



**SUPPORTING THE ECONOMIC WELL-BEING OF  
CONNECTICUT'S FAMILIES AND CHILDREN:  
AN OVERVIEW OF CT BABY BONDS**



# Table of Contents

<b>Introduction</b> .....	3
<b>Overview of Economic Well-Being</b> .....	7
• The Growth and Distribution of Income .....	7
• The Distribution of Wealth.....	15
• The Ability of Households to Pay Usual Expenses.....	20
<b>Overview of CT Baby Bonds</b> .....	26
• The Design and Impact of CT Baby Bonds .....	26
• Policy Options to Improve the Impact of CT Baby Bonds .....	35
<b>Conclusion</b> .....	46
<b>Acknowledgments</b> .....	46
<b>References and Notes</b> .....	47

## Introduction

Many of Connecticut’s families, especially those with children, are struggling to make ends meet. Some new statistics highlight the scale and urgency of the problem. From 2021 to 2022, child poverty in Connecticut—using the Supplemental Poverty Measure—jumped from 3.8 percent, or about 27,000 children, to 11.1 percent, or about 82,000 children, meaning child poverty in the state more than doubled in a year. Additionally, in 2023, while 17.7 percent of all households in Connecticut reported that it was “very difficult” to pay their usual expenses, an already troublingly high statistic, the rate increases to 27.6 percent for low- and middle-income households with children, 38.9 percent for Black households with children, and 32.2 percent for Hispanic households with children. The higher rate of struggle for the latter households is due largely to the high cost of raising children. In the Northeast, it costs an average of nearly \$18,400 a year for a married, middle-income family to raise a child, and the cost is even higher for families that require full-time child care, as that alone costs between about \$12,600 and \$19,200 a year depending on the age of the child and the type of provider.

Rather than support families with children, Connecticut’s tax system contributes to the problem in two ways. The more well-known issue is that the tax system unfairly burdens low- and middle-income families compared to high-income and wealthy families, which harms the economic well-being of low- and middle-income families. The less well-known but no less important issue is that Connecticut is the only high-cost-of-living state in the U.S. with a broad-based personal income tax that does not adjust for the number of children or child care expenses, which makes the tax system especially harm the economic well-being of many low- and middle-income families with children.

Other issues harming the economic well-being of Connecticut’s families and children include the distribution of income and wealth. Using new data on wealth—the less studied of the two issues—a distributional analysis shows a very high level of wealth inequality, substantial racial and ethnic wealth gaps, and substantial wealth poverty. On average from 2017 to 2021, the top 1 percent of families in Connecticut had an estimated average wealth, or net worth, of \$48.3 million, while households at the 10<sup>th</sup> percentile had an average wealth of -\$1,800, meaning their liabilities exceeded their assets. The result is that many families lack sufficient financial resources to maintain an adequate standard of living, especially during periods of unemployment or when experiencing other economic hardships.

To address these problems, Connecticut Voices for Children (CT Voices) is publishing two reports on supporting the economic well-being of Connecticut’s families and children. The focus of this report is the CT Baby Bonds program, and the focus of the other report is the proposed CT Child Tax Credit (CT CTC).

In focusing on CT Baby Bonds, this report has two primary, related objectives. The first primary objective is to provide an overview of economic well-being to make clear both the level of support that Connecticut’s families and children require and the urgency of providing that support. The second

primary objective is to provide an overview of CT Baby Bonds, including its design and impact and policy options to improve the program. To that end, the report proceeds in two sections.

The first section of the report provides an overview of economic well-being, and it proceeds in three parts. The first part provides an overview of the growth and distribution of income. *Income* is the flow of money that a household or family receives over a given period, and it is essential to economic well-being because households and families use their income to pay for basic needs, pursue opportunities, and build a secure future while contributing to overall economic growth. The key findings include:

- Since the pandemic-induced recession, income growth has failed to keep up with rising costs, reducing the standard of living for low- and middle-income households in Connecticut.
- Connecticut has a very high level of income inequality, with the top 1 percent of tax filers making \$3.4 million a year, equal to 181.7 times the income of \$18,800 for households at the 10<sup>th</sup> percentile.
- Connecticut has substantial racial and ethnic income gaps, with the median Black and median Hispanic households earning \$0.63 and \$0.61, respectively, for each dollar the median white household earns.
- Inadequate income growth, a high level of income inequality, and substantial racial and ethnic income gaps contribute to an overall child poverty rate of 11.1 percent in Connecticut and an even higher rate for Black and Hispanic children. This is a major problem because poverty harms children “in virtually every dimension” of life, “from physical and mental health, to educational attainment and labor market success.”

The second part of the first section provides an overview of the distribution of wealth. *Wealth*, or net worth, is the total value of assets after subtracting liabilities, and it is essential to economic well-being because it provides a financial resource for unexpected expenses and allows households and families to maintain an adequate standard of living during periods of unemployment or other economic hardships. The key findings include:

- Connecticut has an even higher level of wealth inequality than income inequality, with an average estimated wealth of \$48.3 million for the top 1 percent of families compared to -\$1,800 for households at the 10<sup>th</sup> percentile.
- The Northeast, which includes Connecticut, has substantial racial and ethnic wealth gaps, with the median Black and median Hispanic households both averaging \$0.05 for each dollar in wealth for the median white household.
- An exceptionally high level of wealth inequality and substantial racial and ethnic wealth gaps contribute to an overall wealth poverty rate of 13.7 percent in Connecticut and an even higher rate for Black and Hispanic households.

The third part of the first section provides an overview of the ability of households to pay usual expenses, especially households with children. Compared to the analyses of income and wealth, this provides a timelier and more direct overview of economic well-being. The key findings include:

- Raising a child is very expensive, costing an average of \$18,390 a year for a married, middle-income family in the Northeast, and it is even more expensive for families that require full-time child care, as that alone costs between \$12,630 and \$19,180 a year in Connecticut.
- Nearly 18 percent of households in Connecticut report that it is “very difficult” to pay usual expenses, and the rate increases significantly for low- and middle-income households with children (27.6 percent) and Black and Hispanic households with children (38.9 percent and 32.2 percent).
- More than 11 percent of households in Connecticut report that they “sometimes” or “often” do not have enough to eat, and the rate increases significantly for low- and middle-income households with children (15.2 percent) and Black and Hispanic households with children (25.2 percent and 21.6 percent).
- More than 15 percent of renter households in Connecticut report that they are not caught up on their housing payment, and the rate increases significantly for low- and middle-income renter households with children (22.6 percent) and Black and Hispanic renter households with children (33.5 percent and 20.7 percent).

The second section of the report provides an overview of the new CT Baby Bonds program, and it proceeds in two parts. The first part provides an overview of the design and impact of CT Baby Bonds. The key findings include:

- CT Baby Bonds will support an estimated range of 12,460 to 15,140 newborns on average each year, equal to 36.3 percent to 44.1 percent of all newborns in the state, including at least 21 percent of white newborns, 59.7 percent of Black newborns, and 59 percent of Hispanic newborns.
- CT Baby Bonds will support newborns in all 169 towns in Connecticut on average each year, including an average of at least 10 percent of newborns in 90 percent of the state’s towns.
- CT Baby Bonds have a maximum initial value of \$3,200 per beneficiary and will have an estimated real, or inflation-adjusted, value of \$6,820 in 18 years and \$11,290 in 30 years (and an estimated nominal value of \$10,640 in 18 years and \$23,690 in 30 years), which beneficiaries can use on a range of eligible expenditures.
- CT Baby Bonds will both directly and indirectly help to establish a more equitable distribution of wealth, and the direct impact alone is potentially substantial.

The second part of the second section provides an overview of policy options to improve the impact of CT Baby Bonds. The policy options are grouped in four categories:

#### Provide Immediate Support for Connecticut's Families and Children

- Establish a permanent, well-designed Connecticut Child Tax Credit to provide immediate support for Connecticut's families with children. This will also help to ensure that beneficiaries of CT Baby Bonds are better positioned to take advantage of the program once they come of age.

#### Improve the Design of CT Baby Bonds

- Establish a tiered eligibility system for CT Baby Bonds to provide more support for the neediest beneficiaries, which disproportionately includes Black and Hispanic children.
- Inflation index the initial maximum value of CT Baby Bonds per beneficiary to prevent the real value and in turn the impact of the program from increasingly diminishing over time.
- Establish limits for the minimum and maximum compound annual growth rate to prevent substantial variability in the support CT Baby Bonds provides from one year to the next, especially for the neediest beneficiaries.

#### Ensure CT Baby Bonds is Sufficiently Funded

- If more funding is necessary to improve and sustain CT Baby Bonds, increase taxes on wealthy families, especially taxes that apply to wealth or income derived from wealth.
- If more funding is necessary but not available to improve and sustain CT Baby Bonds, change the design of the program.

#### Provide More Information

- Require a report that provides policymakers with the necessary information to improve the design and impact of CT Baby Bonds and ensure the program's sustainability.



# Overview of Economic Well-Being

This first section provides an overview of economic well-being and proceeds in three parts. The first part provides an overview of the growth and distribution of income. The second part provides an overview of the distribution of wealth. The third part provides an overview of the ability of households to pay usual expenses, especially households with children. [NOTE: If you are reading this report or our companion report on a CT Child Tax Credit, the “Overview of Economic Well-Being” section (pages 7 through 25) is identical in the two reports.]

## The Growth and Distribution of Income

*Income* is the flow of money that a household or family receives over a given period, and it is essential to economic well-being because households and families use their income to pay for basic needs, pursue opportunities, and build a secure future while contributing to overall economic growth. Several key findings on the growth and distribution of income are reviewed below.

Since the pandemic-induced recession, income growth has failed to keep up with rising costs, reducing the standard of living for low- and middle-income households in Connecticut.

Using the most recent public use microdata sample from the U.S. Census Bureau’s American Community Survey (ACS), **Figure 1** shows the growth in real, or inflation-adjusted, household income from 2019 through 2022 in the U.S. and Connecticut.<sup>1</sup> The ACS’ measure of income includes the following: wages, salaries, commissions, bonuses, and tips from jobs; self-employment income; interest, dividends, net rental income, royalty income, and income from estates and trusts; Social Security; Supplemental Security Income; public assistance and welfare payments; retirement income, pensions, and survivor and disability income; and other sources of income received regularly, such as unemployment compensation, child support, and alimony.<sup>2</sup>

The income growth analysis here primarily focuses on two groups: the average growth for households at the 10<sup>th</sup>, 20<sup>th</sup>, 30<sup>th</sup>, 40<sup>th</sup>, and 50<sup>th</sup> percentiles, described as low-income households; and the average growth for households at 60<sup>th</sup>, 70<sup>th</sup>, 80<sup>th</sup>, and 90<sup>th</sup> percentiles, described as middle-income households. For reference, a household at the 10<sup>th</sup> percentile has an income that is higher than 10 percent of households and lower than 90 percent of households.

From 2019 through 2022, real household income in the U.S. decreased on average by 3.4 percent for low-income households and by 1 percent for middle-income households; and in Connecticut, it decreased on average by 0.7 percent for low-income households and by 3.2 percent for middle-income households. This has reduced the standard of living for low- and middle-income households in the U.S. and Connecticut and is due primarily to the historic rise in the cost of living. Measured using the consumer price index, the cost of living increased by 15.6 percent from December 2019 to December 2022, the largest three-year increase since the 1980s.<sup>3</sup>

**Figure 1. Growth in Real Household Income, 2019–2022**



Source: American Community Survey and author’s calculations.

Connecticut has a very high level of income inequality, with the top 1 percent of tax filers making \$3.4 million a year, equal to 181.7 times the income of \$18,800 for households at the 10<sup>th</sup> percentile.

Continuing to use the most recent ACS data, **Figure 2** shows the distribution of household income in 2022 in the U.S. and Connecticut.<sup>4</sup> As noted, the ACS’ measure includes most sources of income received regularly. For analyzing low-income households, the ACS’ measure is more useful than adjusted gross income (AGI) data from the Internal Revenue Service (IRS) because AGI only includes taxable income, meaning it excludes important sources of income for some tax filers, such as income from Social Security.<sup>5</sup> However, the ACS’ measure excludes income received irregularly, such as from capital gains, and the measure is also top coded to protect privacy, both of which limit the accuracy of the data for analyzing the highest income households. To address that major limitation, **Table 1** provides an overview of income inequality that incorporates the most recent income data from the IRS for the highest income tax filers.<sup>6</sup> Although the units of analysis differ for the two datasets (households versus tax filers), the closeness of the income levels for both units at the 99<sup>th</sup> percentile indicates that relying on IRS data above that threshold in place of ACS data is a reasonable approach for showing the full extent of income inequality.

The income inequality analysis here primarily focuses on the following points in the income distribution: the 10<sup>th</sup> percentile, 50<sup>th</sup> percentile (median), 90<sup>th</sup> percentile, 99<sup>th</sup> percentile (threshold for the top 1 percent), and average for the top 1 percent.



In the U.S. in 2022, using ACS data, households had an income of \$16,100 at the 10<sup>th</sup> percentile, \$74,800 at the 50<sup>th</sup> percentile, \$213,700 at the 90<sup>th</sup> percentile, and \$621,200 at the 99<sup>th</sup> percentile. Using IRS data for the U.S. in tax year 2020, the latest year available, the top 1 percent of tax filers had an average income of \$2,067,200 in 2022 dollars. Incorporating both data sources, the average income for the top 1 percent of tax filers was \$1.85 million, or 9.7 times, greater than the income for a household at the 90<sup>th</sup> percentile, \$1.99 million, or 27.6 times, greater than the income for a household at the 50<sup>th</sup> percentile, and \$2.05 million, or 128.4 times, greater than the income for a household at the 10<sup>th</sup> percentile.

In Connecticut in 2022, using ACS data, households had an income of \$18,800 at the 10<sup>th</sup> percentile, \$88,900 at the 50<sup>th</sup> percentile, \$257,500 at the 90<sup>th</sup> percentile, and \$842,200 at the 99<sup>th</sup> percentile. Using IRS data for Connecticut in tax year 2020, the latest year available, the top 1 percent of tax filers had an average income of \$3,416,500 in 2022 dollars. Incorporating both data sources, the average income for the top 1 percent of tax filers in Connecticut was \$3.16 million, or 13.3 times, greater than the income for a household at the 90<sup>th</sup> percentile, \$3.33 million, or 38.4 times, greater than the income for a household at the 50<sup>th</sup> percentile, and \$3.40 million, or 181.7 times, greater than the income for a household at the 10<sup>th</sup> percentile.

Overall, income inequality is greater in Connecticut than the in U.S. as a whole when measured using either the difference in dollars or inequality ratios. Additionally, for a single summary measure of income inequality based on the ACS data, the U.S. Census Bureau uses the Gini index, which “ranges from 0, indicating perfect equality (where everyone receives an equal share), to 1, perfect inequality (where only one recipient or group of recipients receives all the income).”<sup>7</sup> The Gini coefficient for Connecticut is 0.5008 in 2022, the second highest of all 50 states, up from 0.4985 in 2021, the third highest level that year.<sup>8</sup>

Researchers have extensively studied the causes of the high level of income inequality in the U.S., and some of the most prominent explanations are summarized below.<sup>9</sup>

*Austerity Macroeconomics.* The Federal Reserve System (Fed) has a dual mandate to promote maximum employment while maintaining price stability, or low inflation, through the adjustment of interest rates and the money supply. Research shows that from the late 1970s through at least the start of the pandemic-induced recession, the Fed has generally prioritized controlling inflation and allowed or caused excessive unemployment, which has primarily harmed low- and middle-wage workers.

*Decline of Wage Setting Institutions for Low- and Middle-Wage Workers.* Research shows that the decline in the real, or inflation-adjusted, federal minimum wage over decades has weakened wage gains, especially for low-wage workers. At the same time, the decline in union membership over decades has weakened the ability of low- and middle-wage workers to negotiate for higher wages.

*Skill-Based Technological Change.* Innovations in personal computers and information technology have increased the automation of many workplace tasks, and research shows that this development

results in higher wages and increased demand for workers with advanced skills while reducing job opportunities for workers performing routine tasks.

*Increased Globalization.* Research shows that while countries benefit overall from increased global trade, the gains are not distributed equally within a nation. Workers most affected are generally in industries directly competing with imports, particularly due to increased competition from countries like China, resulting in job displacement, especially among low- and middle-wage workers.

*Changes in Household Structure.* Research shows that the rise in dual-income households, along with the rise in assortative matching—where spouses increasingly marry individuals with similar income levels or educational attainment—has increased income inequality. At the same time, the rise in single-parent households has exacerbated income inequality because those households tend to have significantly lower incomes compared to two-parent households.

**Connecticut has substantial racial and ethnic income gaps, with the median Black and median Hispanic households earning \$0.63 and \$0.61, respectively, for each dollar the median white household earns.**

Further using the most recent data from the ACS, **Figure 3** shows racial and ethnic income gaps in 2022 in the U.S. and Connecticut.<sup>10</sup> The *racial income gap* is the difference in income levels across racial groups. The *ethnic income gap* is the difference in income levels across ethnic groups. The racial and ethnic income gap analysis here focuses on the difference in income for the median household for each demographic group. The racial income gap analysis compares white alone, non-Hispanic households to Black alone, non-Hispanic households. The ethnic income gap analysis compares white alone, non-Hispanic households to Hispanic households of any race.

In the U.S. in 2022, the median white, non-Hispanic household had an income of \$80,300 compared to \$51,600 for the median Black, non-Hispanic household, meaning the median Black household earned \$0.64 for each dollar in income for the median white household. The median Hispanic household had an income of \$65,900, equivalent to \$0.82 for each dollar in income for the median white, non-Hispanic household.

In Connecticut in 2022, the median white, non-Hispanic household had an income of \$99,000 compared to \$62,500 for the median Black, non-Hispanic household, meaning the median Black household earned \$0.63 for each dollar in income for the median white household. The median Hispanic household had an income of \$60,500, equivalent to \$0.61 for each dollar in income for the median white, non-Hispanic household.

Overall, the racial income gap in Connecticut is substantial in absolute terms and slightly larger relative to the racial income gap in the U.S., and the ethnic income gap in Connecticut is substantial in absolute terms and also substantially larger relative to the ethnic income gap in the U.S.

Like income inequality in general, researchers have studied the causes of racial and ethnic income gaps. Some of the most prominent causes include *historical discrimination, including segregation, unequal access to high-quality education, and discrimination in the labor market*.<sup>11</sup> These factors and others place a disproportionate percentage of Black and Hispanic families in the lower half of the income distribution, which then makes the very high level of income inequality especially harmful to those families.

Inadequate income growth, a high level of income inequality, and substantial racial and ethnic income gaps contribute to an overall child poverty rate of 11.1 percent in Connecticut and an even higher rate for Black and Hispanic children. This is a major problem because poverty harms children “in virtually every dimension” of life, “from physical and mental health, to educational attainment and labor market success.”

Using the most recent public use microdata sample from the U.S. Census Bureau’s Current Population Survey Annual Social and Economic Supplement (CPS ASEC) along with the most recent data from the ACS, **Table 2** provides an overview of income poverty in the U.S. and Connecticut.<sup>12</sup> *Income poverty* is when a household lacks the necessary income to sustain an adequate standard of living. Income inequality and income poverty are closely related because a high concentration of income at the top can lead to lower incomes for the rest of the population, ultimately increasing the level of income poverty. It is essential to note, however, that these two concepts differ in scope. An analysis of income inequality covers the entire income distribution, or at least multiple portions of it, whereas an analysis of income poverty concentrates solely on the bottom of the income distribution.

The U.S. Census Bureau provides three different measures of income poverty that are regularly referenced. The CPS ASEC’s *official poverty measure* (OPM) considers only pre-tax money income and uses a national threshold that was initially based on three times the cost of a minimum food diet in the 1960s, adjusted for inflation and family composition. To address major shortcomings with the OPM, the CPS ASEC’s *supplemental poverty measure* (SPM)—which was established in the 2000s—considers pre-tax money income as well as tax credits and non-cash benefits and uses geographically adjusted poverty thresholds that are regularly updated based on data for the cost of food, clothing, shelter, and utilities. Lastly, and like the OPM, the ACS’ *poverty status measure* (PSM) only considers pre-tax money income and uses a national threshold that is adjusted for inflation and family composition. One major advantage of the PSM compared to the OPM is that it allows for more reliable state-level estimates, including when disaggregated by race and ethnicity, due to the much larger sample size of the ACS compared to the CPS ASEC.

The income poverty analysis here focuses on two of the three poverty measures: the SPM, which is the best overall measure of income poverty but does not allow for a reliable annual state-level analysis by demographic group due to the small sample size; and the PSM, which is inferior to the SPM but allows for a reliable annual state-level analysis by demographic group.

In the U.S. in 2022, using the SPM, 12.4 percent of the total population lived in poverty, and 12.4 percent of children lived in poverty, up from 5.2 percent in 2021, a historic increase of 7.2 percentage points. Disaggregated by race and ethnicity, 7.2 percent of children in white households, 18.4 percent of children in Black households, and 19.6 percent of children in Hispanic households lived in poverty.

In Connecticut in 2022, using the SPM, 10.1 percent of the total population lived in poverty, and 11.1 percent of children lived in poverty, up from 3.8 percent in 2021, a historic increase of 7.3 percentage points. Using the PSM—which, as noted, is an inferior measure but allows for an annual state-level analysis disaggregated by race and ethnicity—12.4 percent of children lived in poverty, including 5.1 percent of children in white households, 20 percent of children in Black households, and 23.1 percent of children in Hispanic households.

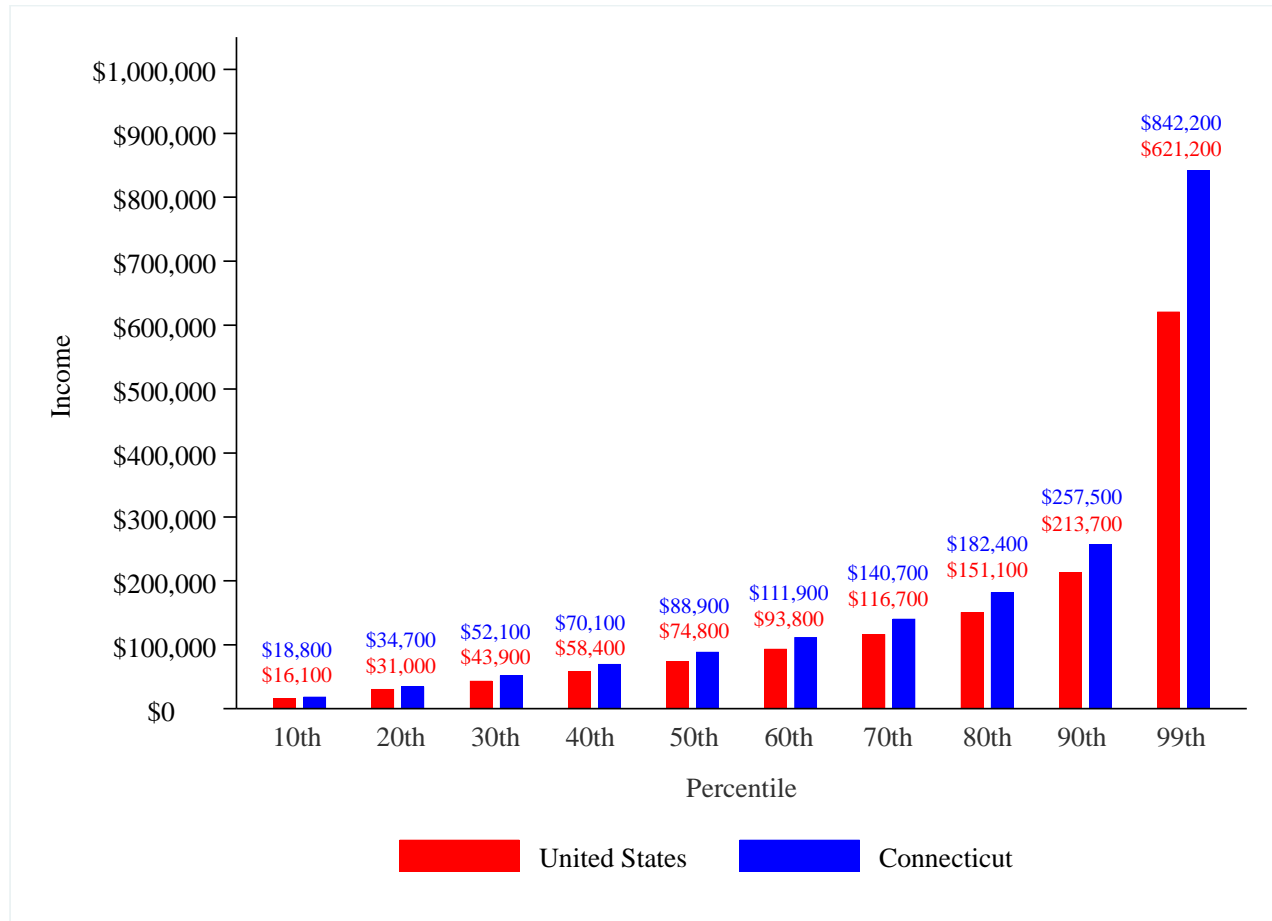
Overall, using the SPM, the rate of total poverty and child poverty in Connecticut are both high in absolute terms, though smaller relative to the U.S. More notable, however, is the historic increase in child poverty in both the U.S. and Connecticut from 2021 to 2022. According to the U.S. Census Bureau’s analysis, the historic increase is due largely to the expiration of expansions to two federal tax credits: the Child Tax Credit and the Child and Dependent Care Tax Credit.<sup>13</sup> Additionally, the Connecticut Child Tax Rebate (CT CTR) in 2022 contributed in part to the state’s lower poverty rate relative to the U.S., but the expiration of the temporary CT CTR will contribute to an increased poverty rate in Connecticut in 2023 and subsequent years relative to the poverty rate that the state would have if it were to establish a permanent, well-designed state-level child tax credit.<sup>14</sup>

Providing a broader analysis, a landmark 2019 report from the National Academy of Sciences (NAS) addresses the causes of child poverty based on a review of leading research, and the findings are similar to the major causes of income inequality reviewed earlier here. As the NAS report explains,

Three broad sets of forces affect child poverty: demographics, the economy and its labor markets, and government policy. Demographic factors include parental age, education, race, and ethnicity; number of children in the family; and family structure, such as single or married parent. ... Employment and earnings are influenced by secular forces such as macroeconomic growth, labor market forces such as technological change and globalization, and labor market factors such as minimum wage levels and unionization, as well as by cyclical forces such as unemployment. The third factor is ... government policies, such as tax and transfer programs.<sup>15</sup>

The NAS report also highlights the negative impact of child poverty, explaining that research provides “overwhelming evidence” that “a child growing up in a family whose income is below the poverty line experiences worse outcomes than a child from a wealthier family in virtually every dimension, from physical and mental health, to educational attainment and labor market success.”<sup>16</sup> Additionally, a 2023 NAS report highlights the problem of intergenerational poverty, explaining that research shows “[c]hildren living in economic poverty for most of their childhood are more likely to remain poor as they become adults and have children of their own.”<sup>17</sup>

**Figure 2.** Distribution of Household Income by Percentile, 2022



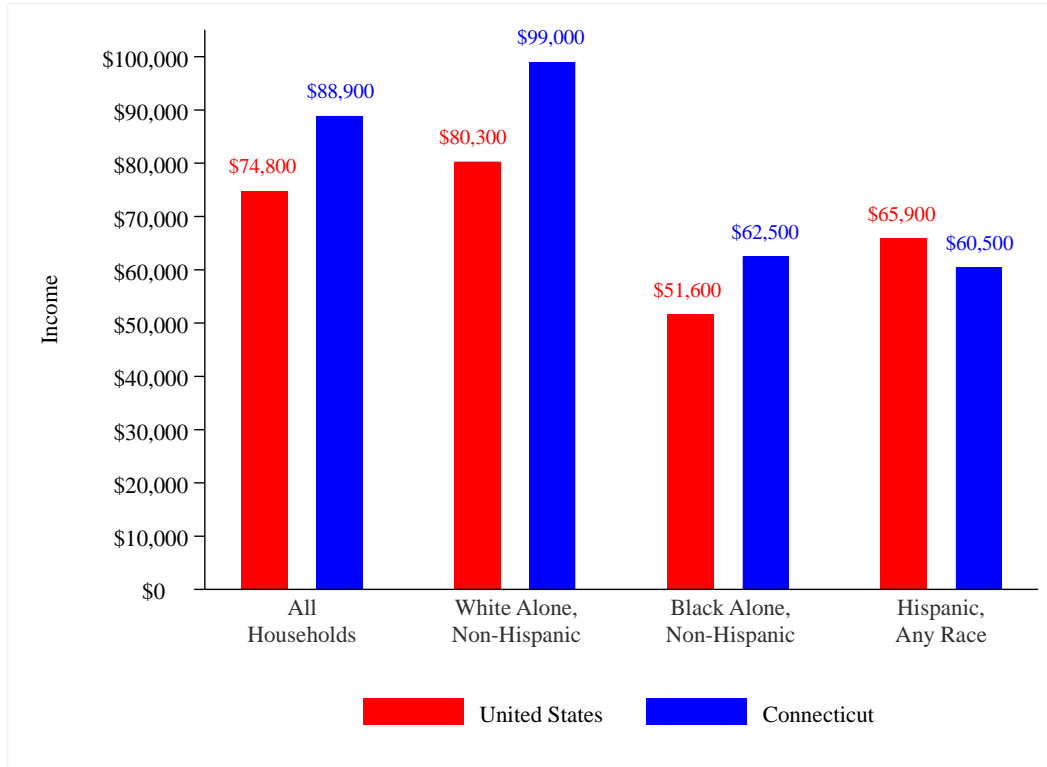
Source: American Community Survey and author's calculations. Rounded to nearest \$100.

**Table 1.** Income Inequality, 2022

Group	United States			Connecticut		
	Income	Income Inequality		Income	Income Inequality	
		In Dollars	Ratio		In Dollars	Ratio
<b>IRS: Tax Filers</b>						
Average Top 1 Percent	\$2,067,200	\$0	1.0	\$3,416,500	\$0	1.0
99th Percentile	\$640,500	\$1,426,700	3.2	\$935,200	\$2,481,300	3.7
<b>ACS: Households</b>						
99th Percentile	\$621,200	\$1,446,000	3.3	\$842,200	\$2,574,300	4.1
90th Percentile	\$213,700	\$1,853,500	9.7	\$257,500	\$3,159,000	13.3
50th Percentile	\$74,800	\$1,992,400	27.6	\$88,900	\$3,327,600	38.4
10th Percentile	\$16,100	\$2,051,100	128.4	\$18,800	\$3,397,700	181.7

Sources: American Community Survey, IRS Statistics of Income, and author's calculations. Rounded to nearest \$100. Income inequality is measured in relation to the income for the average of the top 1 percent of tax filers.

**Figure 3. Median Household Income by Race and Ethnicity, 2022**



Source: American Community Survey and author's calculations. Rounded to nearest \$100.

**Table 2. Income Poverty:**  
Total and Child Populations Below Poverty Level, 2022

Poverty Measure and Population	United States				Connecticut			
	Total Poverty		Child Poverty		Total Poverty		Child Poverty	
	Number	%	Number	%	Number	%	Number	%
<b>CPS ASEC SPM</b>								
All	40,959,980	12.4%	8,988,900	12.4%	363,620	10.1%	82,050	11.1%
White Alone, Non-Hispanic	17,707,500	9.2%	2,518,630	7.2%	*	*	*	*
Black Alone, Non-Hispanic	7,117,560	17.2%	1,877,120	18.4%	*	*	*	*
Hispanic, Any Race	12,364,090	19.3%	3,688,380	19.6%	*	*	*	*
<b>ACS Poverty Status</b>								
All	40,786,520	12.5%	11,499,710	16.2%	347,500	9.9%	89,100	12.4%
White Alone, Non-Hispanic	17,721,800	9.4%	3,429,010	10.1%	143,010	6.6%	17,730	5.1%
Black Alone, Non-Hispanic	8,112,010	21.3%	2,707,880	29.9%	48,710	14.2%	14,380	20.0%
Hispanic, Any Race	10,402,410	16.7%	4,016,800	21.8%	119,960	18.7%	45,290	23.1%

Sources: Current Population Survey Annual Social and Economic Supplement, American Community Survey, and author's calculations. Number in poverty is rounded to nearest 10. \*Estimate not provided due to small sample size.



## The Distribution of Wealth

*Wealth*, or net worth, is the total value of assets after subtracting liabilities, and it is essential to economic well-being because it provides a financial resource for unexpected expenses and allows households and families to maintain an adequate standard of living during periods of unemployment or other economic hardships. Several key findings on the distribution of wealth are reviewed below.

Connecticut has an even higher level of wealth inequality than income inequality, with an average estimated wealth of \$48.3 million for the top 1 percent of families compared to -\$1,800 for households at the 10<sup>th</sup> percentile.

Using the most recent five years of microdata from the U.S. Census Bureau's Survey of Income and Program Participation (SIPP), **Figure 4** shows in 2021 dollars the distribution of household wealth on average from 2017 to 2021 in the U.S. and Connecticut.<sup>18</sup> Unlike the single-year analysis of the income distribution, a five-year analysis of the wealth distribution is used due to the smaller sample size of the SIPP compared to the ACS. The SIPP's measure of wealth includes the following assets and liabilities: retirement accounts (e.g., a 401k and defined-benefit plan), interest-earning assets (e.g., a checking account and savings account), other income-generating assets (e.g., stocks and rental properties), other assets (e.g., a residence and life insurance policy), debts secured by assets (e.g., residence debt and vehicle debt), and debts not secured by an asset (e.g., credit card debt and student loans).<sup>19</sup> The SIPP is the only regular survey by the federal government that provides data on the distribution of wealth at both the national and state levels, but the measure of wealth is top-coded to protect privacy, which limits the accuracy of the data for analyzing the wealthiest households. To address that major limitation, **Table 3** provides an overview of wealth inequality that incorporates data on the wealthiest families from the Federal Reserve Board's Survey of Consumer Finances (SCF).<sup>20</sup> Although the SCF does not provide state-level data, it is possible to develop a wealth estimate for Connecticut's wealthiest households using a combination of the SCF data and a wealth ratio from the SIPP data.<sup>21</sup> Moreover, although the units of analysis differ for the two datasets (households versus families), the closeness of the wealth levels for both units at the 90<sup>th</sup> percentile indicates that relying on SCF data above that threshold in place of SIPP data is a reasonable approach for showing the full extent of wealth inequality.

The wealth inequality analysis here primarily focuses on the following points in the distribution: the 10<sup>th</sup> percentile, 50<sup>th</sup> percentile (median), 90<sup>th</sup> percentile, and average for the top 1 percent.

In the U.S. on average from 2017 to 2021, using SIPP data in 2021 dollars, households had a wealth of -\$3,700 at the 10<sup>th</sup> percentile, \$133,800 at the 50<sup>th</sup> percentile, and \$1,448,000 at the 90<sup>th</sup> percentile. Using SCF data for the U.S. in 2019, the top 1 percent of families had an average wealth of \$30,194,000 in 2021 dollars. Incorporating both sources, the average wealth for the top 1 percent of families was \$28.7 million, or 20.9 times, greater than the wealth for a household at the 90<sup>th</sup> percentile, \$30.1 million, or 225.7 times, greater than the wealth for a household at the 50<sup>th</sup> percentile, and \$30.2 million greater than the wealth for a household at the 10<sup>th</sup> percentile.

In Connecticut on average from 2017 to 2021, using SIPP data in 2021 dollars, households had a wealth of -\$1,800 at the 10<sup>th</sup> percentile, \$197,900 at the 50<sup>th</sup> percentile, and \$2,283,100 at the 90<sup>th</sup> percentile. Using SCF data for 2019, the top 1 percent of families had an estimated average wealth of \$48,310,400 in 2021 dollars. Incorporating both sources, the average wealth for the top 1 percent of families was \$46 million, or 21.2 times, greater than the wealth for a household at the 90<sup>th</sup> percentile, \$48.1 million, or 244.1 times, greater than the wealth for a household at the 50<sup>th</sup> percentile, and \$48.3 million greater than the wealth for a household at the 10<sup>th</sup> percentile.

Overall, wealth inequality is greater in Connecticut than in the U.S. as a whole when measured using either the difference in dollars or inequality ratios.

Researchers have extensively studied the causes of the exceptionally high level of wealth inequality in the U.S., and two of the most prominent explanations are reviewed below.<sup>22</sup>

*Income Inequality.* Research shows that income inequality is a major driver of wealth inequality. Low-income families generally struggle to save and invest, limiting their accumulation of wealth. In contrast, high-income and wealthy families find it easier to save and invest, facilitating their accumulation of wealth. This dynamic also creates a feedback loop, as increased wealth generates increased income, perpetuating and exacerbating both forms of economic inequality.

*Intergenerational Wealth Transfer.* Research shows that the transfer of wealth and its associated advantages through inheritance, gifts, and other mechanisms is a major driver of wealth inequality.

**The Northeast, which includes Connecticut, has substantial racial and ethnic wealth gaps, with the median Black and median Hispanic households both averaging \$0.05 for each dollar in wealth for the median white household.**

Continuing to use the most recent five years of SIPP data, **Figure 5** shows in 2021 dollars racial and ethnic wealth gaps on average from 2017 to 2021 in the U.S. and Northeast rather than Connecticut because the sample size of the survey is too small to reliably disaggregate wealth by race and ethnicity at the state level.<sup>23</sup> The *racial wealth gap* is the difference in wealth levels across racial groups. The *ethnic wealth gap* is the difference in wealth levels across ethnic groups. The racial and ethnic wealth gap analysis focuses on the difference in wealth for the median household for each demographic group. The racial wealth gap analysis compares white alone, non-Hispanic households to Black alone, non-Hispanic households. The ethnic wealth gap analysis compares white alone, non-Hispanic households to Hispanic households of any race.

In the U.S. on average from 2017 to 2021, the median white, non-Hispanic household had \$212,200 in wealth compared to \$16,700 for the median Black, non-Hispanic household, meaning the median Black household had \$0.08 for each dollar in wealth for the median white household. The median Hispanic household of any race had \$37,100 in wealth, equivalent to \$0.17 for each dollar in wealth for the median white, non-Hispanic household.

In the Northeast on average from 2017 to 2021, the median white, non-Hispanic household had \$268,300 in wealth compared to \$13,000 for the median Black, non-Hispanic household, meaning the median Black household had \$0.05 for each dollar in wealth for the median white household. The median Hispanic household of any race had \$13,900 in wealth, equivalent to \$0.05 for each dollar in wealth for the median white, non-Hispanic household.

Overall, the racial wealth gap and the ethnic wealth gap in the Northeast are both substantial in absolute terms and they are also both larger relative to the gaps in the U.S.

Like wealth inequality in general, researchers have studied the causes of racial and ethnic wealth gaps. Some of the most prominent causes include *historical discrimination, especially slavery and segregation*, which limited the accumulation of wealth in the past and its transfer across generations. Additionally, *ongoing racial and ethnic income gaps* continue to limit the accumulation of wealth by reducing the ability to save and invest.<sup>24</sup> These factors and others place a disproportionate percentage of Black and Hispanic families in the lower half of the wealth distribution, which then makes the exceptionally high level of wealth inequality especially harmful to those families.

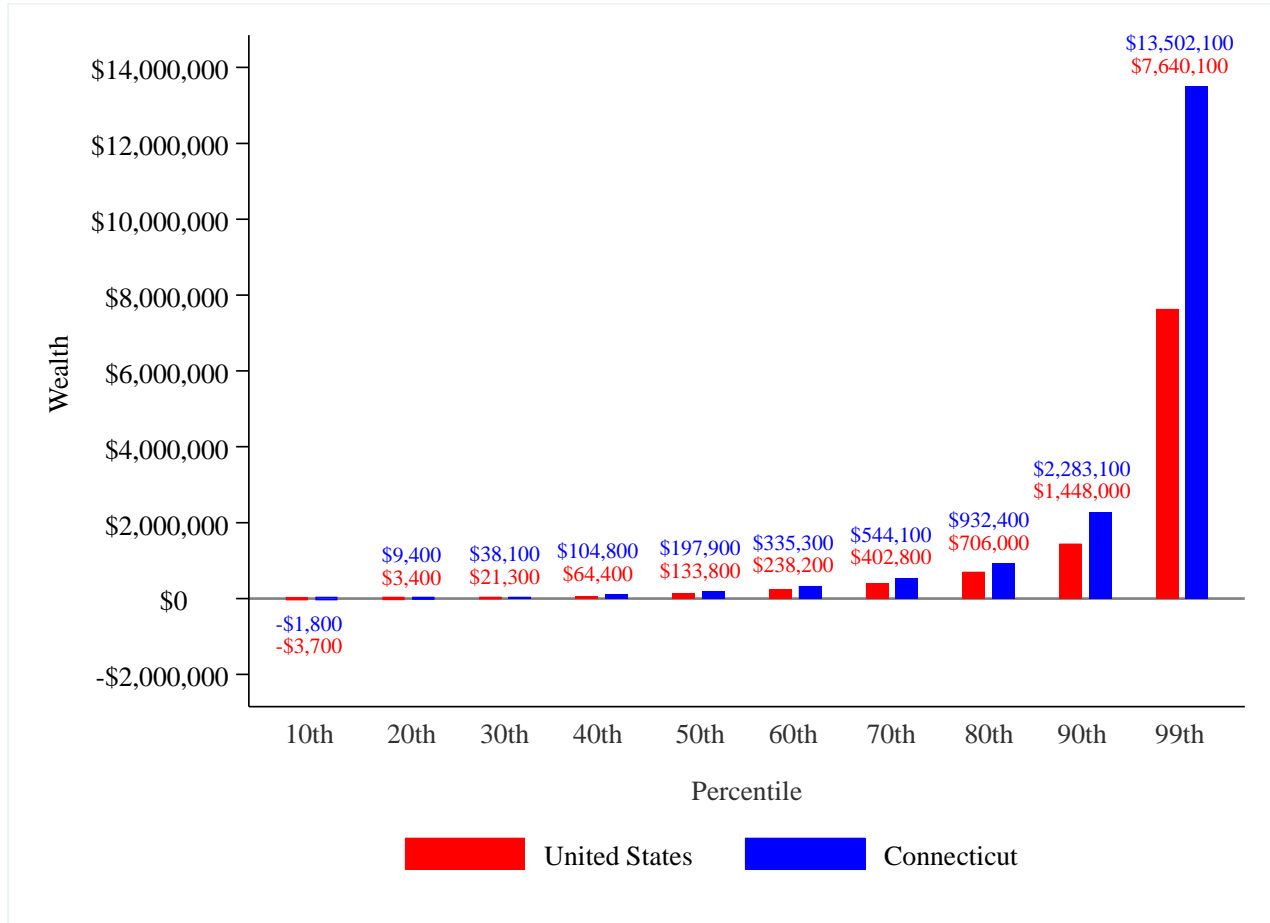
**An exceptionally high level of wealth inequality and substantial racial and ethnic wealth gaps contribute to an overall wealth poverty rate of 13.7 percent in Connecticut and an even higher rate for Black and Hispanic households.**

Further using the most recent SIPP data, **Table 4** provides an overview of wealth poverty on average from 2017 to 2021.<sup>25</sup> *Wealth poverty* is defined here as when a household or family has zero or negative wealth because their liabilities equal or exceed their assets. Wealth inequality and wealth poverty are closely related because a high concentration of wealth at the top can lead to lower wealth for the rest of the population, ultimately increasing the percentage of households with zero or negative wealth. It is essential to note, however, that these two concepts differ in scope. An analysis of wealth inequality covers the entire wealth distribution, or at least multiple portions of it, whereas an analysis of wealth poverty concentrates solely on the bottom of the wealth distribution.

On average from 2017 to 2021, 14.4 percent of households in the U.S. had zero or negative wealth, including 28.5 percent of Black households and 17.8 percent of Hispanic households. In the Northeast, 14.2 percent of households had zero or negative wealth, including 30.6 percent of Black households and 24.1 percent of Hispanic households. In Connecticut, 13.7 percent of households had zero or negative wealth. Moreover, although it is not possible to provide a reliable disaggregation by race and ethnicity in Connecticut due to the small sample size, it is clear based on the other analyses that the wealth poverty rate in the state is higher for Black and Hispanic households compared to the overall rate.

Overall, the percentage of households with zero or negative wealth in the Northeast and Connecticut is high in absolute terms, though smaller relative to the U.S. However, for Black and Hispanic households in the Northeast, the rate is high in absolute terms and it is also higher relative to the U.S.

**Figure 4.** Distribution of Household Wealth by Percentile, 2017–2021 Average



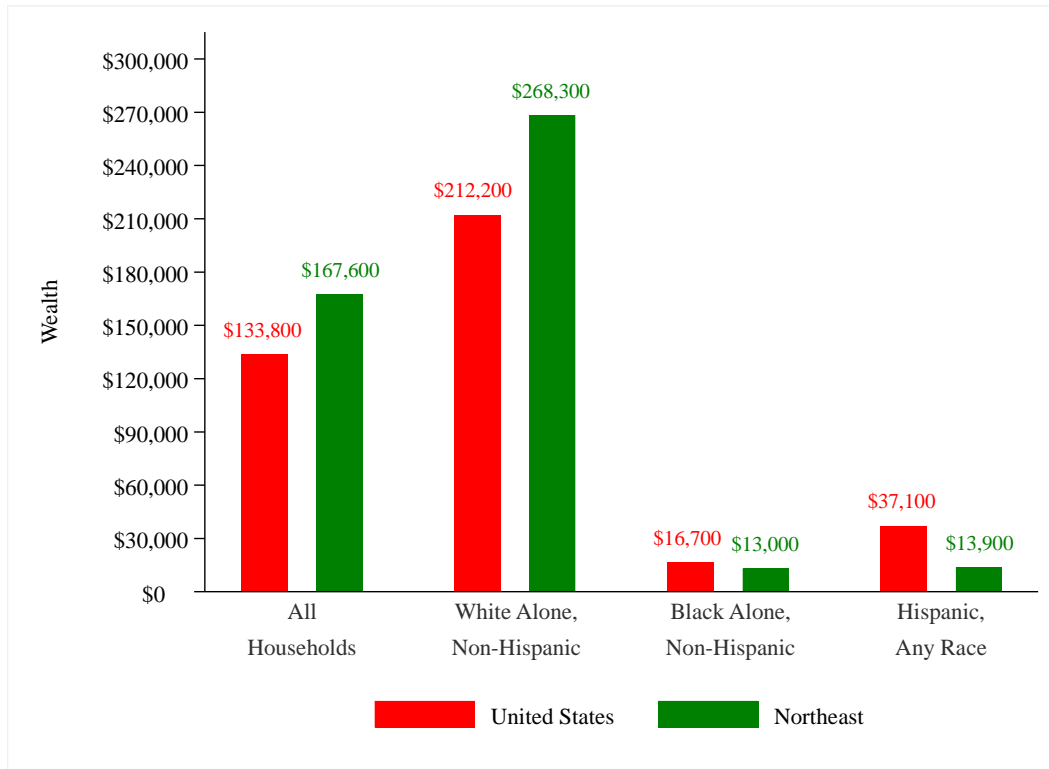
Source: Survey of Income and Program Participation and author’s calculations. In 2021 dollars. Rounded to nearest \$100.

**Table 3.** Wealth Inequality, 2017–2021 Average

Group	United States			Connecticut		
	Wealth	Wealth Inequality		Wealth	Wealth Inequality	
		In Dollars	Ratio		In Dollars	Ratio
<b>SCF: Families</b>						
Average Top 1 Percent	\$30,194,000	\$0	1.0	\$48,310,400	\$0	1.0
90th Percentile	\$1,324,500	\$28,869,500	22.8	\$2,119,200	\$46,191,200	22.8
<b>SIPP: Households</b>						
90th Percentile	\$1,448,000	\$28,746,000	20.9	\$2,283,100	\$46,027,300	21.2
50th Percentile	\$133,800	\$30,060,200	225.7	\$197,900	\$48,112,500	244.1
10th Percentile	-\$3,700	\$30,197,700	*	-\$1,800	\$48,312,200	*

Sources: Survey of Consumer Finances, Survey of Income and Program Participation, and author’s calculations. In 2021 dollars. Rounded to nearest \$100. Wealth inequality is measured in relation to the wealth for the average of the top 1 percent of families. \*Ratio not provided due to negative net wealth.

**Figure 5. Median Household Wealth by Race and Ethnicity, 2017–2021 Average**



Source: Survey of Income and Program Participation and author’s calculations. In 2021 dollars. Rounded to nearest \$100.

**Table 4. Wealth Poverty:**  
Households with Zero or Negative Wealth, 2017–2021 Average

Households	Zero or Negative Wealth					
	United States		Northeast		Connecticut	
	Number	%	Number	%	Number	%
All	18,833,390	14.4%	3,201,230	14.2%	191,000	13.7%
White Alone, Non-Hispanic	9,598,730	11.2%	1,602,120	10.3%	*	*
Black Alone, Non-Hispanic	4,685,590	28.5%	718,770	30.6%	*	*
Hispanic, Any Race	3,312,620	17.8%	670,050	24.1%	*	*

Source: Survey of Income and Program Participation and author’s calculations. Number in poverty is rounded to nearest 10. \*Estimate not provided due to small sample size.

## The Ability of Households to Pay Usual Expenses

While the preceding analyses provide critical insight into economic difficulties and disparities—inadequate income growth, a high level of income inequality, substantial racial and ethnic income gaps, substantial income poverty, an exceptionally high level of wealth inequality, substantial racial and ethnic wealth gaps, and substantial wealth poverty—the examination here of the ability of households to pay usual expenses, especially households with children, provides a timelier and more direct overview of economic well-being.

The analysis below first includes two key findings using inflation-adjusted data from the federal government’s latest report on “The Cost of Raising a Child” as well as supplemental data on the cost of child care.

**Raising a child is very expensive, costing an average of \$18,390 a year for a married, middle-income family in the Northeast.**

As part of its work in food and nutrition, the U.S. Department of Agriculture periodically provides estimates for the direct costs of raising a child from birth through age 17. The direct costs include housing, food, transportation, clothing, health care, child care and education, and miscellaneous costs. Excluded from the estimates are indirect costs, such as a parent’s time and foregone earnings, as well as costs after age 17, such as college. Updating the most recent analysis from the federal government, last published in 2017, **Table 5** shows in 2023 dollars the average cost to raise a child for a married, middle-income family in the U.S. and the Northeast.<sup>26</sup> In the U.S., the average cost is \$16,760 a year and \$301,590 in total through age 17. In the Northeast, the average cost is \$18,390 a year and \$331,050 in total. Raising a child is also very expensive for low-income families. In the U.S., the average cost is \$12,530 a year and \$225,480 in total. In the Northeast, the average cost is \$14,230 a year and \$256,170 in total.

**Raising a child is even more expensive for families that require full-time child care, as that alone costs between \$12,630 and \$19,180 a year in Connecticut.**

The most expensive costs of raising a child include housing, food, and the combined cost of child care and education. For young children, the estimate for the combined cost of child care and education is based almost entirely on child care, and it includes families that require only sporadic babysitting as well as families that require part-time and full-time child care, meaning the estimate substantially understates the cost for families that need to pay for full-time child care. To address that issue, **Table 6** shows the median annual cost for center-based and home-based child care for infants, toddlers, and preschoolers in the U.S. and Connecticut using the latest data from the Women’s Bureau in the U.S. Department of Labor.<sup>27</sup> For example, the median cost for a preschooler in Connecticut at a child care center is \$15,470 a year. Using that cost estimate in place of the average cost estimate of \$4,390 for child care and education for a preschooler in the Northeast, the total annual cost of raising a child that age would increase from \$17,790 a year to \$28,870 a year.



**Table 5.** Average Annual and Total Direct Cost of Raising a Child in the U.S. and Northeast, 2023

Cost for a Married, Middle-Income Family in the U.S.

Age	Total Per Year	Housing	Food	Transportation	Clothing	Health Care	Child Care & Education	Misc.
0 - 2	\$16,250	\$4,940	\$2,070	\$2,340	\$790	\$1,440	\$3,610	\$1,060
3 - 5	\$16,350	\$4,940	\$2,210	\$2,400	\$630	\$1,360	\$3,610	\$1,200
6 - 8	\$16,030	\$4,940	\$2,990	\$2,480	\$630	\$1,380	\$2,270	\$1,340
9 - 11	\$17,060	\$4,940	\$3,510	\$2,530	\$820	\$1,570	\$2,270	\$1,420
12 - 14	\$16,860	\$4,940	\$3,640	\$2,730	\$910	\$1,520	\$1,900	\$1,220
15 - 17	\$17,980	\$4,940	\$3,650	\$2,960	\$870	\$1,590	\$2,770	\$1,200
Annual Average	\$16,760	\$4,940	\$3,010	\$2,570	\$780	\$1,480	\$2,740	\$1,240
<b>Total Over 18 Years</b>	<b>\$301,590</b>	<b>\$88,920</b>	<b>\$54,210</b>	<b>\$46,320</b>	<b>\$13,950</b>	<b>\$26,580</b>	<b>\$49,290</b>	<b>\$22,320</b>

Cost for a Married, Middle-Income Family in the Northeast

Age	Total Per Year	Housing	Food	Transportation	Clothing	Health Care	Child Care & Education	Misc.
0 - 2	\$17,690	\$5,540	\$2,090	\$2,260	\$1,070	\$1,270	\$4,390	\$1,070
3 - 5	\$17,790	\$5,540	\$2,230	\$2,330	\$910	\$1,190	\$4,390	\$1,200
6 - 8	\$17,520	\$5,540	\$3,020	\$2,400	\$910	\$1,220	\$3,080	\$1,350
9 - 11	\$18,550	\$5,540	\$3,540	\$2,460	\$1,130	\$1,390	\$3,080	\$1,410
12 - 14	\$18,600	\$5,540	\$3,680	\$2,650	\$1,240	\$1,330	\$2,930	\$1,230
15 - 17	\$20,200	\$5,540	\$3,690	\$2,890	\$1,210	\$1,400	\$4,270	\$1,200
Annual Average	\$18,390	\$5,540	\$3,040	\$2,500	\$1,080	\$1,300	\$3,690	\$1,240
<b>Total Over 18 Years</b>	<b>\$331,050</b>	<b>\$99,720</b>	<b>\$54,750</b>	<b>\$44,970</b>	<b>\$19,410</b>	<b>\$23,400</b>	<b>\$66,420</b>	<b>\$22,380</b>

Sources: U.S. Department of Agriculture, U.S. Bureau of Labor Statistics, and author's calculations.

**Table 6.** Median Annual Market Rate Cost of Full-Time Child Care, 2023

Location	Infant		Toddler		Preschool	
	Child Care Center	Child Care Home	Child Care Center	Child Care Home	Child Care Center	Child Care Home
United States	\$12,860	\$9,180	\$11,590	\$8,680	\$10,440	\$8,420
Connecticut	\$19,180	\$13,160	\$19,180	\$12,630	\$15,470	\$12,630

Source: U.S. Department of Labor Women's Bureau.

Next, using the latest data from the U.S. Census Bureau’s Household Pulse Survey (HPS)—and building on the analysis of the high cost of raising children—several key findings are reviewed below on the ability of households to pay usual expenses in 2023, especially households with children.

Nearly 18 percent of households in Connecticut report that it is “very difficult” to pay usual expenses, and the rate increases significantly for low- and middle-income households with children (27.6 percent) and Black and Hispanic households with children (38.9 percent and 32.2 percent).

Addressing usual household expenses broadly, the HPS asks, “In the last 7 days, how difficult has it been for your household to pay for usual household expenses, including but not limited to food, rent or mortgage, car payments, medical expenses, student loans, and so on?” The options include: “not at all difficult”; “a little difficult”; “somewhat difficult”; and “very difficult.” **Figure 6** shows the average results for 2023 in the U.S. and Connecticut for the last category.<sup>28</sup>

Focusing on Connecticut, 17.7 percent of all households report that it is “very difficult” to pay usual expenses, and the rate increases to 27.6 percent of low- and middle-income households with children. Disaggregated by race and ethnicity, 18 percent of white households with children, 38.9 percent of Black households with children, and 32.2 percent of Hispanic households with children report that it is “very difficult.”

The substantial percentage of households reporting that it is “very difficult” to pay usual expenses is a major, urgent problem, especially in Connecticut for low- and middle-income households with children and Black and Hispanic households with children, because those households are struggling financially and are either possibly living in poverty or at risk of falling into poverty. Moreover, children living in poverty or near poverty is itself a major, urgent problem because a substantial body of research finds that poverty “causes negative child outcomes, especially when it begins in early childhood and/or persists throughout a large share of a child’s life.” As noted earlier, those negative or worse outcomes cover “virtually every dimension” of life, “from physical and mental health, to educational attainment and labor market success,” and contribute to a cycle of intergenerational poverty.<sup>29</sup>

More than 11 percent of households in Connecticut report that they “sometimes” or “often” do not have enough to eat, and the rate increases significantly for low- and middle-income households with children (15.2 percent) and Black and Hispanic households with children (25.2 percent and 21.6 percent).

Addressing the specific household expense of food—which, as noted, is one of the most expensive costs of raising a child—the HPS asks, “Getting enough food can also be a problem for some people. In the last 7 days, which of these statements best describes the food eaten in your household?” The options include: “enough of the kind of foods we wanted to eat”; “enough, but not always the kinds of food we wanted to eat”; “sometimes not enough to eat”; or “often not enough to eat.” **Figure 7** shows the average results for 2023 in the U.S. and Connecticut for the last two categories.<sup>30</sup>

Focusing on Connecticut, 11.4 percent of all households report that they “sometimes” or “often” did not have enough to eat, and the rate increases to 15.2 percent of low- and middle-income households with children. Disaggregated by race and ethnicity, 8.7 percent of white households with children, 25.2 percent of Black households with children, and 21.6 percent of Hispanic households with children report that they “sometimes” or “often” did not have enough to eat.

The substantial percentage of households experiencing food insecurity is a major, urgent problem, especially in Connecticut for low- and middle-income households with children and Black and Hispanic households with children, because research finds that food insecurity in particular is associated with a wide range of negative health outcomes for children, including, but not limited to, increased risks of hospitalization and poorer health in general, anemia, asthma, cognitive problems, behavioral problems, anxiety, and depression.<sup>31</sup>

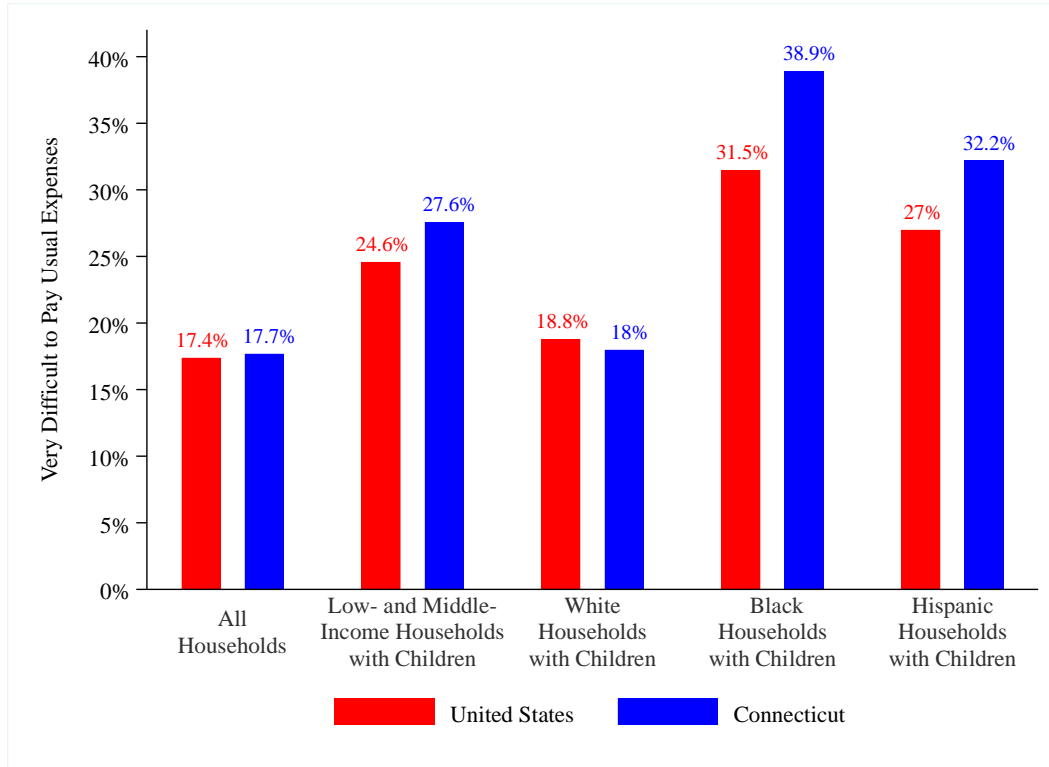
More than 15 percent of renter households in Connecticut report that they are not caught up on their housing payment, and the rate increases significantly for low- and middle-income renter households with children (22.6 percent) and Black and Hispanic renter households with children (33.5 percent and 20.7 percent).

Addressing the specific household expense of housing—which, as noted, is another one of the most expensive costs of raising a child—the HPS asks renters and homeowners if the household is currently caught up on their rent or mortgage payments. **Figure 8** shows the average results for 2023 in the U.S. and Connecticut for renters and **Figure 9** shows the average results for homeowners.<sup>32</sup>

Focusing on Connecticut, 15.1 percent of all renter households and 5.6 of all homeowner households report that they are not caught up on their housing payment, and the rate increases to 22.6 percent of low- and middle-income renter households with children and 8.8 percent of low- and middle-income homeowner households with children. Disaggregated by race and ethnicity for renters, 10.9 percent of white households with children, 33.5 percent of Black households with children, and 20.7 percent of Hispanic households with children report that they are not caught up on their housing payment. For homeowners, 5.7 percent of white households with children, 13.4 percent of Black households with children, and 8.6 percent of Hispanic households with children report that they are not caught up on their housing payment.

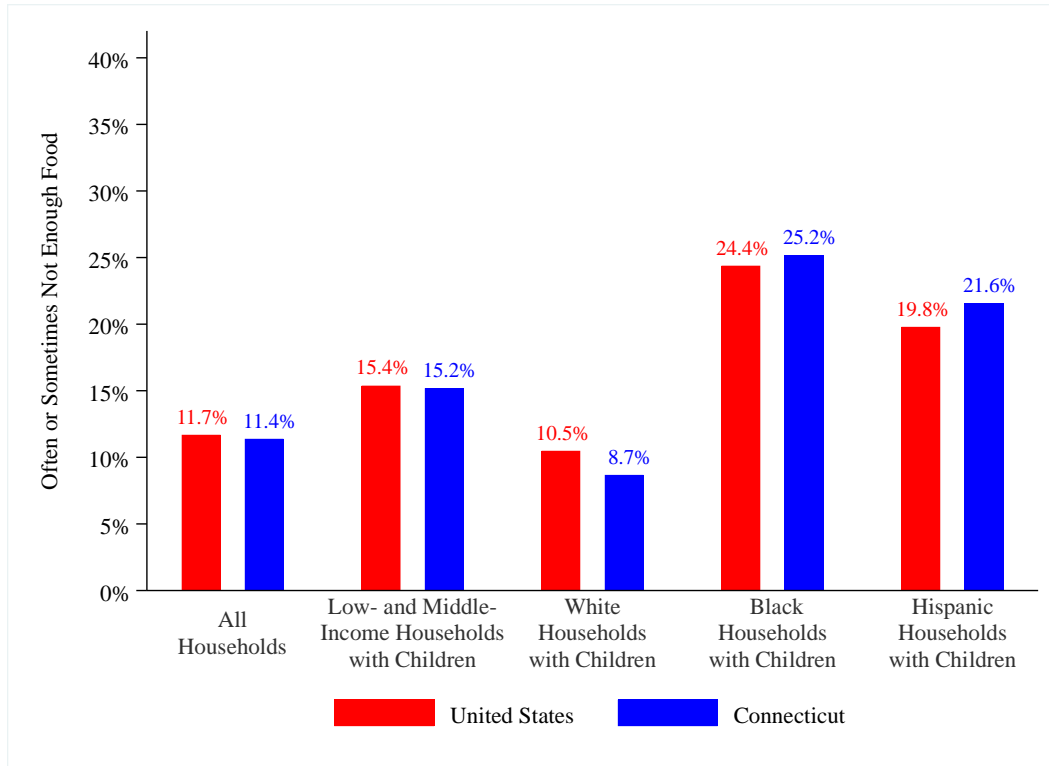
The substantial percentage of households not caught up on their housing payment is a major, urgent problem, especially in Connecticut for low- and middle-income households with children and Black and Hispanic households with children, because those households are at increased risk of eviction or foreclosure. Moreover, eviction and foreclosure are themselves major, urgent problems because research finds that they can contribute to housing instability and homelessness, loss of employment, criminal legal system involvement, problems in school, and poor health, meaning they can “disrupt nearly every facet of a family’s life.”<sup>33</sup>

**Figure 6. “Very Difficult” for Household to Pay Usual Expenses, 2023**



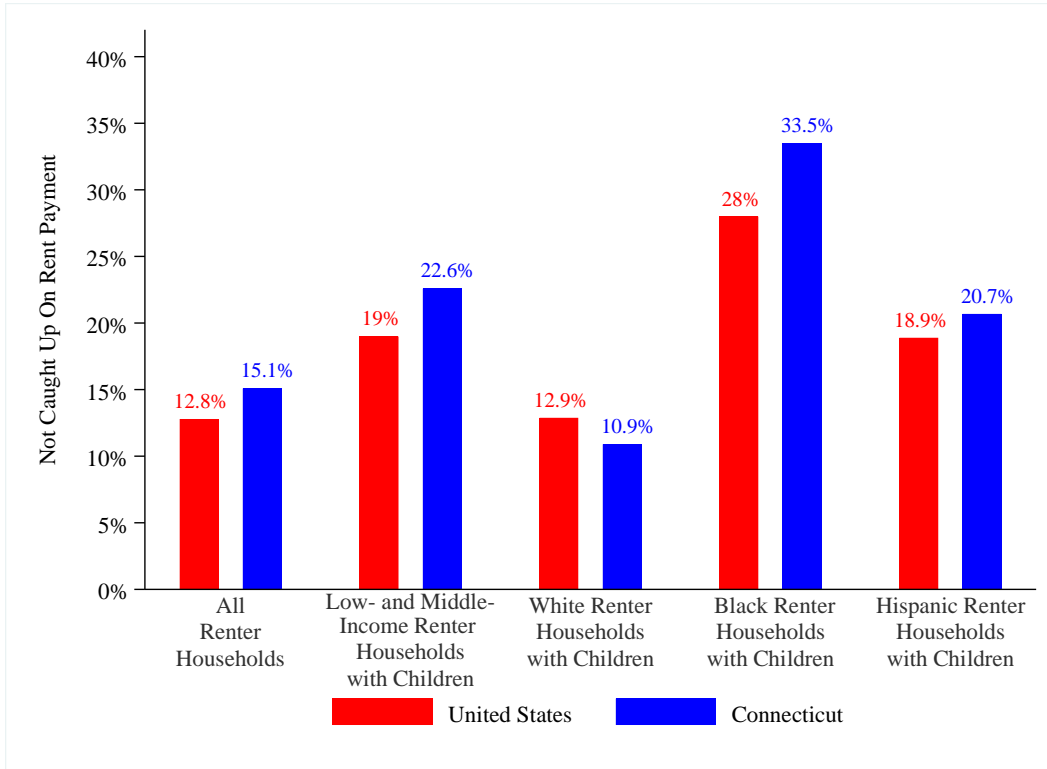
Source: Household Pulse Survey and author’s calculations.

**Figure 7. “Sometimes” or “Often” Not Enough Food for Household, 2023**



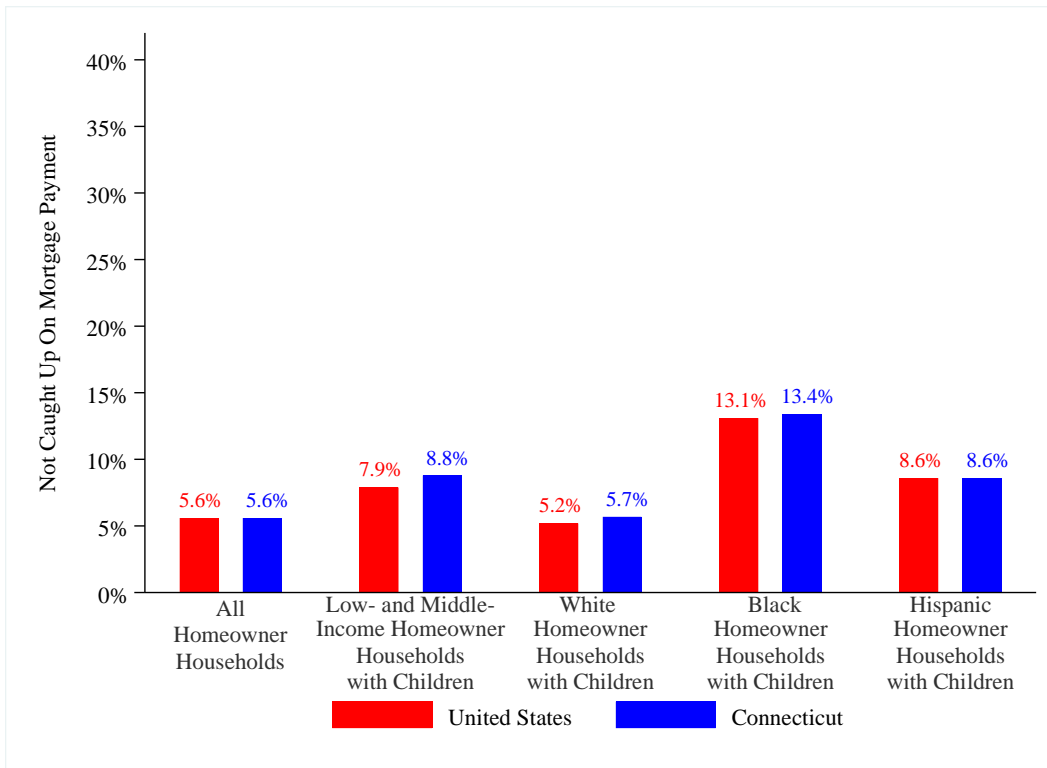
Source: Household Pulse Survey and author’s calculations.

**Figure 8. Household Not Caught Up on Rent Payment, 2023**



Source: Household Pulse Survey and author’s calculations.

**Figure 9. Household Not Caught Up on Mortgage Payment, 2023**



Source: Household Pulse Survey and author’s calculations.

## Overview of CT Baby Bonds

This second section provides an overview of the new CT Baby Bonds program and proceeds in two parts. The first part provides an overview of the design and impact of CT Baby Bonds. The second part provides an overview of policy options to improve the impact of CT Baby Bonds.

### The Design and Impact of CT Baby Bonds

Policymakers in Connecticut recently established and funded CT Baby Bonds to support the economic well-being of Connecticut’s families and children. In the words of the Connecticut Treasurer’s Office, which is charged with overseeing the program, “CT Baby Bonds is a long-term investment in Connecticut families and communities. It will address generational poverty by giving families opportunities to build wealth while encouraging young people to stay in the state, and investing funds back into the community through homeownership, business creation and more.”<sup>34</sup>

Several key findings on the design and impact of CT Baby Bonds are reviewed below.

**CT Baby Bonds will support an estimated range of 12,460 to 15,140 newborns on average each year, equal to 36.3 percent to 44.1 percent of all newborns in the state, including at least 21 percent of white newborns, 59.7 percent of Black newborns, and 59 percent of Hispanic newborns.**

Starting July 1, 2023, the new CT Baby Bonds program included the creation of the CT Baby Bond Trust overseen by the State Treasurer. The CT Baby Bond Trust can receive funds from both public and private sources, and the initial funding includes a transfer of \$381 million from the CT Teachers’ Retirement Fund Bonds Special Capital Reserve Fund.<sup>35</sup> Additionally, Connecticut law declares that not later than September 1, 2024, and not later than September 1 each year thereafter, the Department of Social Services shall inform the Treasurer of the number of designated beneficiaries born in the prior fiscal year. Upon receiving that information, the Treasurer may deposit up to \$3,200 into the CT Baby Bond Trust for each designated beneficiary born in the prior fiscal year.<sup>36</sup>

A “designated beneficiary” is defined as “an individual born on or after July 1, 2023, whose birth was subject to medical coverage provided under HUSKY Health,” which includes “the combined HUSKY A, HUSKY B, HUSKY C and HUSKY D programs.”<sup>37</sup> For CT Baby Bonds, the relevant programs include HUSKY A and HUSKY B. Specifically, HUSKY A is “Medicaid provided to children, caretaker relatives and pregnant and postpartum women,” and HUSKY B is “health coverage for children” (i.e., the Children’s Health Insurance Program [CHIP]), which also includes health care for pregnant non-citizens.<sup>38</sup> To qualify for HUSKY A or HUSKY B, an individual’s household income must be under 264 percent of the federal poverty level. In 2023, that consists of an income ceiling ranging from \$51,864 for a family of two (the unborn child plus the pregnant individual) to \$105,936 for a family of six.<sup>39</sup> Although HUSKY A and HUSKY B have income ceilings to qualify, they do not have asset or net wealth ceilings.<sup>40</sup>



Using the latest three years of administrative data from the Connecticut Department of Public Health (DPH), **Table 7** shows the average number of annual births from 2019 through 2021 in Connecticut by payer source and race and ethnicity.<sup>41</sup> The original data include four payer categories: private insurance, Medicaid, other, and unknown. As noted, children whose births are covered by Medicaid qualify for CT Baby Bonds. Some children whose births are covered by CHIP also qualify for CT Baby Bonds, but the data do not include a separate category for those births and it is not clear whether CHIP-covered births are counted under Medicaid or as part of the other category. Due to that data limitation as well as the substantial number of unknown-covered births, an estimated range of beneficiaries is developed here. The average of 12,460 annual births covered by Medicaid is used for the lower limit and the average of 15,140 annual births covered by the combination of Medicaid, other, and unknown is used for the upper limit. This results in a midpoint estimate of 13,800 annual births. For a robustness check using ACS microdata, there were an estimated 35,890 children under the age of one in Connecticut in 2022, and an estimated 14,025, or 39.1 percent, of those children lived in households with coverage from Medicaid or some kind of government assistance plan.<sup>42</sup>

Overall, based on the publicly available DPH data, CT Baby Bonds will support an estimated range of 12,460 to 15,140 newborns on average each year (36.3 percent to 44.1 percent of all newborns), including an estimated 3,860 to 4,780 white newborns (21 percent to 26 percent), 2,550 to 2,790 Black newborns (59.7 percent to 65.3 percent), and 5,310 to 6,710 Hispanic newborns (59 percent to 74.6 percent). Note that white and Hispanic newborns account for the highest number of total newborns each year and will also account for the highest number of CT Baby Bonds beneficiaries. In percentage terms, however, CT Baby Bonds will disproportionately support Black and Hispanic newborns because they have higher rates of HUSKY Health coverage.

**CT Baby Bonds will support newborns in all 169 towns in Connecticut on average each year, including an average of at least 10 percent of newborns in 90 percent of the state's towns.**

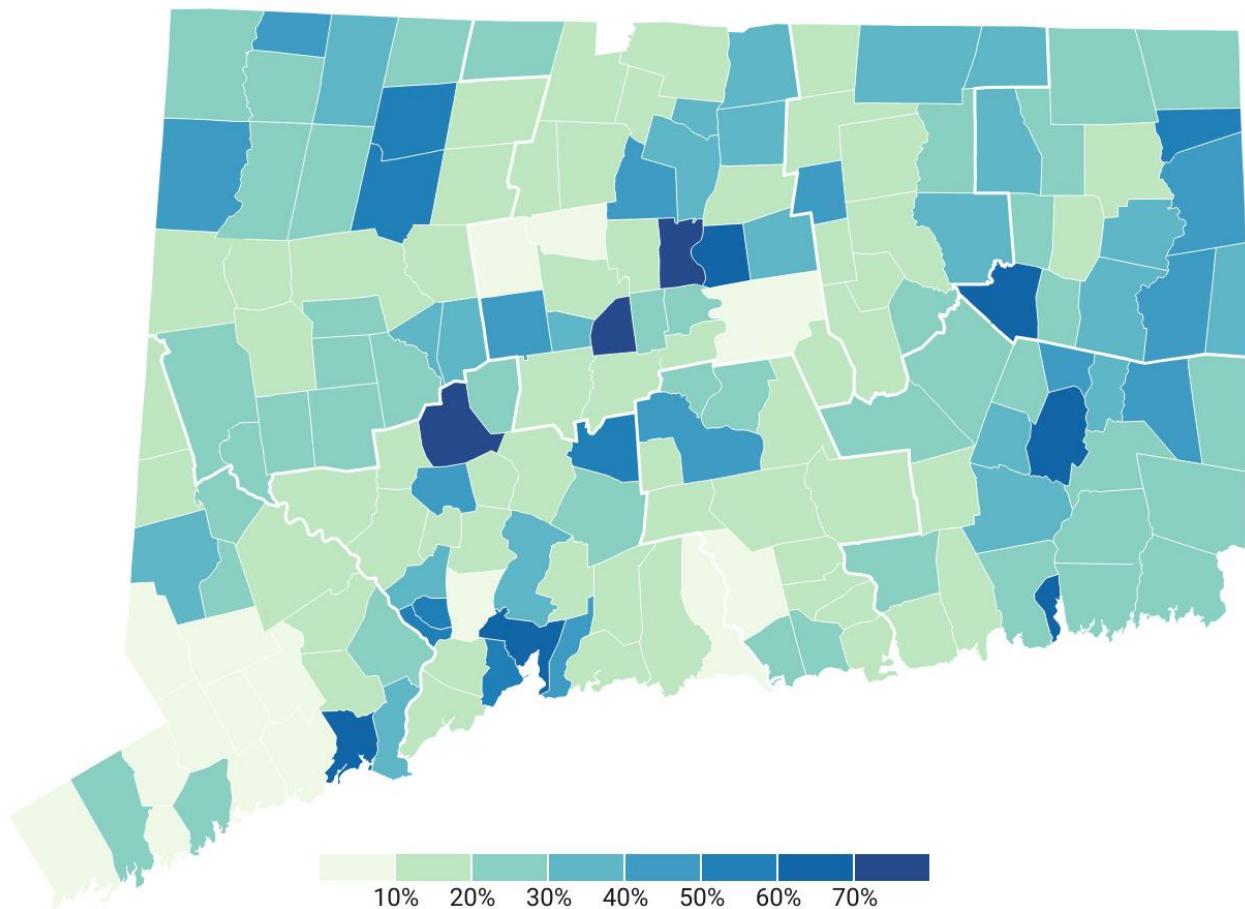
Continuing to use administrative data from DPH, **Figure 10** shows the annual average percentage of Medicaid-covered births from 2019 through 2021 by town.<sup>43</sup> Note that the use of Medicaid-covered births rather than the combination of Medicaid-, other-, and unknown-covered births is a more conservative approach and includes annual averages ranging from a high of 75.3 percent in Hartford to a low of 1.1 percent in Darien. Note also that even when using a more conservative approach, all 169 towns will have beneficiaries of CT Baby Bonds on average each year, and most towns will have a substantial percentage. The town-level median is 21.2 percent, meaning half of Connecticut's towns will have an average of at least 21.2 percent of their newborns qualify for CT Baby Bonds. Moreover, 90 percent of Connecticut's towns will have an average of at least 10 percent of their newborns qualify. To further understand the wide coverage of CT Baby Bonds, consider the following geographic example. In Hartford, 75.3 percent of births are covered by Medicaid on average each year, and all the towns that closely neighbor the city also have a substantial percentage of Medicaid-covered births on average each year: 33.5 percent in Windsor, 13.3 percent in South Windsor, 60.3 percent in East Hartford, 9.4 percent in Glastonbury, 20.7 percent in Wethersfield, 21.1 percent in Newington, 18.6 percent in West Hartford, and 40.4 percent in Bloomfield.

**Table 7. CT Births by Payer Source and Race and Ethnicity,  
Annual Average for 2019–2021**

Child Birth Payer Source	Total	White Alone, Non-Hispanic	Black Alone, Non-Hispanic	Hispanic, Any Race
<b>Medicaid</b>				
Number of Births	12,460	3,860	2,550	5,310
% of Births in Category	36.3%	21.0%	59.7%	59.0%
<b>Medicaid + Other + Unknown</b>				
Number of Births	15,140	4,780	2,790	6,710
% of Births in Category	44.1%	26.0%	65.3%	74.6%
<b>All Payer Sources</b>				
Number of Births	34,370	18,420	4,270	9,000
% of Births in Category	100%	100%	100%	100%

Source: CT Department of Public Health and author’s calculations. Rounded to nearest 10 births.

**Figure 10. Medicaid-Covered Births as a Percentage of Total Births by Town,  
Annual Average for 2019–2021**



Source: CT Department of Public Health and author’s calculations.

CT Baby Bonds have a maximum initial value of \$3,200 per beneficiary and will have an estimated real, or inflation-adjusted, value of \$6,820 in 18 years and \$11,290 in 30 years (and an estimated nominal value of \$10,640 in 18 years and \$23,690 in 30 years), which beneficiaries can use on a range of eligible expenditures.

As noted, for each beneficiary born in the prior fiscal year, the Treasurer may deposit up to \$3,200 into the CT Baby Bond Trust. The statute also states that if a beneficiary has completed a financial literacy requirement and is living in the state, they can request to redeem their CT Baby Bond from the age of 18 until the day before they turn 30 to use for the payment of an “eligible expenditure,” which includes spending associated with education, purchase of a home in Connecticut, investment in a business in Connecticut, or “any investment in financial assets or personal capital that provides long-term gains to wages or wealth.”<sup>44</sup>

**Table 8** provides an overview of the estimated future value of CT Baby Bonds per beneficiary born in 2023.<sup>45</sup> Four points are important to address before reviewing the estimates. First, the analysis assumes that a beneficiary born in 2023 receives the full annual return in 2024 even though the statute only instructs the Treasurer to make the transfer not later than September 1, 2024, after receiving from the Department of Social Services the number of beneficiaries born in the prior fiscal year. Second, to incorporate the benefit of the final year of compound interest, the value of the bond is calculated up to the beneficiary’s 30<sup>th</sup> birthday, though, as noted, a beneficiary only has until the day before their 30<sup>th</sup> birthday to request the redemption of the bond. Third, the analysis includes the future estimated value in both *nominal*, or current, dollars and *real*, or inflation-adjusted, dollars using 2023 as the baseline. The inflation adjustment is based on an annual rate of 2.5 percent, which is the average annual inflation rate over the past 30 years using the consumer price index for all urban consumers. Fourth, the analysis incorporates three potential annual return rates: 6.9 percent is the long-term objective the Treasurer’s Office uses for the state’s investment portfolio and is the primary rate used here. The analysis also includes annual return rates of 5.9 percent and 7.9 percent to demonstrate the impact of lower and higher returns.

Below is an overview of the two major points in the timeline of CT Baby Bonds for a beneficiary that is born in 2023 and receives an initial deposit of \$3,200.

First, when the beneficiary turns 18 in 2041, they are first eligible to redeem their CT Baby Bond. At that time, the CT Baby Bond will have an estimated nominal value of \$10,640 and an estimated real value of \$6,820 based on an annual return of 6.9 percent. However, using the lower and higher annual returns, the estimated real value ranges from \$5,760 to \$8,060.

Second, until the day before the beneficiary turns 30 in 2053, they are eligible to redeem their CT Baby Bond. At that time, the CT Baby Bond will have an estimated nominal value of \$23,690 and an estimated real value of \$11,290 based on an annual return of 6.9 percent. However, using the lower and higher annual returns, the estimated real value ranges from \$8,520 to \$14,930

**Table 8.** Estimated Future Value of CT Baby Bonds Per Beneficiary

Year	Age of Beneficiary	Eligible to Redeem	5.9 Percent Annual Return		6.9 Percent Annual Return		7.9 Percent Annual Return	
			Nominal \$	2023 \$	Nominal \$	2023 \$	Nominal \$	2023 \$
			2023	0	No	\$3,200	\$3,200	\$3,200
2024	1	No	\$3,390	\$3,310	\$3,420	\$3,340	\$3,450	\$3,370
2025	2	No	\$3,590	\$3,420	\$3,660	\$3,480	\$3,730	\$3,550
2026	3	No	\$3,800	\$3,530	\$3,910	\$3,630	\$4,020	\$3,730
2027	4	No	\$4,020	\$3,650	\$4,180	\$3,790	\$4,340	\$3,930
2028	5	No	\$4,260	\$3,770	\$4,470	\$3,950	\$4,680	\$4,140
2029	6	No	\$4,510	\$3,890	\$4,780	\$4,120	\$5,050	\$4,350
2030	7	No	\$4,780	\$4,020	\$5,100	\$4,290	\$5,450	\$4,580
2031	8	No	\$5,060	\$4,150	\$5,460	\$4,480	\$5,880	\$4,830
2032	9	No	\$5,360	\$4,290	\$5,830	\$4,670	\$6,340	\$5,080
2033	10	No	\$5,680	\$4,430	\$6,240	\$4,870	\$6,840	\$5,350
2034	11	No	\$6,010	\$4,580	\$6,670	\$5,080	\$7,390	\$5,630
2035	12	No	\$6,370	\$4,730	\$7,130	\$5,300	\$7,970	\$5,930
2036	13	No	\$6,740	\$4,890	\$7,620	\$5,530	\$8,600	\$6,240
2037	14	No	\$7,140	\$5,050	\$8,140	\$5,760	\$9,280	\$6,570
2038	15	No	\$7,560	\$5,220	\$8,710	\$6,010	\$10,010	\$6,910
2039	16	No	\$8,010	\$5,390	\$9,310	\$6,270	\$10,800	\$7,280
2040	17	No	\$8,480	\$5,570	\$9,950	\$6,540	\$11,660	\$7,660
2041	18	Yes	\$8,980	\$5,760	\$10,640	\$6,820	\$12,580	\$8,060
2042	19	Yes	\$9,510	\$5,950	\$11,370	\$7,110	\$13,570	\$8,490
2043	20	Yes	\$10,070	\$6,150	\$12,150	\$7,420	\$14,640	\$8,940
2044	21	Yes	\$10,670	\$6,350	\$12,990	\$7,740	\$15,800	\$9,410
2045	22	Yes	\$11,290	\$6,560	\$13,890	\$8,070	\$17,050	\$9,900
2046	23	Yes	\$11,960	\$6,780	\$14,850	\$8,410	\$18,390	\$10,420
2047	24	Yes	\$12,670	\$7,000	\$15,870	\$8,770	\$19,850	\$10,970
2048	25	Yes	\$13,410	\$7,240	\$16,970	\$9,150	\$21,410	\$11,550
2049	26	Yes	\$14,210	\$7,480	\$18,140	\$9,540	\$23,110	\$12,160
2050	27	Yes	\$15,040	\$7,720	\$19,390	\$9,950	\$24,930	\$12,800
2051	28	Yes	\$15,930	\$7,980	\$20,730	\$10,380	\$26,900	\$13,470
2052	29	Yes	\$16,870	\$8,240	\$22,160	\$10,830	\$29,020	\$14,180
2053	30*	Yes*	\$17,870	\$8,520	\$23,690	\$11,290	\$31,320	\$14,930

Source: U.S. Bureau of Labor Statistics and author's calculations. Rounded to nearest \$10. \*A beneficiary only has until the day before their 30<sup>th</sup> birthday to redeem the bond.

CT Baby Bonds will both directly and indirectly help to establish a more equitable distribution of wealth, and the direct impact alone is potentially substantial.

The estimated future value of CT Baby Bonds reviewed above is only the *direct* impact of the program in the form of a monetary transfer. However, as noted, beneficiaries of CT Baby Bonds must use the money for specific purposes: education, purchase of a home in Connecticut, investment in a business in Connecticut, or “any investment in financial assets or personal capital that provides long-term gains to wages or wealth.” Those investments in human (or personal) capital and financial assets will help to generate additional wealth that comprises the *indirect* impact of the program.

Before reviewing several examples of the potential direct impact of CT Baby Bonds, it is necessary to address three points. First, attempting to model the indirect impact of the program is beyond the scope of this report. The examples here only focus on the direct impact in the form of a monetary transfer and therefore should be viewed as the estimated minimum impact of CT Baby Bonds. Second, attempting to model the future distribution of wealth is beyond the scope of this report. The examples here apply the estimated future real value of CT Baby Bonds (based on an annual rate of return of 6.9 percent and 2.5 percent inflation) to the distribution of wealth on average from 2017 to 2021, and therefore the examples should be viewed as the estimated minimum impact of CT Baby Bonds based on the most recently measured levels of wealth inequality and racial and ethnic wealth gaps at the state level and regional level, respectively. Third, the examples here assume that households with lower wealth also have lower incomes and therefore are more likely to qualify for HUSKY Health and in turn CT Baby Bonds. Although this assumption is generally true in practice because there is a positive correlation between income and wealth, it is not always the case.

Building on the earlier analysis of wealth inequality and racial and ethnic wealth gaps, below are several sets of examples of the potential direct impact of CT Baby Bonds.

First, **Table 9** shows examples of the potential direct impact of CT Baby Bonds on wealth inequality.<sup>46</sup> This includes three comparisons: households at the 10<sup>th</sup> percentile and 50<sup>th</sup> percentile; households at the 10<sup>th</sup> percentile and 90<sup>th</sup> percentile; and a household at the 10<sup>th</sup> percentile and the average of the top 1 percent of families.

For the wealth inequality baseline for the first comparison, a household at the 10<sup>th</sup> percentile has -\$1,800 in wealth and a household at the 50<sup>th</sup> percentile has \$197,900 in wealth, a difference of \$199,700. However, if a household at the 10<sup>th</sup> percentile has one beneficiary that redeems their CT Baby Bond at the age of 18, and if a household at the 50<sup>th</sup> percentile has no beneficiary, then wealth inequality would decrease by an estimated \$6,820 or 3.4 percent. Additionally, if a household at the 10<sup>th</sup> percentile has two beneficiaries that redeem their CT Baby Bonds immediately before they both turn 30, and if a household at the 50<sup>th</sup> percentile has no beneficiary, then wealth inequality would decrease by an estimated \$22,580 or 11.3 percent.

A similar potential reduction in the dollar amount of wealth inequality occurs for the comparison of households at the 10<sup>th</sup> percentile and 90<sup>th</sup> percentile and for the comparison of a household at the 10<sup>th</sup> percentile and the average of the top 1 percent of families. However, the potential percentage reduction in wealth inequality due to CT Baby Bonds decreases for those comparisons because the initial level of wealth inequality is substantially larger.

Second, **Table 10** shows examples of the potential direct impact of CT Baby Bonds on the racial wealth gap.<sup>47</sup> This includes a comparison of the median white alone, non-Hispanic household in the Northeast and the median Black alone, non-Hispanic household in the Northeast, which are hereafter referred to as the median white household and the median Black household. For the racial wealth gap baseline, the median Black household has \$13,000 in wealth and the median white household has \$268,300 in wealth, a difference of \$255,300. However, if the median Black household has one beneficiary that redeems their CT Baby Bond at the age of 18, and if the median white household has no beneficiary—and recall that CT Baby Bonds will support an estimated minimum of 59.7 percent of Black newborns compared to 21 percent of white newborns—then the racial wealth gap would decrease by an estimated \$6,820 or 2.7 percent. Additionally, if the median Black household has two beneficiaries that redeem their CT Baby Bonds immediately before they both turn 30, and if the median white household has no beneficiary, then the racial wealth gap would decrease by an estimated \$22,580 or 8.8 percent.

Third, **Table 11** shows examples of the potential direct impact of CT Baby Bonds on the ethnic wealth gap.<sup>48</sup> This includes a comparison of the median white alone, non-Hispanic household in the Northeast and the median Hispanic, any race household in the Northeast, which are hereafter referred to as the median white, non-Hispanic household and the median Hispanic household. For the ethnic wealth gap baseline, the median Hispanic household has \$13,900 in wealth and the median white, non-Hispanic household has \$268,300 in wealth, a difference of \$254,400. However, if the median Hispanic household has one beneficiary that redeems their CT Baby Bond at the age of 18, and if the median white, non-Hispanic household has no beneficiary—and recall that CT Baby Bonds will support an estimated minimum of 59 percent of Hispanic newborns compared to 21 percent of white, non-Hispanic newborns—then the ethnic wealth gap would decrease by an estimated \$6,820 or 2.7 percent. Additionally, if the median Hispanic household has two beneficiaries that redeem their CT Baby Bonds immediately before they both turn 30, and if the median white, non-Hispanic household has no beneficiary, then the ethnic wealth gap would decrease by an estimated \$22,580 or 8.9 percent.



**Table 9.** Examples of the Potential Direct Impact of CT Baby Bonds on Wealth Inequality

10<sup>th</sup> Percentile Household and 50<sup>th</sup> Percentile Household

		10th Percentile Household		50th Percentile Household		Wealth Inequality		
		CT Baby Bonds		CT Baby Bonds		Total	Change	
Number	Length of Investment	Total Real Value	Wealth	Wealth	Wealth		\$	%
0	0 Years	\$0	-\$1,800	\$0	\$197,900	\$199,700	\$0	0.0%
1	18 Years	\$6,820	\$5,020	\$0	\$197,900	\$192,880	-\$6,820	-3.4%
1	30 Years	\$11,290	\$9,490	\$0	\$197,900	\$188,410	-\$11,290	-5.7%
2	18 Years	\$13,640	\$11,840	\$0	\$197,900	\$186,060	-\$13,640	-6.8%
2	30 Years	\$22,580	\$20,780	\$0	\$197,900	\$177,120	-\$22,580	-11.3%

10<sup>th</sup> Percentile Household and 90<sup>th</sup> Percentile Household

		10th Percentile Household		90th Percentile Household		Wealth Inequality		
		CT Baby Bonds		CT Baby Bonds		Total	Change	
Number	Length of Investment	Total Real Value	Wealth	Wealth	Wealth		\$	%
0	0 Years	\$0	-\$1,800	\$0	\$2,283,100	\$2,284,900	\$0	0.0%
1	18 Years	\$6,820	\$5,020	\$0	\$2,283,100	\$2,278,080	-\$6,820	-0.3%
1	30 Years	\$11,290	\$9,490	\$0	\$2,283,100	\$2,273,610	-\$11,290	-0.5%
2	18 Years	\$13,640	\$11,840	\$0	\$2,283,100	\$2,271,260	-\$13,640	-0.6%
2	30 Years	\$22,580	\$20,780	\$0	\$2,283,100	\$2,262,320	-\$22,580	-1.0%

10<sup>th</sup> Percentile Household and Average of the Top 1 Percent of Families

		10th Percentile Household		Average Top 1 Percent of Families		Wealth Inequality		
		CT Baby Bonds		CT Baby Bonds		Total	Change	
Number	Length of Investment	Total Real Value	Wealth	Wealth	Wealth		\$	%
0	0 Years	\$0	-\$1,800	\$0	\$48,310,400	\$48,312,200	\$0	0.0%
1	18 Years	\$6,820	\$5,020	\$0	\$48,310,400	\$48,305,380	-\$6,820	-0.01%
1	30 Years	\$11,290	\$9,490	\$0	\$48,310,400	\$48,300,910	-\$11,290	-0.02%
2	18 Years	\$13,640	\$11,840	\$0	\$48,310,400	\$48,298,560	-\$13,640	-0.03%
2	30 Years	\$22,580	\$20,780	\$0	\$48,310,400	\$48,289,620	-\$22,580	-0.05%

Sources: Survey of Income and Program Participation, U.S. Bureau of Labor Statistics, and author's calculations.

**Table 10.** Examples of the Potential Direct Impact of CT Baby Bonds on the Racial Wealth Gap

Median Black Alone, Non-Hispanic Household				Median White, Non-Hispanic Household		Racial Wealth Gap		
CT Baby Bonds				CT Baby Bonds	Wealth	Total	Change	
Number	Length of Investment	Total Real Value	Wealth				\$	%
0	0 Years	\$0	\$13,000	\$0	\$268,300	\$255,300	\$0	0.0%
1	18 Years	\$6,820	\$19,820	\$0	\$268,300	\$248,480	-\$6,820	-2.7%
1	30 Years	\$11,290	\$24,290	\$0	\$268,300	\$244,010	-\$11,290	-4.4%
2	18 Years	\$13,640	\$26,640	\$0	\$268,300	\$241,660	-\$13,640	-5.3%
2	30 Years	\$22,580	\$35,580	\$0	\$268,300	\$232,720	-\$22,580	-8.8%

Sources: Survey of Income and Program Participation, U.S. Bureau of Labor Statistics, and author's calculations.

**Table 11.** Examples of the Potential Direct Impact of CT Baby Bonds on the Ethnic Wealth Gap

Median Hispanic Household				Median White, Non-Hispanic Household		Ethnic Wealth Gap		
CT Baby Bonds				CT Baby Bonds	Wealth	Total	Change	
Number	Length of Investment	Total Real Value	Wealth				\$	%
0	0 Years	\$0	\$13,900	\$0	\$268,300	\$254,400	\$0	0.0%
1	18 Years	\$6,820	\$20,720	\$0	\$268,300	\$247,580	-\$6,820	-2.7%
1	30 Years	\$11,290	\$25,190	\$0	\$268,300	\$243,110	-\$11,290	-4.4%
2	18 Years	\$13,640	\$27,540	\$0	\$268,300	\$240,760	-\$13,640	-5.4%
2	30 Years	\$22,580	\$36,480	\$0	\$268,300	\$231,820	-\$22,580	-8.9%

Sources: Survey of Income and Program Participation, U.S. Bureau of Labor Statistics, and author's calculations.

## Policy Options to Improve the Impact of CT Baby Bonds

As the overview of the design and impact shows, CT Baby Bonds will support the economic well-being of many of Connecticut’s families and children, especially Black and Hispanic families and children who are disproportionately disadvantaged. Overall, this policy is groundbreaking and its historical significance cannot be overstated. However, as the earlier overview of economic well-being shows, many of Connecticut’s families, especially those with children, are currently struggling to make ends meet, and the effect of CT Baby Bonds will not be realized until 2041. Additionally, there are opportunities to strengthen the design of CT Baby Bonds and thereby improve the program’s intended impact.

To address those issues, this part of the report provides an overview of policy options that are grouped into four categories. The first category addresses a policy option to provide immediate support through a new tax credit that will improve the impact of CT Baby Bonds by helping to ensure that beneficiaries are better positioned to take advantage of CT Baby Bonds once they come of age. The second category addresses policy options to improve the design of CT Baby Bonds that in turn will improve the program’s impact. The third category addresses policy options to ensure that the current CT Baby Bonds program and any improvements are sufficiently funded. The fourth category addresses a policy option to provide more information, which is essential to improve the impact of CT Baby Bonds and ensure its sustainability.

### Provide Immediate Support for Connecticut’s Families and Children

**Establish a permanent, well-designed Connecticut Child Tax Credit to provide immediate support for Connecticut’s families with children. This will also help to ensure that beneficiaries of CT Baby Bonds are better positioned to take advantage of the program once they come of age.**

As noted in the introduction, this is one of two reports on supporting the economic well-being of Connecticut’s families and children. The other report provides an overview of a Connecticut Child Tax Credit (CT CTC), including the case for establishing the tax credit and policy options. Here, it is simply important to note that a landmark report from the National Academy of Sciences (NAS) on child poverty—referenced earlier in this report—concludes that “poverty itself causes negative child outcomes, especially when poverty occurs in early childhood or persists throughout a large portion of childhood.”<sup>49</sup> The NAS report also concludes that the federal CTC and the federal Earned Income Tax Credit (EITC) are the major assistance programs most successful at reducing child poverty. Connecticut recently increased its CT EITC to supplement the federal EITC, but the state does not have a CT CTC to supplement the federal CTC, and the increased CT EITC is not a sufficient substitute because it provides little to no support for three income groups: the very poorest families, higher low-income families, and middle-income families. Policymakers could therefore establish a permanent, well-designed CT CTC to help immediately reduce child poverty and the negative outcomes that it causes throughout life, which in turn would help to ensure that beneficiaries of CT Baby Bonds are better positioned to take advantage of the program once they come of age.

## Improve the Design of CT Baby Bonds

Three policy options to improve the design and in turn the impact of CT Baby Bonds are reviewed below.

**Establish a tiered eligibility system for CT Baby Bonds to provide more support for the neediest beneficiaries, which disproportionately includes Black and Hispanic children.**

Under current law, “an individual born on or after July 1, 2023, whose birth was subject to medical coverage provided under HUSKY Health”—specifically, HUSKY A or HUSKY B—is eligible for CT Baby Bonds, which consists of a maximum initial deposit of up to \$3,200. Moreover, to qualify for HUSKY A or HUSKY B, an individual’s household income must be under 264 percent of the federal poverty level (FPL). CT Baby Bonds will therefore provide support for children living well below the poverty level as well as children living well above the poverty level, and the amount of support will not vary based on the poverty status of the children who qualify for the program.

Establishing a tiered eligibility system addresses that issue. This policy option also aligns with the American Opportunity Accounts Act (the federal Baby Bonds bill) that proposes to provide an initial \$1,000 deposit for all newborns and then annual deposits for each child under the age of 18 based on household income. The annual deposits range from a maximum of \$2,000 per child for households up to 100 percent of the FPL and a minimum of \$250 per child for households up to 325 percent of the FPL. To confirm a beneficiary’s household income, the federal proposal relies primarily on federal income tax returns.<sup>50</sup>

It is possible to establish a similar system for CT Baby Bonds while maintaining both the overall eligibility threshold (under 264 percent of the FPL) and the use of HUSKSY Health for automatic enrollment. One approach is simply to add other more restrictive support programs, such as Temporary Family Assistance (TFA) and the Supplemental Nutrition Assistance Program (SNAP), to qualify for a higher level of support from CT Baby Bonds. TFA is Connecticut’s cash assistance program for needy families and the initial income eligibility is based on 55 percent of the FPL, though a family can continue to receive support until their earned income reaches 100 percent of the FPL.<sup>51</sup> SNAP, formerly known as food stamps, provides low-income families with funds to purchase food and the income eligibility in Connecticut is based on gross income up to 200 percent of the FPL and net income up to 100 percent of the FPL.<sup>52</sup> Together, TFA could operate as a potential mechanism for automatic enrollment in CT Baby Bonds for children in households under 100 percent of the FPL; SNAP could operate as a potential mechanism for automatic enrollment for children in households under 200 percent of the FPL; and HUSKY Health could continue to operate as the mechanism for automatic enrollment for children in households under 264 percent of the FPL. Additionally, tax return data from CT Department of Revenue Services (DRS)—which recently started to collect information on dependents—could then be used for tiered eligibility and enrollment in CT Baby Bonds for children that live in households under specific FPL thresholds but, for whatever reason, are not enrolled in TFA, SNAP, or HUSKY Health.<sup>53</sup>

Using the latest public use microdata sample from the ACS, **Table 12** shows two examples of a tiered eligibility system for newborns.<sup>54</sup> Note that the analysis here differs slightly from the earlier analysis of Connecticut births by payer source and race and ethnicity because the numbers are from different data sources and cover different time periods. The earlier analysis was based on administrative data for the years 2019 to 2021, and the analysis here is based on survey data for 2022. In general, administrative data are more accurate, but it is not possible to use the earlier administrative data to model new examples of eligibility systems based on poverty thresholds.

In Connecticut in 2022, based on the latest ACS data, there were 35,890 children under one year old, which is used here for the number of newborns each year. When grouped by FPL, an estimated 5,505 newborns lived in households with an income under 100 percent of the FPL, some of which could be automatically enrolled in CT Baby Bonds through their enrollment in TFA; an estimated 5,495 newborns lived in households with an income between 100 percent and 199 percent of the FPL, some of which could be automatically enrolled in CT Baby Bonds through their enrollment in SNAP; and an estimated 4,122 newborns lived in households with an income from 200 percent to 263 percent of the FPL, some of which could be automatically enrolled in CT Baby Bonds through their enrollment in HUSKY Health. In total, an estimated 15,122 newborns lived in households with an income below 264 percent of the FPL that would qualify for CT Baby Bonds and that could be automatically enrolled through TFA, SNAP, or HUSKY Health, or through a tax return filed with the DRS.

Serving as the baseline to compare the examples of the tiered eligibility system, a non-tiered CT Baby Bonds program based on the ACS data would cost \$48.4 million a year if all the estimated 15,122 newborns living in households with an income below 264 percent of the FPL received an initial maximum deposit of \$3,200. Holding the cost of the program fixed at under \$49 million a year, two different tiered eligibility system examples are provided. The first example includes a maximum deposit that ranges from \$2,100 to \$4,000 depending on the level of poverty, and the second example includes a maximum deposit that ranges from \$1,300 to \$5,200 depending on the level of poverty.

The examples of the tiered eligibility systems show two important, related changes. The first change is that CT Baby Bonds would provide more support to the neediest beneficiaries. For example, with the non-tiered eligibility system, an estimated 36.4 percent of the total annual deposit for CT Baby Bonds goes to children living in households under 100 percent of the FPL. In comparison, with the first and second examples of tiered eligibility systems, an estimated 45.6 percent and 59.3 percent of the total annual deposit, respectively, goes to children living in households under 100 percent of the FPL.

The second related change is that CT Baby Bonds would provide more support for Black and Hispanic children because they account for an even higher percentage of children in the poorest households. For example, with the non-tiered eligibility system, an estimated 16.3 percent of the total annual deposit for CT Baby Bonds goes to Black children. In comparison, with the first and second examples of tiered eligibility systems, an estimated 16.8 percent and 18 percent of the total annual deposit, respectively, goes to Black children.

To provide more support for the neediest beneficiaries, which disproportionately includes Black and Hispanic children, policymakers could establish a tiered eligibility system for CT Baby Bonds based on either one of the examples here, the model used for the federal proposal, or another tiered model.

**Inflation index the initial maximum value of CT Baby Bonds per beneficiary to prevent the real value and in turn the impact of the program from increasingly diminishing over time.**

Under current law, CT Baby Bonds have a maximum initial value of \$3,200 per beneficiary regardless of when the bond is issued. The real, or inflation-adjusted, value of CT Baby Bonds will therefore increasingly diminish over time as the cost of living increases. To demonstrate this process, **Table 13** shows an example of the decreasing initial real value of CT Baby Bonds based on the average annual historical inflation rate of 2.5 percent for the last 30 years.<sup>55</sup> For example, if future inflation tracks the average of past inflation, the real value of CT Baby Bonds will decrease from \$3,200 in 2023 to \$2,500 in 2033, to \$1,950 in 2043, and to \$1,530 in 2053, a total decrease in real value of more than 50 percent over the next three decades.

The decrease in the real value of CT Baby Bonds will in turn decrease the impact of the program. Note that the earlier examples of the program's direct impact on wealth inequality and racial and ethnic wealth gaps are based on CT Baby Bonds with an initial real value of \$3,200. However, as the initial real value increasingly diminishes each year, the impact on wealth inequality and racial and ethnic wealth gaps will decrease by a larger amount relative to the impact of an inflation-indexed CT Baby Bond.

To prevent the real value of CT Baby Bonds and in turn the impact of the program from increasingly diminishing over time, policymakers could index the initial maximum value to inflation. This policy option also aligns with the federal Baby Bonds bill that includes an annual adjustment for inflation.<sup>56</sup>

**Establish limits for the minimum and maximum compound annual growth rate to prevent substantial variability in the support CT Baby Bonds provides from one year to the next, especially for the neediest beneficiaries.**

Under current law, the final value of CT Baby Bonds per beneficiary is equal to the amount of the initial transfer “plus the designated beneficiary’s pro rata share of total net earnings from investments of sums held in the [Connecticut Baby Bond Trust] at the time of disbursement.”<sup>57</sup> The value of CT Baby Bonds therefore has the potential to vary considerably from one year to the next based on the investment return of the CT Baby Bond Trust, which in turn has the potential to harm the neediest beneficiaries the most. To demonstrate this process, **Table 14** shows an example of volatility in the nominal value of CT Baby Bonds based on the historical investment returns of Connecticut’s Combined Investment Funds (CIF).<sup>58</sup> Specifically, annual historical investment returns from 1992 through 2021 are used to estimate future returns, and the analysis also includes the compound annual growth rate, which is a measure of how much an investment would grow every year if it grows at a steady rate from its starting value to its end value.



Consider the following example. If future investment returns follow the same path as historical investment returns, the value of a CT Baby Bond for the first cohort of beneficiaries will increase to a high of \$13,860 when they turn 16 years old but will then decrease to \$10,910 when they turn 18 years old, the first year they will be eligible to redeem the bond. This is a loss of \$2,950 or 21.3 percent of the bond's value. However, the value will then grow to \$12,320 the following year, an increase of 12.9 percent, and it will generally continue to increase over the next decade, reaching a final value of \$32,130 in 2053.

While the actual annual investment returns will no doubt differ from those used here based on historical returns, this example highlights two key, related findings. First, the amount of the final value of CT Baby Bonds per beneficiary will likely vary substantially from one year to the next based on investment returns. Second, the substantial volatility in the final value of CT Baby Bonds has the potential to harm the neediest beneficiaries the most. Note that in the example here, when the beneficiaries first turn 18, the nominal value of the CT Baby Bond is down substantially, and beneficiaries with little or no other financial resources are more likely to redeem their CT Baby Bond as soon as possible, even if the value has decreased, whereas beneficiaries with other financial resources are better positioned to wait for the CT Baby Bond to increase in value. In terms of dollars in this example, beneficiaries with the financial resources to delay the redemption by just one year to age 19 will receive a payment that is \$1,410, or 12.9 percent, larger compared to beneficiaries without the financial resources to delay the redemption. Moreover, beneficiaries with the financial resources to delay the redemption by five years to age 23 will receive a payment that is \$8,090, or 74.2 percent, larger. In terms of the compound annual growth rate in this example, beneficiaries with the financial resources to delay the redemption by just one year will receive a payment based on a compound annual growth rate of 7.35 percent compared to 7.05 percent for beneficiaries without the financial resources to delay the redemption; and beneficiaries with the financial resources to delay the redemption by five years will receive a payment based on a compound annual growth rate of 8.05 percent.

Other major financial assistance programs for the neediest families and children—TFA, SNAP, and the CT Earned Income Tax Credit—do not generally vary substantially from one year to the next, and when they do vary, it is based on a change in policy, not investment returns. To prevent substantial, investment-based variability in the support that CT Baby Bonds provides, especially for the neediest beneficiaries, policymakers could establish limits for the minimum and maximum compound annual growth rate for the final value of the bond per beneficiary.



**Table 12.** Examples of a Tiered Eligibility System for CT Baby Bonds

Demographic Group and Eligibility System	All Children Under 1	TFA	SNAP	HUSKY	Total
		Enrollment Mechanism Under 100% FPL	Enrollment Mechanism 100% to 199% FPL	Enrollment Mechanism 200% to 263% FPL	Beneficiaries Under 264% FPL
<b>White Alone, Non-Hispanic</b>					
Number	16,492	823	1,092	1,564	3,479
% of Total in FPL Group	46.0%	15.0%	19.9%	37.9%	23.0%
<b>Black Alone, Non-Hispanic</b>					
Number	3,056	1,225	547	698	2,470
% of Total in FPL Group	8.5%	22.3%	10.0%	16.9%	16.3%
<b>Hispanic, Any Race</b>					
Number	11,668	2,920	3,144	1,630	7,694
% of Total in FPL Group	32.5%	53.0%	57.2%	39.5%	50.9%
<b>Total Children</b>					
Number	35,890	5,505	5,495	4,122	15,122
% of Total in FPL Group	100%	100%	100%	100%	100%
<b>Non-Tiered Eligibility System</b>					
Deposit Per Beneficiary	-	\$3,200	\$3,200	\$3,200	-
Total Deposit for FPL Group	-	\$17,616,000	\$17,584,000	\$13,190,400	\$48,390,400
% of Deposit for Total Beneficiaries	-	36.4%	36.3%	27.3%	100%
% for White Alone, Non-Hispanic	-	-	-	-	23.0%
% for Black Alone, Non-Hispanic	-	-	-	-	16.3%
% for Hispanic, Any Race	-	-	-	-	50.9%
<b>Tiered Eligibility System, Ex. 1</b>					
Deposit Per Beneficiary	-	\$4,000	\$3,200	\$2,100	-
Total Deposit for FPL Group	-	\$22,020,000	\$17,584,000	\$8,656,200	\$48,260,200
% of Deposit for Total Beneficiaries	-	45.6%	36.4%	17.9%	100%
% for White Alone, Non-Hispanic	-	-	-	-	20.9%
% for Black Alone, Non-Hispanic	-	-	-	-	16.8%
% for Hispanic, Any Race	-	-	-	-	52.1%
<b>Tiered Eligibility System, Ex. 2</b>					
Deposit Per Beneficiary	-	\$5,200	\$2,600	\$1,300	-
Total Deposit for FPL Group	-	\$28,626,000	\$14,287,000	\$5,358,600	\$48,271,600
% of Deposit for Total Beneficiaries	-	59.3%	29.6%	11.1%	100%
% for White Alone, Non-Hispanic	-	-	-	-	19.0%
% for Black Alone, Non-Hispanic	-	-	-	-	18.0%
% for Hispanic, Any Race	-	-	-	-	52.8%

Source: American Community Survey and author's calculations.

**Table 13.** Example of Decreasing CT Baby Bond Initial Real Value Based on Average Annual Historical Inflation Rate

Year	Length of Program	Average Annual Inflation	CT Baby Bond Initial Value		Total Change in Initial Value	
			Nominal \$	2023 \$	2023 \$	%
2023	0	-	\$3,200	\$3,200	-	-
2024	1	2.50%	\$3,200	\$3,120	-\$80	-2.5%
2025	2	2.50%	\$3,200	\$3,050	-\$150	-4.7%
2026	3	2.50%	\$3,200	\$2,970	-\$230	-7.2%
2027	4	2.50%	\$3,200	\$2,900	-\$300	-9.4%
2028	5	2.50%	\$3,200	\$2,830	-\$370	-11.6%
2029	6	2.50%	\$3,200	\$2,760	-\$440	-13.8%
2030	7	2.50%	\$3,200	\$2,690	-\$510	-15.9%
2031	8	2.50%	\$3,200	\$2,630	-\$570	-17.8%
2032	9	2.50%	\$3,200	\$2,560	-\$640	-20.0%
2033	10	2.50%	\$3,200	\$2,500	-\$700	-21.9%
2034	11	2.50%	\$3,200	\$2,440	-\$760	-23.8%
2035	12	2.50%	\$3,200	\$2,380	-\$820	-25.6%
2036	13	2.50%	\$3,200	\$2,320	-\$880	-27.5%
2037	14	2.50%	\$3,200	\$2,260	-\$940	-29.4%
2038	15	2.50%	\$3,200	\$2,210	-\$990	-30.9%
2039	16	2.50%	\$3,200	\$2,160	-\$1,040	-32.5%
2040	17	2.50%	\$3,200	\$2,100	-\$1,100	-34.4%
2041	18	2.50%	\$3,200	\$2,050	-\$1,150	-35.9%
2042	19	2.50%	\$3,200	\$2,000	-\$1,200	-37.5%
2043	20	2.50%	\$3,200	\$1,950	-\$1,250	-39.1%
2044	21	2.50%	\$3,200	\$1,910	-\$1,290	-40.3%
2045	22	2.50%	\$3,200	\$1,860	-\$1,340	-41.9%
2046	23	2.50%	\$3,200	\$1,810	-\$1,390	-43.4%
2047	24	2.50%	\$3,200	\$1,770	-\$1,430	-44.7%
2048	25	2.50%	\$3,200	\$1,730	-\$1,470	-45.9%
2049	26	2.50%	\$3,200	\$1,680	-\$1,520	-47.5%
2050	27	2.50%	\$3,200	\$1,640	-\$1,560	-48.8%
2051	28	2.50%	\$3,200	\$1,600	-\$1,600	-50.0%
2052	29	2.50%	\$3,200	\$1,560	-\$1,640	-51.3%
2053	30	2.50%	\$3,200	\$1,530	-\$1,670	-52.2%

Source: U.S. Bureau of Labor statistics and author's calculations. Rounded to nearest \$10.

**Table 14.** Example of Volatility in CT Baby Bond Final Nominal Value  
Based on Historical Investment Return

Year	Age of Beneficiary	Eligible to Redeem	Historical Annual Investment Return		Compound Annual Growth Rate	CT Baby Bond Nominal \$	Total Change Once Eligible to Redeem	
			Year	%			\$	%
2023	0	No	-	-	-	\$3,200	-	-
2024	1	No	1992	8.07%	8.07%	\$3,460	-	-
2025	2	No	1993	11.81%	9.92%	\$3,870	-	-
2026	3	No	1994	3.74%	7.82%	\$4,010	-	-
2027	4	No	1995	13.48%	9.21%	\$4,550	-	-
2028	5	No	1996	14.14%	10.18%	\$5,200	-	-
2029	6	No	1997	19.35%	11.66%	\$6,200	-	-
2030	7	No	1998	17.19%	12.43%	\$7,270	-	-
2031	8	No	1999	10.49%	12.19%	\$8,030	-	-
2032	9	No	2000	13.13%	12.29%	\$9,080	-	-
2033	10	No	2001	-3.68%	10.58%	\$8,750	-	-
2034	11	No	2002	-6.39%	8.92%	\$8,190	-	-
2035	12	No	2003	2.49%	8.37%	\$8,390	-	-
2036	13	No	2004	15.23%	8.88%	\$9,670	-	-
2037	14	No	2005	10.46%	8.99%	\$10,680	-	-
2038	15	No	2006	10.55%	9.10%	\$11,810	-	-
2039	16	No	2007	17.34%	9.59%	\$13,860	-	-
2040	17	No	2008	-4.71%	8.70%	\$13,210	-	-
2041	18	Yes	2009	-17.37%	7.05%	\$10,910	\$0	0.0%
2042	19	Yes	2010	12.88%	7.35%	\$12,320	\$1,410	12.9%
2043	20	Yes	2011	20.75%	7.99%	\$14,870	\$3,960	36.3%
2044	21	Yes	2012	-0.90%	7.54%	\$14,740	\$3,830	35.1%
2045	22	Yes	2013	11.64%	7.73%	\$16,460	\$5,550	50.9%
2046	23	Yes	2014	15.43%	8.05%	\$19,000	\$8,090	74.2%
2047	24	Yes	2015	2.79%	7.83%	\$19,530	\$8,620	79.0%
2048	25	Yes	2016	0.35%	7.52%	\$19,590	\$8,680	79.6%
2049	26	Yes	2017	14.20%	7.77%	\$22,380	\$11,470	105.1%
2050	27	Yes	2018	7.03%	7.74%	\$23,950	\$13,040	119.5%
2051	28	Yes	2019	5.92%	7.67%	\$25,370	\$14,460	132.5%
2052	29	Yes	2020	1.89%	7.47%	\$25,850	\$14,940	136.9%
2053	30*	Yes*	2021	24.30%	7.99%	\$32,130	\$21,220	194.5%

Source: CT Treasurer’s Office and author’s calculations. Rounded to nearest \$10. \*A beneficiary only has until the day before their 30<sup>th</sup> birthday to redeem the bond.

## Ensure CT Baby Bonds is Sufficiently Funded

The funding for the CT Baby Bond Trust includes a transfer of \$381 million from the CT Teachers' Retirement Fund Bonds Special Capital Reserve Fund. However, CT Baby Bonds may require more funding to pay for the policy options to improve the program's impact, to ensure the sustainability of the program, or both. Two options are reviewed below to ensure CT Baby Bonds is sufficiently funded.

**If more funding is necessary to improve and sustain CT Baby Bonds, increase taxes on wealthy families, especially taxes that apply to wealth or income derived from wealth.**

As demonstrated, CT Baby Bonds will help to reduce wealth inequality and racial and ethnic wealth gaps by providing support to many families and children with little or no wealth. To further reduce wealth inequality and racial and ethnic wealth gaps while also providing more funding for CT Baby Bonds, policymakers could increase taxes on wealthy families, especially taxes that apply directly to wealth or income derived from wealth. In a report published by CT Voices in December 2022—[“The Case and Policy Options for Improving Connecticut’s FY 2024 – FY 2025 Budget”](#)—several options were provided.<sup>59</sup> The taxes that apply to wealth or income derived from wealth are summarized below, and updated tax revenue estimates will be published later this year.

*Increase CT’s Top Income Tax Rate on Investment Income.* Two options were provided that would generate between \$150 million to \$375 million a year and would only apply to single tax filers making more than \$500,000 a year and married tax filers making more than \$1 million a year.

*Increase CT’s Estate and Gift Tax.* Two options were provided that would generate between \$100 million to \$150 million a year and would only apply to multi-million-dollar estates.

*Establish a Statewide Property Tax on High Value Homes.* Four options were provided that would generate up to \$195 million a year and would only apply to homes worth more than \$1.5 million.

**If more funding is necessary but not available to improve and sustain CT Baby Bonds, change the design of the program.**

In addition to raising taxes, or possibly in place of raising taxes, policymakers could change the design of CT Baby Bonds to lower its annual cost and then use that savings to cover the cost of improving the program and/or to sustain the program. For example, lowering the maximum initial deposit for beneficiaries well above the federal poverty level (FPL) could pay for the cost of inflation indexing the program so that the intended impact does not decrease in future years, especially for the poorest beneficiaries. However, it is important to note that even families earning up to 263 percent of the FPL may struggle to make ends meet and therefore changing the design of CT Baby Bonds to cover the cost of improvements and/or to sustain the program should be considered a last resort option. The more effective option is to raise revenue if the funding for CT Baby Bonds is insufficient.

## Provide More Information

Require a report that provides policymakers with the necessary information to improve the design and impact of CT Baby Bonds and ensure the program’s sustainability.

As a first-in-the-nation program, more information is essential to improve the design and impact of CT Baby Bonds and ensure the program’s sustainability. In particular, the preceding analyses here highlighted certain issues with the program’s current design and then provided general policy options to address those issues. However, to provide more specific policy options that guide improvements to the design and impact of CT Baby Bonds while also ensuring the program’s sustainability, policymakers could instruct the Treasurer’s Office or some other entity to conduct a study that addresses, at minimum, the questions raised below. This policy option also aligns with the federal Baby Bonds bill that requires an annual report to Congress on the status and operations of the program and also requires within two years of the program’s creation “a report on the feasibility and distributive impacts of a new measure for determining the amount of the annual contribution ... based on family wealth, total assets, and overall net worth.”<sup>60</sup>

*What is the projected sustainability of CT Baby Bonds as currently designed?*

When CT Baby Bonds first passed into law, it was funded with up to \$50 million a year in bonding for 12 years, for a total of up to \$600 million in funding. However, based on new legislation in 2023, the program is currently funded with a one-time deposit of \$381 million. If the program operates without any changes or additional funding, how long is it expected to continue? Once this baseline projection is provided, it is then possible to address the subsequent questions on improving the program’s design and the possible need for additional funding.

*What is the best eligibility system for increasing the impact of CT Baby Bonds that is also administratively feasible and ensures the program’s sustainability?*

Changing the eligibility system for CT Baby Bonds could improve the program’s impact on reducing wealth inequality and racial and ethnic wealth gaps by providing even more support for the neediest beneficiaries, which disproportionately includes Black and Hispanic children. However, a more detailed analysis is necessary to identify the best eligibility system that is administratively feasible and that ensures the program’s sustainability. For example, from an administrative perspective, is it possible to use a combination of TFA, SNAP, HUSKY Health, and state tax returns to create a tiered eligibility system with automatic enrollment? Additionally, even if that approach is administratively possible, are there other approaches that would be more effective and sustainable?

*What is the best approach for inflation indexing the initial maximum value of CT Baby Bonds per beneficiary and ensuring the program's sustainability?*

Inflation indexing CT Baby Bonds is essential to prevent the real value and impact of the program from increasingly diminishing over time. However, this proposed design change raises two primary issues. First, it will increase the annual cost of CT Baby Bonds, which potentially threatens the program's sustainability. Second, there are many measures of inflation. To highlight a few, the consumer price index (CPI) is the most prominent measure overall and a chained version is used to adjust federal income tax brackets; the personal consumption expenditures (PCE) index is the Federal Reserve's preferred measure for targeting 2 percent inflation; and the employment cost index (ECI) is used to adjust the minimum wage in Connecticut. More research and data are necessary to address which of these inflation measures or potentially some other measure is the best for indexing CT Baby Bonds to ensure that the benefit does not decrease in value over time and that the program is sustainable.

*What is the best approach to prevent substantial variability in the support CT Baby Bonds provides from one year to the next, especially for the neediest beneficiaries, and ensure the program's sustainability?*

Limiting the minimum and maximum annual compound growth rate could help to prevent substantial variability in the support that CT Baby Bonds provides, especially for the neediest beneficiaries. However, this proposed design change raises at least two questions. First, what minimum and maximum limits should be established? Second, would establishing a minimum annual compound growth rate increase the cost of CT Baby Bonds even if it is paired with a maximum annual compound growth rate, and if so, how much would it cost?

*If one or more changes to CT Baby Bonds are desired, when is the appropriate time to make each change and how should they be implemented?*

This final question on the timing and implementation of any changes is essential to ensure that minimal confusion and harm is done to recipients. Ultimately, any change or changes to CT Baby Bonds should improve the first-in-the-nation program in a way that supports its sustainability and creates a more equitable distribution of wealth in Connecticut, which includes reducing the exceptionally high level of wealth inequality, the substantial racial and ethnic wealth gaps, and the high level of wealth poverty.

## **Conclusion**

Many of Connecticut's families, especially those with children, are struggling to make ends meet, and the state's tax system and distribution of income and wealth contribute to the problem. CT Voices' two reports on supporting the economic well-being of Connecticut's families and children provide two solutions. To address the problem in the immediate term, policymakers could establish a permanent, well-designed CT CTC, as the other report details. To further address the problem over the longer term, policymakers could improve the impact of CT Baby Bonds, as this report details.

## **Acknowledgments**

This report was made possible with the support of the Community Foundation for Eastern Connecticut, Fairfield County's Community Foundation, Melville Charitable Trust, Nellie Mae Education Foundation, and Stoneman Family Foundation.



## References and Notes

<sup>1</sup> U.S. Census Bureau, [American Community Survey Public Use Microdata Sample, 2019–2022](#); U.S. Bureau of Labor Statistics, [Consumer Price Index for All Urban Consumers, Series ID CUSR0000SA0](#).

<sup>2</sup> U.S. Census Bureau, [American Community Survey Questionnaire, 2022](#).

<sup>3</sup> U.S. Bureau of Labor Statistics, [Consumer Price Index for All Urban Consumers, Series ID CUSR0000SA0](#).

<sup>4</sup> U.S. Census Bureau, [American Community Survey Public Use Microdata Sample, 2022](#).

<sup>5</sup> Internal Revenue Service, [Definition of Adjusted Gross Income](#).

<sup>6</sup> U.S. Census Bureau, [American Community Survey Public Use Microdata Sample, 2022](#); Internal Revenue Service, [Adjusted Gross Income Percentiles by State Tax Year, 2020](#); U.S. Bureau of Labor Statistics, [Consumer Price Index for All Urban Consumers, Series ID CUSR0000SA0](#).

<sup>7</sup> U.S. Census Bureau, [Gini Index](#).

<sup>8</sup> U.S. Census Bureau, [Gini Index of Income Inequality, B19083, 2021: ACS 1-Year Estimates](#); U.S. Census Bureau, [Gini Index of Income Inequality, B19083, 2022: ACS 1-Year Estimates](#).

<sup>9</sup> Lawrence Mishel and Josh Bivens, [“Identifying the Policy Levers Generating Wage Suppression and Wage Inequality.”](#) Economic Policy Institute, May 2021; Sarah A. Donovan, Joseph Dalaker, Marc Labonte, Paul D. Romero, [“The U.S. Income Distribution: Trends and Issues.”](#) Congressional Research Service, January 2021.

<sup>10</sup> U.S. Census Bureau, [American Community Survey Public Use Microdata Sample, 2022](#).

<sup>11</sup> Robert Manduca, [“Income Inequality and the Persistence of Racial Economic Disparities.”](#) *Sociological Science*, March 2018; Patrick Bayer and Kerwin Kofi Charles, [“Divergent Paths: A New Perspective on Earnings Differences Between Black and White Men Since 1940.”](#) *Quarterly Journal of Economics*, January 2018.

<sup>12</sup> U.S. Census Bureau, [Current Population Survey Annual Social and Economic Supplement, 2023](#); U.S. Census Bureau, [American Community Survey Public Use Microdata Sample, 2022](#).

<sup>13</sup> Emily A. Shrider and John Creamer, [“Poverty in the United States: 2022.”](#) U.S. Census Bureau, September 2023.

<sup>14</sup> Douglas Conway and Matthew Unrath, [“Modeling State Tax Rebate Payments in the 2022 CPS ASEC.”](#) U.S. Census Bureau, September 2023.

<sup>15</sup> National Academy of Sciences, [“A Roadmap to Reducing Child Poverty.”](#) 2019.

<sup>16</sup> National Academy of Sciences, [“A Roadmap to Reducing Child Poverty.”](#) 2019.

<sup>17</sup> National Academy of Sciences, [“Reducing Intergenerational Poverty.”](#) 2023.

<sup>18</sup> U.S. Census Bureau, [Survey of Income and Program Participation, 2022–2018.](#)

<sup>19</sup> U.S. Census Bureau, [2022 Survey of Income and Program Participation Users’ Guide,](#) June 2023.

<sup>20</sup> U.S. Census Bureau, [Survey of Income and Program Participation, 2022–2018](#); Board of Governors of the Federal Reserve System, [Survey of Consumer Finances, Summary Extract Public Data, 2019.](#)

<sup>21</sup> Using the SIPP data, the average wealth in Connecticut is 1.6 times greater than the average wealth in the U.S. Additionally, the average of the wealth levels for the 10<sup>th</sup>, 20<sup>th</sup>, 30<sup>th</sup>, 40<sup>th</sup>, 50<sup>th</sup>, 60<sup>th</sup>, 70<sup>th</sup>, 80<sup>th</sup>, and 90<sup>th</sup> percentiles is 1.6 times greater in Connecticut compared to the U.S. The same is also true when focusing on only the 80<sup>th</sup>, 90<sup>th</sup>, and 99<sup>th</sup> percentiles. The wealth estimates for Connecticut using the SCF data is therefore based on the wealth estimates for the U.S. multiplied by 1.6.

<sup>22</sup> Kerwin Kofi Charles and Erik Hurst, [“The Correlation of Wealth Across Generations.”](#) *NBER Working Paper Series*, October 2002; Adrian Adermon, Mikael Lindahl, Daniel Waldenstrom, [“Intergenerational Wealth Mobility and the Role of Inheritance: Evidence from Multiple Generations.”](#) *The Economic Journal*, June 2018; Simon H. Boserup, Wojciech Kopczuk, Claus T. Kreiner, [“The Role of Bequests in Shaping Wealth Inequality: Evidence from Danish Wealth Records.”](#) *NBER Working Paper Series*, January 2016.

<sup>23</sup> U.S. Census Bureau, [Survey of Income and Program Participation, 2022–2018.](#)

<sup>24</sup> Dionissi Aliprantis and Daniel R. Carroll, [“What is Behind the Persistence of the Racial Wealth Gap?”](#) Federal Reserve Bank of Cleveland, Economic Commentary, March 2019; Ellora Derenoncourt, Chi Hyun Kim, Moritz Kuhn, and Moritz Schularick, [“Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860–2020.”](#) *NBER Working Paper Series*, June 2022;

<sup>25</sup> U.S. Census Bureau, [Survey of Income and Program Participation, 2022–2018.](#)

<sup>26</sup> Mark Lino, Kevin Kuczynski, Nestor Rodriguez, TusaRebecca Schap, [“Expenditures on Children by Families, 2015.”](#) U.S. Department of Agriculture, August 2017. For the U.S., costs are updated from July 2015 to July 2023 using relevant cost category from the U.S. Bureau of Labor Statistics (U.S. city average, all urban consumers, not seasonally adjusted): [“Housing,” Series ID CUUR0000SAH](#); [“Food,” Series ID CUUR0000SAF](#); [“Transportation,” Series ID CUUR0000SAT](#); [“Apparel,” Series ID CUUR0000SAA](#); [“Medical Care,” Series ID CUUR0000SAM](#); [“Day care and preschool,” Series ID CUUR0000SEEB03](#); [“Elementary and high school tuition and fees,” Series ID CUUR0000SEEB02](#); [“All items,” Series ID CUUR0000SA0](#). The combined “child care and education” category is calculated using a combination of the “Day care and preschool” price index for children from birth through age 5 and the “Elementary and high school tuition and fees” price index for children from age 6 through age 17. For the Northeast, costs are updated from July 2015 to July 2023 using relevant cost category from the U.S. Bureau of Labor Statistics (Northeast urban, all urban consumers, not seasonally adjusted): [“Housing,” Series ID CUUR0100SAH](#); [“Food,” Series ID CUUR0100SAF1](#); [“Transportation,” Series ID CUUR0100SAT](#); [“Apparel,” Series ID CUUR0100SAA](#); [“Medical Care,” Series ID CUUR0100SAM](#); [“All items,” Series ID](#)

[CUUR0100SA0](#). The combined “child care and education” category is calculated using a combination of the “Day care and preschool” U.S. price index for children from birth through age 5 and the “Elementary and high school tuition and fees” U.S. price index for children from age 6 through age 17. The U.S. price indexes are used for this category because regional price indexes are not publicly available.

<sup>27</sup> U.S. Department of Labor Women’s Bureau, [National Database of Childcare Prices: 2018 and 2023 State-Level Estimates](#).

<sup>28</sup> U.S. Census Bureau, [Household Pulse Survey Public Use File, 2023](#). Low- and middle-income households are defined here as making less than \$200,000 a year.

<sup>29</sup> National Academy of Sciences, Engineering, and Medicine, [“A Roadmap to Reducing Child Poverty,”](#) 2019; National Academy of Sciences, Engineering, and Medicine, [“Reducing Intergenerational Poverty,”](#) 2023.

<sup>30</sup> U.S. Census Bureau, [Household Pulse Survey Public Use File, 2023](#).

<sup>31</sup> Craig Gunderson and James P. Ziliak, [“Food Insecurity and Health Outcomes,”](#) *Health Affairs*, November 2015.

<sup>32</sup> U.S. Census Bureau, [Household Pulse Survey Public Use File, 2023](#).

<sup>33</sup> Megan E. Hatch and Jinhee Yun, [“Losing Your Home is Bad for Your Health: Short- and Medium-Term Health Effects of Eviction on Young Adults,”](#) *Housing Policy Debate*, October 2020; Bruce Ramphal, Ryan Keen, Sakurako S. Okuzuno, Dennis Ojogho, and Natalie Slopen, [“Evictions and Infant and Child Health Outcomes: A Systematic Review,”](#) *JAMA Network Open*, April 2023.

<sup>34</sup> Connecticut Treasurer’s Office, [CT Baby Bonds](#).

<sup>35</sup> Connecticut General Assembly, [“An Act Concerning the State Budget for the Biennium Ending June 30, 2025,”](#) [Public Act 23-204, Section 148](#); Connecticut Treasurer’s Office, [“Treasurer Russell, Governor Lamont, Legislative Leaders Announce Legislation Funding CT Baby Bonds,”](#) May 2023.

<sup>36</sup> Connecticut General Assembly, [“An Act Concerning the State Budget for the Biennium Ending June 30, 2025,”](#) [Public Act 23-204, Section 440](#).

<sup>37</sup> Connecticut General Assembly, [“An Act Concerning the State Budget for the Biennium Ending June 30, 2025,”](#) [Public Act 23-204, Section 149](#); Connecticut General Statutes, [Chapter 319v, Medical Assistance, Section 17b-290](#).

<sup>38</sup> Connecticut General Statutes, [Chapter 319v, Medical Assistance, Section 17b-290](#); Connecticut HUSKY Health, [“New Prenatal Coverage and Extended Postpartum Coverage,”](#) July 2022.

<sup>39</sup> Connecticut HUSKY Health, [“Annual Income Guidelines – effective March 1, 2023,”](#) January 2023.

<sup>40</sup> Connecticut HUSKY Health, [“How to Qualify,”](#) 2023.

- <sup>41</sup> Connecticut Department of Public Health, [Office of Vital Records, Annual Registration Reports and Methods](#), 2023.
- <sup>42</sup> U.S. Census Bureau, [American Community Survey Public Use Microdata Sample, 2022](#).
- <sup>43</sup> Connecticut Department of Public Health, [Office of Vital Records, Annual Registration Reports and Methods](#), 2023.
- <sup>44</sup> Connecticut General Assembly, [“An Act Concerning the State Budget for the Biennium Ending June 30, 2025,” Public Act 23-204, Section 149](#).
- <sup>45</sup> U.S. Bureau of Labor Statistics, [All items in U.S. city average, all urban consumers, not seasonally adjusted, Series ID CUUR0000SA0](#); Connecticut Treasurer’s Office, [“Fiscal Year 2022 in Review”](#).
- <sup>46</sup> U.S. Census Bureau, [Survey of Income and Program Participation, 2022–2018](#); U.S. Bureau of Labor Statistics, [All items in U.S. city average, all urban consumers, not seasonally adjusted, Series ID CUUR0000SA0](#).
- <sup>47</sup> U.S. Census Bureau, [Survey of Income and Program Participation, 2022–2018](#); U.S. Bureau of Labor Statistics, [All items in U.S. city average, all urban consumers, not seasonally adjusted, Series ID CUUR0000SA0](#).
- <sup>48</sup> U.S. Census Bureau, [Survey of Income and Program Participation, 2022–2018](#); U.S. Bureau of Labor Statistics, [All items in U.S. city average, all urban consumers, not seasonally adjusted, Series ID CUUR0000SA0](#).
- <sup>49</sup> National Academy of Sciences, Engineering, and Medicine, [“A Roadmap to Reducing Child Poverty,”](#) 2019.
- <sup>50</sup> U.S. Congress, [“American Opportunity Accounts Act,” S.441, Section 3](#).
- <sup>51</sup> Connecticut Department of Social Services, [“State of Connecticut Temporary Assistance for Needy Families \(TANF\) State Plan, Federal Fiscal Years 2021, 2022, and 2023,”](#) March 2023. See also Mary Fitzpatrick, [“Public Assistance Program Eligibility and Benefits Cliffs,”](#) Office of Legislative Research, April 2023.
- <sup>52</sup> Connecticut Department of Social Services, [Supplemental Nutrition Assistance Program Eligibility](#), 2023.
- <sup>53</sup> Connecticut Department of Revenue Services, [Individual Income Tax Forms, Schedule CT-Dependent](#), 2023.
- <sup>54</sup> U.S. Census Bureau, [American Community Survey Public Use Microdata Sample, 2022](#).
- <sup>55</sup> U.S. Bureau of Labor Statistics, [All items in U.S. city average, all urban consumers, not seasonally adjusted, Series ID CUUR0000SA0](#); Connecticut Treasurer’s Office, [“Fiscal Year 2022 in Review”](#).
- <sup>56</sup> U.S. Congress, [“American Opportunity Accounts Act,” S.441, Section 3](#).

<sup>57</sup> Connecticut General Assembly, [“An Act Concerning the State Budget for the Biennium Ending June 30, 2025,” Public Act 23-204, Section 439.](#)

<sup>58</sup> Connecticut Treasurer’s Office, [Annual Reports of the Treasurer.](#)

<sup>59</sup> Patrick R. O’Brien, [“The Case and Policy Options for Improving Connecticut’s FY 2024 – FY 2025 Budget.”](#) Connecticut Voices for Children, December 2022.

<sup>60</sup> U.S. Congress, [“American Opportunity Accounts Act,” S.441, Sections 3 and 10.](#)