

# SENATE BILL REPORT

## SB 5752

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As of January 13, 2022

**Title:** An act relating to the creation of the Washington future fund trust fund program.

**Brief Description:** Creating the Washington future fund trust fund program.

**Sponsors:** Senators Trudeau, Lovick, Das, Dhingra, Frockt, Hasegawa, Keiser, Lias, Lovelett, Nguyen, Nobles, Pedersen, Randall, Rivers, Salomon, Stanford, Wellman and Wilson, C.; by request of State Treasurer.

**Brief History:**

**Committee Activity:** Human Services, Reentry & Rehabilitation: 1/13/22.

**Brief Summary of Bill**

- Creates the Washington Future Fund Trust Fund in the custody of the State Treasurer to provide a sum of money in a savings and investment account for individuals born into families with limited means for the purpose of postsecondary education, purchasing a home, or starting a business, provided the individual meets certain eligibility requirements and makes a claim for funds at the age of 18 through 30.
- Creates the Washington Future Fund Trust Fund Committee.
- Appropriates the sum of \$64,000,000 in fiscal year 2022 from the General Fund for the purpose of beginning investments in the Washington Future Fund Trust Fund.

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### SENATE COMMITTEE ON HUMAN SERVICES, REENTRY & REHABILITATION

**Staff:** Alison Mendiola (786-7488)

**Background:** State Treasurer. The State Treasurer is a separately elected position within Washington State government. The Office of the Treasurer dates back to Washington's

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statehood and serves as the bank for Washington's state government. It manages the debt, investments, banking, cash and operations and public deposit protection activities for state government.

Washington State Investment Board. The Washington State Investment Board (SIB) was created in 1981. The SIB has a staff of 105 employees that work across three organizational teams—investments, operations, and institutional relations. The executive director is appointed by the SIB to oversee the staff, develop and recommend agency and investment policies for SIB adoption, and ensure adherence to state policies and laws. As of September 30, 2021, the SIB manages \$186.3 billion worth of total assets.

Washington's Birth Rate. In 2020, there were 81,756 births recorded in Washington State. Of these births, 37,412 were Medicaid-related and of this number approximately 20,000 births were covered by the Apple Health for Pregnant Women Program.

Apple Health. Apple Health is Washington's Medicaid program. Apple Health for Kids Coverage is free to children in households with an income at or below 215 percent of the federal poverty level (FPL) as determined by the federal Department of Health and Human Services, and available for a monthly premium to children in households with an income at or below 317 percent of the FPL. Apple Health for Pregnant Women provides coverage to pregnant women with an income at or below 198 percent of the federal poverty level without regard to citizenship or immigration status.

Federal Poverty Level. Currently and in 2021, the FPL in the 48 contiguous states is \$12,880. For each additional person in the household, the FPL increases by \$4,450. If there are more than eight people in the household, the FPL then increases by \$4,520 per additional person.

Baby Bonds. Federally, the proposed baby bonds policy as provided for in U.S. Senator Cory Booker's Opportunity Accounts program, would provide every child in the U. S. with a tax-free account up to \$2,000, based on that child's family's income with the stated goal of substantially closing the wealth gap. Each subsequent year, children would be eligible for additional payments based on family income until at age 18, when they would be able to access these accounts for specified uses including education, homeownership, and retirement. Connecticut recently enacted a Baby Bonds Program. This program went into effect July 1, 2021, and creates a trust for babies whose births are covered by the state's Medicaid program. When those children are between the ages of 18 and 30, and have completed a financial literacy course, they can submit a claim to access funds from the trust for specific expenses. These expenses include higher education costs, the purchase of a home in Connecticut, investment in a business in Connecticut, or saving for retirement.

**Summary of Bill:** The Washington Future Fund Trust Fund. The Washington Future Fund Trust Fund (Trust) is established in the custody of the State Treasurer, comprised of private or public sources, as well as a combination of both private and public sources, to finance

benefits for designated beneficiaries.

Beginning on a designated beneficiary's 18th birthday and before the designated beneficiary's 31st birthday, a designated beneficiary is eligible to receive the total sum of the initial investment and investment earnings to be used for an eligible expenditure. The designated beneficiary may submit a claim for benefits subject to the following conditions:

- the designated beneficiary must be a resident of the state of Washington;
- the designated beneficiary must have successfully completed a financial education course or a comparable financial education offering as determined by the State Treasurer; and
- the designated beneficiary must be facing financial hardship.

If the designated beneficiary is deceased before submitting a valid claim or does not submit a valid claim before the designated beneficiary's 31st birthday, such accounting shall be credited back to the assets of the Trust.

Trust assets are not considered assets for determining an individual's eligibility for assistance under any program administered by the Department of Social and Health Services or needs-based institutional aid grants offered to an individual at the public educational institutions in the state.

Definitions. Designated beneficiary means an individual who is born on after January 1, 2024; whose birth was subject to medical coverage provided under Apple Health for Kids; and who is facing financial hardship at the time of making a claim for funds provided by the Trust.

Eligible expenditure means an expenditure associated with any of the following:

- postsecondary education of a designated beneficiary in Washington State, including trade schools, apprenticeships, and technical certifications;
- purchase of a home in Washington State by a designated beneficiary; or
- the formation of a business in Washington State by a designated beneficiary.

Facing financial hardship means having an income less than 193 percent of the Federal poverty level.

Committee on the Washington Future Fund Trust Fund. A committee on the Washington Future Fund Trust Fund (Committee) is established, with the following members:

- the President of the Senate is to appoint one member of the Senate from each of the two largest caucuses;
- the Speaker of the House of Representatives is to appoint one member of the House of Representatives from each of the two largest caucuses;
- the State Treasurer, or the Treasurer's designee;
- the State Treasurer is to appoint two members representing underrepresented communities and one member representing an economic empowerment organization;

and

- the Director of the Washington Health Care Authority, or the Director's designee.

Appointed members are to serve a two-year term that begins on January 1st.

The Committee is chaired by the State Treasurer and staffed by the Office of the Treasurer. The State Treasurer is to convene the initial meeting of the Committee in 2029. Subsequent meetings are to be held as follows:

- annual meetings through 2034;
- semi annual meetings in 2035 through 2039; and
- quarterly meetings in 2040 through 2042.

The Committee is to review the following topics:

- the distribution of funds in alignment with the intent of the Trust;
- how to determine eligibility at the time funds are received, including means-testing and identification verification;
- how to monitor the designated beneficiary's use of funds to ensure compliance with program requirements;
- the creation of a campaign to increase public awareness of eligibility of the program;
- the identification and approval of financial education course offerings; and
- other policy considerations that may arise and be pertinent to the administration of the Trust.

Legislative members are reimbursed for travel expenses as provided in statute. Nonlegislative members are not entitled to be reimbursed for travel expenses if they are elected officials or are participating on behalf of an employer, governmental entity, or other organization. Any reimbursement for other nonlegislative members is subject to limitation as provided in statute.

Committee expenditures are subject to approval by the Senate Facilities and Operations Committee and the House of Representatives Executive Rules Committee, or their successor committees.

The Committee is to report its findings and recommendations to the appropriate committees of the Legislature by December 1, 2040. The statutory authority for the Committee expires on January 1, 2045.

The State Investment Board. The SIB has the full power to invest, reinvest, manage, contract, sell, or exchange investment money in the Trust. All of the earnings from the investment of money shall be paid in accordance with state law. All investments made by the SIB are to be made with the exercise of judgment and care required by statute and consistent with the investment policy established by the SIB. As deemed appropriate by the SIB, money in the Trust may be commingled for investment with other funds subject to investment by the SIB. The authority to establish all policies relating to the Trust resides

with the State Treasurer. The SIB is to routinely consult and communicate with the State Treasurer on the investment policy, earnings of the Trust, and related needs of the program.

Health Care Authority. On or before the first day of September each year, the Health Care Authority (HCA) is to inform the State Treasurer of the number of designated beneficiaries born in the prior fiscal year. The State Treasurer is to then submit to the Office of Financial Management a calculation of the total amount required to deposit into the Trust in an amount equal to \$3,200 per designated beneficiary born in the prior fiscal year. The State Treasurer and the HCA are to enter into a memorandum of understanding to establish information sharing practices to carry out the purposes of the legislation, subject to federal and state laws governing the disclosure of confidential information related to designated beneficiaries. The HCA is to enter into a data sharing agreement with the Office of the State Treasurer to share the necessary data to facilitate the Trust. The HCA is to retain client eligibility records for children born under Apple Health until they turn 31 years old.

Other Provisions. Disbursements from the Trust are exempt from appropriations and allotments however, money used for program administration is subject to the allotment and budgetary controls. All monies in the fund, all property and rights purchased from the Trust, are to be held in trust by SIB, for the exclusive benefit of the Trust beneficiaries. To the extent that funds are appropriated for this purpose, the Office of the State Treasurer is to provide staff and administrative support to the State Treasurer for the purpose of administering the Trust.

The State Treasurer, the Office of the State Treasurer, and the SIB are not liable to the state, to the Trust, or any other person as a result of their activities relating to this Trust, whether these activities are ministerial or discretionary, except for the willful dishonesty or intentional violations of the law. The State Treasurer may purchase liability insurance for the State Treasurer and the Office of the State Treasurer. The SIB may purchase liability insurance for its members.

The State Treasurer may receive gifts, grants, and endowments from public or private sources as may be made from time to time, in trust or otherwise, for the use and benefit of the purposes of the Trust. The State Treasurer may expend gifts, grants, and endowments according to their terms.

The Trust must receive its proportionate share of earning based on the Trust's average daily balance for the period.

The State Treasurer may adopt rules for the implementation of this legislation.

A technical correction is made to clarify that the Rosa Franklin Legislative Intern Program Scholarship is listed in statute as the Rosa Franklin Legislative Intern Program Scholarship Account.

**Appropriation:** The bill contains an appropriation totaling \$64,000,000, or as much thereof may be necessary from the general fund.

**Fiscal Note:** Requested on January 9, 2022.

**Creates Committee/Commission/Task Force that includes Legislative members:** Yes.

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

**Staff Summary of Public Testimony:** PRO: Too many children are born into financial instability and it becomes an intergenerational problem which is hard to escape without the right tools. Parents want better for their children. It's time we rely on more than luck; the rule for the few needs to be the rule for the many. This addresses the cyclical cost of poverty, not a handout but a step up. There are many innovative and resilient people in our community that we could assist. Working hard alone isn't the key to success or those who are low-income would already be wealthy. The issue is the lack of access to capital which contributes to the wealth gap. If you go to high school knowing you have funds to go to college, start a business or buy a home, you just think differently. The Washington Future Fund is trying to reserve funds today to meet the needs we will need in the future. Connecticut has recently done this, although through a capital investment. We are looking for a long-term investment that will be impactful 20 years from now. The task force will be tasked with looking at distribution issues, among other things. The bill should be structured more progressively with the greatest benefit going to the greatest need. The committee should also look and new and emergency opportunities beyond education, starting a business and buying a home. For some communities, these don't provide as much wealth as you would think.

**Persons Testifying:** PRO: Senator Yasmin Trudeau, Prime Sponsor; Mike Pellicciotti, Washington State Treasurer; Jennifer Tran, Washington State Budget & Policy Center; Nathan Gorton, Washington REALTORS; Gabriela Quintana, Economic Opportunity Institute; Shaun Scott; Samuel Martin, Washington for Black Lives; Choi Halladay, State Board for Community and Technical Colleges; Terri Standish-Kuon, Independent Colleges of Washington.

OTHER: Kamau Chege, Washington Community Alliance.

**Persons Signed In To Testify But Not Testifying:** No one.