

# HOUSE BILL REPORT

## HB 1094

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**As Reported by House Committee On:**  
Human Services, Youth, & Early Learning

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

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

**Sponsors:** Representatives Stonier, Harris, Goodman, Reed, Ryu, Leavitt, Ramel, Peterson, Pollet, Street, Senn, Cortes, Callan, Doglio, Simmons, Reeves, Lekanoff, Waters, Gregerson, Wylie, Ramos, Kloba, Davis, Chandler, Riccelli, Orwall, Entenman and Fosse; by request of State Treasurer.

**Brief History:**

**Committee Activity:**

Human Services, Youth, & Early Learning: 1/18/23, 1/27/23 [DPS].

**Brief Summary of Substitute Bill**

- Creates the Washington Future Fund Program (WFFP) to invest a sum of money in a savings and investment account each year on behalf of a cohort of children born in the state meeting certain criteria.
- Allows distributions from the account to designated institutions on an individual's behalf for education, purchase of a residence, or purchase of a business, provided the individual meets eligibility requirements and makes a claim for funds between the ages of 18 and 35.
- Establishes a committee to review and make recommendations regarding the WFFP.

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**HOUSE COMMITTEE ON HUMAN SERVICES, YOUTH, & EARLY LEARNING**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass.  
Signed by 7 members: Representatives Senn, Chair; Cortes, Vice Chair; Taylor, Vice

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

Chair; Callan, Goodman, Ortiz-Self and Rule.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Eslick, Ranking Minority Member; Walsh.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Couture, Assistant Ranking Minority Member; Dent.

**Staff:** Omeara Harrington (786-7136).

### **Background:**

#### Baby Bonds.

Under a "baby bonds" model, an investment is made on behalf of a child born into a low-wealth household. That investment is then allowed to earn interest until the child becomes an adult. At that time, the adult may use funds to invest in certain wealth-generating assets, for instance, real estate, a business, or education or training.

#### The Washington Future Fund Study Committee.

The Washington Future Fund Study Committee was commissioned by the Legislature in 2022 to gather data and examine how investment programs such as the Washington Future Fund or other "baby bonds" investment programs can impact wealth inequities and the future financial stability of the State Treasury. The report made recommendations for adoption of a Washington Future Fund Program, as well as a Constitutional amendment to allow funds to be invested into a diversified portfolio.

#### Apple Health.

The Health Care Authority administers the Apple Health program. Apple Health includes the state's Medicaid and Children's Health Insurance programs which are state-federal programs that pay for health care for low-income state residents who meet certain eligibility criteria. Apple Health offers a complete medical benefits package to eligible families, children under age 19, low-income adults, certain individuals with disabilities, and pregnant women.

#### Relevant State Agencies and Entities.

The Office of the State Treasurer (OST) is responsible for receiving and keeping all moneys of the state, and disbursing and accounting for public moneys as provided by law. The OST must report annually to the Legislature with a detailed statement of the condition of the State Treasury, and of its operations for the preceding fiscal year.

The Washington State Investment Board is an independent Board of Trustees who have a fiduciary responsibility to manage retirement and public fund investments, with an objective to maximize returns at a prudent level of risk for the exclusive benefit of fund participants and beneficiaries.

The Caseload Forecast Council (CFC) is the entity responsible for performing official state forecasts for entitlement programs. The CFC also provides courtesy forecasts for other types of services.

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### **Summary of Substitute Bill:**

#### The Washington Future Fund Program.

The Washington Future Fund Program (WFFP) is established in the Office of the State Treasurer (OST). The program provides a sum of money in a savings and investment account for members of a funded cohort, and allows expenditures from the account on behalf of eligible claimants to designated institutions for education, purchase of a residence, or purchase of a business. A "cohort" includes all people born in Washington in a calendar year who received medical services under the Apple Health program before their first birthday.

#### The Washington Future Fund Account.

The Washington Future Fund Account (account) is created in the custody of the OST. Beginning in 2024, the Legislature must appropriate funds from the State General Fund to the account in an amount equal to \$4,000 for each member of the estimated cohort population, as forecasted by the Caseload Forecast Council, along with any necessary appropriations to fund past cohorts pursuant to adjusted population estimates.

The Washington State Investment Board is authorized to invest, manage, contract, sell, or exchange investment money in the account, with all earnings from investment retained in the account. The account may only be used for the purpose of issuing disbursements to designated institutions. Beginning in 2025, the OST must report the status of the account, including the balance and activity on behalf of each funded cohort, in the OST's annual report.

#### Disbursement of Funds.

An eligible claimant is entitled to have the OST issue a disbursement from the account to a designated institution on his or her behalf once in his or her lifetime. A person may make a claim for funds from the account when the person: is a member of a funded cohort; has successfully completed a financial education requirement as established in rule by the OST; and, at the time of application, is a resident of Washington, is at least 18 years old but younger than 36 years old, and demonstrates financial need. The disbursement amount includes the cohort principal and associated investment earnings for the funded cohort, divided by the population of the cohort 18 years after the cohort's birth year, plus any additional investment earnings, calculated at the time of application approval.

Expenditures from the account are limited to certain purposes and must only be made to designated institutions. Eligible expenditures include payments to:

- an educational, training, or professional development institution providing services to

- the claimant, or a financial institution issuing student loans;
- a financial institution issuing a mortgage or other real estate loan to the claimant for purchase of a residence in Washington; or
- a financial institution issuing the claimant a business loan for the creation or purchase of a business in Washington.

If the OST denies an application for disbursement for any reason, it must issue a written notice identifying the reason for denial and the process for appeal. Disbursement funds are not considered assets or income for purposes of state public assistance or financial aid eligibility. Moneys not awarded because a claimant is deceased or has not applied within the designated timeframe are retained within the account and used to fund the principal for a future cohort.

The Washington Future Fund Committee.

The Washington Future Fund Committee (Committee) is established to review and make recommendations for the WFFP, to include:

- the efficient distribution of funds;
- the adequacy of the eligibility criteria to fulfill the intent of the program;
- the eligible expenditures;
- the status of the fund and performance relative to the programmatic objectives and goals;
- whether the initial investment amount is enough to achieve the intent of the program;
- opportunities to establish public-private partnerships; and
- other policy considerations that arise pertinent to the program.

The Committee is composed of the four legislators, appointed by the President of the Senate and the Speaker of the House; the State Treasurer; the Director of the Health Care Authority; the Executive Director of the Washington Housing Finance Commission; the Director of the Department of Commerce; and the following members appointed by the State Treasurer:

- three members from communities with lived experience of poverty;
- three members representing economic empowerment organizations;
- at least one member representing individuals with developmental disabilities;
- at least two members representing tribal communities: one representing tribal communities with tribal lands located west of the crest of the Cascade Mountains, and one representing tribal communities with tribal lands located east of the crest of the Cascade Mountains;
- at least one member representing higher educational institutions;
- at least one member representing trades and apprenticeship training; and
- at least one member who received medical services under Apple Health before their first birthday and experienced poverty as a young adult, or is a claimant.

The Committee is chaired by the State Treasurer, who must convene the initial meeting by September 1, 2024. Subsequent meetings must be held at least annually through 2034,

twice annually between 2035 and 2040, and quarterly between 2041 and 2042.

Before June 30, 2036, the Committee must recommend to the Legislature criteria that a claimant must meet at the time of application to demonstrate financial need. In developing the recommendation, the Committee must take into consideration: maximizing program participation among funded cohort members; current economic conditions; general requirements to qualify for a real estate, student, or business loan; minimizing impact to eligibility for public assistance programs; and feasibility of a wealth-based qualification requirement. Legislative intent is stated to consider the recommended criteria prior to the conclusion of the 2038 Legislative Session.

The Committee must report to the Legislature with a status update and any legislative recommendations on an annual basis from December 1, 2024, to December 1, 2041. The Committee must submit a final report by December 1, 2042.

Rulemaking.

The OST is authorized to establish rules necessary to implement the WFFP. The rules must define certain program elements, including: the application and application process, fund distribution, promotional campaigns to increase public awareness of the program, and definitions for "financial education requirement," "residency," and other terminology.

**Substitute Bill Compared to Original Bill:**

Funded cohorts include persons who were enrolled in a medical assistance program under Apple Health before their first birthday, rather than the Maternity Care Access program. It is clarified that the first funded cohort consists of people born in the calendar year 2024. A Washington Future Fund Program disbursement is not considered income (in addition to not being considered an asset) for purposes of state public assistance or financial aid eligibility and calculation of benefit amount. Forecasting provisions are modified to align with standard Caseload Forecast Council practices. The Department of Health (DOH) is included in program-related information sharing with the Office of the State Treasurer and the (HCA). The DOH may share birth and death data with the HCA to verify participant eligibility.

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**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on January 27, 2023.

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

**Staff Summary of Public Testimony:**

(In support) This proposal came from meeting with people throughout the state and work by the Washington Future Fund Committee. The state has substantial wealth divides by race, ethnicity, and geography. This proposal will have a positive impact from a rural development standpoint by providing capital throughout the state. In some rural counties this policy would affect two-thirds or three-quarters of births. Knowing funds will be available will reduce a perceived need that people will need to move away from rural communities. Communities can grow with financially stable families and innovative businesses. Baby bonds also reduce the racial wealth gap. People of color are more likely to be born into low-wealth households. Many tribal citizens will be able to take advantage of this program.

Generational poverty is pervasive in spite of hard work. Because wealth is passed down generationally, interrupting generational poverty will take systemic change. Many high school students, even those with supportive parents, do not have resources for the future. Children should not have to be born into generational wealth to be successful. This policy will provide children from the lowest income households with a nest egg for the future. Investing now will set the next generation up with fewer obstacles, and will provide time for the money to grow. This is a critical investment for our children and is a step toward economic and social justice for the state. The self-made person is a myth. People achieve great things because of the people who support them. Knowing resources are there at the next step increases the chances people will pursue their dreams.

This program would allow people to take time off of work to participate in a preapprenticeship program, or would provide seed money for a small business. Home ownership is the best path to economic stability. Only those who have capital can own and buy houses, which currently means that there is a lot of corporate ownership of homes. Many young people feel that owning a home will always be out of reach. Sixty percent of white households and 30 percent of Black households own a home. Even if all needed housing units are built, people need to be able to afford them. It is imperative to reduce barriers to higher education, as obtaining a degree helps the degree holder's entire family. Community and technical colleges find that despite financial aid, finances are still an obstacle for people pursuing degrees. There should be a way for kids to go to college unencumbered by the scarcity of funds and crippling debt.

(Opposed) It is mindset, determination, and hard work that are agents of change. With this proposal, the state is assuming that a person born in poverty will remain in poverty, and this is not a positive message. It also assumes that there will be funds to cover this. This may not be true given how many children are on Medicaid, and the fact that these numbers will grow as programs expand. This sort of program should be reserved for those with current, demonstrated needs and should have clear parameters.

**Persons Testifying:** (In support) Representative Monica Jurado Stonier, prime sponsor; Jennifer Black, Sumner-Bonney Lake Education Association; Mike Pellicciotti, Office of the State Treasurer; James Carter, The Breakfast Group; Ryan Davis, Washington Asset

Building Coalition; David Radcliffe, The New School's Institute on Race, Power and Political Economy; Karim Lessard; Efrem Fesaha, Boon Boona Coffee; Arlen Harris, State Board for Community and Technical Colleges; Clifford Cawthon, Habitat for Humanity Seattle-King and Kittitas Counties; Shannon Cosgrove, Washington State Board for Community and Technical Colleges; Theresa Metcalf, Samish Indian Nation; Edgar Franks, Familias Unidas por la Justicia; Tracy Yeung, Washington State Budget and Policy Center; Jennifer Bereskin, Washington Future Fund Study Committee; Sybill Hyppolite, Washington State Labor Council, American Federation of Labor and Congress of Industrial Organizations; Shira Markoff, Prosperity Now; Kristin Ang, Faith Action Network; and Naira Gonzales Aranda, Associated Students of Western Washington University.

(Opposed) Jeannie Magdua, Conservative Ladies of Washington.

**Persons Signed In To Testify But Not Testifying:** Cristina Mateo, Washington Build Back Black Alliance; Debra Dassler; Mary Harju; and Al King.