

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Baby Bonds May Gain National Momentum.**

Following the passage of so-called “baby bond” legislation in Connecticut and Washington, D.C., and a slew of other states considering such legislation, congressional and public finance leaders including Connecticut Treasurer Shawn Wooden, and Sen. Cory Booker of New Jersey, are pushing for a federal baby bond law to help narrow the racial wealth divide.

“We need to put forward a bold, aspirational vision for racial and economic justice in this country [and] I think baby bonds are a foundational piece of that,” Booker said.

Booker made the statement via video during a webinar last week hosted by Prosperity Now and the New School Institute on race, power and political economy.

Last year, Booker and Rep. Ayanna Pressley, D-Mass., reintroduced the American Opportunity Accounts Act. The legislation, which would create a federally funded savings account for every American child at birth that would grow each year depending on family income, now has 15 cosponsors including Senate Majority Leader Chuck Schumer.

“I’m excited about the possibility of getting this passed,” Booker said.

Wooden, who has championed baby bonds for some time, expressed a similar view – that the political climate may be right for passing federal baby bond legislation.

“We’re in a moment in this country where my thinking and the thinking of others is that we’ve got to go bold, we’ve got to go big with racial disparities and the wealth gap expanding,” Wooden said, adding, “We’re at a moment where America’s watching, the citizens of Connecticut are watching and so we have the political space to go bigger and bolder.”

In July of last year, Connecticut became the first state to enact a baby bond law. Its baby bonds are funded through state general obligation bonds, with \$50 million to be authorized each year for 12 years.

Wooden, who was sworn in this year as the National Association of State Treasurers president, said that Connecticut’s program was generally modeled after the American Opportunity Accounts Act with some key distinctions.

For example, “the program had to be very targeted and so is just directed at poor children” – meaning “the mom who is giving birth qualifies for state Medicaid,” Wooden explained.

Connecticut’s baby bond accounts are seeded with \$3,200, which is automatically invested on the child’s behalf. When the children reach age 18, they can use the funds for postsecondary education, purchase of a home in the state, or other specified investments.

Wooden also talked about the process that Connecticut went through to implement its baby bond program saying that it involved a lot of basic organizing and conversations with key stakeholders. That feedback, Wooden said, later informed the baby bond program design and in the end,

Connecticut's program passed with bipartisan support.

Washington's baby bonds program, enacted in October through a unanimous vote, similarly stemmed from significant community involvement and "building a large tent," according to D.C. councilmember Kenyan McDuffie.

McDuffie introduced the bill and also spoke during the webinar.

Under Washington's program, a trust fund is created with \$500 for each child born into a lower-income family after October 1, 2021. An additional \$1,000 is added to the account each year that the parents of the child have income below three times the poverty level.

Similar to Connecticut's program, children have access to the funds when they reach the age of 18 but can only use the money for specified activities like purchasing a home, investing, starting a business and paying for education.

In a paper advocating for states and cities to embrace baby bonds, Prosperity Now policy fellow Shira Markoff outlined essential elements of a baby bond program. These include a substantial monetary endowment and automatic enrollment.

Additionally, Markoff noted that baby bond funds should be restricted to wealth-generating assets, and the accounts should be structured with an emphasis on endowments and have a sustainable funding source. The baby bonds should ideally also be excluded from state income asset limits.

Addressing the "why" behind baby bonds, racial justice advocate and New School economics and urban policy professor, Darrick Hamilton, said that baby bond programs take on wealth inequality head-on.

"The problem with wealth inequality is that some people are born with capital and some people aren't. The critical ingredient to building wealth is wealth," Hamilton explained, adding, "We need a public sector that levels the playing field in a more just way - not simply by just giving people something but rather by empowering people."

Overall, Hamilton agreed that baby bonds are foundational to combating wealth inequality and he applauded states and communities for taking their own steps to bring baby bonds to fruition.

Thus far, in addition to the programs in Connecticut and Washington, baby bond legislation has been proposed in Iowa, New Jersey, New York and Wisconsin.

"It's exciting to see that states and cities are not waiting for the federal government," Hamilton said.

By Kelley R. Taylor

BY SOURCEMEDIA | MUNICIPAL | 02/24/22 12:54 PM EST