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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. 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 257-1, Hawaii Revised Statutes, is  
8 amended by amending the definition of "Qualified expenditures"  
9 to read as follows:

10 "Qualified expenditures" means an expense as determined by  
11 a fiduciary organization[~~which~~] that may include [~~but not be~~  
12 ~~limited to~~]:

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

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

21 "(a) The income of the household of the individual  
22 development account holder shall not exceed [~~eighty per cent of~~



1 ~~the area household median income.]~~ an amount as determined by  
2 the department of human services."

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

5 "~~{}~~§257-3~~{}~~ **Fiduciary organizations.** (a) Fiduciary  
6 organizations shall serve as an intermediary between individual  
7 development account holders and financial institutions holding  
8 accounts. The fiduciary organization's responsibilities may  
9 include:

- 10 (1) Marketing participation;
- 11 (2) Soliciting matching contributions;
- 12 (3) Counseling program participants; and
- 13 (4) Conducting verification and compliance activities.

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

- 20 (1) Their ability to market the program to potential  
21 individual development account holders and potential  
22 matching fund contributors;



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

16 The department of human services shall provide technical and  
17 administrative assistance to fiduciary organizations to meet the  
18 criteria described in this section. In order to provide this  
19 assistance, the department may contract with another agency, and  
20 shall identify and make use of available federal moneys wherever  
21 appropriate.



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

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

17 ~~(e)]~~ (d) From among the individuals eligible for  
18 assistance under the Hawaii individual development account  
19 program, each selected fiduciary organization shall select the  
20 individuals whom the fiduciary organization deems to be best  
21 suited to receive such assistance."



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

3 " ~~[+] §257-8 [+] Matches. [(a)]~~ The State shall match ~~[an~~  
4 ~~amount of up to \$100,000 per calendar year for individual~~  
5 ~~development accounts.]~~ in a specific match ratio for qualified  
6 expenditures as determined by the department of human services.  
7 The department of human services may adopt rules regarding  
8 specific match ratios pertaining to qualified expenditures of an  
9 individual development account.

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

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

15 " ~~[+] §257-11 [+] Administration; evaluation; information;~~  
16 **reporting.** (a) The fiduciary organization running an  
17 individual development account program shall have sole authority  
18 over the administration of the project. ~~[The State may~~  
19 ~~prescribe only such regulations with respect to demonstration~~  
20 ~~projects under this chapter as are necessary to ensure~~  
21 ~~compliance pursuant to this chapter.]~~



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

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

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

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

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



1 SECTION 8. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

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





**Report Title:**

Individual Development Account Program

**Description:**

Clarifies "qualified expenditures" to include one motor vehicle for purchase for school or work; clarifies income of household as an amount determined by the DHS; requires the DHS to provide technical and administrative assistance to fiduciary organizations; deletes reference to making grants to for each individual development account; requires state make match for qualified expenditures in a ratio as determined by the DHS; requires fiduciary organization to report to DHS rather than the legislature; deletes reference to ten per cent limit on using appropriations for administrative expenses; appropriates funds for fiduciary organizations to operate individual development accounts. (SD1)

