

NEIL ABERCROMBIE
GOVERNOR



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

March 14, 2011

MEMORANDUM

TO: Honorable John M. Mizuno, Chair
House Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 1108, S.D. 2 - RELATING TO INDIVIDUAL DEVELOPMENT
ACCOUNTS**

Hearing: Monday, March 14, 2011; 9:00 a.m.
Conference Room 329, State Capitol

PURPOSE: The purpose of S.B. 1108, S.D. 2, is to clarify guidelines for individual development accounts (IDAs); and allows for the Department of Human Services or a contracted agency to provide technical and administrative assistance to fiduciary organizations. Appropriates general funds.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of this bill as it includes initiatives supportive of our goals and objectives. DHS, however, cannot support this bill if it continues to require that DHS administer the IDA program.

This bill proposes to amend chapter 257, by defining "Department", in Section 2, as the Department of Human Services. It should be noted that the Department of Human Services is not the only department or agency that may issue IDAs. In other States, IDAs are issued by various departments, depending on the funding source.

We respectfully request that chapter 257 not be amended to make DHS the administrator for IDA programs. DHS should not be responsible for approving IDA programs or setting the standards that other agencies may want to implement.

The Department has no expertise regarding the fiduciary responsibilities required for this program. These responsibilities include setting the fiscal eligibility criteria which may have tax implications, approving IDA project applications, authorizing the expenditure of State funds for the IDAs, and monitoring and auditing the records of the numerous fiduciary organizations. If this bill advances, we request that these functions be given to a Department that has the fiduciary expertise to oversee such projects.

We are also concerned about the budget implications generated by this proposal. DHS cannot estimate the cost of this proposal since we cannot determine how many individuals would apply for IDAs.

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

HACBED

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Community Voice, Collective Action

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Briana Monroe
Program Support Assistant

Monday, March 14, 2011 at 9:00 a.m.
House Committee on Human Services
Testimony in Support of SB 1108, SD2
Relating to Individual Development Accounts

Dear Chair Mizuno and Committee Members:

The Hawai'i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of **SB 1108, SD2** which clarifies guidelines for individual development accounts (IDAs) and designates the department of human services or a contracted agency to administer IDAs.

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 1108, SD2** in that it is part of a package that we believe does just that.

Individual Development Accounts

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.

IDAs are part of a comprehensive public policy agenda to help people build assets. Since 2001, a growing network of nonprofit organizations in partnership with local financial institutions have successfully implemented IDA programs in Hawai'i. This bill would expand IDA opportunities to more families.



Community Voice, Collective Action

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This bill would also 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.

In closing, Hawai'i families are struggling to provide for their families given the high cost of living across the state, especially during these hard economic times. They are overburdened by taxes and have few opportunities to build their assets and work toward self-sufficiency. Asset building strategies like matched-savings help working families in Hawai'i so they can save, build assets, and contribute to the overall state economy.

Thank you for the opportunity to submit testimony.

Sincerely,

Brent Dillabaugh
Asset Policy Coordinator

Larissa Meinecke
Asset Policy Associate

Sent: Friday, March 11, 2011 4:10 PM
To: HUS testimony
Cc: smorishige@helpinghandshawaii.org
Subject: Testimony for SB1108 on 3/14/2011 9:00:00 AM
Attachments: SB1108 SD2 - Written Testimony of Helping Hands Hawaii _for 3-14-11__House Human Services_.pdf

Testimony for HUS 3/14/2011 9:00:00 AM SB1108

Conference room: 329

Testifier position: support

Testifier will be present: Yes

Submitted by: Scott Morishige

Organization: Helping Hands Hawaii

Address:

Phone:

E-mail: smorishige@helpinghandshawaii.org Submitted on: 3/11/2011

Comments:

Helping Hands Hawai'i

Monday, March 14, 2011
9:00 a.m.
Conference Room 329

To: Rep. John Mizuno, Chair
Rep. Jo Jordan, Vice Chair
House Committee on Human Services

From: Helping Hands Hawaii – Written Testimony Only

Re: **SB1108 SD2, RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS.**

We are submitting testimony in regards to SB1108 SD2, RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS. We are in *strong support* of this bill, which would clarify guidelines for Individual Development Accounts (IDAs), and would appropriate State funds for IDAs.

Helping Hands Hawaii is a 501(c)(3) non-profit social service agency, which was incorporated in 1974. HHH administers a variety of Behavioral Health and Human Services programs, which assist over 37,000 individuals and households each year.

HHH primarily provides assistance to individuals and families who are low-income and who receive cash assistance benefits through DHS. Through our Human Services programs, HHH provides struggling low-income families with limited material support through our Community Clearinghouse, as well as one-time emergency financial assistance payments for past due rent or utilities through our Emergency Assistance Fund and Homelessness Prevention & Rapid Re-Housing Program. While our agency provides the benefits that families need to resolve their immediate emergency needs, we also strongly believe in helping our clients to develop a more in-depth understanding of their finances by looking at their monthly income and expenses through the application process.

HHH believes that Individual Development Accounts (IDAs) – which are matched savings accounts that help families to save for specific asset goals – are a concept that would assist local families, such as the clients we serve, in not only receiving a cash benefit through the IDA “match” for the amount that the family has saved on their own, but would also provide long-term benefits of financial literacy, savings habits, and the purchase of an asset such as a home or college education, which can help low-income families to leave the cycle of poverty. In addition, it should be noted that while IDAs are traditionally provided for homeownership, education, and small business, IDAs could also be used to support low-income families in saving for rental security deposits, which are often a barrier for low-income families who are transitioning out of homelessness and obtaining rental housing for the first time.

Once again, HHH is in strong support of SB1108 SD2 and implementing a State-funded IDA program here in Hawaii. In these difficult economic times, programs such as IDAs will help local low-income families to not only save and gain a better understanding of their personal finances, but will also help them to build assets over time and contribute to the overall state economy.

Thank you for the opportunity to testify.

Sent: Sunday, March 13, 2011 10:07 AM
To: HUS testimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for SB1108 on 3/14/2011 9:00:00 AM

Testimony for HUS 3/14/2011 9:00:00 AM SB1108

Conference room: 329
Testifier position: oppose
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 3/13/2011

Comments:

The amendments to the existing law make it even easier for abuse to occur. I particularly object to the addition of motor vehicles to the list of eligible expenditures. Already too many people receiving public assistance are wasting money on vehicles and gas and maintenance. And we certainly don't want State taxes to be used for people to buy more small cars to soup-up and replace/remove the mufflers.