
SUBSTITUTE SENATE BILL 5496

State of Washington

68th Legislature

2023 Regular Session

By Senate Housing (originally sponsored by Senators Lovick, Saldaña, Cleveland, Frame, Kuderer, Lias, Lovelett, Nguyen, Pedersen, Salomon, Stanford, Valdez, Wellman, and C. Wilson)

READ FIRST TIME 02/16/23.

1 AN ACT Relating to creating the covenant homeownership account
2 and program to address the history of housing discrimination due to
3 racially restrictive real estate covenants in Washington state;
4 amending RCW 36.18.010, 43.84.092, and 43.84.092; adding a new
5 section to chapter 36.22 RCW; adding a new chapter to Title 43 RCW;
6 creating new sections; providing an effective date; and providing an
7 expiration date.

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

9 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

10 (a) Generations of systemic, racist, and discriminatory policies
11 and practices have created barriers to credit and homeownership for
12 black, indigenous, and people of color and other historically
13 marginalized communities in Washington state. The legislature finds
14 that these policies and practices include redlining, racially
15 restrictive covenants, mortgage subsidies and incentives, and
16 displacement and gentrification.

17 (b) The state government was both an active and passive
18 participant in this discrimination. For example, the legislature
19 recognizes the role of state courts in facilitating discrimination by
20 property owners; the existence of mandatory recording statutes that
21 required county auditors to record racially restrictive covenants;

1 the passage of the urban renewal law authorizing the designation,
2 regulation, and displacement of certain neighborhoods that were
3 deemed to be blighted; and state funding and regulation of the real
4 estate and banking industries in ways that facilitated or promoted
5 private discrimination. The legislature finds that the specific
6 discriminatory acts and omissions are well documented, including in
7 numerous public and private studies, reports, and other publications.

8 (c) This discrimination and its impacts continue to exist in the
9 present day. The legislature recognizes that the homeownership rate
10 for black, indigenous, and people of color and other historically
11 marginalized communities in Washington is 19 percent below that of
12 non-Hispanic white households, and the homeownership rate for black
13 households is even lower. The legislature recognizes that credit,
14 including home mortgages, is harder and more expensive to obtain for
15 black, indigenous, and people of color and other historically
16 marginalized communities in Washington than for non-Hispanic white
17 households. The legislature finds that the imbalance in supply and
18 demand in Washington's housing market has only exacerbated these
19 inequities.

20 (d) These negative impacts extend beyond homeownership and affect
21 wealth generation, housing security, and other outcomes for black,
22 indigenous, and people of color and other historically marginalized
23 communities in Washington. The legislature finds that these impacts
24 include higher rates of homelessness, rent burdening, substandard or
25 otherwise unhealthy or unsafe housing, and predatory and
26 discriminatory lending practices that lead to further displacement
27 and gentrification.

28 (e) Existing state and federal programs and other race-neutral
29 approaches are insufficient to remedy that discrimination and its
30 impacts on access to credit and homeownership for black, indigenous,
31 and people of color and other historically marginalized communities
32 in Washington. The legislature finds that race-conscious programs,
33 such as the special purpose credit programs authorized by section 6
34 of this act, are necessary to remedy the past discrimination in which
35 the state was complicit and to remove the structural barriers that
36 persist.

37 (2) The legislature declares that the state has a compelling
38 interest in remedying past and ongoing discrimination and its impacts
39 on access to credit and homeownership for black, indigenous, and

1 people of color and other historically marginalized communities in
2 Washington.

3 NEW SECTION. **Sec. 2.** A new section is added to chapter 36.22
4 RCW to read as follows:

5 (1) Beginning January 1, 2024, except as provided in subsection
6 (2) of this section, the county auditor must collect a covenant
7 homeownership program assessment of \$100 for each document recorded,
8 which is in addition to any other charge, surcharge, or assessment
9 allowed by law. The county auditor may retain up to one percent of
10 the moneys for collection of the assessment and must remit the
11 remainder of the moneys to the state treasurer to be deposited in the
12 covenant homeownership account created in section 4 of this act.

13 (2) The assessment imposed in this section does not apply to: (a)
14 Assignments or substitutions of previously recorded deeds of trust;
15 (b) documents recording a birth, marriage, divorce, or death; (c) any
16 recorded documents otherwise exempted from a recording fee or
17 additional assessments under state law; (d) marriage licenses issued
18 by the county auditor; or (e) documents recording a federal, state,
19 county, city, or water-sewer district, or wage lien or satisfaction
20 of lien.

21 NEW SECTION. **Sec. 3.** The definitions in this section apply
22 throughout this chapter unless the context clearly requires
23 otherwise.

24 (1) "Department" means the department of commerce.

25 (2) "Commission" means the Washington state housing finance
26 commission.

27 (3) "Covenant homeownership program study" means an evidence-
28 based written report prepared by or on behalf of the commission as
29 required in section 5 of this act.

30 (4) "Oversight committee" means the covenant homeownership
31 program oversight committee established in section 7 of this act.

32 (5) "Program" means the covenant homeownership program described
33 in section 6 of this act.

34 (6) "Program participant" means a person who receives down
35 payment and closing cost assistance through a special purpose credit
36 program created by the commission for purposes of the covenant
37 homeownership program.

1 (7) "Racially restrictive real estate covenant" means a recorded
2 covenant or deed restriction that includes or included racial
3 restrictions on property ownership or use against protected classes
4 that are unlawful under RCW 49.60.224. For example, these unlawful
5 restrictions commonly included exclusions against black, indigenous,
6 and people of color and other historically marginalized communities
7 in Washington state, using terms, many of which are offensive, such
8 as "African blood" meaning all sub-Saharan African ancestries;
9 "Aryan" meaning not Jewish, not eastern or southern European, nor any
10 ancestry except northern European; "Asiatic" meaning all Asian
11 ancestries; Chinese; "colored person" meaning all sub-Saharan African
12 ancestries; "colored races" meaning all nonwhite races; "Ethiopian"
13 meaning all sub-Saharan African ancestries; "gentile" meaning non-
14 Jewish; Hawaiian; "Hebrew" meaning Jewish; "Hindu" meaning all South
15 Asian ancestries; "Indian" meaning Native Americans and also possibly
16 South Asian ancestries; Japanese; "Malay" meaning Filipino;
17 "Mongolian" meaning all East Asian ancestries; "Negro blood" meaning
18 all sub-Saharan African ancestries; "oriental" meaning all Asian
19 ancestries; "Turkish empire" meaning all middle easterners; and
20 "yellow races" meaning all Asian ancestries.

21 (8) "Special purpose credit program" means a credit assistance
22 program created by the commission as authorized by the federal
23 consumer financial protection bureau under regulation B, 12 C.F.R.
24 1002.8(a)(1), pursuant to Title VII of the consumer credit protection
25 act (the equal credit opportunity act, 15 U.S.C. Sec. 1691 et seq.)
26 as amended, allowing a creditor to extend special purpose credit to
27 applicants who meet eligibility requirements under a credit
28 assistance program expressly authorized by state law for the benefit
29 of an economically disadvantaged class of persons.

30 NEW SECTION. **Sec. 4.** The covenant homeownership account is
31 created in the state treasury. All receipts from the assessment
32 established in section 2 of this act must be deposited into the
33 account. Moneys in the account may be spent only after appropriation.
34 Expenditures from the account may be made only for the purposes of
35 the program described in section 6 of this act. The legislature may
36 appropriate moneys in the account as follows:

37 (1) The legislature may appropriate up to one percent of moneys
38 in the account to the department for costs related to the program
39 described in section 6 of this act including, but not limited to,

1 costs related to administering one or more contracts with the
2 commission for purposes of the program, costs related to outreach and
3 stakeholder engagement, and other administrative, data collection,
4 and reporting costs. The legislature may appropriate a portion of
5 this one percent of moneys in the account to the department of
6 financial institutions for costs related to the oversight committee
7 created in section 7 of this act; and

8 (2) The legislature may appropriate the remainder of the moneys
9 in the account to the department to contract with the commission for
10 the purposes of the program described in section 6 of this act.

11 NEW SECTION. **Sec. 5.** (1)(a) The commission shall complete, or
12 cause to be completed, an initial covenant homeownership program
13 study. The initial covenant homeownership program study must:

14 (i) Document past and ongoing discrimination against black,
15 indigenous, and people of color and other historically marginalized
16 communities in Washington state and the impacts of this
17 discrimination on homeownership in the state, including access to
18 credit and other barriers to homeownership in the state;

19 (ii) Analyze whether and to what extent existing programs and
20 race-neutral approaches have been insufficient to remedy this
21 discrimination and its impacts;

22 (iii)(A) Recommend and evaluate potential programmatic and policy
23 changes, including creation of one or more special purpose credit
24 programs, to remedy this discrimination and its impacts;

25 (B) As part of the recommendations related to creation of one or
26 more special purpose credit programs, identify through evidence-based
27 documentation the economically disadvantaged class or classes of
28 persons that require down payment and closing cost assistance in
29 order to reduce racial disparities in homeownership in the state. The
30 class or classes of persons identified in the study may share one or
31 more common characteristics such as, race, national origin, or sex;
32 and

33 (iv) Identify methodology to evaluate the efficacy of any
34 recommended programmatic and policy changes over time.

35 (b) By December 31, 2023, and in compliance with RCW 43.01.036,
36 the commission shall submit a copy of the initial covenant
37 homeownership program study to the appropriate committees of the
38 legislature and post a copy of the study to the commission's website.

1 (2) (a) At least every five years after the initial covenant
2 homeownership program study is completed, the commission shall
3 complete, or cause to be completed, an updated covenant homeownership
4 program study. The updated covenant homeownership program study must:

5 (i) Update and reevaluate the findings and recommendations
6 contained in the initial covenant homeownership program study and any
7 subsequent program studies;

8 (ii) Document the experience of program participants and others
9 impacted by past and ongoing discrimination, including their
10 experience accessing or attempting to access credit and any barriers
11 to homeownership in the state that they have faced or continue to
12 face;

13 (iii) Evaluate the special purpose credit program or programs'
14 efficacy in providing down payment and closing cost assistance to the
15 economically disadvantaged class or classes of persons identified in
16 the initial covenant homeownership program study and any subsequent
17 program studies, and the special purpose credit program or programs'
18 impacts on remedying discrimination and reducing racial disparities
19 in homeownership in the state; and

20 (iv) Recommend program modifications and improvements.

21 (b) By December 31, 2028, and by December 31st every five years
22 thereafter, and in compliance with RCW 43.01.036, the commission
23 shall submit a copy of an updated covenant homeownership program
24 study to the appropriate committees of the legislature and post a
25 copy of the study to the commission's website.

26 (c) The board of the commission shall review each subsequent
27 covenant homeownership program study and consider the evidence-based
28 documentation and recommendations in designing and implementing
29 program amendments.

30 NEW SECTION. **Sec. 6.** (1) As part of the covenant homeownership
31 program, the department shall contract with the commission to design,
32 develop, implement, and evaluate one or more special purpose credit
33 programs to reduce racial disparities in homeownership in the state
34 by providing down payment and closing cost assistance. The contract
35 must authorize the commission to use the contract funding as follows:

36 (a) The contract must authorize the commission to use up to one
37 percent of the contract funding for costs related to administering
38 the program including, but not limited to, costs related to
39 completing a covenant homeownership program study required under

1 section 5 of this act, and other administrative, data collection, and
2 reporting costs;

3 (b) The contract must authorize the commission to use up to one
4 percent of the contract funding to provide targeted education,
5 homeownership counseling, and outreach about special purpose credit
6 programs created under this section to black, indigenous, and people
7 of color and other historically marginalized communities in
8 Washington state, including outreach to relevant affinity groups for
9 mortgage lenders; and

10 (c) The contract must authorize the commission to use the
11 remainder of the contract funding to provide down payment and closing
12 cost assistance to program participants. This portion of the contract
13 funding may not be used to provide any type of assistance other than
14 down payment and closing cost assistance.

15 (2) The commission shall create one or more special purpose
16 credit programs to provide down payment and closing cost assistance
17 for the benefit of one or more economically disadvantaged classes of
18 persons identified in a covenant homeownership program study under
19 section 5 of this act. In creating a special purpose credit program,
20 the commission must consider the evidence-based documentation and
21 programmatic and policy recommendations set forth in the initial
22 covenant homeownership program study and any subsequent program
23 studies. If the covenant homeownership program study identifies an
24 economically disadvantaged class or classes of persons that share one
25 or more common characteristics such as, race, national origin, or sex
26 and the board of the commission finds it necessary to consider this
27 information in tailoring a special purpose credit program to provide
28 credit assistance to economically disadvantaged classes of persons,
29 the commission may consider these characteristics in designing and
30 implementing the program.

31 (3) At minimum, a special purpose credit program authorized under
32 this section must:

33 (a) Provide loans for down payment and closing cost assistance to
34 program participants that can be combined with other forms of down
35 payment and closing cost assistance;

36 (b) Require a program participant to repay loans for down payment
37 and closing cost assistance at the time that the house is sold; and

38 (c) Be implemented in conjunction with the commission's housing
39 finance programs.

1 (4) To be eligible to receive down payment and closing cost
2 assistance through a special purpose credit program authorized under
3 this section, a special purpose credit program applicant must:

4 (a) Have a household income at or below 100 percent of the area
5 median income;

6 (b) Be a first-time homebuyer; and

7 (c)(i) Be a Washington state resident who:

8 (A) Was a Washington state resident on or before the enactment of
9 the federal fair housing act (Title VIII of the civil rights act of
10 1968; P.L. 90-284; 82 Stat. 73) on April 11, 1968, and was or would
11 have been excluded from homeownership in Washington state by a
12 racially restrictive real estate covenant on or before April 11,
13 1968; or

14 (B) Is a descendant of a person who meets the criteria in
15 (c)(i)(A) of this subsection;

16 (ii) Records that show a person's address on or about a specific
17 date or include a reference indicating that a person is a resident of
18 a specific city or area on or about a specific date may be used to
19 provide proof that a person satisfies the criteria in (c)(i) of this
20 subsection, such as genealogical records, vital records, church
21 records, military records, probate records, public records, census
22 data, newspaper clippings, and other similar documents.

23 (5) The commission may adopt rules, and shall adopt program
24 policies, as necessary to implement this section. Program rules or
25 policies must include procedures and standards for extending credit
26 under the special purpose credit program, including program
27 eligibility requirements. From time to time, including in response to
28 a covenant homeownership program study's evaluation of program
29 efficacy, the board of the commission may amend the special purpose
30 credit programs, rules, and policies.

31 (6) By July 1, 2024, one or more of the special purpose credit
32 programs must begin providing down payment and closing cost
33 assistance to program participants.

34 (7) By December 31, 2025, and by each following December 31st,
35 and in compliance with RCW 43.01.036, the commission shall submit an
36 annual report to the appropriate committees of the legislature on the
37 progress of the special purpose credit program or programs developed
38 under this section. The report shall include, at minimum, the program
39 eligibility requirements, the type and amount of down payment and
40 closing cost assistance provided to program participants, the number

1 of program participants and their corresponding eligibility
2 categories, the location of property financed, and program outreach
3 efforts. The report must be posted on the commission's website.

4 NEW SECTION. **Sec. 7.** (1) The department shall establish the
5 covenant homeownership program oversight committee consisting of the
6 following members appointed by the director of the department or the
7 director's designee, except for the legislative members who must be
8 appointed by the president of the senate or the speaker of the house
9 of representatives as described in this section:

10 (a) One person who meets the eligibility criteria for the special
11 purpose credit program described in section 6(4) of this act and is
12 from east of the crest of the Cascade mountains;

13 (b) One person who meets the eligibility criteria for the special
14 purpose credit program described in section 6(4) of this act and is
15 from west of the crest of the Cascade mountains;

16 (c) One representative of an organization that operates a special
17 purpose credit program, counseling service, or debt relief program
18 that serves persons who were commonly subject to unlawful exclusions
19 contained in racially restrictive real estate covenants as defined in
20 section 3 of this act;

21 (d) One representative of a community-based organization that
22 specializes in the development of permanently affordable housing that
23 serves persons who were commonly subject to unlawful exclusions
24 contained in racially restrictive real estate covenants;

25 (e) One representative of the real estate sales profession;

26 (f) One representative of the home mortgage lending profession
27 who has a minimum of five years' lending or underwriting experience;

28 (g) One representative of the nonprofit affordable housing
29 development industry;

30 (h) Two senators, one from each of the two largest caucuses,
31 appointed by the president of the senate; and

32 (i) Two members of the house of representatives, one from each of
33 the two largest caucuses, appointed by the speaker of the house of
34 representatives.

35 (2) Members shall each serve a three-year term, subject to
36 renewal for no more than one additional three-year term. The
37 oversight committee shall develop rules that provide for the
38 staggering of terms so that, after the first three years of the

1 committee's existence, the terms of one-third of the members expire
2 each year.

3 (3) The oversight committee shall oversee and review the
4 commission's activities and performance related to the program,
5 including the commission's creation and administration of one or more
6 special purpose credit programs authorized in section 6 of this act.
7 The oversight committee may, from time to time, make recommendations
8 to the appropriate committees of the legislature regarding the
9 program.

10 (4) (a) The oversight committee is a class one group under RCW
11 43.03.220. Except as provided in (b) of this subsection, members of
12 the committee receive no compensation for their services as members
13 of the committee but may be reimbursed for travel and other expenses
14 in accordance with rules adopted by the office of financial
15 management.

16 (b) As authorized by RCW 43.03.220, the department may provide a
17 stipend to individuals who are low income or have lived experience to
18 support their participation on the oversight committee.

19 (5) The department and the commission shall work together to
20 supply the oversight committee with any information necessary for the
21 committee to carry out its duties under this section.

22 (6) The department shall provide administrative assistance and
23 staff support to the oversight committee.

24 (7) For the purposes of this section, "department" means the
25 department of financial institutions.

26 **Sec. 8.** RCW 36.18.010 and 2022 c 141 s 2 are each amended to
27 read as follows:

28 Except as otherwise ordered by the court pursuant to RCW
29 4.24.130, county auditors or recording officers shall collect the
30 following fees for their official services:

31 (1) For recording instruments, for the first page eight and one-
32 half by (~~fourteen~~) 14 inches or less, (~~five dollars~~) \$5; for each
33 additional page eight and one-half by (~~fourteen~~) 14 inches or less,
34 (~~one dollar~~) \$1. The fee for recording multiple transactions
35 contained in one instrument will be calculated for each transaction
36 requiring separate indexing as required under RCW 65.04.050 as
37 follows: The fee for each title or transaction is the same fee as the
38 first page of any additional recorded document; the fee for
39 additional pages is the same fee as for any additional pages for any

1 recorded document; the fee for the additional pages may be collected
2 only once and may not be collected for each title or transaction;

3 (2) For preparing and certifying copies, for the first page eight
4 and one-half by (~~fourteen~~) 14 inches or less, (~~three dollars~~) \$3;
5 for each additional page eight and one-half by (~~fourteen~~) 14 inches
6 or less, (~~one dollar~~) \$1;

7 (3) For preparing noncertified copies, for each page eight and
8 one-half by (~~fourteen~~) 14 inches or less, (~~one dollar~~) \$1;

9 (4) For administering an oath or taking an affidavit, with or
10 without seal, (~~two dollars~~) \$2;

11 (5) For issuing a marriage license, (~~eight dollars~~) \$8, (this
12 fee includes taking necessary affidavits, filing returns, indexing,
13 and transmittal of a record of the marriage to the state registrar of
14 vital statistics) plus an additional (~~five dollar~~) \$5 fee for use
15 and support of the prevention of child abuse and neglect activities
16 to be transmitted monthly to the state treasurer and deposited in the
17 state general fund plus an additional (~~ten dollar~~) \$10 fee to be
18 transmitted monthly to the state treasurer and deposited in the state
19 general fund. The legislature intends to appropriate an amount at
20 least equal to the revenue generated by this fee for the purposes of
21 the displaced homemaker act, chapter 28B.04 RCW;

22 (6) For searching records per hour, (~~eight dollars~~) \$8;

23 (7) For recording plats, (~~fifty~~) 50 cents for each lot except
24 cemetery plats for which the charge shall be (~~twenty-five~~) 25 cents
25 per lot; also (~~one dollar~~) \$1 for each acknowledgment, dedication,
26 and description: PROVIDED, That there shall be a minimum fee of
27 (~~twenty-five dollars~~) \$25 per plat;

28 (8) For recording of miscellaneous records not listed above, for
29 the first page eight and one-half by (~~fourteen~~) 14 inches or less,
30 (~~five dollars~~) \$5; for each additional page eight and one-half by
31 (~~fourteen~~) 14 inches or less, (~~one dollar~~) \$1;

32 (9) For modernization and improvement of the recording and
33 indexing system, a surcharge as provided in RCW 36.22.170;

34 (10) For recording an emergency nonstandard document as provided
35 in RCW 65.04.047, (~~fifty dollars~~) \$50, in addition to all other
36 applicable recording fees;

37 (11) For recording instruments, a (~~three dollar~~) \$3 surcharge
38 to be deposited into the Washington state library operations account
39 created in RCW 43.07.129;

1 (12) For recording instruments, a (~~two-dollar~~) \$2 surcharge to
2 be deposited into the Washington state library-archives building
3 account created in RCW 43.07.410 until the financing contract entered
4 into by the secretary of state for the Washington state library-
5 archives building is paid in full;

6 (13) For recording instruments, a surcharge as provided in RCW
7 36.22.178; (~~and~~)

8 (14) For recording instruments, except for documents recording a
9 birth, marriage, divorce, or death or any documents otherwise
10 exempted from a recording fee under state law, a surcharge as
11 provided in RCW 36.22.179; and

12 (15) For recording instruments, except for documents recording a
13 birth, marriage, divorce, or death or any documents otherwise
14 exempted from a recording fee under state law, an assessment as
15 provided in section 2 of this act.

16 **Sec. 9.** RCW 43.84.092 and 2022 c 182 s 403 are each amended to
17 read as follows:

18 (1) All earnings of investments of surplus balances in the state
19 treasury shall be deposited to the treasury income account, which
20 account is hereby established in the state treasury.

21 (2) The treasury income account shall be utilized to pay or
22 receive funds associated with federal programs as required by the
23 federal cash management improvement act of 1990. The treasury income
24 account is subject in all respects to chapter 43.88 RCW, but no
25 appropriation is required for refunds or allocations of interest
26 earnings required by the cash management improvement act. Refunds of
27 interest to the federal treasury required under the cash management
28 improvement act fall under RCW 43.88.180 and shall not require
29 appropriation. The office of financial management shall determine the
30 amounts due to or from the federal government pursuant to the cash
31 management improvement act. The office of financial management may
32 direct transfers of funds between accounts as deemed necessary to
33 implement the provisions of the cash management improvement act, and
34 this subsection. Refunds or allocations shall occur prior to the
35 distributions of earnings set forth in subsection (4) of this
36 section.

37 (3) Except for the provisions of RCW 43.84.160, the treasury
38 income account may be utilized for the payment of purchased banking
39 services on behalf of treasury funds including, but not limited to,

1 depository, safekeeping, and disbursement functions for the state
2 treasury and affected state agencies. The treasury income account is
3 subject in all respects to chapter 43.88 RCW, but no appropriation is
4 required for payments to financial institutions. Payments shall occur
5 prior to distribution of earnings set forth in subsection (4) of this
6 section.

7 (4) Monthly, the state treasurer shall distribute the earnings
8 credited to the treasury income account. The state treasurer shall
9 credit the general fund with all the earnings credited to the
10 treasury income account except:

11 (a) The following accounts and funds shall receive their
12 proportionate share of earnings based upon each account's and fund's
13 average daily balance for the period: The abandoned recreational
14 vehicle disposal account, the aeronautics account, the Alaskan Way
15 viaduct replacement project account, the ambulance transport fund,
16 the brownfield redevelopment trust fund account, the budget
17 stabilization account, the capital vessel replacement account, the
18 capitol building construction account, the Central Washington
19 University capital projects account, the charitable, educational,
20 penal and reformatory institutions account, the Chehalis basin
21 account, the Chehalis basin taxable account, the cleanup settlement
22 account, the climate active transportation account, the climate
23 transit programs account, the Columbia river basin water supply
24 development account, the Columbia river basin taxable bond water
25 supply development account, the Columbia river basin water supply
26 revenue recovery account, the common school construction fund, the
27 community forest trust account, the connecting Washington account,
28 the county arterial preservation account, the county criminal justice
29 assistance account, the covenant homeownership account, the deferred
30 compensation administrative account, the deferred compensation
31 principal account, the department of licensing services account, the
32 department of retirement systems expense account, the developmental
33 disabilities community services account, the diesel idle reduction
34 account, the drinking water assistance account, the administrative
35 subaccount of the drinking water assistance account, the early
36 learning facilities development account, the early learning
37 facilities revolving account, the Eastern Washington University
38 capital projects account, the education construction fund, the
39 education legacy trust account, the election account, the electric
40 vehicle account, the energy freedom account, the energy recovery act

1 account, the essential rail assistance account, The Evergreen State
2 College capital projects account, the fair start for kids account,
3 the ferry bond retirement fund, the fish, wildlife, and conservation
4 account, the freight mobility investment account, the freight
5 mobility multimodal account, the grade crossing protective fund, the
6 public health services account, the state higher education
7 construction account, the higher education construction account, the
8 higher education retirement plan supplemental benefit fund, the
9 highway bond retirement fund, the highway infrastructure account, the
10 highway safety fund, the hospital safety net assessment fund, the
11 Interstate 405 and state route number 167 express toll lanes account,
12 the judges' retirement account, the judicial retirement
13 administrative account, the judicial retirement principal account,
14 the limited fish and wildlife account, the local leasehold excise tax
15 account, the local real estate excise tax account, the local sales
16 and use tax account, the marine resources stewardship trust account,
17 the medical aid account, the money-purchase retirement savings
18 administrative account, the money-purchase retirement savings
19 principal account, the motor vehicle fund, the motorcycle safety
20 education account, the move ahead WA account, the move ahead WA
21 flexible account, the multimodal transportation account, the multiuse
22 roadway safety account, the municipal criminal justice assistance
23 account, the oyster reserve land account, the pension funding
24 stabilization account, the perpetual surveillance and maintenance
25 account, the pilotage account, the pollution liability insurance
26 agency underground storage tank revolving account, the public
27 employees' retirement system plan 1 account, the public employees'
28 retirement system combined plan 2 and plan 3 account, the public
29 facilities construction loan revolving account, the public health
30 supplemental account, the public works assistance account, the Puget
31 Sound capital construction account, the Puget Sound ferry operations
32 account, the Puget Sound Gateway facility account, the Puget Sound
33 taxpayer accountability account, the real estate appraiser commission
34 account, the recreational vehicle account, the regional mobility
35 grant program account, the resource management cost account, the
36 rural arterial trust account, the rural mobility grant program
37 account, the rural Washington loan fund, the sexual assault
38 prevention and response account, the site closure account, the
39 skilled nursing facility safety net trust fund, the small city
40 pavement and sidewalk account, the special category C account, the

1 special wildlife account, the state investment board expense account,
2 the state investment board commingled trust fund accounts, the state
3 patrol highway account, the state reclamation revolving account, the
4 state route number 520 civil penalties account, the state route
5 number 520 corridor account, the statewide broadband account, the
6 statewide tourism marketing account, the supplemental pension
7 account, the Tacoma Narrows toll bridge account, the teachers'
8 retirement system plan 1 account, the teachers' retirement system
9 combined plan 2 and plan 3 account, the tobacco prevention and
10 control account, the tobacco settlement account, the toll facility
11 bond retirement account, the transportation 2003 account (nickel
12 account), the transportation equipment fund, the transportation
13 future funding program account, the transportation improvement
14 account, the transportation improvement board bond retirement
15 account, the transportation infrastructure account, the
16 transportation partnership account, the traumatic brain injury
17 account, the University of Washington bond retirement fund, the
18 University of Washington building account, the voluntary cleanup
19 account, the volunteer firefighters' and reserve officers' relief and
20 pension principal fund, the volunteer firefighters' and reserve
21 officers' administrative fund, the vulnerable roadway user education
22 account, the Washington judicial retirement system account, the
23 Washington law enforcement officers' and firefighters' system plan 1
24 retirement account, the Washington law enforcement officers' and
25 firefighters' system plan 2 retirement account, the Washington public
26 safety employees' plan 2 retirement account, the Washington school
27 employees' retirement system combined plan 2 and 3 account, the
28 Washington state patrol retirement account, the Washington State
29 University building account, the Washington State University bond
30 retirement fund, the water pollution control revolving administration
31 account, the water pollution control revolving fund, the Western
32 Washington University capital projects account, the Yakima integrated
33 plan implementation account, the Yakima integrated plan
34 implementation revenue recovery account, and the Yakima integrated
35 plan implementation taxable bond account. Earnings derived from
36 investing balances of the agricultural permanent fund, the normal
37 school permanent fund, the permanent common school fund, the
38 scientific permanent fund, and the state university permanent fund
39 shall be allocated to their respective beneficiary accounts.

1 (b) Any state agency that has independent authority over accounts
2 or funds not statutorily required to be held in the state treasury
3 that deposits funds into a fund or account in the state treasury
4 pursuant to an agreement with the office of the state treasurer shall
5 receive its proportionate share of earnings based upon each account's
6 or fund's average daily balance for the period.

7 (5) In conformance with Article II, section 37 of the state
8 Constitution, no treasury accounts or funds shall be allocated
9 earnings without the specific affirmative directive of this section.

10 **Sec. 10.** RCW 43.84.092 and 2022 c 182 s 404 are each amended to
11 read as follows:

12 (1) All earnings of investments of surplus balances in the state
13 treasury shall be deposited to the treasury income account, which
14 account is hereby established in the state treasury.

15 (2) The treasury income account shall be utilized to pay or
16 receive funds associated with federal programs as required by the
17 federal cash management improvement act of 1990. The treasury income
18 account is subject in all respects to chapter 43.88 RCW, but no
19 appropriation is required for refunds or allocations of interest
20 earnings required by the cash management improvement act. Refunds of
21 interest to the federal treasury required under the cash management
22 improvement act fall under RCW 43.88.180 and shall not require
23 appropriation. The office of financial management shall determine the
24 amounts due to or from the federal government pursuant to the cash
25 management improvement act. The office of financial management may
26 direct transfers of funds between accounts as deemed necessary to
27 implement the provisions of the cash management improvement act, and
28 this subsection. Refunds or allocations shall occur prior to the
29 distributions of earnings set forth in subsection (4) of this
30 section.

31 (3) Except for the provisions of RCW 43.84.160, the treasury
32 income account may be utilized for the payment of purchased banking
33 services on behalf of treasury funds including, but not limited to,
34 depository, safekeeping, and disbursement functions for the state
35 treasury and affected state agencies. The treasury income account is
36 subject in all respects to chapter 43.88 RCW, but no appropriation is
37 required for payments to financial institutions. Payments shall occur
38 prior to distribution of earnings set forth in subsection (4) of this
39 section.

1 (4) Monthly, the state treasurer shall distribute the earnings
2 credited to the treasury income account. The state treasurer shall
3 credit the general fund with all the earnings credited to the
4 treasury income account except:

5 (a) The following accounts and funds shall receive their
6 proportionate share of earnings based upon each account's and fund's
7 average daily balance for the period: The abandoned recreational
8 vehicle disposal account, the aeronautics account, the Alaskan Way
9 viaduct replacement project account, the brownfield redevelopment
10 trust fund account, the budget stabilization account, the capital
11 vessel replacement account, the capitol building construction
12 account, the Central Washington University capital projects account,
13 the charitable, educational, penal and reformatory institutions
14 account, the Chehalis basin account, the Chehalis basin taxable
15 account, the cleanup settlement account, the climate active
16 transportation account, the climate transit programs account, the
17 Columbia river basin water supply development account, the Columbia
18 river basin taxable bond water supply development account, the
19 Columbia river basin water supply revenue recovery account, the
20 common school construction fund, the community forest trust account,
21 the connecting Washington account, the county arterial preservation
22 account, the county criminal justice assistance account, the covenant
23 homeownership account, the deferred compensation administrative
24 account, the deferred compensation principal account, the department
25 of licensing services account, the department of retirement systems
26 expense account, the developmental disabilities community services
27 account, the diesel idle reduction account, the drinking water
28 assistance account, the administrative subaccount of the drinking
29 water assistance account, the early learning facilities development
30 account, the early learning facilities revolving account, the Eastern
31 Washington University capital projects account, the education
32 construction fund, the education legacy trust account, the election
33 account, the electric vehicle account, the energy freedom account,
34 the energy recovery act account, the essential rail assistance
35 account, The Evergreen State College capital projects account, the
36 fair start for kids account, the ferry bond retirement fund, the
37 fish, wildlife, and conservation account, the freight mobility
38 investment account, the freight mobility multimodal account, the
39 grade crossing protective fund, the public health services account,
40 the state higher education construction account, the higher education

1 construction account, the higher education retirement plan
2 supplemental benefit fund, the highway bond retirement fund, the
3 highway infrastructure account, the highway safety fund, the hospital
4 safety net assessment fund, the Interstate 405 and state route number
5 167 express toll lanes account, the judges' retirement account, the
6 judicial retirement administrative account, the judicial retirement
7 principal account, the limited fish and wildlife account, the local
8 leasehold excise tax account, the local real estate excise tax
9 account, the local sales and use tax account, the marine resources
10 stewardship trust account, the medical aid account, the money-
11 purchase retirement savings administrative account, the money-
12 purchase retirement savings principal account, the motor vehicle
13 fund, the motorcycle safety education account, the move ahead WA
14 account, the move ahead WA flexible account, the multimodal
15 transportation account, the multiuse roadway safety account, the
16 municipal criminal justice assistance account, the oyster reserve
17 land account, the pension funding stabilization account, the
18 perpetual surveillance and maintenance account, the pilotage account,
19 the pollution liability insurance agency underground storage tank
20 revolving account, the public employees' retirement system plan 1
21 account, the public employees' retirement system combined plan 2 and
22 plan 3 account, the public facilities construction loan revolving
23 account, the public health supplemental account, the public works
24 assistance account, the Puget Sound capital construction account, the
25 Puget Sound ferry operations account, the Puget Sound Gateway
26 facility account, the Puget Sound taxpayer accountability account,
27 the real estate appraiser commission account, the recreational
28 vehicle account, the regional mobility grant program account, the
29 resource management cost account, the rural arterial trust account,
30 the rural mobility grant program account, the rural Washington loan
31 fund, the sexual assault prevention and response account, the site
32 closure account, the skilled nursing facility safety net trust fund,
33 the small city pavement and sidewalk account, the special category C
34 account, the special wildlife account, the state investment board
35 expense account, the state investment board commingled trust fund
36 accounts, the state patrol highway account, the state reclamation
37 revolving account, the state route number 520 civil penalties
38 account, the state route number 520 corridor account, the statewide
39 broadband account, the statewide tourism marketing account, the
40 supplemental pension account, the Tacoma Narrows toll bridge account,

1 the teachers' retirement system plan 1 account, the teachers'
2 retirement system combined plan 2 and plan 3 account, the tobacco
3 prevention and control account, the tobacco settlement account, the
4 toll facility bond retirement account, the transportation 2003
5 account (nickel account), the transportation equipment fund, the
6 transportation future funding program account, the transportation
7 improvement account, the transportation improvement board bond
8 retirement account, the transportation infrastructure account, the
9 transportation partnership account, the traumatic brain injury
10 account, the University of Washington bond retirement fund, the
11 University of Washington building account, the voluntary cleanup
12 account, the volunteer firefighters' and reserve officers' relief and
13 pension principal fund, the volunteer firefighters' and reserve
14 officers' administrative fund, the vulnerable roadway user education
15 account, the Washington judicial retirement system account, the
16 Washington law enforcement officers' and firefighters' system plan 1
17 retirement account, the Washington law enforcement officers' and
18 firefighters' system plan 2 retirement account, the Washington public
19 safety employees' plan 2 retirement account, the Washington school
20 employees' retirement system combined plan 2 and 3 account, the
21 Washington state patrol retirement account, the Washington State
22 University building account, the Washington State University bond
23 retirement fund, the water pollution control revolving administration
24 account, the water pollution control revolving fund, the Western
25 Washington University capital projects account, the Yakima integrated
26 plan implementation account, the Yakima integrated plan
27 implementation revenue recovery account, and the Yakima integrated
28 plan implementation taxable bond account. Earnings derived from
29 investing balances of the agricultural permanent fund, the normal
30 school permanent fund, the permanent common school fund, the
31 scientific permanent fund, and the state university permanent fund
32 shall be allocated to their respective beneficiary accounts.

33 (b) Any state agency that has independent authority over accounts
34 or funds not statutorily required to be held in the state treasury
35 that deposits funds into a fund or account in the state treasury
36 pursuant to an agreement with the office of the state treasurer shall
37 receive its proportionate share of earnings based upon each account's
38 or fund's average daily balance for the period.

1 (5) In conformance with Article II, section 37 of the state
2 Constitution, no treasury accounts or funds shall be allocated
3 earnings without the specific affirmative directive of this section.

4 NEW SECTION. **Sec. 11.** This act may be known and cited as the
5 covenant homeownership account and program act.

6 NEW SECTION. **Sec. 12.** Sections 1 and 3 through 7 of this act
7 constitute a new chapter in Title 43 RCW.

8 NEW SECTION. **Sec. 13.** If any part of this act is found to be in
9 conflict with federal requirements that are a prescribed condition to
10 the allocation of federal funds to the state, the conflicting part of
11 this act is inoperative solely to the extent of the conflict and with
12 respect to the agencies directly affected, and this finding does not
13 affect the operation of the remainder of this act in its application
14 to the agencies concerned. Rules adopted under this act must meet
15 federal requirements that are a necessary condition to the receipt of
16 federal funds by the state.

17 NEW SECTION. **Sec. 14.** (1) If any provision of this act or its
18 application to any person or circumstance is held invalid, the
19 remainder of the act or the application of the provision to other
20 persons or circumstances is not affected.

21 (2) In addition, if the covenant homeownership program described
22 in section 6 of this act is held invalid, in whole or in part, the
23 legislature may appropriate moneys in the covenant homeownership
24 account to the department of commerce to contract with the Washington
25 state housing finance commission for one or more other programs that
26 support homeownership for first-time homebuyers.

27 NEW SECTION. **Sec. 15.** Section 9 of this act expires July 1,
28 2024.

29 NEW SECTION. **Sec. 16.** Section 10 of this act takes effect July
30 1, 2024.

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