



State of Wisconsin
2021 - 2022 LEGISLATURE

LRB-3933/1
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2021 SENATE BILL 497

August 5, 2021 - Introduced by Senators AGARD, ROYS, JOHNSON, LARSON and WIRCH, cosponsored by Representatives POPE, VINING, HEBL, BALDEH, SNODGRASS, MOORE OMOKUNDE, CONLEY, ANDRACA, NEUBAUER, SHELTON, STUBBS, SINICKI, CABRERA, SPREITZER, SUBECK, EMERSON, S. RODRIGUEZ, BOWEN and SHANKLAND. Referred to Committee on Financial Institutions and Revenue.

1 **AN ACT to amend** 20.144 (1) (g), 25.17 (3) (a) and 69.14 (1) (a); and **to create**
2 20.144 (5) (title), 20.144 (5) (a), 20.144 (5) (c), 20.144 (5) (j), 20.144 (5) (q), 25.14
3 (1) (a) 20., 25.17 (1) (aL), 25.18 (1) (q), 25.32, 71.05 (6) (b) 57., 71.78 (4) (v) and
4 224.58 of the statutes; **relating to:** creating a baby bond program and baby
5 bond fund, granting rule-making authority, and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill requires the Department of Financial Institutions to establish and administer a baby bond program and creates a baby bond trust fund managed by the State of Wisconsin Investment Board.

Under the bill, the State Registrar of Vital Records must provide to DFI a copy of the record of birth for each child born in the state on or after the bill's effective date. In consultation with the Department of Health Services and the Department of Revenue, DFI must determine whether, on the day before the child was born, the child's mother met the income requirements for the Medical Assistance program, and if this criteria is satisfied, DFI must establish a baby bond account for the child, with the child designated as the account beneficiary. DFI must then deposit \$3,000 into the baby bond trust fund and credit this amount to the child's baby bond account. The amount in the account consists of the initial \$3,000, investment income generated through management of the baby bond trust fund by SWIB, and any allocated donations, gifts, grants, bequests, or other contributions received by the baby bond program. When the account beneficiary attains 18 years of age, if certain

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conditions are satisfied, the account beneficiary may receive distribution of the full account balance to pay expenses associated with postsecondary education of the account beneficiary; child care or education of a minor dependent of the account beneficiary; the purchase of a home by the account beneficiary; starting a business by the account beneficiary; or contributing to a retirement savings account by the account beneficiary. Upon application to DFI, an account beneficiary is eligible for distribution of the account balance if all of the following requirements are satisfied: 1) the account beneficiary is at least 18 years of age; 2) with an exception, the account beneficiary and at least one of the account beneficiary's parents is a Wisconsin resident; 3) the account beneficiary has successfully completed a financial literacy course developed by DFI; and 4) the account beneficiary certifies that the account beneficiary will use the money distributed only to pay expenses described above. If an account beneficiary or the account beneficiary's parents relocate from Wisconsin prior to the account beneficiary's 18th birthday, the account beneficiary is eligible for the distribution if the account beneficiary returns to Wisconsin and remains a Wisconsin resident for at least one year thereafter. A distribution from an account is not subject to state income tax. DFI may terminate an account beneficiary's account if the account beneficiary dies, the account balance is \$0, or the account beneficiary is at least 30 years of age and has not requested a distribution or has failed to satisfy the conditions for distribution. The balance of an account that is terminated remains in the baby bond trust fund for further use for the baby bond program.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.144 (1) (g) of the statutes is amended to read:
2 20.144 (1) (g) *General program operations.* The amounts in the schedule for
3 the general program operations of the department of financial institutions. Except
4 as provided in pars. (a), (h), (i), (j), and (u) and ~~sub.~~ subs. (3) and (5), all moneys
5 received by the department, other than by the office of credit unions and the division
6 of banking, and 88 percent of all moneys received by the office of credit unions and
7 the department's division of banking shall be credited to this appropriation, but any

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1 balance at the close of a fiscal year under this appropriation shall lapse to the general
2 fund. Annually, \$150,000 of the amounts received under this appropriation account
3 shall be transferred to the appropriation account under s. 20.575 (1) (g).

4 **SECTION 2.** 20.144 (5) (title) of the statutes is created to read:

5 20.144 (5) (title) BABY BOND PROGRAM.

6 **SECTION 3.** 20.144 (5) (a) of the statutes is created to read:

7 20.144 (5) (a) *Administrative expenses.* A sum sufficient for the administrative
8 expenses of the baby bond program under s. 224.58.

9 **SECTION 4.** 20.144 (5) (c) of the statutes is created to read:

10 20.144 (5) (c) *Deposits into baby bond fund.* A sum sufficient for deposits into
11 the baby bond fund as provided in s. 224.58 (3) (b) 2.

12 **SECTION 5.** 20.144 (5) (j) of the statutes is created to read:

13 20.144 (5) (j) *Donations, gifts, and grants.* All moneys received from donations,
14 gifts, grants, bequests, or other contributions to the baby bond program under s.
15 224.58, to carry out the purpose for which received, including deposit into the baby
16 bond fund.

17 **SECTION 6.** 20.144 (5) (q) of the statutes is created to read:

18 20.144 (5) (q) *Payment of distributions; crediting accounts.* From the baby bond
19 fund, a sum sufficient for the payment of distributions under s. 224.58 (4) and to
20 credit accounts under s. 224.58 (3) (b) 2.

21 **SECTION 7.** 25.14 (1) (a) 20. of the statutes is created to read:

22 25.14 (1) (a) 20. The baby bond fund.

23 **SECTION 8.** 25.17 (1) (aL) of the statutes is created to read:

24 25.17 (1) (aL) Baby bond fund (s. 25.32);

25 **SECTION 9.** 25.17 (3) (a) of the statutes is amended to read:

SENATE BILL 497**SECTION 9**

1 25.17 (3) (a) Invest the core retirement investment trust, baby bond fund, state
2 life fund, local government property insurance fund, veterans trust fund, and injured
3 patients and families compensation fund in loans, securities, and any other
4 investments authorized by s. 620.22, and in bonds or other evidences of indebtedness
5 or preferred stock of companies engaged in the finance business whether as direct
6 lenders or as holding companies owning subsidiaries engaged in the finance
7 business. Investments permitted by sub. (4) are permitted investments under this
8 subsection.

9 **SECTION 10.** 25.18 (1) (q) of the statutes is created to read:

10 25.18 (1) (q) Invest any of the assets of the baby bond fund in any investment
11 that is an authorized investment for assets in the variable retirement investment
12 trust under s. 25.17 (5).

13 **SECTION 11.** 25.32 of the statutes is created to read:

14 **25.32 Baby bond fund.** (1) There is established a separate nonlapsible trust
15 fund designated as the baby bond fund. The fund shall consist of all of the following:

16 (a) Money deposited into the fund under s. 224.58 (3) (b) 2.

17 (b) All donations, gifts, grants, bequests, or other contributions deposited into
18 the fund under s. 224.58 (6).

19 (c) All earnings and other investment income of the fund.

20 (2) Except as provided in s. 25.187, moneys in the baby bond fund may be
21 expended only for the purpose of making distributions under s. 224.58 (4) and
22 deposits under s. 224.58 (3) (b) 2.

23 **SECTION 12.** 69.14 (1) (a) of the statutes is amended to read:

24 69.14 (1) (a) *Filing deadline.* A record of birth for every birth that occurs in this
25 state shall be filed within 5 days after the birth with the state registrar, who shall

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1 register the birth under this subchapter. The state registrar shall submit a copy of
2 the record of birth to the department of financial institutions.

3 **SECTION 13.** 71.05 (6) (b) 57. of the statutes is created to read:

4 71.05 (6) (b) 57. The amount of a distribution made to an account beneficiary,
5 as defined in s. 224.58 (1) (b), under s. 224.58 (4).

6 **SECTION 14.** 71.78 (4) (v) of the statutes is created to read:

7 71.78 (4) (v) The department of financial institutions and the department of
8 health services for the purpose of determining eligibility under s. 224.58 (3) (a) 1.

9 **SECTION 15.** 224.58 of the statutes is created to read:

10 **224.58 Baby bond program. (1) DEFINITIONS.** In this section:

11 (a) "Account" means a baby bond account established by the department under
12 sub. (3).

13 (b) "Account beneficiary" means an individual for whom the department
14 establishes an account.

15 (c) "Domestic business entity" has the meaning given in s. 180.1100 (2).

16 (d) "Eligible expense" means an expense associated with any of the following:

- 17 1. Postsecondary education of an account beneficiary.
- 18 2. Child care or education of a minor dependent of the account beneficiary.
- 19 3. The purchase of a home by an account beneficiary.
- 20 4. Starting a business by an account beneficiary if the business is a domestic
21 business entity or is a foreign business entity registered or authorized to do business
22 in this state under ch. 178, 179, 180, 181, or 183.
- 23 5. Contributing to a traditional individual retirement account, a Roth IRA, an
24 account associated with a 401 (k), 403 (b), 457, or Keogh plan, or a similar retirement
25 savings account by an account beneficiary.

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1 (e) "Foreign business entity" has the meaning given in s. 180.1100 (3).

2 (f) "Last-known address" means the most recent contact information provided
3 to the department according to the department's records, which may be either a
4 physical address or an electronic mail address.

5 **(2) BABY BOND PROGRAM.** The department shall establish and administer a baby
6 bond program as described in this section.

7 **(3) ESTABLISHING ACCOUNTS.** (a) For each record of birth submitted to the
8 department under s. 69.14 (1) (a), the department shall do all of the following:

9 1. In consultation with the department of health services and the department
10 of revenue, determine whether, on the day before the child was born, the mother
11 meets the income level described under s. 49.471 (4) (a) 1. or 2.

12 2. If the criteria in subd. 1. is satisfied, establish a baby bond account for the
13 child, with the child designated as the account beneficiary.

14 (b) Upon establishing an account for a child under par. (a) 2., the department
15 shall promptly do all of the following:

16 1. Provide written notice of the account to the last-known address of the child's
17 parents.

18 2. From the appropriation account under s. 20.144 (5) (c) or (j), deposit \$3,000
19 into the baby bond fund and credit this amount to the child's account or, from the
20 appropriation amount under s. 20.144 (5) (q), credit \$3,000 to the child's account if
21 such funds are available for this purpose as provided in s. 224.58 (5) (b).

22 (c) An account established under this subsection shall include the amount
23 specified in par. (b) 2., the account beneficiary's pro rata share of total net investment
24 earnings of the baby bond fund, and any amount allocated to the account under sub.
25 (5) (b) or (6) (b).

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1 **(4) DISTRIBUTIONS.** (a) Not later than 30 days before an account beneficiary's
2 18th birthday, the department shall provide notice to the last-known address of the
3 account beneficiary and the account beneficiary's parents that the account
4 beneficiary may be eligible for distribution of the account balance.

5 (b) Upon application to the department by an account beneficiary, the
6 department shall distribute to the account beneficiary the full balance of the account
7 if all of the following requirements are satisfied:

8 1. The account beneficiary is at least 18 years of age.

9 2. Except as provided in par. (c), the account beneficiary and at least one of the
10 account beneficiary's parents is a resident of this state.

11 3. The account beneficiary has successfully completed the financial literacy
12 course developed by the department under sub. (7) (a) 4.

13 4. The account beneficiary certifies that the account beneficiary will use the
14 money distributed only to pay eligible expenses.

15 (c) If an account beneficiary or the account beneficiary's parents have relocated
16 from this state as of the account beneficiary's 18th birthday, the account beneficiary
17 is eligible for distribution of the account balance under par. (b) if the account
18 beneficiary returns to this state and remains a resident of this state for at least one
19 year thereafter.

20 (d) An account beneficiary may use moneys distributed from the account only
21 to pay for eligible expenses.

22 **(5) ACCOUNT TERMINATION.** (a) The department may terminate an account
23 beneficiary's account if any of the following occurs:

24 1. The account beneficiary dies.

25 2. The account balance is \$0.

SENATE BILL 497**SECTION 15**

1 3. The account beneficiary is at least 30 years of age and has not requested
2 distribution of the account balance or has failed to satisfy the conditions for
3 distribution of the account balance under sub. (4) (b) and (c).

4 (b) If an account is not distributed and is terminated under par. (a) with a
5 balance in the account, the balance shall remain in the baby bond fund and may be
6 used to fund new accounts or allocated in the manner described in sub. (6) (b).

7 (c) Not fewer than 90 days before terminating an account for the reason
8 provided in par. (a) 3., the department shall provide notice to the last-known address
9 of the account beneficiary and the account beneficiary's parents of the department's
10 intent to terminate the account and the date on which the termination will occur if
11 the account beneficiary has not applied for distribution of the account balance by that
12 date.

13 **(6) DONATIONS AND OTHER CONTRIBUTIONS TO PROGRAM.** (a) The department may
14 receive donations, gifts, grants, bequests, or other contributions to the baby bond
15 program and use them for the purposes for which they are made.

16 (b) If no purpose is stated for a donation, gift, grant, bequest, or other
17 contribution received by the department, the department may deposit the amount
18 into the baby bond fund and use the amount to fund new accounts or to equitably
19 allocate the amount among existing accounts.

20 (c) The department may receive only monetary donations, gifts, grants,
21 bequests, or other contributions. The department may not accept property or other
22 in-kind donations, gifts, grants, bequests, or contributions.

23 **(7) POWERS AND DUTIES OF THE DEPARTMENT.** (a) The department shall do all of
24 the following:

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1 1. Collaborate with the department of health services and the department of
2 revenue to determine eligibility under sub. (3) (a) 1.

3 2. From the pooled assets and investments of the baby bond fund, maintain an
4 accounting under which each account beneficiary's share of the total is identified as
5 a separate account.

6 3. Provide to each account beneficiary and the account beneficiary's parents,
7 at their last-known addresses, an annual statement of the account beneficiary's
8 account, including the account balance, the date the account beneficiary is eligible
9 for distribution of the account balance, and the requirements the account beneficiary
10 must satisfy to receive the distribution.

11 4. Develop and maintain an online, interactive financial literacy course. The
12 course shall be organized into modules, with a test of knowledge at the conclusion
13 of each module. The course shall require the course participant to successfully
14 complete the test before continuing to the next module, but the course may not limit
15 the number of times the participant may retake the test to achieve successful
16 completion.

17 5. Maintain as confidential all personal and financial information pertaining
18 to an account beneficiary and the account beneficiary's parents.

19 (b) The department may do any of the following:

20 1. Enter into contracts for the services of accountants, actuaries, attorneys,
21 consultants, or other professionals to assist in the administration of the baby bond
22 program established under this section.

23 2. Conduct marketing, advertising, and fundraising for the baby bond program,
24 including through contracts with 3rd parties.

25 3. Promulgate rules to implement and administer this section.

