Rectifying Racial Wealth Disparities through Baby Bonds

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Executive Summary

This paper proposes recommendations for the design of a Baby Bonds pilot program by the GRO Fund, with the aim of reducing racial wealth inequality and promoting economic empowerment among minoritized populations. Drawing on the history of the racial wealth gap and insights from publications and interviews, the paper proposes specific recommendations for the GRO Fund's program design.

To assess various aspects of Baby Bonds' impact, the GRO Fund should consider a program duration of 10+ years with two cohorts of different ages and interim data gathering. Eligibility requirements can be based on participation in existing programs and/or household income. This paper discusses three levels of race specificity - race-neutral, race-conscious, and race-specific - and recommends that the GRO Fund aims to be race-specific. Usage restrictions should mimic archetypal Baby Bonds but consider additional wealth-building strategies. Drawdown restrictions should block fund access until participants are 18 years of age, with limited access before 18 in emergency circumstances. Financial advising should be offered to recipients instead of financial literacy training to better support their financial well-being. Lastly, this paper recommends that the GRO Fund invests funds in an investment vehicle that minimizes risk to principal, earns 4-6 percent annual interest, and is easily liquidated.

These recommendations attempt to take into consideration the unique needs and goals of the GRO Fund and its target communities, while also aligning with the core principles of Baby Bonds. The implementation of a well-designed Baby Bonds pilot program by the GRO Fund has the potential to significantly contribute to reducing racial wealth inequality and promote economic stability among minoritized populations by furthering the case for Baby Bonds.

Issue Background: The U.S. Racial Wealth Gap Justifies Baby Bonds

Overview of the Racial Wealth Gap in the U.S.

There is a stark racial wealth divide in the United States of America. The disparity between white people and Black people is the most extreme, with the typical Black family owning about one-eighth the wealth of the typical white family in 2019 (Federal Reserve 2021). Over the past 20 years, the Black-white racial wealth gap has not shrunk but grown (ibid). The racial wealth gap is not surprising considering the history of the United States. Throughout U.S. history, white policymakers routinely and systematically exploited and excluded minoritized populations from wealth-building opportunities (Rothstein 2017) (Alexander 2020) (Darity Jr, et al. 2019). Consequently, policymakers have ensured that minoritized populations have less wealth, income, health, and educational attainment than the majoritized white population. Accordingly, current racial disparities in the U.S. are results of a system that is doing what it was designed to do.

Continued suppression of wealth building has caused minoritized populations to suffer from a host of inequities. Households with less wealth are less able to weather financial shocks, have more severe chronic illnesses and shorter life expectancies, and are less able to support future generations through financing education, the purchasing of a home, or provision of inheritance (Boen, Keister and Aronson 2020) (Chokshi and Khullar 2018). Wealth, even more so than income, influences *subjective well-being*, also called "self-reported well-being" (Brulé and Suter 2019). Quality of life, opportunity, and well-being are all contingent upon wealth (Darity Jr, et al. 2019). By perpetuating the racial wealth gap, the U.S. therefore grows racial disparities in quality of life, opportunity, and well-being.

Racial Economic Disparities in Atlanta, GA

In Atlanta, the racial wealth gap is massive. Over one third of Black and Latino families in Atlanta have zero or negative net worth (Prosperity Now n.d.). The median annual household income for Black households in the city of Atlanta is $28,105, compared to $83,772 for white households (Atlanta Wealth Building Initiative n.d.). This wealth gap matters because a child born in the bottom 10% of the income distribution in metro Atlanta has only a 33% chance of making at least $73,500 – the living wage in metro Atlanta – as an adult (ARC Research 2018). For Atlanta to live up to its mayor's goal of "… an expansive culture of equity, empowering upward mobility and full participation for all residents, embracing youth development…" it must decrease the racial wealth gap (City of Atlanta, GA n.d.).

Baby Bonds' Ability to Shrink the Racial Wealth Gap

Baby Bonds have the potential to reduce racial wealth inequality to an unprecedented degree. Of prominent existing policy proposals to shrink the racial wealth gap, Baby Bonds would have the largest individual impact (Weller, Maxwell and Solomon 2019). Conceptually, Baby Bonds has distinct design components. At birth, children are automatically endowed by the government with a substantial lump sum of money – a trust fund – that grows over time. They

can access their funds once they turn 18 for an array of purposes that are likely to promote long-term wealth building, such as homeownership, post-secondary education, starting a business, or retirement savings. Critically, Baby Bonds is designed to benefit the poorest children the most. Either the initial endowment or annual contributions to children's Baby Bonds accounts are means-tested so low-income or low-wealth households get substantially more funding than rich ones. Thus, while Baby Bonds benefits all children universally, its targeted focus on poor children promises to reduce wealth inequality. At the same time, since Black children disproportionately grow up in low-wealth households, Baby Bonds would also reduce racial wealth inequality.

Landscape Analysis: Baby Bonds Policy

The Archetypal Foundation of Baby Bonds

"Baby Bonds" is a 21st century ideation, increasingly promoted by politicians and scholars as a partial solution to the intergenerational racial wealth gap in the U.S. Prominent domestic political proponents include Hillary Clinton and Cory Booker. While running for president in the 2008 and 2016 cycles, Clinton proposed a $5,000-at-birth Baby Bond policy (Darity Jr, et al. 2019). As a presidential candidate in 2020, Senator Cory Booker introduced S. 2231, the American Opportunity Accounts Act, which would have established a national-scale, federally funded Baby Bonds program (C. A. Booker 2019). Booker has reintroduced his proposal in subsequent years, and it has become the archetypal foundation of Baby Bonds. Key components of the policy include:

- Benefits: An initial sum of $1,000 is invested at birth for all children into an interest-bearing Opportunity Account (OA). Each year thereafter, until age 18, the government may add up to $2,000 to children's OAs, depending on household income. After 18 years, the estimated balance of an OA for children from rich families would be $1,681, compared to $46,215 for children from the lowest income families (C. Booker 2023).
- Drawdown & usage: At age 18, children may draw down funds from their OA for specific wealth-building purposes. These uses include "human and financial capital investments" such as homeownership, higher education, and retirement (ibid).

Booker's legislation was informed by the most prominent scholars on Baby Bonds: Dr. William "Sandy" Darity Jr. and Dr. Darrick Hamilton. In 2010, Darity and Hamilton co-authored "Can 'Baby Bonds' Eliminate the Racial Wealth Gap in Putative Post-Racial America?" which explored the potential for a Baby Bonds policy to chip away at the racial wealth gap (Hamilton and Darity 2010). In a subsequent article, Darity notes how he and Hamilton explored the ability for Baby Bonds to provide a more politically feasible, albeit insufficient, form of reparations for slavery (Darity Jr, et al. 2019). As recently as February 2023, policy think-tank organizations like Urban Institute and Prosperity Now have published articles and reports on the nuances of Baby Bonds and their potential to address long-standing racial wealth disparities (Brown and Harvey 2022) (Markoff, Ain, et al. 2022) (Brown, Biu, et al. 2023).

Historical Predecessors to Baby Bonds

While Baby Bonds is a 21st-century term widely defined by Booker's legislation, the main idea behind it is not new. Since the 1990s, elected officials at the federal level have introduced several pieces of legislation that resemble Baby Bonds in that they promote long-term wealth building from birth with the assistance of government funding. As the table below demonstrates, most of these proposals were bipartisan (Boshara 2020). However, the only proposals to receive no Republican support were the three proposals that used the framing of wealth, income, and/or racial inequality.

In addition to differences in framing, the biggest differentiator between predecessor legislation and Booker's proposal is the amount of money the government invests into children's accounts. Booker's policy would provide substantially more funding, which aligns with his objective of narrowing the racial wealth gap. The other proposals, especially the ones focused only on retirement, provide less seed funding but probably intend for the amount to grow over a longer period of time.

Table 1: Predecessor Legislation to Baby Bonds
(Boshara 2020)

Proposal	Framing	Allowable Uses	Democrat Sponsors	Republican Sponsors
KidSave (1990s) $1,000-$2,000 at birth, plus $500 for lower income children in years 1-5; paid out in retirement	Retirement security, preventing poverty among seniors	Retirement	Sens. Bob Kerry, Pat Moynihan	Sens. Judd Gregg, Chuck Grassley
Aspire Act (2004) $500 at birth for all children, $1,000 if lower income	Savings, financial literacy, financial independence, small government	College, First Home, Retirement	Sens. Jon Corzine, Chuck Schumer	Sens. Rick Santorum, Jim DeMint
Baby Bonds (2007) $500 at birth for all children, plus annual deposits tied to Child Tax Credit	Expand opportunity for lower income families	College, Small Business, First Home	Sen. Hillary Clinton	none
PLUS Accounts (2007) $1,000 at birth for all children	Retirement security, shortfall in pensions	Retirement	Sen. Ted Kennedy (verbal commitment)	Sen. Jeff Sessions
Young Savers Accounts / Roth at Birth / RAY's Act (2006-2015) No deposit at birth but lets children without earned income make deposits	Retirement security; helping kids without earned income to save early in life	Retirement	Reps. Ruben Hinojosa, Matthew Cartright, Jose Serrano, Mark Takai, Earl Blumenauer, Ron	Reps. Bruce Poliquin, Steve Stivers, Richard Hanna, Shelley Moore Capito

			Kind, Dave Loebsack	
401(k)ids (2006) No deposit at birth; alters Coverdell to promote early life savings by children	Lifelong savings, including education, first home, retirement	Mainly retirement and first home purchase	none	Reps. Judy Biggert, Marsha Blackburn
USAccounts (2014) $500 for all children, $1,000 if lower income	Reduce poverty and inequality, expand opportunity for lower income families	College, Small Business, First Home	Reps. Joe Crowley, Keith Ellison	none
American Opportunity Accounts ("Baby Bonds") – U.S. Senate (2018-2023) $1,000 for all children, plus up to $2,000/year for lower-income children	Close the racial wealth gap	College, First Home, Retirement	Sen. Cory Booker Rep. Ayanna Pressley	none

Core Components of Archetypal Baby Bonds

Despite the history of prior legislation aimed at building wealth for children, Booker's proposal has firmly established the conceptual parameters for Baby Bonds policy. Through ongoing research and publications, Sandy Darity, Darrick Hamilton, and think-tanks such as Urban Institute and Prosperity Now have cemented Booker's policy design elements as the archetype of Baby Bonds policy.

Prosperity Now lists "Essential Elements of a State- or Local-Level Baby Bonds Proposal", which is not an exhaustive list but outlines several core aspects of archetypal Baby Bonds (Markoff, Ain, et al. 2022):

1. Children can access a substantial account balance by age 18 (substantiality).
2. Baby Bonds accounts for children from lower-resourced households are larger than for children from rich households (progressivity).
3. Children are automatically enrolled.
4. Funds are restricted to the purchase of wealth-generating assets.
5. Baby Bonds are structured with an emphasis on government endowments (no family contributions).
6. The program has a sustainable funding source (not contingent upon annual appropriations).
7. Baby Bonds assets are not considered household assets when determining eligibility for other government benefits programs.

Through interviews with Baby Bonds experts (see Appendices 1 and 2) during fall 2022 and spring 2023, I confirmed that these components are central to Baby Bonds conceptually. Key insights from interviewees include:

1. Shira Markoff from Prosperity Now noted that, by age 18, a child's Baby Bond account balance should be at least $46,000 to be considered "substantial".
2. Everyone I spoke with emphasized that progressivity was crucial for Baby Bonds to reduce wealth inequality.
3. Darrick Hamilton noted that automatic enrollment is a key feature to ensure children do not fall through the cracks.
4. Hamilton also emphasized that Baby Bonds should be "laser focused" on "asset-enhancing endeavors" and that funds should not be spent on "subsistence or consumption needs."
5. Shira Markoff recently reiterated that Prosperity Now strongly advises against allowing family contributions to Baby Bonds accounts because doing so would inequitably benefit families with more financial means and be counterproductive for reducing racial wealth disparities (Markoff 2022).
6. Various legislative staff who helped draft Baby Bonds legislation in Washington, California, and Connecticut noted that a critical vulnerability of state-level legislation is that funding for Baby Bonds is usually contingent upon annual appropriations deliberations, which is not a secure, recurring funding source.
7. There is widespread consensus that Baby Bonds should not be counted towards asset limits for determining eligibility for other government benefits programs.

The Role of Non-Governmental Organizations in Realizing Baby Bonds

With such robust requirements, it is understandable that advocates for Baby Bonds claim that only government could afford to implement Baby Bonds at scale. Furthermore, scholars such as Darity argue that the government is primarily responsible for wealth disparities and should therefore be primarily responsible for fixing them. Darity notes, "Because racial wealth inequality in large part is a crisis of the government's making, it is imperative that the solution is of the government's creation, too" (Darity Jr, et al. 2019).

However, Baby Bonds policies have yet to garner sufficient national popularity to become federal law. Merely 27 percent of U.S. nationals under age 45 approve of Baby Bonds, and Booker's Baby Bonds bill has been reintroduced multiple times but has yet to be enacted (ibid). Accordingly, states and cities have assumed the prerogative of creating Baby Bonds programs. As of February, 2023, California, Connecticut, the District of Columbia, Delaware, Iowa, Massachusetts, Nevada, New Jersey, New York, Washington, and Wisconsin have introduced Baby Bonds legislation (see Appendix 3) (Brown, Biu, et al. 2023). California, Connecticut, and D.C. are the only entities to have passed legislation. However, Connecticut has yet to appropriate funds, California only passed a one-time appropriation with surplus funds from pandemic-era programs, and D.C.'s policy will probably only provide $15,000-$25,000 per child by adulthood (ibid). In the absence of robust public policy, there is a need for non-governmental entities to demonstrate the potential of a fully funded Baby Bonds program.

The Future of Baby Bonds

As states attempt to fill the void of federal Baby Bonds legislation, they have necessarily modified the archetype of Baby Bonds due to limited state budgets. Thus, the future of Baby Bonds may look different from the archetypal model described above. Instead, future Baby Bonds programs may incorporate some aspects of predecessor legislation from the 90s and early 2000s, such as smaller initial endowments from the government and the allowance of non-governmental contributions to children's accounts.

Senator Bob Casey's Legislation

Through correspondence with Ray Boshara, I have learned that there will be legislation introduced in Congress that would be a substitute for Baby Bonds. Boshara is a Legislative Fellow for Senator Bob Casey, helping draft Casey's Young American Savers Act (YASA). YASA would establish Children's Savings Accounts (CSAs) Programs nationwide. According to Boshara, YASA is far more likely than Booker's bill to be enacted. Boshara believes YASA may have better political prospects because: 1) it has structural components that reflect past Republican-sponsored legislation, 2) Senator Casey is up for re-election in the coming 2024 cycle, so his political agenda will be a higher priority for the Democratic party, and 3) this bill will gain more traction because YASA does not frame CSAs as an amelioration of racial wealth inequality.

YASA would also have much smaller endowments from the government ($750 per year from birth to age 18 for low-to-moderate (LMI) income children), and it would allow for significant family, state-funded, and philanthropic contributions to children's CSAs (up to $2,500 per year from outside sources, with up to $250 in one-to-one matching funds from the federal government for LMI children). YASA's race-neutral framing, smaller government endowments, and allowance of outside contributions distinguish YASA from archetypal Baby Bonds. YASA does not explicitly aim to address racial wealth disparities like Baby Bonds does. At the same time, YASA is similar to archetypal Baby Bonds in that it has the potential to provide children with substantial trust funds in a progressive fashion that are designed to build long-term wealth.

The Critical Role the GRO Fund Can Play

If YASA becomes law, it will likely preclude archetypal Baby Bonds legislation such as Booker's bill. YASA does not guarantee a significant reduction of racial wealth disparities to the same extent that archetypal Baby Bonds does. Thus, there may be even more urgency around demonstrating the value of archetypal Baby Bonds so that it may be evaluated in advance of, if not at least alongside, YASA.

Atlanta and Georgia are fertile ground for a program that aims to rectify historic and contemporary racial wealth inequality. The GRO Fund is well-positioned to produce evidence on the efficacy of Baby Bonds within Atlanta specifically. Founded in 2021 as the result of an Atlanta-based Task Force to examine inequality in the city, the GRO Fund aims to address the root of racial and economic injustice by centering impacted communities (The GRO Fund 2022). The GRO Fund's flagship project, the In Her Hands (IHH) initiative, is one of the nation's largest guaranteed income pilot programs at $24 million. IHH provides hundreds of Black

women with about $850 per month for 24 months. The GRO Fund has a track record of implementing bold financial security initiatives, and thus is an ideal administrator for a Baby Bonds pilot program.

Now, the GRO Fund is interested in creating a Baby Bonds pilot program to complement IHH. The next step is to crystalize the design of such a program. To help with program design, the GRO Fund and LISC Atlanta – which also helped with program design for IHH – brought me on as a master's student to help answer the following question:

> *To mitigate the racial wealth gap in Atlanta and to contribute to the field of race-conscious financial security policy,* ***how should a Baby Bonds pilot program be designed****, keeping in mind that the implementor of the program would be a non-governmental entity and the funding would primarily or entirely come from private sources?*

Baby Bonds Program Design for the GRO Fund: Alternatives & Tradeoffs

In this section, I will explore alternatives and related tradeoffs for various elements of Baby Bonds program design, including:

- Eligibility requirements
- Usage restrictions
- Drawdown restrictions
- Length of program
- Investment strategy for pooled funds
- Financial advising vs. financial literacy training
- Race specificity

For each element, I will examine tradeoffs related to political viability, recipient outcomes, potential impact on the racial wealth gap, administrative burden, and adherence to archetypal Baby Bonds conceptualizations. Each subsection will conclude with my recommendation on how the GRO Fund should structure its program design for that element.

These recommendations are in light of my understanding of the GRO Fund's current intentions for its Baby Bonds pilot, including: 1) a budget of approximately $12 million; 2) $45,000+ available for drawdown for each participant; 3) roughly 125 participants; and 4) a primary focus on urban Atlanta residents.

Eligibility Requirements – What Criteria Qualify Children for Baby Bonds?

Baby bonds programs have utilized a wide variety of eligibility criteria, including targeted universalism, Medicaid eligibility, and participation in existing programs.

Targeted Universalism

Targeted universalism is "identifying a problem, particularly one suffered by marginalized people, proposing a solution, and then broadening its scope to cover as many people as possible" (Powell, Menendian and Reece 2009). With archetypal Baby Bonds, all children receive some funding (universal), but the bulk of funding is means-tested (targeted) through household income. The benefits of targeted universalism include:

- Low administrative burden: Since all children would enter the program at birth, there is hardly any administrative burden for vetting eligibility for initial endowments. Since annual contributions are determined by household income, there is low administrative burden because households' incomes are readily available through annual tax filings.
- Broad political support: Since Baby Bonds would provide at least some benefit to all children, it is likely to have broader political support from conservatives than a program that only targets the poor. Moreover, since it has a progressive benefits structure, it is likely to be popular with progressives who want to fight poverty with public policy.

Downsides of targeted universalism include:

- Reduced impact on the racial wealth gap: A universal program cannot have the same impact on closing the racial wealth gap as a targeted program.
- High price tag: Fiscal conservatives may be concerned with the cost of a universal program, which would inherently be larger than that of a targeted program.
- Unnecessary costs: Conservatives and progressives alike may bristle at the notion of giving rich children money at birth. Conservatives may decide it is wasteful or unfair. Progressives may conclude it is inequitable or unjust.
- Income is not wealth: Income is a quick and easy proxy for wealth, but it is not entirely accurate in capturing wealth disparities. Since racial income inequality is less extreme than racial wealth inequality, means-testing Baby Bonds with household income would not be as responsive to racial wealth disparities as means-testing Baby Bonds with household net worth or some other measure of household wealth. However, measuring household wealth is much trickier than measuring household income, making income the more practical metric.

Medicaid Enrollment

For state legislation, universality is out of the question due to limited state budgets. Instead, states unanimously target their programs to low-income households. Usually, the eligibility criterion is whether a child is enrolled in Medicaid at birth. The benefits of Medicaid enrollment include:

- Sound heuristic: Medicaid enrollment is an unambiguous binary variable. Households are either enrolled or not. Since Medicaid supports low-income households, it is a safe heuristic tool to ensure only poor children receive Baby Bonds.

- Low administrative burden: Since it is easy to determine if a household is enrolled in Medicaid, there is even less administrative burden compared to other metrics such as household income or assets.
- Automatic indexing: If Baby Bonds is connected to Medicaid enrollment, it will automatically adjust to changing economic conditions over time as Medicaid adjusts its eligibility criteria. Connecting to Medicaid (or another social safety-net program) allows Baby Bonds to adjust to inflation without needing to reset income thresholds or other eligibility criteria.
- Increased Medicaid enrollment: Eligibility for Baby Bonds could increase Medicaid enrollment since it creates an additional benefit.

Downsides of Medicaid enrollment include:

- Children fall through the cracks: Not all low-income children are enrolled in Medicaid. If automatic enrollment in Baby Bonds is determined only through Medicaid enrollment, some low-income children will be excluded. For example, children of undocumented immigrant parents may be at high risk of exclusion if Medicaid is the eligibility criterion.
- Transitive property instability: If Baby Bonds eligibility is predicated on Medicaid, then any changes to Medicaid could disrupt Baby Bonds. For example, if Medicaid eligibility is curtailed, through the transitive property, so too would Baby Bonds eligibility.

Participation in Existing Programs

For the GRO Fund, eligibility could be determined by two factors: children of existing participants of IHH or household income for children whose parents are not IHH participants. For the GRO Fund, there are tradeoffs to having a mixed group of IHH participants' children and non-IHH participants' children in the pilot. Benefits of having a mix of IHH and non-IHH participants' children include:

- Enhanced findings: A mixture could produce more interesting and diverse research findings due to the larger diversity of program participants. Including children of IHH participants could produce evidence on the complementary effects of Baby Bonds and guaranteed income programs. Including children of non-IHH participants would help show the impact of Baby Bonds as a stand-alone policy. Contrasting these findings would be illuminating for policymakers and social policy advocates.
- More diverse participant pool: IHH focuses on Black women. By incorporating children of non-IHH participants, this Baby Bonds demonstration could also show impact for Black single fathers or other minoritized households, which would more accurately reflect the target population of enacted and proposed Baby Bonds legislation.

Downsides of having a mix of IHH and non-IHH participants' children include:

- Program costs: As Darrick Hamilton mentioned during a call on April 10th, 2023, it will cost more to run a demonstration program that targets children outside of IHH. Additional costs could come from recruiting, vetting, monitoring, and evaluating.

- Administrative burden: The administrative burden for vetting and processing applicants would increase if criteria other than IHH participation were included.

Eligibility criteria recommendation for the GRO Fund:
Include children of IHH participants and of non-IHH participants. To determine eligibility for children of non-IHH participants, use household income with 100 percent of the federal poverty line as the threshold. That is the threshold for recipients of Booker's American Opportunity Accounts who would gain access to an estimated $46,215. Since this amount is similar to the GRO Fund's proposed funding to recipients, it could prove a useful comparison.

Usage Restrictions – For What Purposes May Funds Be Spent?

Usage restrictions are ubiquitous in Baby Bonds legislation. Funds are typically restricted to 1) post-secondary education, 2) homebuying, 3) business investment/ownership, 4) retirement savings, and 5) other financial or capital investments. Unlike existing state legislation, Booker's Baby Bonds proposal would have no restrictions after recipients reach age 59.5 (Brown, Biu, et al. 2023). Benefits of usage restrictions include:

- Political appeal: Usage restrictions would likely have greater appeal across the political spectrum than unrestricted uses of funds. Conservatives and moderates, in particular, may be weary of unrestricted uses of funds, worried that recipients may spend money in ways that are irresponsible or wasteful. Any governmental Baby Bonds policy would likely require restricted uses of funds for political viability.
- Focus on wealth building: Restricting usage can help ensure that funds are put towards wealth-generating purposes. Low-income individuals would likely address their consumption needs with unrestricted funding. However, if Baby Bonds accounts are utilized to combat daily symptoms of poverty, they could lose their utility as a mechanism for long-term wealth building.
- Reduced wealth inequality: Without usage restrictions, it could be that only children from more affluent families are able to benefit from the wealth-building potential of Baby Bonds, which could further wealth inequality instead of rectifying it. Usage restrictions could ensure that Baby Bonds help reduce wealth inequality.

Downsides of usage restrictions include:

- Restrictions could seem calloused: It could appear tone deaf to endow impoverished children with thousands of dollars that are only eligible for certain uses. What if a child is about to be evicted? What if their household's only car breaks down? What if they are experiencing food insecurity? Only a heartless person could deny that child access to the money in their Baby Bonds account to address such issues. Thus, the ethical viability of Baby Bonds with usage restrictions may be contingent on the symbiotic existence of complementary policies that address daily cash flow needs (e.g., guaranteed income).

- Restrictions limit autonomy: By restricting usage, policymakers are inherently saying that they know better than recipients about how their funds should be used. Recipients are denied complete autonomy over their funds.
- Restrictions preempt novel wealth-building strategies: By specifying permittable uses, policymakers essentially freeze in place current mechanisms for building wealth. If novel wealth-building strategies emerge in the future, usage restrictions could prevent recipients from utilizing them.

Usage restrictions recommendation for the GRO Fund:
Consider having restricted uses of funds that mimic enacted and proposed legislation. The GRO Fund is uniquely positioned to show how Baby Bonds and guaranteed income are complementary policies. Having usage restrictions will maintain fidelity to the political realities in the U.S. and make the pilot more useful as a demonstration for policymakers. However, consider additional uses that could contribute to long-term wealth building (i.e., paying off existing debt from asset-enhancing investments).

Drawdown Restrictions – Under What Conditions May Money Be Withdrawn?

All existing Baby Bonds legislation has some mixture of age, residency, and income restrictions. To withdraw funds from their accounts, proposed federal legislation requires recipients to be 18 or older and be residents of the U.S. (C. A. Booker 2023). Similarly, all state legislation also requires children to be 18 and reside within the state, but different states have different requirements for cutoff ages (Brown, Biu, et al. 2023). Several states require recipients to drawdown funds before the age of 30, 31, or 35, otherwise they will lose access to their funds. Other states do not specify a cutoff age. Several states also require recipients to still be low-income when they request to draw down funds. There are inherent tradeoffs for each of these restrictions. Benefits of age, residency, and income restrictions include:

- Independent use of funds: Since recipients must be 18, they are definitionally adults when they receive funds from their accounts. Therefore, they should have full control over how their funds are used. If they were able to access funds before age 18, parents or guardians may be able to have more influence over fund use, thereby undermining the autonomy intended for recipients as laid out in archetypal Baby Bonds.
- Timely & predictable use of funds: With age cutoffs, it could be easier for the government to predict when recipients will use their funds. The withdrawal of funds might also be more consistent year-to-year, which may help for budgeting or accounting purposes and steadier economic stimulus.
- In-house economic stimulus: By requiring residency, the government can claim they are helping their own residents instead of those from other states or nations. Residency requirements also ensure that recipients are embedded in the local economy when they are receiving benefits from the program, thereby increasing the probability that Baby Bonds funds will circulate back into the local economy.

- Focused impact on reducing poverty: By requiring recipients to be below a certain percent of the federal poverty line, states are ensuring that Baby Bonds only assists recipients who are still low-income as adults. This would focus the impact of Baby Bonds on poverty reduction instead of other outcomes.

Downsides of age, residency, and income restrictions include:

- Mistaking income for wealth: By having income requirements for adult recipients, government is preventing wealth building with an assumption that wealth is already there. However, income is not a perfect proxy for wealth. In particular, racial wealth inequality is more severe than racial income inequality. Therefore, limiting Baby Bonds' wealth-building potential via income requirements could lead to less racially equitable outcomes.
- Reduced autonomy and forced urgency: By requiring age minimums and maximums, governments reduce the autonomy of recipients. What if recipients want to use fund for wealth-building purposes before the age of 18? As a homeschooled student who started community college at age 15, I would not have been able to pay my tuition with Baby Bonds funds under such restrictions. Furthermore, recipients may not be interested in post-secondary education or be prepared to buy a home by age 30. Indeed, the National Association of Realtors recently reported that the median age of first-time homebuyers in 2022 was 36 (National Association of Realtors 2022). By requiring funds to be spent by a certain age, governments may pressure recipients into making decisions for which they are not prepared. However, this problem could be mitigated if governments allow recipients to rollover their funds into a tax-advantaged retirement savings account. Such a feature could reduce the forced urgency from an age cutoff.
- Hampered mobility and opportunity seeking: By limiting where recipients can live and at what age they can use funds, residency and age restrictions can inhibit people from moving out of the state or country to pursue job opportunities. Recipients could be motivated by the promise of their Baby Bonds funding to remain in a locality despite its detriments to their career and economic potential.
- Perverse incentive to remain impoverished: By requiring that recipients remain impoverished to draw down funds, there could be a perverse incentive to forgo income-boosting opportunities. If recipients deem gains from higher wages to be less than the benefit of their Baby Bonds holdings, then they may rationally choose to keep low wage jobs. This could result in negative long-term career consequences. It would be a tragedy if people felt discouraged from employment opportunities because of Baby Bonds.
- Perverse incentive for informal employment: To meet income requirements, recipients may be incentivized to seek informal employment where their wages are not officially recorded. Informal employment could lead to negative outcomes such as being uninsured or underbanked.

Drawdown restrictions recommendation for the GRO Fund:
Consider using an age restriction of 18 years and allowing for some emergency use of funds before age 18. Do not use other drawdown restrictions such as residency or income requirements.

Length of Program – How Long Should a Baby Bonds Program Last?

There are two different components of Baby Bonds program duration: 1) the length of time a Baby Bonds account *is not* accessible to recipients, and 2) the length of time a Baby Bonds account *is* accessible to recipients. For both federal and state Baby Bonds legislation, Baby Bonds accounts are inaccessible to recipients for 18 years while funds grow. However, the difference between state and federal legislation is how long Baby Bonds accounts remain accessible to recipients after they turn 18. Federal legislation has no limit, giving recipients all of adulthood to use funds (C. A. Booker 2023). This makes the length of federal Baby Bonds equal to the recipient's lifetime. States, on the other hand, typically require recipients to drawdown funds from their account by age 30-35 (Brown, Biu, et al. 2023). Thus, the length of state programs is 30-35 years, with 18-years of fund growth and 12-17 years of fund use.

The GRO Fund aims to generate evidence on the impact of Baby Bonds within the next several years. Accordingly, it must conduct an expedited pilot program that cannot have a duration equal to state nor federal proposals. There are several consequences of conducting an expedited Baby Bonds pilot, including limiting investment options, curtailing the impact on and evaluation of early childhood outcomes, and reducing recipients' flexibility in using funds.

An expedited pilot would miss out on the opportunity to invest funds in such a way that they could generate meaningful returns over time. Having an 18-year investment horizon allows for substantial growth of initial endowments. In part, this growth is a function of compounding interest over time. Yet, it is also a function of the ability to utilize more diversified investment strategies that can hedge risk while garnering higher rates of return. Without strong growth prospects for Baby Bonds accounts, funding institutions must provide larger initial endowments.

Additionally, an expedited pilot would miss out on the potential for Baby Bonds to improve early childhood outcomes. Research from Brandeis University highlights that CSAs, even before a single dollar is withdrawn, lead to improved academic outcomes for children and improved physical and emotional health and wellness for both children and parents (Shapiro, et al. 2020). Years before recipients draw down funds, just knowing that there is a nest egg for the future provides benefits to families. Therefore, there is reason to believe that Baby Bonds would also produce such beneficial outcomes during early childhood. However, an expedited program would not only preclude participants from benefitting from these early childhood benefits, but it would also prevent program evaluators from measuring the degree to which Baby Bonds generates early childhood benefits.

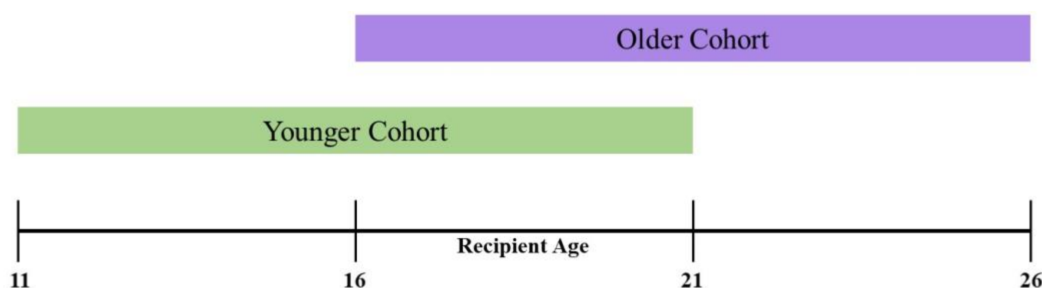
Furthermore, an expedited pilot would force participants to use funds by a certain age. With an age cutoff, recipients may not be prepared to use funds for certain wealth-building purposes, such as buying a home or starting a business. Therefore, if funds are only accessible to participants from age 18 through their twenties, an expedited pilot could essentially force participants into using funds for educational purposes only since that may be the most common asset-enhancing endeavor in early adulthood.

By accepting these tradeoffs, the GRO Fund could produce evidence on the efficacy of Baby Bonds before 2040 by implementing an expedited 10-year pilot. However, the evidence

from the pilot would be limited in scope since only a subsection of the full spectrum of benefits of Baby Bonds would be evaluated. The GRO Fund could mitigate this limited scope issue by having two cohorts of participants, one younger and one older. Both cohorts could have the same program length, but by having different starting ages, the GRO Fund could combine data from both groups to produce findings on a larger subsection of the impact of Baby Bonds.

Regardless of if the two-cohort model is the selected approach, the GRO Fund should still consider what the optimal length of time is 1) for children and their families to know they have an account for the future and 2) for young adults to utilize funds. If a program is 10 years long, for example, the GRO Fund will need to decide the proper division of years between childhood and adulthood (e.g., a 10-year program with a cohort of 16-year-olds would include two years of childhood and eight years of adulthood). In this decision, GRO should ask itself which is more important: the benefit families receive from knowing they have funds for the future, or the benefit recipients get from the flexible use of their funds? In either case, the GRO Fund should aim to maximize the duration of the pilot. The longer the program lasts, the more robust outcomes and evaluations may be.

Length of program recommendation for the GRO Fund:
Consider having the duration of the pilot be at least 10 years. Also consider having two cohorts of recipients, one that starts at a younger age (e.g., starting at 11 and ending at 21) and one that starts at an older age (e.g., starting at 16 and ending at 26). Subsequently, compare 1) the effects of Baby Bonds on adolescence for the younger cohort, 2) the effects of Baby Bonds on young adulthood for the older cohort, and 3) the difference in effects between the two cohorts for overlapping years (e.g., ages 16-21). The below graphic demonstrates this concept.



A shorter timeframe would severely limit the opportunity to evaluate impacts on family well-being during childhood and/or the benefits of flexible uses of funds during young adulthood. Additionally, having a longer timeline of at least 10 years will serve as a better demonstration for policymakers and produce more compelling evidence to help generate political will for state and federal Baby Bonds policies.

Taken in conjunction with the eligibility criteria recommendations above, this recommendation would mean that the GRO Fund would administer the Baby Bonds pilot with four groups: 1a) younger children of IHH participants, 1b) older children of IHH participants, 2a) younger children of non-IHH participants, and 2b) older children of non-IHH participants. With 125 participants, each group could have roughly 31 individuals, which may still allow for statistically significant data analysis since the rule-of-thumb threshold for a statistically significant sample size is 30 (Edward J Mascha 2018).

Investment Strategy – How Should Funds Be Invested?

An important but underdiscussed facet of Baby Bonds is investment strategy, or how the pool of recipients' funds is managed by the granting entity prior to drawdown. States have not specified how funds would be managed. Most legislation gives investment management responsibility to the State Treasurer's Office (Brown, Biu, et al. 2023). For example, Nevada's Baby Bonds legislation broadly articulates that the State Treasurer shall "invest and reinvest the money in the Trust Fund, including, without limitation, in any instrument, obligation, security or property, in any manner that is reasonable and appropriate in order to achieve the objectives of the Trust Fund, and while exercising the discretion and care of a prudent person in similar circumstances with similar objectives" (State of Nevada 2023). Some states allow for non-governmental entities to assist in fund administration. For example, Washington, D.C.'s Baby Bonds legislation notes that the Chief Financial Officer who is responsible for managing funds may "enter into a contract with an independent fiduciary to administer the Fund" (District of Columbia 2023).

Existing legislation has not provided clear guidance on how funds should be managed or what types of investment vehicles would generate good returns. Ideally, funds would grow at above-inflation rates while having minimal risk exposure to principal investments. Funds should also be sufficiently liquidable for on-demand withdraws from recipients. Such criteria may be a tall order even for Baby Bonds pooled accounts that have 18+ years to mature. This difficulty may explain the lack of specificity in state legislation around investment strategy and expectations.

Furthermore, achieving these goals with an accelerated Baby Bonds pilot would be exceedingly difficult. Kent Hiteshew, who has had a successful career in public finance, surmised that with 1) a short time horizon of 4-6 years, 2) the need for rapid liquidity, and 3) minimal risk to principal, it would be difficult to get returns on investment above 4 percent. He surmised that a Baby Bonds account with an 18+ year horizon could withstand economic cycles, but a short-term program does not allow for the same mix of asset classes to minimize risk to principal. Furthermore, Hiteshew added that even Treasury investments, which typically get a rate of about 4 percent, are risky if held for only short periods of time, as evidenced by recent failures of Signature Bank and Silicon Valley Bank.

Investment strategy recommendation for the GRO Fund:
Consult with an investment advisor to determine the best mix of investment vehicles for a short-term Baby Bonds fund that 1) limits risk to principal, 2) earns 4-6 percent interest, and 3) is easily liquidated. Seek *pro bono* or low-cost advice from private firms or universities. Business schools might have good opportunities, such as Duke University's Fuqua Client Consulting Practicum, which pairs business school students with organizations to solve a business challenge for a nominal fee.

Financial Literacy Support – Financial Advising vs. Financial Literacy Training

Several states and Booker's proposal require Baby Bonds recipients to complete financial literacy training before they can use funds. Financial literacy training typically looks like a one-time course. However, neither Booker's legislation nor any states have defined financial literacy training. Instead, they leave the details to other entities such as the state treasurer's office or a Baby Bonds Account Board. Thus, there is little clarity or precedent for the specifics of financial literacy training within Baby Bonds.

The rationale for financial literacy courses is fraught. There are some benevolent justifications, such as wanting to support recipients who may not feel prepared to manage thousands of dollars. Other reasons seem more paternalistic, such as believing that recipients will squander funds unless they complete financial literacy training. Interviewees from Washington State Treasurer's Office shared that they included language about financial education to appeal to conservatives in the state who had such concerns. Thus, some element of financial literacy training may be necessary to give Baby Bonds bipartisan appeal.

However, there is evidence that financial literacy training is ineffective unless it is timed perfectly. A meta-analysis concluded that financial education decays rapidly: "even large interventions with many hours of instruction have negligible effects on behavior 20 months or more from the time of the intervention" (Fernandes, Lynch and Netemeyer 2014). Thus, only "just-in-time" financial education connected to specific behaviors (i.e., homebuying) may be an effective form of assistance for Baby Bonds recipients.

Baby Bonds could provide just-in-time financial education through financial advising. More effective than mandatory financial literacy training could be "on-deck" financial advisors who assist Baby Bonds recipients with how to use their funds for a specific purpose. Such a model of financial advising could be a boon to recipients, whereas financial literacy training could be a burden with little benefit.

Financial advising recommendation for the GRO Fund:
Offer financial advising to Baby Bonds recipients instead of financial literacy training. Financial advising should be targeted to specific actions, such as homebuying or investing in retirement accounts. Financial advising should be timely, offered within months of the related action. Seek out a financial institution that may be willing to offer such financial advising *pro bono*. If financial advising is provided, make sure to calculate the estimated costs to be able to communicate to policymakers the price tag for such assistance.

Race Specificity – How Targeted Should the Program Be by Race?

There are three levels of race specificity:

- *Race-neutral*: An example of a race-neutral policy would be sales tax. It impacts everyone in the same way regardless of race. However, race-neutral policies like sales taxes are often regressive and disproportionately burden minoritized populations (Davis and Wiehe 2021).

- *Race-conscious*: Race-conscious policies are mindful of disparities between racial groups, but they do not limit benefits to specific racial groups. An example of a race-conscious policy is archetypal Baby Bonds. As in Booker's legislation, Baby Bonds are given to everyone regardless of race, but since benefit amounts are means-tested, Baby Bonds disproportionately helps minoritized populations that have higher rates of poverty.
- *Race-specific*: Race-specific legislation would limit benefits to particular racial groups, as would be the case with reparations for U.S. chattel slavery. Race-specific policies would have the largest impact on reducing racial wealth inequality. However, race-specific policies are the least politically viable.

The GRO Fund could operate its Baby Bonds pilot similarly to IHH, making it race-specific. The upside of making it race-specific would be maximally decreasing racial wealth inequality for participants. The downside of making it race-specific would be that evidence from the pilot would be less applicable for government-sponsored programs since government-sponsored programs would likely need to be race-neutral or race-conscious to garner sufficient political support.

However, what is most important is that the pilot program be able to provide usable data on the impact of Baby Bonds. If the aforementioned recommendation to create four cohort subgroups is accepted (1a- younger children of IHH participants, 1b- older children of IHH participants, 2a- younger children of non-IHH participants, and 2b- older children of non-IHH participants), then it may be necessary to control for race within the cohort to maintain the statistically significant sample size of 30 individuals per analysis unit.

Because all recipients from cohort 1a and 1b would be children of IHH participants, they will have at least one Black parent. Without a race-specific requirement, recipients in cohorts 2a and 2b could be of any minoritized racial background since they would not be children of IHH participants. If, at the end of the pilot, there are differential outcomes between cohorts 1 and 2, they could be due to differences in race and not due to differences in receiving Baby Bonds with or without guaranteed income. To be able to analyze the complementarity of Baby Bonds and guaranteed income, the GRO Fund may need to ensure all Baby Bonds participants have a similar racial makeup as the children of IHH participants. By requiring all recipients to have at least one Black parent, the program would be race-specific.

Race-specificity recommendation for the GRO Fund:
If program participants are only selected from current IHH participants, then this is not an important question for consideration. However, even if non-IHH participants are included, eligibility criteria should be race-specific, focusing on children with at least one Black parent.

Summary of Program Design Recommendations

The GRO Fund should develop a Baby Bonds program that maintains fidelity to most of the core principles of archetypal Baby Bonds. However, for select issues, such as race specificity, the GRO Fund should diverge from archetypal Baby Bonds to ensure the pilot matches its own organizational needs and the needs of the communities it serves. Succinct summaries of my recommendations for program design are as follows:

- Eligibility requirements: Use IHH participation and/or household income
- Usage restrictions: Mimic archetypal Baby Bonds but consider additional wealth-building strategies.
- Drawdown restrictions: Restrict fund access until participants are 18 years of age but allow for limited emergency use of funds before 18.
- Program duration: 10+ years with two cohorts of different ages and interim data gathering.
- Investment strategy: Invests funds in an investment vehicle that minimizes risk to principal, earns 4-6% annual interest, and is easily liquidated.
- Financial advising: Offer just-in-time financial advising to recipients instead of financial literacy training.
- Race-specificity: Be race-specific, requiring participants to have at least one Black parent.

My recommendations are a product of my positionality and should be contextualized accordingly. To read my positionality statement, see Appendix 4.

Conclusion

A Baby Bonds pilot program by the GRO Fund presents a promising opportunity to address the pervasive issue of racial wealth inequality and foster economic empowerment for minoritized populations. Through a review of the history of the racial wealth gap, as well as insights from publications and interviews, this paper has proposed key recommendations for program design that align with the core principles of Baby Bonds while considering the unique needs and goals of the GRO Fund and its target communities.

The recommended program duration of 10+ years, with two cohorts of different ages and interim data gathering, will allow for meaningful assessment of the program's impact and effectiveness. Eligibility requirements based on parental participation in IHH and/or household income will ensure that benefits reach those who are most in need of financial support. This paper has discussed the nuances of race specificity and recommends that the GRO Fund aims to be race-specific by focusing on children with at least one Black parent, acknowledging the importance of addressing historical racial disparities and the Black-white racial wealth gap.

Usage restrictions that mimic archetypal Baby Bonds but also allow for additional wealth-building strategies will provide participants with greater flexibility in utilizing the funds for long-term wealth accumulation. Drawdown restrictions that prohibit fund access until participants are 18, with limited emergency access before 18, will help ensure the program promotes long-term wealth accumulation while providing a safety net for unforeseen circumstances. Offering just-in-time financial advising instead of financial literacy training will better support recipients in wisely using their funds to achieve their financial goals.

Finally, investing funds in low-risk, interest-bearing, easily liquidated assets will help protect principal while generating meaningful returns. These recommendations, taken together, have the potential to create a robust and effective Baby Bonds pilot program that can make a significant impact on reducing racial wealth inequality and promoting economic prosperity among minoritized populations.

As the GRO Fund moves forward with the development and implementation of its Baby Bonds pilot program, it is crucial to continuously evaluate and adapt the program based on real-world outcomes and feedback from the communities it serves. With careful consideration of program design and a commitment to rectifying racial wealth disparities, the GRO Fund can play a vital role in advancing economic justice and equity for minoritized populations through the implementation of a well-designed Baby Bonds pilot program.

Appendices

Appendix 1 – Summary of Research Methodology & Topics

For this project, I aimed to gather information that would be useful to my clients through semi-structured informational interviews and desk research. From these methods, I gathered knowledge on myriad issues pertaining to Baby Bonds, including:

- Various elements of archetypal Baby Bonds design and structure, including:
    - Eligibility requirements
    - Usage restrictions
    - Drawdown restrictions and requirements
    - Fund amounts
    - Fund tenure
    - Funding sustainability and security
    - Investment expectations and strategy for Baby Bonds pooled accounts
    - Financial advising vs. financial literacy training
    - Impact on racial wealth inequality
- Tax implications for Baby Bonds recipients
- State-level Baby Bonds legislation (enacted and proposed)
- History of the racial wealth gap and options for measuring it
- Baby Bonds' connection to reparations for slavery
- Complementarity of Baby Bonds and guaranteed income
- The difference between place-based community development and Baby Bonds
- Historical predecessor legislation to Baby Bonds
- Contemporary alternative legislation to Baby Bonds

While this paper contains some findings from the above topics, the bulk of my findings, including interview and research notes, remain housed in shared folders to which my clients have access.

Appendix 2 – Interviewee List

1. **Wesley Tharpe** (Senior Advisor for State Tax Policy, Center on Budget & Policy Priorities)
    - On tax implications for Baby Bonds recipients & Georgia's "Gratuities Clause"
    - October 12, 2022
2. **Shira Markoff** (Senior Policy Fellow), Prosperity Now
    - On archetypal Baby Bonds
    - October 19, 2022
3. **Matt Zuvich** (Legislative & Policy Director) & **Richelle Geiger** (Senior Policy Advisor), Office of the State Treasurer
    - On background for constructing Washington's Baby Bonds legislation
    - November 2, 2022
4. **Dr. Todd Michney** (Associate Professor in the School of History & Sociology), Georgia Institute of Technology
    - On the history of de jure racism in forming the racial wealth gap
    - December 5, 2022
5. **Dr. Darrick Hamilton** (Professor of Economics & Urban Policy, & Founding Director) & **David Radcliff** (State & Local Policy Director), The New School's Institute on Race, Power, and Political Economy
    - On Baby Bonds program design & archetypal Baby Bonds
    - Multiple meetings:
        - December 14, 2022
        - January 30, 2023
        - February 2, 2023 (David only)
        - April 10, 2023
6. **Dr. Jean-Pierre Brutus** (Senior Counsel), **Dr. Laura Sullivan** (Director, Economic Justice Program), & **Harbani Ahuja** (Associate Counsel), New Jersey Institute for Social Justice
    - On background for constructing New Jersey's Baby Bonds legislation & its connection to state-level reparations initiatives
    - January 12, 2023
7. **Ray Boshara** (Legislative Fellow), Office of U.S. Senator Bob Casey
    - On Baby Bonds history and program design
    - March 10, 2023 & periodic e-mail correspondence
8. **George Burgan** (Senior Director for Communications & Technology), The Atlanta Neighborhood Development Partnership
    - On measuring the racial wealth gap
    - E-mail correspondence during March 2023
9. **David Edwards** (Policy Advisor for Neighborhoods, City of Atlanta) & (Director of the Center for Urban Research, Georgia Institute of Technology)
    - On measuring wealth locally & Baby Bonds vs. place-based community development
    - March 22, 2023
10. **Jessica Bartholow** (Chief of Staff), California State Senator Nancy Skinner

- On background for crafting California's Baby Bonds legislation & its current status
- March 27, 2023

11. **Kent Hiteshew** (Strategic Advisor), Ernst & Young
    - On investment strategy for Baby Bonds pooled accounts
    - March 30, 2023
12. **Dr. Thomas Shapiro** (David R. Pokross Professor of Law & Social Policy at The Heller School for Social Policy and Management), Brandeis University
    - On complementarity of Baby Bonds and guaranteed income
    - April 4, 2023
13. **Tommy Pearce** (Executive Director), Neighborhood Nexus
    - On measuring the racial wealth gap
    - April 4, 2023

Appendix 3 – Screenshots of Urban Institute's "State of Baby Bonds" Comparison Tables

TABLE A.1

Expanded Legislation Comparison as of December 2022

	Bill number or name	Initial deposit	Annual contributions from gov't	Est. total endowment by adulthood	Family contributions allowed?	Automatic Enrollment?	Universal eligibility?
Federal	American Opportunity Accounts Act (proposed 2021): https://pressley.house.gov/sites/pressley.house.gov/files/American%20Opportunity%20Accounts%20117th%201.pdf	$1,000	Up to $2,000 annually based on family income	Up to $50,000	Family contributions not accepted	Yes	Yes
Connecticut	(Enacted—H. B. 6690)*: https://www.cga.ct.gov/2021/TOB/H/PDF/2021HB-06690-R00-HB.PDF	$3,200	None; interest	$10,000–$12,000	Public or private sources can make gifts to the treasurer for the fund, but individual families cannot make specific contributions to their respective accounts	Yes	No; eligibility is limited to children from Medicaid-eligible households; all eligible children receive the same amount. HUSKY (Medicaid) coverage is only required for the birth. There are no other additional coverage requirements for an eligible beneficiary or their family.
DC	(Enacted—B. 24-439): https://lims.dccouncil.us/Legislation/B24-0439	$500	Up to $1,000 annual deposits plus earnings	$15,000–$25,000	Family contributions not accepted	Yes	No; eligibility is limited to children in Medicaid-eligible households with income below 300 percent of FPL; all receive same initial deposit; yearly deposits vary by income
California	Hope, Opportunity, Perseverance, and Empowerment (HOPE) for Children Trust Account Fund Passed in 2022–23 budget: https://www.ebudget.ca.gov/FullBudgetSummary.pdf	Up to $8,000 per child	None; interest	$6,000–$12,000	Under consideration and will be determined by the working group in coordination with the HOPE Board	Under consideration and will be determined by the working group in coordination with the HOPE Board	No; eligibility is limited to children who have lost a parent or caregiver during the pandemic and long-term children in the state's foster care system
Iowa	(Proposed—H. F. 544): https://www.legis.iowa.gov/publications/search/document?fq=id:1213128	$500	$500 annual deposits plus earnings	$10,000–$12,000	Family contributions not accepted	Opt-in enrollment by parent or guardian	TBD; the bill requires the treasurer of state to adopt rules to administer the program, including establishing eligibility for the program based on family income
New Jersey	(Proposed—A. B. 4638): https://www.njleg.state.nj.us/bill-search/2020/A4638	$2,000	None; interest	$3,000–$5,000	Contributions allowed into accounts	Yes	No; eligibility is limited to children in households with income below 200 percent of FPL; all eligible children receive the same amount
New York	(Proposed—S. 6902): https://www.nysenate.gov/legislation/bills/2021/s6902	$1,000	$500 annual deposits for families with income under 700 percent of	$2,000–$12,000	Family contributions not accepted	Yes	No; eligibility is limited to children in households with income below 500 percent of FPL; all eligible children

	Bill number or name	Initial deposit	Annual contributions from gov't	Est. total endowment by adulthood	Family contributions allowed?	Automatic Enrollment?	Universal eligibility?
			FPL, plus earnings				receive the same amount
Wisconsin	(Proposed—S. B. 497): https://docs.legis.wisconsin.gov/2021/related/proposals/sb497	$3,000	None; interest	$10,000–$12,000	Public or private sources can make gifts to the treasurer for the fund, but individual families cannot make specific contributions to their respective accounts	Yes	No; eligibility is limited to children whose mothers are eligible for Medical Assistance; all eligible children receive the same amount
Washington	(Proposed H. B. 1861—2021-22): https://app.leg.wa.gov/billsummary?BillNumber=1861&Year=2021	$3,200	None; interest	$10,000–$12,000	Public or private sources can make gifts to the treasurer for the fund, but individual families cannot make specific contributions to their respective accounts	Yes	No; eligibility is limited to children from Medicaid-eligible households; all eligible children receive the same amount
Delaware	(Proposed—S. B. 243 2022): https://legis.delaware.gov/BillDetail/79215	$2,000	None; interest	$3,000–$5,000	Contributions allowed into accounts	Yes	No; eligibility is limited to children in households with income below 200 percent of FPL; all eligible children receive the same amount
Nevada	(Proposed—A. B. 28 2022): https://www.leg.state.nv.us/App/NELIS/REL/82nd2023/Bill/9557/Text	$3,200	None; interest	$10,000–$12,000	Public or private sources can make gifts to the treasurer for the fund, but individual families cannot make specific contributions to their respective accounts	Yes	No; eligibility is limited to children from Medicaid-eligible households; all eligible children receive the same amount
Massachusetts	(Proposed—S. D. 711 and H. D. 783): https://malegislature.gov/Bills/193/SD711	Not specified in legislation	Not specified in legislation	To be determined	Public or private sources can make gifts to treasurer for the fund, but individual families cannot make specific contributions to their respective accounts	Yes	No; eligibility limited to children, who, within the first 12 months of their life, receive cash assistance under transitional aid to families with dependent children, or are under the care or custody of the Massachusetts Department of Children and Families

Sources: Authors' analysis of legislation linked in column 2 (accessed July 29, 2022). Adapted and updated from Shira Markoff, Joanna Ain, Grieve Chelwa, and Darrick Hamilton, *A Brighter Future with Baby Bonds: How States and Cities Should Invest in Our Kids* (Washington, DC: Prosperity Now, 2022).

* The Connecticut 2022-23 State budget delays implementation of Baby Bonds by two years, with eligible babies born starting July 1, 2023, and the first bond funds available for investment in 2024. A general fund refers to revenues accruing to the state from taxes, fees, interest earnings, and other sources that can be used for the general operation of state government.

TABLE A.1, CONT'D.

Expanded Legislation Comparison as of December 2022

	Flexible uses of funds?	Program funding source	State benefit asset limit exclusions?	Who is managing?	Requires financial coaching?	Cutoff year/age	Residency requirement at age 18?	Money can be accessed before age 18?
Federal	1. Education 2. Home purchase 3. Other assets yielding long-term gains to wages or wealth 4. No restrictions after recipient turns age 59.5	General fund	Excludes funds from asset limits	Treasury of the United States	Bill specifies that the Secretary of the Treasury, in coordination with the Financial Literacy and Education Commission, shall develop programs to promote the financial capability of account holders of American Opportunity (AO) accounts.	30 years old	Yes to US	No
Connect-icut	1. Education 2. Home purchase 3. Business investment 4. Other assets yielding long-term gains to wages or wealth	Annual state issued bond	Excludes funds from asset limits	State Treasurer's Office	Yes; "financial literacy" requirement as prescribed by the treasurer	No	Connecticut residency is required to make a claim. However, residency is only required at the time of the claim. For example, if an eligible beneficiary moves out of state at age 10 but is a Connecticut resident when they make their claim, they would be eligible.	Not specified in legislation
DC	1. Education 2. Home or commercial property purchase 3. Business investment 4. Retirement investment	Subject to annual appropri-ation	Excludes funds from asset limits	Office of the Chief Financial Officer	No	TBD	Recipients can withdraw funds (1) when they turn age 18; (2) if they've been a DC resident for at least 16 years before turning 18; and (3) if they have been a District resident for at least 12 months immediately before turning 18. The law provides a grace period for families who leave the District for up to two years.	Only if enrollee becomes disabled and files for a disability certifica-tion
California	Under consideration and will be determined by the working group in coordination with the HOPE Board	General fund	Not specified in legislation	State Treasurer's Office	Under consideration and will be determined by the working group in coordination with the HOPE Board	35 years old	Under consideration and will be determined by the working group in coordination with the HOPE Board	Under considera-tion and will be determined by the working group in coordina-tion with the HOPE Board
Iowa	1. Educational expenses 2. First home	Funded through sales and use taxes	Not specified in legislation	State Treasurer's Office	No	35 years old	Yes; an enrollee who is not a resident of Iowa on or after their 18th birthday	Not specified in legislation

	Flexible uses of funds?	Program funding source	State benefit asset limit exclusions?	Who is managing?	Requires financial coaching?	Cutoff year/age	Residency requirement at age 18?	Money can be accessed before age 18?
	purchase (home must be in Iowa)						is not eligible to receive funds from the savings account on or after their 18th birthday	
New Jersey	1. Education 2. Home purchase 3. Business investment 4. Other assets yielding long-term gains to wages or wealth	Subject to annual appropri-ation	Excludes funds from asset limits	State Treasurer's Office and Baby Bond Account Board	Yes; determined by Baby Bond Account Board	Not specified in legisla-tion	Yes; account holder must be domiciled in New Jersey. Also, if an account holder turns age 25 and thereafter lives outside the state for five or more consecutive years, they forfeit their account.	Yes, for qualified tuition and related expenses for eligible students
New York	1. Education 2. Homeownership 3. Owning a business	Dedica-ted state funding source	Excludes funds from asset limits	State Treasurer's Office	Yes; "The board shall develop an educational initiative that provides information and instruction on financial literacy, recommended uses of the distribution, and best practices for wealth generation upon distribution of an EO account."	30 years old	Yes; must be resident at time of receipt	No
Wisconsin	1. Postsecondary education 2. Child care or education of minor dependent 3. Home purchase 4. Business investment 5. Retirement	Dedica-ted state funding source	Excludes funds from asset limits	Depart-ment of Financial Institutions	Yes; determined by Department of Financial Institutions	31 years old	Yes, the account beneficiary and at least one of the account beneficiary's parents must be a Wisconsin resident. If an account beneficiary or the account beneficiary's parents relocate from Wisconsin before the account beneficiary's 18th birthday, the account beneficiary is eligible for the distribution if the account beneficiary returns to Wisconsin and remains a Wisconsin resident for at least one year thereafter.	No
Washing-ton	1.Postsecondary education, including universities, colleges, community and technical schools, trade schools, apprenticeships, and technical certifications and licensures 2. Home purchase	General fund	Excludes funds from asset limits	State Treasurer's Office	Yes; determined by state treasurer	31 years old	Yes	No

	Flexible uses of funds?	Program funding source	State benefit asset limit exclusions?	Who is managing?	Requires financial coaching?	Cutoff year/age	Residency requirement at age 18?	Money can be accessed before age 18?
	3. Business investment 4. Other assets yielding long-term gains to wages or wealth							
Delaware	1. Postsecondary education 2. Home purchase 3. Business investment 4. Other assets yielding long-term gains to wages or wealth	Subject to annual appropri-ation	Excludes funds from asset limits	State Treasurer's Office	Yes; determined by Plans Management Board	Not specified in legisla-tion	If the account holder is age 25 or older and domiciled in another state for five or more consecutive years, the money in the account holder's individual account is presumed abandoned	Yes, for qualified tuition
Nevada	1. Postsecondary education (including vocational education or apprenticeship readiness and training) 2. Home purchase 3. Business investment 4. Other assets yielding long-term gains to wages or wealth	General fund	Excludes funds from asset limits	State Treasurer's Office	No	30 years old	If the account holder is 25 years old or older and domiciled in another state for five or more consecutive years, the money in the account holder's individual account is presumed abandoned	Not specified in legislation
Massachu setts	1. Postsecondary education of a designated beneficiary at a vocational or apprentice program, community college, or university that is located in and licensed, approved, or accredited by the commonwealth 2. Investment in an entity doing business in the commonwealth by a designated beneficiary 3. Purchase of a home in the commonwealth by a designated beneficiary 4. Any investment in financial assets or personal capital that provides long-term gains to wages or wealth, as defined by regulation promulgated by the state treasurer	General fund	Excludes funds from asset limits	State Treasurer's Office	To be determined; engagement and financial education are crucial program components	35 years old	Yes	Not specified in legislation

https://prosperitynow.org/sites/default/files/resources/A-Brighter-Future-With-Baby-Bonds_2.pdf.

Source: Authors' analysis of legislation linked in column 2 of the first part of this table (accessed July 29, 2022). Adapted and updated from Shira Markoff, Joanna Ain, Grieve Chelwa, and Darrick Hamilton, *A Brighter Future with Baby Bonds: How States and Cities Should Invest in Our Kids* (Washington, DC: Prosperity Now, 2022).

Appendix 4 – Author's Positionality Statement

My understanding is filtered through the lens of my positionality, or the different experiences and identities I hold. Thus, I think it is important for me to expose my positionality to be more transparent about how it may influence the ways in which I think about Baby Bonds and associated social issues. Below, I attempt to explicate various aspects of my identity and briefly comment on how they may influence my ways of knowing and therefore this master's project. I believe it is important that any ideas or recommendations I present in this document be weighed against the perspectives of people who do not share various aspects of my positionality.

- Race & ethnicity: I identify and am readily identified as non-Hispanic white, or white American. Within the U.S. context, this is a superordinated racial and ethnic status. I inherently benefit from a social and political history that has structurally and systematically advantaged whiteness over other racial categories. As a white person, I believe I am inherently limited in my understanding of what it means to be a racial minority in the United States. I do not have the lived experience of being racially minoritized in this country.
- Class: I grew up in a low-income household. However, my family benefitted from intergenerational wealth transfer such that we were able to own our own home and leverage that asset to smooth our material consumption during periods of income poverty. As an adult, I have worked relatively low-wage jobs compared to my peers of similar academic standing. However, I have received small amounts of financial assistance from family that helped me avoid the consequences of poverty, such as food insecurity, even while my income was scant. Currently, I am married to someone from a higher-class background than myself. I have benefitted from the transfer of wealth from my partner's family during graduate school. I would consider myself middle class, but my future household earnings will probably make me upper-middle class. Therefore, while I do have some sense of what it feels like to be poor, I do not share the lived experience of most people who live in poverty.
- Gender & sexual identity: I identify as and am readily identified as a cis-gendered male. This is a superordinated gender/sexual identity in the U.S. Similar conclusions about my racial identity apply to my gender/sexual identity.
- Sexual orientation: I identify as and am readily identified as straight. This is a superordinated sexual orientation in the U.S. Similar conclusions about my racial identity apply to my sexual orientation.
- Religious background: I identify as interfaith and Christian. Spiritual life and practice are some of the driving forces in my life, and although I do not identify completely with any religious tradition, I have deep respect for them and share values and practices with several. I am heavily influenced by my upbringing in the Christian church with my father being a Presbyterian pastor. I am also heavily influenced by my mother's interfaith traditions and background in yoga. I studied yoga philosophy for several months in India, am a certified yoga instructor, and appreciate notions of radical monotheism as described in *vedantic* texts. My Christian background is superordinated in the U.S., as Christians have controlled institutions and held seats of power for all of the country's history. My identity as interfaith is subordinated, but it is not salient to others unless I expose it to them intentionally.

- Educational background: I attended church preschools and public school for kindergarten. Starting in first grade, I became homeschooled until ninth grade, at which point I enrolled in my local community college in lieu of high school. I hold a bachelor's degree from the University of Virginia. I have also studied online at Johns Hopkins University's School of Education and am completing my master's degree at Duke University. My early educational background is untraditional, but my experiences in higher education put me into a superordinated category. I benefit from the status privileges of being college educated at prestigious institutions. I do not have the lived experience of being an adult in the workforce without a college degree. I also was always expected to attend college by my family and friends, so I do not know what it feels like to grow up without that expectation.
- Familial educational background: All four of my parents hold advanced degrees. However, only half of my grandparents attended college. Still, with highly educated parents, I am in a superordinated position in the U.S. I do not have the lived experience of being a first-generation college student. I have had the support of family who completed various levels of higher education throughout my educational endeavors.
- Work history: Most of my work experience is in "helping" professions. As a teenager, I had some jobs that required manual labor. However, as an adult, my jobs have been white collar. I was a public-school teacher for four years. After that, I worked within government and several nonprofit organizations. Most of my jobs have required a college degree, indicating a level of social prestige. My work history places me in a superordinated position in the U.S. and confers upon me a relatively high degree of social status. As an adult, I do not know what it is like to be a manual laborer or work in an industry that does not require a college degree.
- National origin & citizenship status: I am a U.S. citizen born in the U.S. to parents who are also U.S. citizens born in the U.S. My stepfather is an immigrant from England, which is a superordinated immigrant status. Both my and my parents' citizenship status and national origin are superordinated in the U.S. Myriad *de jure* and *de facto* privileges are conferred upon non-immigrant U.S. citizens, ranging from access to government safety net programs to financing for higher education. I do not have the lived experience of being an immigrant or undocumented, nor do I have the experience of having parents who are.
- Language: I am a native English speaker. This is a superordinated position in the U.S. Many documents, educational environments, and communities are only or primarily accessible or inclusive to English speakers. I do not know what it is like to be a non-native English speaker in the U.S.
- Ableism: I am able-bodied and neurotypical. This puts me in a superordinated position in the U.S. as much of society is built to accommodate the needs of people with my ability status. I do not have the lived experience of being disabled or neurodivergent.
- Suburban/urban/rural distinction: I grew up in a sort of hybrid suburban/urban setting. Technically, my mother's home, where I primarily grew up, is within city limits and is therefore urban. However, I grew up in Charlottesville, Virginia, which is a small city that does not carry with it the same social implications that large urban settings do. My father's homes were always suburban. Yet, perhaps a more useful clarification of my upbringing is having lived primarily in detached single-family housing. My mostly

suburban upbringing and housing conditions are superordinated in the U.S. I do not know what it is like to live in rural or large urban contexts.

Overall, I occupy a superordinated status in the U.S. My positionality is overwhelmingly majoritized and privileged. Again, my positionality undoubtedly limits my capacity for understanding the lived experiences of minoritized people, and therefore limits my ability to shape or recommend policies that could benefit them. To mitigate this limitation, I work to engage, befriend, and empathize with people different from myself to get some insight into their lived experience. I believe anyone with a majoritized positionality should practice humility, especially if they aim to do service-oriented work in community development or public policy.

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