

ASSEMBLY, No. 4638

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED SEPTEMBER 14, 2020

Sponsored by:

Assemblyman WILLIAM F. MOEN, JR.

District 5 (Camden and Gloucester)

Assemblyman BENJIE E. WIMBERLY

District 35 (Bergen and Passaic)

Assemblywoman VALERIE VAINIERI HUTTLE

District 37 (Bergen)

Co-Sponsored by:

Assemblywoman Sumter

SYNOPSIS

Establishes New Jersey Baby Bond Account Program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/14/2021)

1 AN ACT establishing the “New Jersey Baby Bond Account Program,”
2 supplementing chapter 10 of Title 44 of the Revised Statutes, and
3 making a \$70,000,000 appropriation.
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

8 1. This act shall be known and may be cited as the “New Jersey
9 Baby Bond Account Program Act.”
10

11 2. As used in this act:

12 “Account holder” means an eligible individual who is the owner
13 of an individual account established pursuant to paragraph (2) of
14 subsection a. of section 4 of this act.

15 “Board” means the Baby Bond Account Board established
16 pursuant to section 8 of this act.

17 “Department” means the Department of the Treasury.

18 “Eligible individual” means an infant born on or after January 1,
19 2021 to a family domiciled in this State or outside of this State,
20 provided the individual establishes residence in the State within six
21 months of birth, and who resides in a household having an annual
22 household income on the individual’s date of birth that does not
23 exceed 200 percent of the federal poverty level.

24 “Executive director” means the executive director of the Baby
25 Bond Account Board selected pursuant to subsection f. of section 8
26 of this act.

27 “Federal poverty level” means a measure of income promulgated
28 annually by the United States Department of Health and Human
29 Services pursuant to 42 U.S.C. 9902 that established a threshold for
30 poverty in the United States based on the size of household.

31 “Fund” means the Baby Bond Account Fund established pursuant
32 to paragraph (1) of subsection a. of section 4 of this act.

33 “Household income” means income as defined in 7 CFR ss.245.2
34 and 245.6 or any subsequent superseding federal law or regulation

35 “Individual account” means one of the accounts established within
36 the Baby Bond Account Fund for an eligible individual pursuant to
37 paragraph (2) of subsection a. of section 4 of this act.

38 “Program” means the New Jersey Baby Bond Account Program
39 established pursuant to the provisions of section 3 of this act.
40

41 3. There is established in the Department of the Treasury the
42 “New Jersey Baby Bond Account Program.” The program shall be
43 under the direction and control of the executive director and the
44 board. The Department of the Treasury shall provide primary staff
45 support for the program and the board.

46 The purpose of the program shall be to credit each eligible
47 individual with a \$2,000 deposit into an individual account

1 established by the State Treasurer. The individual account may be
2 used for any of the purposes specified under subsection c. of section
3 7 of this act.

4
5 4. a. (1) There is established in the Department of the
6 Treasury a non-lapsing fund to be known as the “Baby Bond Account
7 Fund,” with the board established pursuant to section 8 of this act as
8 its trustee. The fund shall include the individual accounts of eligible
9 individuals, which shall be accounted for as individual accounts. The
10 fund shall be credited with moneys made available from an
11 appropriation of \$70,000,000 pursuant to section 10 of this act to
12 effectuate the purposes of this act for a full fiscal year and other
13 moneys that the Legislature may appropriate from time to time.

14 (2) On and after January 1, 2021, the State Treasurer, in
15 coordination with the executive director, shall establish in the fund
16 an account for each eligible individual identified pursuant to section
17 6 of this act. Each individual account shall be identified to its account
18 holder by means of a unique personal identifier and shall remain in
19 the fund. The State Treasurer shall credit to each individual account
20 the amounts credited to the fund, which are attributable to the account
21 holder.

22 b. Moneys in the fund shall be invested by the board, established
23 pursuant to section 8 of this act, in permitted investments or shall be
24 held in interest-bearing accounts in those depositories as the board
25 may select and may be invested and reinvested in permitted
26 investments in accordance with this subsection. The board shall
27 exercise the care, skill, prudence and diligence under the
28 circumstances then prevailing that a prudent person acting in a like
29 capacity and familiar with such matters would use in the conduct of
30 an enterprise of a like character and with like aims; provided that, in
31 making each investment, the board shall act with the reasonable
32 expectation that the return on each investment shall be commensurate
33 with the risk associated with each investment. Any interest earnings
34 that are attributable to moneys in the fund shall be deposited into the
35 fund.

36 c. The amounts deposited in the fund shall not constitute as
37 property of the State and the fund shall not be construed to be a
38 department, institution, or agency of the State. Amounts in the fund
39 shall not be commingled with State funds and the State shall have no
40 claim to or against, or interest in, such funds.

41 d. The State Treasurer shall allocate to each individual account
42 an amount equal to the net earnings and net losses from each
43 investment of sums in the fund which are attributable, on a pro rata
44 basis, to sums credited to such account, reduced by an appropriate
45 share of the administrative expenses paid out of the net earnings, as
46 determined by the executive director.

47 e. In the event a person or entity wishes to make a deposit into
48 an individual account, the State Treasurer shall be authorized to

1 process such deposits, in a manner and method to be determined by
2 the State Treasurer.

3 f. In the event an account holder wishes to transfer money to the
4 individual account of a family member or dependent, the State
5 Treasurer shall be authorized to receive transfer requests and process
6 such transfers, in a manner and method determined by the State
7 Treasurer.

8 g. Except as provided in subsection e. of section 7 of this act, the
9 moneys in the fund are appropriated and shall remain available to:
10 make contributions to individual accounts; to invest pursuant to
11 subsection b. of this section; make distributions in accordance with
12 section 7 of this act; and pay the administrative expenses of carrying
13 out this act. The moneys in the fund shall not be appropriated for any
14 purpose other than the purposes specified in this subsection and may
15 not be used for any other purpose.

16 h. No State entity, board, commission, or agency, or any officer,
17 employee, or member thereof is liable for any loss or deficiency
18 resulting from particular investments selected under this act, except
19 for any liability that arises out of a breach of fiduciary duty by the
20 board under subsection b. of this section.

21
22 5. The executive director shall notify each eligible individual's
23 family of their potential eligibility for the Baby Bond Account
24 Program. The executive director shall also provide each eligible
25 individual's family with information about the program's eligibility
26 criteria, application process, guidelines, procedures, and
27 requirements for withdrawing money from an individual account to
28 be used for qualified expenses listed in subsection c. of section 7 of
29 this act.

30
31 6. a. Upon receipt of the birth certificate of an eligible
32 individual under paragraph (1) of subsection c of this section, or
33 approval of an application received under paragraph (2) of that
34 subsection, the State Treasurer shall establish an individual account
35 for such eligible individual and shall credit the account with \$2,000.

36 b. (1) On the 20th day of each month, the State Registrar shall
37 transmit to the executive director the name of, and social security
38 number issued to, each eligible individual for which the State
39 Registrar received an original birth certificate pursuant to subsection
40 g. of R.S.26:8-25.

41 (2) In the case of an eligible individual who is not provided an
42 individual account under paragraph (1) of this subsection, the eligible
43 individual may request the establishment of an individual account
44 under this paragraph by application to the executive director on a
45 form prescribed by the executive director.

46 c. If the amounts in the Baby Bond Account Fund are
47 insufficient to credit \$2,000 to a newly established individual
48 account, the board shall determine guidelines to process the new

1 individual accounts established thereafter and the appropriate
2 allocation of any remaining funds to those accounts.

3

4 7. a. (1) Except as provided in paragraph (2) of this
5 subsection, no amount may be distributed from an individual account
6 before the date on which the account holder attains the age of 18.

7 (2) Notwithstanding the provisions of paragraph (1) of this
8 subsection to the contrary, an amount may be distributed from an
9 individual account to the account holder before the account holder
10 attains the age of 18 to pay for qualified tuition and related expenses,
11 as defined in section 25A(f)(1) of the Internal Revenue Code of 1986,
12 of the account holder if the account holder is an eligible student as
13 defined in section 25A(b)(3) of the Internal Revenue Code.

14 b. No amount may be distributed from an individual account
15 unless the account holder establishes, under rules established by the
16 executive director in consultation with the board, that such amount
17 shall be used for a qualified expense.

18 c. An eligible individual shall be authorized to withdraw moneys
19 from the individual's account, in the form of a check or transfer of
20 funds made payable to the individual, for any of the following
21 purposes:

22 (1) post-secondary educational expenses of the account holder;

23 (2) acquisition costs of a primary residence of the account holder;

24 (3) qualified business capitalization expenses of the account
25 holder, as determined by the executive director and board; and

26 (4) any other investment in financial assets or personal capital
27 that provides long-term gains to wages and wealth, as determined by
28 the executive director and board.

29 d. In the case of a deceased account holder of an individual
30 account which has an account balance greater than zero, upon receipt
31 of notification of such individual's death, the State Treasurer shall
32 close the account and shall transfer the balance in such account to the
33 individual account of such account holder's surviving spouse or, if
34 there is no such account of a surviving spouse, to the duly appointed
35 legal representative of the estate of the deceased account holder, or
36 if there is no such representative, to the person or persons determined
37 to be entitled thereto under the laws of the State. The transfer
38 provided for under this subsection shall occur only if the deceased
39 account holder was domiciled in this State at the time of death.

40 e. An account holder shall not be authorized to make a
41 distribution from the account holder's individual account unless the
42 account holder is domiciled in the State. If an account holder of an
43 individual account attains the age of 25 and thereafter is domiciled in
44 a state other than New Jersey for five or more consecutive years, the
45 moneys in such individual account shall be presumed abandoned and
46 transferred to the Unclaimed Personal Property Trust Fund.

- 1 8. a. There is established in, but not of, the Department of the
2 Treasury the Baby Bond Account Board. The purpose of the board
3 shall be to oversee the fund's investments, to select an executive
4 director for the program, and to assist with the administration of the
5 program.
- 6 b. The 11-member board shall consist of:
- 7 (1) five ex-officio members, as follows: the State Treasurer, or
8 the State Treasurer's designee, who shall serve as chair; the State
9 Comptroller, or the State Comptroller's designee; the Director of the
10 Office of Management and Budget, or the director's designee; the
11 Chief Executive Officer of the Economic Development Authority, or
12 the chief executive officer's designee; the Commissioner of Human
13 Services, or the commissioner's designee; and
- 14 (2) six representatives of the general public with expertise in
15 savings plan administration or investment, or both, of which two
16 representatives shall be appointed by the Governor, two
17 representative shall be appointed by the Speaker of the General
18 Assembly, and two representatives shall be appointed by the Senate
19 President.
- 20 c. Members of the board, except for the executive director as
21 provided in subsection f. of this section, shall serve without
22 compensation but may be reimbursed for necessary expenses
23 incurred in the performance of their duties.
- 24 d. Public members shall serve for a term of four years from their
25 date of appointment and until their successors are appointed and
26 qualified. Any vacancy in the membership of the board shall be filled
27 by appointment in the same manner as the original appointment.
28 Vacancies resulting from causes other than by expiration of term
29 shall be filled for the unexpired term only.
- 30 e. Each board member, prior to assuming office, shall take an
31 oath that the member will diligently and honestly administer the
32 affairs of the board and that the member will not knowingly violate
33 or willingly permit to be violated any of the provisions of law
34 applicable to the program. The oath shall be certified by the officer
35 before whom it is taken and immediately filed with the Secretary of
36 State.
- 37 f. The board shall select and employ an executive director, who
38 shall be responsible for the administration of the Baby Bond Account
39 Program and shall fix the executive director's compensation and
40 conditions of employment. The executive director shall maintain
41 oversight of investment and administrative operations conducted by
42 the board; arrange board agendas with the approval of the board;
43 execute contracts on behalf of the board; and perform any other
44 responsibilities designated to the executive director by the board.
- 45 g. The executive director shall make economic literacy training
46 available to each eligible individual's family. The board shall
47 determine the economic literacy training curriculum to be used to

1 fulfill the provisions of this paragraph, provided that, at a minimum,
2 the curriculum offers a basic understanding of budgets and savings
3 accounts, credit and interest, how to use financial services, and how
4 to use a savings plan to reach the account holder's savings goal for
5 an individual account.

6
7 9. Gross income calculations for determining State income tax
8 shall not include:

9 a. any contribution credited to the individual account of the
10 taxpayer under section 4 of this act; and

11 b. any distribution from such individual account, including
12 interest and earnings.

13
14 10. There is appropriated from the General Fund the sum of
15 \$70,000,000 to be credited to the "Baby Bond Account Fund" to
16 effectuate the provisions of this act for a full fiscal year.

17
18 11. The State Treasurer, in consultation with the executive
19 director and board, pursuant to the "Administrative Procedure Act,"
20 P.L.1968, c.410 (C.52:14B-1 et seq.), shall promulgate rules and
21 regulations to effectuate the provisions of this act.

22
23 12. This act shall take effect immediately.

24
25
26 STATEMENT

27
28 This bill establishes the New Jersey Baby Bond Account Program
29 and Baby Bond Account Fund in the Department of the Treasury and
30 appropriates the sum of \$70,000,000 from the General Fund to the
31 Baby Bond Account Fund. The purpose of the program is to credit
32 each eligible individual in the State with a \$2,000 deposit into an
33 individual account in the Baby Bond Account Fund by the program.
34 An eligible individual is any infant born on or after January 1, 2021
35 to a family domiciled in this State or outside of this State, provided
36 the individual establishes residence in the State within six months of
37 birth, and who resides in a household having an annual household
38 income on the individual's date of birth that does not exceed 200
39 percent of the federal poverty level.

40 The bill requires the State Treasurer to establish in the fund an
41 account for each eligible individual and credit each account with
42 \$2,000. The State Treasurer will credit to each individual account
43 the amounts credited to the fund, which are attributable to the account
44 holder of the account. In the event a person or entity wishes to make
45 a deposit into an individual account or an account holders wishes to
46 transfer money to the individual account of a family member or
47 dependent, the bill authorizes the State Treasurer to accept such

1 deposits and to process such transfers, in a manner and method to be
2 determined by the State Treasurer. The money within an individual
3 account may only be distributed when the account holder attains the
4 age of 18, with an exemption of qualified tuition and related expenses
5 for eligible students, defined by the federal Internal Revenue Code
6 of 1986. The moneys within an individual account may only be used
7 for the following expenses:

- 8 (1) post-secondary educational expenses of the account holder;
- 9 (2) acquisition costs of a primary residence of the account holder;
- 10 (3) qualified business capitalization expenses of the account
11 holder, as determined by the program; and
- 12 (4) any other investment in financial assets or personal capital
13 that provides long-term gains to wages and wealth, as determined by
14 the program.

15 This bill requires that the money in the Baby Bond Account Fund
16 will be managed by an 11-member Baby Bond Account Board,
17 established pursuant to this bill, and will be invested in permitted
18 investments or held in interest-bearing accounts. The board will
19 consist of five ex-officio members, as follows: the State Treasurer
20 or the State Treasurer's designee; the State Comptroller or the State
21 Comptroller's designee; the Director of the Office of Management
22 and Budget or the director's designee; the Chief Executive of the
23 Economic Development Authority or the chief executive officer's
24 designee; the Commissioner of Human Services or the
25 commissioner's designee; and six public members with the
26 Governor, the Speaker of the General Assembly, and the Senate
27 President each appointing two members each. The board will hold
28 a fiduciary duty to the fund and will make investments with the
29 reasonable expectation that the return on each investment will be
30 commensurate with the risk associated with each investment.

31 The board will select and employ an executive director who will
32 be responsible for the administration of the Baby Bond Account
33 Program. The executive director will also be required notify each
34 eligible individual's family of their potential eligibility for the Baby
35 Bond Account Program. The executive director will also provide
36 each eligible individual's family with information about the
37 program's eligibility criteria, application process, guidelines,
38 procedures, and requirements for withdrawing money from an
39 individual account to be used for qualified expenses. Lastly, the
40 executive director will be required to make economic literacy
41 training available to each eligible individual's family. The board will
42 determine the economic literacy training curriculum to fulfill this
43 provision, provided that, at a minimum, the curriculum offers a basic
44 understanding of budgets and savings accounts, credit and interest,
45 how to use financial services, and how to use a savings plan to reach
46 the account holder's savings goal for an individual account.