

# SB2545

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. Establishes and appropriates funds into the Universal Children's Savings Account Trust Fund.

Companion:

Package: Housing and Homeless Legislative Package

Current Referral: HMS, WAM

Introducer(s): CHUN OAKLAND

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. 2545

January 25, 2014

RELATING TO UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS

Senate Bill No. 2545, 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 paying for higher education, purchasing a home or starting a business. The bill provides a brief outline of the program intent and structure, including that the state would provide a dollar-for-dollar match to deposit into each qualifying account, and mentions the joint state-federal mortgage servicing settlement funds be utilized.

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 concerns surrounding the establishment and maintenance of such a program, such as: 1) the ability of the state to sustain 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; 3) 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; and 4) components of the program will

compete with the existing HI – 529 College Savings Program administered by the Department of Budget and Finance.

The state's 529 college savings program provides a vehicle for families to save for higher education. There is approximately \$60 million in assets and 5,650 accounts under management in the HI-529 program. Upromise, the 3<sup>rd</sup> Party administrator has also been involved with public outreach and has also developed an App for young adults wishing to learn more about saving for the future. You can see more information on this program by visiting <http://budget.hawaii.gov/finance/hi529>.

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

**TESTIMONY ON SB 2542 RELATING TO THE DISPOSITION OF THE CONVEYANCE TAX COLLECTIONS TO THE RENTAL HOUSING TRUST FUND, SB 2267 RELATING TO HOUSING, SB 2442 RELATING TO AFFORDABLE HOUSING, SB 2266 RELATING TO HOUSING, SB 2265 RELATING TO HOUSING, SB 2545 RELATING TO UNIVERSAL CHILDREN'S SAVING ACCOUNTS, SB 2544 RELATING TO THE HAWAII PUBLIC HOUSING AUTHORITY'S ADMINISTRATION OF THE FEDERAL HOUSING CHOICE VOUCHER PROGRAM, SB 2534 RELATING TO HOMELESSNESS, SB 2337 RELATING TO LOW-INCOME HOUSING, SB 2395 RELATING TO HOMELESS, AND SB 2286 RELATING TO HOMELESSNESS BEFORE THE SENATE COMMITTEE ON HUMAN SERVICES**

January 25, 2014

10:00 AM

Conference Rm. 229

Aloha Chair Chun Oakland, Vice-Chair Green, and members of the Senate Committee on Human Services, **my name is Stephen Morse. I am the Executive Director of Blueprint for Change (BFC) and am here today to support Senate Bills 2542, 2267, 2442, 2266, 2265, 2545, 2544, 2534, 2337, 2395, and 2286, all of which are part of the Housing and Homeless Legislative Package.**

Members, for the record, BFC is the fiscal, technical, and administrative support entity for five 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 find that one of the biggest risk factors for child neglect in the families we serve is that they are homeless, homeless-at-risk, or living in unstable, overcrowded living conditions. In many cases, these families are also mired in other socioeconomic problems, such as unemployment and low incomes, substance abuse, and chronic health problems, but studies show that the key to helping these families break the cycle of poverty starts with providing them stable housing. Without stable housing, these families live transient lifestyles that make it hard for them to focus on problem-solving. It also makes it extremely difficult for prevention/diversion programs such as our Neighborhood Places to help provide the sustained, support services these families need to break the cycle, because they are always on the move.

If we are going to break the cycle and prevent the generational neglect of children within these families, we need to support housing programs and the development of low-income and affordable housing such as those proposed in the Senate Bills that are before this Committee today.

Aloha and Mahalo for allowing us the opportunity to testify this afternoon.

January 22, 2014

To: Senator Suzanne Chun Oakland, Chair  
Senator Josh Green, Vice Chair  
Committee on Human Services

Re: SB 2545, Relating to Universal Children's Savings Accounts

Date of Hearing: January 25, 2014,  
Place and Time of Hearing: Room 229, 10 a.m.

I support Senate Bill 2545 from three different perspectives—as a faculty member in the Department of Family and Consumer Sciences, University of Hawaii at Manoa; as a researcher, and as the director of the Hawaii Kids' Savings Project.

As a faculty member who teaches classes in Family Resource Management, I frequently see college students who have large student loans of \$20,000 or more because of not saving or not having adequately saved for college when they were young.

In a 2009 survey that I did of 1,764 parents of elementary school students across the State of Hawai'i, 98% said saving for the future was very important, and 99% wanted to save money regularly. Yet almost 40% of these same parents were not saving, and 49% of parents had not started their children saving.

The Kids' Savings Project that I started in 2009 has demonstrated that when the opportunity is made available, low and middle income families can and do save. To date, more than 1,900 children from 29 public schools have saved more than \$350,000. However, it is not just the amount of money saved that is important; the savings experience has helped children to build the habit of saving, has changed the dynamics of many families, and has helped parents to be more conscious and cautious about their money behaviors.

Senate Bill 2545 to start a Universal Children's Savings Accounts program is indeed an important and valuable initiative; it is a very important form of primary prevention. For every dollar invested in my Kids' Savings Project, the investment return ratio has been 1:5.6. I can see how an initiative such as the Universal Children's Savings Account started by the Hawaii State Legislature will have significant and profound returns for generations to come. I urge the committee to support SB 2545. Thank you for this opportunity to testify.

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I support this bill provided that its passage does not replace or adversely impact priorities as indicated in the University's Board of Regents Approved Executive Biennium Budget.

NOTICE OF HEARING  
DATE: January 25, 2014  
TIME: 10:00 am

PLACE: Conference Room 229, State Capitol, 415 South Beretania Street

**SUPPORT FOR SB2545: Universal Children's Savings Account**

Dear Chair Senator Susan Chun Oakland and Vice Chair Senator Josh Green, and other Senate members of the Committee on Human Services

My name is Barbara Yee (AKA Bobbie) and I am the Chair of Family and Consumer Sciences and Professor at the University of Hawaii at Mānoa, but I am testifying as a private citizen. I strongly SUPPORT SB2545 (AKA Universal Children's Savings Account).

In my job as Chair of Family and Consumer Sciences, a fairly large department at UHM with 300 undergraduates, there have been many instances of students dropping out of school due to inadequate finances to continue, slows graduation, or to ever finish their undergraduate education. With long term state and child contributions to a universal children's savings account, this account would provide HOPE for children and their families that younger family members could pursue higher education. Without any hope of a brighter future, many children give up trying to do their very best in school, and leads to a self-perpetuating prophecy of being stuck in a minimum wage job.

<http://www.edweek.org/ew/articles/2013/10/23/09college.h33.html>

[https://www.russellsage.org/sites/all/files/legacies\\_longbrief\\_08202013.pdf](https://www.russellsage.org/sites/all/files/legacies_longbrief_08202013.pdf)

<http://isites.harvard.edu/fs/docs/icb.topic1233004.files//BLong%20-%20War%20on%20Poverty%20and%20Higher%20Education%20-%20Policy%20Brief%207-2013.pdf>

<http://www.insidehighered.com/views/2013/12/10/federal-aid-needy-students-inadequate-essay>

Like many other states, a college savings account contributes to college completion and the economic viability of its citizens and the state. This is an excellent example of a wise private-public investment in the young people and families of Hawaii.

Respectfully,  
Barbara Yee, 4460 Puu Panini Ave., Honolulu, HI 96816