

# HACBED

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February 21, 2008

Senate Committee on Ways and Means  
Thursday, February 21, 2008 at 9:30 a.m.  
Conference Room 211  
**SB 2837 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 **SB 2837 SD1** which would appropriate funds to the individual development account (IDA) program and require the Department of Human Services 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 **SB 2837 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  
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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.

**We respectfully ask your committee to appropriate \$400,000 for the management and operation of the IDA program to support asset building among low- and moderate-income families.**

Thank you for the opportunity to submit testimony.

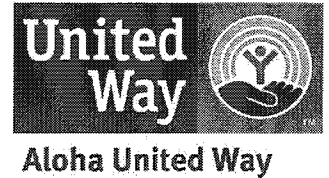
Sincerely,

Justin Fanslau  
Associate Director

Larissa Meinecke  
Public Policy Associate

Aloha United Way

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February 20, 2008

Senate Committee on Ways & Means  
Senator Rosalyn H. Baker, Chair  
Senator Shan S. Tsutsui, Vice Chair  
Thursday, February 21, 2008 at 9:30 A.M.  
Conference Room 211

**SB 2837, SD1 Relating to Individual Development Accounts - Support**

Dear Chair Baker, Vice Chair Tsutsui and Committee Members:

Aloha United Way encourages your favorable consideration of SB 2837, 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.

SB 2837, SD1 helps correct these deficiencies in our current programs and Aloha United Way encourages favorable consideration of this important legislation.

Sincerely,

A handwritten signature in black ink that reads "Susan Doyle". The signature is written in a cursive, flowing style.

Susan Doyle  
President & Chief Professional Officer



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

February 21, 2008

**MEMORANDUM**

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

FROM: Lillian B. Koller, Director

SUBJECT: **S.B. 2837, S.D. 1 - RELATING TO INDIVIDUAL DEVELOPMENT  
ACCOUNTS**

Hearing: Thursday, February 21, 2008; 9:30 a.m.  
Conference Room 211, State Capitol

**PURPOSE:** This bill proposes to amend the Individual Development Account (IDA) statute by: 1) including one motor vehicle for purchase for school or work as a "qualified expenditure"; 2) requiring the Department of Human Services (DHS) to determine the income of household for eligibility; 3) requiring DHS to provide technical and administrative assistance to fiduciary organizations; 4) 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 who in turn shall report to the Legislature; 6) deleting reference to ten per cent limit on using appropriations for administrative expenses; and 7) appropriates general 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 provide 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 to ensure that the program was meeting Legislative purposes and accomplishing Legislative intent. 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.

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.