



Testimony in Support of H. 769 – Baby Bonds Legislation

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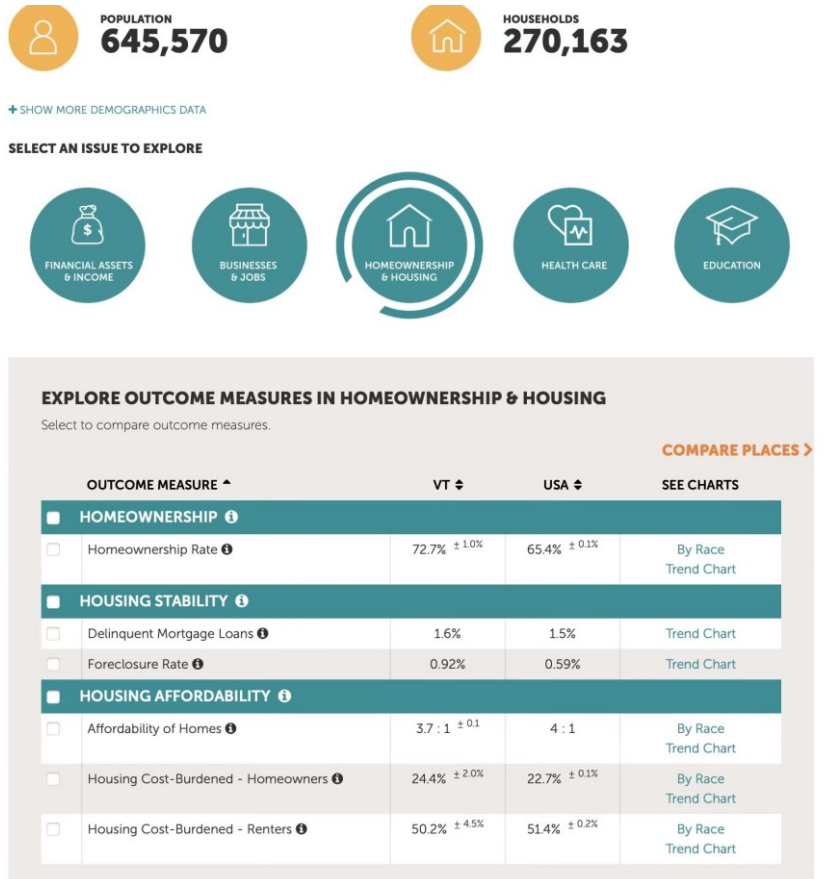


**Prosperity
Now's mission**
is to ensure
everyone in our
country has a
clear path to
financial stability,
wealth and
prosperity.

Economic Inequality in Vermont

- According to 2021 data from Prosperity Now's annual Scorecard:
 - Overall income poverty rate in state was 10.3%
 - White households – 9.7%
 - Black households – 23.0%
 - Latine households – 13.5%
 - Asian households – 13.5%
 - Overall asset poverty rate in state was 16%
 - White households – 18%
 - Black households – 52%
 - Latine households – 30%
 - Asian households – 28%

Current Housing Landscape in Vermont



- According to 2021 data from Prosperity Now's annual Scorecard:
 - Overall homeownership rate in state was 72.7%
 - White households – 74.2%
 - Black households – 31.5%
 - Latine households – 66.0%
 - Asian households – 32.7%

How Baby Bonds Work

BABY BONDS NARROW THE RACIAL WEALTH DIVIDE

HOW BABY BONDS WORK:

INVEST

The government makes a substantial deposit for each child, with the largest endowments for children from households with the lowest wealth.



GROW

Funds are invested by the government on children's behalf in order to grow appreciably.



GENERATE WEALTH

At adulthood, recipients use funds to acquire assets that generate wealth and economic security.



By investing in generations of children—with the largest investments provided for children from households with the least wealth, which are disproportionately Black, Latinx and Indigenous—over time, Baby Bonds will help narrow the racial wealth divide.

Potential Impact of Baby Bonds

- 2019 study by Naomi Zewde (UCLA professor & Roosevelt Institute Fellow)
- If a national Baby Bonds program had been started in mid-1990s (benefiting people 18-25 years-old in 2015):
 - Children from households with wealth among the bottom 20% would have accumulated, on average, about \$45,000
 - Children from households in the top 20% would have accumulated just under \$10,000
 - **Wealth gap would have decreased from White households having about 15.9x the wealth of Black households to having only 1.4x the wealth of Black households (among participating households)**

Source: Naomi Zewde, [*Universal Baby Bonds Reduce Black- White Wealth Inequality, Progressively Raise Net Worth of all Young Adults*](#) (New York, NY: Center on Poverty and Social Policy at Columbia University, 2019), 9.

Essential Elements & Design Considerations

- Substantial monetary endowment with larger endowment for children from lower-resourced households
- Automatic enrollment
- Funds directed to wealth-generating assets
- Emphasis on government endowments rather than family deposits
- Sustainable funding source
- Exclusion from state benefits' asset limits & taxation
- *Meaningful representation of impacted communities*
- *Outreach to participants and families*
- *Pooled public account or trust to hold funds*

More information on these essential elements is in: [A Brighter Future With Baby Bonds: How States and Cities Should Invest in Our Kids](#)

Recommendations for Enhancements to Legislation

- **Expand eligible uses** – Add flexibility to eligible expenses with a clause similar to Connecticut's:
Any investment in financial assets or personal capital that provides long-term gains to wages or wealth (as prescribed by the Treasurer)
- **Specify automatic enrollment** – Add specific language that enrollment will be automatic and not require parental action
- **Clarify exemption from benefits eligibility consideration and taxation** – Specify that funds are exempt from consideration for public benefits eligibility and taxes after disbursement, in addition to when invested in trust
- **Increase age limit** – Raise age limit to use funds to 35
- **Increase outreach to participants/provide coaching** – Ensure program has opportunities to reach participants/families early on and provide coaching to help with asset purchase
- **Ideally increase investment** – Ideally, the amount invested per child would be higher than \$3,200

State and Local Baby Bonds Landscape

■ Legislation/Proposal Introduced

- Delaware
- Iowa
- Nevada
- New Jersey
- New York
- North Carolina
- Vermont
- Washington
- Wisconsin

■ Legislation Passed

- Connecticut
- DC
- California*

* The legislation passed in California is related to Baby Bonds, but the proposed account uses aren't specifically geared toward wealth building.

Resources

- [Baby Bonds section](#) of Prosperity Now's website
- [Frequently Asked Questions About Baby Bonds \(FAQs\)](#)
- [Baby Bonds: A Legislative Toolkit for Building a Brighter Future in Your State](#) (toolkit)
- [A Brighter Future With Baby Bonds: How States and Cities Should Invest in Our Kids](#) (paper)
- [Baby Bonds](#) (overview video)