

JAN 23 2015

A BILL FOR AN ACT

RELATING TO UNIVERSAL CHILDREN'S SAVINGS ACCOUNTS.

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

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

9 The legislature further finds that 34 per cent of Hawaii's
10 middle class families, meaning those earning \$44,801 to \$68,800
11 a year, are asset poor. A household is asset poor if it lacks
12 the resources to subsist at the poverty level for three months
13 if it loses its source of income.

14 According to a study conducted by the Center for Social
15 Development at Washington University in St. Louis, students with
16 savings are significantly more likely to pursue a higher
17 education. In addition, the national policy organization,



1 Corporation for Enterprise Development, has found that
 2 children's savings accounts increase expectations for the
 3 future, provide children and families opportunities for economic
 4 mobility, and allow for the building of meaningful savings while
 5 learning about money and finance. Educating and encouraging
 6 families to create savings accounts for children accordingly
 7 contribute to the economic viability of Hawaii's citizens.

8 The purpose of this Act is to establish a universal
 9 children's savings account program for children who were born in
 10 Hawaii or reside in Hawaii to assist them with purchasing a home
 11 or starting a business.

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

15 **"CHAPTER**

16 **UNIVERSAL CHILDREN'S SAVINGS ACCOUNT PROGRAM**

17 **§ -1 Universal children's savings account program.**

18 There is established the universal children's savings account
 19 program within the department of budget and finance. The
 20 purpose of the program is to enable families to establish a
 21 savings account for their children, which will assist children



1 with purchasing a home or starting a business. The program
2 shall:

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

8 **§ -2 Rules.** The department of budget and finance shall
9 adopt rules, pursuant to chapter 91, and in consultation with
10 the final report adopted by the Hawaii state asset building and
11 financial education task force in January 2010. The rules to be
12 adopted shall include, but not be limited to, establishing:

- 13 (1) Eligibility requirements for participation in the
14 program;
- 15 (2) The minimum amount of state matching funds to deposit
16 into each qualifying account when establishing each
17 individual account in the universal children's savings
18 account trust fund;
- 19 (3) Appropriate uses for the funds provided through the
20 program; and



1 (4) Procedures and criteria for accessing funds from an
2 established savings account, including the ability to
3 access funds upon the recipient reaching eighteen
4 years of age.

5 **§ -3 Universal children's savings account trust fund.**

6 (a) There is established the universal children's savings
7 account trust fund. The director of finance shall have custody
8 of the fund. All payments from the fund shall be made in
9 accordance with this chapter.

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

12 (1) Amounts received by the universal children's savings
13 account program pursuant to savings agreements,
14 administrative charges, or fees;

15 (2) All appropriations made by the legislature to the
16 fund;

17 (3) All other amounts received by the program from any
18 other source; and

19 (4) Interest and investment income earned by the fund.

20 The director of finance, from time to time, shall make
21 transfers from the trust account to the operating account for



1 the immediate payment of obligations under savings agreements,
2 operating expenses, and administrative costs of the universal
3 children's savings account program.

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

14 (d) The director of finance shall provide for the
15 administration of the fund, including maintaining participant
16 records and accounts, and providing annual audited reports. The
17 director of finance may enter into contracts for administrative
18 services, including reports.

19 (e) All administrative fees, costs, and expenses,
20 including investment fees and expenses, shall be paid from the
21 operating account of the fund and, notwithstanding any other law



1 to the contrary, may be made without appropriation or
2 allotment."

3 SECTION 3. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2015-2016 and
6 the same sum or so much thereof as may be necessary for fiscal
7 year 2016-2017 to be deposited into the universal children's
8 savings account trust fund.

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

11 SECTION 4. This Act shall take effect on July 1, 2015.

12

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S.B. NO. 907

Report Title:

Universal Children's Savings Account; Appropriation

Description:

Creates a universal children's savings account program in the department of budget and finance to promote financial education and assist children with purchasing a home or starting a business later in life. Establishes and appropriates funds into the universal children's savings account trust fund.

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