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S.268

Introduced by Senators Ram Hinsdale, Clarkson, Hardy, Harrison, Watson,  
White and Wrenner

Referred to Committee on

Date:

Subject: Finance; bonds; baby bond trust

Statement of purpose of bill as introduced: This bill proposes to establish a  
baby bond trust fund for children with low income to spend on education,  
housing, business, or certain investment accounts upon reaching adulthood.

An act relating to establishing a baby bond trust program

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 3 V.S.A. chapter 20 is added to read:

CHAPTER 20. VERMONT BABY BOND TRUST

§ 601. DEFINITIONS

As used in this chapter:

(1) “Designated beneficiary” means an individual born on or after July  
1, 2024 who was eligible at birth for coverage in the Dr. Dynasaur program  
established in accordance with Title XIX (Medicaid) and Title XXI (SCHIP) of  
the Social Security Act.

1           (2) “Eligible expenditure” means an expenditure associated with any of  
2 the following, each as prescribed by the Treasurer:

3           (A) education of a designated beneficiary;

4           (B) purchase of a dwelling unit or real property in Vermont by a  
5 designated beneficiary;

6           (C) investment in a business in Vermont by a designated beneficiary;

7 or

8           (D) investment or rollover in a qualified retirement account,

9 Section 529 account, or Section 529A account established for the benefit of a  
10 designated beneficiary.

11           (3) “Trust” means the Vermont Baby Bond Trust established by this  
12 chapter.

13 § 602. VERMONT BABY BOND TRUST; ESTABLISHMENT

14           (a) There is established the Vermont Baby Bond Trust, to be administered  
15 by the Office of the State Treasurer. The Trust shall constitute an  
16 instrumentality of the State and shall perform essential governmental functions  
17 as provided in this chapter. The Trust shall receive and hold until disbursed in  
18 accordance with section 607 of this title all payments, deposits, and  
19 contributions intended for the Trust; as well as gifts, bequests, and  
20 endowments; federal, State, and local grants; any other funds from any public  
21 or private source; and all earnings on these funds.

1       (b)(1) The amounts on deposit in the Trust shall not constitute property of  
2       the State, and the Trust shall not be construed to be a department, institution, or  
3       agency of the State. Amounts on deposit in the Trust shall not be commingled  
4       with State funds, and the State shall have no claim to or against, or interest in,  
5       the amounts on deposit in the Trust.

6       (2) Any contract entered into by, or any obligation of, the Trust shall not  
7       constitute a debt or obligation of the State, and the State shall have no  
8       obligation to any designated beneficiary or any other person on account of the  
9       Trust.

10       (3) All amounts obligated to be paid from the Trust shall be limited to  
11       the amounts available for that obligation on deposit in the Trust. The amounts  
12       on deposit in the Trust shall only be disbursed in accordance with the  
13       provisions of section 607 of this title.

14       (4) The Trust shall continue in existence until it no longer holds any  
15       deposits or has any obligations and its existence is terminated by law. Upon  
16       termination, any unclaimed assets shall return to the State and shall be  
17       governed by the provisions of 27 V.S.A chapter 18.

18       (c) The Treasurer shall be responsible for receiving, maintaining,  
19       administering, investing, and disbursing amounts from the Trust. The Trust  
20       shall not receive deposits in any form other than cash.

1     § 603. TREASURER’S TRUST AUTHORITY

2             The Treasurer, on behalf of the Trust and for purposes of the Trust, may:

3             (1) receive and invest monies in the Trust in any instruments,  
4             obligations, securities, or property in accordance with section 604 of this title;

5             (2) enter into one or more contractual agreements, including contracts  
6             for legal, actuarial, accounting, custodial, advisory, management,  
7             administrative, advertising, marketing, or consulting services, for the Trust and  
8             pay for such services from the assets of the Trust;

9             (3) procure insurance in connection with the Trust’s property, assets,  
10            activities, or deposits and pay for such insurance from the assets of the Trust;

11            (4) apply for, accept, and expend gifts, grants, and donations from public  
12            or private sources to enable the Trust to carry out its objectives;

13            (5) adopt rules pursuant to 3 V.S.A. chapter 25;

14            (6) sue and be sued;

15            (7) establish one or more funds within the Trust and expend reasonable  
16            amounts from the funds for internal costs of administration; and

17            (8) take any other action necessary to carry out the purposes of this  
18            chapter.

19     § 604. INVESTMENT OF FUNDS IN THE TRUST

20            The Treasurer shall invest the amounts on deposit in the Trust in a manner  
21            reasonable and appropriate to achieve the objectives of the Trust, exercising

1 the discretion and care of a prudent person in similar circumstances with  
2 similar objectives. The Treasurer shall give due consideration to the rate of  
3 return, risk, term or maturity, and liquidity of any investment; diversification  
4 of the total portfolio of investments within the Trust; projected disbursements  
5 and expenditures; and the expected payments, deposits, contributions, and gifts  
6 to be received. The Treasurer shall not invest directly in obligations of the  
7 State or any political subdivision of the State or in any investment or other  
8 fund administered by the Treasurer. The assets of the Trust shall be  
9 continuously invested and reinvested in a manner consistent with the  
10 objectives of the Trust until disbursed for eligible expenditures or expended on  
11 expenses incurred by the operations of the Trust.

12 § 605. EXEMPTION FROM TAXATION

13 The property of the Trust and the earnings on the Trust shall be exempt  
14 from all taxation by the State or any political subdivision of the State.

15 § 606. MONEYS INVESTED IN TRUST NOT CONSIDERED ASSETS OR

16 INCOME

17 (a) Notwithstanding any provision of law to the contrary, and to the extent  
18 permitted by federal law, no sum of money invested in the Trust shall be  
19 considered to be an asset or income for purposes of determining an  
20 individual's eligibility for assistance under any program administered by the  
21 Agency of Human Services.

1       (b) Notwithstanding any provision of law to the contrary, no sum of money  
2       invested in the Trust shall be considered to be an asset for purposes of  
3       determining an individual's eligibility for need-based institutional aid grants  
4       offered to an individual by a public postsecondary school located in Vermont.

5       § 607. ACCOUNTING FOR DESIGNATED BENEFICIARY; CLAIMS  
6               REQUIREMENTS

7       (a) The Treasurer shall establish in the Trust an accounting for each  
8       designated beneficiary in the amount of \$3,200.00. Each accounting shall  
9       include the initial amount of \$3,200.00, plus the designated beneficiary's pro  
10       rata share of total net earnings from investments of sums held in the Trust.

11       (b) A designated beneficiary shall become eligible to receive the total sum  
12       of the accounting under subsection (a) of this section upon the designated  
13       beneficiary's 18th birthday and completion of a financial literacy requirement  
14       as prescribed by the Treasurer. The sum shall only be used for eligible  
15       expenditures.

16       (c) The Treasurer shall create a financial literacy program and materials  
17       designed to educate designated beneficiaries and others about the permissible  
18       use of funds available under this chapter.

19       (d) A designated beneficiary, or the designated beneficiary's authorized  
20       representative in the case of a designated beneficiary unable to make a claim  
21       due to disability, may submit a claim for accounting until the designated

1 beneficiary's 30th birthday, provided the designated beneficiary is a resident of  
2 the State at the time of the claim. If a designated beneficiary dies before  
3 submitting a valid claim or fails to submit a valid claim before the designated  
4 beneficiary's 30th birthday, the designated beneficiary's accounting shall be  
5 credited back to the assets of the Trust.

6 (e) The Treasurer shall adopt rules pursuant to 3 V.S.A. chapter 25 to carry  
7 out the purposes of this section, including prescribing the process for  
8 submitting a valid claim for accounting.

9 § 608. TRANSFER TO TRUST ANNUALLY

10 Annually, on or before July 1, the Treasurer shall transfer up to \$3,200.00  
11 per designated beneficiary anticipated to be born in that fiscal year to the Trust  
12 to be credited toward the accounting of each newly born designated beneficiary  
13 as described in section 607 of this title. For any year in which the funds made  
14 available pursuant to this section are insufficient to provide the full accounting  
15 per designated beneficiary, the accounting shall be reduced on a pro rata basis,  
16 with the calculation performed at the time of transfer.

17 § 609. DATA SHARING

18 In carrying out the purposes of this chapter, the Treasurer may enter into an  
19 intergovernmental agreement or memorandum of understanding with any  
20 agency or instrumentality of the State requiring disclosure to execute the  
21 purposes of this chapter to receive outreach, technical assistance, enforcement,

1 and compliance services; collection or dissemination of information pertinent  
2 to the Trust, including protected health information and personal identification  
3 information, subject to such obligations of confidentiality as may be agreed to  
4 or required by law; or other services or assistance.

5 Sec 2. VERMONT BABY BOND TRUST; HOUSING OPPORTUNITIES;  
6 REPORT

7 (a) The Office of the State Treasurer, in consultation with interested  
8 stakeholders, shall evaluate whether funds from the Vermont Baby Bond Trust  
9 established in 3 V.S.A. chapter 20 should be invested, consistent with the  
10 Treasurer's fiduciary obligations, to promote an increase in housing  
11 opportunities in Vermont. The report should examine the amount of funds  
12 from the Vermont Baby Bond Trust that could be expended for this purpose;  
13 how investments would be structured subject to the provisions of 32 V.S.A.  
14 chapter 7, subchapter 2; and the anticipated impact of these investments on  
15 housing in Vermont. The Office of the State Treasurer may also consider any  
16 other issues relating to the Vermont Baby Bond Trust investments that the  
17 Office identifies as warranting study.

18 (b) On or before January 15, 2025, the Office of the State Treasurer shall  
19 submit a written report to the General Assembly with its findings and any  
20 recommendations for legislative action.



1       Sec. 3. EFFECTIVE DATE

2       This act shall take effect on July 1, 2024.