SENATE BILL REPORT
SB 5541

As of February 3, 2025

Title: An act relating to the Washington future fund pilot project.

Brief Description: Concerning the Washington future fund pilot project.

Sponsors: Senators Trudeau, Harris, Valdez, Lovick, Salomon, Dhingra, Hasegawa, Kauffman, Wilson, C., Riccelli, Saldaña, Frame, Nobles and Slatter; by request of State Treasurer.

Brief History:
Committee Activity: Ways & Means: 2/03/25.

Brief Summary of Bill

- Establishes a Future Fund Pilot Project (Project) in the Office of the State Treasurer, to award 40 grants of $25,000 to eligible applicants for expenses for education or the purchase of a home or business.
- Requires evaluation of the Project's impacts on participants and a report to the Legislature.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Samuel Brown (786-7470)

Background: Baby Bonds. Federally, the proposed baby bonds policy would provide every child in the U.S. with a tax-free account up to $2,000, based on that child's family 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. Other jurisdictions such as Connecticut and Washington, D.C. have recently enacted baby bond legislation.

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.

Washington Future Fund. In 2022, SB 5752 was introduced which proposed creating the Washington Future Fund Trust Fund in the custody of the state treasurer to provide 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. In the 2022 supplemental operating budget, the Legislature provided funding for the Office of the State Treasurer (OST) to establish the committee on the program impacts of the Washington Future Fund Baby Bonds investment model on wealth gaps.

The committee was directed to study generational wealth inequities in Washington and report its findings to the Legislature and the Governor. In December 2022, the Washington Future Fund Committee published its report, which includes a number of key findings, including:

- poverty is persistent;
- if an individual is going to move out of poverty, they are most likely to do so in their late 20s or early 30s;
- the eligible uses of funds proposed in the 2023 Washington Future Fund policy can help break the cycle of poverty—homeownership, business, and education; and
- without an intervention, it is anticipated that current inequities will persist and worsen.

Office of the State Treasurer. The state treasurer is a separately elected position within Washington State government. The OST dates back to Washington's 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.

Accountable Communities of Health. An Accountable Community of Health (ACH) is a regional coalition of representatives from a variety of sectors, working together to improve health and health equity. Participants may include health and long-term care providers, health insurance companies, public health agencies, school districts, and criminal justice agencies. There are nine ACHs in Washington, broken down into separate regions by county.

Summary of Bill: Future Fund Pilot Project. The Future Fund Pilot Project (Project) is established in OST. OST will disperse one $25,000 grant to an institution designated by each participant in the Project for expenses associated with any of the following purposes:

- education, training, and professional development;
- purchase of a residence in Washington State; or
- the creation or purchase of a business in Washington State.

Eligible Participants. Any person is eligible to submit an application to receive a grant under and participate in the Project who:

- was born in and is a resident of Washington State;

- is between 18 and 36 years old; and
- has been enrolled in Medicaid, the Children's Health Insurance Program, or both, before the applicant's first birthday and at the time of application. The Health Care Authority (HCA) will assist in verifying this criterion of applicants' eligibility.

Project participants will be randomly selected from among applicants who meet the eligibility criteria. Forty applicants will be selected to participate in the Project. Grants will be allocated by region using the following formula:

- two grants will be awarded to applicants from each Accountable Community of Health region; and
- remaining grants will be allocated based on the percentage of statewide Apple Health enrollees served in each region.

Participant Responsibilities. Project participants must participate in:

- at least two impact evaluation study interviews conducted by the University of Washington to evaluate the impact of the grant on the participant's economic and financial stability, perceptions and decision-making; and
- financial coaching during the Project period to help them reach their financial goals.

Office of the State Treasurer Responsibilities. OST must contract with a third-party vendor to operate the Project, including receiving and processing applications, determining applicant eligibility, and facilitating the applicant selection process. OST must also contract with the University of Washington for Project design and implementation, evaluation of the Project, and a final legislative report, which is due by June 30, 2027.

Other Provisions. Legal guardians of applicants or Project participants may act on their behalf for purposes of the Project. OST, HCA, and the Department of Health must enter into a memorandum of understanding to establish information-sharing practices to carry out the Project by September 30, 2025. The State Treasurer's Service Fund may be used to carry out the Project.

Appropriation: None.

Fiscal Note: Requested on January 28, 2025.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Due to the budgetary environment, we are not proposing the full program. However, this pilot program will allow us to gather information and show the impacts of a baby bonds program to the Legislature. This is a scaled-back, fiscally responsible approach. Baby bonds can interrupt intergenerational poverty, create stable communities that rely less on government, and turn a family's

trajectory around. At full maturity, this project could yield $3.5 billion per year for the state and unlock homeownership for 40,000 Washingtonians.

Persons Testifying: PRO: Gabriela Quintana, Economic Opportunity Institute; Karim Lessard, 7 simple solutions/ self; Mike Pellicciotti, State Treasurer.

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