



June 17, 2024

Councilmember Gabe Albornoz
Councilmember Will Jawando
Montgomery County Council
Stella Werner Council Office Building
100 Maryland Ave
Rockville, MD 20850

Dear Councilmembers:

The Montgomery County Black Collective is proud to support Bill 5-24 to establish a child Investment Fund (CIF) in Montgomery County. Commonly known as “baby bonds,” we can appreciate the fact that funds are universal and publicly funded, holding the accounts in trust until each eligible child reaches adulthood. The criteria to allow the funds to be used by eligible recipients at the age of adulthood to launch their academic career for self-improvement, start a business that contributes to the local economy, or invest in purchasing a home to stabilize their standard of living is a benefit to the entire community and equalizes opportunities.

The Urban Institute, in its report, *The State of Baby Bonds* (Brown, et. al., February 2023) indicates that , “baby bonds should provide “an economic birthright to capital” to all children, with children from households with the lowest wealth receiving the largest endowments. Baby bonds are intended to decrease wealth inequities.” Current momentum around baby bonds provides a window of opportunity to build upon existing wealth-building policies and programs. The report further suggests that similar to 529 college savings plans establish tax credits to families that save independently for their children’s education, the bonds can build on the concept by automatically enrolling a child/family at birth which provides both financial and non-financial beneficial impact. Research has shown that indirect relationships reduce the intensity of maternal depression, improves children’s early social and emotional development, and assists in creating a college-bound mindset for children.

There are clear advantages that allow for stable cash flow for the individuals for which the bonds are targeted. The perceived criticism of being a disincentive for recipients to save on their own can be addressed through criteria for access to the funds or installment payments that can be halted if the recipient is not compliant with the intent of the Fund. Additionally, a tax would be applied to the funds when accessed which is a benefit to the government entity holding the bond, while ensuring there are no tax implications for the recipients while funds are held. The funding for the CIF will need to be protected long term, during the customary difficulties of the economy. It will be easy to cease the investment or eliminate the line item in a county budget during a particularly challenging budget season or recession. If managed properly and distributed equitably, recipients have the opportunity to experience wealth-building that

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can change the trajectory of their lives. A critical issue will be how these funds, if supported with racial and ethnic criteria for access, are protected against any future legal challenges on race-based distribution. Our recommendation is that economic criteria be used if this Bill passes the Council vote. We would like to see more detail during the Council workgroup on the following:

- How will eligible participants be tracked and communicated with during the first 18 years after enrollment?
- How will the program be marketed to eligible participants?
- Will there be disbursement criteria to use funds for the sole purpose stated and how is that verified long-term, for example use for retirement investments that could be withdrawn by the participant?
- Ensuring that the Advisory Committee consists of gender as well as racial/ethnic, socio-economic, and geographic diversity.

Thank you for bringing this opportunity to the County. We look forward to supporting the work on this Bill.

Please feel free to contact me at exec@mocoblackcollective.org if you require any further information or have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kim Jones".

Kim Jones
Executive Director