

Office of Policy and Legal Analysis

Date: April 28, 2021
To: Joint Standing Committee on Innovation, Development, Economic Advancement and Business
From: Rachel Olson, Legislative Analyst
Re: LD 1005, Resolve, Establishing the Commission To Study Strategies To Assist Working-class Families in Building Wealth and Achieving Upward Mobility (Rielly)

Bill Summary

This resolve establishes the Commission To Study Strategies To Assist Working-class Families in Building Wealth and Achieving Upward Mobility to examine and make recommendations on the feasibility of providing every child at birth a publicly funded bond to assist working-class families and to reduce racial and geographic wealth disparities in the State.

Testimony:

Proponents: Representative Rielly, sponsor; Representative Talbot Ross, cosponsor; Ann Danforth, Maine Equal Justice;

Opponents: None

Neither for nor against: None

Information Requests:

1. *What other states have or are considering a similar type of bond program?*

New Jersey Governor Murphy highlighted the [importance of the Baby Bond initiative in his Revised Fiscal Year 20201 Budget](#). The initiative will provide a \$1,000 deposit into an account for every baby born into a household with income less than 500 percent of the Federal Poverty Level (\$131,000 for a family of four) in 2021. The bills related to this topic are still pending in the New Jersey Legislature.

Connecticut [H.B. No. 6659](#) (SY21) *An Act Concerning the Establishment of the Connecticut Baby Bond Trust*.

Congressional Democrats introduced a bill in early February “that would establish \$1,000 ‘baby bonds’ for every American when they’re born – setting up savings accounts that people cannot touch until adulthood.”¹ The American Opportunity Accounts Act would also include additional deposits each year depending on income.

The United Kingdom had a similar plan from 2005 until 2010 called the [Child Trusts Fund Act](#).

¹ Durkee, Alison. “Baby Bonds’ Bill Introduced Would Give Every Newborn A \$1,000 Savings Account.” Forbes. Forbes Magazine, February 4, 2021. <https://www.forbes.com/sites/alisondurkee/2021/02/04/baby-bonds-bill-introduced-would-give-every-newborn-a-1000-savings-account/?sh=27fb9d8c5e00>.

In the past few decades, policies and programs with a similar intent have been introduced, attempted, or implemented. Examples include:

The American Dream Demonstration which was developed to test the potential impact of Individual Development Accounts from 1997-2002.

SEED (Saving for Education, Entrepreneurship, and Down payment) for Oklahoma Kids which began 14 years ago as a research project on [Child Development Accounts \(CDAs\) by the Center for Social Development at Washington University in St. Louis](#). This study included investing \$1,000 in a 529 College Saving Plan.

Maine's [Harold Alfond Grant](#), which offers every newborn a \$500 grant (beginning in 2009), which can be used to open a 529 College Savings Plan. Matching grants are also available.

Pennsylvania recently adopted legislation to create accounts for every child born in the state with an initial deposit of \$100 and Illinois as well, giving each newborn an account with \$50. It also appears that California is launching a similar program this year.

It appears that at least 13 other state offer some type of seed money or matching grant program for a 529 College Savings program. Requirements and restrictions vary by state and program.

It appears some of the differences between a 'baby bond' program and the 529 College Savings program are what the money can be used for, when it can be used, who is eligible, and where the initial seed money or additional grants come from (private vs. state funds).

Fiscal Impact: Not yet determined.