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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO PUBLIC FINANCE -- RHODE ISLAND BABY BOND TRUST

Introduced By: Senators Murray, Sosnowski, Valverde, DiPalma, Felag, Acosta, and
Euer

Date Introduced: March 11, 2025

Referred To: Senate Finance

(General Treasurer)

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 35 of the General Laws entitled "PUBLIC FINANCE" is hereby
2 amended by adding thereto the following chapter:

3 CHAPTER 24

4 RHODE ISLAND BABY BOND TRUST

5 **35-24-1. Definitions.**

6 As used in this chapter:

7 (1) "Designated beneficiary" means an individual who is:

8 (i) Born on or after January 1, 2026; and

9 (ii) Whose parent or guardian is enrolled in the Rhode Island works program pursuant to §
10 40-5.2-1, et seq, within the first twelve (12) months of their life.

11 (2) "Eligible expenditure" means an expenditure associated with any of the following:

12 (i) Continuing education of a designated beneficiary at an institution of higher learning,
13 trade school, vocational school, or professional apprenticeship program in Rhode Island;

14 (ii) Ownership of a home in Rhode Island by a designated beneficiary;

15 (iii) Ownership of a business with a principal place of business in Rhode Island by a
16 designated beneficiary; or

17 (iv) Any investment in financial assets or personal capital that provides long-term gains to
18 wages or wealth, as defined by regulation promulgated by the general treasurer.

19 (3) "Trust" means the Rhode Island baby bond trust, which consists of:

1 (i) All money from public or private sources appropriated or made available to the state for
2 the benefit of the trust; and

3 (ii) All earnings on the money in the trust.

4 **35-24-2. Establishment.**

5 (a) There is hereby established the Rhode Island baby bond trust. The trust shall constitute
6 an instrumentality of the state and shall perform essential governmental functions as provided under
7 the provisions of this chapter. The trust shall receive and hold all payments and deposits or
8 contributions intended for the trust, as well as gifts, bequests, endowments or federal, state or local
9 grants and any other funds from any public or private source and all earnings until disbursed in
10 accordance with § 35-24-7.

11 (b) The amounts on deposit in the trust shall not constitute property of the state and the
12 trust shall not be construed to be a department, institution or agency of the state. Amounts on
13 deposit in the trust shall not be commingled with state funds and the state shall have no claim to or
14 against, or interest in, such funds. Any contract entered into by, or any obligation of, the trust shall
15 not constitute a debt or obligation of the state and the state shall have no obligation to any
16 designated beneficiary or any other person on account of the trust and all amounts obligated to be
17 paid from the trust shall be limited to amounts available for such obligation on deposit in the trust.
18 The amounts on deposit in the trust may only be disbursed in accordance with the provisions of this
19 chapter. The trust shall continue in existence as long as it holds any deposits or has any obligations
20 and until its existence is terminated by law. Upon termination, any unclaimed assets shall return to
21 the state.

22 (c) The general treasurer shall be responsible for the receipt, maintenance, administration,
23 investigation, and disbursements from the trust. The trust shall not receive deposits in any form
24 other than cash.

25 **35-24-3. Powers of the general treasurer.**

26 (a) The general treasurer, on behalf of the trust and for purposes of the trust, may:

27 (1) Receive and invest monies in the trust in any instruments, obligations, securities or
28 property in accordance with the provisions of this chapter;

29 (2) Enter into one or more contractual agreements, including contracts for legal, actuarial,
30 accounting, custodial, advisory, management, administrative, advertising, marketing and
31 consulting services from the trust and pay for such services from the gains and earnings of the trust;

32 (3) Procure insurance in connection with the trust's property, assets, activities or deposits
33 to the trust;

34 (4) Apply for, accept and expend gifts, grants or donations from public or private sources

1 to enable the trust to carry out its objectives;

2 (5) Adopt rules and regulations it deems necessary to effectuate the purposes of this
3 chapter;

4 (6) Sue and be sued;

5 (7) Establish one or more funds within the trust and maintain separate accounts for each
6 designated beneficiary; and

7 (8) Take any other action necessary to effectuate the purposes of this chapter, and incidental
8 to the duties imposed on the general treasurer pursuant to this chapter.

9 (b) The general treasurer shall create a process within the office of the general treasurer to
10 determine whether an expenditure proposed by a designated beneficiary is an eligible expenditure
11 before the designated beneficiary is to receive any distribution under § 35-24-7.

12 **35-24-4. Investment of funds in the trust.**

13 Notwithstanding the provisions of §§ 35-10-12 to 35-10-14, inclusive, the general treasurer
14 shall invest the amounts on deposit in the trust in a manner reasonable and appropriate to achieve
15 the objectives of the trust, exercising the discretion and care of a prudent person in similar
16 circumstances with similar objectives. The general treasurer shall give due consideration to rate of
17 return, risk, term or maturity, diversification of the portfolio within the trust, liquidity, the projected
18 disbursements of the total portfolio within the trust, liquidity, the projected disbursements and
19 expenditures and the expected payments, deposits, contributions and gifts to be received. The
20 general treasurer shall not require the trust to invest directly in obligations of the state or any
21 political subdivision of the state or in any investment or other fund administered by the general
22 treasurer. The assets of the trust shall be continuously invested and reinvested in a manner
23 consistent with the objectives of the trust until disbursed for eligible expenditures as defined by this
24 chapter or expended on expenses incurred by the operations of the trust.

25 **35-24-5. Exemption from taxation.**

26 (a) The property of the trust and the earnings on the trust shall be exempt from all taxation
27 by the state and all political subdivisions of the state. Distributions made pursuant to § 35-24-7
28 shall be considered income subject to taxation in accordance with chapter 30 of title 44 and shall
29 be subject to federal and state withholdings.

30 (b) The tax administrator may adopt rules and regulations necessary to monitor, implement,
31 and administer the Rhode Island personal income tax provisions referred to in subsection (a) of this
32 section.

33 **35-24-6. Monies invested in trust not considered assets or income.**

34 Except as otherwise required by federal law, any money deposited into the trust and

1 credited to a designated beneficiary, and any increase in the values thereof, shall not be used to
2 calculate the personal assets of a designated beneficiary for purposes of determining income
3 eligibility of the designated beneficiary for state or local assistance programs including:

4 (1) Any disability, medical or other health benefits administered by the state; and

5 (2) Any student loan program, student grant program or other student financial program
6 administered by the state.

7 **35-24-7. Accounting for designated beneficiary. Claim for accounting.**

8 (a) The general treasurer shall establish in the Rhode Island baby bond trust an accounting
9 for each designated beneficiary. Each such account shall include the amount transferred to the trust
10 pursuant to § 35-24-8, plus the designated beneficiary's pro rata share of total net earnings from
11 investments of sums as determined by the general treasurer and held in the trust.

12 (b) The department of human services shall notify the office of the general treasurer of the
13 birth or enrollment of each designated beneficiary.

14 (c) Upon a designated beneficiary's eighteenth birthday, if such a beneficiary is a resident
15 of the state and has been for the two (2) years immediately preceding receipt of any distribution
16 under this section, such beneficiary shall become eligible to receive the total sum of the accounting
17 under subsection (a) of this section to be used for eligible expenditures.

18 (d) A designated beneficiary must submit a claim that meets the requirements set forth in
19 this chapter before the designated beneficiary reaches thirty-five (35) years of age.

20 (e) If a designated beneficiary is deceased before their eighteenth birthday, does not submit
21 a timely claim, or is no longer a resident of the state upon reaching thirty-five (35) years of age,
22 such accounting shall be credited back to the general fund of the state.

23 (f) The general treasurer shall furnish each eligible beneficiary with an annual statement
24 relating to the individual's accounting, which shall include:

25 (1) A statement of the balance attributable to the individual;

26 (2) A projection of the balance's growth by the time the individual attains the age of
27 eighteen (18);

28 (3) Resources and information to promote financial wellness and literacy of the designated
29 beneficiary; and

30 (4) Such other information as the general treasurer deems relevant.

31 **35-24-8. Transfer to trust upon birth of designated beneficiary.**

32 (a) Upon the birth of a designated beneficiary, the general treasurer shall allocate three
33 thousand dollars (\$3,000) from the trust to be credited toward the accounting of such designated
34 beneficiary pursuant to § 35-24-7.

1 **35-24-9. Implementation.**

2 The general treasurer's duty to implement this chapter is contingent upon availability of
3 public or private funds the general treasurer deems sufficient to administer the trust consistent with
4 the provisions of § 35-24-8.

5 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO PUBLIC FINANCE -- RHODE ISLAND BABY BOND TRUST

1 This act would create a pilot program that would create, contingent upon funding, a \$3,000
2 trust for each Rhode Island child ages zero to one year born to a family enrolled in the Rhode Island
3 works program (“RI Works”) during the preceding calendar year. The office of the general treasurer
4 would hold the funds in trust and invest the funds until the child reaches the age of maturity. Upon
5 reaching the age of maturity, any individual who received a grant at birth and has been a Rhode
6 Island citizen for the last two (2) years would be eligible to withdraw the funds and investment
7 proceeds, and use funds to either: (1) Attend a higher education or vocational school in Rhode
8 Island; (2) Purchase a home in Rhode Island; (3) Start a business with its principal place of business
9 in Rhode Island; or (4) Another investment in financial assets or personal capital that provides long-
10 term gains to wages or wealth, as defined in regulation promulgated by the general treasurer.

11 This act would take effect upon passage.

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