
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 which facilitate the compounding of interest
3 and growth of investments would help families to start saving at
4 birth for their child's future. A universal children's savings
5 account program would provide a significant foundation for every
6 child in Hawaii, particularly those with no other assets. It
7 would also provide a vehicle for savings, and serve as a tool
8 for children and parents to learn the value of saving and
9 investment.

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

15 According to a study conducted by the Center for Social
16 Development at Washington University in St. Louis, students with
17 savings are significantly more likely to pursue a higher
18 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, serve as an educational tool in regard to learning
5 about investing, and allow for the building of meaningful
6 savings while learning about money and finance. Educating and
7 encouraging families to create savings accounts, which may
8 include a diverse investment portfolio of stocks, bond, or
9 mutual funds for children accordingly contribute to the economic
10 viability of Hawaii's citizens.

11 The purpose of this Act is to establish a universal
12 children's savings account program that allows funds to be
13 invested for children, at birth, who are born in Hawaii or
14 reside in Hawaii to assist them with purchasing a home, starting
15 a business, or obtaining higher education.

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

19 "CHAPTER

20 UNIVERSAL CHILDREN'S SAVINGS ACCOUNT PROGRAM



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

2 There is established the universal children's savings account
3 program within the department of budget and finance. The
4 purpose of the program is to enable families to establish an
5 account for their children that can accumulate savings and
6 interest or dividends from various investments, which will
7 assist children with purchasing a home, starting a business, or
8 obtaining higher education. The program shall:

- 9 (1) Encourage children who were born in Hawaii or reside
10 in Hawaii to save money; and
- 11 (2) Promote and educate eligible children and their
12 families on the importance of developing an investment
13 strategy.

14 § -2 Rules. The department of budget and finance shall
15 adopt rules, pursuant to chapter 91, and in consultation with
16 the final report adopted by the Hawaii state asset building and
17 financial education task force in January 2010. The rules to be
18 adopted shall include but not be limited to establishing:

- 19 (1) Eligibility requirements for participation in the
20 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 appropriate types of investment portfolios used by 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 trust fund. All payments from the trust fund shall be made in accordance with this chapter.

(b) The trust 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 and investment 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.



1 (d) The director of finance shall provide for the
2 administration of the fund, including maintaining participant
3 records and accounts, and providing annual audited reports. The
4 director of finance may enter into contracts for administrative
5 services, including reports.

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

11 SECTION 3. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ or so
13 much thereof as may be necessary for fiscal year 2016-2017 to be
14 deposited into the universal children's savings account trust
15 fund.

16 SECTION 4. This Act shall take effect on July 1, 2017;
17 provided that section 3 shall take effect on July 1, 2016.

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Report Title:

Universal Children's Savings Account; Investments; Appropriation

Description:

Creates a universal children's savings account program in the department of budget and finance to promote financial education, investment, and savings to assist children with purchasing a home, or starting a business, or obtaining higher education. Establishes and appropriates funds into the universal children's savings and investment account trust fund. Effective 7/1/2017.
(Proposed SD1)

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