

**TESTIMONY IN SUPPORT OF HB2047**  
**RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS**

The Legal Aid Society of Hawaii hereby provides testimony in support of HB2047 – 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.

While we support this bill, we would ask that amendments be made to allow the expansion of the IDA programs to allow for the purchase of a car for transportation to and from work. The recent TANF strategic plan created by the Department of Human Services highlighted the need for transportation especially on the neighbor islands. We've attached suggested amendments to our testimony.

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

### Suggested Amendments

Section 257-1, Hawaii Revised Statutes, is amended by amending the definition of "qualified expenditures" to read as follows:

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

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

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Asset Building Coalition &  
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## **HACBED Staff**

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*Deputy Director*

Justin Fanslau  
*Associate Director*

Larissa Meinecke  
*Public Policy Associate*

Tony Hall  
*Administrative Manager*

January 24, 2008

House Committee on Human Services and Housing  
Thursday, January 24, 2008 at 8:30AM  
Conference Room 329  
**HB 2047 – SUPPORT WITH AMENDMENTS**

Dear Chair Shimabukuro and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of HB 2047 which would appropriate funds to the individual development account (IDA) program; require the Department of Human Services to provide technical and administrative assistance to fiduciary organizations; and allow fiduciary organizations to use no more than 25% state funds per year for operating costs.

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 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 Shimabukuro and Committee Members  
January 24, 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.

An investment of \$1 to \$2 million with an operating cost rate of 25% for fiduciary organizations will give hundreds of families the opportunity to participate in the IDA program and the chance to save, build wealth, and contribute to the state's economy.

We would also like to suggest the following **amendment** to this bill to allow the expansion of the IDA programs to allow for the purchase of a car for transportation to and from work.

Section 257-1, Hawaii Revised Statutes, is amended by amending the definition of "qualified expenditures" to read as follows:

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

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

Thank you for the opportunity to submit testimony.

Sincerely,

Justin Fanslau  
Associate Director

Larissa Meinecke  
Public Policy Associate