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GOVERNOR



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February 1, 2011

MEMORANDUM

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

FROM: Patricia McManaman, Interim Director

SUBJECT: **S.B. 945 - RELATING TO ASSET BUILDING**

Hearing: Tuesday, February 1, 2011; 1:30 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of S.B. 945 is to establish a refundable state earned income tax credit, require the Department of Human Services to provide financial education to applicants for, and recipients of, Temporary Assistance for Needy Families (TANF), and amends provisions of section 257, HRS, regarding individual development accounts (IDA).

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of Part III of this bill regarding the offering of financial education for TANF applicants and recipients. The Department already has established on Oahu, through competitive procurement, financial education services with TANF funds. This bill would appropriate additional general funds to DHS for financial education to applicants for, and recipients of, TANF.

DHS supports the intent of Part IV of this bill that proposes to amend chapter 257, Hawaii Revised Statutes, Individual Development Accounts. Part IV would

expand the responsibilities of the Department by requiring DHS or an agency contracted by DHS to provide technical and administrative assistance to fiduciary organizations to implement this program. DHS will also need to approve IDA project applications and authorize State the expenditure of State funds for the project.

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. There will be costs to DHS in staff time and other resources needed to monitor the contracts and provide basic oversight.

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. We request that these functions be given to a Department that has the fiduciary expertise to oversee such projects.

This bill also proposes to amend chapter 257, 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.

This bill is proposing that the fiduciary organization running an IDA account program shall have sole authority over the administration of the project. It is unclear what role is DHS expected to perform once a fiduciary organization is selected if such organization is given sole authority over the administration of the project.

In addition, the bill would allow the State to use TANF federal funds for the IDA program. 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.

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