Z-0278.1

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SENATE BILL 5541**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**State of Washington 69th Legislature 2025 Regular Session**

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

AN ACT Relating to the Washington future fund pilot project; amending RCW 43.08.190; adding new sections to chapter 43.08 RCW; adding a new section to chapter 74.09 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  (1) In 2022, the legislature directed the office of the state treasurer to study wealth inequity in the state and explore how a baby bond program could address these inequities.

(2) The study:

(a) Found that almost half of Washingtonians are born into households qualifying for medicaid, a key poverty indicator;

(b) Found that those born into poverty face life-long impacts including lower rates of homeownership, educational attainment, and entrepreneurship which interfere with their ability to obtain financial stability; and

(c) Suggested that a baby bond program, such as the 2023 Washington future fund proposal, could interrupt the intergenerational cycle of poverty and address the aforementioned opportunity deficit by providing Washingtonians who were born into and experience persistent poverty the seed capital to invest in themselves and their communities by purchasing a home, pursuing education, or starting a small business.

(3) Therefore, it is the intent of the legislature to further investigate the finding with the Washington future fund pilot project: An opportunity to evaluate the impact a baby bond-level grant can have on the economic stability of a sample of eligible Washingtonians.

NEW SECTION. **Sec.**  A new section is added to chapter 43.08 RCW to read as follows:

The definitions in this section apply through this chapter unless the context clearly requires otherwise.

(1) "Accountable community of health" or "region" means a regional nonprofit designated by the health care authority to improve the health equity of their communities as part of Sec. 1115 medicaid demonstration project number 11-W-00304/0.

(2) "Application" means a formal request made by an applicant, or the applicant's legal guardian, to participate in the pilot project, in the manner required by the office by rule.

(3) "Designated institution" means an entity that may receive a grant from the state, on behalf of a project participant, after an application to the office is approved. Applicants select a designated institution during the application process.

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

(a) Education, training, and professional development of an applicant at an institution of higher education, as defined in RCW 28B.92.030;

(b) Purchase of a residence in Washington state by an applicant; or

(c) The creation or purchase of a business in Washington state by an applicant.

(5) "Grant" means a distribution of $25,000 to a designated institution on behalf of a project participant to be used on eligible expenditures. A grant shall not be considered assets or income for purposes of state public assistance or financial aid eligibility and calculation of benefit amount.

(6) "Legal guardian" has the same meaning as "guardian" as defined in RCW 11.130.010.

(7) "Office" means the office of the state treasurer.

(8) "Pilot project" means the Washington future fund pilot project, established under section 2 of this act.

(9) "Project participant" means an eligible applicant who received a grant to use on eligible expenditures, pursuant to this act.

NEW SECTION. **Sec.**  A new section is added to chapter 43.08 RCW to read as follows:

(1) The Washington future fund pilot project is established in the office.

(a) Eligible applicants may submit an application to participate in the pilot project. An eligible applicant is one who:

(i) Was born in Washington;

(ii) Is enrolled in a medical assistance program under chapter 74.09 RCW and Title XIX of the federal social security act or in the children's health insurance program under chapter 74.09 RCW and Title XXI of the federal social security act, both:

(A) Before their first birthday; and

(B) At the time of application;

(iii) Is a resident of Washington; and

(iv) Is at least 18 years old and less than 36 years old.

(b) Project participants will be randomly selected among eligible applicants. To ensure statewide participation in the pilot project:

(i) Two grants are allocated to applicants within the geographic bounds of each region; and

(ii) The remaining grants will be allocated to applicants within geographic bounds of each region, by multiplying the:

(A) The percentage of statewide apple health enrollees that are served by each region; and

(B) The number of remaining grants.

(c) The results of the calculation provided in (b)(ii) of this subsection must be rounded to the nearest whole number.

(d) The office shall disperse one grant on behalf of each project participant to the designated institution identified on the application. The grant may only be used for an eligible expenditure. Allowable designated institutions are based on a participant's chosen eligible expenditure and are as follows:

(i) For education, training, and professional development of the participant:

(A) The educational, training, or professional development institution providing services to the participant;

(B) The financial institution that issued, or is in the process of issuing, student loans to the participant; and

(C) Additional institutions defined by rule by the office;

(ii) For purchase of a residence in Washington state:

(A) The financial institution that issued, or is in the process of issuing, the participant a mortgage or other real estate loan; and

(B) Additional institutions defined by rule by the office; and

(iii) For the creation or purchase of a business in Washington state:

(A) The financial institution that issued, or is in the process of issuing, the participant a business loan; and

(B) Additional institutions defined by rule by the office.

(e) Project participants must participate in at least two impact evaluation study interviews, as provided in subsection (2) of this section.

(f) Project participants must participate in financial coaching during the study period. For the purposes of this subsection, financial coaching is individual or small group classes or counseling that helps an individual reach their financial goals, specifically related to one or more eligible expenditures. Additional requirements of financial coaching must be defined by rule by the office.

(g) The application must include information necessary to verify the eligibility of the applicant, a plan for the eligible expenditure, and any other information required by the office. The application must be available in multiple languages and formats, including paper, online, and in-person assistance.

(2) The office:

(a) Shall contract with a third-party vendor to operate the pilot project including, but not limited to:

(i) Receiving and processing applications;

(ii) Determining if an applicant is an eligible applicant;

(iii) Facilitating the random selection process in a transparent and accountable manner; and

(iv) Sharing administrative data with the office;

(b) Shall contract with the University of Washington to:

(i) Assist the office and the third-party vendor on project design and implementation including, but not limited to, recruitment and intake strategies;

(ii) Evaluate the impact of the grant on project participant's economic and financial stability, perceptions, and decision making by performing baseline and follow-up interviews;

(iii) Work with the office to draft the final legislative report; and

(iv) Assist with additional tasks necessary to complete the pilot project;

(c) May adopt rules necessary to implement the pilot project; and

(d) Shall submit a final report to the relevant committees of the legislature by June 30, 2027.

(3) The legal guardian of an eligible applicant or project participant may act on their behalf for purposes of this project.

(4) The health care authority and any successor agency responsible for implementing the medical assistance program under chapter 74.09 RCW and Title XIX of the federal social security act and the children's health insurance program under chapter 74.09 RCW and Title XXI of the federal social security act shall assist the office and the third-party vendor to verify if an applicant is an eligible applicant.

**Sec.**  RCW 43.08.190 and 2022 c 157 s 13 are each amended to read as follows:

There is hereby created a fund within the state treasury to be known as the "state treasurer's service fund." Such fund shall be used solely for the payment of costs and expenses incurred ((~~in~~)):

(1) In the operation and administration of the state treasurer's office; and

(b) Administering the pilot project and study established under this act.

Moneys shall be allocated monthly and placed in the state treasurer's service fund equivalent to a maximum of one percent of the trust and treasury average daily cash balances from the earnings generated under the authority of RCW 43.79A.040 and 43.84.080 other than earnings generated from investment of balances in funds and accounts specified in RCW 43.79A.040(4)(c). The allocation shall precede the distribution of the remaining earnings as prescribed under RCW 43.79A.040 and 43.84.092. The state treasurer shall establish a uniform allocation rate for all funds and accounts; except that the state treasurer may negotiate a different allocation rate with any state agency that has independent authority over funds not statutorily required to be held in the state treasury or in the custody of the state treasurer. In no event shall the rate be less than the actual costs incurred by the state treasurer's office. If no rate is separately negotiated, the default rate for any funds held shall be the rate set for funds held pursuant to statute.

The legislature may direct the state treasurer to make transfers of money in the state treasurer's service fund to the state general fund.

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

Subject to federal and state laws governing the disclosure of confidential information, the office of the state treasurer, the department of health, and the authority shall enter into a memorandum of understanding to establish information sharing practices necessary to carry out the purposes of this act by September 30, 2025.

**--- END ---**