

LEGAL AID SOCIETY OF HAWAII

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President, Board of Directors

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Executive Director

TESTIMONY IN SUPPORT OF SB2837 WITH AMENDMENTS RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS

February 5, 2008 at 1:15 p.m.

The Legal Aid Society of Hawaii hereby provides testimony in support of SB2837 – Relating to Individual Development Accounts. This bill would expand the efficiency and effectiveness of Individual Development Account programs.

I apologize for not being present at the hearing today, but I am away on business. I am however available by telephone.

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.

A similar bill was heard on January 24, 2008 by the House Committee on Human Services and Housing. At the request of Chair Shimabukuro, Legal Aid met with the Department of Human Services, the Hawaii Alliance for Community Based Economic Development, Alu Like and Glen Hayase regarding the bill. We've attached amended language that came out of that meeting.

Please note that all parties agree with the attached amended language, except for the Section 2 which the Department of Human Services does not agree with at this time which would amend the statute to 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. If needed we are able to provide an electronic version of proposed SD1.

Thank you for this opportunity to testify.

Sincerely,

M. Nalani Fujimori
Deputy Director
527-8014

Proposed Amendments

SECTION 2. 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."

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

~~§257-2 Eligible individuals.~~ (a) The income of the household of the individual development account holder shall not exceed ~~[eighty per cent of the area household median income]~~ an amount determined by the department of human services.

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

~~[[§257-3]]~~ **Fiduciary organizations.** (a) Fiduciary organizations shall serve as an intermediary between individual development account holders and financial institutions holding accounts. The fiduciary organization's responsibilities may include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 7. There is appropriated out of the general revenues of the State of Hawaii or other available federal funds the sum of \$ 400,000 or so much thereof as may be necessary for fiscal year 2008-2009 for fiduciary organizations defined in section 257-1, Hawaii Revised Statutes, to operate individual development account programs.

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



SENATE Human Services & Public
Housing
Tues, Feb 5, 2008
1:15 pm
Deliver 1 copies to Rm 226

2600 Campus Rd. QLCSS #211
Honolulu, HI 96822
Phone: (808) 956-8059
Fax: (808) 956-9314

Hawai'i Women
Work! Board of
Directors

Sarah Hodell
President

Teresa Bill
Secretary

Catherine Wehrman
Treasurer

Date: February 2, 2008

TO: SENATE HUMAN SERVICES & PUBLIC HOUSING
Sen. Suzanne Chun Oakland, Chair
Sen. Les Ihara, Vice Chair

From: Teresa Bill

RE: **SUPPORT** SB 2837, Re: Individual Development Accounts

Tues. Feb. 5, 2008 1:15 p.m.
State Capitol Conference Room 016

I am Teresa Bill, testifying in support of SB 2837, on behalf of Hawai'i WomenWork! which is a member of the Welfare Employment Rights Coalition and the Women's Coalition.

Individual Development Accounts (IDA) are a matched savings program that has proven successful in assisting low-income families to save for a specific, larger purchase. Programs have different focus, but eligible purchases typically include a down payment for houses, education or car purchases or small business expenses. I am in support of those amendments suggested by HACBED.

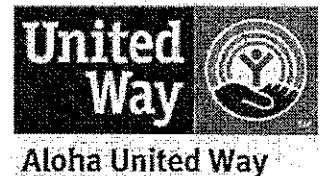
Individual Development Accounts are a key element to a comprehensive asset building policy that encourages and supports families to save more and build assets. IDAs help give families incentive to save and the eligible disbursements (housing, education, business, cars) are key elements of a families' ability to take advantage of and create economic opportunities.

The IDA programs in Hawaii need additional funds. The concept is proven and programs have more people who wish to participate than can be accommodated. That is why state and federal funds are needed.

Thank you for the opportunity to testify.

Aloha United Way

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January 31, 2008

Senate Committee on Human Services & Public Housing
Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr., Vice Chair
Tuesday, February 05, 2008 at 1:15 P.M.
Conference Room 016

SB 2837 – Strong Support

Dear Chair Oakland, Vice Chair Ihara, and Committee Members:

Aloha United Way encourages your favorable consideration of SB 2837 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.

SB 2837 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