

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HUMAN SERVICES  
ON  
SENATE BILL NO. 2545, S.D. 2

March 13, 2014

RELATING TO UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS

Senate Bill No. 2545 S.D. 2, proposes to establish a universal children's savings account program to enable families to start savings accounts for their children who are born or reside in the state, assist these children in purchasing a future home or starting a business. S.D. 1 amended the initial bill to delete "paying for higher education" from the purpose of these accounts, in recognition that the State already has established a 529 College Savings program under the Department of Budget & Finance which provides a vehicle for families to save for higher education (<http://budget.hawaii.gov/finance/hi529>). Senate Bill No. 2545 S.D. 2 amended the initial bill to remove any reference to using the funds received by the State pursuant to the joint state-federal mortgage servicing settlement, and appropriating state general funds for the universal children's savings account trust fund.

The Department appreciates the intent of the bill to educate children and their families on the importance of saving and developing a savings account. However, there are significant budgetary concerns surrounding the establishment and maintenance of such a program, such as: 1) the potential cost to the state of initiating a universal savings account program has not been estimated; 2) the ability of the state to sustain the future liability of funding the program as a permanent, recurring expense; 3) 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 4) if a third-party administrator (TPA) is contracted, it may be difficult to attract a TPA for a Hawai'i resident-based program due to the limited group size of potential participants.

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

TESTIMONY ON SB 2545, SD 2 RELATING TO UNIVERSAL CHILDREN'S SAVINGS  
ACCOUNTS BEFORE THE HOUSE COMMITTEE ON HUMAN SERVICES

March 13, 2014

11:30 am

Conference Rm. 329

Aloha Chair Carroll, Vice-Chair Kobayashi and members of the House Committee on Human Services. My name is Stephen Morse and I am the Executive Director of Blueprint for Change. I am here to testify **in support of SB 2545, SD 2 Relating to Universal Children's Savings Accounts.**

Members, for the record, BFC is the fiscal, technical, and administrative support entity for seven Neighborhood Place centers statewide that provide support and strengthening services to families at risk of child abuse and neglect under a POS contract with the Department of Human Services. Our Neighborhood Place programs are unique among CAN prevention programs for two reasons: (1) they are community-based and are located in communities where families are at high risk of child abuse and neglect; and (2) they are the only programs where children and families at risk of child abuse and neglect can get services without a referral or appointment and by simply knocking on the door.

We are interested in this bill and other bills in the Housing and Homeless Legislative Package this session, because we find that one of the biggest risk factors for child neglect in the families we serve is that they are living in unstable and often times overcrowded living conditions.

One of the biggest obstacles faced by families seeking to purchase a home is the inability to come up with enough out-of-pocket cash to cover the down payment and closing costs on a home loan. SB 2545, SD 2 will help provide every child born in Hawaii with a fighting chance and a head start towards purchasing a home.

Mahalo for the opportunity to testify this morning.



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March 12, 2014

House Committee on Human Services  
Thursday, March 13, 2014  
Conference Room 329

**SB2545, SD2 – Relating to Universal Children’s Savings Accounts**

Dear Chair Carroll and Committee Members:

I am submitting testimony in **SUPPORT with recommendations** of SB 2545, SD2 – Relating to Universal Children’s Savings Accounts, legislation that will serve to strengthen local economy, promote long-term cultural practices, and create a pathway for economic self-sufficiency of our families, now and in the future.

I am present today in my capacity as Executive Director of Hawaiian Community Assets, President of the Hawaii Jump\$tart Coalition for Personal Finance, and member of the Hawaii State Task Force on Asset Building and Financial Education.

Hawaiian Community Assets is a nonprofit 501c3 HUD-certified housing counseling agency and community development financial institution that builds the capacity of low- and moderate-income communities to achieve and sustain economic self-sufficiency through the provisions of place-based youth and family financial education, housing counseling, and match savings and micro-lending programs. Founded in 2000, our organization serves 1500 children and families annually through our statewide offices and since our inception we have assisted 1,085 low-income families secure or sustain permanent housing.

The Hawaii Jump\$tart Coalition is a member of the National Jump\$tart Coalition and actively promotes financial education for children from birth through college-age. Currently, the Coalition consists of individual volunteers as well as nonprofit organizations, education and financial institutions, and government agencies with a goal of building and sustaining a culture of financial literacy within Hawaii. Together, our Coalition members served an estimated 2,000 children with low- or no-cost financial education services and products in 2013.

The following provides context for our support of SB2545, SD2 and outlines recommendations referenced previously:

### **Children's Savings Accounts Increase Access to Education**

According to the national policy/advocacy organization, Corporation for Enterprise Development (CFED), Children's Savings Accounts provide children and families opportunities for economic mobility, increase expectations for the future, and allow for the building of meaningful savings while learning about money and finance. Further, the CFED has gathered recent research which states:

- “[C]hildren with savings dedicated for college education are four times more likely to attend college.” (Elliot and Beverly, 2010)
- “Children's savings accounts are strong predictors of college matriculation. Among youth who expect to attend college, youth with a savings account in their names are about six times more likely to attend college.” (Elliot and Beverly, 2010)

“Evidence suggests that having school savings might be as closely associated with college outcomes as the amount in it. Children with \$1 to \$499 designated for school are 2.5 times more likely to enroll in and graduate from college than children with no account.” (Elliot, Song and Nam 2013).

For this reason, Hawaiian Community Assets recommends that SB2545, SD2 revert back to its original form which included “education” as an additional, allowable use of proceeds from children's savings accounts under the program.

### **Unique Opportunity to Promote Culturally-Relevant Asset Building**

On the national level children's savings accounts and similar products like individual development accounts have been supported with Federal investments, however, the allowable uses of proceeds from the accounts have been extremely limited to asset purchases related to education, homeownership, and small business development. This is despite the fact that communities across the nation define asset wealth in vastly different ways.

In Hawaii, this is especially true. During workshops and in counseling, our children and families tell us they see assets as cultural practices, land, aquaculture, transportation, aquaponics and home gardens, and even social connections. For our families, access to these “assets” can often mean the difference between being employed or unemployed, hungry or fed, and strong within our own identity or struggling to define who we are. The importance of these “assets” for our children and families to reside and stay in Hawaii should be reflected in the legislation.

For this reason, Hawaiian Community Assets recommends that SB2545, SD2 include language to allow for “career development, land, and cultural perpetuation” as allowable uses of proceeds under the universal children's savings program.

### **Cutting Edge Idea Requires Testing to Insure Long-Term Viability**

Currently, no State has established a Universal Children's Savings Program. As a result, in previous discussions with the State Department of Budget and Finance, and as evidenced in previous testimony, concerns have been voiced about the implementation and long-term viability of a universal children's savings account program housed within the State. Our organization shares these concerns. The ability of Hawaii to implement such a cutting edge idea and for that idea to be successful in inspiring other States to act, we need to be careful and methodical on how the program is developed, implemented, and sustained.

That said, we do not see the concerns of implementation and long-term viability as an impediment to establishing the program, but rather an opportunity to work in partnership with the Department of Budget and Finance to assist in crafting, testing, and analyzing a program that can serve children who are born and reside in Hawaii.

The ability of the State Department of Budget and Finance to contract out for administrative services is possible under this legislation in its current form and in addition, would meet the long-term goal of the State Task Force on Asset Building and Financial Education to implement a pilot project testing different incentives and financial products as vehicles for children's savings.

### **Children's Savings is a Cultural Practice**

While the legislation requires an appropriation, I encourage the Committee to consider the fact that children's savings is a cultural practice, native to this place; a practice that can be perpetuated with the passing of this legislation.

In traditional Hawaii, when a mother would become hapai, the kane would create another loi to prepare for feeding another child. The practice was to promote long-term self-sufficiency for the family and as the child would grow, they would learn the skills necessary to care for the loi. When the child became a young adult, they would even use the kalo to trade with other community members, thus sustaining their economic self-sufficiency.

While we have shifted from a subsistence economy to today's market economy, the cultural practice of saving resources for future generations is alive and promoted within this legislation. Our ability to embrace this cultural practice will help our families use children's savings as a tool for strengthening our island economy

### **Effective Date**

Hawaiian Community Assets recommends to revert back to the effective date of July 1, 2014 identified in the legislation's original form.

Mahalo for your time, leadership, and consideration in supporting SB 2545 – Relating to Universal Children's Savings Accounts with our recommendations. Note that we have included legislation, updated with our recommendations, with our testimony.

Sincerely



Jeff Gilbreath  
Executive Director

RELATING TO UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

SECTION 1. The legislature finds that universal children's savings accounts would help families to start saving at birth for their child's future. A savings account would provide a significant foundation for every child in Hawaii, particularly those with no other assets. It would also provide a vehicle for savings and a tool for children and parents to learn the value of saving and investment.

The legislature also finds that thirty-four per cent of Hawaii's middle class families, those earning \$44,801 to \$68,800, are asset poor. A household is asset poor if it lacks the resources to subsist at the poverty level for three months if it loses its source of income.

According to a study conducted by the Center for Social Development at Washington University in St. Louis, students with savings are significantly more likely to pursue a higher education. In addition, the national policy organization Corporation for Enterprise Development has found that children's savings accounts increase expectations for the future, provide children and families opportunities for economic mobility, and allow for the building of meaningful savings while learning about money and finance. Educating and encouraging families to

create savings accounts for children contribute to the economic viability of Hawaii's citizens.

The purpose of this Act is to establish a universal children's savings account program for children who were born in Hawaii or reside in Hawaii to assist them with [perpetuation of culture, career development, access to land, attending post-secondary education,]

purchasing a home or starting a business.

SECTION 2. The Hawaii Revised Statutes is amended by adding a new chapter to be appropriately designated and to read as follows:

**"CHAPTER**

**UNIVERSAL CHILDREN'S SAVINGS ACCOUNT PROGRAM**

**§ -1 Universal children's savings account program.** There is established the universal children's savings account program within the department of budget and finance. The purpose of the program is to enable families to establish a savings account for their children, and to assist children with purchasing a home or starting a business. The program shall:

- (1) Encourage children who were born in Hawaii or reside in Hawaii to save money; and
- (2) Promote and educate eligible children and their families on the importance of developing a savings account.



**§ -2 Rules.** The department of budget and finance, in consultation with members of the Hawaii state asset building and financial education task force, shall adopt rules, pursuant to chapter 91, necessary to effectuate this chapter, including but not limited to rules establishing:

- (1) Eligibility requirements for participation in the program;
- (2) The minimum amount of state matching funds to deposit into each qualifying account when establishing each individual account in the universal children's savings account trust fund;
- (3) Appropriate uses for the funds provided through the program; and
- (4) Procedures and criteria for accessing funds from an established savings account, including the ability to access funds upon the recipient reaching eighteen years of age.

**§ -3 Universal children's savings account trust fund.** (a) There is established the universal children's savings account trust fund. The director of finance shall have custody of the fund. All payments from the fund shall be made in accordance with this chapter.

(b) The fund shall consist of a trust account and an operating account. The trust account shall consist of:

- (1) Amounts received by the universal children's savings account program pursuant to savings agreements, administrative charges, or fees;
- (2) All appropriations made by the legislature to the fund;
- (3) All other amounts received by the program from any other source; and
- (4) Interest and investment income earned by the fund.

The director of finance, from time to time, shall make transfers from the trust account to the operating account for the immediate payment of obligations under savings agreements, operating expenses, and administrative costs of the universal children's savings account program.

(c) The director of finance, as trustee, shall invest the assets of the fund in securities that constitute legal investments under state laws relating to the investment of trust fund assets by trust companies, including those authorized by article 8 of chapter 412. Trust fund assets shall be kept separate and shall not be commingled with other assets, except as provided in this chapter. The director of finance may enter into contracts to provide for investment advice and management, custodial services, and other professional services for the administration and investment of the program.

(d) The director of finance shall provide for the administration of the fund, including maintaining participant records and

accounts, and providing annual audited reports. The director of finance may enter into contracts for administrative services, including reports.

(e) All administrative fees, costs, and expenses, including investment fees and expenses, shall be paid from the operating account of the fund and, notwithstanding any other law to the contrary, may be made without appropriation or allotment."

SECTION 3. There is appropriated out of funds received by the State pursuant to the joint state-federal mortgage servicing settlement the sum of \$ or so much thereof as may be necessary for fiscal year 2014-2015 to be deposited into the universal children's savings account trust fund.

The sum appropriated shall be expended by the department of budget and finance for the purposes of this Act.

SECTION 4. This Act shall take effect on ~~July 1, 2050~~ July 1, 2014.

**Report Title:**

Universal Children's Savings Account; Appropriation

**Description:**

Creates a Universal Children's Savings Account Program under the Department of Budget and Finance to enable families to establish savings accounts for their children and assist children with purchasing a home or starting a business. Establishes and appropriates funds into the Universal Children's Savings Account Trust Fund. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

**kobayashi1-Joni**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 12, 2014 10:46 AM  
**To:** HUS testimony  
**Cc:** mgumapac@palamasettlement.org  
**Subject:** Submitted testimony for SB2545 on Mar 13, 2014 11:30AM

**SB2545**

Submitted on: 3/12/2014

Testimony for HUS on Mar 13, 2014 11:30AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Matthew Gumapac	Individual	Comments Only	No

Comments: I AM SUBMITTING TESTIMONY IN SUPPORT OF SB2545. MANY CHILDREN, ESPECIALLY THOSE WHO ARE OF NEED, NEED THESE FUNDS TO START THEIR FINANCIAL SAVINGS. CHILDREN IN THESE HARDEN ENVIRONMENTS WILL NOT OBTAIN FINANCIAL SUCCESS WITHOUT THIS FUNDING. I AM AN EDUCATOR WORKING WITH AT-RISK STUDENTS, SEEING THEIR DISTRAUGHT FACES WHERE THEY SEE THE COST OF PURCHASING A HOME OR APARTMENT AND HEAR IN THEIR VOICES, DISCONTENT, THIS BILL WOULD AT LEAST GIVE THEM A HEAD START TO BEGIN THEIR FINANCIAL AWARENESS. WITH HOME PRICES STEADILY INCREASING AND THE DISPARITY OF AT-RISK STUDENTS GAINING ACCESS TO FINANCIAL SUCCESS, THIS BILL WILL GIVE AT LEAST HOPE FOR MY STUDENTS AND OTHERS IN THE SAME EDUCATIONAL STATUS. THEREFORE, I AM IN SUPPORT OF THIS BILL PASSING THE FULL LEGISLATURE.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**LATE**

**SB2545 SD2**  
**RELATING TO PUBLIC SAFETY**  
House Committee on Human Services

March 13, 2014

11:30 a.m.

Room 329

The Office of Hawaiian Affairs (OHA) **SUPPORTS** SB2545 SD2, which would give Hawai'i's children a head start in purchasing a future home or starting a business, through the establishment of a universal children's savings account program. OHA supports this bill because it aligns with our strategic priority of improving the economic self-sufficiency of Native Hawaiians.

Children's savings accounts have been proven to help foster conscientious saving habits, and can be especially beneficial for children of low-income families. Although there are many ways to address poverty, financial education is an effective tool in assisting low-income families with managing their finances and becoming more economically self-sufficient. Instilling these lessons early in life enables children to learn the value of delayed gratification and building asset wealth over a longer period of time. More importantly, early saving prepares children to overcome economic barriers and unexpected financial challenges later in life. Notably, according to a 2011 American Community Survey (ACS) data report, 20.9 percent of Native Hawaiian families with children live in poverty; the percentage of all Hawai'i families with children living in poverty is a significantly lower 13.2 percent. By helping Hawai'i's children save for future opportunities such as owning a home or starting a business, this bill provides for a long-term investment that will benefit both the State's economy as well as our children, including the relatively high number of Native Hawaiian children living in poverty.

Therefore, OHA urges the Committee to **PASS** SB2545 SD2. Mahalo for the opportunity to testify on this important measure.



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Testimony to the House Committee on Human Services  
March 13, 2014

**LATE**

In Support of SB 2545 SD2, Relating to Universal Children's Savings Accounts

To: The Honorable Mele Carroll, Chair  
The Honorable Bert Kobayashi, Vice-Chair  
Members of the Committee on Human Services

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 75 Hawaii credit unions, representing approximately 804,000 credit union members across the state.

We are in strong support of SB 2545, Relating to Universal Children's Savings Accounts. Hawaii's credit unions have long been advocates of financial literacy and wellness, sponsoring many "Kids Savings" programs and starting many educational credit unions within Hawaii's public schools. Teaching children about the importance of saving money from a young age has proven extremely successful in promoting financial security and health in their later years. This universal savings account program would start every child out with a savings account administered by the State. This would enable all children to get a healthy financial start.

Thank you for the opportunity to testify.

**kobayashi1-Joni**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 12, 2014 8:56 PM  
**To:** HUS testimony  
**Cc:** suekta@gmail.com  
**Subject:** \*Submitted testimony for SB2545 on Mar 13, 2014 11:30AM\*



**SB2545**

Submitted on: 3/12/2014

Testimony for HUS on Mar 13, 2014 11:30AM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Suresh Tamang	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**LATE**

March 12, 2014

House Committee on Human Services  
Thursday, March 13, 2014  
Conference Room 329

**SB2545 – Relating to Universal Children’s Savings Accounts**

Dear Chair Carroll and Committee Members:

I am submitting testimony as a member of the Hawaii Jump\$Start Coalition for Personal Finance in **SUPPORT** of SB 2545 – Relating to Universal Children’s Savings Accounts, legislation that would provide Hawaii children and families a vehicle to increase asset wealth and the likelihood of attending college.

The Hawaii Jump\$Start Coalition is a member of the National Jump\$Start Coalition and actively promotes financial education for children from birth through college-age. Currently, the Coalition consists of individual volunteers as well as nonprofit organizations, education and financial institutions, and government agencies with a goal of building and sustaining a culture of financial literacy within Hawaii. Together, our Coalition members served an estimated 2,000 children with low- or no-cost financial education services and products in 2013.

Based on our expertise in the field of child and family financial literacy, we recognize that Universal Children’s Savings Accounts are proven tools that can ensure our rising generation will be able to overcome the major barriers that stand in their way of building asset wealth and obtaining a college education – steps which lead to economic self-sufficiency and a strong local economy. According to the national policy/advocacy organization, Corporation for Enterprise Development (CFED), Children’s Savings Accounts provide children and families opportunities for economic mobility, increase expectations for the future, and allow for the building of meaningful savings while learning about money and finance. Further, the CFED has gathered recent research which states:

- “[C]hildren with savings dedicated for college education are four times more likely to attend college.” (Elliot and Beverly, 2010)

- “Children’s savings accounts are strong predictors of college matriculation. Among youth who expect to attend college, youth with a savings account in their names are about six times more likely to attend college.” (Elliot and Beverly, 2010)
- “Evidence suggests that having school savings might be as closely associated with college outcomes as the amount in it. Children with \$1 to \$499 designated for school are 2.5 times more likely to enroll in and graduate from college than children with no account.” (Elliot, Song and Nam 2013).

Your support of SB 2545 would be our first step in putting our State at the cutting edge of children’s savings in the United States. Helping our children build savings and assets starting at an early age will serve to strengthen our local economy for years to come. According to the Hawaii State Task Force of Asset Building and Financial Education in 2008-09, this important step can be taken for a fraction of 1% of our State’s budget. More specifically, according to research conducted by Chaminade University students, with a contribution of only 1/40th of 1% the State’s 2009 Fiscal Year budget, we could begin providing every newborn in Hawaii with a savings account that will grow larger as they grow taller, thus laying the foundation for a “savings culture” that lifts the prospect of a stronger, healthier local economy. Overall, SB 2545 is Hawaii’s opportunity to become a leader in addressing current and future economic recessions by investing in our most precious resource, our children.

Mahalo for your time, leadership, and consideration in supporting SB 2545 – Relating to Universal Children’s Savings Accounts.

Sincerely

A handwritten signature in black ink, appearing to read 'Toni'.

Toni Takeno  
Executive Director  
Hawaii Council on Economic Education