Office of the State Treasurer

2022 Washington Future Fund Committee

A Report to the Legislature – ESSB 5693 Sec. 123(3)

December 1, 2022

Acknowledgements

WASHINGTON FUTURE FUND COMMITTEE

Washington State Treasurer Mike Pellicciotti, Chair
Washington State Senator Yasmin Trudeau
Washington State Representative Paul Harris
Washington State Representative Monica Stonier
Efrem Feshaha, CEO/Founder, Boon Boona Coffee Company
Jennifer Bereskin, Qawalangin Tribe of Unalaska – Unangax Coast Salish – Snohomish Nation
Edgar Franks, Washington State Campaign/Political Director, Familias Unidas por la Justicia
Tonita Webb, CEO, Verity Credit Union
Tracy Yeung, Policy Analyst, Washington State Budget & Policy Center
Jenn Black, Legislative Strategy Committee Co-chair, Washington Education Association
Investment Advisor to the Committee
David Nierenberg, President, Nierenberg Investment Management Company

GUEST PRESENTERS & CONTRIBUTERS

Dr. Darrick Hamilton, The New School
Alejandra Montoya-Boyer, Prosperity Now
Lori Pfingst, PhD, & Lindsay Morgan-Tracy, State Poverty Reduction Work Group, DSHS
Stacia Hollar and Scott Forbes, Washington State Office of the Attorney General
Jeff Even, Deputy Solicitor General, Washington State Office of the Attorney General
Curt Gavigan, Kristy Bromley, and Chris Philips, Washington State Investment Board
Sam Mendez & Shawn O'Neill, Washington State Health Care Authority
Christy Johnson, Washington Council for Economic and Financial Education
Lisa Smith, Washington State Microenterprise Association
Jasmine Vasavada, Washington State Department of Commerce
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2022 WEALTH INEQUITY STUDY TEAM – PROSPERITY NOW & CAMBER COLLECTIVE

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Contents

Letter from the Treasurer

OFFICE OF THE TREASURER
STATE OF WASHINGTON
Mike Pellicciotti

December 1, 2022

Sarah Bannister
Secretary of the Senate
Washington State Senate
PO Box 40482
Olympia, WA 98504

Bernard Dean
Chief Clerk of the House
Washington House of Representatives
PO Box 40600
Olympia, WA 98504

Dear Secretary Bannister and Chief Clerk Dean:

I am pleased to present the enclosed report detailing the findings and recommendations of the Washington Future Fund Committee as enacted in Section 123 (2) of the 2022 Supplemental Operating Budget (Engrossed Substitute Senate Bill 5693).

In work conducted by the committee during the 2022 Interim, we brought together a broad range of experts in our state and from around the country to evaluate the capital barriers faced by Washingtonians in achieving economic stability, the associated impacts of a growing wealth divide, and how the "baby bonds" model of poverty reduction may best be applied in Washington.

During the many presentations and conversations with community and state economy leaders, educators, small business owners, legislators, state investment and legal experts, and economists it became clear that a long-term policy to empower our fellow Washingtonians most in need with capital to access wealth building assets is essential in alleviating cycles of generational poverty.

As you will read in the enclosed, the Washington Future Fund is that policy.

I am thankful to the members of the committee, staff, and every individual whose contributions helped us elevate the underlying proposal and sharpen the vision for a Washington where the opportunity to thrive is available to all. It was an honor to serve as Chair.

We appreciate the thoughtful consideration and inclusion of the Washington Future Fund Committee in the 2022 Supplemental Operating Budget by Rep. Ormsby and Sen. Rolfes and look forward to future collaboration with the Legislature. As encouraged in the proviso, my office will be including these recommendations in request legislation for the 2023 session.

Sincerely,

Mike Pellicciotti
State Treasurer

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Part 1: Introduction

In the 2022 Supplemental Operating Budget, the Office of the State Treasurer (OST) was directed by the legislature to:

1) Study generational wealth inequities in Washington; and
2) Further develop the Washington Future Fund (WFF), a policy proposal based on the national Baby Bonds model, to narrow the wealth gap in our state, addressing the racial and urban/rural wealth gaps.

During the 2022 Interim, the OST convened a group of community representatives and elected officials to perform this work and make recommendations to the legislature about how to administer the WFF (the WFF Committee). This report is a summation of the findings, as required by the legislature.

Wealth Inequity in Washington

Washington has one of the strongest economies in the country by many measures. In 2020, the median Washington household net worth was 150% higher than the national median household net worth. (US Census Bureau) However, the distribution of household wealth in Washington, as is the case across the country, is highly unequitable. According to an Office of Financial Management (OFM) analysis, in 2010 over half of the total household wealth within the state was concentrated within the 5% wealthiest households. By comparison, the 50% of Washington households with the least wealth held two percent of the state's household wealth. (Peterson) Wealth inequity has only increased since then. (Prosperity Now & Camber Collective)

Wealth inequity negatively impacts Washingtonians, their families, and the state's economy. According to the 2022 study commissioned by the OST to examine wealth inequities in our state, *Washington Future Fund Wealth Inequities Study* (Prosperity Now & Camber Collective), greater wealth is associated with better health, educational attainment, and financial stability. Additionally, studies have found that reducing wealth inequity could drive positive economic activity for the state. (Prosperity Now & Camber Collective)

Without an intervention, it is anticipated these inequities will persist and worsen. The OST is recommending adoption of the Washington Future Fund (WFF), a policy inspired by the national Baby Bonds model, to take a step towards addressing wealth inequities in our state.

During a presentation to the WFF Committee, Dr. Darrick Hamilton, the economist who originally developed the Baby Bond policy proposal, commented that wealth is thought of as an outcome, but it is the paramount indicator of economic success, freedom, and optionality. Wealth begets more wealth – inherited and accumulated assets passively appreciate over time. Wealth enables access to many tools, including capital to start a business, purchase a home, or finance education.

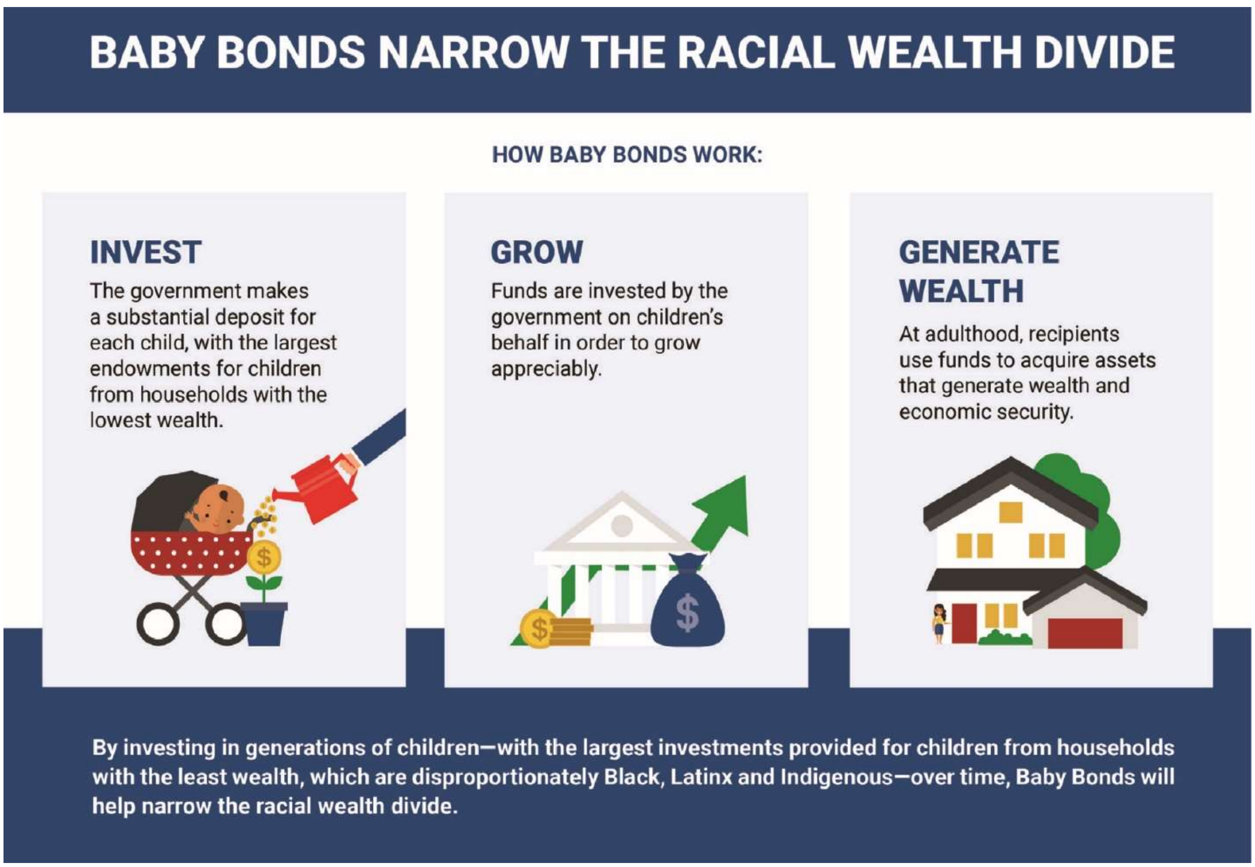
According to the findings of Prosperity Now and Camber Collective, communities of color and Washingtonians who live in rural areas are more likely to experience poverty than their white and urban counterparts.

- A median household of color in Washington has one-fourth the total household wealth of a median white household. The racial wealth divide in Washington is greater than the racial wealth divide across the US. (2019 American Community Survey Public Use Microdata Sample 5-Year Sample)

- Recent analysis showed that one-third of rural households experienced liquid asset poverty[1], compared to one-quarter of urban households. (Prosperity Now)

Baby Bonds

Baby Bonds are an innovative policy proposal designed to interrupt the cycle of poverty for children born into low-wealth households. It was first proposed in 2018 by economists Dr. Darrick Hamilton and William "Sandy" Darity, Jr. In a Baby Bonds program, an investment is made on behalf of children born into a low-wealth household. The investment is allowed to earn interest until the child becomes a young adult. At that time, the young adult may use funds to invest in a wealth generating asset, such as a home, business, or higher education.



SOURCE: Graphic is from A Brighter Future with Baby Bonds: How States and Cities Should Invest in Our Kids (2022) by Prosperity Now and the Institute on Race, Power and Political Economy at the New School.

[1] Liquid Asset Poverty: Unable to afford essentials (ex: rent, food, utilities) for more than three months should their income be suddenly interrupted. (Bach)

The WFF is based on the Baby Bonds concept but is adapted to the unique legal and administrative considerations of our state.

2022 Legislative Session

Introduction of Washington Future Fund Bills

During the 2022 legislative session, the OST requested two bills related to the WFF policy:

- An act related to creating the Washington future fund program (Senate Bill 5752/House Bill 1861), or WFF bill; and
- A constitutional amendment authorizing investment of funds benefiting persons experiencing persistent poverty (House Joint Resolution 4211).

The WFF bill passed out of policy committees in both legislative chambers and was referred to the House Appropriation and Senate Ways and Means Committees. The constitutional amendment was introduced in the House of Representatives.

2022 Supplemental Operating Budget Proviso (Chapter 297, Section 123(2), Laws of 2022)

In the 2022 Supplemental Operating Budget, the legislature appropriated funds to the OST to study wealth inequities in Washington and report recommendations on WFF administration to the legislature by December 1, 2022. The budget proviso:

1. Required the OST to establish a committee to study the potential program impacts of the Washington Future Fund "baby bond" investment model on wealth gaps;
2. Directed the WFF Committee to:
    a. Consult with experts to study and gather data on inequities including racial wealth gaps in Washington;
    b. Examine how investment programs such as the WFF program or similar "baby bond" investment programs can impact wealth inequities and the future financial stability of the Washington State Treasury;
    c. Analyze the WFF and other "baby bond" investment models, including;
        i. Study how similar programs have been developed and established in other jurisdictions;
        ii. Address eligibility criteria for account establishment, residency requirements, eligibility for account access, and approved use of funds;
        iii. Address all financial and fiscal aspects of the program, including the:
            1. Long-term costs of establishing the fund;
            2. Estimated annual appropriation;
            3. How funds would be invested and estimated payouts;
            4. What agency or agencies would be responsible for management of the accounts; and
            5. Administrative and technology costs of establishing and maintaining the program;
        iv. Address any legal barriers or risks in establishing the program including:
            1. State constitutional limitations; and

        2. Avoiding the creation of fiduciary duties or contractual rights with program participants.
   d. Provide opportunity for interested stakeholders to participants; and
   e. Provide recommendations for implementation to the legislature.

2022 WFF Committee

To fulfil the requirements in the proviso, the OST convened the WFF Committee. Between May and November 2022, the WFF Committee convened seven formal meetings to study various aspects of wealth inequity and the "baby bond" model, both at the national- and state- levels.

Membership

As required by the legislation, the committee was comprised of the following members:

1. The State Treasurer, Mike Pellicciotti, who served as Chair;
2. One member from the two largest caucuses of the senate appointed by the president of the senate:
   - Senator Yasmin Trudeau, Senate Democratic Caucus
   - Vacant, Senate Republican Caucus;
3. One member from each of the two largest caucuses of the house or representatives appointed by the speaker of the house of representatives:
   - Representative Monica Stonier, House Democratic Caucus
   - Representative Paul Harris, House Republican Caucus
4. Three members from communities with lived experience & three members from economic empowerment organizations, as appointed by the State Treasurer:
   - Jennifer Bereskin, Qawalangin Tribe of Unalaska – Unangax Coast Salish – Snohomish Nation
   - Jenn Black, Legislative Strategy Committee Co-chair, Washington Education Association
   - Edgar Franks, Washington State Campaign/Political Director, Familias Unidas por la Justicia
   - Efrem Fesaha, CEO/Founder, Boon Boona Coffee
   - Tonita Webb, CEO, Verity Credit Union
   - Tracy Yeung, Policy Analyst, Washington State Budget & Policy Center

Meetings

The meetings included presentations from national and local experts and discussion about the concepts covered. The meetings and topics were as follows:

Date	Topic	Presentations
May 26	Committee Objectives, Mission, and Values	**Administration & Committee Objectives:** State Treasurer and staff **Words from the prime sponsors:** Senator Trudeau & Representative Stonier
June 22	Why Baby Bonds Help Solve Wealth Gaps	**What are Baby Bonds?** Dr. Darrick Hamilton **Wealth Inequity – Nationally**: Alejandra Montoya-Boyer, Prosperity Now

		Wealth Inequity – Washington State: Lori Pfingst & Lindsay Morgan-Tracy, State Poverty Reduction Work Group, Department of Social and Health Services
July 27	Navigating Legal Considerations in WFF Legislation	**2022 Legislative Session and the WFF – Overview:** Richelle Geiger, Office of the State Treasurer **State Constitutional Considerations:** Stacia Hollar & Scott Forbes, Washington State Office of the Attorney General **Navigating Privacy Challenges:** Sam Mendez & Shawn O'Neill, Washington State Health Care Authority **Wealth Inequity Study – Kick-off:** Prosperity Now & Camber Collective
August 24	WFF Uses: Homeownership, Small Business, and Education	**Closing the Wealth Gap and the Future of the Economy:** Christy Johnson, Washington Council for Economic and Financial Education **Panel discussion – Importance of Homeownership, Entrepreneurship, and Higher Education:** Lisa Smith, Washington State Microenterprise Association. Jasmine Vasavada, Washington State Department of Commerce. Michael Meotti, Washington State Student Achievement Council.
September 28	Wealth Inequity Study Draft Findings & key legislative questions	**Wealth Inequity Study – Preliminary Findings:** Prosperity Now and Camber Collective **State Investment Board:** Curt Gavigan, Kristy Bromely, & Chris Phillips
October 26	Wealth Inequity Study – Final Presentation	**Wealth Inequity Study – Final Presentation:** Prosperity Now and Camber Collective
November 30	Final Committee Meeting	**Closeout:** State Treasurer and staff

2022 Wealth Inequity Study

The proviso directed the WFF Committee to "consult with experts to study and gather data on inequities, including racial wealth gaps in Washington." In June 2022, the OST issued a Request for Proposal (RPF) for a contractor to conduct a study of wealth inequities that currently exist within the state, and the impact of wealth inequities on the lives of Washingtonians. Vendors were required to submit a written response to questions related to their experience and capacity to perform the study. The OST staff, the WFF Committee, and additional invited community members reviewed and scored applications using a consistent rubric and interviewed the three vendors with the highest scores. In July 2022, the OST contracted with the successful bidder, Prosperity Now and Camber Collective.

Prosperity Now and Camber Collective conducted quantitative and qualitative research on wealth inequities in the state, based on questions posed in the RFP:

1. What are the wealth inequities in Washington state? Why is understanding wealth (and different definitions of wealth relative to income) important? What types of wealth/assets are held? What types of debt are held?

2. How are these inequities broken down by race, county, legislative district, or other key demographic factors? What is the proportionality of inequities of Black, Indigenous, People of Color (BIPOC) vs non-BIPOC households? How are these inequities broken down further into racial and ethnic sub-categories, especially for groups typically aggregated within the "Asian or Pacific Islander (API)" or "Other" categories?
3. What are the causes and consequences of wealth inequities?
4. How is wealth generated or extracted in Washington State and what are the implications for wellbeing?
5. How are generational inequities created, determined, and defined?
6. What methodology exists to identify and quantify potentially eligible beneficiaries of the Washington Future Fund based on wealth rather than income?

Prosperity Now and Camber Collective delivered their final study in October 2022. They described their quantitative and qualitative research methodology for the study.

> *Page 13:* **Quantitative Research**
>
> The report utilized publicly available data to carry out group-level, individual level, and household-level analyses of Washington State's wealth outcomes and the factors influencing financial stability and wealth building. Data sources include the Census Bureau's American Community Survey, Survey of Income and Program Participation, Washington State Health Care Authority, and the Prosperity Now Scorecard. Additional information was incorporated from analyses of secondary sources to fill data gaps. This research also prioritized data sources that offer racial/ethnic and geographic granularity within Washington State.
>
> **Qualitative Research**
>
> The research team partnered with local service organizations throughout Washington State to recruit low- and middle-income Washington residents for 45-minute phone interviews. Researchers interviewed 24 participants, asking questions about their current financial status, their experiences with wealth building throughout their lives, and the effects of wealth on their life decisions and health. The research team then conducted qualitative coding and analysis on the interview transcripts to extract themes across the 24 participants.

Anonymized quotes with self-reported demographic information from the qualitative interviews, in addition to their quantitative findings, data, and exhibits, are featured throughout this report.

2023 WFF Proposal

The 2023 WFF proposal as proposed by the OST (2023 WFF proposal) builds off the 2022 proposal, informed by the work of the WFF Committee and the findings of the 2022 Wealth Inequities Study. It integrates recommendations from the WFF Committee, Washington State Office of Attorney General (AGO), Washington State Investment Board (WSIB), Washington State Health Care Authority (HCA), and national and local experts on poverty reduction efforts, including Baby Bond policies, and other elements of the WFF proposal. Additionally, the proposal incorporates recommendations and findings from recent studies and reports from other state agencies about reducing poverty and strengthening the state's economy.

- The Legislative-Executive WorkFirst Poverty Reduction Oversight Task Force recommended targeting equitable growth and wealth-building opportunities for Washingtonians with low-incomes as a strategy to reduce intergenerational poverty. (Washington State Department of Social and Health Services, Economic Services Administration)
- A recent study commissioned by the Lieutenant Governor on economic success in Washington identified increasing homeownership, equipping the workforce for success by closing the skill gap through education and training, and revitalizing entrepreneurship as the three keys to quality economic growth and success in the state. (ECONorthwest)

Under the 2023 WFF proposal, the state will invest $4,000 for every baby born in Washington on or after January 1, 2024 who receives Medicaid, or Apple Health[2], funded health care before their first birthday (claimant). The funds will be invested and managed by the WSIB to manage returns at a prudent level of risk. Between the ages of 18-35, a claimant, or the claimant's legal guardian, who is a resident of Washington, exhibits financial need, and fulfills a financial education requirement may file a claim for WFFs with the OST. The funds can be used for one of the three eligible uses: the purchase of a primary residence in Washington, opening or purchase of a business in Washington, and costs associated with education, training and professional development of the claimant in Washington, including universities, colleges, community and technical schools, trade schools, apprenticeships, and technical certifications and licensures.

Beginning in 2024, the OST will convene a WFF Advisory Committee to continue to review the elements of the program to ensure it accomplishes its objective and is responsive to economic realities of the future. The WFF Advisory Committee is directed to report recommendations to the legislature.

Biennial appropriations will be informed by claimant forecasts, produced by the Caseload Forecast Council (CFC).[3]

Part 1: Introduction - Key Takeaways

- In 2022, the Office of the State Treasurer (OST) proposed legislation to create the Washington Future Fund (WFF), an investment program based on the Baby Bonds concept.
- The OST convened the WFF Committee this interim to study generational wealth inequities in Washington and address specific questions about the WFF, posed by the legislature.
- This report summarizes the WFF committee's findings and legislative recommendations.

[2] Apple Health is the name of Washington's Medicaid system.

[3] Caseload Forecast Council (CFC) – Statutory body, charged with forecasting WA State caseloads. Adopts official forecasts that are the basis of the Governor's budget document and utilized by the legislature in the development of the biennial budget.

Part 2: Wealth Inequities in Washington

(2)…The committee shall consult with experts to study and gather data on inequities including racial wealth gaps…

The legislature directed the WFF Committee to "consult with experts to study and gather data on inequities, including racial wealth gaps in Washington." To meet this requirement, the OST contracted with Prosperity Now and Camber Collective to produce the Washington Future Fund Wealth Inequity Study. In this section and the Appendix, passages, exhibits, and data tables from the study are provided to summarize their findings.

Washington has one of the strongest economies in the country by many measures. In 2020, the median Washington household net worth was 150% higher than the national median household net worth. (US Census Bureau) However, the distribution of household wealth in Washington, as is the case across the country, is highly unequitable. According to an Office of Financial Management (OFM) analysis, in 2010 over half of the total household wealth within the state was concentrated within the 5% wealthiest households. By comparison, the 50% of Washington households with the least wealth held two percent of the state's household wealth. (Peterson) Wealth inequity has only increased since then. (Prosperity Now & Camber Collective)

Wealth, income, and their role in economic stability

The study begins by defining wealth and income.

> *Pages 15-16:* Household **wealth** is the overall value of a household's resources; or the total value of assets (e.g., property, savings, investments) minus debts (e.g., mortgage, student loan debt, credit card debt). Assets can be tangible economic resources, like a home or savings account, or intangible resources like postsecondary education. **Income** is the amount of money that a household earns in a period of time and may include earned salaries and wages from work, investment income, and retirement benefits. (Prosperity Now & Camber Collective)

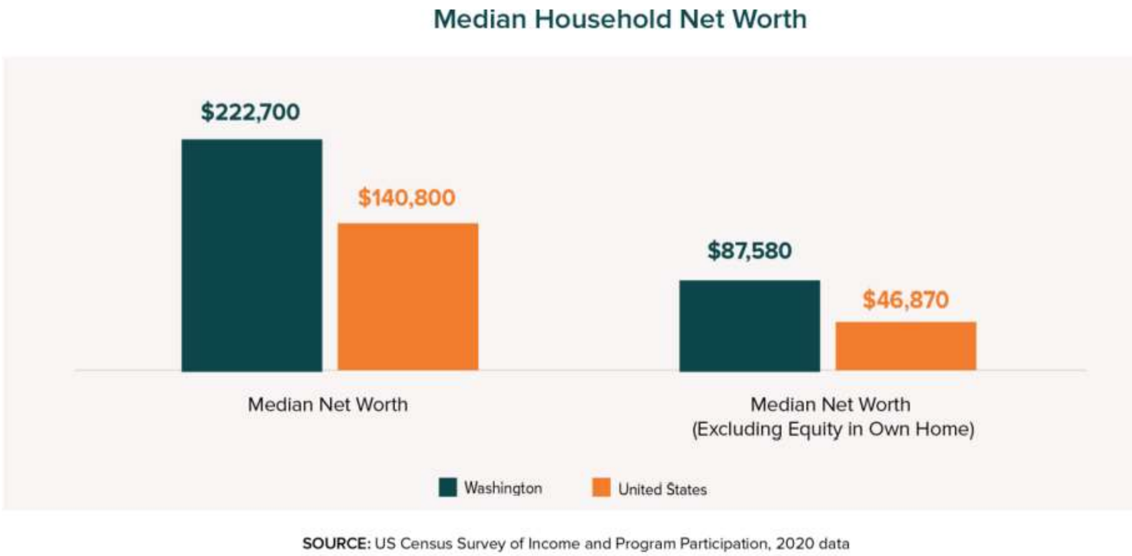
The study goes on to define the differing role that wealth plays in household financial security and economic mobility.

> *Page 16:* Income allows households to get by, helping them cover their day-to-day expenses. **However, wealth is the key ingredient to help households gain and maintain financial stability and to improve their economic position.** Wealth provides stability by helping households weather financial shocks, such as job loss or illness. Wealth also generates opportunities. Having some initial funds to invest is essential for starting a business, making a down payment on a home, or paying for postsecondary education without taking on significant debt – and all these investments can help generate additional wealth. **Wealth also enables households to pass on resources to the next generation to set them up for financial stability and success.** (Prosperity Now & Camber Collective)

Wealth & Wealth Inequities in Washington

The study compared state and national median household wealth data.

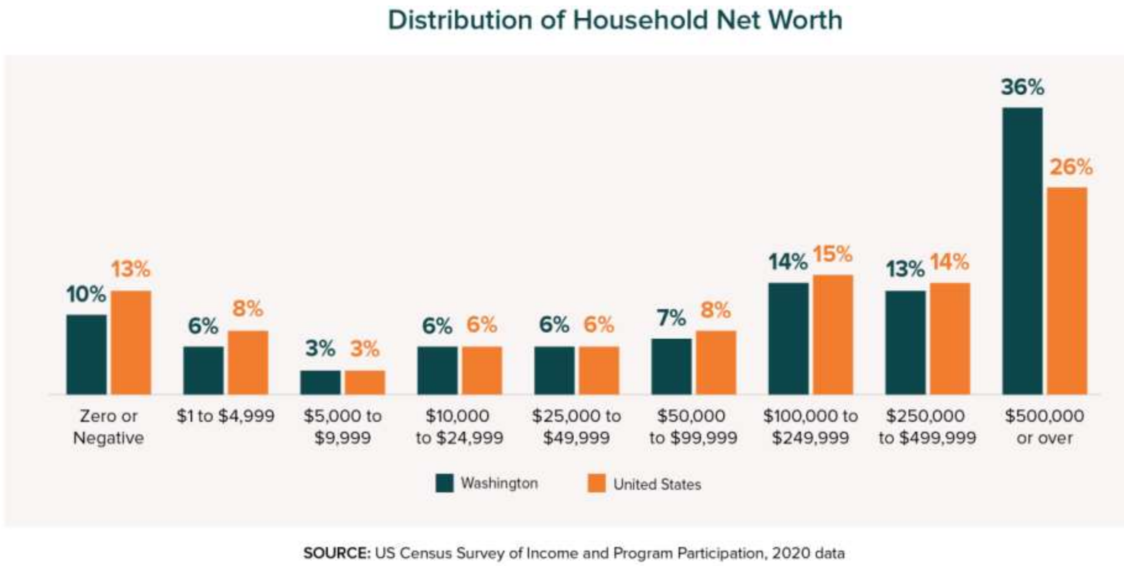
> *Page 25:* Washington has higher levels of median wealth than the median wealth in the United States. (US Census Bureau) The median household net worth in Washington is more than 150% of the national median. If households' equity in their home is excluded from net worth calculations, the median net worth without housing equity is a useful comparison since variations in homeownership rates or home values across the country and the state can have a significant impact on these calculations. (Prosperity Now & Camber Collective)



SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

The study concludes that the distribution of household wealth in Washington is inequitable.

> *Pages 25-26:* For example, Washington has 42% more households with a net worth of at least $500,000 than the typical US state, while still one quarter of households have below $25,000 in net worth. (US Census Bureau) In 2010, the typical household in the top five percent of the state's wealth distribution held 25 times the state's median wealth, while the typical household in the bottom five percent held negative wealth (meaning debts exceeded assets.) (Peterson) (Note that 2010 is the most recent year for which reliable Washington-specific wealth distribution data with detail that allows for such analysis is available.) Further, over half of the wealth was concentrated among the top five percent of households, while the entire bottom half of the distribution held two percent of wealth. (US Census Bureau)
>
> Washington has a larger proportion of very wealthy households (36%)—with net worth of $500,000 or more—than the national average (26%). At the same time, **one in ten Washington households has zero or negative net worth**. (US Census Bureau) (Prosperity Now & Camber Collective)

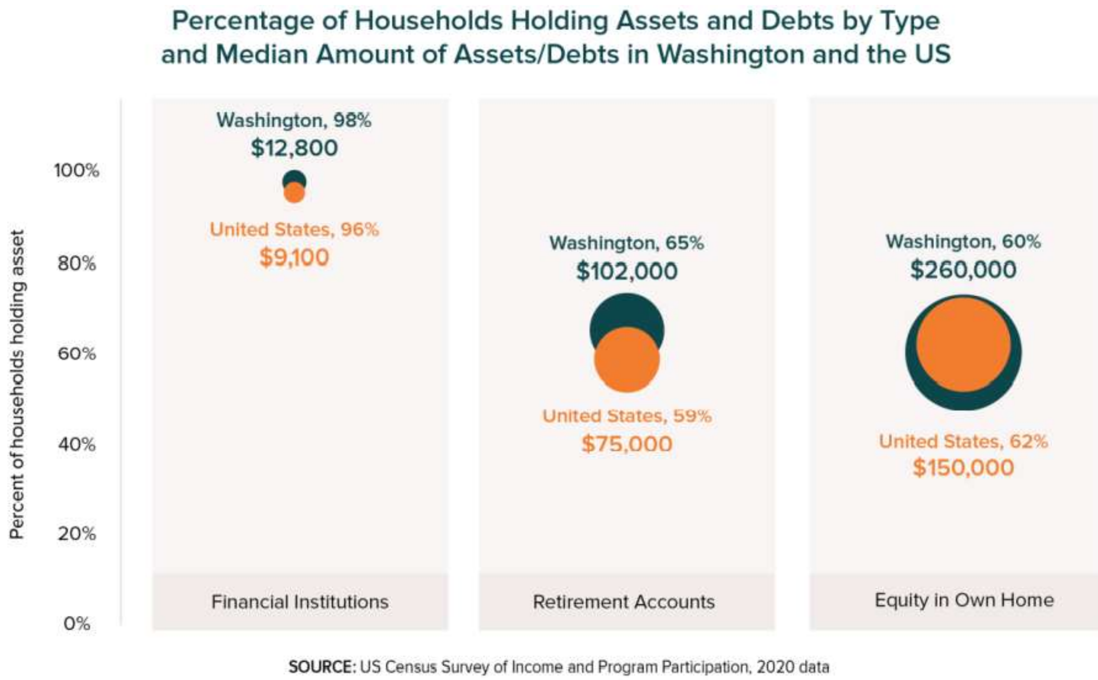


SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

Assets and Debts Held by Washington Households

The study reviewed the assets and debts held by Washington households.

> *Page 28:* While a larger percentage of Washington have assets in households in financial institutions (e.g., checking accounts) or equity in motor vehicles, the median amount held in those forms is far less than the amounts held in retirement accounts or home equity. (US Census Bureau) (Prosperity Now & Camber Collective)



SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

> *Page 29:* The percentage of Washington households holding debts (73%) is similar to the percentage across the US (74%). However, **the median amount of total debt held by Washington households ($116,800) is nearly double the median amount of total debt in US households ($62,000).** (2019 American Community Survey Public Use Microdata Sample 5-Year Sample) (Prosperity Now & Camber Collective)

Analyzing demographic trends, the study found specific wealth divides by race/ethnicity and by geography, both in the US and in Washington.

Racial Wealth Inequities in Washington

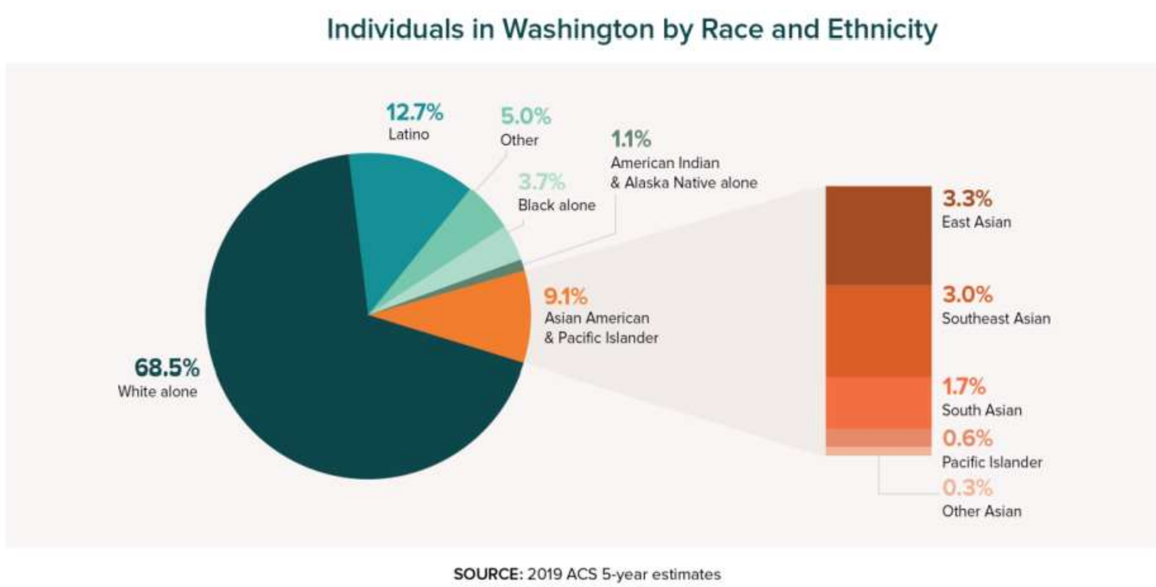
The study presented data on the racial wealth inequities in Washington

> *Page 30:* In the United States, wealth is unequally distributed along racial and ethnic lines, even when controlling for income. (Gibson-Davis) White households have more wealth than households of color, particularly Black and Latino households. (Leiserson) Black and Latino households are more than twice as likely to have zero or negative household wealth than White households. (E. N. Wolff) The 2019 Survey of Consumer Finances found that **the net assets of the median Black family ($24,100) were less than 15% of that of the median White family ($188,200) in the US.** (Bhutta, Chang and Dettling) Additionally, Latino families had a median wealth of $36,100, still under 20% that of White families. (Weller and Roberts) Racial and ethnic wealth inequities have grown in recent decades. For example, Black and Latino households experienced 75% and 50% declines, respectively, in median household wealth between 1983 and 2013, while White families experienced a 14% increase over the same period. (Asante-Muhammad, Collins and Hoxie) Today, the median White household has more wealth than 80%

of Black households and data suggests that the Black-White wealth divide has only grown further due to effects of the COVID-19 pandemic. (Weller and Roberts)

Though many analyses of wealth in the US do not disaggregate household race/ethnicity beyond White, Black, and Latino (e.g., the Survey of Consumer Finances), wealth inequities undeniability affect all people of color, including Asian Americans and Native Americans. Even when available, average wealth data for the **aggregate Asian American category masks stark wealth inequalities between specific sub-groups of Asian Americans.** For example, **disaggregated data analysis shows a greater concentration of Asian American households among the lowest wealth groups**. Additionally, when compared to their White counterparts, Asian American households in the bottom half of income distributions hold less than half the amount of wealth. Data is even more limited on wealth inequities affecting Native Americans. For example, the last time that Native American wealth was formally measured in the United States was in 2000. This measure estimated median Native American household wealth at $5,700 compared with the national median of $65,000. Native Americans also have a higher poverty rate than Whites, Blacks, and Latinos. (2019 American Community Survey Public Use Microdata Sample 5-Year Sample) (Prosperity Now & Camber Collective)

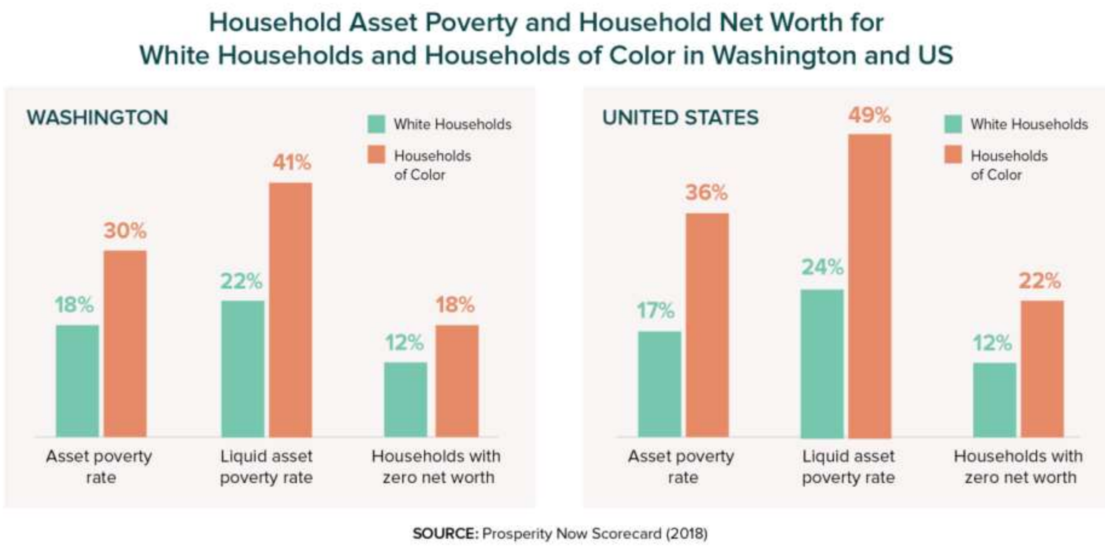
In Washington, approximately two-thirds of the population is White and the remaining third are people of color. (2019 American Community Survey Public Use Microdata Sample 5-Year Sample) Washington has a higher proportion of Asian American & Pacific Islander and American Indian & Alaska Native population and a lower proportion of Latino and Black population than the US average. (Prosperity Now)



SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

The study presented data on median wealth held by Washington households, by race.

Page 32: In Washington, as across the United States, wealth is disproportionally concentrated among White households. **In 2019, the estimated median net worth of White households in Washington ($286,200) was over four times the median net worth of households of color in the state ($67,600).** The asset poverty rate for households of color in Washington in 2018 was 30% compared to 18% of White households—meaning that those households lacked sufficient net worth to subsist at the poverty level for three months without income. Further, households of color in the state are 1.5 times as likely as White households to have zero or negative net worth. Together this data illustrates, that **Washington households of color experience more financial instability than White households and are unable to grow wealth comparable to White households**. (Prosperity Now) (Prosperity Now & Camber Collective)

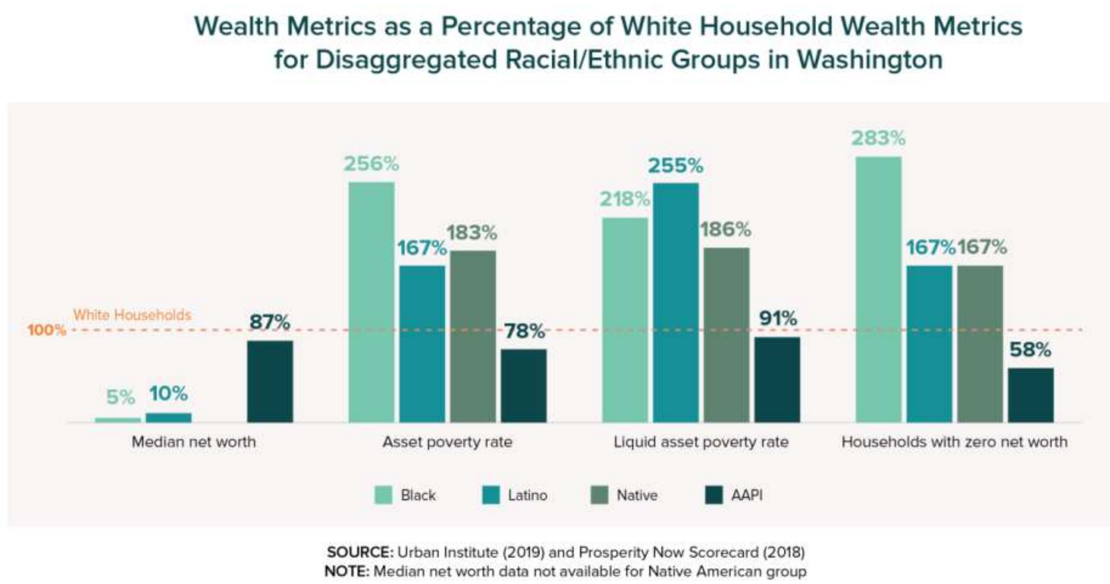


SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

The study discussed wealth data disaggregated beyond the standard race categories.

Pages 32-33: Upon disaggregating wealth metrics by racial and ethnic groups in Washington, **consistent disadvantage is evident among Black, Latino, and Native American households**, all of which experience higher asset poverty and liquid asset poverty and are more likely to have zero or negative net worth than White households.(Prosperity Now) Median net worth by group demonstrates that **all subgroups of households of color in Washington, including AAPI, have lower wealth than White peers.** In fact, comparison to national averages shows that the racial wealth divide is larger in Washington for each of those subgroups. (Zhong, Williams and Carther)

While the AAPI group has lower average levels of asset poverty, this category includes many distinct sub-groups. Unfortunately, the data currently available does not allow disaggregation on AAPI households in Washington by specific sub-groups. Given the heterogeneity within the AAPI category, this data should not be interpreted to mean that all AAPI households or all subgroups within that category have sufficient wealth. (Prosperity Now & Camber Collective)



SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

Rural-Urban Wealth Inequities in Washington

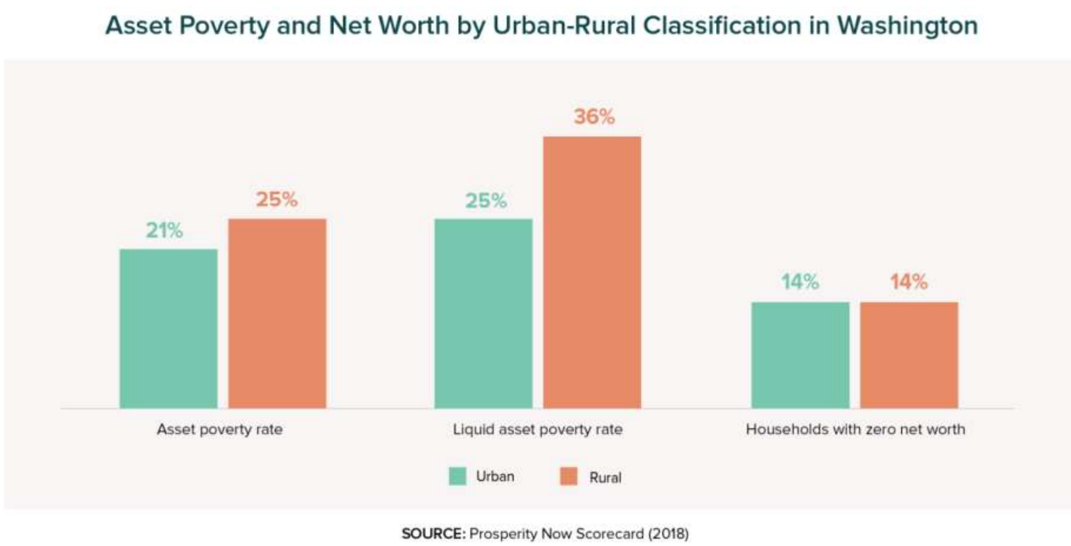
The study examined data related to wealth held in urban and rural areas, both within Washington and the US.

> *Page 30*: Wealth is also unequally distributed by geography across the country. **Non-metro counties across the country experience higher rates of poverty and lower median net worth than urban counties.** (United States Department of Agriculture, Economic Research Service) Analysis of estimated household net worth for 2019 by Public Use Microdata Area (PUMA) found that urban areas have a median net worth that is on average, 54% higher than rural areas. (Zhong, Williams and Carther) Not only do rural households tend to have lower net worth than rural peers, but they have a higher concentration of their total assets in businesses. This high exposure may increase the risk in rural households' financial outlook. Additionally, rural households are less likely to utilize tax advantaged retirement accounts or to invest in stocks or mutual funds, both of which are valuable tools for wealth building. (Copeland) (Prosperity Now & Camber Collective)

> *Page 31*: The Distressed Communities Index—a measure that incorporates aspects of employment, education, poverty, income, business, and housing—illustrates an **increasing divide between urban and rural America.** Between 2000 and 2020, the proportion of the country's urban population living in economically distressed rural zip codes decreased from 34 to 22%. Over the same period, the population living in distressed rural zip codes increased by 13%, even as the total number of rural zip codes decreased. (Benzow, Fikri and Newman) The growing geographic wealth disparity has lasting impacts on those that grew up in rural places, irrespective of their current residence. A recent longitudinal analysis found that, although children who grew up in rural areas are less likely to have negative net worth in young adulthood, they tend to have lower financial assets (e.g., money in savings accounts or

stocks/bonds) than peers who grew up in urban areas. (Keister, Moody and Wolff) These types of financial assets are instrumental in wealth building. Together, these findings all point to **rural communities facing distinct challenges in wealth building.** (Prosperity Now & Camber Collective)

Page 38: Examining wealth indicators by urban versus rural counties in Washington (as defined by the Washington Office of Financial Management's 2022 guidelines) illustrates the concentration of wealth among urban centers. For example, in 2018, **one quarter of urban households experienced liquid asset poverty compared to over one third of rural households.** Additionally, averaging estimates of median net worth across rural PUMAs in Washington reveals that rural household wealth is just 70% of the urban areas. (Zhong, Williams and Carther) (Prosperity Now & Camber Collective)

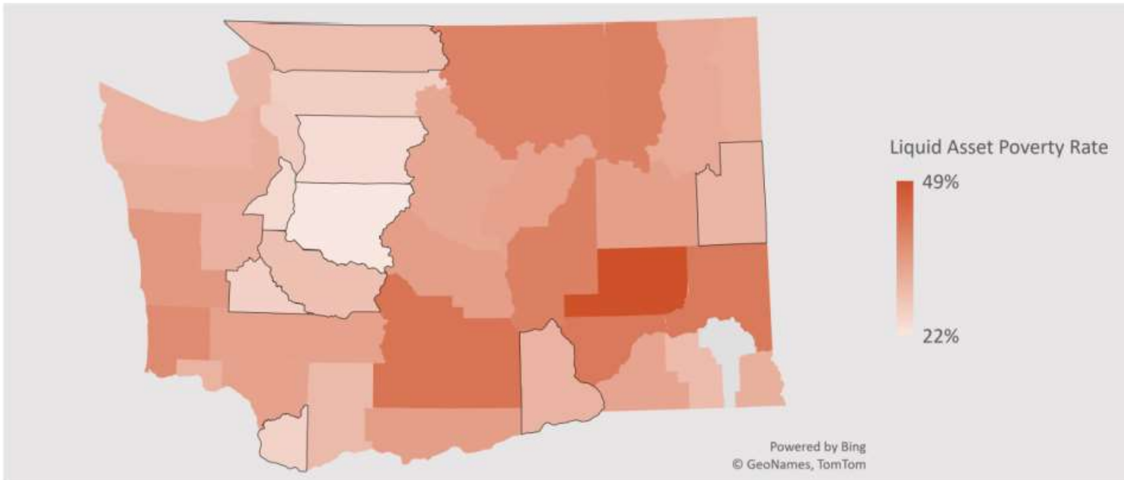


SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

The following figure is a map of liquid asset poverty rates for the state by county. According to the study:

Page 38: The visualization indicates both that households in rural counties have less wealth than their urban counterparts and that high liquid asset poverty rates appear more frequently across eastern and central Washington. (Prosperity Now) Together, the data presented in this section suggests that **wealth is disproportionally concentrated within urban centers throughout western Washington, while rural areas and the central and eastern parts of the state are left behind.** (Prosperity Now & Camber Collective)

Liquid Asset Poverty Rate in Washington by County



SOURCE: Prosperity Now Scorecard (2018)
NOTES: Urban counties outlined in black; data unavailable for Garfield County

SOURCE: Graphic is from Washington Future Fund Wealth Inequity Study (2022).

The study discussed how the value of wealth building assets varies across the state.

> *Page 42:* In Washington, urban and western parts of the state have lower asset poverty rates and higher median net worth than rural and eastern/central counterparts. Rural households–as well as urban households in eastern and central Washington–experience inequities along the factors influencing financial stability and wealth building. While many rural households and communities are struggling to financially stabilize–as evidenced by lower health coverage, educational attainment, and employment–**the geographic wealth divide also includes challenges in scaling wealth (i.e., growing the value of investments and assets to achieve growth.)** For example, while rural business ownership is nearly equivalent to that of urban areas, stark differences in business values indicate potential barriers to scaling wealth through business. Additionally, homeownership rates are higher in rural areas of Washington, but homes in rural and eastern/central parts of the state are valued less than urban homes. (Prosperity Now & Camber Collective)

Intergenerational Perpetuation of Wealth and Wealth Inequity

Research shows that wealth and wealth inequity are strongly tied to intergenerational factors, some direct (e.g. inheritances) and others indirect (e.g. education). (Feiveson and Sabelhaus) Intergenerational factors help keep children born into wealthy families wealthy and also can make it challenging for those who are born into poverty build wealth. (Prosperity Now & Camber Collective)

- It is estimated that at least half of income inequity among parents is transformed into inequity of opportunity for their children. (Mitnik, Bryant and Weber) Additionally, it was found that a child's educational success and social mobility are correlated with a parent's wealth. (F. T. Pfeffer)

- A study specifically examining the black-white household wealth gap found that black children are more likely to be born into poverty and are far more likely to be downwardly economically mobile in household wealth than white children. (Pfeffer and Killewald, Intergenerational Wealth Mobility and Racial Inequality)
- While parental financial circumstances are highly impactful on life outcomes, grandparental wealth was found to be an even greater predictor of an individual's wealth than parental wealth, signifying the magnitude of family wealth lineage in an individual's financial situation. (Pfeffer and Killewald)

During Prosperity Now and Camber Collective's qualitative research, interviewees echoed the findings related to the perpetuation of intergenerational poverty in their personal experience.

> *Page 49*: "Either your family has wealth, has money, and can support you [or not]. I've seen with some people, as you transition into adulthood, their parents maybe buy them a car or help them buy a house…So, I see that as wealth, and I feel that it makes such a difference for people in terms of when they are starting to make those transitions to being fully independent or being a young adult. Having that support from family wealth I think makes a huge difference." – White, Female, age 35-44, from Congressional District 7 or 9

> *Page 51*: "People are rich, usually because of your background, because of family history. Wealthy people keep being wealthy [and poor] people keep being poor. It's hard to get out." – Asian American, Female, age 34-44, from Congressional District 9

> *Page 51*: "All my life I've lived in poverty. I'm usually working, but it seems I can never get out of poverty." – Native American or American Indian, Female, age 45-54, from Congressional District 8 or 9

Implications of Wealth Inequities

Wealth inequity negatively impacts Washingtonians, their families, and the state's economy. According to the study, greater wealth is associated with better health, educational attainment, and financial stability for individuals. Additionally, studies have found that reducing wealth inequity could drive positive economic activity for the state. For example, it is estimated that closing racial disparities in income and employment in Washington could result in an 8% increase to state GDP, equivalent to an additional $51 billion dollars in economy activity driven by increased wages and growth in employment. (Prosperity Now & Camber Collective)

Individuals and Households

- **Health** – According to the study, "A robust body of evidence shows a strong causal link between wealth and better health. (Thomas) On a population level, studies indicate that both a country's overall wealth and the degree of wealth equality are positively correlated with population health. As Harvard Medical School professor Dr. Muthiah Vaduganathan stated, 'Wealth and health are so closely integrated that we can no longer consider them apart. (St Peter)" (Prosperity Now & Camber Collective)

- **Educational Attainment and Economic Mobility** – According to the study, "Wealth can enable people to access higher quality education, offers students greater financial support beyond tuition payments, and allows students to focus on their education instead of worrying about making ends meet. Even when controlling for income, parental educational attainment, and other demographic factors, family wealth is significantly associated with a child's educational attainment and upward educational mobility (i.e., reaching higher educational attainment than one's parents). (Pfeffer) Research has also demonstrated a clear link between wealth inequality and diverging education attainment of the wealthiest compared to the least wealthy. Wealth inequities by race/ethnicity and by geography may then continue to exacerbate educational inequities among those groups." (Prosperity Now & Camber Collective)
- **Stories from residents about the impact of wealth on their lives –** According to the study's qualitative findings, when asked about how their level of wealth affects their lives, interviewed residents discussed the impact on their:
    - **Career and employment decisions:** A quarter of participants said that: a) their financial situation influenced their decision to work or influenced the number of hours they worked; and b) their level of wealth affected whether they felt they could leave their current job for a better or more fulfilling position.
    - **Capacity to start a business:** A few participants mentioned that they would start their own business if they felt more financially stable or had more wealth. One participant said that the uncertainty of leaving their jobs and starting a business venture was not something they felt comfortable taking on financially.
    - **Ability to make purchases and repairs:** Almost all participants reported that their level of wealth influenced their decisions about purchases such as a car or car repairs, or shoes and clothes for their children.
    - **Decisions about housing:** One third of participants said that their level of wealth impacted their housing decisions—including their neighborhood and what type of housing they were able to secure for their family.
    - **Ability to connect with family:** A few participants discussed how their level of wealth affected their ability to travel and see family members. (Prosperity Now & Camber Collective)

Economic Impact

The study discussed the economic impact of wealth inequity on the state and potential economic benefits of reduction efforts:

> *Page 61*: Wealth inequality not only has tangible impacts on the household level, but also for the broader society. **A lack of wealth limits consumption, which is essential for the growth of businesses and jobs.** (Treuhaft, Scoggins and Tran) Beyond limiting growth, lower consumption due to the concentration of wealth can contribute to broader negative economic trends, such as reduced tax receipts, high public debt, low interest rates, and financial asset bubbles. (Mian)
>
> **Unequal wealth distribution also limits opportunities for many children living in poverty**, who are unable to complete advanced education and/or contribute as much to the future economy. (Stiglitz) Additionally, inequality is associated with lower public investment in infrastructure that would boost productivity (e.g., public transportation and education).

Reducing poverty and the financial instability affecting Washington households would provide significant benefits to the state's economy. For example, analysis utilizing the Asset-Limited, Income-Constrained, Employed (ALICE) threshold found **that lifting all households to an income that supports financial survival based on local costs would lead to a $71.1 billion increase in Washington's GDP per year.** (United Ways of the Pacific Northwest) These economic benefits are the result of increased earnings, increased consumption, and indirect community benefits of financial stability (e.g., lower health costs, reduced crime)[4] Addressing childhood poverty is particularly impactful, with one analysis of the associated costs showing that spending to reduce childhood poverty has returns of at least seven-fold. (McLaughlin and Rank) These estimates illustrate the toll of wealth inequality on Washington's economy.

Racial and geographic wealth divides also impact the economic outlook of Washington. A study projected that closing the racial income divide in the US would increase American gross domestic product (GDP) by over $5 trillion per year (16% increase) by 2030. (Turner) Since the racial wealth divide is larger than the racial income divide, eliminating the wealth divide would likely have an even larger impact. In Washington State, closing racial disparities in income/employment in 2019 would have resulted in an eight percent increase in GDP, equivalent to a $51 billion boost to the state economy. (PolicyLink/USC Equity Research Institute)

Rural economies in Washington help support industries crucial to the state's economy with high growth potential, including agriculture, food manufacturing, forestry, and clean energy. (Washington State Department of Commerce) As such**, inequities impeding wealth building in rural communities restrain growth and productivity in key sectors**, and thus the state's economy. **Overall, the research in this section indicates that addressing the racial/ethnic and geographic wealth divides would have significant benefits for the economic health of the state.** (Prosperity Now & Camber Collective)

Part 2: Wealth Inequities in Washington - Key Takeaways

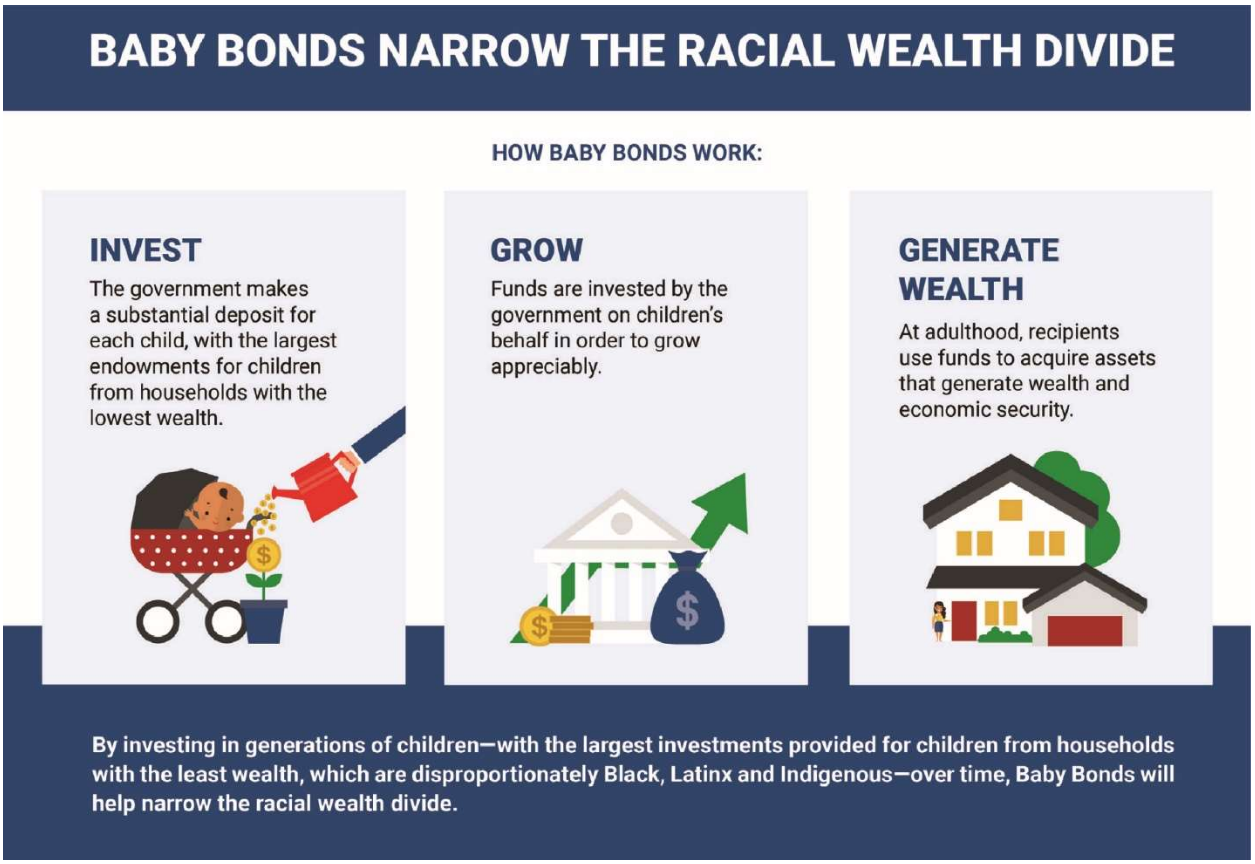
- Generational household wealth inequities exist in Washington and negatively impact Washingtonians, their families, and the state's economy.
- Income and wealth play different roles in a household's financial security and economic mobility.
- Wealth enables households to pass on resources to the next generation to set them up for financial stability and success.
- Communities of color and Washingtonians who live in rural areas are more likely to experience poverty than their counterparts. (Prosperity Now & Camber Collective)

[4] According to the study, the returns are in the form of increased economic productivity, decreased health and crime costs, and reduced costs as a result of child homelessness and maltreatment. (McLaughlin and Rank)

Part 3: Baby Bonds

(2)(c)(i) – Study how similar programs have been developed and established in other jurisdictions

Baby Bonds are an innovative policy to interrupt the cycle of poverty for children born into low-wealth households, first proposed in 2018 by economists Dr. Darrick Hamilton and William "Sandy" Darity, Jr. In a Baby Bonds program, an investment is made on behalf every child born into poverty. The funds are allowed to earn investment income until the child is a young adult, at which time the funds may be used for a specified wealth building activity. Common uses in proposals at the federal and state level include homeownership, pursuing higher education, or starting a small business.



SOURCE: Graphic is from A Brighter Future With Baby Bonds: How States and Cities Should Invest in Our Kids (2022) by Prosperity Now and the Institute on Race, Power and Political Economy at the New School.

Baby Bonds in Other Jurisdictions

In 2018, Senator Cory Booker introduced legislation to create the American Opportunity Accounts Act. This marked the first significant attempt to introduce Baby Bonds legislation. (Prosperity Now and the Institute on Race, Power and Political Economy at the New School) Sen. Booker and Rep. Ayanna Pressley reintroduced the bill in February 2021, S.222 (117th Congress).

To date, Connecticut and Washington D.C. are the first two jurisdictions to codify Baby Bond policies similar the WFF proposal.

Congress – 2021 American Opportunity Accounts Act

Under the 2021 American Opportunities Account Act, every child born in the United States would receive a tax-exempt American Opportunity Account managed by the Treasury Department, seeded with $1,000 at their birth. Annual contributions would be made on the child's behalf up to $2,000, depending on family income.

Contribution Amount, 2021 American Opportunity Accounts Act

Household income *Expressed as a percent of the federal poverty line*	**Contribution at birth**	**Annual contribution amount**
Up to 100 percent	$1,000 for all children	$2,000
100 percent up to 125 percent		1,500
125 percent up to 175 percent		1,000
175 percent up to 225 percent		500
225 percent up to 325 percent		250
325 percent up to 500 percent		0
500 percent or more		0

When an eligible child reaches the age of 18, they could use the funds to invest in wealth-building assets, such as higher education, starting a small business, home ownership, and retirement savings.

In 2019, a study estimated the impact this policy could have had on children if was implemented during the mid-1990s. Children from households with wealth among the bottom 20% could have accumulated, on average, about $45,000 in their Baby Bond account. Those from households with wealth among the top 20% could have accumulated almost $10,000. Among participating households, the wealth gap could have decreased from White households having about 15.9 times the wealth of Black households to having only 1.4 times the wealth of Black households. (Zewde)

Connecticut – Connecticut Baby Bonds Trust

In 2021, Connecticut became the first state to pass Baby Bonds legislation, inspired by the American Opportunities Account Act. Babies born in the state after July 1, 2023, whose births are covered through the state's Medicaid program will have $3,200 automatically invested on their behalf. The Connecticut Treasurer's Office will create a Baby Bonds Trust, in which funds will be collectively invested for enrolled children. Each child's share in the trust will include the initial $3,200 and a share of the trust's earnings. At age 18, funds can be used for higher education expenses, purchase of a home in Connecticut, investment in a small business in the state, or saved for retirement. To fund the program, the state will issue up to $50 million in bonds, to be approved annually. (Connecticut's Official State Website)

Washington D.C. – Child Trust Fund Account

In 2022, the District of Columbia instated the Child Trust Fund Program. Babies born on or after October 1, 2021, whose births are subject to Medicaid medical coverage, will have $500 invested on their behalf and up to $1,000 annually, based on household income level, detailed in the table below. When the child reaches the age of 18, they may access their funds if they have been a resident of Washington D.C. for sixteen of the past eighteen years. Funds may be used for education, purchase of residential or commercial property, business investment, or retirement investment. The program is subject to annual appropriation. (Children Wealth Building Act of 2021)

Contribution Amount, Child Trust Fund Program

Household income *Expressed as a percent of the federal poverty line*	**Contribution at birth**	**Annual contribution amount**
0 to 100 percent	$500 for all eligible children	$1,000
101 percent to 200 percent		$800
201 percent to 300 percent		$600

Other states – Recent baby bond legislative proposals

Additional states and jurisdictions have established similar programs, proposed Baby Bonds legislation, and embarked on exploratory work in recent years. The following table details legislation and proposals in development across the country.

State	**Status**	**Details** *For proposed legislation: initial eligibility; investment; and requirements at the time of claim*
California	One-time budget expenditure of $100 million, funding for approximately 16,000 children.	Children from low-income families who lost a parent to COVID and children who are in the state's foster care system. Legislature undecided on how much money each child would receive, but early proposal is $4,000 for younger children, $8,000 for older children.
Delaware	Introduced legislation (SB 243)	Children born into households with income less than 200% of Federal Poverty Level (FPL); $2,000 at birth; 18-25 years old resident & required economic literacy training
Iowa	Introduced legislation (H.F. 544)	All children born in state; $500 at birth, $500 annual deposits; Education & 1st home purchase; 18-35 year old resident
Louisiana	State legislature established a study committee (CR 94)	LA Department of Health & Department of Children are jointly working on the study.
Massachusetts	Task force, report due by end of 2022	Unofficial draft recommendations, as of October 2022: born to parents on TANF; $6,500 at birth; include education, home purchase, small business, or transportation in or out of MA

Maryland	Governor-elect Wes Moore proposed	Birth covered by Medicaid (about 40% of babies born in MD); $3,200 at birth (additional details unknown at this time)
Nevada	Preliminary 2023 proposal	Birth covered by Medicaid; $3,200 at birth; post-secondary education; purchase NV home, start a NV business, other investment with long-term gains; 18 years old
New Jersey	Introduced legislation (A.B. 4638)	Household FPL; $2,000 at birth; post-secondary education, home purchase, business, other assets yielding long-term gains; 18 years old & optional economic literacy training
New York City	NYC Baby Bond Community Scholarships	Beginning in 2016, every kindergartener enrolled in NYC public elementary schools automatically receives $100 seed investment and up to $200 in additional rewards in a 529 college savings account.
New York	Introduced legislation (S. 6902)	Household FPL; $1,000 at birth, $500 annual deposits; No restrictions; 18 years old
Wisconsin	Introduced legislation (S.B. 497)	Medicaid eligible birth; $3,000 at birth; post-secondary education, childcare/education of dependent, home purchase, business investment; 18-year old resident, complete financial education

Part 3: Baby Bonds - Key Takeaways

- Baby Bonds are an innovative policy to interrupt the cycle of poverty for children born into low-wealth households.
- Connecticut and Washington D.C. are the first two jurisdictions codify a Baby Bond program similar to the WFF.
- Many states, cities, and organizations across the nation are currently developing Baby Bond policies.

Part 4: 2023 WFF Development

Eligibility Criteria

(2)(c)(ii) Address eligibility criteria for account establishment, residency requirements, eligibility for account access, and approved use of funds

The eligibility requirements in the 2023 WFF proposal have been informed by the work of the WFF Committee, findings of the Washington Future Fund Wealth Inequities Study, and guidance provided by the AGO and the HCA.[5]

Born in Washington and received Apple Health medical services before their first birthday

Why Apple Health funded infant service?

A primary objective of the WFF policy is to interrupt the cycle of wealth inequity in Washington for children born into poverty. The OST asked the study vendors to identify wealth metrics, as opposed to income metrics, that could be used to administer the WFF policy. According to the report:

> Ideally, eligibility would be based on household wealth rather than income, since racial disparities by wealth are wider than income. (Prosperity Now) However, despite examining different data sources, the research team did not find an efficient existing method for measuring wealth at the household level. Within income-based eligibility criteria, **Apple Health** is a strong option because it targets households with low-incomes ...(Prosperity Now & Camber Collective)

Based on this information and after consulting with the HCA regarding data privacy considerations when using Apple Health (Washington's Medicaid system) utilization as eligibility criteria, the 2023 WFF Proposal establishes initial eligibility on utilization of Apple Health funded services before a claimant's first birthday.

For further discussion on the Apple Health eligibility requirement, please refer to the Legal Considerations, Apple Health Data, and HIPAA privacy requirements section of this report.

Apple Health birth and infant rates, by county

The distribution of Apple Health births by county is used as a proxy for distribution of Apple Health infant services.

- According to the DSHS Research and Analysis Department, Apple Health enrollment data for infant services is not available at the county-level because of methodological challenges, including whether to attribute annual estimated costs to the county of birth or the county where client received services, as well as accounting for any client movement during the year.

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[5] In the 2023 WFF proposal, individuals will be required to meet eligibility criteria to make a WFF claim, described in this section. This requirement is in lieu of criteria for account establishment and eligibility for account access, as described in the 2022 WFF budget proviso, because the WFFs will be invested in the Washington Future Fund Account as opposed to accounts for individual claimants.

- The historical trend of total babies who receive Apple Health infant care as a percentage of total material care is approximately 2% lower than maternal care. This difference is, in part, due to fetal and infant mortality.

Apple Health Paid Maternal and Infant Services for Washington Births to Mothers on Apple Health								
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Total Maternal Services	41,618	42,248	42,676	43,425	41,566	39,744	38,240	36,813
Total Infant Services	40,839	40,804	41,288	41,886	40,424	38,740	37,413	36,221
Infant services as a % of Maternal services	**98.1%**	**96.6%**	**96.7%**	**96.5%**	**97.3%**	**97.5%**	**97.8%**	**98.4%**

Includes fee for service + payments to contracted managed care plans (premiums, enhancements, etc.)
Total Maternal Services includes prenatal, delivery, and postpartum care.

Total Infant Services include all services during the first year of life including vaccines, prescription drugs, intensive inpatient infant services, and any outpatient visit.
Total Infant Services only include children born in Washington State.

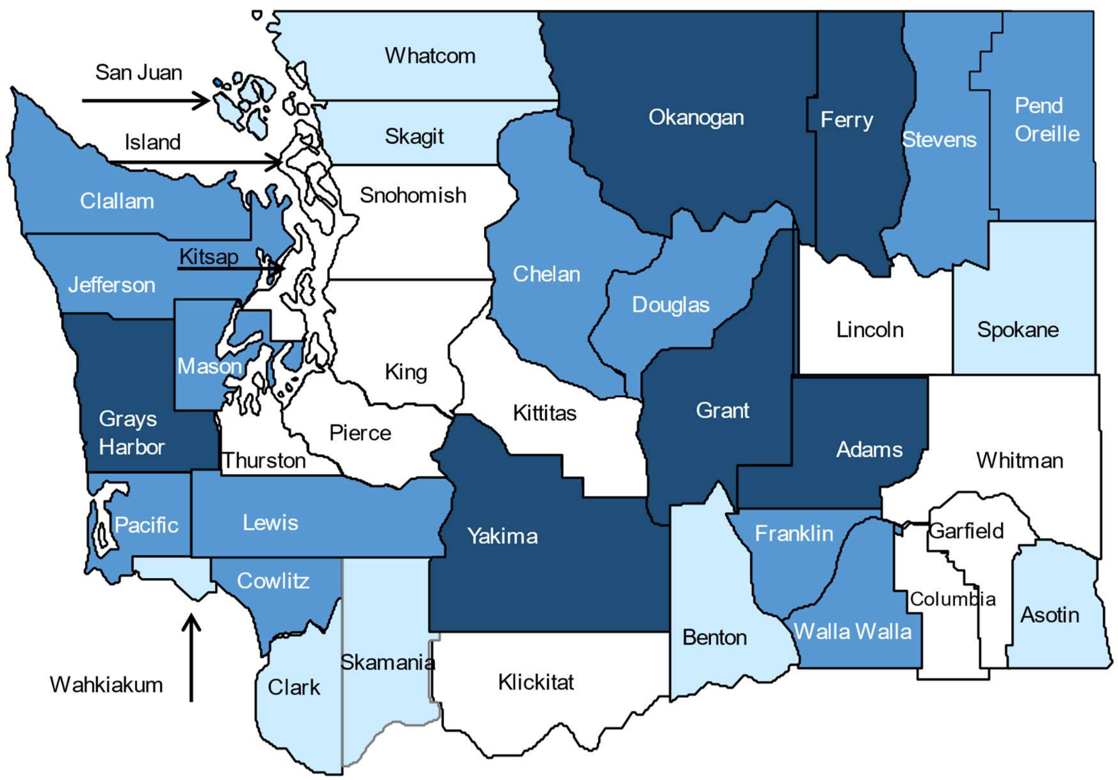
Data: DSHS RDA, December 2021

The following table and map provide the number of Apple Health funded births in 2020, by county. (Data source: DSHS RDA, December 2021)

Apple Health Funded Births in 2020 By County		
COUNTY	Count	As % of all births
Adams	268	82.7%
Asotin	19	55.9%
Benton	1,432	58.0%
Chelan	516	65.2%
Clallam	370	62.4%
Clark	2,281	48.0%
Columbia	12	40.0%
Cowlitz	704	60.1%
Douglas	289	62.4%
Ferry	49	77.8%
Franklin	946	64.9%
Garfield	2	33.3%
Grant	991	72.8%
Grays Harbor	486	71.8%
Island	250	32.2%
Jefferson	88	67.7%
King	7,786	33.4%
Kitsap	954	34.6%
Kittitas	166	43.0%
Klickitat	23	67.6%
Lewis	571	65.5%
Lincoln	51	44.3%
Mason	430	65.4%
Okanogan	300	72.8%
Pacific	66	66.0%
Pend Oreille	71	68.9%
Pierce	4,812	44.2%
San Juan	57	52.3%
Skagit	748	56.2%
Skamania	27	50.0%
Snohomish	3,416	37.0%
Spokane	2,976	53.3%
Stevens	276	67.8%
Thurston	1,168	40.4%
Wahkiakum	14	56.0%
Walla Walla	341	61.8%
Whatcom	940	47.4%
Whitman	149	44.1%
Yakima	2,750	77.8%
County unknown	20	62.5%

Apple Health Funded Births in 2020, by County

As a percentage of all births



Legend

32 - 45%
46 - 60%
61 - 70%
71 - 100%

As of 2014, records do not include out-of-state deliveries to Washington residents because birth certificates for states other than Washington were not available for record linkage.

Prepared for Health Care Authority (HCA) by DSHS Research and Data Analysis
womenshealth@hca.gov

The following tables compares the number of all women who gave birth to those covered by Apple Health, between the years of 2013-2020, by race. (Data: DSHS RDA, December 2021)

All Births in WA								
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
All races	**84,888**	**86,325**	**86,643**	**88,194**	**85,127**	**83,735**	**82,710**	**80,819**
White	51,826	52,230	51,942	51,543	48,935	47,178	45,830	44,510
Hispanic	15,412	15,554	15,813	16,272	15,652	15,790	15,851	15,761
African American	3,692	3,750	3,748	3,900	3,850	3,788	3,794	3,846
Native American	1,267	1,299	1,214	1,326	1,127	1,188	1,067	1,018
Asian	7,558	8,018	8,323	8,898	8,919	8,789	8,975	8,526
Hawaiian/Pacific Islander	1,014	1,093	1,120	1,188	1,197	1,185	1,249	1,252
More than 1 race	3,275	3,485	3,411	3,715	3,770	3,962	3,878	3,865
Other/Unknown	844	896	1,072	1,352	1,677	1,855	2,066	2,041

Apple Health Funded WA Births								
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
All races	**41,618**	**42,250**	**42,679**	**43,426**	**41,571**	**39,747**	**38,249**	**36,815**
White	20,270	20,577	20,697	20,311	19,211	17,959	16,836	15,920
Hispanic	12,390	12,405	12,623	12,928	12,234	11,997	11,782	11,609
African American	2,685	2,742	2,667	2,870	2,720	2,616	2,582	2,572
Native American	1,013	1,012	952	1,058	909	927	837	778
Asian	2,042	2,108	2,209	2,316	2,273	1,975	1,912	1,735
Hawaiian/Pacific Islander	773	880	893	952	952	950	987	961
More than 1 race	1,902	1,992	1,937	2,094	2,196	2,193	2,103	2,068
Other/Unknown	543	534	701	897	1,076	1,130	1,210	1,172

Apple Health Funded WA Births, as Percentage of all WA Births								
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
All People Who Gave Birth	**49%**	**49%**	**49%**	**49%**	**49%**	**47%**	**46%**	**46%**
White	39%	39%	40%	39%	39%	38%	37%	36%
Hispanic	80%	80%	80%	79%	78%	76%	74%	74%
African American	73%	73%	71%	74%	71%	69%	68%	67%
Native American	80%	78%	78%	80%	81%	78%	78%	76%
Asian	27%	26%	27%	26%	25%	22%	21%	20%
Hawaiian/Pacific Islander	76%	81%	80%	80%	80%	80%	79%	77%
More than 1 race	58%	57%	57%	56%	58%	55%	54%	54%
Other/Unknown	64%	60%	65%	66%	64%	61%	59%	57%

Data: DSHS RDA, December 2021

Between the ages of 18 and 35

In the 2022 WFF proposal, a claimant was eligible to make a claim for WFFs between the ages of 18 and 31. Based on recommendations included in the Washington Future Fund Wealth Inequities Study, the 2023 WFF proposal increases the age range to 18 through 35. According to the study, "Increasing the age limit to 35 would offer more flexibility. Many beneficiaries may not be ready to use the funds in their 20s due to a variety of reasons (e.g., military service or (time needed to save) additional funds towards a down payment). Increasing the age limit would allow participants to have a few extra years to prepare to use the funds." Additionally, permitting the funds to earn interest for a longer period could result in a higher payout amount at the time of a claim and therefore a greater impact for the participants and the state economy.

Washington resident at the time of the claim

The WFF Committee considered the question of how to define residency at the time of the claim. The term "residency" is not consistently defined in statute. The WFF Committee agreed that residency is an important criterion to ensure the WFFs benefit the WA State economy. The 2023 WFF proposal tasks the OST to define this term by rule.

Successful completion of a financial education requirement

The 2022 WFF proposal required claimants to complete a financial education requirement. According to the Washington Future Fund Wealth Inequities Study, "Research on the effectiveness of general financial education is mixed. Adding this requirement for participants to access funds could add an unnecessary barrier, without providing significant benefit. Instead, supports could include first-time homebuyer counseling, small business training, or mentorship programs, postsecondary education advisors, or general financial advisors for those who would like guidance on the best way to prudently manage investment returns. These supports will also help steer participants away from predatory actors looking to exploit the WFF recipients."

The WFF Committee discussed how to make a financial education element to the WFF program supportive of the participant's success, as opposed to a burden on applicants. Based on feedback from the WFF Committee and the Washington Future Fund Wealth Inequities Study, the 2023 proposal requires a claimant meet a financial education requirement that is an asset-specific support and directs the OST to define the requirement by rule.

Prosperity Now and Camber Collective's qualitative interviewees reported their views on the value of financial coaching.

> *Page 22*: "My parents never talked to my sister and I about money because they weren't very knowledgeable with money. They didn't really teach us anything. Everything I had to learn about like 401(k), and saving for a house, and paying off credit, getting the credit card and using it and paying it off every month…All of those things I had to learn by taking classes or by somebody else telling me." – Native American or American Indian, Female, Age 35-44, from Congressional District 3

> *Page 23*: "My mom never taught me to save, probably because no one taught her…I always thought that my future was already destined, that I was going to grow up in poverty…They taught us how to stretch our food stamps or stuff like that, but nothing else to say "you can overcome this" and "you don't have to be on the system." It was teaching us how to be on the system really." – Native American or American Indian, Female, Age 45-54 From Congressional District 2

Demonstrates financial need at the time of the claim

Developing the financial criteria requires a balance between multiple considerations, including ensuring constitutionality, avoiding inadvertently requiring individuals to stay in deep poverty to qualify for the program, and the future economic landscape and cost of wealth building assets. Recognizing the need for information about future economic conditions and time to consider these complex factors before finalizing this criterion, the 2023 WFF proposal directs the future WFF Advisory Committee to develop and recommend a definition of the requirement to the legislature, considering the following elements:

- Washington State Constitution
- Maximizing program participation among cohort members
- Current economic conditions, including the cost of eligible expenditures
- General requirements to qualify for a real estate, student, or business loan
- Minimizing impact to a claimant's ability to qualify for local, state, and federal public assistance programs
- Feasibility of a wealth-based qualification requirement

The WFF Committee established in the 2023 proposal is directed to recommend a definition to the legislature by 2036.

Approved Use of Funds

(2)(c)(ii) Address eligibility criteria for account establishment, residency requirements, eligibility for account access, and approved use of funds

The approved uses of funds (eligible expenditure) in the 2023 WFF proposal are consistent with those included in the 2022 WFF proposal:

A) Purchase of a primary residence;
B) Purchase or creation of a business; or
C) Costs associated with education, training, or professional development of a claimant.

Experts in these fields made presentations to the WFF Committee, detailing how these assets can be tools to interrupt the cycle of poverty for individuals while also benefiting the state economy. The information they shared is supported by findings in the Washington Future Fund Wealth Inequities Study and other recent studies from state agencies on reducing poverty and economic development.

- The Legislative-Executive WorkFirst Poverty Reduction Oversight Task Force recommended targeting equitable growth and wealth-building opportunities for Washingtonians with low-incomes as a strategy to reduce intergenerational poverty. (Five-Year Plan to Reduce Intergenerational Poverty and Promote Self-Sufficiency (A Report to the Legislature))
- A recent study commissioned by the Lieutenant Governor on economic success in Washington identified increasing homeownership, equipping the workforce for success by closing the skill gap through education and training, and revitalizing entrepreneurship as the three keys to quality economic growth and success in the state. (ECONorthwest)

The following section examines the role of these assets in building wealth and the current inequities contributing to the racial and rural-urban wealth divides.

Purchase of a primary residence

According to the Washington Future Fund Wealth Inequities Study:

> *Page 20*: Perhaps the most touted symbol of wealth in the US, homeownership is both a vehicle for wealth building and important asset for many households across the country. Generous tax policies provide significant advantages to homeowners compared to renters and disproportionately benefit homeowners with higher incomes. (Thomas) (Di, Belsky and Liu) A longitudinal study showed that, even in times of average real estate appreciation, high stock gains, and low rent increases, homeownership is significantly associated with increased net worth. (Di, Belsky and Liu)
>
> However, home valuation and buyer age at time of home purchase are both important modifying factors of homeownership's potency as a tool for wealth building. (Choi, McCargo and Goodman) Simply stated, a younger homeowner has more time to build wealth and weather economic market downturns. (Prosperity Now & Camber Collective)

The legislature has recently funded studies on barriers to homeownership and arrived at similar conclusions.

- In 2022, the Washington State Homeownership Disparities Work Group analyzed data on the state of Black, Indigenous, People of Color (BIPOC) homeownership in Washington and reviewed research on barriers to homeownership. They identified two primary barriers to BIPOC homeownership that apply to all communities: 1. affordable homeownership supply, and 2. direct homeownership assistance. The Work Group recommended providing capital directly to low-income homeowners and homebuyers. (Washington State Department of Commerce)
- According to a 2021 study from the Office of the Lieutenant Governor, "The Racial Wealth Gap is the Housing Gap":
    - Housing is a key source of wealth for Americans and access to housing in America is racially inequitable. In 2019, Black homeownership was 36% lower, and Hispanic homeownership was 22% lower, than White homeownership. (National Association of Relators)
    - According to the Federal Reserve Board, the net worth of a homeowner was 40 times that of a typical renter in 2019. (Bond and DeMoe) Between deductible mortgage interest, tax-free treatment on gains when a home sells, and the ability to use paid property taxes as a credit against federal income tax, housing is a strong wealth building asset for Americans. (Nevada Rural Housing Authority)
    - The rate of homeownership among children of homeowners is 25% higher than the children of renters. The earlier an individual owns a home, the more equity may accumulate, which is a form of wealth. (Habitat for Humanity)
    - Low-income homeowners with sustained ownership and affordable loans have been shown to have higher wealth accumulation (both housing and non-housing wealth) than comparable renters, achieving greater financial returns through homeownership than through renting. (Boehm and Schlottmann)

Homeownership may play a role in the rural-urban wealth divide as well. According to the Washington Future Fund Wealth Inequities Study:

> *Page 41*: Homeownership trends show that rural areas have higher homeowner rates (69%) across the state than urban areas (61%). However, home value also impacts the potency for homeownership to build and maintain wealth. For example, the median home value among homeowners in urban areas is over 150% that of their rural peers. Additionally, the average home value in eastern and central Washington is lower than those in western Washington. (2019 American Community Survey Public Use Microdata Sample 5-Year Sample) Lower home values – especially in central and eastern Washington – may blunt the benefits for wealth building. (Prosperity Now & Camber Collective)

Education, Training, and Professional Development

One key strategy to alleviate poverty that was identified by the Governor's State Poverty Reduction Work Group was to increase economic opportunity by targeting equitable education and income growth among people with low incomes and wealth. Advancing educational and educational attainment is one of the pillars of this strategy. (Poverty Reduction Workgroup) According to analysis from the Education Foundation at The Washington Roundtable, the majority of job openings in Washington require a post-secondary credential, including those from two- and four-year institutions, as well as through apprenticeships. (Education Foundation of The Washington Roundtable)

According to the Washington Future Fund Wealth Inequity Study:

> *Page 19*: Educational attainment – particularly completion of a postsecondary degree – is instrumental in obtaining higher income jobs with supportive benefits. (Elmi and Lopez) The Federal Reserve Study of Household Economics and Decision Making found that 88% of those with a bachelor's degree or higher reported "doing at least okay financially," compared to only 63% of those with a high school degree or less. (Canilang, Duchan and Kreiss) However, while increased levels of education lead to gains in income and wealth for all groups, the returns to attaining education are not equal across racial and ethnic groups. Research shows that Blacks and Latinos have smaller increases in their wealth than non-Latino Whites and Asian Americans when they receive higher levels of education. (Emmons and Rickets)
>
> Additionally, the postsecondary education industry can be a source of wealth extraction, particularly for households of color. Postsecondary education has become increasingly unaffordable for many households. In the 2019-20 academic year, the average total cost of attendance at four-year postsecondary institutions ranged from $23,000 (public) to $53,800 (private non-profit). (National Center for Educational Statistics) Black and Latino households typically have less household income to pay for postsecondary education and take student loans at higher rates than White students, and this higher debt can hamper their ability to build wealth. (Student Borrower Protection Center) Research also indicates that for-profit colleges – which often financially exploit students, leading to higher debt – particularly target communities of color. (Prosperity Now & Camber Collective)

The Washington State Student Achievement Council recently published a study, "Intergenerational Economic Mobility of Need-Based Financial Aid Recipients in Washington," to better understand how financial aid and public education may address social inequities. They concluded that there is consistent evidence that postsecondary education is an economic equalizer.

- Among need-based aid recipients, all demographic groups with economic ranks below 50 move up after graduating with a post-secondary degree.
- The most economically disadvantaged students are surpassing their parents' income within 3 years after graduation. Children from families in the bottom 25% income quartile earn more than their parents (combined) by the third year after post-secondary education.

According to the Washington Future Fund Wealth Inequity Study, with respect to the rural-urban wealth divide, "In Washington, urban areas have higher rates of high school degree attainment (92%) than rural areas (87%). Disparities are more pronounced when considering advanced education. The bachelor's degree attainment rate in rural areas of the state is around 60% of the rate in urban areas."

Prosperity Now and Camber Collective's qualitative interviewees expressed the impact of education related debt on their lives.

> *Page 21*: "My student loans have been a second mortgage in effect my whole adult life, and that has had a huge impact on our liquid assets and how we manage our wealth because we know we have these two debts looming over us. The house is something you always imagine would be part of one's life, but I had no idea that a student loan would be there 20 or 30 years, as well." – Other race, Male, age 45-54, from Congressional District 7

Purchase or creation of a business

According to the Washington Future Fund Wealth Inequity Study,

> *Page 20*: While business ownership is not a universal component of wealth building, it is a significant source of wealth building for many households. (Headd) **Business equity made up 34% of nonfinancial assets** in 2019, second only to equity in one's own home. Business ownership is also associated with higher net worth. (Siwick) In addition, self-employment can produce primary income or supplemental earnings from other work. (Prosperity Now & Camber Collective)
>
> *Page 35*: In the United States, people of color – particularly Blacks and Latinos – hold relatively lower levels of business assets. (Klein) **Wealth building through business ownership is limited for people of color** for various reasons, including reduced access to business credit, higher debt, and concentration in low-revenue sectors.
>
> In Washington, **White-owned businesses make up nearly 80% of all businesses, despite White people making up under 70% of the population.** Conversely, Black- and Latino-owned businesses exist at lower rates that their share of the population. Even when people of color own businesses, they are less valuable than White-owned businesses, with just half of the annual average payroll. (US Census Bureau) Analysis by the Washington Office of the Lieutenant Governor found that BIPOC-owned firms used financial services at half the rate of White-owned firms, were less likely to apply for Paycheck Protection Program (PPP) than white-owned firms, and less than half as likely to receive all the financial assistance they sought than White-owned firms. (ECONorthwest) (Prosperity Now & Camber Collective)

According to the presentation from the Washington Council of Economic and Financial Education, BIPOC entrepreneurs face severe disadvantages in accessing capital. BIPOC individuals represent 40% of the US population, but account for less than 2% of venture capital investments. (Lowry and Holland) The gaps in access to seed funding and venture capital for BIPOC individuals create barriers in the digital economy.

The percentage of startups in rural areas fell from 20% in the 1980s to around 12% today. (Education) Additionally, rural business owners face inequities in access to financial support, evidenced by both lower amount and number of small business loans originating in rural Census tracts to those in urban Census tracts. (Cole)

The 2022 report on economic success from the Office of the Lieutenant Governor recommends revitalizing entrepreneurship as an economic development tool. Washington is forming 30% fewer high-growth potential business than a decade ago and ranks 4th lowest among peer states.

Prosperity Now and Camber Collective's qualitative interviewees expressed how capital barriers hold individuals back from pursing entrepreneurship.

> *Page 59*: "We have a lot of business ideas. But because of where we are and in our state of life, we can't really look into that. Like we were talking about culinary arts and were talking about a food truck but that's not something we would try to do right now because it's uncertainty. It's not a guarantee." – Black or African American, Female, age 35-44, from a Congressional District 1 or 2

Legal Considerations

(2)(c)(iv) – Address any legal barriers or risks in establishing the program including state constitutional limitations and avoiding the creation of fiduciary duties or contractual rights with program participants.

Throughout the interim, the OST and the WFF Committee consulted with the AGO and the HCA to address legal topics that were raised during the 2022 legislative session.

Gift of Public Funds

There are two provisions in Article 8 (State, County, and Municipal Indebtedness) of the Washington State Constitution that are referred to as "the prohibition of the gift of public funds":

- Article 8, Section 5: Credit of state shall not be given or loaned to, or in the aid of, an individual or corporation; and
- Article 8, Section 7: Public credit, money, or property shall not be given or loaned in the aid of any individual, association, company, or corporation – except for the necessary support of the poor and infirm.

Questions asked during constitutional analysis of the Washington Future Fund Program related to this provision may include:

- Is this expenditure for a fundamental public purpose?
- What was the legislative intent of the Washington Future Fund Program, and does it provide necessary support of the poor and infirm?

Fundamental public purpose: In determining whether the constitutional gift provision is satisfied, the Washington Supreme Court considers whether the legislature has authorized such expenditures to serve a fundamental public purpose. Accordingly, a legislative action empowering a use of public funds is presumed to be constitutional and a challenger bears the burden of overcoming such a presumption.

The legislature has a history of investments in housing and access to higher education for Washingtonians who demonstrate financial need and small businesses as an engine of economic development. Recent examples of such appropriations in the 2021-23 Omnibus Operating and Capital Budgets include:

- Housing:
  - Housing Trust Fund Projects: $175 million for a competitive grant program that funds the construction and renovation of affordable housing units to serve low-income and special needs populations.
  - Affordable Housing for All Account: $37 million on an ongoing basis for permanent supportive housing operations, maintenance, and service grants.

- Higher education:
  - Washington College Grant Program (RCW 28B.92.200): $183 million for a statewide, free college program for enrolled resident students who demonstrate financial need and receive public assistance.
  - Washington State Opportunity Scholarship Program: $7.5 million state match requirement to leverage $50 million annually in private-public partnership scholarships.

    - New and expanded financial aid programs: Total of $9 million to the Washington Student Achievement Council and the State Board of Community and Technical Colleges for new financial aid programs, or to expand existing programs, for tuition, textbooks, and additional monetary assistance for community and technical college students experiencing unforeseen emergencies.

- Small business: Administered by the Washington State Department of Commerce:
    - Working Washington Grants: One-time grants to small for-profit or non-profit businesses that have experienced financial hardship due to Covid-19 and related public health measures.
    - Small Business Flex Fund Loans: Small businesses and nonprofits can borrow up to $150,000 and the money can be spent flexibly, including payroll, utilities & rent, supplies, marketing & advertising, building improvements or repairs, and other business expenses.
    - Convention Center Grants: Grant program to assist businesses and nonprofits that are dependent on the economic activity created through conventions hosted in Washington state.

Support of the poor and infirm & legislative intent: In addition to satisfying the constitutional requirements through fundamental public purposes, expenditures are also constitutionally permitted for the support of the "poor and infirmed." To qualify for Washington Future Funds, a claimant must be born into poverty and demonstrate financial need at the time of the claim. The intent of the program is to break the cycle of intergenerational poverty by providing financial stability in the form of seed funds to help the individual invest in a wealth building asset. Legislative action to address these issues are constitutionally permitted both as fundamental public purposes and support of the "poor and infirm."

Fiduciary duties or contractual rights

The 2022 proviso directed the Committee to address legal considerations related to fiduciary duties or contractual rights with program participants.

<u>Fiduciary duty</u>: According to section 80.20 (Generally Accepted Accounting Principles) of the State Administrative and Accounting Manual, a fiduciary fund, or trust fund, is used by the government to hold assets for individuals, private organizations, and/or other governmental units. There are four types of trust funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial trust funds. (Office of Financial Management) The Washington Future Fund Account created in the 2023 WFF proposal is not a trust and does not create a fiduciary duty.

<u>Contractual right</u>: A contractual right, or an entitlement, is a guarantee of access to benefits based on established legislation. Entitlement programs are government programs that require payment to persons who satisfy specific qualifications. For example, social security and Medicare are governmental entitlements. Under state and federal law, if an individual has an entitlement, it cannot be taken away from them without due cause.

A legal question that may be considered during the analysis of entitlement and property interests include: At what point is a claimant entitled to the funds?

The 2023 proposal incorporates elements to address these questions.

- Funds would be invested on behalf of the estimated number of individuals in a cohort and would not be invested in the name of an individual baby born into poverty. The appropriation would be calculated based on a caseload estimate from the CFC.
- In order to qualify for a WFF allotment, a cohort member would be required to meet criteria at the time of the claim, including exhibiting financial need at the time of the claim, residing in Washington, and completing a financial education requirement.

Apple Health Data and HIPAA

The Committee consulted with the HCA, the Apple Health administering agency for the state, on questions related to using Apple Health participation as an eligibility requirement for the Washington Future Fund program.

Eligibility metric

In the 2022 WFF proposal, eligibility was contingent on the claimant's birth being funded by Apple Health. Qualifying for an Apple Health funded birth is contingent solely on the birthing parent's financial situation and is their private health care data. This could prove difficult administratively if the birthing parent does not disclose their Apple Health status or if it is not possible to confirm the birthing parent's Apple Health status.

With the legal assistance of the AGO, the 2023 Washington Future Fund proposal changes the initial eligibility to if an individual receives Apple Health care services before their first birthday. According to the HCA, it is possible to verify this information and the information is the private healthcare data of the claimant, and therefore they would have the authority to permit the state to confirm their eligibility.

HIPAA considerations

One question raised during the 2022 session was if the program uses Apple Health data as eligibility criteria, how does that interplay with HIPAA, the federal Health Insurance Portability and Accountability Act that governs disclosure on medical data.

1. A patient has the right to disclose their health care data with their authorization. A claimant would have the right to authorize the state with the ability to verify if they received Apple Health services before their first birthday. (U.S. Department of Health and Human Services)
2. Under the 2023 WFF proposal, the OST would verify a claimant's Apple Health care status from HCA or DSHS, and not warehouse the healthcare data themselves.
3. According to the HCA, the HIPAA contains exemptions that can be met to permit the HCA to verify this information with the OST:
    a. The Medicaid State Plan agreement between Washington and the federal government could be amended to permit the HCA to disclose Apple Health participation to the Office of the State Treasurer to verify qualification.
    b. According to the HCA, the HIPAA permits state agencies to disclose information if required by law. By including direction to HCA to information share with OST in the 2023 WFF proposal, this requirement would be met.

Investments and the State Constitution

This interim, the OST Staff and the WFF Committee consulted with the WSIB on how WFFs could be invested and the estimated payouts.

Article 8 of the State Constitution prohibits investment of public funds in private stocks, except for exempt funds (public pension or retirement funds, industrial insurance fund, funds held in trust of persons with developmental disabilities). (Constitution of the State of Washington)

Under current law, Washington Future Funds could be invested in a fixed income portfolio. If the Constitutional amendment language in HJR 4211 (2022) were to pass, WFFs could be invested in a diversified portfolio, including private stocks, bonds, and fixed income. The diversified portfolio would allow the State Investment Board to manage returns at a prudent level of risk to increase the likelihood of investment earnings that can impact claimant's financial stability.

Please see the Financial and Fiscal Considerations section for further details about projected investment earnings on WFFs.

Financial and Fiscal Aspects

(2)(c)(iii) Address all financial and fiscal aspects of the program, including the long-term costs of establishing the fund, estimated annual appropriation, how funds would be invested and estimated payouts, what agency or agencies would be responsible for verifying applicant eligibility, and administrative and technology costs of establishing and maintaining program.

Investment and Annual Appropriation

Based on the 2023 WFF Proposal, it is estimated that the only significant biennial appropriation for the first 18 years of the program are the amounts invested on behalf of the cohorts. This interim, the OST and the Committee consulted with the WSIB on how the WFFs could be invested and the estimated payouts.

The WSIB is an independent Board that has a fiduciary responsibility to manage retirement and public fund investments, with an objective to maximize returns at a prudent level of risk.

Article 8 of the State Constitution prohibits the investment of public funds in private stocks, except for exempt funds. Exempt funds are public pension or retirement funds, industrial insurance funds, and funds held in trust for persons with developmental disabilities. (Constitution of the State of Washington)

Under current law, the Washington Future Funds could be invested in a fixed income portfolio. If the Constitutional amendment language in HJR 4211 (2022) was adopted, the Washington Future Funds could be invested in a diversified portfolio, including private stocks, bonds, and fixed income. The diversified portfolio could result in a higher rate of investment earnings, potentially resulting in more funds for claimants to use towards their purchase of a wealth building asset and greater impact on the overarching goal of reducing wealth disparities in Washington. Based on the 2022 WFF proposal, the WSIB estimates that baseline investment earnings without amending the constitution could be approximately 3.3% annually. By amending the constitution as described in this paragraph, baseline returns are estimated to be about 5.8% annually. (Washington State Investment Board) The following table compares the possible investment earnings under these scenarios.

Washington Future Fund - Fiscal estimate				
Contribution Analysis Tool (one birth year cohort)				
Assumptions:				
Eligible cohort	38,200	Source: HCA/DSHS (Average total caseload, Medicaid Maternal + Infant Care, 2017-2020)		
% program usage (participation)	100.0%	*Assumption*		
# of program users	38,200			
Low/high investment return sensitivity	25%	Source: OST, Investments		
Scenario A: Without constitutional amendment				
Baseline annual investment return	3.3%	Source: 2022 Fiscal Note, SSB 5752, SIB		
	Investment: $3,200/child			
	Investment return assumptions -	**Low**: 2.5%	**Baseline**: 3.3%	**High**: 4.1%
Distribution per child	18 years old	5,000	5,800	6,700
	25 years old	5,900	7,300	9,000
	31 years old	6,900	8,900	11,500
	35 years old	7,600	10,100	13,500
	Annual appropriation:	122,240,000		
	Biennial appropriation:	244,480,000		
	Investment: $4,000/child			
	Investment return assumptions -	**Low**: 2.5%	**Baseline**: 3.3%	**High**: 4.1%
Distribution per child	18 years old	6,200	7,200	8,400
	25 years old	7,400	9,100	11,200
	31 years old	8,600	11,100	14,300
	35 years old	9,500	12,700	16,900
	Annual appropriation:	152,800,000		
	Biennial appropriation:	305,600,000		
Scenario B: With constitutional amendment				
Baseline annual investment return	5.8%	Source: 2022 Fiscal Note, SSB 5752, SIB		
	$3,200/child			
	Investment return assumptions -	**Low**: 4.4%	**Baseline**: 5.8%	**High**: 7.3%
Distribution per child	18 years old	7,000	9,100	11,800
	25 years old	9,500	13,600	19,500
	31 years old	12,300	19,200	30,100
	35 years old	14,600	24,200	40,200
	Annual appropriation:	122,240,000		
	Biennial appropriation:	244,480,000		
	$4,000/child			
	Investment return assumptions -	**Low**: 4.4%	**Baseline**: 5.8%	**High**: 7.3%
Distribution per child	18 years old	8,700	11,300	14,700
	25 years old	11,800	17,000	24,400
	31 years old	15,400	24,000	37,600
	35 years old	18,300	30,300	50,200
	Annual appropriation:	152,800,000		
	Biennial appropriation:	305,600,000		

The 2023 proposal directs the Caseload Forecast Council to project cohort size. If the investments are based on the actual number of children who receive Apple Health services before their first birthday, the investment would be made at least two years after their first birthday. In comparison, an appropriation could be made based on a forecast before the actuals are reported, allowing the WFFs to earn more interest. The following table compares the timelines between these two methods.

Timeline comparison – WFF Cohort Appropriation – Based on forecast v actuals Example: 2024 Cohort					
	FY 2024 July 2023-June 2024	FY 2025 July 2024-June 2025	FY 2026 July 2025-June 2026	FY 2027 July 2026-June 2027	FY 2028 July 2027-June 2028
	January-December 2024 2024 cohort birth year				
		January-December 2025 2024 cohort – 0-1 yr old			
Scenario 1: Cohort approp based on CFC caseload estimate	Sept 2023 – CFC forecasts 2024 cohort Dec 2023 – Forecast included in Governor's 2024 budget proposal	**July 2024 – WFF 2024 cohort funded**			
Scenario 2: Cohort approp based on actuals – Apple Health infant care (0-1yr)			Dec 2025 – 2024 cohort – Infant care year concludes Spring 2026 – HCA confirms data	Dec 2026 – Request for 2024 cohort funding in Governor's 2027 budget proposal	**July 2027 – WFF 2024 cohort funded**

Assumptions:
1) WFF becomes law July 2023
2) Funding for the 2024 cohort is included in the budget immediately after the cohort population numbers are available.

Agency roles and costs

Additional costs in the short term include the WSIB managing the WFF Account, the Caseload Forecast Council estimating cohort sizes, and participation of the future WFF Committee. Beginning in 18 years, when the first claim is made:

- OST will have costs related to processing claims, verifying eligibility, and issuing WFFs to eligible institutions; and
- HCA will have costs related to verifying eligibility.

Technology costs are indeterminate but anticipated to be low. Due to proposed verifying process, Apple Health participation will be verified when an individual makes a claim. The claimants will not be required to be identified and tracked over time. The OST has access to the infrastructure necessary to issue payments to eligible institutions. The following table provides a discussion of the anticipated roles and fiscal impacts for agencies.

Agency	Role(s)	Cost(s)
Office of the State Treasurer	Facilitating WFF Committee, rulemaking, administrating claim process, verifying applicant eligibility.	Beginning Sept 2024, staff committee. Over time, establish and administer claim process & eligibility verification. Any tech costs associated with administering the program (indeterminate but anticipated to be low due to proposed method of verifying applicants)
Washington State Investment Board	Participating in WFF Committee. Invest and manage funds.	Beginning in FY 2024, administrative fees specific to how the fund is invested + any additional fund needs (ex: legal fees, consultant fees) Ex: Administrative costs, adjusted annually based on the WSIB's operating costs FY 2023: 0.0179% (Ex: $2B fund could pay about $360,000/year) FY 2022: 0.0215% (Ex: $2B fund could pay about $430,000/year)
Caseload Forecast Council	Forecast caseload to inform legislative appropriation	Beginning in FY 2024, staff time to produce forecast
HCA	Participating in WFF Committee. At time of claim, verify that claimants received Apple Health infant services.	Costs: Over time, establish method to verify claimant received Apple Health services.
Other agencies with possible WFF Committee participation: DSHS, DCYF, higher ed representation, Commerce, AGO, Office of Women and Minority Owned Businesses		

Potential state fiscal impact

The proviso directed the WFF Committee to consider the potential impact of a baby bond policy on wealth inequities and the future financial stability of the Washington State Treasury (or the State General Fund). The full extent of the impact the WFF could have of wealth inequities in the state and to the State General Fund indeterminate at this time due to several factors including, but not limited to:

- How the WFF investments will perform over the time horizon
- Elements to the policy that will be determined by future legislatures and defined by rule by the OST
- The economic realities of the future, such as the cost for a home, starting a business, or funding an education 18 years in the future and beyond

However, based on academic studies that examine the impact of reducing wealth inequality on broader economies and estimates of the amount of money that could be spent in Washington as a result of the WFF, we can provide context to the potential impact.

<u>Estimated impact of reducing poverty on the broader economy</u>

- One analysis of the associated costs showing that spending to reduce childhood poverty has returns of at least seven-fold. (McLaughlin and Rank) These returns are in the form of the increased earning potential of children which benefit from poverty reduction efforts as well as savings from reduced state spending on homelessness, health care supports, and investments in the criminal justice system.
- In 2019, closing racial disparities in income and employment in Washington could have resulted in an eight percent increase to GDP, equivalent to a $51 billion boost to the state economy in the form of increased wages and growth in employment. (PolicyLink/USC Equity Research Institute)
- Lifting all households to an income that supports financial survival based on local costs could lead to a $71.7 billion increase in Washington’s GDP per year in the form of increased earnings and their multiplier effect and the direct and indirect impact of community spending, according to an analysis using the Asset Limited, Income Constrained, Employed (ALICE) threshold. (United Ways of the Pacific Northwest)

Estimated WFF Allotments Spent in WA on Eligible Expenditures

To ensure the economic benefit of WFF expenditures are realized in state, all eligible expenditures are limited to in-state wealth building assets. Based on the investment return estimates provided in this section and the assumptions provided below, the following table estimates the total WFF funds that could be reinvested in communities across the state by a single cohort. Funds spent in state would benefit local industries and generate tax revenue, providing additional resources for community investment.

Washington Future Fund - Fiscal estimate				
Single cohort - In-state spend				
Assumptions:				
Eligible cohort	38,200	Source: HCA/DSHS (Average total caseload, Medicaid Maternal + Infant Care, 2017-2020)		
% program usage (participation)	100.0%	*Assumption*		
# of program users	38,200			
Low/high investment return sensitivity	25%	Source: OST, Investments		
Investment per child	$4,000			
Scenario A: Without constitutional amendment				
Baseline annual investment return	3.3%	Source: 2022 Fiscal Note, SSB 5752, SIB		
	Investment return assumptions	**Low**: 2.5%	**Baseline**: 3.3%	**High**: 4.1%
Allotment amount, per claimant	18 years old	6,200	7,200	8,400
	25 years old	7,400	9,100	11,200
	31 years old	8,600	11,100	14,300
	35 years old	9,500	12,700	16,900
	Investment return assumptions	**Low**: 2.5%	**Baseline**: 3.3%	**High**: 4.1%
WFFs spent in state (assuming 100% cohort spend at each age)	18 years old	236,840,000	275,040,000	320,880,000
	25 years old	282,680,000	347,620,000	427,840,000
	31 years old	328,520,000	424,020,000	546,260,000
	35 years old	362,900,000	485,140,000	645,580,000
Scenario B: With constitutional amendment				
Baseline annual investment return	5.8%	Source: 2022 Fiscal Note, SSB 5752, SIB		
	Investment return assumptions	**Low**: 4.4%	**Baseline**: 5.8%	**High**: 7.3%
Allotment amount, per claimant	18 years old	8,700	11,300	14,700
	25 years old	11,800	17,000	24,400
	31 years old	15,400	24,000	37,600
	35 years old	18,300	30,300	50,200
	Investment return assumptions	**Low**: 4.4%	**Baseline**: 5.8%	**High**: 7.3%
WFFs spent in state (assuming 100% cohort spend at each age)	18 years old	332,340,000	431,660,000	561,540,000
	25 years old	450,760,000	649,400,000	932,080,000
	31 years old	588,280,000	916,800,000	1,436,320,000
	35 years old	699,060,000	1,157,460,000	1,917,640,000

Part 4: 2023 WFF Development - Key Takeaways

- The 2023 WFF proposal has been informed by the work of WFF Committee, the findings from the Washington Future Fund Wealth Inequities Study, and consultation with legal, fiscal, and programmatic experts.
- In 2020, approximately half of all births in Washington were funded by Apple Health. The percentage is higher for births within communities of color and in rural areas.
- Homeownership, education and training, and entrepreneurship are tools that can be used to interrupt the cycle of poverty and lead to quality economic growth and success in the state.
- Assuming a baseline investment earning rate, a WFF distribution could be approximately $24,400 per person at the age of 25, with the adoption of a constitutional amendment to allow funds to be invested in a diversified portfolio. (Without the constitutional amendment, returns are estimated to be $9,100 per person at the age of 25.)

Part 5: Conclusion

Key Findings

The WFF program provides claimants with access to financial tools that are proven key elements in breaking the cycle of generational poverty. The benefits would be realized by both Washingtonians and communities across the state.

- Washington household wealth is concentrated among the few, while many struggle with poverty. In 2010, over half of the total household wealth within the state was concentrated within the 5% wealthiest households. By comparison, the 50% of Washington households with the least wealth held two percent of the state's household wealth. (Peterson) Wealth inequity has only increased since then. (Prosperity Now & Camber Collective)
- Communities of color and Washingtonians who live in rural areas are more likely to experience poverty than their white and urban counterparts. (Prosperity Now & Camber Collective)
- Poverty is persistent. According to a recent study by DSHS, in Washington children who received food assistance in 2000, 43% are receiving food assistance in 2018. (Washington State Department of Social and Health Services, Economic Services Administration)
- If an individual is going to move out of poverty, they are most likely to do so in their late 20s or early 30s. A white individual in America is more likely to move out of poverty than an individual of color. (Shiro, Pulliam and Sabelhaus)
- The eligible uses of funds proposed in the 2023 Washington Future Fund policy can help break the cycle of intergenerational poverty.
    - Homeownership – Housing is a key source of wealth for Americans and access to housing in America is racially inequitable. In 2019, Black homeownership was 36% lower, and Hispanic homeownership was 22% lower, than White homeownership. (Office of the Lieutenant Govenor)
    - Business – The Washington Future Fund Wealth Inequity Study addressed benefits of business ownership for individuals net worth, "While business ownership is not a universal component of wealth building, it is a significant source of wealth building for many households. (Headd) Business equity made up 34% of nonfinancial assets in 2019, second only to equity in one's own home. Business ownership is also associated with higher net worth. (Siwicki)" (Prosperity Now & Camber Collective)
    - Education – A recent study from the Washington State Student Achievement Council found consistent evidence that postsecondary education, including trades and apprenticeships, is an economic equalizer. They found that the most economically disadvantaged students are surpassing their parents' income within 3 years after graduation. (Washington State Student Achievement Council)
- Without an intervention, it is anticipated these inequities will persist and worsen. The WFF is a step towards addressing wealth inequities in our state.

Recommendations

The WFF Committee was directed to report recommendations to the legislature by December 1, 2022. The Committee recommends adoption of both the 2023 WFF proposal and a constitutional amendment that enables investment of these funds into a diversified portfolio.

Additionally, the following recommendations on how to modify the WFF proposal for the 2023 Legislative Session were developed through the work of the WFF Committee, the findings of the Washington Future Fund Wealth Inequity Study, and additional staff research. Most are related to one of the six recommendations related to WFF policy bill that were developed by Prosperity Now and Camber Collective during their work on Washington Future Fund Wealth Inequities Study.

	Recommendation	**Related policy recommendation in Washington Future Fund Wealth Inequity Study**
1	Increase initial investment from $3,200 to $4,000/child. Direct the future Washington Future Fund Committee to evaluate if the appropriation level is adequate to achieve the program's objectives.	1. Increase the Amount of the Investment
2	Direct the future Washington Future Fund Committee to consider additional eligible uses and make recommendations to the legislature.	2. Allow for More Flexibility in Eligible Uses
3	Increase community representation and participation in the future Washington Future Fund Committee[6].	3. Increased Community Role in Program Implementation and Administration
4	Change Apple Health related eligibility criteria from "Birth was eligible for or subject to Apple Health" to "Received Apple Health care before their first birthday".	4. Rethinking Eligibility Criteria
5	Permit a claimant's legal guardian to apply for funds on their behalf.	4. Rethinking Eligibility Criteria
6	Change financial means test at the time of claim from "Having an income that is less than 215 percent of the federal poverty line" to requiring the future Washington Future Fund Committee to develop a legislative recommendation for a definition, based on specified considerations.	4. Rethinking Eligibility Criteria
7	Increase eligible age range from 18-31 to 18-35.	5. Increase Age Limit for Disbursement to 35
8	Change the financial education requirement to an asset-specific coaching program[7].	6. Replace the Financial Education Requirement with Asset-Specific Support
9	Verify claimant eligibility at time of claim, instead of OST housing Apple Health data.	*Administrative, in response to legal and fiscal considerations*
10	Direct the CFC to estimate future cohort size.	*Administrative, in response to timing of legislative appropriations*

[6] Specifically, recommendations for increased community representation and participation include representation of communities living with disabilities, tribal governments, and future claimants and representation should reflect the regional, racial, cultural, and socioeconomic diversity of the state.

[7] As defined in the 2023 WFF proposal, financial education means financial coaching specifically related to one or more of the eligible expenditures as defined by rule by the OST.

	Recommendation	Related policy recommendation in Washington Future Fund Wealth Inequity Study
11	Direct allotment amounts to a designated institution[8], on behalf of the claimant.	*Administrative, in response to legal considerations*
12	Direct appropriation to one Washington Future Fund, as opposed to individual accounts.	*Administrative, in response to legal and fiscal considerations*

[8] As defined in the 2023 WFF proposal, designated institution means a financial or education institution that will receive a WFF allotment from the state, on behalf of an approved claimant. A claimant identifies their selected designated institution during the application process. Allowable designated institutions are based on a claimant's chosen eligible expenditure and are as follows:
(a) For education, training, and professional development of the claimant: The educational, training, or professional development institution providing services to the claimant; The financial institution that issued, or is in the process of issuing, student loans to the claimant; and Additional institutions defined by rule by the office.
(b) For purchase of a residence in Washington state: The financial institution that issued, or is in the process of issuing, the claimant a mortgage or other real estate loan; and Additional institutions defined by rule by the office.
(c) For the creation or purchase of a business in Washington state: The financial institution that issued, or is in the process of issuing, the claimant a business loan; and Additional institutions defined by rule by the office.

Appendix: 2022 Wealth Inequities Study - Data

Compiled and prepared by Prosperity Now and Camber Collective

DATA BY RACE AND ETHNICITY

Table 1. Population by Race and Ethnicity in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
Individuals				
White alone	68.5%	±0.0%	60.7%	±0.0%
Person of Color	31.5%	±0.0%	39.3%	±0.0%
Black alone	3.7%	±0.1%	12.3%	±0.0%
Asian American and Pacific Islander alone	9.1%	±0.1%	5.6%	±0.0%
East Asian	3.3%	±0.1%	2.0%	±0.0%
Southeast Asian	3.0%	±0.1%	1.8%	±0.0%
South Asian	1.7%	±0.1%	1.5%	±0.0%
Pacific Islander	0.6%	±0.0%	0.2%	±0.0%
Other Asian	0.3%	±0.0%	0.2%	±0.0%
American Indian & Alaska Native alone	1.1%	±0.0%	0.7%	±0.0%
Other	5.0%	±0.1%	2.7%	±0.0%
Latino	12.7%	±0.0%	18.0%	±0.0%
Households				
White alone	75.4%	±0.2%	67.5%	±0.0%
Households of Color	24.6%	±0.2%	32.5%	±0.0%
Black alone	3.5%	±0.1%	12.1%	±0.0%
Asian American and Pacific Islander alone	8.1%	±0.1%	4.8%	±0.0%
East Asian	3.4%	±0.1%	1.9%	±0.0%
Southeast Asian	2.5%	±0.1%	1.4%	±0.0%
South Asian	1.5%	±0.1%	1.3%	±0.0%
Pacific Islander	0.5%	±0.0%	0.1%	±0.0%
Other Asian	0.2%	±0.0%	0.1%	±0.0%
American Indian & Alaska Native alone	1.0%	±0.0%	0.6%	±0.0%
Other	3.4%	±0.1%	1.8%	±0.0%
Latino	8.6%	±0.1%	13.2%	±0.0%

Source: 2019 ACS PUMS 5-year Estimates

Notes: The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

SOURCE: Table is from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 2. Household Wealth Measures by White Households and Households of Color in Washington and the US

	Washington		United States	
	White Households	Households of Color	White Households	Households of Color
Median net worth[1]	$285,204	$67,585	$194,043	$36,935
Asset poverty rate[2]	18%	30%	17%	36%
Liquid asset poverty rate[2]	22%	41%	24%	49%
Households with zero net worth[2]	12%	18%	12%	22%

Source: 1. Urban Institute, 2019 data 2. Prosperity Now Scorecard, 2018 data

Table 3. Health Care Coverage by Race and Ethnicity in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
Insured Rate	**93.6%**	***±0.1%***	**90.8%**	***±0.1%***
White alone	95.7%	*±0.1%*	93.8%	*±0.0%*
Black alone	91.9%	*±0.7%*	88.9%	*±0.1%*
Asian American and Pacific Islander alone	94.8%	*±0.3%*	93.1%	*±0.1%*
East Asian	95.2%	*±0.4%*	93.1%	*±0.1%*
Southeast Asian	94.5%	*±0.6%*	92.7%	*±0.1%*
South Asian	96.3%	*±0.7%*	93.9%	*±0.2%*
Pacific Islander	89.9%	*±1.5%*	89.4%	*±0.5%*
Other Asian	96.7%	*±1.1%*	94.0%	*±0.4%*
American Indian & Alaska Native alone	85.8%	*±1.2%*	79.8%	*±0.3%*
Other	94.7%	*±0.4%*	92.1%	*±0.1%*
Latino	82.5%	*±0.5%*	81.5%	*±0.1%*
Medicaid Insured Rate*	**21.0%**	***±0.2%***	**20.6%**	***±0.1%***
White alone	17.2%	*±0.2%*	14.6%	*±0.1%*
Black alone	35.1%	*±1.3%*	32.7%	*±0.1%*
Asian American and Pacific Islander alone	15.7%	*±0.6%*	17.4%	*±0.1%*
East Asian	12.6%	*±0.8%*	16.2%	*±0.2%*
Southeast Asian	19.4%	*±1.0%*	20.6%	*±0.3%*
South Asian	9.6%	*±1.4%*	14.1%	*±0.2%*
Pacific Islander	31.8%	*±2.7%*	26.8%	*±0.9%*
Other Asian	14.0%	*±3.3%*	17.6%	*±0.7%*
American Indian & Alaska Native alone	36.2%	*±1.6%*	34.0%	*±0.4%*
Other	28.0%	*±0.9%*	28.2%	*±0.2%*
Latino	37.2%	*±0.6%*	32.0%	*±0.1%*

Source: 2019 ACS PUMS 5-year Estimates

Notes: Data are at the individual level, so estimates indicate the percentage of individuals.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

*Medicaid Insured Rate is out of the entire population, not just the insured population.

SOURCE: Tables are from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 4. Household Income, Poverty, and Unemployment by Race and Ethnicity in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
Median Household Income*	**$73,822**	***±$331***	**$62,667**	***±$113***
White alone	$76,534	*±$477*	$68,690	*±$69*
Black alone	$53,258	*±$2,130*	$41,719	*±$208*
Asian American and Pacific Islander alone	$94,464	*±$2,136*	$87,057	*±$430*
East Asian	$90,768	*±$4,149*	$79,095	*±$844*
Southeast Asian	$82,243	*±$3,038*	$80,466	*±$520*
South Asian	$147,645	*±$5,785*	$111,314	*±$814*
Pacific Islander	$67,284	*±$4,035*	$64,828	*±$1,414*
Other Asian	$92,933	*±$14,453*	$82,516	*±$2,222*
American Indian & Alaska Native alone	$48,512	*±$2,403*	$42,401	*±$530*
Other	$67,551	*±$2,128*	$59,426	*±$407*
Latino	$55,558	*±$1,111*	$51,573	*±$113*
Income Poverty Rate	**11.0%**	***±0.2%***	**13.5%**	***±0.1%***
White alone	8.9%	*±0.2%*	9.7%	*±0.1%*
Black alone	19.7%	*±1.5%*	23.0%	*±0.1%*
Asian American and Pacific Islander alone	9.7%	*±0.6%*	11.1%	*±0.1%*
East Asian	11.8%	*±0.7%*	13.3%	*±0.2%*
Southeast Asian	9.2%	*±0.9%*	10.5%	*±0.2%*
South Asian	4.9%	*±1.0%*	8.5%	*±0.2%*
Pacific Islander	14.9%	*±2.8%*	17.0%	*±1.0%*
Other Asian	8.5%	*±2.0%*	10.6%	*±0.6%*
American Indian & Alaska Native alone	22.2%	*±1.6%*	25.6%	*±0.4%*
Other	13.1%	*±0.7%*	16.2%	*±0.2%*
Latino	19.1%	*±0.7%*	19.7%	*±0.1%*
Unemployment Rate	**4.9%**	***±0.1%***	**5.3%**	***±0.0%***
White alone	4.5%	*±0.1%*	4.3%	*±0.0%*
Black alone	7.4%	*±0.8%*	9.4%	*±0.1%*
Asian American and Pacific Islander alone	4.0%	*±0.3%*	4.2%	*±0.1%*
East Asian	3.4%	*±0.5%*	3.9%	*±0.1%*
Southeast Asian	4.2%	*±0.4%*	4.3%	*±0.1%*
South Asian	3.8%	*±0.8%*	4.2%	*±0.1%*
Pacific Islander	6.6%	*±1.4%*	6.7%	*±0.4%*
Other Asian	3.5%	*±1.6%*	4.7%	*±0.4%*
American Indian & Alaska Native alone	11.0%	*±1.2%*	10.6%	*±0.3%*
Other	7.2%	*±0.7%*	7.6%	*±0.2%*
Latino	6.2%	*±0.4%*	6.1%	*±0.1%*

Source: 2019 ACS PUMS 5-year Estimates

Notes: Data for Income Poverty Rate and Unemployment Rate are at the individual level, so estimates indicate the percentage of individuals. Data for Median Household Income are at the household level, so estimates indicate the percentage of households.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

* Median Household Income is reported in 2019 dollars.

SOURCE: Table is from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 5. Educational Attainment by Race and Ethnicity in Washington and the US

	Washington		United States	
	Estimate	*MOE*	*Estimate*	*MOE*
High School Degree Attainment Rate	**91.3%**	***±0.1%***	**88.0%**	***±0.1%***
White alone	94.9%	*±0.1%*	92.8%	*±0.0%*
Black alone	89.3%	*±0.8%*	86.1%	*±0.1%*
Asian American and Pacific Islander alone	88.5%	*±0.5%*	87.2%	*±0.1%*
East Asian	90.5%	*±0.7%*	87.4%	*±0.2%*
Southeast Asian	83.5%	*±1.0%*	84.0%	*±0.2%*
South Asian	93.7%	*±0.9%*	91.0%	*±0.2%*
Pacific Islander	87.6%	*±2.1%*	87.9%	*±0.5%*
Other Asian	90.9%	*±2.2%*	86.5%	*±0.6%*
American Indian & Alaska Native alone	85.5%	*±1.1%*	83.2%	*±0.3%*
Other	93.2%	*±0.5%*	90.8%	*±0.2%*
Latino	66.5%	*±0.9%*	68.6%	*±0.2%*
Bachelor's Degree Attainment Rate	**35.8%**	***±0.2%***	**32.0%**	***±0.1%***
White alone	37.1%	*±0.2%*	35.7%	*±0.1%*
Black alone	25.4%	*±1.2%*	21.6%	*±0.1%*
Asian American and Pacific Islander alone	51.2%	*±0.7%*	53.5%	*±0.2%*
East Asian	58.9%	*±1.1%*	56.0%	*±0.3%*
Southeast Asian	34.6%	*±1.1%*	39.6%	*±0.3%*
South Asian	79.1%	*±1.5%*	71.2%	*±0.4%*
Pacific Islander	11.8%	*±2.0%*	18.1%	*±0.7%*
Other Asian	50.2%	*±4.2%*	49.5%	*±0.9%*
American Indian & Alaska Native alone	14.1%	*±1.3%*	15.4%	*±0.3%*
Other	32.9%	*±1.1%*	34.8%	*±0.3%*
Latino	16.4%	*±0.7%*	16.3%	*±0.2%*

Source: 2019 ACS PUMS 5-year Estimates

Notes: Data are at the individual level, so estimates indicate the percentage of individuals.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

SOURCE: Table is from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 6. Homeownership and Home Value by Race and Ethnicity in Washington and the US

	Washington		United States	
	Estimate	*MOE*	*Estimate*	*MOE*
Homeownership Rate	**62.7%**	***±0.3%***	**63.7%**	***±0.2%***
White alone	67.4%	*±0.3%*	71.7%	*±0.1%*
Black alone	31.5%	*±1.4%*	41.7%	*±0.3%*
Asian American and Pacific Islander alone	60.1%	*±1.0%*	59.0%	*±0.3%*
East Asian	64.9%	*±1.3%*	60.7%	*±0.3%*
Southeast Asian	64.3%	*±1.9%*	62.1%	*±0.4%*
South Asian	50.8%	*±2.2%*	54.7%	*±0.4%*
Pacific Islander	32.0%	*±4.5%*	41.2%	*±1.6%*
Other Asian	61.3%	*±5.4%*	59.2%	*±1.1%*
American Indian & Alaska Native alone	55.3%	*±2.1%*	56.7%	*±0.6%*
Other	46.1%	*±1.6%*	49.6%	*±0.4%*
Latino	43.7%	*±1.0%*	46.8%	*±0.3%*
Median Property Value*	**$325,000**	***±$0***	**$200,000**	***±$0***
White alone	$325,000	*±$0*	$200,000	*±$411*
Black alone	$330,000	*±$16,450*	$150,000	*±$0*
Asian American and Pacific Islander alone	$450,000	*±$4,113*	$400,000	*±$0*
East Asian	$515,000	*±$20,563*	$500,000	*±$0*
Southeast Asian	$350,000	*±$2,879*	$320,000	*±$2,056*
South Asian	$610,000	*±$20,563*	$405,000	*±$6,169*
Pacific Islander	$300,000	*±$18,506*	$320,000	*±$12,338*
Other Asian	$450,000	*±$41,125*	$400,000	*±$4,112*
American Indian & Alaska Native alone	$200,000	*±$8,225*	$120,000	*±$0*
Other	$322,000	*±$14,394*	$235,000	*±$4,113*
Latino	$225,000	*±$5,758*	$200,000	*±$0*
Cost-Burdened Owner Rate†	**23.9%**	***±0.3%***	**22.6%**	***±0.1%***
White alone	23.0%	*±0.3%*	20.5%	*±0.1%*
Black alone	33.2%	*±2.2%*	30.5%	*±0.2%*
Asian American and Pacific Islander alone	27.3%	*±1.0%*	27.9%	*±0.2%*
East Asian	27.6%	*±1.5%*	30.3%	*±0.3%*
Southeast Asian	30.3%	*±2.3%*	27.9%	*±0.4%*
South Asian	20.1%	*±2.7%*	23.9%	*±0.4%*
Pacific Islander	26.6%	*±6.0%*	27.0%	*±1.9%*
Other Asian	27.8%	*±6.0%*	28.3%	*±1.3%*
American Indian & Alaska Native alone	22.9%	*±2.7%*	21.5%	*±0.5%*
Other	26.8%	*±2.0%*	26.8%	*±0.4%*
Latino	27.6%	*±1.2%*	29.8%	*±0.2%*

Source: 2019 ACS PUMS 5-year Estimates

Notes: Data are at the household level, so estimates indicate the percentage of households.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

* Median Property Value is reported in 2019 dollars.

† Cost-burdened is defined as households with specified housing costs that are at least 30% of their household

SOURCE: Table is from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 7. Banked Status by White Households and Households of Color in Washington and the US

	Washington		United States	
	White Households	Households of Color	White Households	Households of Color
Underbanked	13.2%	29.0%	14.1%	27.7%
Unbanked	1.9%	6.2%	3.0%	13.3%

Source: Prosperity Now Scorecard, 2017 data

Table 8. Debt in Collections and Delinquency Rates by White Communities and Communities of Color in Washington and the US

	Washington		United States	
	White Communities	Communities of Color	White Communities	Communities of Color
Share with any debt in collections	14%	21%	22%	35%
Share with medical debt in collections	4%	6%	11%	15%
Share of student loan holders with student loan debt in default	6%	9%	7%	11%
Auto/retail loan delinquency rate	2%	3%	3%	6%
Credit card debt delinquency rate	2%	3%	3%	5%

Source: Urban Institute, 2022 data

DATA BY URBAN-RURAL CLASSIFICATION

Table 9. Population by Urban-Rural Classification in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
Individuals				
Rural	19.3%	*±0.0%*	24.7%	*±0.0%*
Urban	80.7%	*±0.0%*	75.3%	*±0.0%*
Eastern/Central city	10.2%	*±0.0%*	---	---
Western city	70.6%	*±0.0%*	---	---
Households				
Rural	18.8%	*±0.1%*	25.4%	*±0.0%*
Urban	81.2%	*±0.1%*	74.6%	*±0.0%*
Eastern/Central city	10.1%	*±0.0%*	---	---
Western city	71.1%	*±0.1%*	---	---

Source: 2019 ACS PUMS 5-year Estimates

Notes: The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

SOURCE: Tables are from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 10. Wealth Measures by Urban-Rural Classification in Washington

	Urban	Rural
Median net worth*[1]	$263,113	$182,985
Asset poverty rate†[2]	20.7%	24.5%
Liquid asset poverty rate†[2]	25.0%	35.7%
Households with zero net worth†[2]	14.1%	14.4%
Medicaid coverage of births†[3]	40.3%	63.6%

Source: 1. Urban Institute, 2019 data 2. Prosperity Now Scorecard, 2018 data 3. Washington Health Care Authority, 2020 data

* Averaged across Urban PUMAs and Rural PUMAs, designated by ACS 2015-2019 population density

† Population-weighted average across urban and rural counties using Census population estimates for data year

Table 11. Health Care Coverage by Urban-Rural Classification in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
Insured Rate	**93.6%**	**±0.1%**	**90.8%**	**±0.1%**
Rural	91.9%	±0.3%	89.7%	±0.1%
Urban	94.0%	±0.1%	91.2%	±0.1%
Eastern/Central city	92.0%	±0.4%	---	---
Western city	94.3%	±0.1%	---	---
Medicaid Insured Rate*	**21.0%**	**±0.2%**	**20.6%**	**±0.1%**
Rural	27.9%	±0.4%	21.7%	±0.1%
Urban	19.3%	±0.2%	20.2%	±0.1%
Eastern/Central city	29.6%	±0.8%	---	---
Western city	17.8%	±0.2%	---	---

Source: Source: 2019 ACS PUMS 5-year Estimates

Notes: Data are at the individual level, so estimates indicate the percentage of individuals.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

* Medicaid Insured Rate is out of the entire population, not just the insured population.

SOURCE: Tables are from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 12. Household Income, Poverty, and Unemployment Rate by Urban-Rural Classification in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
Median Household Income†	**$73,822**	***±$331***	**$62,667**	***±$113***
Rural	$56,893	*±$783*	$52,619	*±$83*
Urban	$78,390	*±$493*	$66,757	*±$178*
Eastern/Central city	$56,893	*±$1,013*	---	---
Western city	$81,904	*±$539*	---	---
Income Poverty Rate	**11.0%**	***±0.2%***	**13.5%**	***±0.1%***
Rural	14.6%	*±0.4%*	15.1%	*±0.1%*
Urban	10.2%	*±0.2%*	13.0%	*±0.1%*
Eastern/Central city	15.3%	*±0.7%*	---	---
Western city	9.4%	*±0.2%*	---	---
Unemployment Rate	**4.9%**	***±0.1%***	**5.3%**	***±0.0%***
Rural	6.1%	*±0.3%*	5.3%	*±0.0%*
Urban	4.6%	*±0.1%*	5.3%	*±0.0%*
Eastern/Central city	5.8%	*±0.4%*	---	---
Western city	4.5%	*±0.1%*	---	---

Source: 2019 ACS PUMS 5-year Estimates

Notes: Data for Income Poverty Rate and Unemployment Rate are at the individual level, so estimates indicate the percentage of individuals. Data for Median Household Income are at the household level, so estimates indicate the percentage of households.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

† Median Household Income is reported in 2019 dollars.

Table 13. Economic Connectedness by Urban-Rural Classification in Washington

	Urban	Rural
Economic connectedness as adult*	51.2	39.5
Economic connectedness by childhood†	55.4	45.9

Source: Opportunity Insights, 2022 data

Notes: Population-weighted average across urban and rural counties using source-provided population estimates

* Measures average percentage of friends of individuals with low incomes that have high incomes

† Measures average percentage of high school friends of individuals from families with low incomes that are from families with high incomes

SOURCE: Tables are from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 14. Educational Attainment by Urban-Rural Classification in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
High School Degree Attainment Rate	**91.3%**	***±0.1%***	**88.0%**	***±0.1%***
Rural	87.0%	*±0.3%*	86.9%	*±0.1%*
Urban	92.3%	*±0.1%*	88.3%	*±0.1%*
Eastern/Central city	89.1%	*±0.5%*	---	---
Western city	92.7%	*±0.1%*	---	---
Bachelor's Degree Attainment Rate	**35.8%**	***±0.2%***	**32.0%**	***±0.1%***
Rural	23.4%	*±0.4%*	21.6%	*±0.1%*
Urban	38.6%	*±0.2%*	35.5%	*±0.1%*
Eastern/Central city	28.4%	*±0.7%*	---	---
Western city	40.0%	*±0.3%*	---	---

Source: 2019 ACS PUMS 5-year Estimates

Notes: Data are at the individual level, so estimates indicate the percentage of individuals.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

Table 15. Banked Status by Urban-Rural Classification in Washington

	Urban	Rural
Unbanked	2.9%	5.7%
Underbanked	13.7%	18.1%

Source: Prosperity Now Scorecard, 2017 data

Notes: Population-weighted average across urban and rural counties using US Census 2017 population estimates

Table 16. Student Loan Debt by Urban-Rural Classification in Washington

	Urban	Rural
Share with student loan debt	13.7%	11.9%
Share with student loan debt among those with bachelor's degree	34.3%	50.6%
Share of student loan holders with student debt in collections	5.7	7.0
Median student loan debt	$19,917	$18,150
Median student loan debt, as percent of median household income	17.7%	24.0%

Source: Urban Institute, 2022 data

Notes: Population-weighted average across urban and rural counties using US Census 2021 population estimates

SOURCE: Tables are from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 17. Homeownership, Home Value, and Homeowner Cost-Burden by Urban-Rural Classification in Washington and the US

	Washington		United States	
	Estimate	MOE	Estimate	MOE
Homeownership Rate	**62.7%**	***±0.3%***	**63.7%**	***±0.2%***
Rural	69.1%	*±0.5%*	72.0%	*±0.2%*
Urban	61.2%	*±0.3%*	60.8%	*±0.1%*
Eastern/Central city	60.9%	*±0.8%*	---	---
Western city	61.2%	*±0.3%*	---	---
Median Property Value*	**$325,000**	***±$0***	**$200,000**	***±$0***
Rural	$225,000	*±$2,056*	$150,000	*±$0*
Urban	$350,000	*±$0*	$250,000	*±$0*
Eastern/Central city	$200,000	*±$0*	---	---
Western city	$389,000	*±$4,112*	---	---
Cost-Burdened Owner Rate†	**23.9%**	***±0.3%***	**22.6%**	***±0.1%***
Rural	22.1%	*±0.6%*	19.2%	*±0.1%*
Urban	24.4%	*±0.3%*	24.0%	*±0.1%*
Eastern/Central city	21.4%	*±1.0%*	---	---
Western city	24.8%	*±0.3%*	---	---

Source: 2019 ACS PUMS 5-year Estimates

Notes: Data are at the household level, so estimates indicate the percentage of households.

The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate.

* Median Property Value is reported in 2019 dollars.

† Cost-burdened is defined as households with specified housing costs that are at least 30% of their household income.

OTHER DATA TABLES

Table 18. Household Assets in Washington and the US

	Washington				United States			
	Percent of households with asset		Median amount held in asset		Percent of households with asset		Median amount held in asset	
	Estimate	MOE	Estimate	MOE	Estimate	MOE	Estimate	MOE
Financial institutions	98.0%	*±0.8%*	$12,800	±$2,060	95.6%	*±0.3%*	$9,100	±$473
Equity in motor vehicles	88.5%	*±2.0%*	$8,890	±$931	82.2%	*±0.5%*	$9,000	±$208
Retirement accounts	65.4%	*±3.0%*	$102,000	±$21,105	58.9%	*±0.7%*	$75,000	±$1,712
Equity in own home	60.2%	*±3.5%*	$260,000	±$21,188	61.9%	*±0.5%*	$150,000	±$0

Source: US Census Survey of Income and Program Participation, 2020 data

Notes: The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate. Calculated by multiplying Standard Error by 1.645.

SOURCE: Tables are from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

Table 19. Household Debt in Washington and the US

	Washington				United States			
	Percent of households with debt		Median amount of debt		Percent of households with debt		Median amount held in debt	
	Estimate	MOE	Estimate	MOE	Estimate	MOE	Estimate	MOE
Any debt	72.8%	*±4.1%*	$116,800	±$29,100	73.9%	*±0.5%*	$62,000	±$3,265
Secured debt	53.9%	*±3.9%*	$179,900	±$24,675	53.7%	*±0.7%*	$100,000	±$2,448
Home debt	39.6%	*±3.5%*	$220,000	±$24,214	36.5%	*±0.5%*	$148,000	±$4,828
Vehicle debt	30.3%	*±3.8%*	$12,000	±$5,817	32.9%	*±0.7%*	$15,000	±$365
Unsecured debt	54.2%	*±4.1%*	$10,000	±$2,644	55.4%	*±0.7%*	$8,271	±$892
Credit card debt	41.8%	*±3.9%*	$4,000	±$982	41.8%	*±0.5%*	$3,400	±$355

Source: US Census Survey of Income and Program Participation, 2020 data

Notes: The Margins of Error (MOEs) are calculated at a 90% confidence level and represent a range of other possible but less likely values for the estimate. Calculated by multiplying Standard Error by 1.645.

Table 20. Federal Tax Credits and Policies that Benefit Homeowners

Tax benefit	2021 Amount[297]	Description[298]
Exclusion of imputed rental income	$124.1B	• While rent payments are taxed as income, homeowners "rent themselves" their own home with no taxation • Projected cost over $1.6T in tax expenditures in FY2022-31[299]
Capital gains exclusion on home sales	$40.9B	• Up to $250K ($500K for married couple) in gains on sale of principal residence tax-free (remaining profit taxed at long-term capital gains rate)
Home mortgage interest deduction	$29.4B	• Mortgage interests can be paid pre-tax on up to 2 owner-occupied homes
Real property tax deduction	$6.7B	• State and local property taxes on owner-occupied homes can be paid pre-tax
Deferral of income from installment sales	$1.5B	• Income from installment sales may be deferred over multiple years
Deduction of mortgage insurance premiums	$0.6B	• Tax deduction for mortgage insurance premiums, scheduled to expire after taxes filed in 2022[300]
Discharge of mortgage indebtedness	$0.3B	• Excludes certain types of mortgage debt cancellation from taxation as income[301]
Use of home as collateral for tax-free borrowing	Not est.	• Equity in home can be monetized without paying taxes or selling • Not listed in federal income tax expenditures
Tax benefits on death of homeowner	Not est.	• Elimination of unrealized taxable gains for heirs and estate and wealth transfer tax exempts first $12.06M ($24.12M for married couple) • Not listed in federal income tax expenditures

Source: US Department of Treasury and The Racial Wealth Gap and the Tax Benefits of Homeownership (Thomas, 2022)

Notes: Other references noted in table

SOURCE: Tables are from Washington Future Fund Wealth Inequities Study (2022) by Prosperity Now and Camber Collective.

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