

TESTIMONY IN SUPPORT OF HB2047 HD2 SD1
RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS

Tuesday, April 1, 2008 at 10:15 a.m.
Senate Committee on Ways and Means

The Legal Aid Society of Hawaii hereby provides testimony in support of HB2047 HD2 SD1 – 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, Kaneohe, 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.

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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HACBED

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March 28, 2008

Senate Committee on Ways and Means

Tuesday, April 1, 2008 at 10:15 a.m.

Conference Room 211

HB 2047 HD2 SD1 - IDA – SUPPORT

Dear Chair Baker and Committee Members:

The Hawai'i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of **HB 2047 HD2 SD1** which would appropriate funds to the individual development account (IDA) program and require the Department of Human Services or another state agency to provide technical and administrative assistance to fiduciary organizations.

Hawai'i needs a comprehensive public policy to help people build assets. This should include a package of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and become homeowners. We support **HB 2047 HD2 SD1** in that it is part of a package that we believe does just that. The Ho'owaiwai Asset Policy agenda addresses these needs by putting together a comprehensive package of bills and policies that encourages and widens opportunities for asset building.

Assets are essential for three reasons:

1. To have **financial security** against difficult times
2. To create **economic opportunities** for oneself
3. To **leave a legacy** for future generations to have a better life

Individual development accounts (IDAs) are matched savings accounts that enable low-income families to save, build their assets, and enter the financial mainstream. IDAs reward working families who are building toward an asset, such as buying a home, paying for college tuition, or starting a small business. This makes for a better life for Hawai'i families and communities while giving families a sense of empowerment when they achieve their savings goal.

Chair Baker and Committee Members

April 1, 2008

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This bill will provide organizations running IDA programs access to sufficient operational funds that are needed to provide financial education and planning, resources for case management, and funds for technical assistance and support.

In Hawai'i, most IDA programs are small programs with approximately \$20,000 for both operating and matching funds. Most IDA programs have long waiting lists of eligible low-income individuals but not the matching funds to support them. The investment in this bill will allow more families in Hawai'i to achieve their asset goals.

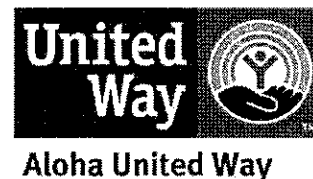
Thank you for the opportunity to submit testimony.

Sincerely,

Larissa Meinecke
Public Policy Associate

Aloha United Way

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March 28, 2008

Senate Committee Ways & Means
Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice Chair
Tuesday, April 1, 2008 at 10:15 A.M.
Conference Room 211

HB 2047, HD2, SD1 Relating to Individual Development Accounts - Support

Dear Chair Baker, Vice Chair Tsutsui and Committee Members:

Aloha United Way encourages your favorable consideration of HB 2047, HD2, SD1 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.

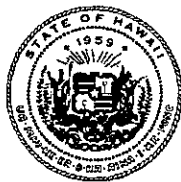
Individual Development Accounts are a critical part of the strategy because they enable families to progress towards the acquisition of key assets more quickly. Currently, Hawaii's IDA programs are relatively small, privately funded efforts of nonprofit organizations. A common challenge for IDA providers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

HB 2047, HD2, SD1 helps correct these deficiencies in our current programs and Aloha United Way encourages favorable consideration of this important legislation.

Sincerely,



Susan Doyle
President & Chief Professional Officer



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

April 1, 2008

MEMORANDUM

TO: The Honorable Rosalyn H. Baker, Chair
Senate Committee on Ways and Means

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 2047, H.D. 2, S.D. 1 - RELATING TO INDIVIDUAL
DEVELOPMENT ACCOUNTS**
Hearing: Tuesday, April 1, 2008; 10:15 a.m.
Conference Room 211, State Capitol

PURPOSE: This bill proposes to clarify guidelines for Individual Development Accounts (IDA) by: 1) defining "Department" as the Department of Human Services or any State agency to permit any State agency to administer IDAs, 2) including one motor vehicle for purchase for school or work as a "qualified expenditure"; 3) requiring the "Department" 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 for each individual development account; 6) allowing the "Department" to specify the State match; 7) establishes reporting requirements; and 8) appropriates general funds to DHS 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 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 DHS by requiring the Department to administer IDA programs 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. DHS 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 DHS 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 DHS to determine the State match ratio for our IDA programs. DHS currently has no data to be able to project what the funding needs for this program will be.

This bill will allow DHS or any State agency to administer IDA programs, however, the unspecified funding in this bill is to be expended by DHS only.

We respectfully request that this bill's 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.