



State of Rhode Island
Office of the General Treasurer

James A. Diossa
General Treasurer

27 March 2025

The Honorable Marvin Abney
Chair, House Committee on Finance

The Honorable Members of the House Committee on Finance

RE: *Concerning 2025-H 5076, Article 10, Sections 3 and 4, Relating to the Rhode Island Baby Bond Trust Act*

Chair Abney:

I write in enthusiastic support of the Rhode Island Baby Bond Trust Act – my top priority as General Treasurer – included in Governor Daniel J. McKee’s proposed budget as Article 10, Sections 3 and 4 and introduced by Representative Joshua Giraldo as 2025-H 6071.¹ This legislation will help close the racial wealth gap and build *wealth* across Rhode Island while boosting economic output without reliance on direct taxpayer funding.

This budget article would create a \$3,000 trust for each Rhode Island child ages zero to one year born to a family enrolled in the Rhode Island Works Program (“RI Works”) during the preceding calendar year.² See R.I. Gen. Laws § 40-5.2-1, *et seq.* Using its financial expertise, these trusts would be managed and invested by the Office of the General Treasurer – in cooperation with third-party managers – until the child requests a disbursement. On turning 18, the child first becomes eligible to use seed capital and accrued interest upon turning 18, so long as they have lived in Rhode Island the two years immediately preceding the request for a disbursement. Program funds can be used for the following purposes: (a) to pursue higher education or vocational training in Rhode Island, (b) to purchase a home in Rhode Island, (c) to start a business with a principal place of business in Rhode Island, or (d) to support any investment in financial assets or personal capital that provides long-term gains to wages or wealth, as defined by regulation promulgated by the General Treasurer. Participants have until age 35 to claim program funds. Each child that claims

¹ The budget article and bill are identical in language and substance.

² For example, if a child is born to at least one parent that is enrolled in RI Works in calendar year 2027, that child will receive a \$3,000 Baby Bond Trust account beginning in calendar year 2028.

a disbursement will receive between \$10,000 and \$32,000, depending on the age of withdrawal and assuming a 7% rate of return (the same as the target return rate for state pension funds).

RI Works is a financial and employment assistance program – supported by federal Temporary Assistance for Needy Families (“TANF”) funds – intended for parents and families with little to no income who have children high school age or younger. To receive assistance under RI Works, an individual must have a dependent child or be pregnant, satisfy certain income and asset limitations, meet work requirements, maintain U.S. Citizenship, and reside in Rhode Island. *See* R.I. Gen. Laws § 40-5.2-9; R.I. Gen. Laws § 40-5.2-10. Consistent with the enabling statute, RI Works is intended “to help parents who are eligible for cash assistance to support their children by preparing for, accepting, and retaining employment.” R.I. Gen. Laws § 40-5.2-2 (a); *see also* R.I. Gen. Laws § 40-5.2-3. By fostering long-term employment and economic stability, the program aims to “promote economic interdependence” of Rhode Island’s lowest-income families. The Baby Bonds Trust Act shares this legislative intent by creating wealth-building opportunities for children born into those families.

Based on data provided by the Department of Human Services (“DHS”), the state added 151 newborns to RI Works cases in 2023. DHS represents this number has remained relatively consistent year-to-year, providing a measure of predictability in planning annual allocations.

I. Program Funding

As proposed, the budget article will take effect July 1, 2026. It will have *no impact* on the Fiscal Year 2025 budget. Thereafter, the Rhode Island Baby Bond Trust would be wholly financed by unclaimed property remittances. **As such, this program will not rely on direct taxpayer dollars and will not require an annual budget allocation.** Each year, unclaimed property that is not paid out to claimants is sent to the general fund. *See* R.I. Gen. Laws § 33-21.1-23(a) (“[T]he administrator shall promptly deposit in the general fund of this state all funds received under [the unclaimed property statute].”). Over the past five years, this has resulted in an average of \$16.9 million dollars³ remitted to the general fund because of Treasury’s efforts to identify and recover unclaimed property belonging to Rhode Island and its residents.

Under this proposal, \$3,000 would be set aside for each child eligible for the Baby Bond Trust program in the preceding fiscal year. The remainder would be deposited in the general fund. **This allocation does not represent an additional appropriation to Treasury.** Rather, it would be funds that are simply not received by the general fund (as may be the case if more claims are paid out in a given year, or less funds identified and recovered). Further, Rhode Islander’s with unclaimed property **will still be able to recover unclaimed funds.** Though the Program relies on unclaimed property remittances, the state accepts more in unclaimed property than it is able to

³ Remittances over the past five years have generally increased: **FY2020:** \$12,080,721, **FY2021:** \$16,269,787, **FY2022:** \$19,003,313, **FY2023:** \$14,988,458, **FY2024:** \$22,292,320. Treasury expects this upward trajectory to continue.

return in any given year.⁴ **As such, the state has more than sufficient reserves to support low-income children without interruption of the state Unclaimed Property Program.**

II. Policy Rationale

The Baby Bonds Trust Act represents a long-term investment, not in stocks and bonds but in the *people* of Rhode Island. Alongside Governor McKee’s efforts to raise incomes for families statewide, the Baby Bonds Trust Act will be a momentous leap towards closing wealth gaps that are so prevalent here and across our country. “According to the 2019 Survey of Consumer Finances, the typical White family’s net worth in the U.S. is roughly \$190,000, while the typical Black family’s is less than 15% of that at \$24,000.” *Baby Bonds Task Force Findings Report*, Office of the Treasurer and Receiver General of Massachusetts, at 12 (2022). Such a striking figure is clear evidence of the generational disparities faced by minority populations in Rhode Island and elsewhere.

This Act also represents an investment in the state itself. By law, these funds would be spent *entirely* in Rhode Island. **Consequently, this investment would engage a *new* segment of the population to spur *new* economic activity to generate economic growth.** A recent study by the Brookings Institute estimates “that economic output in the U.S. would be \$22.9 trillion higher today if opportunities and outcomes around employment and education had been equally distributed by race and ethnicity.” *Baby Bonds Task Force Findings Report*, at 12. It also provides an incentive for children raised in Rhode Island to stay in Rhode Island, a problem that local policymakers have sought a solution to for decades.

If you have any further questions, please do not hesitate to reach out to me directly or to my Director of Policy and Intergovernmental Affairs, Robert Craven, at Robert.CravenJr@treasury.ri.gov.

Respectfully,



James A. Diossa
General Treasurer

⁴ Through recent efforts, the state has been successful in retrieving *even more* unclaimed property rightfully belonging to Rhode Island residents. The state expects this number to increase pending the outcome of 2025-H 5740 and recent federal developments permitting states to recover unclaimed retirement funds.