

2022 Washington Future Fund Committee

A Report to the Legislature

Executive Summary



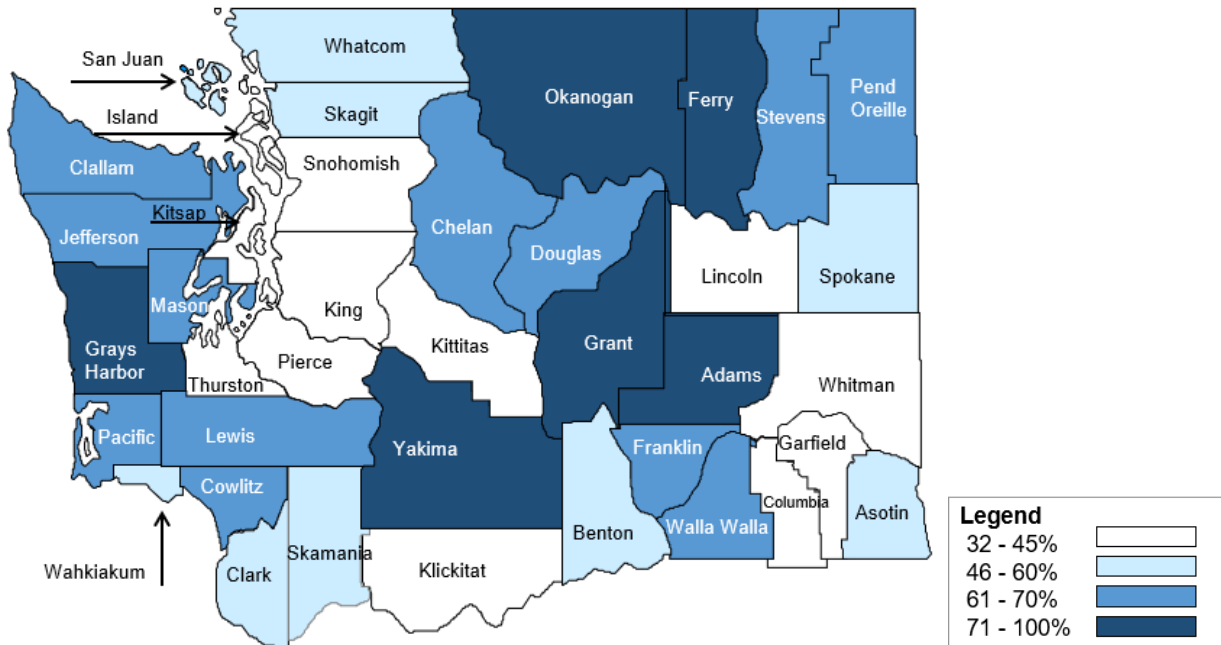
The Washington Future Fund puts the power of state investing to work for those born into poverty.

The Cycle of Poverty

- Almost half of all babies born in Washington are born into poverty, continuing a cycle of intergenerational poverty for millions of Washingtonians.
- On average, 47% of all births are funded by Apple Health, Washington's provider of Medicaid services. That translates to almost 40,000 babies per year.
- The percentage of Apple Health funded births for communities of color and Washingtonians who live in rural counties is even higher.

- *Among communities of color:* African Americans: 70%; Hispanic, Native American, and Hawaiian/Pacific Islander: 78%
- *For rural counties*¹: All rural counties: 60%; In Grays Harbor, Grant, and Okanogan Counties: 72%; In Yakima County: 78%; In Adams County: 83%.

Apple Health Funded Births in 2020, by County
As a percentage of all births



¹ As defined by the Office of Financial Management

Here's What We Know

- For families with means, it is not uncommon to set aside savings or buy stocks to invest in the future of a newborn.
- Initial capital barriers prevent millions of our fellow Washingtonians from even getting to the starting line to climb out of poverty.
- Poverty is persistent. 43% of Washington children who received food assistance in 2000 continued receiving food assistance in 2018.

- *The Washington Future Fund (WFF) seeks to bridge the opportunity gap, giving children born into poverty a similar chance to invest in their future.*
- *The Washington Future Fund Study identified three proven pathways out of poverty: owning a home, entrepreneurship, and post-secondary training.*



Purchase of a residence



Establishment or purchase of a business



Education, training, and professional development

Proposed Solution

- With the WFF, the state would invest \$4,000 on behalf of every child born in our state who receives Apple Health funded care before their first birthday, approximately 40,000 babies per year.
- If the child is still in financial need when they reach 18 to 35 years old, they may apply for WFFs to use in Washington and invest in one of three proven pathways out of poverty.

- *The WFF would be managed by the Washington State Investment Board (WSIB), the institution that manages public pensions with nationally leading returns.*
- *With a constitutional amendment to allow the WSIB to invest the WFFs similarly, the funds could be even more impactful.*

Estimated return on WFF investment of \$4,000 per child

Annual appropriation: \$152,800,00

Biennial appropriation: \$305,600,000

| | Low: | | Baseline: | | High: | | Low: | | Baseline: | | High: |
|-------------------|---------|------|-----------|------|----------|--|----------|------|-----------|------|----------|
| | 2.5% | | 3.3% | | 4.1% | | 4.4% | | 5.8% | | 7.3% |
| 18 years old | \$6,200 | .... | \$7,200 | .... | \$8,400 | | \$8,700 | .... | \$11,300 | .... | \$14,700 |
| 25 years old | \$7,400 | .... | \$9,100 | .... | \$11,200 | | \$11,800 | .... | \$17,000 | .... | \$24,400 |
| 31 years old | \$8,600 | .... | \$11,100 | .... | \$14,300 | | \$15,400 | .... | \$24,000 | .... | \$37,000 |
| 35 years old | \$9,500 | .... | \$12,700 | .... | \$16,900 | | \$18,300 | .... | \$30,300 | .... | \$50,000 |

Scenario A: Without a constitutional amendment

Scenario B: With a constitutional amendment

The Washington Future Fund is a down payment to empower a generation of Washingtonians born into poverty, to build prosperity and a brighter future for their families and our state.