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# A BILL FOR AN ACT

RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

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

1           SECTION 1. The legislature finds that economic stability  
2 does not arise solely from income; financial assets, including  
3 cash savings, stocks, bonds, and home and business equity are  
4 all critical components of economic security. The accumulation  
5 of financial assets can offer individuals hope for the future,  
6 stimulate growth in all societal sectors, and enhance the  
7 welfare of families and children. For example, a home is often  
8 a primary asset for a family in Hawaii and forms a large  
9 component of household net worth for most Americans.

10           The legislature further finds that saving for a down  
11 payment on a home is a formidable prospect for too many low- and  
12 moderate-income earners in Hawaii. While developing affordable  
13 housing properties is necessary, it is equally important to  
14 invest in additional strategies that can also expand a family's  
15 ability to purchase a home. Individual development accounts  
16 (IDAs) are special savings accounts that match the deposits of  
17 low- and moderate-income account holders to save towards certain



1 qualified financial goals. IDAs have provided proven assistance  
2 to families who are saving to purchase a home, pay higher  
3 education expenses, and fulfill other asset-building goals.

4 The purpose of this Act is to support asset-building among  
5 low- and moderate-income families by:

- 6 (1) Clarifying the guidelines for IDAs;
- 7 (2) Designating the department of human services or a  
8 contracted agency to administer IDAs; and
- 9 (3) Appropriating funds for IDA programs.

10 SECTION 2. Section 257-1, Hawaii Revised Statutes, is  
11 amended as follows:

12 1. By adding a new definition to be appropriately inserted  
13 and to read:

14 "Department" means the department of human services or  
15 another state agency."

16 2. By amending the definition of "qualified expenditures"  
17 to read:

18 "'Qualified expenditures" means an expense as determined by  
19 a fiduciary organization[~~, which~~] that may include [~~but not be~~  
20 ~~limited to~~]:

- 21 (1) Costs associated with first homeownership;
- 22 (2) Post-secondary education;



- 1 (3) Vocational training; ~~[and]~~  
2 (4) Small or micro-business capitalization~~[-]~~; and  
3 (5) One motor vehicle purchase for school or work  
4 transportation."

5 SECTION 3. Section 257-2, Hawaii Revised Statutes, is  
6 amended by amending subsection (a) to read as follows:

7 "(a) The income of the household of the individual  
8 development account holder shall not exceed ~~[eighty per cent of~~  
9 ~~the area household median income.]~~ an amount determined by the  
10 department."

11 SECTION 4. Section 257-3, Hawaii Revised Statutes, is  
12 amended to read as follows:

13 "~~[+]§257-3[+]~~ **Fiduciary organizations.** (a) Fiduciary  
14 organizations shall serve as an intermediary between individual  
15 development account holders and financial institutions holding  
16 accounts. The fiduciary organization's responsibilities may  
17 include:

- 18 (1) Marketing participation;  
19 (2) Soliciting matching contributions;  
20 (3) Counseling program participants; and  
21 (4) Conducting verification and compliance activities.



1 (b) Locally-based organizations shall enter into a  
2 competitive process for the right to become fiduciary  
3 organizations [~~for a portion of the state matching dollars that~~  
4 ~~would be authorized initially~~]. Fiduciary organization  
5 proposals shall be evaluated and participation rights awarded on  
6 the basis of such items as:

- 7 (1) Their ability to market the program to potential  
8 individual development account holders and potential  
9 matching fund contributors;
- 10 (2) Their ability to provide safe and secure investments  
11 for individual development accounts;
- 12 (3) Their overall administrative capacity, including:
- 13 (A) Certifications or verifications required to  
14 assure compliance with eligibility requirements;
- 15 (B) Authorized uses of the accounts matching  
16 contributions by individuals or businesses; and
- 17 (C) Penalties for unauthorized distributions;
- 18 (4) Their capacity to provide financial counseling and  
19 other related services to potential participants; and
- 20 (5) Their links to other activities designed to increase  
21 the independence of individuals and families through  
22 high return investments, including homeownership,



1 education and training, and small business  
2 development.

3 The department shall contract with fiduciary organizations that  
4 meet the criteria described in this section. To provide this  
5 assistance, the department may contract with another agency, and  
6 shall identify and make use of available federal moneys wherever  
7 appropriate.

8 (c) If the [State] department approves an application to  
9 fund an individual development account project under this  
10 section, the [State] department shall[, ~~not later than one month~~  
11 ~~after June 28, 1999,~~] authorize the applicant to conduct the  
12 project with state funds [~~for five project years~~] in accordance  
13 with the approved application and this section; provided that an  
14 applicant may apply for funding during future fiscal years [~~for~~  
15 ~~five project years if the State lacks the~~] if there are  
16 insufficient resources to fund an individual development account  
17 project pursuant to this subsection.

18 [~~(d) For each individual development account program~~  
19 ~~approved under this section, the State shall make a grant to the~~  
20 ~~qualified entity or collaboration of entities authorized to~~  
21 ~~conduct the project on the first day of the project year in an~~  
22 ~~amount not to exceed \$100,000 per year for five years.~~



1       ~~(e)~~ (d) From among the individuals eligible for  
2 assistance under the Hawaii individual development account  
3 program, each selected fiduciary organization shall select the  
4 individuals whom the fiduciary organization deems to be best  
5 suited to receive such assistance."

6       SECTION 5. Section 257-8, Hawaii Revised Statutes, is  
7 amended to read as follows:

8       "~~[(+)§257-8(+)]~~ **Matches.** ~~[(a)]~~ The State shall match ~~[an~~  
9 ~~amount of up to \$100,000 per calendar year for individual~~  
10 ~~development accounts.]~~ a specific match ratio for qualified  
11 expenditures as determined by the department. The department  
12 may adopt rules regarding specific match ratios pertaining to  
13 qualified expenditures of an individual development account.

14       ~~[(b) Not more than a 2:1 match of state funds to account~~  
15 ~~holder deposits shall be deposited into any individual~~  
16 ~~development account in a given year.]"~~

17       SECTION 6. Section 257-11, Hawaii Revised Statutes, is  
18 amended to read as follows:

19       "~~[(+)§257-11(+)]~~ **Administration; evaluation; information;**  
20 **reporting.** (a) The fiduciary organization running an  
21 individual development account program shall have sole authority  
22 over the administration of the project. ~~[The State may prescribe~~



1 ~~only such regulations with respect to demonstration projects~~  
2 ~~under this chapter as are necessary to ensure compliance~~  
3 ~~pursuant to this chapter.]~~

4 (b) Each individual development account program shall  
5 annually report the number of accounts, the amount of savings  
6 and matches for each account, the uses of the account, and the  
7 number of businesses, homes, motor vehicles, and educations  
8 purchased, as well as other information as may be required ~~[for~~  
9 ~~responsible operation of the program.]~~ by the department.

10 (c) The fiduciary organization shall submit to the  
11 ~~[legislature its findings and recommendations no later than~~  
12 ~~twenty days prior to the convening of each legislative session.]~~  
13 department an annual report as determined by the department.

14 ~~[(d) Selected fiduciary organizations may use no more than~~  
15 ~~ten per cent of state funds as appropriated under this [chapter]~~  
16 ~~to cover administrative costs in any given year.]"~~

17 SECTION 7. There is appropriated the sum of \$  
18 out of the general revenues of the State of Hawaii and the sum  
19 of \$ out of other available federal funds or so much  
20 thereof as may be necessary for fiscal year 2008-2009 for  
21 fiduciary organizations defined in section 257-1, Hawaii Revised  
22 Statutes, to operate individual development account programs;



1 provided that the aggregate total of the expenditures during  
2 fiscal year 2008-2009 out of these appropriations shall not  
3 exceed \$ .

4 The sum appropriated shall be expended by the department of  
5 human services for the purposes of this Act.

6 SECTION 8. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 9. This Act shall take effect upon its approval;  
9 provided that section 7 shall take effect on July 1, 2008.





**Report Title:**

Individual Development Accounts; DHS; Appropriation

**Description:**

Clarifies guidelines for individual development accounts (IDAs).  
Designates the department of human services or a contracted  
agency to administer IDAs. (SD1)

