STATE OF DELAWARE
STATE COUNCIL FOR PERSONS WITH DISABILITIES
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The Honorable John Carney, Governor

John McNeal, Director SCPD

MEMORANDUM

DATE: May 4, 2022

TO: All Members of the Delaware State Senate
and House of Representatives

FROM: Ms. Terri Hancharick, Chairperson TH
State Council for Persons with Disabilities

RE: SB 243 [Baby Bond Account Fund]

The State Council for Persons with Disabilities (SCPD) has reviewed SB 243 which seeks to amend Chapter 4 of Title 31 (Delaware Children's Trust Fund Act) to create the "Baby Bond Account Fund."[1] The Bill sets up the administrative apparatus to manage a fund to hold individual accounts of $2000 for each new child born in Delaware. Each individual account will have a unique identifier number, and the bill includes the development of financial literacy training. The account will be credited and debited every year with its share of earnings and losses. "An individual" can make additional contributions to an individual account. Distributions, which must be vetted by the administrator, are restricted to: before age 18, qualified tuition expenses; and after age 18, post-secondary educational expenses; acquisition of

[1] These "Children's Savings Accounts" or "CSAs" are meant to expand educational and economic opportunity for low- and middle-income families. Baby Bonds are being pushed at the federal level by Sen. Booker and Sen Mitt Romney. https://socialequity.duke.edu/wp-content/uploads/2019/12/ICCED-Duke_BabyBonds_December2019-Linked.pdf; Connecticut and Washington DC have versions of the program. https://portal.ct.gov/OTT/Debt-Management/CT-Baby-Bonds; For a more thorough analysis of CSAs, please see
https://prosperitynow.org/sites/default/files/resources/Baby%20Bonds%20-%20One%20Pager.pdf.

a primary residence; qualified business capitalization expenses; or investment in "financial assets or personal capital that provides long-term gains to wages and wealth." SCPD has the following observations and concerns.

From SCPDs perspective, what is primarily relevant is whether these funds will interfere with receipt of public benefits. [2] Most public benefits programs such as SSI, Medicaid long term care, HCBS programs, TANF and SNAP have asset/resource limits - frequently very low ones.

The first question is whether the individual account created under this program is a resource. The answer depends on whether the program is set up with the individual as account owner or whether the money is pooled in an account owned by the administrative entity. Although it is not expressly stated, the Baby Bond Fund holds the individual accounts in a pooled manner, and ownership rests with the Bond Fund, and not individual account holders. Distributions are much more problematic from a public benefits perspective. As noted, the current bill is silent on whether these distributions would count either as income or as a resource for public benefits purposes. Unfortunately, many of these benefits programs are federally regulated, and do not currently exclude these types of distributions.

At a bare minimum, SCPD recommends the bill include a requirement that recipients be educated and notified of the potential impacts of taking distributions. Preferably, SCPD recommends the bill expressly state that no ownership interest attaches to individual account owners or their families. It would also be highly preferable for the bill to expressly state that these funds cannot be counted as a resource attributable either to the minor child or his/her household for any state-administered public benefits.

Thank you for your consideration and please contact SCPD if you have any questions or comments regarding our observations on the proposed legislation.

cc: Ms. Laura Waterland, Esq.
Governor's Advisory Council for Exceptional Citizens
Developmental Disabilities Council

SB 243 [Baby Bond Account Fund (5-4-22)]

[2] Contributions and distributions are excluded from federal adjusted gross income for state tax purposes