

Testimony on the Child Wealth Building Act of 2021, Bill 24-236

Before the
Committee on Business and Economic Development
Council of the District of Columbia

The Honorable Kenyan R. McDuffie, Chairman

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**Testimony of
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Good morning Chairman McDuffie. I am Eugenia Collis, Associate Treasurer-Asset Management for the Office of Finance and Treasury. I am providing testimony on Bill 24-236, the “Child Wealth Building Act of 2021,” on behalf of the Office of the Chief Financial Officer (OCFO) and the asset management organization.

The Child Wealth Building Act of 2021 would create a District government-sponsored trust fund for babies born in the District whose family’s income does not exceed 500% of the Federal Poverty level, which is currently \$132,000 a year.

Upon birth, every eligible child in D.C. would receive a \$1,000 payment from the District deposited into a tax-exempt account, followed by annual, income-based supplemental payments that could reach \$2,000 for the lowest-income families. At age 18, each eligible child would be able to request a distribution for specific uses, including education, business ownership or investment, or to purchase a home or invest in real estate.

Within the OCFO, the Office of Finance and Treasury (OFT) has expertise in investment management and administering various savings and retirement programs the District sponsors for District residents, District government

employees, and District government retirees. OFT could leverage this capacity to manage a child wealth-building program for the District government.

OFT envisions administering the trust fund in a manner similar to our administration of the District's 529 College Savings Plan. Administration includes employing a record keeper, establishing plan documentation, developing an investment glidepath with target date investment portfolios, providing account information and access to that information through a website, issuing individual account statements, preparing annual financial statements, overseeing audits, and providing general oversight and administration of the trust fund.

Income verification and verification of continued residency will be key components of determining annual contributions and will need to be managed by agencies within the District with access to that type of confidential data. Since certification of program eligibility is typically managed by executive agencies, the OCFO looks forward to working with your staff on the best way to ensure program integrity.

Standing up such a program would require funds be budgeted to pay for program startup costs, administration of the trust fund as well as one additional full-time

employee. Once there is a certain level of assets in the trust fund, fees could be assessed to pay for the administration of the trust fund. Using the District's 529 College Savings Plan as example, the original plan standup costs were approximately \$500,000. The ongoing costs included a charge applied to the asset value of assets under management. The recordkeeper charges a fee of 30 Basis Points (BP), 25 BP pays for all the services the recordkeeper and plan manager provide. The other 5 BP are retained by the District to pay for our administration of the trust fund.

A fiscal impact statement is currently being developed by the Office of Revenue Analysis which will provide a more detailed analysis of the number of potential enrollees, the costs, and anticipated contributions over each year.

We would have difficulty administering the bill as written and we need some clarity on several items. Once these questions have been answered, we will work with your staff on potential clarifying language.

Thank you for the opportunity to comment on this bill. I would be happy to answer any questions you or other Councilmembers might have at this time.