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Senator Suzanne Chun Oakland, Chair
 Senator Les Ihara, Jr., Vice Chair
 COMMITTEE ON HUMAN SERVICES AND PUBLIC HOUSING
 Alycia Juvik, Community Development Coordinator
 Hawaii First Federal Credit Union
 PO Box 446 Kamuela, HI 96743
 Tuesday, February 5, 2008

Support of SB2837 Relating to Individual Development Accounts

Hawaii First Federal Credit Union is a non-profit, community based, low income designated CDFI (Community Development Financial Institution) Federal Credit Union which was developed in 1956. We currently serve Hawaii Island. As a CDFI, our primary mission is promoting economic development in struggling areas, both urban and rural, that are underserved. CDFIs are playing a critical role in building a healthier economy by providing these communities with the access to capital that they so sorely need.

We are strongly in support of SB2837 relating to Individual Development Accounts as these accounts offer self-sustainability and urgently needed resources which allow individuals to overcome poverty.

IDA's are essential for addressing poverty in our communities as they provide economic stability. Research shows IDA's also have wider positive impacts far beyond the tangible assets accumulated. For example: Strong goal orientation toward the future; Permanent residential stability; Improved health and well being; Self Sufficiency; The understanding of civic and community involvement; Decrease in the likelihood that future generations will be impoverished.

These developed savings accounts are teaching recipients vital life changing tools, which are far more valuable than public assistance. IDA accounts have been proven to bridge the gap for low- income individuals and families who otherwise may not ever attain self-sufficiency.

We are only one entity acknowledging and committed to the urgent need for these resources. Our IDA's are used for building houses on Hawaiian Homes Land, Buying a first home, education/vocational training for adult or child, small business development, agricultural development (example: Solar, irrigation).

According to CFED (Center For Enterprise Development) every public dollar invested in IDA's generates \$5 for the community. This is measured in new business and jobs, increased earning and educational achievements by both young and old, new and improved homes, higher tax receipts and reduced welfare expenditures.

Our program needs dependable funding to be run. IDA's by no means make profit, and are not self sustaining. It is critical to understand the impact these appropriated funds will have on many lives. There are many communities nationwide that attribute significant economic improvement to these programs. In appropriating these funds, organizations like ours are given a way to make IDA's available to many low income families and individuals Island wide. We are however concerned about deadlines and application submittals.

We are urging that SB2837 be passed creating financial independence and low income self sustainability. Thank you so much for allowing us the opportunity to testify.



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

February 5, 2008

LATE

MEMORANDUM

TO: The Honorable Suzanne Chun Oakland, Chair
Committee on Human Services and Public Housing

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2837 - RELATING TO INDIVIDUAL DEVELOPMENT
ACCOUNTS**

Hearing: Tuesday, February 5, 2008; 1:15 p.m.
Conference Room 016, State Capitol

PURPOSE: The proposed amendment appropriates funds for the individual development account (IDA) program, instead of making grants. Requires the Department of Human Services (DHS) 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.

DEPARTMENT'S POSITION: The Department of Human Services supports the intent of this bill but has concerns that the appropriation needed to implement this bill may adversely impact the priorities in the Executive Supplemental Budget.

Page 3, lines 21-22, continued to page 4, lines 1-4, states that Federal funds, including Temporary Assistance for Needy Families (TANF) funds be used as applicable. Please note that the use of TANF funds for IDAs places some limitation on what the money may be used for and may limit some aspects of this program. For

example, TANF funds for IDAs may only match earned income, may not be used for the purchase of a home and may not be used for administrative fees. The Legislature will also need to raise the TANF cap on the Department's TANF expenditures to use TANF funds to implement this bill.

Also, this bill does not state if the Department of Human Services will be required to select, fund and monitor fiduciary agencies to administer this program. We request that this function be given to a Department that has this expertise or that funding be appropriated to contract for this service.

This bill proposes to amend chapter 257, Individual Development Accounts by 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. Replacing the State with the Department of Human Services will limit the kinds of IDAs that can be issued.

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