OLR Bill Analysis

sSB 384

AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE CONNECTICUT BABY BOND TRUST PROGRAM.

SUMMARY

This bill makes various changes to the Connecticut Baby Bond Trust program. Administered by the state treasurer, the program authorizes up to $600 million in bonds to provide designated beneficiaries (i.e., babies born on or after July 1, 2021, whose births were covered under HUSKY) up to $3,200 in a state trust. Once they reach age 18, designated beneficiaries that meet the program's eligibility requirements may receive the funds, including any investment earnings, to be used for an eligible expenditure (e.g., education, buying a home or investing in a business in Connecticut, and personal financial investments).

The bill makes the following changes:

1. increases, from $50 million to $100 million, the amount of bonds authorized for the program in FY 23 and eliminates the $50 million authorization for FY 34;

2. allows the program's implementation expenses to be added to the capped amount of bonds authorized for each year of the program;

3. subjects the bonds to standard statutory GO bond procedures and repayment requirements;

4. exempts disbursements from the trust, rather than the trust's property and earnings, from all state and local taxes;

5. requires that the disbursements, rather than funds invested in the trust, be disregarded as assets or income for state assistance programs and need-based educational aid;

6. eliminates the requirement that the state treasurer establish an accounting for each designated beneficiary and makes conforming changes;

7. exempts the trust's property from the law for determining when property held by a fiduciary is presumed abandoned;

8. explicitly subjects the treasurer's trust investments to the same oversight and requirements that the law establishes for other treasurer-administered funds, such as the Teachers' Pension Fund, the State Employee Retirement Fund, and the Connecticut Municipal Employees' Retirement Fund (e.g., investment review by the Investment Advisory Council); and

9. makes various minor, technical, and conforming changes and corrections.

EFFECTIVE DATE: Upon passage

IMPACT ON ASSISTANCE PROGRAMS AND NEED-BASED AID

The bill prohibits disbursements from the trust from being considered assets or income when determining an individual's eligibility for (1) state-administered assistance programs, to the extent allowed by federal law, or (2) need-based, institutional aid grants offered at the state's public eligible educational institutions. In doing so, it eliminates similar provisions in current law that applied to funds invested in the trust.

AMOUNTS TRANSFERRED FOR DESIGNATED BENEFICIARIES

Under current law, the state treasurer must establish an accounting for each designated beneficiary and may transfer up to $3,200 from the program's bond proceeds to the trust to be credited to the beneficiary's accounting at birth. The bill eliminates the requirement that (1) each designated beneficiary have an accounting and (2) the transferred funds come from these bond proceeds (see *Bond Authorization* below). It also allows the transfer to be made after the designated beneficiary's birth, rather than at birth.

Under current law, if a designated beneficiary fails to submit a valid claim before his or her 30th birthday or dies before doing so, the amount of his or her accounting is credited back to the trust's assets. The bill instead requires that this amount be retained by the trust to credit to designated beneficiaries born in subsequent years.

Existing law requires the treasurer to proportionately reduce the transfer amount for any year in which the bond funds are insufficient to provide the $3,200 transfer to each beneficiary. The bill additionally requires, for any year in which these funds exceed the amount required to provide the transfer, that any excess be retained by the trust to credit to designated beneficiaries born in subsequent years. It also makes technical and conforming changes.

BOND AUTHORIZATION

Current law authorizes the treasurer to issue up to $600 million in state general obligation bonds for the program, in amounts of up to $50 million per year from FYs 23-34. The bill increases the FY 23 authorization to $100 million and eliminates the $50 million authorization for FY 34. It also authorizes the program's implementation expenses to be added to the capped amount of bonds authorized for each year of the program.

Current law requires the Baby Bonds program to be funded with bonds from a specific bond issuance and incorporates certain provisions relating to this issuance, including the treasurer's powers in connection with the bond sale and certain legal actions related to the bonds. The bill instead subjects the bonds authorized under the program to standard statutory bond procedures and repayment requirements.

BACKGROUND

Related Bill

sSB 12, favorably reported by the Finance, Revenue and Bonding Committee, includes the same provisions.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 41 Nay 10 (04/06/2022)