



Erick Russell

CONNECTICUT STATE TREASURER

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TREASURER RUSSELL, GOVERNOR LAMONT, LEGISLATIVE LEADERS ANNOUNCE LEGISLATION FUNDING CT BABY BONDS

Hartford, CT – Treasurer Erick Russell, Governor Ned Lamont, Senate President Pro Tempore Martin Looney, House Speaker Matt Ritter and state Senator Pat Billie Miller announced today that funding has been identified for CT Baby Bonds, a first-in-the-nation initiative that invests directly in Connecticut children born into poverty, that will allow the program to begin on-time and reduce the overall cost by over \$200 million.

The agreement, which will require legislative action, repurposes available reserves set aside during the restructuring of the Teachers' Retirement Fund in 2019 and replaces them with a relatively inexpensive insurance policy. As a result, \$381 million will be available for deposit into the CT Baby Bonds Trust, reducing the overall cost of the program by over \$200 million while maintaining the amount invested in each child and allowing those investments to begin as scheduled for the first eligible babies beginning this July.

"CT Baby Bonds has the potential to transform the future of our state by providing opportunity and economic resources to the next generation of young Connecticut residents, regardless of the financial circumstances of their families," said **Treasurer Erick Russell**. "The plan that we are announcing today allows us to meet our commitment to those kids while avoiding any state borrowing and requiring no ongoing budgetary support. By funding these investments upfront, we will even reduce the overall cost of the program by over \$200 million. I'm grateful for the support of Governor Lamont, legislative leaders, the Black and Puerto Rican Caucus and the broad collection of lawmakers and advocates that helped us arrive at this point. I'm eager to see this proposal passed into law this session."

"This is a win for Connecticut. Connecticut's Baby Bonds program will lift up young people as they reach adulthood and help address intergenerational poverty," said **Governor Ned Lamont**. "I want to thank Treasurer Erick Russell for developing this new funding strategy that addresses my concerns surrounding the program's implementation. Our new plan will save taxpayers' dollars, avoid excessive

bonding costs, respect our financial guardrails and ensure that we are not sacrificing programs that help people today like Time to Own or Covered CT. I am also grateful for Senator Pat Billie Miller's outstanding leadership in helping make today a reality."

"I'm pleased the Baby Bonds program is going forward," said **Senate President Pro Tem Martin Looney**. "It's a creative and dramatic initiative to provide resources for low-income young adults who will have greater options as they enter their 20's than they otherwise would have."

"With CT Baby Bonds we are providing a footing for families who often feel like they are stuck in financial quicksand," said **Speaker of the House Matt Ritter**. "I want to thank Treasurer Russell, Governor Lamont and my legislative colleagues for keeping the conversations going and finding solutions to ensure CT Baby Bonds are available to invest in Connecticut children."

"CT Baby Bonds was created to help combat Connecticut's wealth gap and level the playing field for children in our state that would otherwise be locked out of full economic participation," said **state Senator Pat Billie Miller**, Chair of the legislature's Black and Puerto Rican Caucus. "Passing this program into law was a top priority of the Black and Puerto Rican Caucus and helped position Connecticut as a national leader in combatting systemic poverty. I'm heartened and relieved that CT Baby Bonds will now finally be funded so that we can begin our obligation of investing directly in the next generation of Connecticut children."

"As I use my voice to advocate for thousands of residents in Connecticut, I look at initiatives through a racial equity lens," said **state Senator Marilyn Moore**. "CT Baby Bonds work to address the wealth gap and level the playing field for all children born into poverty. I am relieved that we have identified a solution that will enable the State Treasurer to implement this opportunity for low-income families." In 2021, Connecticut became the first state in the nation to pass baby bonds legislation. Under the current law, \$3,200 would be invested on behalf of each child born into poverty, as determined by their birth being covered by HUSKY, the state's Medicaid program. Those investments would grow over time and become available to participants between the ages of 18-30 for specific uses intended to build individual wealth and spur statewide economic growth.

Funds can be used to buy a home in Connecticut, start or invest in a Connecticut business, pay for education or job training, or save for retirement. To be eligible for the funds, participants must be a Connecticut resident at the time and complete a required financial literacy training.

As originally constructed, the program would require \$600 million in state bonding spread over 12 years. The solution announced today instead begins investing \$381 million immediately, capitalizing on more time for returns to grow to reduce the overall funding required.

In 2019, to enable the restructuring of the Teachers' Retirement Fund, the state deposited \$381 million of that year's budget surplus into a special reserve fund. Its purpose was to provide additional guarantees of annual debt service payments on certain pension obligation bonds. Owing in part to the tremendous progress made to stabilize Connecticut's finances, including credit rating increases, filling the Rainy Day Fund and making significant additional contributions to its pension funds, with legislative changes, that reserve account can now be replaced with a relatively inexpensive insurance policy.

As a result, the \$381 million originally held in reserve can be made available for deposit into a trust created for CT Baby Bonds. The interest already generated on that initial reserve deposit will be sufficient to also cover the full cost of the new insurance policy, requiring no additional funding. CT Baby Bonds can be funded with no impact on the current biennial state budget being crafted by lawmakers.

An estimated 15,000 Connecticut births are covered by HUSKY each year, including residents in all 169 towns. Eligible babies born on or after July 1, 2023, will be automatically allocated a share of the CT Baby Bonds Trust.

About the Office of the Treasurer

The Office of the Treasurer is charged with safeguarding Connecticut's financial resources through prudent cash management and debt management, with the State Treasurer serving as principal fiduciary for six state pension and nine state trust funds. Additionally, the Office enhances the state's fiscal stability through programs promoting financial literacy and college savings, and it leverages business partnerships to support the advancement of Connecticut's social and policy priorities, including combating gun violence and protecting our environment. The Office of the Treasurer is led by State Treasurer Erick Russell, the only Black elected state treasurer in the country. To learn more, visit portal.ct.gov/ott.