

SB 2592

Measure Title: RELATING TO UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS.
Report Title: Universal Children's Savings Account; Appropriation
Description: Creates a universal children's savings account program under the department of budget and finance.
Companion:
Package: Keiki
Current Referral: HMS, WAM
Introducer(s): CHUN OAKLAND, SHIMABUKURO, Fukunaga, Ige

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON HUMAN SERVICES
ON
SENATE BILL NO. 2592

February 7, 2012

RELATING TO UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS

Senate Bill No. 2592 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.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 06, 2012 10:18 PM
To: HMS Testimony
Cc: info@schha.com
Subject: Testimony for SB2592 on 2/7/2012 1:30:00 PM

Testimony for HMS 2/7/2012 1:30:00 PM SB2592

Conference room: 016
Testifier position: Support
Testifier will be present: No
Submitted by: Annie Au Hoon, President
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Submitted on: 2/6/2012

Comments:



HACBED

Community Voice, Collective Action

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Program Support Assistant

Tuesday, February 7, 2012 1:30 pm
Senate Committee on Human Services

Testimony in Support of SB2592

Relating to Universal Children's Savings Accounts

Dear Chair Chun Oakland and Committee Members:

The Hawai'i Alliance for Community-Based Economic Development (HACBED) **supports SB2592** which would create a Universal Children's Savings Account (CSA) program and Trust Fund under the Department of Budget and Finance.

Universal CSAs are part of a broader asset building agenda that seeks to foster financial independence and self sufficiency for our families. It provides individuals with tangible incentives to save, helping them to gain financial success. Assets are essential for three reasons:

1. To have **financial security** against difficult times
2. To create **economic opportunities** for oneself
3. To **leave a legacy** for future generations to have a better life

Children's Savings Accounts are long-term asset-building accounts established for children at birth and allowed to grow over their lifetime. Accounts are typically seeded with an initial deposit of \$500 to \$1,000 and built by contributions from family, friends, and the children themselves. In addition, savings matches and other incentives augment the accounts.

The benefits to implementing universal Children's Savings Account programs for Hawaii include:

- **Asset building provides opportunity for economic mobility.** In research with national data sets, parental wealth is positively associated with children's math and reading scores, positive social behavior, college enrollment and college graduation. In fact, children in families with as little as \$3,000 in savings have greater odds of graduating from high school than children in families without savings.
- **Savings increase expectations for the future.** Interviews with elementary school students show that children begin to formulate ideas about their futures as early as elementary school. Children with modest savings are nearly twice as likely to plan to attend college as those without savings.

- **Low-income families can and do save.** Research confirms that matching savings products like CSAs do support the savings behavior of low and moderate-income families.
- **Children's savings accounts approaches are expanding.** Mexico, South Korea and Singapore have enacted CSA policies. In Maine, each child receives a 529 at birth and fourteen states provide matching funds for low and moderate income family contributions to 529s.