

LATE

Twenty-Seventh Legislature
Regular Session of 2013

THE SENATE

Committee on Human Services
Senator Suzanne Chun Oakland, Chair
Senator Josh Green, M.D., Vice Chair
State Capitol, Conference Room 229
Saturday, January 26, 2013; 1:15 p.m.

**STATEMENT OF THE ILWU LOCAL 142 ON S.B. 301
RELATING TO ASSET BUILDING**

The ILWU Local 142 supports S.B. 301, which establishes a refundable state earned income tax credit to allow low-income families to build assets and requires the Department of Human Services to provide financial education to those applying for and receiving TANF benefits.

For low-income families to move out of poverty, they must have hope. S.B. 301 provides them this hope and a means to begin saving money to build assets needed to lift themselves and their families out of poverty. Even more important than the refundable earned income tax credit may be the financial education that this bill requires to help low-income individuals understand the value of saving, of making wise choices in spending, and of budgeting for daily as well as long-term needs.

Together with an increase in the minimum wage, which should boost wages for everyone, S.B. 301 is a step in the right direction. The ILWU urges passage of S.B. 301. Thank you for the opportunity to provide testimony on this matter.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 28, 2013 1:26 PM
To: HMS Testimony
Cc: jedill@pidfoundation.org
Subject: *Submitted testimony for SB301 on Jan 28, 2013 13:30PM*

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SB301

Submitted on: 1/28/2013

Testimony for HMS on Jan 28, 2013 13:30PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Jan E. Hanohano Dill - President	Partners In Development Foundation	Support	No

Comments:

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January 28, 2013

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

Date: Saturday, January, 26 2013

Time: 1:15 p.m.

Place: Conference Room 229, State Capitol

From: Mila Kaahanui, MSW
Executive Director
Office of Community Services (OCS)

Good Morning Chair Chun Oakland,

My name is En Young, testifying on behalf of our Executive Director, Mila Kaahanui who could not be here today.

Testimony for Senate Bill 301, Relating to Asset Building

I. OVERVIEW OF PROPOSED LEGISLATION

The present bill proposes to effectuate some of the recommendations of the Hawaii State Asset Building and Financial Literacy Task Force formed through Senate Concurrent Resolution 92 and Senate Resolution 52 of 2008. Specifically, these recommendations include the enactment of a State Earned Income Tax Credit (EITC) and the implementation of financial education by the Department of Human Services for applicants and recipients of Temporary Assistance for Needy Families (TANF) funds.

The Office of Community Services strongly supports this bill, with a few comments.

II. CURRENT LAW

The Office of Community Services (OCS) is charged to facilitate and enhance the delivery of service to low-income, immigrant, refugee, and other disadvantaged populations. This measure will directly affect the low- and moderate-income citizens of the state. The State of Hawaii does not currently have an EITC program; however there is an \$85 refundable food

credit for those meeting certain income requirements. The TANF program currently requires at least half of all TANF families to participate in a minimum number of work or work-related activities (such as training) for a minimum number of hours per month. This is dependent on other factors such as State use of TANF and number of work-eligible and capable persons in each family.

III. COMMENTS ON SENATE BILL

To begin, OCS **strongly supports this bill**. It has often been said the Federal EITC is the single largest anti-poverty program currently run by the federal government. Additionally, financial education, especially in times of budgetary crisis, is absolutely essential to assist all individuals in maintaining economic self-sufficiency through fluctuations in income and the economy.

Furthermore, many have tried to characterize the support of our fellow citizens through human service programs as the creation of a “welfare state.” The EITC program, because of its direct connection to earned income, that is income derived from active employment and not social security or other payments, is 100% traceable back to employed, working-class citizens.

OCS does have several comments on the measure. Although nexus has been created for these two initiatives by the task force mentioned above, OCS feels these issues should be separate measures. To implement an EITC for the State of Hawaii is a matter of a shift in tax policy which can be immediately accomplished at the Legislative level. Financial education, on the other hand, is increasingly becoming a core component of modern survival skills and will require more development at the Departmental and community level to effectively implement.

Secondly, financial education is not standardized in the basic curriculum of our educational institutions. As such, financial education is not needed solely by recipients of TANF funds. As the recession proved, our middle-class residents can easily be overwhelmed by lack of education and financial planning because of Hawai`i’s extremely high housing costs and razor-thin margins of error.

Although we believe the TANF population is well-defined and excellent start, OCS would prefer to see more systemic and wide-reaching recognition of financial education as a key component of the success of individuals’ navigating through difficult times. For the Department of Human Services, programs such as the Low-Income Home Energy Assistance Program (LiHEAP), General Assistance (GA), the Supplemental Nutrition Assistance Program (SNAP), or those transitioning from homeless shelters that may not be enrolled or eligible in TANF would benefit from such education as well. In the Department of Labor and Industrial Relations (DLIR), participants in work placement programs or job training programs, as well as those collecting unemployment would all benefit from curriculum and knowledge designed to help them make the most of their earnings.

Furthermore, the measure defines “financial education” in the following manner: “Financial education’ means education that promotes an understanding of consumer, economic, and personal finance concepts, including the basic principles involved in earning, budgeting, spending, saving, investing, and taxation.” We believe this definition to be a starting point in the larger conversation toward curriculum development.

OCS has contributed to the task of gathering community input to take this concept to implementation. Other Departments, such as DHS, have also done fact-finding with regards to their programs to effectively implement “financial education.” During OCS’ community needs assessment process, two (2) important findings were put forth by community members and service providers with regard to implementation: 1) *There is no standard financial education curriculum*, and 2) *financial literacy cannot be taught in a “vacuum.”* Because programs have different requirements, financial education in a transitional housing program could consist of homebuyer education; while a job placement financial education component may consist of household budgeting and tax deferral and refund maximization strategies.

Without a discussion and assembly of core competencies, any certification or credential awarded as a result of such classes would be inconsistent and thus useless to potential employers or other stakeholders such as mortgage brokers.

Our service providers experiences in attempting to provide financial literacy has led to their expression of the second conclusion above. This conclusion is logical; many of our clientele experience generational poverty and have never had tangible assets or investments of any kind. Thus, strategies targeted at savings or investment may not be immediately comprehended without an intermediate, hands-on learning tool beyond their own finances.

Thirdly, we note that education alone does not alleviate asset poverty for those with fixed incomes such as the elderly and disabled.

OCS is making no effort to undermine the initiatives of any other division or Department and does, in fact, support additional funding for TANF recipients under this program. In addition to the proposed initiative, we would like to offer this opportunity for the Legislature to assist by supporting our recent Request for Proposal dated November 15, 2012 and entitled “OCS LBR 903-06_14, Financial Literacy, Asset Poverty Reduction, and Savings Incentives for Low-Income Persons.”

Our proposed program utilizes our community input and research to incorporate financial education components modeled after the United States’ Department of the Treasury’s “Money Smart” curriculum with an Individual Development Account (IDA) program designed to incentivize savings. This IDA not only matches funds for traditional IDA uses such as education and homeownership, it also matches funds for non-traditional uses. OCS has sought out to directly attack “asset poverty” by using its definition; the IDA will allow a lesser match of funds to incentivize eligible families to save three (3) months of income as a “cushion.” This will, by definition, eliminate the successful family from the asset poverty rolls. A copy of the RFP can be provided by our office if you are interested, and with the current solicitation OCS will be ready to contract starting July 1.