# COMPTROLLER OF MARYLAND

# EXPANDING OPPORTUNITY TO BUILD WEALTH: MARYLAND BABY BONDS REPORT

**DECEMBER 2025**

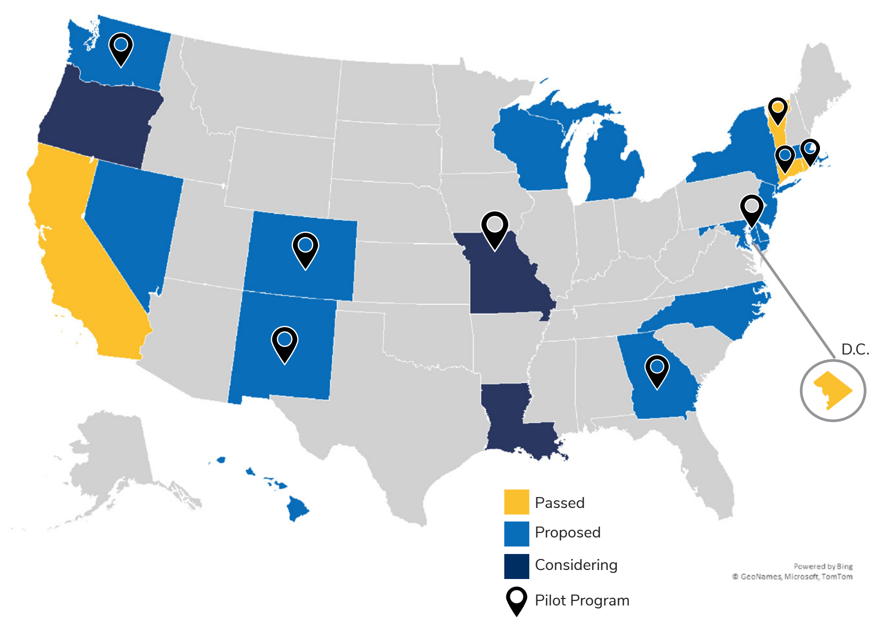
The Comptroller of Maryland developed this report at the request of the Maryland General Assembly to analyze the feasibility and fiscal implications of implementing a baby bonds program in the state.

## Overview

Baby Bonds are government-funded trust accounts established for economically disadvantaged children to grow long-term economic security and build generational wealth. Funds are invested by the state and gain in value over time. Once eligible beneficiaries reach young adulthood, they can use their funds – the seed contribution plus investment earnings – for wealth-building purposes, such as college tuition, homeownership, or business ownership. Research suggests that a national baby bonds program has the potential to reduce the current racial wealth gap for young adults by an estimated 90%.

## Core Policy Components

- **Financially progressive public contributions:** Only children in poverty are eligible for a baby bond and/or public contributions are progressive based on income (lower-income children receive larger seed investment or contribution amounts). Baby bonds trusts are intended to be exclusively funded by governments (no individual or employer contributions).
- **Automatic enrollment:** Enrollment and contributions are automatic; no action is required by parents or guardians, which aims to remove barriers to participation.
- **Substantial benefits, restricted for wealth-building:** The benefit amount is large enough to enable a baby bond recipient, once they reach young adulthood, to purchase an asset (e.g., a home). Funding can only be used for activities that are known to build wealth. There is a financial education requirement prior to the distribution of funding.




Source: The New School Institute on Race, Power, and Political Economy

**_Read the full report at marylandcomptroller.gov/research_**

## National Landscape of Baby Bonds Programs

- In recent years, a number of states have begun the process of creating baby bonds programs. Five states have passed legislation to create baby bonds programs: Connecticut[1], Washington, D.C, California, Vermont, and Rhode Island. At least 14 states, including Maryland, have proposed baby bonds legislation.
- Baby bonds are being piloted at the local level in communities across nine states. Federal baby bonds legislation was introduced in 2023.

## Maryland Analysis

- The report analyzes various eligibility and seed investment scenarios that estimate fiscal and feasibility impacts to the state.
- Under one scenario, approximately 30,000 babies born in Maryland per year under Medicaid coverage would be enrolled in the program with a $7,000 seed investment per child. If babies are enrolled over a five-year period, a total of $567 million would need to be invested to support all 150,000 babies.
- With assumptions built in for attrition and timing of withdrawals, the seed investment would earn $1.8 billion over a 30-year period[2], resulting in $2.4 billion in wealth-building capital.
- Participants who withdraw their funds at age 30 would have a little more than $50,000, which would be substantial enough to fund the down payment on a home.
- Other indirect outcomes, which would require further analysis, include increased tax revenue to the state and decreased state spending on social services for baby bonds beneficiaries.

## Program Administration

- Baby bonds programs require a range of administrative components from fund management to claims processing and funds distribution (typically to third parties rather than directly to beneficiaries) that rely on dedicated staff, sophisticated information technology systems, and long-term monitoring and financial coaching and education of enrollees.
- In most states where baby bonds programs are being implemented, proposed, or considered, one of the State Financial Officers (in most cases, State Treasurer) is tasked with administering or overseeing all program components except eligibility determination.
- In Maryland, various agencies could play a role in implementation if given appropriate budget and staffing levels, including the State Treasurer's Office, Maryland 529, State Retirement Agency, and Comptroller. Another option would be the creation of a new state entity to oversee the program.

---

[1] *Connecticut was the first state to implement a statewide baby bonds program in 2023 with a seed investment of nearly $400 million that creates accounts for all 16,000 babies born per year under Medicaid coverage.*

[2] *This estimate is based on the same rate of return as the Maryland State Retirement and Pension System.*