

SENATE BILL REPORT

SJR 8201

As of February 21, 2025

Brief Description: Amending the Constitution to allow the state to invest moneys from long-term services and supports accounts.

Sponsors: Senators Braun, Pedersen and Conway.

Brief History:

Committee Activity: Ways & Means: 2/24/25.

Brief Summary of Bill

- Proposes a constitutional amendment to allow funds for long-term care services and supports to be invested as provided by law, with investment returns dedicated to services and supports for program beneficiaries.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Samuel Brown (786-7470)

Background: Long-Term Services and Supports Trust Program. In 2019, the state enacted the Long-Term Services and Supports (LTSS) Trust Program, a long-term care insurance benefit for all eligible Washingtonians, funded by worker premiums. Under this law, individuals will have access to a lifetime benefit of \$36,500 that will be adjusted annually for inflation. Beginning in January 2022, workers will pay a initial premium of \$0.58 per \$100 of earnings to fund the LTSS Trust Program. Beginning in January 2025, workers who have vested in the LTSS Trust Program and need long-term care will be able to access their earned LTSS Trust Program benefits for a wide range of services and supports.

Biennially, the worker premium rate shall be set by the Pension Funding Council at the lowest amount necessary to maintain the actuarial solvency of the LTSS Trust, in accordance with recognized insurance principles, and at a rate no greater than 0.58 percent—\$0.58 per \$100 of earnings. Revenue from premiums must be deposited into the

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.

LTSS Trust Fund and the Washington State Investment Board (WSIB) is directed to invest the moneys for the benefit of the fund. WSIB manages the investments of 17 retirement plans and several other large public funds like Washington's Industrial Insurance Program, colleges and universities funds, and developmental disability programs. WSIB uses a long-term, diversified investment strategy that includes investing in fixed-income securities, commodities, real estate, private equities and public stock, which has produced a return on investment in excess of 7 percent. Due to constitutional restrictions, WSIB cannot invest the LTSS Trust Fund using this strategy.

Investment of Public Funds. The State Constitution prohibits the state from being interested in the stock of any company, association, or corporation. This provision has been interpreted to mean that the state cannot invest public funds in stocks and other equities. As a result, state investments are limited to fixed-income securities such as government and corporate bonds, and certificates of deposit. In the past, some state funds have been specifically exempted from constitutional investment restrictions through constitutional amendments. Currently, these include public pension or retirements funds, industrial insurance trust funds, and funds held in trust for the benefit of persons with developmental disabilities.

2020 Proposed Constitutional Amendment. In order to allow WSIB to invest the LTSS Trust Fund using its long-term, diversified investment strategy or other strategy not constrained to fixed-income securities, in 2020, the Legislature passed ESJR 8212 to propose a constitutional amendment to add funds for long-term care services and supports to the list of public funds exempt from current constitutional investment restrictions. At the general election, the proposal was rejected by a vote of 45.64 percent voting to approve and 54.36 percent voting to reject. The measure received majority approval in only three counties—Jefferson, King, and Whatcom.

Actuarial Analysis. The Office of State Actuary requested the help of Milliman to provide an actuarial analysis of the LTSS Trust Program, as required in state law. The report highlighted the impact the state's investment strategy has on the premium rate for the LTSS Trust Fund. Milliman estimated the worker premium rate would need to be between 0.53 percent and 0.64 percent with the passage of ESJR 8212, and 0.64 percent and 0.69 percent if ESJR 8212 is rejected. With the rejection of ESJR 8212, the current maximum premium rate of 0.58 percent may be insufficient to keep the LTSS Trust Program solvent over a 75-year financial horizon.

Summary of Bill: At the next general election, an amendment to the State Constitution will be presented to the voters to:

- add funds to provide for long-term care services and supports to the list of public funds exempt from current constitutional investment restrictions; and
- dedicate investment earnings from funds to provide for long-term care services and supports to services and supports for program beneficiaries.

Appropriation: None.

Fiscal Note: Requested on February 21, 2025.

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

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