



## **Treasurer Shawn T. Wooden**

TESTIMONY SUBMITTED TO THE GO BONDING SUBCOMMITTEE  
MARCH 4, 2022

Senator Moore, Representative Borer, Senator Hwang, Representative Piscopo, and members of the General Bonding Subcommittee, thank you for the opportunity to provide testimony regarding Connecticut Baby Bonds.

As you know, last year, Connecticut became the first state in the nation to pass a baby bonds program, an innovative policy aimed at closing wealth gaps, ending generational poverty, and generating economic growth. It would not have been possible without the support of legislative leadership and the leadership of this subcommittee. Senator Moore and Representative Borer, thank you for your steadfast support in getting this visionary legislation across the finish line and in the bond authorization bill.

Beginning July 1, 2021, every baby whose birth is covered by HUSKY, the state's Medicaid program, is allocated up to \$3,200 in the CT Baby Bond Trust, which will be invested by my Office. Once that child turns 18 years old and has completed a financial education course, they become eligible to claim their share of the trust until the age of 30. The funds can only be used to pay for higher education, invest in a Connecticut business, put towards purchasing a home in Connecticut, or to save for retirement.

Let me be clear about the scope of this program, each of Connecticut's 169 towns have babies born into poverty. In fact, more than 40% of all state births are covered by HUSKY. That is almost 16,000 babies born each year into poverty who, because of CT Baby Bonds, now have a small seed planted for their big future. The potential impact of this program cannot be understated. As of today, there are about 10,200 babies enrolled in CT Baby Bonds.

As news of the legislation continues to spread, my Office is regularly contacted by other states and organizations across the country to learn more about the program and our legislative success. Since the bill's passage, I've been invited to discuss Baby Bonds with local, state and national leaders, including with President Biden's domestic policy team at the White House. I was invited to stand with U.S. Senator Cory Booker and members of the CT Congressional delegation to advocate for a national Baby Bonds program and highlight Connecticut's success at a press conference in DC. I have also participated in national panels, most recently a virtual panel hosted by the think tank Prosperity Now and The New School, which was attended by nearly 500 advocates, government leaders and public policy experts from more than 40 states. The Federal Reserve Bank of New York has expressed an interest in partnering on the program, and my Office has held meetings with leaders from Maine, California, Washington, Massachusetts, and others who want to create their own Baby Bonds program.

As you can see, Connecticut, ground zero for wealth and income inequality, has also become a national leader in addressing generational poverty in an innovative way.

My Office has been working diligently to build the program since its passage last year. We have drafted language that includes a series of technical and clarifying language that will help administer the program more effectively. I look forward to testifying on that particular bill in the coming weeks.

Today, I would like to draw your attention to specific bonding issues that arose from the amendments to the program passed in the budget implementer last year. You may recall that the program and its

funding authorization were passed as part of the bond package but were subsequently changed, without my Office's input, in the implementer.

One of the most substantive changes in the implementer, which is a glaring departure from normal bonding procedure, requires CT Baby Bonds to be funded with proceeds from a specific bond issuance. No other bond program in the state has such a requirement. The proposal I have submitted to this committee removes this requirement, which unnecessarily restricts the program and serves no other purpose than to hinder funding of the trust.

The second substantive change I have included in my proposal would shift the funding structure of the program so that it is funded prospectively rather than retrospectively. Currently, the bond authorizations are intended to fund births from the preceding fiscal year. This results in a one-year loss of investment time for the funds in the trust. For a program that is based on generating earnings, wasting a year of investment is substantial. My proposal would move up the final year of authorizations so that the State Bond Commission can approve \$100 million in FY 2023 and fund babies born in both FY 2022 and FY 2023.

Moving forward, if the full \$50 million is approved in July of each year, my Office can invest and start generating earnings immediately, with any excess set aside to fund future year's babies. This approach will bring the program closer to self-sustainability and reduce its reliance on bond funds moving forward. This approach assumes, of course, that the Governor will include funding for CT Baby Bonds on the State Bond Commission's July agenda for every year there is an authorization. Unfortunately, I have grave concerns about the commitment of some, outside of the legislature, to fund this crucial program and know that there are those who are eager to publicly express their support for the underserved and working families of Connecticut, but who have actively undermined the success of the program behind the scenes. Their reluctance to prioritize CT Baby Bonds ought not doom the program.

Connecticut often has a reputation for being the "land of steady habits." But the passage of this groundbreaking program proves otherwise. CT Baby Bonds will help families who have been systematically and historically prevented from building generational wealth get out of poverty and live the American dream. I am proud that the State of Connecticut has become the national leader on the quest to end generational poverty and that our program is being held up as a model across the country.

Again, I thank the members of this committee for their dedication to making CT Baby Bonds a reality. I ask now for your continued commitment and support as we work to ensure the program is supported and fully funded.

Thank you for the opportunity to submit testimony. My Office is available to answer any questions you have.

NEWS

# Experts: CT Baby Bond program provides kids born into poverty with brighter future

Amanda Cuda

Oct. 28, 2021Updated: Oct. 28, 2021 5:04 p.m.

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1 of 5

New Bridgeport mom Shondell Vann and her baby, Maria Jackson, 2 months, speaks during the announcement of the new state Baby Bonds program at Alliance for Community Empowerment in

Bridgeport, Conn. on Thursday, October 28, 2021. The program puts aside money for babies born into poverty for use later in life for higher education, home purchase, or business start up.

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2of5

Connecticut Treasurer Shawn T. Wooden announces the new state Baby Bonds program at Alliance for Community Empowerment in Bridgeport, Conn. on Thursday, October 28, 2021. The program puts aside money for babies born into poverty for use later in life for higher education, home purchase, or business start up. Brian A. Pounds / Hearst Connecticut Media

BRIDGEPORT — Like most parents, Shondell Vann wants the best for her child. She doesn't want her 2-month-old daughter, Maria Jackson, to grow up with limits or restrictions.

So the Bridgeport resident was excited about the CT Baby Bonds program, which started July 1, and creates a trust for babies whose births are covered by the state's Medicaid program. When those children are between the ages of 18 and 30 — and have completed a financial literacy

course — they can submit a claim to access funds from the trust for specific expenses. These expenses include higher education costs, the purchase of a home in Connecticut, investment in a business in Connecticut or saving for retirement.

For parents like Vann, this means that, even if their child is born into poverty, they can still build a successful life. This a huge relief, Vann said. “(Children) are the future, so we have to make sure they’re all right,” she said.

Vann spoke Thursday during a press conference about the Baby Bonds program, which took place at the Alliance for Community Empowerment in Bridgeport. The event was part of state Treasurer Shawn T. Wooden’s statewide CT Baby Bonds education tour. Wooden said the program aims to narrow the wealth gap and lessen generational poverty in the state.

The purpose of the program is to “focus on the whole child” and aid them into “growing into prosperous adults,” Wooden said.

Others who spoke at Thursday’s event included state Sen. Marilyn Moore, who represents Bridgeport, Monroe, and Trumbull. Like Vann, Moore said the Baby Bond program has the potential to turn things around for children in low-income homes.

“We’re looking at, from the moment a child is born into poverty, that the parent has something to look forward to for that child,” Moore said.

Moore said about \$50 million worth of general obligation bonds a year have been set aside for the program for the next 12 years. General obligation bonds are Connecticut’s primary bonding program and are used to fund such programs as school construction grants, community care facilities, grants and loans for housing and other efforts.

Those on hand at the press conference also included Monette M. Ferguson, executive director of the Alliance for Community Empowerment. The alliance works to provide individuals, families, and communities with the appropriate tools, skills, and opportunities needed for economic stability and self-sufficiency.

The agency serves more than 35,000 individuals annually through their broad range of services in Bridgeport, Easton, Fairfield, Monroe, Norwalk, Stratford, Trumbull, and Westport.

Ferguson said she was excited to host the Baby Bonds event, and hoped that programs such as this one would lessen poverty to the point that the Alliance and organizations like it were no longer necessary. “We want to put ourselves out of business,” she said. “That’s why we’re here.”

# THE BOND BUYER

[WASHINGTON DC](#)

## Baby bonds may gain national momentum

By [Kelley R. Taylor](#) February 24, 2022, 12:54 p.m. EST 4 Min Read

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.





*Addressing the need for baby bonds, Connecticut treasurer and NAST president Shawn Wooden said, "we've got to go bold, we've got to go big with racial disparities and the wealth gap expanding."*

"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.

**Kelley R. Taylor**

Reporter, The Bond Buyer

## NEWS

## A groundbreaking Connecticut law would give a \$3,200 bond to every child born into poverty

It would be the first state to grant children of low-income parents individual trusts paid for by the state, which children can access once they turn 18



(iStock; Washington Post illustration)



Anne Branigin • June 15, 2021



Talisha Tirado has big dreams for her daughter.



Tirado is 21 weeks pregnant and already envisioning the life her baby might have: Maybe she will like studying history, like her parents do. Tirado imagines swimming and hockey lessons, family vacations.

But there are obstacles. Tirado, a 22-year-old from Hartford, Conn., has been on and off food stamps since she was a child.

She is also unable to work during her pregnancy. Since she has had miscarriages in the past, her doctor told her she needs to go on medical leave — a turn of events that has been deeply frustrating for Tirado, who is eager to support her growing family.

[ [A generation changed](#) | [A look at the coronavirus's impact](#) ]

Despite being strapped for cash, she and her fiancé are trying to think ahead, such as setting aside money for a college fund.

like a dollar a week,” she said.

But a forthcoming Connecticut law will ensure that Tirado doesn’t have to rely solely on spare change to fund her daughter’s college tuition.

Connecticut is set to become the first state in the nation to grant children of low-income parents “baby bonds” — individual trusts paid for by the state, which children can access once they turn 18.

Under the law, any infant born to parents who rely on Medicaid insurance will receive \$3,200 in a special savings account. By the time they are able to access the fund, it will be worth nearly \$11,000, [according to the Hartford Courant](#).

[ [Women are slowly regaining the jobs they lost. But many of their career paths may change for good.](#)]

The legislation, championed by Connecticut State Treasurer Shawn Wooden, aims to reduce generational poverty in the state, which has one of the [worst wealth gaps in the country](#).

“Connecticut is ground zero for wealth inequality, and for us to be first in the nation to tackle generational poverty with baby bonds — that’s powerful,” Wooden said. “I hope others will follow suit.”

The concept of baby bonds has been around for at least a decade, but policymakers have become increasingly drawn to them in recent years, arguing that these programs could not only reduce wealth inequality, but also boost social mobility and help close the racial wealth gap.

“At the root of the racial wealth gap, and wealth inequality in general, is capital itself,” Darrick Hamilton, an economist and early proponent of baby bonds, [told the Atlantic](#) last year. “Baby bonds are specifically aimed at giving people that seed capital, that asset that passively appreciates over their lifetime.”

The bonds act as seed grants paid for by the government, which would build interest from birth until adulthood, at which point the beneficiaries can access them.

Wooden said he was particularly inspired by the efforts of Sen. Cory Booker (D-N.J.) and Rep. Ayanna Pressley (D-Mass.) to introduce such [legislation at the federal level](#).

The Connecticut baby bonds are part of a larger, bipartisan bonding package that easily passed both the chambers of the state legislature earlier this month: 34 out of 36 voting senators approved the bill, along with 133 out of 138 state representatives (the package also includes investments in construction and transportation).

Connecticut Gov. Ned Lamont (D) is expected to sign the bill, which would go into effect on July 1.

[ [Many single moms face a little-known tax penalty. It could cut them off from the full \\$3,600 child tax credit.](#)]

total — to fund the accounts, which will be managed and invested in by the treasurer's office. Because it's pulled from this dedicated fund, the amount of the bond can change depending on how many births are covered by Husky Health, the state's Medicaid program, that year. According to state records, the average number of births covered by Husky between 2012 and 2019 was 15,861.

[The Hartford Courant](#) reports the state is expecting a 6.9 percent annual return on the bonds, meaning by the time the first bond recipients turn 18, they can expect at least \$10,635 in their accounts. Any child born to parents relying on Husky would automatically receive the funds.

To qualify for Husky, [a household of one must earn \\$17,131 or less per year](#). If a family ends up moving off of Medicaid, the account would still be available, and accruing interest.

The money can only be used in certain ways: to cover the cost of higher education (including trade and vocational schools), buy a home, start a business or set aside for retirement.

There are other restrictions, too. Beneficiaries must be residents of the state and pass a state-mandated financial literacy course before they can access their account. They have until they turn 30 to claim the money.

The bill targets low-income families, and while an estimated 60 percent of bond recipients will be White, Wooden said, Black and Latino families are still overrepresented among those who rely on state Medicaid.

Merrill Gay, executive director of the Connecticut Early Childhood Alliance, said the bonds are an important leg up for families with low incomes and few assets to build wealth.

"This is going to help a lot of people who struggle day-to-day, living paycheck to paycheck," he said.

[ [Child care wasn't prioritized in the first infrastructure package. It's 'cause for alarm,' experts say.](#)]

Despite Connecticut's reputation as a rich state — it has the [highest per capita income in the nation](#) — it has had to contend with worsening economic inequality, much like the rest of the United States.

[United Way](#), which studies financial hardship across the country, estimates that 11 percent of Connecticut residents live in poverty, while another 27 percent struggle to afford basic household necessities.

Nationwide, economic inequality [has hit a five-decade peak](#), while the racial wealth gap has also widened. According to [one recent analysis](#) from the Brookings Institution, the net worth of a typical White family (\$171,000) was 10 times greater than a typical Black household in 2016. The racial wealth gap is as wide now as it was [in the 1960s](#).

Priorities, said there are limitations to what the bill can do to lift families out of poverty.

“The money doesn’t flow to someone until they’re [of age],” Marr said. “And a lot happens between a baby being born and someone turning 22 or 18.”

That’s why baby bond bills need to work in tandem with other legislation, Marr said, naming the Biden administration’s proposed child tax credit as one example. That credit, which would give eligible households [up to \\$3,600 a year per child](#), would help families struggling to cover all their basic needs.

While the first baby bonds won’t be available to Connecticut residents for another 18 years, Wooden believes he won’t have to wait that long to see their impact.

He referenced [one recent study](#) from [Washington University in St. Louis](#), which found that parent behavior changed once their children received savings accounts, spurring more family savings.

“This is powerful beyond the dollars that will be available for the beneficiaries,” Wooden said. “It’s powerful in terms of how it changes one’s outlook on what’s possible and how you can change your condition and your circumstances in life.”

Tirado, the 22-year-old expectant mom, said the new bill is “amazing.”

“It takes a lot of stress off our shoulders,” she said. She imagines her daughter going to cosmetology school or becoming a nurse. Maybe she could use it to buy her own home — something Tirado has yet to experience.

Tirado likes that her daughter won’t be able to access the money until she’s an adult, even though she knows it might get hard in the meantime. Just knowing it exists, Tirado said, allows her to more easily imagine giving her daughter a life she didn’t have.

“I know that is there for her when she turns 18,” Tirado said. “So I can help her with everything else before then.”

