



1           The legislature further finds that income-based policies  
2 should be complemented with asset-based policies because, while  
3 income-based policies ensure that consumption needs, such as  
4 food, clothing, child care, and health care, are met,  
5 asset-based policies provide the means to achieve greater  
6 independence and economic well-being.

7           The December 2006, report entitled *Asset-Building Policy*  
8 *for Hawaii*, produced by Hawaii Alliance for Community-Based  
9 Economic Development, highlighted several key goals to help  
10 people move from "just getting by" to "getting ahead." Among  
11 the recommendations are ensuring that working families can meet  
12 their needs. A self-sufficiency standard should be established  
13 to determine the actual amount needed to afford basic needs such  
14 as food, housing, and healthcare in Hawaii. The department of  
15 human services should then apply the self-sufficiency standard  
16 in the determination of public assistance for all usual and  
17 absolute minimum recurring living and shelter expenses,  
18 including rent or mortgage payments and utilities.

19           Currently, the federal earned income tax credit provides a  
20 refundable tax credit to low-income wage earners that can result  
21 in significant refunds for people who stay in the workforce.  
22 Hawaii should join the national trend, established by twenty



1 other states, and enact a refundable state earned income tax  
2 credit equal to at least twenty per cent of the federal earned  
3 income tax credit. The initiative will offer low-income  
4 families an opportunity to save and invest their refund.

5 It is not enough to offer people an opportunity to build  
6 assets if they do not know how or why to save and invest or how  
7 to protect their assets. Therefore, it is important that a  
8 comprehensive policy include a financial education component  
9 that promotes an understanding of consumer, economic, and  
10 personal financial concepts, including the basic principles  
11 involved with earning, budgeting, spending, saving, investing,  
12 and taxation.

13 Another key component to a comprehensive policy is  
14 incentives for people to save. Currently, many incentives and  
15 subsidies benefit those with higher incomes and greater wealth.  
16 For instance, many low-income families have insufficient tax  
17 liability to benefit from tax credits or deductions, or lack the  
18 resources to cover a down payment or mortgage on a home.

19 Changes to the current individual development accounts law  
20 could help more individuals take advantage of this asset  
21 building tool. An individual development account enables a  
22 participant to receive a match for every dollar that the



1 participant saves. Moneys in the account can then be used for  
2 qualified expenditures such as costs associated with first  
3 homeownership, post-secondary education, vocational training,  
4 and small or micro-business capitalization.

5 The purpose of this Act is to provide asset building  
6 opportunities for Hawaii's low- and moderate-income families by:

- 7 (1) Establishing a self-sufficiency standard that will
- 8 determine the assistance allowance;
- 9 (2) Establishing a refundable state earned income tax
- 10 credit;
- 11 (3) Providing financial education to temporary assistance
- 12 for needy families applicants and recipients;
- 13 (4) Expanding the provision of individual development
- 14 accounts; and
- 15 (5) Making appropriations necessary for these purposes.

16 PART II

17 SELF-SUFFICIENCY STANDARD

18 SECTION 2. Section 201-3, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 "§201-3 Specific research and promotional functions of the  
21 department. (a) Without prejudice to its general functions and



1 duties the department of business, economic development, and  
2 tourism shall have specific functions in the following areas:

3 (1) Industrial development. The department shall  
4 determine through technical and economic surveys the  
5 profit potential of new or expanded industrial  
6 undertakings; develop through research projects and  
7 other means new and improved industrial products and  
8 processes; promote studies and surveys to determine  
9 consumer preference as to design and quality and to  
10 determine the best methods of packaging, transporting,  
11 and marketing the State's industrial products;  
12 disseminate information to assist the present  
13 industries of the State, to attract new industries to  
14 the State, and to encourage capital investment in  
15 present and new industries in the State; assist  
16 associations of producers and distributors of  
17 industrial products to introduce [~~such~~] these products  
18 to consumers; and make [~~such~~] grants or contracts as  
19 may be necessary or advisable to accomplish the  
20 foregoing;

21 (2) Land development. The department shall encourage the  
22 most productive use of all land in the State in



1           accordance with a general plan developed by the  
2           department; encourage the improvement of land tenure  
3           practices on leased private lands; promote an  
4           informational program directed to landowners,  
5           producers of agricultural and industrial commodities,  
6           and the general public regarding the most efficient  
7           and most productive use of the lands in the State; and  
8           make [~~such~~] grants or contracts as may be necessary or  
9           advisable to accomplish the foregoing;

10       (3) Credit development. The department shall conduct a  
11       continuing study of agricultural and industrial credit  
12       needs; encourage the development of additional private  
13       and public credit sources for agricultural and  
14       industrial enterprises; promote an informational  
15       program to acquaint financial institutions with  
16       agricultural and industrial credit needs and the  
17       potential for agricultural and industrial expansion,  
18       and inform producers of agricultural and industrial  
19       products as to the manner in which to qualify for  
20       loans; and make [~~such~~] grants or contracts as may be  
21       necessary or advisable to accomplish the foregoing;



1 (4) Promotion. The department shall disseminate  
2 information developed for or by the department  
3 pertaining to economic development to assist present  
4 industry in the State, attract new industry and  
5 investments to the State, and assist new and emerging  
6 industry with good growth potential or prospects in  
7 jobs, exports, and new products. The industrial and  
8 economic promotional activities of the department may  
9 include the use of literature, advertising,  
10 demonstrations, displays, market testing, lectures,  
11 travel, motion picture and slide films, and [~~such~~]  
12 other promotional and publicity devices as may be  
13 appropriate; [~~and~~]

14 (5) Tourism research and statistics. The department shall  
15 maintain a program of research and statistics for the  
16 purpose of:

17 (A) Measuring and analyzing tourism trends;

18 (B) Providing information and research to assist in  
19 the development and implementation of state  
20 tourism policy;

21 (C) Encouraging and arranging for the conduct of  
22 tourism research and information development



1 through voluntary means or through contractual  
2 services with qualified agencies, firms, or  
3 persons; and

4 (D) Providing tourism information to policy makers,  
5 the public, and the visitor industry. This  
6 includes:

7 (i) Collecting and publishing visitor-related  
8 data including visitor arrivals, visitor  
9 characteristics and expenditures;

10 (ii) Collecting and publishing hotel-related  
11 statistics including the number of units  
12 available, occupancy rates, and room rates;

13 (iii) Collecting and publishing airline-related  
14 data including seat capacity and number of  
15 flights;

16 (iv) Collecting information and conducting  
17 analyses of the economic, social, and  
18 physical impacts of tourism on the State;

19 (v) Conducting periodic studies of the impact of  
20 ongoing marketing programs of the Hawaii  
21 tourism authority on Hawaii's tourism  
22 industry, employment in Hawaii, state taxes,





1 and the State's lesser known and  
2 underutilized destinations; [~~and~~]

3 (vi) Cooperate with the Hawaii tourism authority  
4 and provide it with the above information in  
5 a timely manner[-]; and

6 (6) Self-sufficiency standard. The department shall  
7 establish annually the self-sufficiency standard that  
8 shall be the absolute minimum amount required to be  
9 expended in Hawaii on the costs of housing, food,  
10 childcare, transportation, healthcare, all taxes, and  
11 other expenses such as clothing, shoes, utilities, and  
12 household items. The self-sufficiency standard shall  
13 be based on existing established models that fully  
14 incorporate the items essential to attain economic  
15 self-sufficiency. The self-sufficiency standard shall  
16 be utilized by the department of human services in  
17 determining the assistance allowance under section  
18 346-53, and may otherwise be used as an economic  
19 barometer of the State's economic development and  
20 related issues.

21 (b) The department shall be the central agency to  
22 coordinate film permit activities in the State."



1 SECTION 3. Section 346-1, Hawaii Revised Statutes, is  
2 amended by amending the definition of "assistance allowance" to  
3 read as follows:

4 "Assistance allowance" means a single monthly public  
5 assistance grant, including funds received from the federal  
6 government, expressed in a dollar amount per recipient or per  
7 recipient family to be provided a recipient or recipient family  
8 for all usual and absolute minimum recurring living and shelter  
9 expenses, including rent or mortgage payment and utilities [~~7~~and  
10 ~~excluding medical care~~]."

11 SECTION 4. Section 346-14, Hawaii Revised Statutes, is  
12 amended to read as follows:

13 "§346-14 Duties generally. Except as otherwise provided  
14 by law, the department of human services shall:

15 (1) Establish and administer programs and standards, and  
16 adopt rules as deemed necessary for all public  
17 assistance programs;

18 (2) Establish, extend, and strengthen services for the  
19 protection and care of abused or neglected children  
20 and children in danger of becoming delinquent to make  
21 paramount the safety and health of children who have



- 1           been harmed or are in life circumstances that threaten  
2           harm;
- 3           (3) Establish and administer programs, and adopt rules as  
4           deemed necessary, for the prevention of domestic and  
5           sexual violence and the protection and treatment of  
6           victims of domestic and sexual violence;
- 7           (4) Assist in preventing family breakdown;
- 8           (5) Place, or cooperate in placing, abused or neglected  
9           children in suitable private homes or institutions and  
10          place, or cooperate in placing, children in suitable  
11          adoptive homes;
- 12          (6) Have authority to establish, maintain, and operate  
13          receiving homes for the temporary care and custody of  
14          abused or neglected children until suitable plans are  
15          made for their care; and accept from the police and  
16          other agencies, for temporary care and custody, any  
17          abused or neglected child until satisfactory plans are  
18          made for the child;
- 19          (7) Administer the medical assistance programs for  
20          eligible public welfare and other medically needy  
21          individuals by establishing standards, eligibility,  
22          and health care participation rules, payment



1 methodologies, reimbursement allowances, systems to  
2 monitor recipient and provider compliance, and  
3 assuring compliance with federal requirements to  
4 maximize federal financial participation;

5 (8) Cooperate with the federal government in carrying out  
6 the purposes of the Social Security Act and in other  
7 matters of mutual concern pertaining to public  
8 welfare, public assistance, and child welfare  
9 services, including the making of reports, the  
10 adoption of methods of administration, and the making  
11 of rules as are found by the federal government, or  
12 any properly constituted authority thereunder, to be  
13 necessary or desirable for the efficient operation of  
14 the plans for public welfare, assistance, and child  
15 welfare services or as may be necessary or desirable  
16 for the receipt of financial assistance from the  
17 federal government;

18 (9) Carry on research and compile statistics relative to  
19 public and private welfare activities throughout the  
20 State, including those dealing with dependence,  
21 defectiveness, delinquency, self-sufficiency standard,  
22 and related problems;



- 1           (10) Develop plans in cooperation with other public and  
2           private agencies for the prevention and treatment of  
3           conditions giving rise to public welfare problems;
- 4           (11) Adopt rules governing the procedure in hearings,  
5           investigations, recording, registration, determination  
6           of allowances, and accounting and conduct other  
7           activities as may be necessary or proper to carry out  
8           this chapter;
- 9           (12) Supervise or administer any other activities  
10          authorized or required by this chapter, including the  
11          development of the staff of the department through in-  
12          service training and educational leave to attend  
13          schools and other appropriate measures, and any other  
14          activities placed under the jurisdiction of the  
15          department by any other law;
- 16          (13) Make, prescribe, and enforce policies and rules  
17          governing the activities provided for in section  
18          346-31 it deems advisable, including the allocation of  
19          moneys available for assistance to persons assigned to  
20          work projects among the several counties or to  
21          particular projects where the apportionment has not



1           been made pursuant to other provisions of law, if any,  
2           governing expenditures of the funds;

3       (14) Determine the appropriate level for the Hawaii  
4           security net, by developing a tracking and monitoring  
5           system to determine what segments of the population  
6           are not able to afford the basic necessities of life,  
7           and advise the legislature annually regarding the  
8           resources required to maintain the security net at the  
9           appropriate level;

10       (15) Subject to the appropriation of state funds and  
11           availability of federal matching assistance, expand  
12           optional health care to low-income persons as follows:

13       (A) Pregnant women and infants under one year of age  
14           living in families with incomes up to one hundred  
15           eighty-five per cent of the federal poverty level  
16           and without any asset restrictions;

17       (B) Children under six years of age living in  
18           families with incomes up to one hundred thirty-  
19           three per cent of the federal poverty level and  
20           without any asset restrictions;

21       (C) Older children to the extent permitted under  
22           optional federal medicaid rules;



- 1 (D) Elder persons;
- 2 (E) Aliens;
- 3 (F) The homeless; and
- 4 (G) Other handicapped and medically needy persons;
- 5 and
- 6 (16) Subject to the appropriation of state funds and
- 7 availability of federal matching assistance, establish
- 8 the income eligibility level for the medically needy
- 9 program at one hundred thirty-three per cent of the
- 10 assistance allowance."

11 SECTION 5. Section 346-53, Hawaii Revised Statutes, is

12 amended by amending subsection (a) to read as follows:

13 "(a) This subsection does not apply to general assistance

14 to households without minor dependents. The standard of need

15 shall equal the [~~poverty level established by the federal~~

16 ~~government in 2006,~~] self-sufficiency standard as established

17 annually by the department of business, economic development,

18 and tourism pursuant to section 201-3, prorated over a twelve-

19 month period based on family size.

20 The assistance allowance provided shall be based on a

21 percentage of the standard of need. For exempt households and

22 households in which all caretaker relatives are minors, living



1 independently with minor dependents and attending school, the  
2 assistance allowance shall be set no higher than sixty-two and  
3 one-half per cent and no lower than forty-four per cent of the  
4 standard of need. For all other households, the assistance  
5 allowance shall be set no higher than sixty-two and one-half per  
6 cent of the standard of need and set no lower than thirty-four  
7 per cent of the standard of need. The standard of need shall be  
8 determined by dividing the [~~2006 federal poverty level~~] self-  
9 sufficiency standard by twelve and rounding down the quotient.  
10 The remaining quotient shall be multiplied by the per cent as  
11 set by the director by rules pursuant to chapter 91, and the  
12 final product shall be rounded down to determine the assistance  
13 allowance; provided that:

- 14 (1) The department may increase or reduce the assistance  
15 allowance as determined in this subsection for non-  
16 exempt households for the purpose of providing work  
17 incentives or services under part XI;
- 18 (2) No reduction shall be allowed that jeopardizes  
19 eligibility for or receipt of federal funds;
- 20 (3) Reductions in the assistance allowance shall be  
21 limited to no more than one per year; and





1           (4) No non-exempt household, which includes an adult who  
2           has received sixty cumulative months of temporary  
3           assistance to needy families with minor dependents,  
4           shall be eligible for an assistance allowance, unless  
5           authorized by federal regulations."

6           SECTION 6. (a) The department of business, economic  
7           development, and tourism shall establish the first annual  
8           self-sufficiency standard pursuant to section 2 of this Act by  
9           December 1, 2007.

10          (b) The department of business, economic development, and  
11          tourism shall report to the legislature and the department of  
12          human services on the self-sufficiency standard no later than  
13          twenty days prior to the convening of the regular session of  
14          2008, and thereafter at annual intervals.

15          SECTION 7. (a) The department of human services shall  
16          submit a budget request to the legislature identifying the  
17          amount of general and federal funds required to implement the  
18          self-sufficiency standard no later than twenty days prior to the  
19          convening of the regular session of 2009.

20          (b) The department of human services shall report to the  
21          legislature with information on the number of persons exiting  
22          public assistance, food stamp, and medical assistance programs



1 for work, utilizing the annually adjusted self-sufficiency  
2 standard, no later than twenty days prior to the convening of  
3 the regular session of 2010, and thereafter at annual intervals.

4 PART III

5 EARNED INCOME TAX CREDIT

6 SECTION 8. Chapter 235, Hawaii Revised Statutes, is  
7 amended by adding a new section to be appropriately designated  
8 and to read as follows:

9 "§235- Earned income tax credit. (a) Each individual  
10 taxpayer who:

11 (1) Files an individual income tax return for a taxable  
12 year; and

13 (2) Is not claimed or is not eligible to be claimed as a  
14 dependent by another taxpayer for income tax purposes,

15 may claim a refundable earned income tax credit. The tax  
16 credit, for the appropriate taxable year, shall be equal to  
17 twenty per cent of the federal earned income tax credit allowed  
18 under section 32 (with respect to earned income) of the Internal  
19 Revenue Code and reported as such on the resident individual's  
20 federal income tax return.

21 (b) In the case of a part-year resident, the tax credit  
22 shall equal the amount of the tax credit calculated in



1 subsection (a) multiplied by the ratio of adjusted gross income  
2 attributed to this State to the entire adjusted gross income  
3 computed without regard to source in the State pursuant to  
4 section 235-5.

5 (c) For purposes of claiming the tax credit allowed by  
6 this section, a individual taxpayer shall use the same filing  
7 status (i.e., "married filing jointly", "head of household",  
8 "surviving spouse", or "single") on the taxpayer's Hawaii tax  
9 return as used on the taxpayer's federal tax return for the  
10 taxable year. In the case of a husband and wife filing  
11 separately, the credit allowed may be applied against the tax of  
12 either or divided between them, as they elect.

13 (d) All claims including any amended claims for tax  
14 credits under this section shall be filed on or before the end  
15 of the twelfth month following the close of the taxable year for  
16 which the tax credit may be claimed. Failure to comply with  
17 this subsection shall constitute a waiver of the right to claim  
18 the tax credit.

19 (e) The director of taxation:

20 (1) Shall prepare any forms that may be necessary to claim  
21 a tax credit under this section;

22 (2) May require proof of the claim for the tax credit;



- 1        (3) Shall alert eligible taxpayers of the tax credit using
- 2                    appropriate and available data;
- 3        (4) Shall prepare an annual report to be presented to the
- 4                    legislature and the public containing the:
- 5                    (A) Number of credits granted for the prior calendar
- 6                    year;
- 7                    (B) Total amount of the credits granted; and
- 8                    (C) Average value of the credits granted to taxpayers
- 9                    whose earned income falls within various income
- 10                   ranges; and
- 11        (5) May adopt rules pursuant to chapter 91 to effectuate
- 12                    this section."

PART IV

FINANCIAL EDUCATION

15        SECTION 9. Chapter 346, Hawaii Revised Statutes, is  
16 amended by adding a new section to be appropriately designated  
17 and to read as follows:

18        "§346- Financial education. In addition to any  
19 mandatory programs for certain applicants for and recipients of  
20 temporary assistance for needy families required by federal law,  
21 the department shall offer financial education to applicants for  
22 and recipients of temporary assistance for needy families. For



1 purposes of this section, "financial education" means education  
2 that promotes an understanding of consumer, economic, and  
3 personal finance concepts, including the basic principles  
4 involved with earning, budgeting, spending, saving, investing,  
5 and taxation."

6 SECTION 10. There is appropriated out of the general  
7 revenues of the State of Hawaii the sum of \$ , or so  
8 much thereof as may be necessary for fiscal year 2007-2008, and  
9 the same sum, or so much thereof as may be necessary for fiscal  
10 year 2008-2009, for the department of human services to offer  
11 financial education to applicants for and recipients of  
12 temporary assistance for needy families.

13 The sums appropriated shall be expended by the department  
14 of human services for the purposes of this part.

15 PART V

16 ENCOURAGE SAVINGS

17 SECTION 11. Section 257-1, Hawaii Revised Statutes, is  
18 amended by amending the definition of "qualified expenditures"  
19 to read as follows:

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



- 1 (1) Costs associated with first homeownership;
- 2 (2) Post-secondary education;
- 3 (3) Vocational training; ~~and~~
- 4 (4) Small or micro-business capitalization~~[-]~~; and
- 5 (5) One motor vehicle purchase for school or work
- 6 transportation."

7 SECTION 12. Section 257-3, Hawaii Revised Statutes, is  
8 amended by amending subsections (b), (c), and (d) to read as  
9 follows:

10 "(b) Locally-based organizations shall enter into a  
11 competitive process for the right to become fiduciary  
12 organizations for a portion of the state matching dollars [~~that~~  
13 ~~would be authorized initially~~]. Fiduciary organization  
14 proposals shall be evaluated and participation rights awarded on  
15 the basis of [~~such items as~~]:

- 16 (1) Their ability to market the program to potential  
17 individual development account holders and potential  
18 matching fund contributors;
- 19 (2) Their ability to provide safe and secure investments  
20 for individual development accounts;
- 21 (3) Their overall administrative capacity, including:



- 1 (A) Certifications or verifications required to
- 2 assure compliance with eligibility requirements;
- 3 (B) Authorized uses of the accounts matching
- 4 contributions by individuals or businesses; and
- 5 (C) Penalties for unauthorized distributions;
- 6 (4) Their capacity to provide financial counseling and
- 7 other related services to potential participants; and
- 8 (5) Their links to other activities designed to increase
- 9 the independence of individuals and families through
- 10 high return investments, including homeownership,
- 11 education and training, and small business
- 12 development.

13 The department of human services shall provide technical  
 14 and administrative assistance to fiduciary organizations to meet  
 15 the criteria under this subsection; provided that the State may  
 16 expend appropriate federal moneys, including temporary  
 17 assistance for needy families and community development block  
 18 grants, for this purpose, as applicable.

19 (c) If the [State] the department of human services  
 20 approves an application to fund an individual development  
 21 account project under this section, the [State] department of  
 22 human services shall [~~not later than one month after June 28,~~



1 ~~1999,~~] authorize the applicant to conduct the project with state  
2 funds [~~for five project years~~] in accordance with the approved  
3 application and this section; provided that an applicant may  
4 apply for funding during future fiscal years [~~for five project~~  
5 ~~years~~] if [~~the State lacks the~~] there are insufficient resources  
6 to fund an individual development account project pursuant to  
7 this subsection.

8 (d) For each individual development account program  
9 approved under this section, the [~~State~~] department of human  
10 services shall make a grant to the qualified entity or  
11 collaboration of entities authorized to conduct the project on  
12 the first day of the project year in an amount not to exceed  
13 \$100,000 per year [~~for five years~~]."

14 SECTION 13. Section 257-8, Hawaii Revised Statutes, is  
15 amended by amending subsection (a) to read as follows:

16 "(a) The [~~State~~] department of human services shall match  
17 an amount of up to \$100,000 per calendar year for individual  
18 development accounts. The department of human services may  
19 expend appropriate federal moneys, including temporary  
20 assistance for needy families and community development block  
21 grants, for purposes of this subsection, in addition to general  
22 funds."





1 SECTION 14. Section 257-11, Hawaii Revised Statutes, is  
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) The fiduciary organization running an individual  
5 development account program shall have sole authority over the  
6 administration of the project. The [State] department of human  
7 services may prescribe [~~only such~~] regulations with respect to  
8 demonstration projects [~~under this chapter~~] as are necessary to  
9 ensure compliance [~~pursuant to~~] with this chapter."

10 2. By amending subsection (d) to read:

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

15 SECTION 15. There is appropriated out of the general  
16 revenues of the State of Hawaii the sum of \$2,000,000, or so  
17 much thereof as may be necessary for fiscal year 2007-2008, for  
18 fiduciary organizations, as defined in section 257-1, Hawaii  
19 Revised Statutes, to conduct individual development account  
20 programs, as provided in section 257-3, Hawaii Revised Statutes.

21 The sum appropriated shall be expended by the department of  
22 human services for the purposes of this section.



PART VI

MISCELLANEOUS PROVISIONS

1  
2  
3 SECTION 16. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5 SECTION 17. This Act shall take effect upon its approval;  
6 provided that, upon its approval, section 8 shall apply to  
7 taxable years beginning after December 31, 2007; provided  
8 further that sections 2, 3, 4, 9, 10, 11, 12, 13, 14, and 15  
9 shall take effect on July 1, 2007; and provided further that  
10 section 5 shall take effect on July 1, 2009.



**Report Title:**

Asset Building; Omnibus Package

**Description:**

Provides a comprehensive set of asset building opportunities for Hawaii's low- and moderate-income families by establishing a self-sufficiency standard that will determine the assistance allowance; establishing a refundable state earned income tax credit; providing financial education to TANF applicants and recipients; expanding the provision of individual development accounts; and appropriating funds. (SD1)

