

LINDA LINGLE
GOVERNOR



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DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 25, 2008

MEMORANDUM

TO: The Honorable Marcus R. Oshiro, Chair
House Committee on Finance

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2047, H.D. 1 - RELATING TO INDIVIDUAL DEVELOPMENT
ACCOUNTS**
Hearing: Monday, February 25, 2008; 10:00 a.m.
Conference Room 308, State Capitol

PURPOSE: This bill proposes to amend the Individual Development Account (IDA) statute by: 1) defining "Department as the Department of Human Services, 2) including one motor vehicle for purchase for school or work as a "qualified expenditure"; 3) requiring the Department of Human Services (DHS) to determine the income of household for eligibility; 4) requiring the Department to contract with the fiduciary organizations who meet the criteria, either directly by the Department or through another agency contracted by the Department; 5) deleting references to making grants to for each individual development account and requiring instead, a State match for qualified expenditures in a ratio as determined by DHS; 5) requiring fiduciary organizations to report to DHS; and 6) appropriates general funds and other federal funds for fiduciary organizations to operate individual development accounts.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of this bill but has concerns regarding the placement of the IDA

program solely in DHS and that the appropriation needed to implement this bill will adversely impact or replace the priorities in the Executive Supplemental Budget.

This bill would expand the responsibilities of the Department by requiring the Department to administer the IDA program which requires technical and administrative assistance to fiduciary organizations to implement this program. The auditing of the records of the numerous vendors selected would take considerable time and expertise. The Department has no expertise regarding the fiduciary responsibilities required for this program so implementation of this program will need to be contracted out as this bill would allow. There will be other costs to the Department in staff time and other resources needed to monitor the contracts and provide basic oversight to ensure that the program was meeting Legislative purposes and accomplishing Legislative intent.

Also, this bill will require the Department to determine the State match ratio for this program. The Department currently has no data to be able to project what the funding needs for this program will be.

This bill proposes to amend chapter 257, Hawaii Revised Statutes, Individual Development Accounts, by making DHS replacing the references to the "State" with the "Department of Human Services". It should be noted that the Department of Human Services is not the only Department that may issue IDAs. In other States, IDAs are issued by various departments, depending on the funding source. Replacing the "State" with the "Department of Human Services" will limit the kinds of IDAs that can be issued.

We request that chapter 257 not be amended to make DHS the sole providers of IDAS and respectfully request that its passage does not replace nor adversely impact the priorities in the Executive Supplemental Budget.

Thank you for the opportunity to provide comments on this bill.

TESTIMONY IN SUPPORT OF HB2047 HD1
RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS

The Legal Aid Society of Hawaii hereby provides testimony in support of HB2047 HD1 – Relating to Individual Development Accounts. This bill would expand the efficiency and effectiveness of Individual Development Account programs.

Founded in 1950, the Legal Aid Society of Hawaii is the oldest provider of legal services in the state. We provided civil legal assistance to those in need through nine offices located in Lihue, Waianae, Honolulu, Kahaluu, Kaunakakai, Lanai City, Wailuku, Kona and Hilo. Over the years we have seen the benefit of linking community based economic development and asset building to legal services as critical to assisting our clients out of poverty.

IDAs are vital tools in assisting individuals with improving their financial literacy and encouraging saving toward the goal of homeownership, higher education costs or start-up costs for a small business. For the majority of IDA participants, this is the first time that they have ever saved their money toward a goal. The technical amendments that this bill brings to the current individual development account statute would greatly expand the impact of this program.

The funding for IDAs can be provided through both TANF and general revenue funds. We would request that \$400,000 be allocated to provided for the support of this program.

We understand that the Department of Human Services may not agree with amendments to the statute that would allow for the purchase of a car due to concerns over the use of TANF funds. We, however, believe that it is critical to add the purchase of a car as an allowable savings goal for IDAs and believe that TANF funds can be used according to an Administration for Children and Families policy announcement, <http://www.acf.hhs.gov/programs/ofa/pa002.htm>. Further, the recent state TANF strategic plan created by the Department of Human Services highlighted the need for transportation especially on the neighbor islands.

We support this effort to establish the individual development accounts and we support this bill.

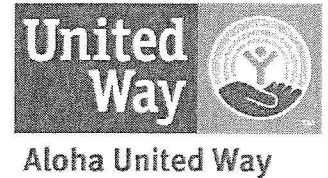
Thank you for this opportunity to testify.

Sincerely,

M. Nalani Fujimori
Deputy Director
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February 22, 2008

House Committee on Finance
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair
Monday, February 25, 2008 at 10:00 A.M.
Conference Room 308

HB 2047, HD1 Relating to Individual Development Accounts - Support

Dear Chair Oshiro, Vice Chair Lee and Committee Members:

Aloha United Way encourages your favorable consideration of HB 2047, HD1 which makes numerous changes intended to facilitate the use of Individual Development Accounts by low- and moderate-income residents. Individual Development Accounts are matched savings accounts that enable participants to more quickly save funds for the purchase of a home or car, creating a business or additional education.

Individual Development Accounts are an integral part of a comprehensive policy to help people build assets and move from poverty to self-sufficiency. These asset building strategies augment the traditional welfare income support programs and move people away from dependency on government support and toward self-sufficiency.

Individual Development Accounts are a critical part of the strategy because they enable families to progress towards the acquisition of key assets more quickly. Currently, Hawaii's IDA programs are relatively small, privately funded efforts of nonprofit organizations. A common challenge for IDA providers is a lack of adequate organizational capacity and administrative funding. Another challenge is the limited amount of IDA matching dollars.

HB 2047, HD1 helps correct these deficiencies in our current programs and Aloha United Way encourages favorable consideration of this important legislation.

Sincerely,

A handwritten signature in cursive script that reads "Susan Doyle".

Susan Doyle
President & Chief Professional Officer