your local officials, as well as having a credit union panel testify during public hearings.
 - o Stay tuned for more ways to directly engage.

One of the questions that comes up during these discussions is if this would be added to the graduation requirement, what may be displaced, what would it cost, or our opinions on other elements of implementation.

- These are not issues for credit union advocates to solve but for lawmakers to tackle when designing an education system in the state – credit unions would be supporting the expansion of financial education through a variety of methods.

- Credit unions are uniquely positioned to comment on the benefits of having students exit high school with foundational financial knowledge, and the risks and outcomes of not preparing them with this critically important life skill.

We would also note, this policy **should not displace the current work many of you already do** in the classroom either directly, via Bite of Reality Fairs, or via the incredible leadership of those with high school branches. It is more likely that the state would like to design programs that leverage those assets as a key tool in making it effective and efficient and GoWest will work with lawmakers and credit unions on implementation should it pass.

- **Please note: GoWest will provide talking points ahead of Washington's Credit Union Day at the Capitol on the subject.**

It is also important to note that major initiatives in K-12 education especially around state curriculum policies and graduation requirements are major lifts and while a majority of the House signed onto the bill means it's possible it's still far from a sure thing for this measure to pass in its first year so expect this will be an ongoing item for a few years.

Consumer protection lending laws under review

Two pieces of legislation aimed at curtailing predatory loans have been introduced and received public hearings in the House Consumer Protection and Business Committee on the third day of session.

The first would overhaul the current pricing structure allowed for payday loans which allows a lender to charge \$15 per each \$100 loaned for the first \$500, and \$10 per each \$100 loaned for another \$200 for a total maximum of \$700 loans.

- **This equates to a nearly 400% APR, which of course reflects the very short duration of the loan as well.**

The legislation would replace the fee-based charge with an interest rate capped at 36%, which would significantly reduce the real dollar maximum for these types of loans. Given the limitation – coupled with the significant reduction in payday lending already happening in Washington over the last decade – **it's entirely possible that if passed payday lenders operating in Washington may consider no longer doing business in Washington state.**

- As a result, it's possible there will be increased demand for short-term loans from other financial providers by consumers that have used these services to obtain access to short-term credit.
- Should the legislation pass **credit unions will need to evaluate whether they are able to or prepared to fill those gaps with existing or new products.**
 - o *GoWest will work with the Washington GAC, 2024 State Issues Working Group, and individual credit unions to determine if any new powers or authorities would be necessary to support that work.*

A separate piece of legislation re-defines certain terms in the consumer loan act (which does not apply to credit unions) to address issues where certain online entities have partnered with an out-of-state bank through a Banking-as-a-Service relationship to circumvent the application of state consumer protection laws to ensure there is clear transparency and accountability for the participating entities to follow Washington lending laws.

Hearings were held on both bills on Jan. 10, the third day of session, and we expect proponents will attempt to move forward with both in the House quickly.

Initiatives to the Legislature will play significantly into Legislature's work

Six separate initiatives to the Legislature have been provisionally certified by the Washington Sec. of State Steve Hobbs as his office continues the work of verifying signatures that were collected by backers.

- As a reminder, **citizens have both the right to petition the Legislature directly as well as send issues directly to the ballot.** Initiatives to the Legislature have a lower signature threshold.
- The Legislature has three choices:
 - o 1) **pass them as written** directly into law,
 - o 2) prepare an alternative addressing the same issue and **send both options to voters** in the next general election, or
 - o 3) **do nothing, which sees the initiatives head directly to the ballot** for a vote of the people.

Each of the initiatives seek to undo entirely or significantly alter major Democrat-passed priorities in recent years. They would:

- o Repeal the Climate Commitment Act;
- o Remove the state tax on certain capital gains (which is also under court challenge);
- o Disallow the state and local governments from adopting an income tax;
- o Allow state residents to opt-out of the Long-Term Services and Support and associated payroll tax;
- o Add back additional circumstances in which law enforcement can pursue suspected criminals;
- o Provide parents with increased authority over curriculum, certain school health information, and opt children out of sex education.

It is highly unlikely that any of these six initiatives are passed as is by the Legislature.

How will they tackle the others? No one yet knows but given the significant scope of each policy and possibility voters may undo one, some, or all of them at the ballot, each of the Democratic caucuses will certainly spend a significant amount of time determining how to navigate each issue.

What we do know is that voters should expect a lengthy ballot in November.