



HOUSE  
BUDGET  
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# Opportunity Accounts

Recently introduced by Senator Cory Booker (D-NJ), the *American Opportunity Account Act* would enact a new, federally funded entitlement program which would “create and seed savings accounts for every American child.”<sup>1</sup> Under this proposal, every American would be granted a savings account containing \$1,000 at birth; these accounts would subsequently grow with annual federal contributions dependent on family income and would benefit from a guaranteed three percent interest rate. Recipients would be eligible to access the fund at the age of 18.

## Opportunity Accounts Would Bust the Federal Budget.

Creating a new entitlement program for all Americans would devastate the federal budget. Democrat staff analysis anticipates the proposal will cost \$60 billion in the first year alone.<sup>2</sup> However, this estimate for a program, which is expected to furnish American children in low-income households with \$46,215 taxpayer dollars at 18 years of age,<sup>3</sup> is likely to vastly underestimate the program’s actual price tag.

Estimated Size of Opportunity Accounts by Income			
Income	Income for Family of 4	Supplemental Payment Amount	Account Balance for an 18-year Old
<100% of FPL	<\$25,100	\$2,000	\$46,215
125% of FPL	\$31,375	\$1,500	\$35,081
175% of FPL	\$43,925	\$1,000	\$23,948
225% of FPL	\$56,475	\$500	\$12,185
325% of FPL	\$81,575	\$250	\$7,248
500% of FPL	\$125,751	\$0	\$1,681

Even so, at this projected rate, the cost to simply create the savings accounts, without including the cost of additional income-based federal contributions, would easily near \$700 billion over the next decade.

Liberal economists, such as Darrick Hamilton and William A. Darity, Jr., have floated a similar proposal—often referred to as “baby bonds.”<sup>4</sup> Baby bonds would break the bank, too; Hamilton and Darity estimate that their plan would have an annual cost of approximately \$80 billion.<sup>5</sup> This would mean that the price to initially create the savings accounts would exceed \$800 billion over the ten-year budget window, not including the cost of annual federal contributions or growth of net interest spending.

**Opportunity Accounts are Unworkable.** This proposal would not only be extremely costly to the Federal Government, but it would also create greater economic disparity and place unnecessary pressure on the middle-class. While targeting income inequality is an admirable goal, artificially redistributing taxpayer dollars through a new entitlement program will only worsen the problem. Democrat proposals for Opportunity Accounts do not solve wealth inequality. Rather, they encourage it by forcing Americans onto welfare and increasing government dependency. Further, the debt-to-GDP ratio currently stands at 69.7 percent and unchecked entitlement spending will push that ratio to an unworkable 88.6 percent by 2028. Our nation’s rapidly increasing debt slows economic growth and increases income inequality. Introducing a new entitlement program will only further exacerbate this problem.

**Republican Solutions for Lifting Americans Out of Poverty.** The best way to combat poverty is through pro-growth reforms that create economic opportunity and empower lower- and middle-class Americans. The Republican-led 115<sup>th</sup> Congress has continuously supported pro-growth policies by removing regulatory barriers to job creation, encouraging work, and allowing Americans to keep more of their own hard-earned money through passage of the *Tax Cuts and Jobs Act*. The purpose of anti-poverty programs should be to help Americans help themselves out of poverty, not create a cycle of dependency on the Federal Government. Republicans will continue to support programs that do just that by creating jobs, expanding the economy, and empowering Americans.

<sup>1</sup> Senator Cory Booker, Press Release, “Booker Announces New Bill Aimed at Combating Wealth Inequality,” October 22, 2018, [https://www.booker.senate.gov/?p=press\\_release&id=861](https://www.booker.senate.gov/?p=press_release&id=861).

<sup>2</sup> John Reitmeyer, “Booker Plan Would Give Every American Baby Something to Bank on,” October 25, 2018, <https://www.nispolight.com/stories/18/10/24/booker-plan-would-give-every-american-baby-something-to-bank-on/>.

<sup>3</sup> Booker.

<sup>4</sup> John Ydstie, “Professors Suggest ‘Baby Bonds’ Could Fix Widening Inequality in the U.S.,” National Public Radio, January 9, 2018, <https://www.npr.org/2018/01/09/576858265/professors-suggest-baby-bonds-could-fix-widening-inequality-in-the-u-s>.

<sup>5</sup> Ydstie.