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TESTIMONY SUBMITTED TO THE APPROPRIATIONS COMMITTEE  
MARCH 26, 2021

Senator Osten, Representative Walker, Senator Miner, Representative France, and distinguished members of the Appropriations Committee, thank you for the opportunity to submit testimony in support of **H.B. 6659 An Act Concerning the Establishment of the Connecticut Baby Bonds Trust.**

This proposal, which would establish a savings account for children born into poverty, is focused on addressing the long-standing economic inequality in our state. It will also address significant race-based wealth disparities and provide a long-term investment in our state's economy for years to come. This is an anti-generational poverty bill, a racial equity bill and an economic growth bill.

As we all know, poverty impacts children of all races in our state. In fact, there are more white children living in poverty than Black or Brown kids. However, I intend to focus here on the disparate impact on children of color. One of the most telling examples of ongoing inequities is the racial wealth gap - the vast difference in generational wealth between white families and families of color. When we discuss wealth, we are referring to the total of a family's assets - savings, real estate, businesses, etc. - minus debt. It is often the most complete picture of a family's economic health.

According to a 2019 report, the typical white family has 5 times the wealth as the typical Hispanic family and 8 times the wealth as the typical Black family.<sup>1</sup> The racial wealth gap persists even when Black and Brown families earn more money and have higher levels of education than white families. For example, a Black household headed by someone with an advanced degree has less wealth than a white household with only a high school diploma.<sup>2</sup> And for those in the top 10% of income, the median net worth for white families is still nearly 5 times the wealth of the median Black family in the same income bracket.<sup>3</sup>

Generational wealth is such a critical part of the broader discussion around inequality because for many families, it's the difference between being able to survive a financial emergency and facing financial ruin. The absence of wealth denies children access to quality education and their families access to good jobs and safe and affordable housing and healthcare. Lack of wealth also makes it more difficult for families and communities to break the cycle of poverty, which ultimately hurts the Connecticut economy overall.

The reason this severe gap exists can be tied directly to the systemic racism that has prevented Black and Brown families from being able to generate wealth. For example, the history of redlining and mortgage market discrimination meant that Black and Brown families are significantly less likely to be homeowners, which has been

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<sup>1</sup> <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>

<sup>2</sup> <https://www.washingtonpost.com/business/2020/06/04/economic-divide-black-households/>

<sup>3</sup> <https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/>

one of the primary ways families build and pass on wealth.<sup>4</sup> Persistent labor market discrimination and segregation means Black and Brown Americans have less access to good jobs that offer a livable wage and retirement benefits.<sup>5</sup>

Failure to address this issue would have severe repercussions for our economy. Studies done by McKinsey in 2019 and Citigroup in 2020 have found that failure to close the racial wealth gap, will cost our economy between \$1 and \$1.5 trillion over the next decade.<sup>6</sup> In other words, we can grow our national GDP by 4-6% by tackling these issues. It turns out that denying a large segment of the population access to a significant economic activity like homeownership and other avenues to build wealth is not good for the overall economy.

The most direct way to narrow this gap, and to build a stronger economy here in Connecticut, is for the state to establish a savings account for children who otherwise would not have access to generational wealth. A report from Columbia University analyzed the federal proposal to create a Baby Bonds program and found that it would nearly eliminate the racial wealth gap for young adults altogether.<sup>7</sup> This would be an incredible triumph for generations of families and would have long term beneficial impacts on the state's economy.

That is why I asked this committee to raise this bill. The Connecticut Baby Bonds program would create accounts for every baby born on HUSKY in Connecticut and deposit \$5,000 at birth. As you know and to be clear, Husky is a program available to all poor families in CT, irrespective of race or zip code. The accounts would be invested over a period of at least 18 years. Once a beneficiary turns 18, he or she would be eligible to access the funds to pay for higher education, to put towards buying a house, to invest in a business, or to contribute towards retirement savings.

There are a few issues that are not explicit in the bill as currently drafted that I would suggest JFS language to clarify. The first is the issue of where eligible expenditures must be spent. In the draft before you, a designated beneficiary may begin withdrawing funds at age 18 for education expenses, investment in a business, ownership of a home, or to contribute towards retirement savings. I ask the committee to further restrict the homeownership and business expenses so that they are utilized only in Connecticut. By ensuring that the funds are invested in Connecticut, Baby Bonds will help revitalize communities, keep young people in the state and generate economic growth right here at home.

The second clarification is to the process and timeline for claiming funds. The funds must be claimed by the time a designated beneficiary turns thirty, and he or she must be a Connecticut resident at the time of the claim. If the funds are not claimed for one of the eligible expenditures by age thirty or the beneficiary is no longer a Connecticut resident or is deceased, the funds are redistributed to fund accounts for future beneficiaries. I have provided language to the committee to include these restrictions.

Finally, in order to do a proper and accurate accounting of beneficiaries, we will need to create an information sharing mechanism with the Department of Social Services (DSS). I ask that explicit authority be granted in the language for my office to enter into a Memorandum of Understanding with DSS in order to freely share information about beneficiaries.

On personal note, growing up in the North End of Hartford, mere miles from our State Capitol Building, I saw the insidious effects of generational poverty and inequality firsthand. I often have to remind people that the likelihood that I would end up dead or in jail was much higher than becoming the State Treasurer. With great parents, a strong

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<sup>4</sup> <https://www.forbes.com/sites/brendarichardson/2020/06/11/redlinings-legacy-of-inequality-low-homeownership-rates-less-equity-for-black-households/>

<sup>5</sup> <https://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/>

<sup>6</sup> <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-economic-impact-of-closing-the-racial-wealth-gap#>

<sup>7</sup> <https://www.povertycenter.columbia.edu/news-internal/2019/1/18/cpsps-naomi-zewde-finds-that-baby-bonds-would-dramatically-reduce-racial-wealth-inequality>

work-ethic, and a little luck, I was able to make it, but when I think about so many of the people I grew up with who didn't, I know it is not simply because they didn't pull themselves up by their bootstraps. It's instead because there were just too - few - bootstraps to pull.

I share my story because for my neighborhood, and many neighborhoods throughout our state, I am the exception, not the rule -- and that needs to change.

This proposal is the kind of forward-thinking, long-term solution driven legislation that our state needs. To lay the groundwork to create a stronger, fairer, and more resilient state, Connecticut needs to start addressing the long-standing economic disparities that currently plague far too many communities across Connecticut and hurt our economy.

By taking bold action, we will not only change the life trajectories of thousands of individuals, but we will also generate economic growth that will benefit CT's economy in the long-term.

Thank you again for the opportunity to submit testimony in support of H.B. 6659. My office is available to answer any questions you may have. I urge the Committee to act favorably.