

HOUSE BILL REPORT

HB 1045

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

Title: An act relating to creating the evergreen basic income pilot program.

Brief Description: Creating the evergreen basic income pilot program.

Sponsors: Representatives Berry, Peterson, Ryu, Simmons, Goodman, Bateman, Reed, Ramel, Pollet, Street, Senn, Doglio, Macri, Mena, Wylie, Gregerson and Ormsby.

Brief History:

Committee Activity:

Human Services, Youth, & Early Learning: 1/11/23, 1/24/23 [DPS].

Brief Summary of Substitute Bill

- Establishes the Evergreen Basic Income Pilot Program (pilot program), providing 24 monthly payments to up to 7,500 qualifying participants in an amount equal to 100 percent of the fair market rent for a two-bedroom dwelling unit in the county in which a participant resides.
- Creates a board of directors to administer, coordinate, and establish policies for the pilot program.
- Designates that persons receiving funds through the pilot program are eligible for certain assistance programs, and contains provisions to minimize the impact of receipt of basic income funds on income calculation for other assistance programs and determination of child support obligations.

HOUSE COMMITTEE ON HUMAN SERVICES, YOUTH, & EARLY LEARNING

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 6 members: Representatives Senn, Chair; Cortes, Vice Chair; Taylor, Vice

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 and Ortiz-Self.

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

Minority Report: Without recommendation. Signed by 2 members: Representatives Rule and Walsh.

Staff: Omeara Harrington (786-7136).

Background:

Basic Income Programs.

Basic income programs are programs that provide unrestricted and unconditional cash benefits to program participants. Basic income programs may be in the form of universal basic income or guaranteed basic income. Universal basic income programs provide a benefit to all persons, regardless of means or other eligibility measures. Guaranteed basic income programs provide a benefit to persons meeting certain income or other eligibility criteria.

In the 2021-23 Operating Budget, the Legislature directed the Department of Social and Health Services (DSHS) to conduct a study, jointly with the Poverty Reduction Work Group, on the feasibility of implementing a basic income pilot program. The DSHS was directed to include in its study: research of other basic income programs; recommendations for a pilot in Washington; a cost-benefit analysis; operational costs; and an implementation plan. The DSHS completed its study and made recommendations for a statewide 24-month guaranteed basic income pilot targeted at persons meeting certain income thresholds and other eligibility criteria.

Fair Market Rents.

The United States Department of Housing and Urban Development annually establishes Fair Market Rents (FMR) using a combination of surveys, including United States Census Bureau data. The FMRs are established at the fortieth percentile of gross monthly rents in a jurisdiction. In Washington, the FMRs for a two-bedroom home currently range from \$892 to \$2,199.

Federal Poverty Level.

The United States Department of Health and Human Services establish poverty guidelines that are used to determine financial eligibility for certain programs. Updated guidelines are available annually in mid-January. Currently, 200 percent of the federal poverty level (FPL) for a single person is \$29,160 annually. For a family of four, it is \$60,000 annually.

Calculation of Income for Economic Assistance Program Eligibility and Other Purposes.

A wide range of economic assistance programs and other programs use income as a measure of program eligibility. For instance, there are household income limits applicable

to cash assistance programs, food assistance programs, childcare subsidies, disability benefits, and medical and legal assistance programs. One example is the Essential Needs and Housing Support (HEN) program, which provides time-limited rent assistance and services connected to housing stability and essential needs items, such as personal hygiene and transportation. With some exceptions, the program is only available to those who have monthly countable income at or below \$428 for a married couple or \$339 for an individual, and meet other criteria.

Additionally, when a person qualifies as indigent based on income or receipt of certain types of public assistance, he or she is eligible for a court appointed defense attorney at government expense if threatened with a loss of liberty or parental rights. In the context of dissolution or parentage proceedings, all income and resources of each parent's household must be considered in determining each parent's child support obligation, with certain exceptions.

Summary of Substitute Bill:

The Evergreen Basic Income Pilot Program.

The Evergreen Basic Income Pilot Program (Pilot Program) is established within the Department of Social and Health Services (DSHS). Beginning January 1, 2025, the DSHS must provide 24 monthly payments to up to 7,500 qualifying participants. Payments must be in an amount equal to 100 percent of the fair market rent for a two-bedroom dwelling unit in the county in which the participant resides. The DSHS must contract with a third-party vendor to process and approve applications and provide all aspects of operations.

A board of directors comprised of DSHS staff, tribal representatives, and community organizations is established to administer, coordinate, and determine policies for the Pilot Program. The Secretary of the DSHS must appoint 18 members to serve on the board, including:

- two representatives of the DSHS, including a tribal liaison;
- at least one representative of a federally recognized tribe from each of the four regions established by the DSHS's Office of Indian Policy;
- one representative of a federally recognized tribe whose reservation is largely urban;
- one representative of a federally recognized tribe whose reservation is largely rural;
- and
- 10 representatives from community-based organizations.

The board of directors must select a chair from among its members.

Eligibility.

To be eligible to participate, a person must: be at least age 18 or an emancipated minor; be a resident of Washington; have reported gross income that does not exceed 200 percent of the FPL; and must also be:

- currently pregnant;
- the parent of at least one child under age 5;
- experiencing homelessness;
- an immigrant, refugee, or asylee;
- exiting from the foster care system;
- exiting from the juvenile justice system or the criminal justice system and are referred by law enforcement, the Department of Corrections, or the Department of Children, Youth, and Families;
- exiting a relationship or living situation due to domestic violence;
- a person with a disability; or
- a person with a behavioral health disorder.

The board of directors may modify eligibility requirements to expand eligibility, provide more equitable participant representation in the Pilot Program, or respond to emergent needs or trends.

Application, Selection, and Program Operations.

The DSHS must provide funding to tribal entities and community based organizations to pay costs associated with program outreach, application assistance, and other related activities that support participation by people of color. The application process must allow for self-attestation of income and other conditions, and must be available in multiple languages and formats.

The DSHS must contract with a third party vendor to process and approve applications, and provide all aspects of program operations. Participants must be distributed among nine identified regions, with the maximum number of eligible participants per region determined according to the share of people living in poverty in each region. If the number of qualified applicants exceeds 7,500, participants must be drawn using a stratified random sample from the pool of qualified applicants. Qualified applicants who are not selected may participate in a control group for data collection purposes, for which they will receive compensation of \$25 per hour up to a maximum of \$250.

Data Collection and Reporting.

The DSHS must collect data directly from participants and control group members. The DSHS may not collect data or request information or proof regarding a person's immigration status, citizenship status, or place of birth; however, an applicant qualifying based on immigration status may be required to indicate on the application that the applicant meets the criteria.

The DSHS must contract with a third party organization to design and implement the program evaluation, with consultation from the DSHS and its Research and Data Analysis Division, and the board of directors. The DSHS must additionally subcontract with the DSHS Research and Evaluation Division for consultation on data and evaluation.

By December 1, 2026, the DSHS must submit a report to the Legislature and the Governor that evaluates the Pilot Program and makes recommendations for an ongoing basic income program. The evaluation must:

- include a cost-benefit analysis;
- align with research justice principles and recognize that all forms of knowledge, including cultural, spiritual, experiential, and mainstream, have equal value;
- evaluate the well-being change for participants in the Pilot Program compared to their peers, including economic well-being, power, autonomy, sense of belonging, and mobility; and
- be developed with input from community partners.

Effect on Benefits and Obligations Through Other Programs.

The Pilot Program must offer participants ongoing benefits counseling, including an analysis of whether and how any other public benefits may be affected by their participation. The Pilot Program must also provide reenrollment plans for participants to immediately reenroll in any benefits lost due to participation in the Pilot Program, and must reimburse any participant for the loss of public benefits due to their participation.

State agencies must take action to minimize, to the greatest extent possible, the impact of cash assistance provided through the Pilot Program on public assistance eligibility and benefit amounts. Agencies must comply with this requirement by December 1, 2023, and provide a summary of their analysis and actions to the DSHS.

Provisions governing assistance programs are modified to exempt cash assistance provided under the Pilot Program or any other guaranteed basic income program from being considered as income for eligibility purposes. Funds received through the Pilot Program are not included in the calculation of gross income for purposes of determining child support obligations. A person receiving cash assistance through the Pilot Program is eligible for the HEN program, and is considered indigent for purposes of assessing eligibility for indigent defense services.

Substitute Bill Compared to Original Bill:

The initial disbursement date for the program is delayed by six months, to January 1, 2025. Persons qualifying for the program, in part, on the basis of exiting from the criminal justice system or juvenile justice system must also be referred by a law enforcement entity, the Department of Corrections, or the Department of Children, Youth, and Families.

Participants must be selected using a stratified random sample of the pool of qualified applicants, using strata to align participants per region with the share of people living in poverty in each identified region. Additional strata may be used to facilitate control group analysis. In addition to application approval, the third-party vendor contracted by the Department of Social and Health Services (DSHS) must provide all aspects of program operations. The board of directors is expanded from at least 17 members to at least 18, and a representative of a federally recognized tribe whose reservation is largely rural is added.

Changes are made to the provisions related to data collection and evaluation. The DSHS must collect data directly from participants, rather than allowing data collection to proceed on a voluntary basis, and the areas of inquiry are expanded to include topics such as gender, household composition, health, education, caregiving, work participation, income, assets, household spending, power and autonomy, belonging, mobility, and economic success (in addition to other topics listed in the underlying bill). Control group members are included in the provisions allowing for incentives to participate in data collection and allowing participants access to their individual data. The DSHS must contract with a third-party organization to design and implement the program evaluation, and subcontract with the DSHS's Research and Evaluation Division for consultation on data and evaluation. It is specified that data collected from participants is to be used for program monitoring and evaluation purposes by the DSHS and contracted evaluator entities.

The date by which agencies must take action to minimize the impact of pilot program funds on public assistance eligibility and benefit amounts is moved from December 1, 2024, to December 1, 2023. Basic income funds are excluded from the calculation of income for purposes of contribution to indigent defense costs and eligibility for hospital charity care.

Appropriation: None.

Fiscal Note: Requested on January 25, 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) Everyone in Washington should be able to meet basic needs and care for loved ones. Basic income would help people be able to afford food and housing, pay off debt, save for emergencies, and obtain the physical and mental health treatment that they need. These are things that thousands of families cannot currently afford, while corporations are driving up costs. The current federal poverty level for a single person is just \$13,000 a year, which is not enough for rent. Rent prices are increasing, and wages are not; it costs more to exist than it used to. Many people make just over the amount to qualify for benefits. The tax code is regressive. Black and Indigenous people and women of color are more likely to be affected by these hard economic circumstances. Additionally, people who are formerly incarcerated, homeless, or disabled are often excluded from the workforce. Poverty is preventable, it is not a personal choice, and many educated and working people cannot lift themselves out of poverty. Systemic change is needed. Basic income makes a difference and changes families' trajectories. It does not create dependence.

Cash benefits were issued during the pandemic, and poverty dropped to the lowest it has

been in a decade. The child tax credit dropped poverty rates dramatically. It is rare to have these examples in hindsight to look to. Data suggests that 55 percent of Americans support a basic income program. There have been many basic income pilots, but never a statewide initiative. A basic income pilot in Tacoma was just completed, as was another smaller pilot on the Olympic Peninsula. These pilots showed that when people are allowed to use the money how they see fit, they buy essentials. Providing cash with no strings attached works, and the lack of restriction on how funds are used makes a difference with respect to dignity. People should be able to decide for themselves what they need to spend money on. National research shows that basic income allows people to work more, spend more time with family, and have better outcomes. Inequality and cost of living impact health outcomes, and giving money to the lowest income people will have a profound effect on their health. There is a cost in not implementing this policy.

(Opposed) This bill is a step toward universal basic income, which would be an expansion of the state's welfare system. There is no such thing as a free lunch, and this program is not good for society in general and will not be fair or beneficial in the long run. This is not a communist or socialist country; it is capitalist. The government is trying to fix a problem it created. Instead, people need to be self-sufficient, and there should be encouragement and incentives for people to work. There are courses teaching people how to be financially successful that are open to everyone. People become dependent when they are given handouts. Taxes are already high.

There are several problems with the provisions of the bill. For example, the intent section overgeneralizes unemployment claims by ignoring the pandemic. Applicants need only self-attest that they qualify for the program, and do not need to be Washington residents, as they can apply for the program on the day they arrive. It is unclear how the program will be funded. The bill is too broad, too lax, and too big. It appears as though the state is testing out basic income in anticipation of the next mass disabling event. When there is an emergency, the government starts having control over people's lives.

(Other) The DSHS developed a basic income feasibility study that concluded that a basic income program would have a net positive effect for the well-being of Washington. The study found that there are two foundational components that should be included in a basic income program, which are that grants should be in an amount equal to a percentage of fair market rent, and the program should be in partnership with community organizations and tribal nations. Some clarifications would be beneficial with respect to determining information technology impacts and vendor contracts. There may also be impacts on some public assistance programs that were not identified in the bill.

Persons Testifying: (In support) Representative Liz Berry, prime sponsor; Jazmine Smith, The Washington Bus; Jim Cooper, City of Olympia; Amirah Harris; Katrina Johnson, Food Lifeline; Patanjali de la Rocha, Hummingbird Indigenous Family Services; Amy Roark; Tracy Yeung, Washington State Budget and Policy Center; Cherish Cronmiller, Olympic Community Action Programs; Abigail Lawson, United Way of Pierce County; Shaun Scott;

Debbie Wilkerson; Victoria Woodards, City of Tacoma; Andrew Guillen, Seattle Indian Health Board; Robin Hills; Jennifer Bereskin; and Janice Henry.

(Opposed) Rebecca Faust; Leah Anaya, Washington Moms for America; Janet Large; Mary Long and Jeneen Breshears, Conservative Ladies of Washington; and Cindy Tucker.

(Other) Lori Pfingst, Department of Social and Health Services.

Persons Signed In To Testify But Not Testifying: Melissa Hornbeck, Service Employees International Union 775; Kathleen Richmire; Stuart Grover, United Way of Pierce County; Martha Lucas; Shelly Robbins, Parents Organizing for Welfare and Economic Rights; Emily Pinckney, FMS Global Strategies and Washington Build Back Black Alliance; and Eric Pratt.