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# A BILL FOR AN ACT

RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that economic stability  
2 does not arise solely from income. Financial assets, including  
3 cash savings, stocks, bonds, and home and business equity, are  
4 all critical components of economic security. The accumulation  
5 of financial assets can offer individuals hope for the future,  
6 stimulate growth in all sectors, and enhance the welfare of  
7 families and children.

8           The legislature finds that a home is often a family's most  
9 valuable asset and forms a large component of household net  
10 worth for many Americans. The legislature further finds that  
11 saving for a down payment on a home is a formidable prospect for  
12 many low- and moderate-income earners in Hawaii. While  
13 developing affordable housing properties is necessary, it is  
14 equally important to invest in additional strategies that can  
15 expand a family's ability to purchase a home. Individual  
16 development accounts are special savings accounts that match the  
17 deposits of low- and moderate-income account holders to save  
18 toward certain qualified financial goals. Individual



1 development accounts have provided assistance to families who  
2 are saving to purchase a home, pay higher education expenses,  
3 and fulfill other asset-building goals.

4 The purpose of this Act is to appropriate funds for  
5 individual development account programs to support asset-  
6 building among low- and moderate-income families.

7 SECTION 2. Section 257-1, Hawaii Revised Statutes, is  
8 amended as follows:

9 1. By adding a new definition to be appropriately inserted  
10 and to read:

11 "Department" means the department of human services or any  
12 state agency authorized by the department of human services to  
13 carry out its duties established by this chapter."

14 2. By amending the definition of "qualified expenditures"  
15 to read:

16 "Qualified expenditures" means an expense as determined by  
17 a fiduciary organization [~~which~~] that may include [~~but not be~~  
18 ~~limited to~~]:

- 19 (1) Costs associated with first homeownership;
- 20 (2) Post-secondary education;
- 21 (3) Vocational training; [~~and~~]
- 22 (4) Small or micro-business capitalization [~~-~~]; and



1        (5) One motor vehicle purchase for school or work  
2                    transportation."

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

5            "(a) The income of the household of the individual  
6 development account holder shall not exceed [~~eighty per cent of~~  
7 ~~the area household median income.~~] an amount determined by the  
8 department."

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

11            "[~~§~~257-3[~~]~~] **Fiduciary organizations.** (a) Fiduciary  
12 organizations shall serve as an intermediary between individual  
13 development account holders and financial institutions holding  
14 accounts. The fiduciary organization's responsibilities may  
15 include:

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

20            (b) Locally-based organizations shall enter into a  
21 competitive process for the right to become fiduciary  
22 organizations [~~for a portion of the state matching dollars that~~



1 ~~would be authorized initially]~~. Fiduciary organization  
2 proposals shall be evaluated and participation rights awarded on  
3 the basis of such items as:

4 (1) Their ability to market the program to potential  
5 individual development account holders and potential  
6 matching fund contributors;

7 (2) Their ability to provide safe and secure investments  
8 for individual development accounts;

9 (3) Their overall administrative capacity, including:

10 (A) Certifications or verifications required to  
11 ~~assure~~ ensure compliance with eligibility  
12 requirements;

13 (B) Authorized uses of the accounts matching  
14 contributions by individuals or businesses; and

15 (C) Penalties for unauthorized distributions;

16 (4) Their capacity to provide financial counseling and  
17 other related services to potential participants; and

18 (5) Their links to other activities designed to increase  
19 the independence of individuals and families through  
20 high return investments, including homeownership,  
21 education and training, and small business  
22 development.



1 The department shall contract, either directly or through  
2 another agency contracted by the department, with fiduciary  
3 organizations that meet the criteria described in this section.

4 The department shall identify and make use of available federal  
5 moneys wherever appropriate.

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

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

21 ~~(e)]~~ (d) From among the individuals eligible for  
22 assistance under the Hawaii individual development account



1 program, each selected fiduciary organization shall select the  
2 individuals ~~[whom]~~ that the fiduciary organization deems to be  
3 best suited to receive ~~[such]~~ the assistance."

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

6 "[+]§257-8[+] **Matches.** ~~[(a)]~~ The State shall match ~~[an~~  
7 ~~amount of up to \$100,000 per calendar year for individual~~  
8 ~~development accounts.]~~ a specific match ratio for qualified  
9 expenditures as determined by the department. The department  
10 may adopt rules regarding specific match ratios pertaining to  
11 qualified expenditures of an individual development account.

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

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

17 "[+]§257-11[+] **Administration; evaluation; information;**  
18 **reporting.** (a) The fiduciary organization running an  
19 individual development account program shall have sole authority  
20 over the administration of the project. ~~[The State may~~  
21 ~~prescribe only such regulations with respect to demonstration~~



1 ~~projects under this chapter as are necessary to ensure~~  
2 ~~compliance pursuant to this chapter.]~~

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

9 (c) The fiduciary organization shall submit to the  
10 ~~[legislature its findings and recommendations no later than~~  
11 ~~twenty days prior to the convening of each legislative session.]~~  
12 department an annual report, the content of which shall be  
13 determined by the department.

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

17 SECTION 7. There is appropriated out of the general  
18 revenues of the State of Hawaii the sum of \$                    or so  
19 much thereof as may be necessary for fiscal year 2011-2012 and  
20 the same sum or so much thereof as may be necessary for fiscal  
21 year 2012-2013 for fiduciary organizations defined in section



1 257-1, Hawaii Revised Statutes, to operate individual  
2 development account programs.

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

5 SECTION 8. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 9. This Act shall take effect on July 1, 2075;  
8 provided that section 7 shall take effect on July 1, 2075.





**Report Title:**

Individual Development Accounts; Appropriation

**Description:**

Clarifies guidelines for individual development accounts and appropriates funds for fiduciary organizations to operate individual development account programs. Effective July 1, 2075. (SB1108 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

