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**SUBSTITUTE SENATE BILL 5752**

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**State of Washington 67th Legislature 2022 Regular Session**

**By** Senate Human Services, Reentry & Rehabilitation (originally sponsored by Senators Trudeau, Lovick, Das, Dhingra, Frockt, Hasegawa, Keiser, Liias, Lovelett, Nguyen, Nobles, Pedersen, Randall, Rivers, Salomon, Stanford, Wellman, and C. Wilson; by request of State Treasurer)

AN ACT Relating to the creation of the Washington future fund trust fund program; reenacting and amending RCW 43.79A.040; adding a new section to chapter 74.09 RCW; adding a new chapter to Title 43 RCW; making an appropriation; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  The legislature finds that persistent and disproportionate wealth inequities exist in Washington state. As wealth is the key indicator of long-term economic stability and well-being, those born into families of limited means face additional and substantial barriers to accessing reliable pathways out of poverty such as owning a home, completing postsecondary education, or starting a small business. The legislature declares that it is the public policy of the state and a recognized governmental function to assist individuals who are born into families of limited means to overcome economic and other disadvantages that would otherwise limit their opportunities as adults, making them better able to contribute to the general welfare.

Nearly half of all births in Washington state occur with a public subsidy. This indicates that a significant population of Washingtonians are born every year without financial stability.

The legislature recognizes that the effects of economic hardship are well-documented. Poverty causes negative outcomes for children, adults, and families. Further, financial hardship to individuals can result in state expenditures that could have been avoided if affected individuals were empowered to be more financially independent.

The purpose of this chapter is to establish a Washington future fund trust fund program housed in the office of the state treasurer to provide a sum of money in a savings and investment account for individuals who are born into families of limited means, and experiencing persistent poverty, to assist them in pursuing opportunities for education, housing, and entrepreneurship by starting a small business. The legislature also intends for this chapter to create opportunities that will foster financial independence and correspondingly reduce the need for certain state support.

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Designated beneficiary" means an individual:

(a) Born on or after January 1, 2024, in Washington state;

(b) Whose birth was eligible for or subject to medical assistance as described in RCW 74.09.470; and

(c) Who is facing financial hardship at the time of making a claim for funds provided in this chapter.

(2) "Eligible expenditure" means an expenditure associated with any of the following:

(a) Postsecondary education of a designated beneficiary in Washington state, including universities, colleges, community and technical schools, trade schools, apprenticeships, and technical certifications and licensures;

(b) Purchase of a home in Washington state by a designated beneficiary; or

(c) The formation of a business in Washington state by a designated beneficiary.

(3) "Facing financial hardship" means having an income that is less than 215 percent of the federal poverty level.

(4) "Washington future fund trust fund" or "trust" means the fund established in the custody of the state treasurer by section 5 of this act, comprised of private, public, or private and public sources, to finance benefits for designated beneficiaries.

NEW SECTION. **Sec.**  (1)(a) A committee on the Washington future fund trust fund is established, with members as provided in this subsection:

(i) The president of the senate shall appoint one member of the senate from each of the two largest caucuses;

(ii) The speaker of the house of representatives shall appoint one member of the house of representatives from each of the two largest caucuses;

(iii) The state treasurer, or the state treasurer's designee;

(iv) The state treasurer shall appoint three members representing underrepresented communities;

(v) The state treasurer shall appoint one member representing an economic empowerment organization;

(vi) The state treasurer shall appoint one member representing a financial institution;

(vii) The state treasurer shall appoint one member representing either a chamber of commerce or an associated development organization;

(viii) The director of the Washington health care authority, or the director's designee;

(ix) The executive director of the Washington housing finance commission, or the executive director's designee;

(x) The secretary of the department of social and health services, or the secretary's designee; and

(xi) The director of the department of commerce, or the director's designee.

(b) The committee shall be chaired by the state treasurer. The state treasurer must convene the initial meeting of the committee by June 1, 2023. Subsequent meetings shall be held as follows:

(i) At least annual meetings through 2034;

(ii) Twice annual meetings in 2035 through 2039; and

(iii) Quarterly meetings in 2040 through 2042.

(2) All appointed members shall serve two-year terms that begin January 1st unless appointed to fill a mid-year vacancy.

(3) The committee shall review the following topics and report to the legislature on:

(a) Efficient distribution of funds in accordance with the intent of the trust;

(b) Direct distribution of funds to entities as directed by beneficiaries in accordance with this chapter;

(c) The adequacy of the definition of financial hardship to achieve programmatic goals;

(d) The designated beneficiary's use of funds to ensure compliance with program requirements;

(e) The program's impact on generational wealth inequities based on consulting with experts to study issues of generational wealth inequity and how the program impacts generational wealth inequities;

(f) An evaluation of fund solvency and performance relative to programmatic objectives and goals; and

(g) Other policy considerations that may arise and be pertinent to the programmatic elements of the trust.

(4) Committee reports to the legislature as required under this section may include recommendations for legislative action.

(5) Staff support for the committee is provided by the office of the state treasurer.

(6) Legislative members of the committee are reimbursed for travel expenses in accordance with RCW 44.04.120. 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. Stipends may be provided to cover the costs of attending meetings including transportation, lodging, and child care, if these costs are not covered by a committee member's employer. Any reimbursement for other nonlegislative members is subject to chapter 43.03 RCW.

(7) 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.

(8) In compliance with RCW 43.01.036, the committee shall provide annual updates on the progress of its work including any legislative recommendations to the appropriate committees of the legislature annually starting December 1, 2023, through December 1, 2039, as well as provide a final report of its findings and recommendations to the appropriate committees of the legislature by December 1, 2040.

(9) This section expires December 31, 2044.

NEW SECTION. **Sec.**  (1) The Washington future fund trust fund program is administered under the office of the state treasurer.

(2) The state treasurer may adopt rules to implement this chapter, including rules on all technical aspects related to the Washington future fund trust fund program including:

(a) A claims process for receipt of funds including distribution of funds;

(b) Balancing the right of the parent giving birth to opt out of disclosing information relevant for the designated beneficiary while allowing a person who believes oneself to be qualified to be a designated beneficiary alternative methods of proving eligibility to be considered a designated beneficiary;

(c) Determination of eligibility at the time of the claim including identification verification;

(d) Implementation of automated eligibility processes for designated beneficiaries where applicable;

(e) Creation of promotional campaigns to increase public awareness of beneficiary eligibility for the program;

(f) The identification and approval of financial education course offerings or equivalent; and

(g) Other technical considerations that may arise and be pertinent to the administration of the trust.

NEW SECTION. **Sec.**  (1) The Washington future fund trust fund is created in the custody of the state treasurer. Expenditures from the fund may be used only for the purposes of the Washington future fund trust fund established under this chapter. All receipts from all sources for the Washington future fund trust fund program must be deposited into the fund. An appropriation is not required for expenditures and the fund is not subject to allotment procedures under chapter 43.88 RCW. Only the state treasurer or the state treasurer's designee may authorize expenditures from the fund.

(2) All moneys in the fund, all property and rights purchased from the fund, and all income attributable to the fund, shall be held in trust by the state investment board, as provided in RCW 43.33A.030, for the exclusive benefit of fund beneficiaries.

(3) The legislature must provide general fund appropriation authority for the state treasurer for the Washington future fund trust fund program administration costs.

NEW SECTION. **Sec.**  (1) The state investment board 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 the money shall be retained by the trust.

(2) All investment and operating costs associated with the investment of money shall be paid under RCW 43.33A.160 and 43.84.160.

(3) All investments made by the state investment board shall be made with the exercise of judgment and care required by RCW 43.33A.140 and consistent with the investment policy established by the state investment board.

(4) As deemed appropriate by the state investment board, money in the trust may be commingled for investment with other funds subject to investment by the board.

(5) The authority to establish all policies relating to the trust, other than the investment policies as set forth in subsections (1) through (3) of this section, resides with the state treasurer.

(6) The state investment board shall routinely consult and communicate with the state treasurer on the investment policy, earnings of the trust, and related needs of the program.

NEW SECTION. **Sec.**  (1) The state treasurer shall administer the Washington future fund trust fund. To the extent that funds are appropriated for this purpose, the office of the state treasurer shall provide staff and administrative support to the state treasurer.

(2) The state treasurer, the office of the state treasurer, and the state investment board shall not be considered an insurer of the funds or assets of the trust or the individual trust accounts. Neither the state treasurer, the office of the state treasurer, nor the state investment board are liable for the action or inaction of the other.

(3) The state treasurer, the office of the state treasurer, and the state investment board are not liable to the state, to the trust, or to any other person as a result of their activities relating to this chapter, whether those activities are ministerial or discretionary, except for willful dishonesty or intentional violations of law. The state treasurer may purchase liability insurance for the state treasurer and the office of the state treasurer, and the state investment board may purchase liability insurance for its members.

NEW SECTION. **Sec.**  (1) Any person denied benefits under this chapter may file a complaint with the state treasurer. Such complaints shall be resolved as provided by chapter 34.05 RCW. All complaints must: Be in writing, include the complainant's name, telephone number, and mailing address, and include a clear and concise description of the alleged error.

(2) Where applicable, state treasurer staff may provide assistance in preparing a written complaint.

(3) Nothing in this chapter creates any other remedy for the erroneous denial of benefits.

(4) The applicant or recipient must file the application for an adjudicative proceeding with the state treasurer within 90 days after receiving notice of the aggrieving decision unless good cause is shown. For the purpose of this subsection, good cause is defined as a substantive reason or legal justification for failing to meet a hearing deadline. Good cause to fail to meet a hearing deadline may include, but is not limited to: Military deployment, medical reasons, housing instability, language barriers, or domestic violence.

(5) The adjudicative proceeding is governed by chapter 34.05 RCW and this section.

NEW SECTION. **Sec.**  (1) 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:

(a) The designated beneficiary must be a resident of the state of Washington;

(b) The designated beneficiary must have successfully completed a financial education course or a comparable financial education offering as determined by the state treasurer;

(c) The designated beneficiary must be facing financial hardship; and

(d) The designated beneficiary must complete a new business or start-up education course or consult with a local associated development organization prior to the use of any benefits from the Washington future fund to form a business.

(2) If a 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.

(3) Subject to federal and state laws governing the disclosure of confidential information related to designated beneficiaries, the state treasurer and the Washington health care authority shall enter into a memorandum of understanding to establish information-sharing practices in order to carry out the purposes of this chapter. Disclosure under this subsection is mandatory for the purpose of the federal health insurance portability and accountability act.

NEW SECTION. **Sec.**  (1) On or before the first day of September in each year, beginning September 1, 2022, the state treasurer shall submit to the office of financial management the total number of Washington births eligible for medical assistance, as described in RCW 74.09.470, in the prior year.

(2) The legislature must appropriate from the state general fund into the Washington future fund trust fund for the fiscal year ending June 30, 2022, and each fiscal year thereafter, a total amount based on the number of Washington births eligible for medical assistance, as described in RCW 74.09.470, in the previous year multiplied by $3,200.

NEW SECTION. **Sec.**  The state treasurer may solicit or 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 Washington future fund trust fund, and the state treasurer may expend the gifts, grants, and endowments according to their terms.

NEW SECTION. **Sec.**  (1) Trust assets are not considered assets for purposes of determining an individual's eligibility for assistance under any program administered by the department of social and health services.

(2) Trust assets are not considered assets for purposes of determining an individual's eligibility for need-based, institutional aid grants offered to an individual at the public educational institutions in the state.

NEW SECTION. **Sec.**  A new section is added to chapter 74.09 RCW to read as follows:

The authority must enter into a data-sharing agreement with the office of the state treasurer to share the necessary data to facilitate the Washington future fund trust fund under chapter 43.--- RCW (the new chapter created in section 15 of this act). To effectuate this agreement, the authority must retain client eligibility records for children whose births were covered under medical assistance, as described in RCW 74.09.470, until they turn 31 years old. Disclosure under this section is mandatory for the purpose of the federal health insurance portability and accountability act.

**Sec.**  RCW 43.79A.040 and 2021 c 175 s 10 and 2021 c 108 s 5 are each reenacted and amended to read as follows:

(1) Money in the treasurer's trust fund may be deposited, invested, and reinvested by the state treasurer in accordance with RCW 43.84.080 in the same manner and to the same extent as if the money were in the state treasury, and may be commingled with moneys in the state treasury for cash management and cash balance purposes.

(2) All income received from investment of the treasurer's trust fund must be set aside in an account in the treasury trust fund to be known as the investment income account.

(3) The investment income account may be utilized for the payment of purchased banking services on behalf of treasurer's trust funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasurer or affected state agencies. The investment income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments must occur prior to distribution of earnings set forth in subsection (4) of this section.

(4)(a) Monthly, the state treasurer must distribute the earnings credited to the investment income account to the state general fund except under (b), (c), and (d) of this subsection.

(b) The following accounts and funds must receive their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The 24/7 sobriety account, the Washington promise scholarship account, the Gina Grant Bull memorial legislative page scholarship account, the Rosa Franklin legislative internship program scholarship ((~~[account]~~)) account, the Washington advanced college tuition payment program account, the Washington college savings program account, the accessible communities account, the Washington achieving a better life experience program account, the community and technical college innovation account, the agricultural local fund, the American Indian scholarship endowment fund, the foster care scholarship endowment fund, the foster care endowed scholarship trust fund, the contract harvesting revolving account, the Washington state combined fund drive account, the commemorative works account, the county enhanced 911 excise tax account, the county road administration board emergency loan account, the toll collection account, the developmental disabilities endowment trust fund, the energy account, the fair fund, the family and medical leave insurance account, the fish and wildlife federal lands revolving account, the natural resources federal lands revolving account, the food animal veterinarian conditional scholarship account, the forest health revolving account, the fruit and vegetable inspection account, the educator conditional scholarship account, the game farm alternative account, the GET ready for math and science scholarship account, the Washington global health technologies and product development account, the grain inspection revolving fund, the Washington history day account, the industrial insurance rainy day fund, the juvenile accountability incentive account, the law enforcement officers' and firefighters' plan 2 expense fund, the local tourism promotion account, the low-income home rehabilitation revolving loan program account, the multiagency permitting team account, the northeast Washington wolf-livestock management account, the produce railcar pool account, the public use general aviation airport loan revolving account, the regional transportation investment district account, the rural rehabilitation account, the Washington sexual assault kit account, the stadium and exhibition center account, the youth athletic facility account, the self-insurance revolving fund, the children's trust fund, the Washington horse racing commission Washington bred owners' bonus fund and breeder awards account, the Washington horse racing commission class C purse fund account, the individual development account program account, the Washington horse racing commission operating account, the life sciences discovery fund, the Washington state library-archives building account, the reduced cigarette ignition propensity account, the center for deaf and hard of hearing youth account, the school for the blind account, the Millersylvania park trust fund, the public employees' and retirees' insurance reserve fund, the school employees' benefits board insurance reserve fund, the public employees' and retirees' insurance account, the school employees' insurance account, the long-term services and supports trust account, the radiation perpetual maintenance fund, the Indian health improvement reinvestment account, the department of licensing tuition recovery trust fund, the student achievement council tuition recovery trust fund, the tuition recovery trust fund, the industrial insurance premium refund account, the mobile home park relocation fund, the natural resources deposit fund, the Washington state health insurance pool account, the federal forest revolving account, ((~~and~~)) the library operations account, and the Washington future fund trust fund.

(c) The following accounts and funds must receive eighty percent of their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The advance right-of-way revolving fund, the advanced environmental mitigation revolving account, the federal narcotics asset forfeitures account, the high occupancy vehicle account, the local rail service assistance account, and the miscellaneous transportation programs account.

(d) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the custody of the state treasurer that deposits funds into a fund or account in the custody of the state treasurer pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no trust accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

NEW SECTION. **Sec.**  Sections 1 through 12 of this act constitute a new chapter in Title 43 RCW.

**--- END ---**