



Committee: GO
Committee Review: At a future date
Staff: Christine Wellons, Senior Legislative Attorney
Purpose: To introduce agenda item – no vote expected
Keywords: #BabyBonds

AGENDA ITEM #1A
March 19, 2024
Introduction

SUBJECT

Bill 5-24, Finance – Child Investment Fund

Lead Sponsors: Councilmembers Jawando and Albornoz

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- N/A

DESCRIPTION/ISSUE

Bill 5-24 would:

- (1) establish a non-lapsing Child Investment Fund administered by the Department of Finance;
- (2) prescribe the permitted uses of the fund;
- (3) establish individual eligibility requirements to seek disbursements from the fund;
- (4) require the Department of Finance to issue annual reports regarding the fund;
- (5) establish a Child Investment Fund Advisory Committee; and
- (6) generally amend the law regarding County investment funds for children.

SUMMARY OF KEY DISCUSSION POINTS

- N/A

This report contains:

Staff Report	Pages 1-2
Bill 5-24	© 1
Sponsors' Memorandum	© 8
Policy Brief	© 10

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MEMORANDUM

March 14, 2024

TO: County Council

FROM: Christine Wellons, Senior Legislative Attorney

SUBJECT: Bill 5-24, Finance – Child Investment Fund

PURPOSE: Introduction – no Council votes required

Bill 5-24, Finance – Child Investment Fund, sponsored by Lead Sponsors Councilmembers Jawando and Alborno, is scheduled for introduction on March 19, 2024. A public hearing will be scheduled at a later date. The bill will be considered before the Government Operations and Fiscal Policy Committee.

Bill 5-24 would:

- (1) establish a non-lapsing Child Investment Fund administered by the Department of Finance;
- (2) prescribe the permitted uses of the fund;
- (3) establish individual eligibility requirements to seek disbursements from the fund;
- (4) require the Department of Finance to issue annual reports regarding the fund;
- (5) establish a Child Investment Fund Advisory Committee; and
- (6) generally amend the law regarding County investment funds for children.

BACKGROUND

The purpose of the bill would be to reduce wealth inequity in the County by establishing a non-lapsing fund to invest public monies for the ultimate benefit of children in low-income families in the County.

BILL SPECIFICS

Bill 5-24 would create a Child Investment Fund managed by the Director of Finance, with the guidance of a 13-member appointed and *ex officio* advisory committee. Subject to appropriation, the County would place into the fund \$1,800 per child born as a resident in the County.

Between the ages of 18 and 36, the resident child – subject to income or wealth requirements that would be developed with the assistance of the advisory committee – would be eligible to apply for disbursements from the fund.

The disbursements would be required to be used by recipients solely for:

- vocational or academic educational expenses;
- ownership of a business located in the County;
- investment in a business located in the County;
- ownership of real property in the County; or
- retirement investments.

This packet contains:

Bill 5-24

Sponsors' Memorandum

Policy Brief

Circle #

1

8

10

Bill No. 5-24
Concerning: Finance – Child Investment Fund
Revised: 3/14/2024 Draft No. 7
Introduced: March 19, 2024
Expires: December 7, 2026
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Councilmembers Jawando and Albornoz

AN ACT to:

- (1) establish a non-lapsing Child Investment Fund administered by the Department of Finance;
- (2) prescribe the permitted uses of the fund;
- (3) establish individual eligibility requirements to seek disbursements from the fund;
- (4) require the Department of Finance to issue annual reports regarding the fund;
- (5) establish a Child Investment Fund Advisory Committee; and
- (6) generally amend the law regarding County investment funds for children.

By adding

Montgomery County Code
Chapter 20, Finance
Article XVIII, Child Investment Fund
Sections 20-85, 20-86, 20-87, 20-88, 20-89, 20-90, and 20-91.

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Sections 20-85, 20-86, 20-87, 20-88, 20-89, 20-90, and 20-91 are**
2 **added as follows:**

3 **Article XVIII. Child Investment Fund**

4 **20-85. Definitions.**

5 In this Article, the following terms have the meanings indicated.

6 Committee means the Child Investment Fund Advisory Committee established
7 under Section 20-90.

8 Disbursement means the sum of:

- 9 (1) the amount designated per eligible child under Section 20-89(a)
10 during the birth year of the eligible applicant; plus
- 11 (2) any earnings and interest attributable to the designated amount
12 since the birth year of the eligible applicant.

13 Eligible child means an individual born on or after January 1, 2024 who was a
14 resident of the County at the time of birth.

15 Eligible applicant means a County resident who:

- 16 (1) is between the ages of 18 years and 36 years;
- 17 (2) was an eligible child; and
- 18 (3) resides in the County at the time of application.

19 Department means the Department of Finance.

20 Director means the Director of the Department.

21 Fund means the Child Investment Fund established under this Article.

22 **20-86. Child Investment Fund – established.**

- 23 (a) There is a Child Investment Fund administered by the Director.
- 24 (b) The Fund must be continuous and non-lapsing.
- 25 (c) The Fund consists of:
26 (1) funds appropriated to it by the County Council;

- 27 (2) any earnings on investments of the Fund;
- 28 (3) interest earned on money in the Fund; and
- 29 (4) funds received from any other public or private entity.
- 30 (d) The Fund:
 - 31 (1) has no beneficiaries; and
 - 32 (2) must not be construed to create any debt of the County.
- 33 (e) Until a disbursement is made to an eligible applicant under Section 20-
- 34 88:
 - 35 (1) the eligible applicant does not have any property interest or right
 - 36 to the disbursement; and
 - 37 (2) the disbursement must not be construed as an asset or income of
 - 38 the eligible applicant.

20-87. Uses of the Child Investment Fund.

- 40 (a) The Director must use the Fund solely to:
 - 41 (1) subject to the availability of funds, make disbursements to eligible
 - 42 applicants under Section 20-88;
 - 43 (2) pay the cost of administering the Fund; and
 - 44 (3) if deemed appropriate by the Director, procure the services of an
 - 45 independent fiduciary to manage the investments of the money in
 - 46 the Fund.
- 47 (b) The Director must publish a report annually, for the prior fiscal year,
- 48 regarding:
 - 49 (1) the income and expenses of the Fund;
 - 50 (2) the uses of the Fund;
 - 51 (3) the investments of the money in the Fund; and

52 (4) demographic information, including racial, ethnic, and gender
 53 information, about eligible applicants who received disbursements
 54 from the Fund.

55 **20-88. Disbursements to eligible applicants.**

56 (a) An eligible applicant may apply to the Director for a disbursement from
 57 the Fund under this Section.

58 (b) To receive a disbursement, the eligible applicant must:

59 (1) apply in the form and manner specified by the Director;

60 (2) demonstrate that the applicant meets the definition of an eligible
 61 applicant under Section 20-85; and

62 (3) agree in writing to use the disbursement solely for:

63 (A) vocational or academic educational expenses;

64 (B) ownership of a business located in the County;

65 (C) investment in a business located in the County;

66 (D) ownership of real property in the County; or

67 (E) retirement investments.

68 (c) To reduce wealth inequity in the County, the Council intends, prior to the
 69 first disbursement from the Fund, to establish:

70 (1) additional eligibility standards regarding financial resources,
 71 including income or net worth criteria, required to receive
 72 disbursements from the Fund; and

73 (2) tiered disbursement levels from the Fund, based upon financial
 74 need as reflected under the additional eligibility standards.

75 (d) The Director may require the eligible applicant to demonstrate that a
 76 disbursement is used solely for the purposes stated under subsection
 77 (b)(3).

78 **20-89. Annual Appropriations to the Fund.**

79 Subject to appropriation, the County must allocate to the Fund annually an
 80 amount sufficient to invest \$1,800 per eligible child estimated to be born during
 81 the fiscal year.

82 **20-90. Child Investment Advisory Committee - Established.**

83 (a) There is a Child Investment Advisory Committee.

84 (b) The Committee consists of:

85 (1) the following ex-officio members:

86 (A) the Director, or the director's designee; and

87 (B) the Director of the Department of Health and Human
 88 Services, or the director's designee; and

89 (2) the following 11 members appointed by the County Executive,
 90 subject to Council confirmation:

91 (A) 3 members from communities with lived experience of
 92 poverty;

93 (B) 3 members representing non-profit organizations that serve
 94 communities experiencing poverty;

95 (C) 1 member representing individuals with developmental
 96 disabilities;

97 (D) 1 member representing higher education institutions;

98 (E) 1 member representing trades or apprenticeship training;

99 (F) 1 member representing a financial institution; and

100 (G) 1 member representing a chamber of commerce.

101 (c) Committee membership should reflect regional, racial, cultural, and
 102 socioeconomic diversity to adequately represent the needs of all families
 103 in the County.

- 104 (d) The Director, or the Director’s designee, must chair the committee.
- 105 (e) The committee must review the following topics and make
- 106 recommendations to the County on:
- 107 (1) the efficient distribution of funds;
- 108 (2) the adequacy of the eligibility criteria;
- 109 (3) the scope of eligible expenditures;
- 110 (4) the status of the fund and fund performance relative to the
- 111 programmatic objectives and goals;
- 112 (5) investment opportunities;
- 113 (6) opportunities to establish public-private partnerships; and
- 114 (7) other policy considerations that may arise and be pertinent to the
- 115 programmatic elements of the program.
- 116 (f) The Department must provide staff support to the committee.
- 117 (g) The committee must provide a written report to the County Executive and
- 118 the Council, at least annually, regarding the recommendations of the
- 119 committee under subsection (e).

20-91. Regulations.

The Director may promulgate Method (2) regulations to implement the requirements of this Article, including regulations to establish:

- 123 (1) application processes and procedures to qualify to receive
- 124 disbursements from the Fund;
- 125 (2) investment policies for the Fund; and
- 126 (3) the verification of eligible uses of Fund disbursements under
- 127 subsection (c) of Section 20-88.

Sec. 2. Income or Net Worth Eligibility Requirements. The Child Investment Advisory Committee established under this Act must submit to the County Council,

130 no later than January 1, 2026, written recommendations regarding: (1) financial
131 eligibility requirements to receive disbursements under the Act; and (2) tiered
132 disbursement levels based upon applicants' financial resources. The recommendations
133 must reflect the Council's legislative intent to reduce wealth inequity, as articulated
134 under Section 1 of this Act.



MEMORANDUM

March 12, 2024

TO: Montgomery County Council

FROM: Councilmember Will Jawando
Councilmember Gabe Albornoz

SUBJECT: Proposed Bill 5-24, Child Investment Fund

On Tuesday, March 19, we will introduce Bill 5-24, Child Investment Fund. The Bill will establish a non-lapsing fund administered by the Department of Finance and create a Child Investment Fund Advisory Committee. The bill will encourage young people to stay and build their future in Montgomery County, thereby investing in the county and addressing the racial wealth gap.

Every child and family deserves an opportunity to build financial security and wealth, regardless of their race, economic background, or zip code. The Council has worked on innovative strategies to address the racial wealth gap in our county. In 2022, we launched MoCoBOOST, the first guaranteed income pilot in Maryland to provide direct cash assistance to 300 households in Montgomery County. Today, we are excited to continue the important work of expanding opportunity by creating a fund to support young adults in making a strong financial start and contributing to our county.

In the United States, wealth is often a determinant of outcomes related to access to education, housing, and economic opportunities. From the institution of slavery to redlining, racial covenants, de jure and de facto segregation, to historically segregated schools and public facilities, disparities exist today in our county related to our economic, health, and educational indicators. The racial wealth gap is particularly acute. For example, in 2021, a White household had 9.2 times and 5.1 times as much wealth as a Black or Hispanic household, respectively.¹ In Montgomery County in 2022, the highest 20% of earners took home 15.4 times as much as the lowest 20% of earners.²

The Child Investment Fund will help address systemic racial inequities and help dismantle barriers to building generational wealth. This proposed fund is grounded in research as well as best practices from existing and proposed policies across the United States.

Bill 5-24 establishes the fund and the County appropriates funds annually based on estimated birth rates. The Fund will be administered by the Department of Finance and the Child Investment Fund Advisory Committee (CIFAC) will advise the Council and County Executive and establish criteria for distributing funds to eligible applicants based on financial tiers.

Children born in Montgomery County on or after January 1, 2024, would be eligible for the fund. When an eligible child reaches age 18, they can apply for a fund disbursement. Applicants must be county

¹ [Pew Research Center](#)

² [FRED Economic Data](#), updated December 2023

residents at the time of application and funds are restricted for uses related to vocational or higher education, entrepreneurship, purchasing of real estate in the county, and retirement investments.

The Child Investment Fund provides an opportunity to advance economic justice by boosting generational wealth in historically marginalized populations and will help to reduce the racial wealth gap. We look forward to discussing the proposed legislation with you.

Please reach out to Christina Neidlinger and Marisa Van Saanen in Councilmember Jawando's office and Pamela Lockett in Councilmember Albornoz's office if you wish to co-sponsor or have questions.



OVERVIEW

Councilmembers Will Jawando and Gabe Albornoz are sponsoring the **Child Investment Fund (CIF)**, to invest in Montgomery County's young people, who are the future of our community.

Each year, based on the number of babies born in Montgomery County, the County will allocate funds that grow in an interest bearing account over time. Once a child turns 18 years old and is a resident of the county, they are eligible to withdraw from the fund to support vocational or educational expenses, investment in a business in the county, purchasing property in the county, or retirement investments. Payments will be made progressively based on wealth and income at the time of application.

The bill would encourage young people to build their future in Montgomery County, thereby investing in the county and addressing the racial wealth gap. This small investment has an exponentially positive impact for years to come.

WHY IT MATTERS

Often referred to as "Baby Bonds," this type of program is projected to reduce racial wealth disparities.¹ **This program provides increased opportunity for all residents to thrive.**

While some families can make investments to support their children, many are not able to do so because of a lack of resources. Systemic barriers to generational wealth-building include pay disparities, educational inequities, discriminatory financial practices, and housing discrimination.²

The racial wealth gap is particularly acute. In 2021, a White household had 9.2 times and 5.1 times as much wealth as a Black or Hispanic household, respectively.³ In Montgomery County in 2022, the highest 20% of earners took home 15.4 times as much as the lowest 20% of earners.⁴

¹ Zewde. (2019). <https://journals.sagepub.com/doi/10.1177/0034644619885321>
²Centers for American Progress

³ Pew Research Center

⁴ FRED Economic Data, updated December 2023

SIMILAR LEGISLATION

As of January 2023, there were three enacted and nine proposed laws across the United States, mostly at the state level. Washington, D.C. and Connecticut established their programs in 2021; California in 2022.⁵

There is a significant body of research exploring the key characteristics and outcomes of successful policies. Prosperity NOW, CASH Campaign of Maryland, and ACLU all support the concept at the heart of this legislation.^{6,7,8}

PROPOSED LEGISLATION

Establishes the Child Investment Fund

- On an annual basis, the County would use estimated birth rates to invest \$1,800 per child expected to be born that year.
- Funds are subject to appropriation.

Establishes the Child Investment Fund Advisory Committee

- 11-member committee appointed by the County Executive and confirmed by the County Council.
- The committee oversees the fund and advises the County Council.

Fund Eligibility

- Eligible children must be born in Montgomery County on or after Jan 1, 2024.
- Eligible children can apply for funds once they turn 18 years old (up to age 36), and must be a county resident.
- Payments are based on wealth and income at the time of application.

Fund Usage

- Vocational or educational expenses.
- Ownership or investment in a business located in the county.
- Purchasing property in the county.
- Retirement investments.

⁵ Brown, Biu, Harvey, & Shanks. (2023). [The State of Baby Bonds](#).

⁶ Prosperity Now "A Brighter Future with Baby Bonds"

⁷ CASH Campaign 2024 Legislative Priorities

⁸ ACLU Support for Baby Bonds



FAQs

Question: Will the \$1,800 be set aside for an individual child at birth?

Answer: No. Funds are allocated based on estimated births in the county.

Question: Will my baby qualify for an investment regardless of my income?

Answer: Yes. The qualifications for fund disbursement is based on the eligible applicant's income and other factors at the time of disbursement. Payments will be made progressively based on wealth and income at the time of application. The Child Investment Fund Committee will outline the criteria for disbursements to ensure that the adults with the least amount of personal wealth are able to benefit most from the investment fund.

Question: How do I learn more about the CIF and baby bonds?

Answer: There will be many opportunities to learn more about this innovative program and add your voice!

- **Participate** in the public hearing.
- **Follow** the discussion with the council committee.
- **Share** your feedback to Councilmembers Jawando and Albornoz.

LEGISLATIVE CONTACTS

WILL JAWANDO
COUNCILMEMBER AT-LARGE
PROGRESS | OPPORTUNITY | TOGETHER

Christina Neidlinger (she/her)

Senior Legislative Aide

Health & Human Services

christina.neidlinger@montgomerycountymd.gov

Marisa Van Saanen

Senior Legislative Aide

Government Operations & Fiscal Policy

marisa.vansaanen@montgomerycountymd.gov

Michelle Whittaker

Chief of Staff

michelle.whittaker@montgomerycountymd.gov



Pamela Luckett

Director

Strategic Policy Initiatives

pamela.luckett@montgomerycountymd.gov

Beth Shuman

Chief of Staff

beth.shuman@montgomerycountymd.gov