

SENATE, No. 3130

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED NOVEMBER 5, 2020

Sponsored by:

Senator NELLIE POU

District 35 (Bergen and Passaic)

Senator TROY SINGLETON

District 7 (Burlington)

SYNOPSIS

Establishes New Jersey Baby Bond Account Program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/15/2021)

1 AN ACT establishing the “New Jersey Baby Bond Account
2 Program,” supplementing chapter 10 of Title 44 of the Revised
3 Statutes, and 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
32 pursuant 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
36 within the Baby Bond Account Fund for an eligible individual
37 pursuant to 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
7 Account Fund,” with the board established pursuant to section 8 of
8 this act as its trustee. The fund shall include the individual accounts
9 of eligible individuals, which shall be accounted for as individual
10 accounts. The fund shall be credited with moneys made available
11 from an appropriation of \$70,000,000 pursuant to section 10 of this
12 act to effectuate the purposes of this act for a full fiscal year and
13 other moneys that the Legislature may appropriate from time to
14 time.

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

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

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

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

1 e. In the event a person or entity wishes to make a deposit into
2 an individual account, the State Treasurer shall be authorized to
3 process such deposits, in a manner and method to be determined by
4 the State Treasurer.

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

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

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

23

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

32

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

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

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

1 c. If the amounts in the Baby Bond Account Fund are
2 insufficient to credit \$2,000 to a newly established individual
3 account, the board shall determine guidelines to process the new
4 individual accounts established thereafter and the appropriate
5 allocation of any remaining funds to those accounts.

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

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

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

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

- 27 (1) post-secondary educational expenses of the account holder;
28 (2) acquisition costs of a primary residence of the account
29 holder;
30 (3) qualified business capitalization expenses of the account
31 holder, as determined by the executive director and board; and
32 (4) any other investment in financial assets or personal capital
33 that provides long-term gains to wages and wealth, as determined
34 by the executive director and board.

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

1 e. An account holder shall not be authorized to make a
2 distribution from the account holder's individual account unless the
3 account holder is domiciled in the State. If an account holder of an
4 individual account attains the age of 25 and thereafter is domiciled
5 in a state other than New Jersey for five or more consecutive years,
6 the moneys in such individual account shall be presumed abandoned
7 and transferred to the Unclaimed Personal Property Trust Fund.

8
9 8. a. There is established in, but not of, the Department of the
10 Treasury the Baby Bond Account Board. The purpose of the board
11 shall be to oversee the fund's investments, to select an executive
12 director for the program, and to assist with the administration of the
13 program.

14 b. The 11-member board shall consist of:

15 (1) five ex-officio members, as follows: the State Treasurer, or
16 the State Treasurer's designee, who shall serve as chair; the State
17 Comptroller, or the State Comptroller's designee; the Director of
18 the Office of Management and Budget, or the director's designee;
19 the Chief Executive Officer of the Economic Development
20 Authority, or the chief executive officer's designee; the
21 Commissioner of Human Services, or the commissioner's designee;
22 and

23 (2) six representatives of the general public with expertise in
24 savings plan administration or investment, or both, of which two
25 representatives shall be appointed by the Governor, two
26 representative shall be appointed by the Speaker of the General
27 Assembly, and two representatives shall be appointed by the Senate
28 President.

29 c. Members of the board, except for the executive director as
30 provided in subsection f. of this section, shall serve without
31 compensation but may be reimbursed for necessary expenses
32 incurred in the performance of their duties.

33 d. Public members shall serve for a term of four years from
34 their date of appointment and until their successors are appointed
35 and qualified. Any vacancy in the membership of the board shall be
36 filled by appointment in the same manner as the original
37 appointment. Vacancies resulting from causes other than by
38 expiration of term shall be filled for the unexpired term only.

39 e. Each board member, prior to assuming office, shall take an
40 oath that the member will diligently and honestly administer the
41 affairs of the board and that the member will not knowingly violate
42 or willingly permit to be violated any of the provisions of law
43 applicable to the program. The oath shall be certified by the officer
44 before whom it is taken and immediately filed with the Secretary of
45 State.

46 f. The board shall select and employ an executive director,
47 who shall be responsible for the administration of the Baby Bond

1 Account Program and shall fix the executive director's
2 compensation and conditions of employment. The executive
3 director shall maintain oversight of investment and administrative
4 operations conducted by the board; arrange board agendas with the
5 approval of the board; execute contracts on behalf of the board; and
6 perform any other responsibilities designated to the executive
7 director by the board.

8 g. The executive director shall make economic literacy training
9 available to each eligible individual's family. The board shall
10 determine the economic literacy training curriculum to be used to
11 fulfill the provisions of this paragraph, provided that, at a minimum,
12 the curriculum offers a basic understanding of budgets and savings
13 accounts, credit and interest, how to use financial services, and how
14 to use a savings plan to reach the account holder's savings goal for
15 an individual account.

16
17 9. Gross income calculations for determining State income tax
18 shall not include:

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

21 b. any distribution from such individual account, including
22 interest and earnings.

23
24 10. There is appropriated from the General Fund the sum of
25 \$70,000,000 to be credited to the "Baby Bond Account Fund" to
26 effectuate the provisions of this act for a full fiscal year.

27
28 11. The State Treasurer, in consultation with the executive
29 director and board, pursuant to the "Administrative Procedure Act,"
30 P.L.1968, c.410 (C.52:14B-1 et seq.), shall promulgate rules and
31 regulations to effectuate the provisions of this act.

32
33 12. This act shall take effect immediately.

34
35
36 STATEMENT

37
38 This bill establishes the New Jersey Baby Bond Account
39 Program and Baby Bond Account Fund in the Department of the
40 Treasury and appropriates the sum of \$70,000,000 from the General
41 Fund to the Baby Bond Account Fund. The purpose of the program
42 is to credit each eligible individual in the State with a \$2,000
43 deposit into an individual account in the Baby Bond Account Fund
44 by the program. An eligible individual is any infant born on or after
45 January 1, 2021 to a family domiciled in this State or outside of this
46 State, provided the individual establishes residence in the State
47 within six months of birth, and who resides in a household having

1 an annual household income on the individual's date of birth that
2 does not exceed 200 percent of the federal poverty level.

3 The bill requires the State Treasurer to establish in the fund an
4 account for each eligible individual and credit each account with
5 \$2,000. The State Treasurer will credit to each individual account
6 the amounts credited to the fund, which are attributable to the
7 account holder of the account. In the event a person or entity
8 wishes to make a deposit into an individual account or an account
9 holders wishes to transfer money to the individual account of a
10 family member or dependent, the bill authorizes the State Treasurer
11 to accept such deposits and to process such transfers, in a manner
12 and method to be determined by the State Treasurer. The money
13 within an individual account may only be distributed when the
14 account holder attains the age of 18, with an exemption of qualified
15 tuition and related expenses for eligible students, defined by the
16 federal Internal Revenue Code of 1986. The moneys within an
17 individual account may only be used for the following expenses:

- 18 (1) post-secondary educational expenses of the account holder;
- 19 (2) acquisition costs of a primary residence of the account
20 holder;
- 21 (3) qualified business capitalization expenses of the account
22 holder, as determined by the program; and
- 23 (4) any other investment in financial assets or personal capital
24 that provides long-term gains to wages and wealth, as determined
25 by the program.

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

42 The board will select and employ an executive director who will
43 be responsible for the administration of the Baby Bond Account
44 Program. The executive director will also be required notify each
45 eligible individual's family of their potential eligibility for the Baby
46 Bond Account Program. The executive director will also provide
47 each eligible individual's family with information about the

1 program's eligibility criteria, application process, guidelines,
2 procedures, and requirements for withdrawing money from an
3 individual account to be used for qualified expenses. Lastly, the
4 executive director will be required to make economic literacy
5 training available to each eligible individual's family. The board
6 will determine the economic literacy training curriculum to fulfill
7 this provision, provided that, at a minimum, the curriculum offers a
8 basic understanding of budgets and savings accounts, credit and
9 interest, how to use financial services, and how to use a savings
10 plan to reach the account holder's savings goal for an individual
11 account.