Passing “Baby Bonds” in Michigan in the 103rd Legislature

Peyton Klochack, Master of Public Policy Program, Michigan State University

What are “Baby Bonds”?

"Baby Bonds" are government funded child trust accounts whereby an initial deposit is put down for every child born and that account accrues interest and grows so that by the time the child is 18, they can use this money that was saved for designated wealth building activities

States Where “Baby Bonds” Was Introduced:

- Iowa
- New Jersey
- New York
- Wisconsin
- **Michigan**
- Delaware
- Nevada

Model Federal Legislation:

- The first introduction of the “Baby Bonds” (S.3766) proposal was in 2018 by Senator Cory Booker
- Every child born was eligible for an initial deposit of **$1,000** with up to **$2,000** contributed from the General fund annually by the government based on family income, rather than wealth.
- Estimated to create up to **$50,000** by adulthood
- Use of these funds is **limited to education, home purchasing, or other investments** with those limits being lifted by the time the recipient turns 59

6 Components that make up “Baby Bonds”	
Universal Eligibility	All children are automatically enrolled for a baby bond at birth
Financially Progressive	Account deposits are based on household wealth, with progressively larger deposits for children from lower-wealth households
Flexible use of funds	Accounts could be used for a range of wealth-building activities, including post-secondary education, homeownership, or a small business
Substantial Endowment	The underlying investment vehicle protects the principal while earning a return on regular deposits, thereby accumulating sufficient assets for major wealth-building investments
Publicly Funded	Baby bonds would be financed by the government. They would not impact on household eligibility for public benefits or financial aid
Individual Recipient	Young people, not families or the state, would be the ultimate beneficiaries of and decisionmakers about their wealth and future

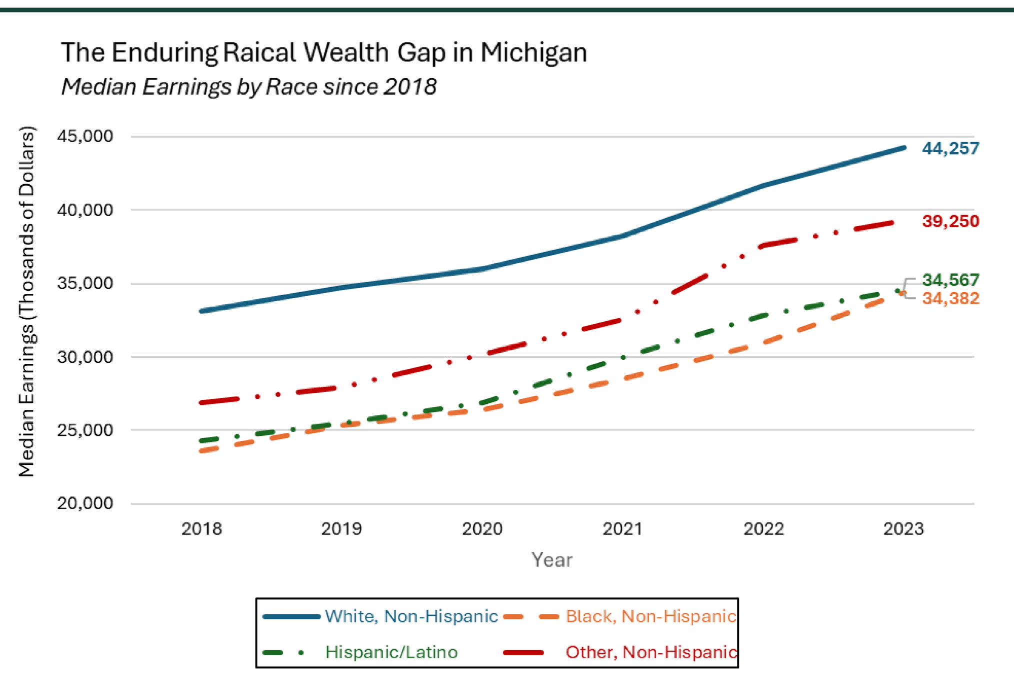
Legislative Comparison of Passed“Baby Bonds” Legislation

	Initial Deposit	Annual contributions from government	Estimated total endowment by adulthood	Family contributions allowed	Automatic enrollment	Universal eligibility
Connecticut (Passed)	$3,200	None; interest	$10,000-$12,000	Public or private sources can make gifts to the treasurer for the fund, but individual families cannot make specific contributions to their respective accounts	Yes	No; eligibility is limited to children from Medicaid-eligible households; all eligible children receive the same amount. There are no other additional coverage requirements for an eligible beneficiary or their family.
Washington D.C. (Passed)	$500	Up to $1,000 annual deposits plus, earnings	$15,000-$25,000	Family contributions not accepted	Yes	No; eligibility is limited to children in Medicaid eligible households with income below 300 percent of FPL; all receive same initial deposit; yearly deposits vary by income

Why “Baby Bonds” This Session?

Factors related to this gap

- Legacy of Systematic Discrimination for Wealth Building in the U.S. for Black and Brown people
- Income is not the Whole Story
- Differences in Asset Types that make up Portfolios
- Home Ownership and Home Equity Return



Using data from the American Community Survey, over a 6-year period, while median household incomes rose for all races in Michigan, the average Black and Hispanic or Latino household earned only about **77 percent** as much as white households

Policymakers Cannot Continue to Wait to Adress this Perpetual Problem

Methods

- Using a Multiple Streams (MS) analysis, I reviewed 60 pieces of media coverage of political debate and policy adoption related to “Baby Bonds” in Connecticut and Washington D.C. as they moved through their respective legislative bodies
- I adapted elements of the Nikolaos Zahariadis MS framing of streams and sub-elements to create guiding questions for how my research was collected

Example:

Problem Stream → **Focusing Events:** Is there a dramatic failure that leads to a condition becoming a problem? → **Indicators:** Are the conditions that policymakers and citizens want addressed routinely monitored? → **Load:** What are the already existing number of problems already being faced by the current administration? → **Feedback:** Is there a source of understanding conditions based on current program responses to the problem?

- Using the streams as a guide to understanding how “Baby Bonds” were passed, a narrative and strategy is able to be created for advocates in Michigan

Connecticut

Problem Stream: In 2021, Connecticut ranks number one in wealth inequality and in the disparity between races. COVID-19 and the Black Lives Matter protests magnify these disparities and pressure state officials to act on these issues. Connecticut also carries a notoriously large state debt issue that impedes any spending the government does.

Politics Stream: Democrats have enjoyed a trifecta in Connecticut state government for the past 15 years and therefore the focus of those in power will be on the dynamics of politics within the Connecticut Democratic Party whereby the moderate, white, suburban faction work with the progressive, non-white, urban faction.

Policy Stream: With moderates being in control of the legislature, “Baby Bonds” advocates sought out the support of the progressive wing of the party. Taking advantage of the part-time legislature, virtual formats for hearings, and political fallout of the Black Lives Matter and COVID-19 pandemic, a discrete campaign led to House Bill 6659 was able to pass into law in 2021, with an expectation that it would be fully funded by an automatic authorization for $600 million in government bonds over a 12-year period, $50 million per year.

Policy Window: With the opposition in Governor Ned Lamont’s office, derailing funding and implementation efforts across the government and the stepping down of Treasurer Shawn Wooden, a new compromise would have to made between the “Baby Bonds” advocates and the Lamont camp. A special reserve fund for teacher pensions was determined to no longer be needed and therefore bonds did not have to be used to fully fund the program. However, the leadership of new Treasurer Erik Russel and the leaders in the Black and Puerto Rican Caucus threatened to take a caucus position to ensure its passage as well.

Policy Entrepreneurs: While organizations like CTVoices and ACLU: Connecticut, who were long-time advocates for this program and testified in committee hearings in support of this program, also knew that their time and resources were limited. Both of these groups are large, encompassing organizations with many progressive priorities that don’t allow them to focus on one issue.

Washington D.C.

Problem Stream: In 2021, D.C. had a notoriously high explicitly racial wealth gap with the median wealth of a white household being 81 times that of a Black household. The D.C. Legislative Council was also facing pressure to address societal inequities in the political fallout of the Black Lives Matter movement and the COVID-19 pandemic. Also had an impressive budget shortfall issue, implicating cuts to new programs.

Politics Stream: Council members move unilaterally and achieve consensus prior to passing any budget items forward due to the unique process by which they get their approval by the U.S. Congress. They have been under total control of the Democratic party for long enough that any ideological differences come from individual council members different point of views.

Policy Stream: Taking advantage of COVID-19 conditions, Councilman Kenyan McDuffie quietly brought testimony from various advocacy groups to push forward a plan to fund “Baby Bonds”. The D.C. Office of the Chief Financial Officer (OFCO) took a neutral stance testifying before this bill, as they spoke to their ability to implement the bill as opposed to them wanting to make this policy happening.

Policy Window: Covid-19 allows for decisions by the council to be kept discrete in a virtual setting with low public visibility. However, after the error by the OFCO not fully funding the program and zeroing out the budget for this program, all after the Mayor Muriel Bowser office blamed the council for not fully funding the program. It took rallying around Councilman McDuffie and the threat of a veto for the funding to be restored.

Policy Entrepreneurs: Largely made up of McDuffie’s invited speakers to the bill, including Zero to Three, a D.C. based child advocacy organization, the Urban Institute, and Pew Charitable Trusts. All these organizations had the time and resources to promote the cause of “Baby Bonds” during the narrow window of the political fallout of the Black Lives Matter movement and the COVID-19 pandemic, giving it the support it needed to get it across the finish line.

What Michigan “Baby Bonds” Advocates Should do Going Forward?

Control the Narrative

- Michigan’s progressive wing will be able to get on board with the proposal no matter what, but they do not make up a majority of members in the Michigan House,
- Advocates need to consider what language works best to bring on both moderate Democrats and Republicans

Tactical Public Advocacy

- The aftermath of the COVID-19 pandemic and the Black Lives Matter protests served as focusing events to propel this policy proposal to the top of the policy agenda that demanded the current administrations to react to societal inequities
- Therefore, advocates in Michigan ought to not seek the ire of the Speaker Matt Hall and his preverbal “chainsaw” he appears to be taking to Michigan public spending

Strong Advocates outside of the Legislature

- Multiple forces came together to push this solution along to get it passed
  - For Michigan, this coalition could include organizations like Mothering Justice and Michigan’s Children and someone within MDHHS or Treasury Department are policy entrepreneurs that could help to push a supportive narrative for this policy
- Every time there was a threat to the passage of “Baby Bonds”, it came from the strong bonds formed by the advocates being temporarily impaired
  - Michigan advocates need to ensure that these coalitions are maintained throughout the legislative cycle as well as through the implementation cycle

Capstone Committee: Sarah Reckhow and Erika Rosebrook