

JAN 22 2008

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



1 financial goals. These accounts 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. The
4 purpose of this Act is to appropriate funds for individual
5 development account programs to support asset building among
6 low- and moderate-income families.

7 SECTION 2. Section 257-3, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "[+]§257-3[+] **Fiduciary organizations.** (a) Fiduciary
10 organizations shall serve as an intermediary between individual
11 development account holders and financial institutions holding
12 accounts. The fiduciary organization's responsibilities may
13 include:

- 14 (1) Marketing participation;
- 15 (2) Soliciting matching contributions;
- 16 (3) Counseling program participants; and
- 17 (4) Conducting verification and compliance activities.

18 (b) Locally-based organizations shall enter into a
19 competitive process for the right to become fiduciary
20 organizations for a portion of the state matching dollars [~~that~~
21 ~~would be authorized initially~~]. Fiduciary organization



1 proposals shall be evaluated and participation rights awarded on
2 the basis of such items as:

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

21 The department of human services shall provide technical and
22 administrative assistance to fiduciary organizations to meet the



1 criteria described in this section. In order to provide this
2 assistance, the department may contract with another agency, and
3 shall identify and make use of available federal moneys wherever
4 appropriate.

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

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

21 ~~(e)}~~ (d) From among the individuals eligible for
22 assistance under the Hawaii individual development account



1 program, each selected fiduciary organization shall select the
2 individuals whom the fiduciary organization deems to be best
3 suited to receive such assistance."

4 SECTION 3. Section 257-8, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "~~[+] §257-8 [1]~~ **Matches.** ~~[-(a)]~~ The State shall match an
7 amount of up to ~~[\$100,000 per calendar year for]~~ 4:1 in state
8 funds for deposit into an individual development [accounts-]
9 account. The department of human services may adopt rules
10 regarding specific match ratios pertaining to qualified
11 expenditures of an individual development account.

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

15 SECTION 4. Section 257-11, Hawaii Revised Statutes, is
16 amended by amending subsection (a) to read as follows:

17 "(a) The fiduciary organization running an individual
18 development account program shall have sole authority over the
19 administration of the project. The ~~[State]~~ department of human
20 services may ~~[prescribe only such regulations]~~ adopt rules with
21 respect to demonstration projects under this chapter as are
22 necessary to ensure compliance ~~[pursuant to]~~ with this chapter."



1 SECTION 5. Section 257-11, Hawaii Revised Statutes, is
2 amended by amending subsection (d) to read as follows:

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

7 SECTION 6. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$ or so
9 much thereof as may be necessary for fiscal year 2008-2009 for
10 fiduciary organizations defined in section 257-1, Hawaii Revised
11 Statutes, to operate individual development account programs.

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

14 SECTION 7. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 8. This Act shall take effect upon its approval;
17 provided that section 6 shall take effect on July 1, 2008.

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Report Title:

Individual Development Account Program

Description:

Appropriates funds for the individual development account program, instead of making grants. Requires the department of human services to provide technical and administrative assistance to entities seeking to become fiduciary organizations. Prohibits fiduciary organizations from using more than 25% of state funds per year for operating costs.

