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**Human Services, Youth, & Early  
Learning Committee**

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**HB 1094**

**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 Summary of 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.

**Hearing Date:** 1/18/23

**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

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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.

#### 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.

#### Maternity Care Access Program.

The Health Care Authority (HCA) administers the Medicaid program which is a state-federal program that pays for health care for low-income state residents who meet certain eligibility criteria. Washington's Medicaid program is known as Apple Health, and offers a complete medical benefits package to eligible families, children under age 19, low-income adults, certain individuals with disabilities, and pregnant women. A program available to Apple Health enrollees is the Maternity Care Access Program, administered by the HCA as the "First Steps" program. Program services include full medical coverage, including prenatal care, delivery, post pregnancy follow-up, and one year of family planning services and medical care for newborns.

#### 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.

### **Summary of 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 Maternity Care Access Program before their first birthday.

Washington Future Fund Account.

The Washington Future Fund Account (account) is created in the custody of the OST. Beginning September 2023, and annually thereafter, the CFC must estimate the anticipated population of the next two cohorts, beginning on January 1st of the proceeding calendar year, and, if necessary, increase or decrease the funded cohort population estimates to reflect updated available data. Starting with the 2024 Legislative Session, 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, 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 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.

### 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 the Maternity Care Access Program 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.

**Appropriation:** None.

**Fiscal Note:** Requested on January 12, 2023.

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