

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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SENATE BILL 869

Short Title: Baby Bond Trust Fund. (Public)

Sponsors: Senators Meyer, Salvador, and Murdock (Primary Sponsors).

Referred to: Rules and Operations of the Senate

May 6, 2024

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE BABY BOND TRUST FUND AND TO APPROPRIATE
3 MONEY FOR PURPOSES CONSISTENT WITH THAT FUND.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Chapter 147 of the General Statutes is amended by adding a new
6 Article to read:

7 "Article 6H.

8 "Baby Bond Program Trust Fund.

9 **"§ 147-86.90. Policy and definitions.**

10 (a) Policy. – The General Assembly of North Carolina hereby finds and declares that
11 making a financial investment in the children of this State who come from limited economic
12 means and encouraging those children and their families to invest in their future financial success
13 is fully consistent with and furthers the long-established policy of the State to provide tools that
14 strengthen opportunities for personal economic development and long-term financial planning.

15 (b) Definitions. – The following definitions apply in this Article:

16 (1) Account holder. – An eligible individual who is the owner of an individual
17 account.

18 (2) Board. – The Baby Bond Program Trust Fund Board of Trustees established
19 in G.S. 147-86.92.

20 (3) Code. – The Internal Revenue Code, as defined in G.S. 105-228.90.

21 (4) Department. – The Department of State Treasurer.

22 (5) Eligible individual. – An infant born on or after January 1, 2024, who meets
23 all of the following:

24 a. Is born to a parent who (i) is a resident of this State, as defined in
25 G.S. 105-153.3, or (ii) establishes residence in this State within six
26 months of the infant's birth.

27 b. Resides in a household having an annual household income that does
28 not exceed two hundred percent (200%) of the federal poverty level.

29 (6) Federal poverty level. – A measure of income promulgated annually by the
30 United States Department of Health and Human Services.

31 (7) Fund. – The Baby Bond Program Trust Fund established in G.S. 147-86.91.

32 (8) Household income. – Income as defined in 7 C.F.R. §§ 245.2 and 245.6 or
33 any superseding federal law.

34 (9) Individual account. – An account established within the Baby Bond Program
35 Trust Fund for an eligible individual pursuant to G.S. 147-86.91.



1 (10) Office of Vital Records. – The Office of Vital Records of the Division of
2 Public Health of the North Carolina Department of Health and Human
3 Services.

4 **"§ 147-86.91. Baby Bond Program.**

5 (a) Baby Bond Program Trust Fund. – There is created in the Department of State
6 Treasurer the Baby Bond Program Trust Fund to be administered by the Baby Bond Program
7 Trust Fund Board of Trustees established in G.S. 147-86.92. The Fund is created and shall be
8 administered (i) to establish and fund individual accounts in the amount of two thousand dollars
9 (\$2,000) for the financial benefit of eligible individuals and (ii) to enable contributors to save
10 funds and increase the likelihood of the account holder's future financial success.

11 (b) Accounts. – The following provisions apply to an individual account:

12 (1) The Board shall establish an individual account for each eligible individual
13 using the information provided to the Board by the Office of Vital Records
14 pursuant to subdivision (2) of this subsection. The Board shall notify the
15 Department of every individual account that is established.

16 (2) Every month, the Office of Vital Records shall transmit to the Board the name,
17 address, and social security number of all eligible individuals for whom the
18 Office of Vital Records received a birth or death certificate during that time.

19 (3) Within 30 days of notification by the Board pursuant to subdivision (1) of this
20 subsection, the Department shall transfer a one-time deposit of two thousand
21 dollars (\$2,000) into the individual account of each new eligible individual.

22 (4) The Board shall assign a unique personal identifier for every individual
23 account that is established.

24 (5) Any person may make contributions to an individual account in a manner
25 approved by the Board.

26 (c) Contributions. – The Board is authorized to accept, hold, invest, and disburse
27 contributions, and interest earned on such contributions, from contributors as trustees of the
28 Fund. The Board shall hold all contributions to the Fund, and any earnings thereon, in the Fund
29 and shall invest the contributions in accordance with this section. The assets of the Fund shall at
30 all times be preserved, invested, and expended for the purpose of providing benefit to account
31 holders and paying reasonable expenses of administering the Fund and investing the assets of the
32 Fund. Nothing in this Article shall be construed to prohibit the Board from accepting, holding,
33 and investing contributions from contributors who reside outside of North Carolina. Neither the
34 contributions to the Fund, nor the earnings thereon, shall be considered State monies, assets of
35 the State, or State revenue for any purpose. An individual account, or a legal or beneficial interest
36 in an account, is not subject to attachment, levy, or execution by a creditor of the account holder.

37 (d) Distributions. – Distributions from individual accounts shall occur as follows:

38 (1) Except as provided in subdivision (2) of this subsection, money may not be
39 distributed from an individual account before an account holder is 18 years
40 old.

41 (2) An account holder may request a distribution from the account holder's
42 individual account before the account holder is 18 years old to pay for the
43 "qualified tuition expenses" of the account holder, as that term is defined in
44 section 25A of the Code.

45 (3) After an account holder is 18 years old or older, the Board may distribute
46 money from an individual account only if the account holder establishes that
47 the money is to be used for one or more of the following purposes:

48 a. The account holder's postsecondary education expenses.

49 b. The account holder's purchase of a primary residence.

50 c. The account holder's qualified business capitalization expenses, as
51 approved by the Board.

- 1 d. The account holder's investment in financial assets or personal capital
2 that provides long-term gains to wages and wealth, as approved by the
3 Board.
- 4 (4) For an account holder to request a distribution from the account holder's
5 individual account, the account holder must be a resident of this State.
- 6 (5) If the account holder is 25 years old or older and has been a resident of another
7 state for five or more consecutive years, the money in the account holder's
8 individual account is presumed abandoned and is subject to the provisions of
9 Chapter 116B of the General Statutes.
- 10 (6) If an account holder dies with a balance in an individual account that is greater
11 than zero, the Board shall close the individual account and do one of the
12 following, as applicable, upon receipt of notice of the account holder's death:
- 13 a. Transfer the balance in the individual account to the individual account
14 of the account holder's surviving spouse.
- 15 b. Transfer the balance to the duly appointed legal representative of the
16 account holder's estate.
- 17 c. Transfer the balance to an individual otherwise entitled to the balance
18 under the laws of this State.
- 19 (e) Limitations. – The Board, in administering the Fund, shall ensure each of the
20 following:
- 21 (1) An eligible individual is limited to one individual account.
- 22 (2) An individual account or a legal or beneficial interest in an individual account
23 is not assignable, pledged, or otherwise used to secure or obtain a loan or other
24 advancement.
- 25 (3) Separate records and accounting are maintained for each individual account.
- 26 (4) Reports are made no less frequently than annually to each account holder.
- 27 (5) A trustee or guardian appointed as a signatory of an individual account does
28 not have or acquire any beneficial interest in the account and administers the
29 account for the benefit of the account holder.
- 30 (f) Notification to Parents. – The Board shall notify the parents of each eligible individual
31 for whom an individual account is established under subsection (b) of this section of the
32 following:
- 33 (1) The unique personal identifier associated with the account.
- 34 (2) Information about the individual account, including (i) instructions on how to
35 contribute to the account and (ii) the distribution requirements for accounts.
- 36 (3) Financial literacy information related to (i) budgets and savings accounts, (ii)
37 credit and interest, (iii) how to use financial services, and (iv) any other
38 financial literacy information that the Board deems appropriate.
- 39 (g) Notification to the Public. – The Board shall provide the public with information
40 about the Fund, including information on eligibility criteria, the contribution process, and the
41 distribution requirements for individual accounts.
- 42 **"§ 147-86.92. Baby Bond Program Board of Trustees.**
- 43 (a) Board Established. – There is established a Baby Bond Program Trust Fund Board of
44 Trustees to provide oversight of the general administration and proper operation of the Fund and
45 to determine the appropriate investment strategy for the Fund. The Board shall consist of the
46 following six members:
- 47 (1) The State Treasurer, ex officio, or the State Treasurer's designee, as chair.
- 48 (2) The Commissioner of Banks, ex officio, or the Commissioner of Banks'
49 designee.
- 50 (3) The Secretary of the North Carolina Department of Health and Human
51 Services, ex officio, or the Secretary's designee.

- 1 (4) A person appointed by the Governor having experience in investments and
2 finance.
- 3 (5) A person appointed by the General Assembly, upon recommendation of the
4 President Pro Tempore of the Senate, having experience in investments and
5 finance.
- 6 (6) A person appointed by the General Assembly, upon recommendation of the
7 Speaker of the House of Representatives, having experience in investments
8 and finance.
- 9 (b) Terms. – The members of the Board, except those members serving in an ex officio
10 capacity, shall be appointed for terms of three years and shall serve until their successors are
11 appointed and qualified. Vacancies are filled in the same manner as the original appointment. No
12 appointed member of the Board may serve longer than any of the following:
- 13 (1) Two consecutive three-year terms.
- 14 (2) Three consecutive terms of any length, in the event that one or more of the
15 terms is for less than three years in duration or the member serves a partial
16 term as a result of filling a vacancy.
- 17 (3) Eight consecutive years, regardless of term lengths.
- 18 (c) Duties. – The Board is authorized to:
- 19 (1) Delegate the authority to the State Treasurer to develop and perform all
20 functions necessary and desirable to (i) implement the investment strategy of
21 the Board, (ii) ensure the sustainability and growth of the Fund, and (iii)
22 provide other services as the Board shall deem necessary to facilitate
23 participation in the Fund.
- 24 (2) Notwithstanding the provisions of Article 3 of Chapter 143 of the General
25 Statutes, engage the services of consultants on a contract basis for rendering
26 professional and technical assistance and advice.
- 27 (3) Retain the services of auditors, attorneys, investment counseling firms,
28 custodians, or other persons or firms possessing specialized skills or
29 knowledge necessary for the proper administration of investment programs
30 that the Board administers pursuant to this Article.
- 31 (4) Develop marketing plans and promotional material.
- 32 (5) Establish the methods by which distributions from individual accounts shall
33 occur.
- 34 (6) Establish the method by which funds shall be allocated to pay for
35 administrative costs.
- 36 (7) Do all things necessary and proper to carry out the purposes of this act.
- 37 (d) Investments. – The Board shall determine and document in an investment policy
38 statement an appropriate investment strategy for the Fund containing one or more forms of
39 investment or strategies for investment from which account owners may select. The Board shall
40 authorize the State Treasurer to be responsible for engaging and discharging investment
41 managers and service providers, including contracting and contract monitoring, to implement the
42 investment strategy established by the Board. All amounts maintained in an individual account
43 shall be invested according to the account owner's election of one or more of the strategies
44 approved by the Board. Each strategy may include a combination of fixed income assets and
45 preferred or common stocks issued by any company incorporated, or otherwise located within or
46 outside the United States, or other appropriate investment instruments to achieve long-term return
47 through a combination of capital appreciation and current income. If the Board approves multiple
48 forms of investment as investment strategy options, transfers of an account owner's accumulated
49 funds shall be permitted among the various approved forms of investments, subject to reasonable
50 restrictions approved by the Board.

1 (e) Discharge of Duties by the Board. – The assets of the Fund shall be held in trust for
2 the account holders. The assets of the Fund shall at all times be preserved, invested, and expended
3 for the exclusive purpose of providing benefits to account holders and paying reasonable
4 expenses of administering the Fund and investing the assets of the Fund. Compliance by the
5 Board with this section must be determined in light of the facts and circumstances existing at the
6 time of the Board's decision or action and not by hindsight. The Board shall discharge its duties
7 with respect to the Fund as follows:

8 (1) Solely in the interest of the account holders.

9 (2) With the care, skill, and caution under the circumstances then prevailing that
10 a prudent person acting in a like capacity and familiar with those matters
11 would use in the conduct of an activity of like character and purpose.

12 (3) Impartially, taking into account any differing interests of account holders.

13 (4) Incurring only costs that are appropriate and reasonable.

14 (5) In accordance with a good-faith interpretation of the law governing the Fund.

15 (f) Immunity. – A person serving on the Board shall be immune individually from civil
16 liability for monetary damages, and exempt to the extent covered by insurance, for any act or
17 failure to act arising out of that service except where any of the following apply:

18 (1) The person was not acting within the scope of that person's official duties.

19 (2) The person was not acting in good faith.

20 (3) The person committed gross negligence or willful or wanton misconduct that
21 resulted in the damages or injury.

22 (4) The person derived an improper personal financial benefit, either directly or
23 indirectly, from the transaction.

24 (g) Report. – The Board shall submit an annual evaluation of the Fund and prepare and
25 submit an annual report of such evaluation to the Joint Legislative Economic Development and
26 Global Engagement Oversight Committee.

27 **§ 147-86.93. Administration of Baby Bond Program.**

28 (a) Administration. – The Board may delegate to the State Treasurer the authority to
29 develop and perform all functions necessary and desirable to (i) administer the Fund in such a
30 manner as to meet and comply with the requirements of this act, (ii) implement the investment
31 strategy established by the Board, and (iii) provide such other services as the State Treasurer
32 shall deem necessary to facilitate participation in the Fund. The State Treasurer is further
33 authorized to obtain the services of such investment managers, investment advisors, service
34 providers, or program managers as may be necessary for the proper administration, marketing,
35 and investment of the Fund.

36 (b) Disclaimer. – Nothing in this section shall be construed to create any obligation of the
37 State Treasurer, the State, or any agency or instrumentality of the State to guarantee for the
38 benefit of any parent, other interested party, or designated beneficiary the rate of return or other
39 return for any contribution to the Fund and the payment of interest or other return on any
40 contribution to the Fund.

41 (c) Fees and Costs. – The State Treasurer may establish application, account, and
42 administration fees in an amount not to exceed the amount necessary to offset the costs of the
43 program. The following costs may be paid directly from the Fund:

44 (1) The costs of administration, management, investment, and operation of the
45 Fund.

46 (2) The costs of all actions authorized by the Board.

47 (3) The costs of all actions delegated to the State Treasurer and the State
48 Treasurer's staff by the Board under this section. Such costs shall be allocated
49 among the account holders in such manner as may be prescribed by the Board.
50 The Board shall no less than annually approve a budget and allocation of costs.

1 (d) Means-Tested Program. – Notwithstanding any other provision of law, an individual
2 account shall not be considered a resource for purposes of means-tested State benefits.
3 Distributions from the Fund shall not be considered income for any State benefits eligibility
4 program that limits eligibility based on income.

5 (e) Account Information. – The information related to individual accounts are not public
6 records as defined in Chapter 132 of the General Statutes."

7 **SECTION 2.** The Department of Health and Human Services shall provide
8 information and assistance to the Department of State Treasurer and shall enter into a
9 data-sharing agreement with the Department of State Treasurer for the purpose of the ongoing
10 implementation of this act. The Department of State Treasurer shall consult with other
11 departments as needed.

12 **SECTION 3.** The Department of State Treasurer and the Department of Health and
13 Human Services are authorized to adopt rules necessary to implement this act.

14 **SECTION 4.** The State Treasurer shall begin transferring one-time deposits and
15 accepting contributions in accordance with G.S. 147-86.91 no later than February 15, 2025.

16 **SECTION 5.** The Board authorized in G.S. 147-86.92 shall be organized
17 immediately after a majority of the members have been qualified or appointed and have taken
18 the oath of office. The terms for the trustees that are appointed shall be for initial terms to expire
19 June 30, 2027.

20 **SECTION 6.** There is appropriated from the General Fund to the Department of
21 State Treasurer the sum of ten million dollars (\$10,000,000) in nonrecurring funds for the
22 2024-2025 fiscal year for purposes consistent with this act.

23 **SECTION 7.** This act is effective when it becomes law.