

**ASSEMBLY, No. 1579**

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**STATE OF NEW JERSEY**

**220th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

**Sponsored by:**

**Assemblyman WILLIAM F. MOEN, JR.**

**District 5 (Camden and Gloucester)**

**Assemblyman BENJIE E. WIMBERLY**

**District 35 (Bergen and Passaic)**

**Assemblywoman VERLINA REYNOLDS-JACKSON**

**District 15 (Hunterdon and Mercer)**

**Co-Sponsored by:**

**Assemblywoman Sumter and Assemblyman Giblin**

**SYNOPSIS**

Establishes New Jersey Baby Bond Account Program.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 5/11/2023)**

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 officer,  
19 employee, or member thereof is liable for any loss or deficiency  
20 resulting from particular investments selected under this act, except  
21 for any liability that arises out of a breach of fiduciary duty by the  
22 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.

47 e. An account holder shall not be authorized to make a  
48 distribution from the account holder's individual account unless the

1 account holder is domiciled in the State. If an account holder of an  
2 individual account attains the age of 25 and thereafter is domiciled  
3 in a state other than New Jersey for five or more consecutive years,  
4 the moneys in such individual account shall be presumed abandoned  
5 and transferred to the Unclaimed Personal Property Trust Fund.

6  
7 8. a. There is established in, but not of, the Department of the  
8 Treasury the Baby Bond Account Board. The purpose of the board  
9 shall be to oversee the fund's investments, to select an executive  
10 director for the program, and to assist with the administration of the  
11 program.

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

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

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

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

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

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

44 f. The board shall select and employ an executive director,  
45 who shall be responsible for the administration of the Baby Bond  
46 Account Program and shall fix the executive director's  
47 compensation and conditions of employment. The executive  
48 director shall maintain oversight of investment and administrative

1 operations conducted by the board; arrange board agendas with the  
2 approval of the board; execute contracts on behalf of the board; and  
3 perform any other responsibilities designated to the executive  
4 director by the board.

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

13

14 9. Gross income calculations for determining State income tax  
15 shall not include:

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

18 b. any distribution from such individual account, including  
19 interest and earnings.

20

21 10. There is appropriated from the General Fund the sum of  
22 \$70,000,000 to be credited to the "Baby Bond Account Fund" to  
23 effectuate the provisions of this act for a full fiscal year.

24

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

29

30 12. This act shall take effect immediately.

31

32

### 33 STATEMENT

34

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

47 The bill requires the State Treasurer to establish in the fund an  
48 account for each eligible individual and credit each account with

1 \$2,000. The State Treasurer will credit to each individual account  
2 the amounts credited to the fund, which are attributable to the  
3 account holder of the account. In the event a person or entity  
4 wishes to make a deposit into an individual account or an account  
5 holders wishes to transfer money to the individual account of a  
6 family member or dependent, the bill authorizes the State Treasurer  
7 to accept such deposits and to process such transfers, in a manner  
8 and method to be determined by the State Treasurer. The money  
9 within an individual account may only be distributed when the  
10 account holder attains the age of 18, with an exemption of qualified  
11 tuition and related expenses for eligible students, defined by the  
12 federal Internal Revenue Code of 1986. The moneys within an  
13 individual account may only be used for the following expenses:

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

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

38 The board will select and employ an executive director who will  
39 be responsible for the administration of the Baby Bond Account  
40 Program. The executive director will also be required notify each  
41 eligible individual's family of their potential eligibility for the Baby  
42 Bond Account Program. The executive director will also provide  
43 each eligible individual's family with information about the  
44 program's eligibility criteria, application process, guidelines,  
45 procedures, and requirements for withdrawing money from an  
46 individual account to be used for qualified expenses. Lastly, the  
47 executive director will be required to make economic literacy  
48 training available to each eligible individual's family. The board



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