

SB 789

LINDA LINGLE
GOVERNOR



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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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February 10, 2009

MEMORANDUM

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Lillian B. Koller, Director

SUBJECT: **S. B. 789 - RELATING TO INDIVIDUAL DEVELOPMENT
ACCOUNTS.**

Hearing: Tuesday, February 10, 2009, 2:15 p.m.
Conference Room 016, State Capitol

PURPOSE: The proposed amendments will clarify the guidelines for individual development accounts (IDAs) and designates the department of human services or a contracted agency to administer IDAs. Appropriates funds.

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 Biennium Budget.

Page 2, line 12. The definition of Department is confusing. It is unclear on what the role of the Department of Health is.

Page 5, lines 4-5, states that the Department shall identify and make use of available federal moneys wherever appropriate. Please note that the Department of Human Services' primary source of Federal funding is TANF funds. Use of TANF

Federal 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 Federal 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 Federal funds to implement this bill.

Also, this bill states the Department of Human Services will be required to contract directly or through another agency contracted by the Department with fiduciary organizations 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.

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.

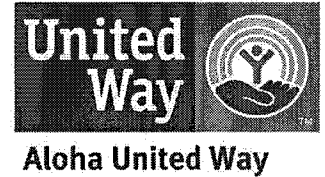
This bill proposes to amend chapter 257, Hawaii Revised Statutes, Individual Development Accounts, by making replacing the references to the "State" with the "Department of Human Services". It should be noted that the Department of Human Services is not the only Department that may issue IDAs. In other 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 set forth in the Executive Biennium Budget for Fiscal Years 2009-2010.

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

Aloha United Way

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February 9, 2009

Senate Committee on Human Services
Senator Suzanne Chun Oakland, Chair
Senator Les Ihara, Jr., Vice Chair
Tuesday, February 10, 2009 at 2:15 P.M.
Conference Room 016

SB 789: Relating to Individual Development Accounts- Written Testimony in Support

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

Aloha United Way encourages your favorable consideration of SB 789 which clarifies guidelines, designates an administering agency and appropriates funds for an individual development accounts program. Individual development accounts are matched savings accounts that enable low-income to moderate-income families save, build assets, and achieve the American Dream.

One out of four families in Hawaii live with incomes below the self-sufficiency level as determined by DBEDT in their recent study "Self-Sufficiency Income Standard – Estimates for Hawaii 2007". A focus of Aloha United Way is building financial stability and independence for all of our families. However, achieving financial stability requires the accumulation of enough wealth that individuals can move from paycheck-to-paycheck existence to true self-sufficiency. Individual development accounts are part of an asset building strategy that augments the traditional welfare income support programs and moves people away from dependency on government support and toward self-sufficiency.

Individual development accounts reward working families who are trying to buy homes, pay for college tuition or start a small business. While there are several organizations in Hawai'i that offer these programs, funding to match the client's savings and to administer the program are inadequate. The current economic challenges make it even more important that the State move forward with SB 789 which would fund this critical program and provide the needed administration to help it succeed.

Aloha United Way thanks you for the opportunity to testify and we encourage favorable consideration of SB 789.

Sincerely,

A handwritten signature in cursive script that reads "Susan Doyle".

Susan Doyle
President & Chief Professional Officer

HACBED

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Community Voice, Collective Action

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Tuesday, February 10, 2009 2:15pm
Senate Committee on Human Services: 2:15pm
Testimony in **Support** of **SB 789**
Creating Individual Development Accounts

Dear Chair Chun-Oakland and Committee Members:

The Hawai'i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of **SB 789** 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.

IDAs are part of a comprehensive public policy agenda to help people build assets. Since 2001 a small network of nonprofit organizations in partnership with local financial institutions have successfully implemented IDA programs. Bill would expand IDA opportunities to more families. Asset Building is an approach to fostering financial independence. It provides individuals with tangible incentives to save, helping them to gain financial success. 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

We support **SB 789** 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.

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.

HACBED

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Community Voice, Collective Action

Chair and Committee Members

January 20, 2009

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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. 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,

Brent Dillabaugh
Policy Coordinator