

TESTIMONY BY KALBERT K. YOUNG  
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STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2592, S.D. 1

February 29, 2012

RELATING TO UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS

Senate Bill No. 2592, S.D. 1, proposes to establish a universal children's savings account program to enable Hawai'i families to start savings accounts for their children. The bill provides a very brief outline of the program structure including that the program would be for children who were born in, or reside in Hawai'i and that the state would provide matching funds to deposit into each qualifying account.

The Department supports the intent of the bill to educate children and their families on the importance of saving and developing a savings account. However, there are numerous concerns surrounding the establishment and maintenance of such a program, such as: 1) the future liability to the state to fund the program as a permanent recurring expense; 2) the Department would not be able to embark on a program of this magnitude without additional resources in staffing and costs for the initial establishment and ongoing operation of a program; and 3) if a third-party administrator (TPA) is contracted, (based on past experience with the state's 529 college savings program also administered by the Department,) it may be difficult to attract a TPA for a Hawai'i resident-based program due to the limited group of potential participants.

Thank you for the opportunity to provide testimony on this bill.