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LEGISLATIVE REFERENCE BUREAU
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Written Comments

HB605, HD1
RELATING TO HOUSING SAVINGS ACCOUNTS

Charlotte A. Carter-Yamauchi, Director
Legislative Reference Bureau

Presented to the House Committee on Consumer Protection and Commerce

Friday, February 12, 2021, 2:00 p.m.
Via Video Conference

Chair Johanson and Members of the Committee:

Good afternoon Chair Johanson and members of the Committee, my name is Charlotte Carter-Yamauchi and I am the Director of the Legislative Reference Bureau. Thank you for providing the opportunity to submit written comments on H.B. No. 605, H.D. 1, Relating to Housing Savings Accounts.

The purpose of this measure is to direct the Legislative Reference Bureau to conduct a study on the establishment of a housing savings account system that would provide every employee in the State the ability to automatically contribute to a housing savings account through payroll deductions.

The measure also provides that, when conducting the study, the Bureau include an assessment on the costs, including staff and operating costs; benefits; implementation strategy; and timeline for establishing a housing savings account system that includes the following components:

- (1) A board responsible for the administration of the housing savings account system;

- (2) A requirement that each employer in the State offer its employees the opportunity to contribute to a housing savings account through payroll deduction;
- (3) The ability for each employer in the State to match an employee's contribution into the employee's housing savings account;
- (4) A prohibition on funds in a housing savings account receiving any additional tax benefits or being exempt from state income tax;
- (5) The ability for funds contributed into a housing savings account to be used for any purpose, including but not limited to:
 - (A) Down payments;
 - (B) Mortgage payments;
 - (C) Rent; or
 - (D) Security deposits;
- (6) A requirement for employers to enroll participating employees in the housing savings account system and report enrollment information to the board;
- (7) The ability for employees to opt out of contributing to a housing savings account at any time; and
- (8) A default individual housing savings account contribution rate of five per cent of each employee's compensation, with an option for an employee to elect to contribute a different amount on a form to be developed by the employer.

The measure requires the Bureau to submit its report to the Legislature, including any proposed legislation, no later than twenty days prior to the convening of the Regular Session of 2022.

The Bureau takes no position on the merits of this measure, but submits the following comments for your consideration.

As a general matter, the Bureau notes that it does not employ any experts on housing or mortgage financing, financial institution administration and personnel costs, or the establishment and administration of housing savings accounts. Consequently, the Bureau would have to contract the services of all such experts to meet the measure's objectives. We further note that if required to adhere to the State Procurement Code in contracting these services, it is highly improbable that the Bureau will be able to scope such an undertaking, craft a Request for Proposals, select a contractor, and receive and approve the contractor's

work product and deliver it to the Legislature within the timeframe provided in the present measure. Moreover, the Bureau would like to note that its budget does not contain any moneys to contract such services. Accordingly, if allowed to contract the study out, the Bureau would require additional funding to fund the contracted study services.

If the Committee decides to recommend passage of this measure and desires to have the Bureau conduct the study, regardless of the Bureau's lack of inherent subject matter expertise, we respectfully request that authorization to contract for services to conduct the study be inserted into the measure, an appropriation be added to fund the contract for services, and the timeframe for completion of the study be extended, at a minimum, one year. If the timeframe for completion of the study is not extended, then the Bureau also respectfully requests that procurements made pursuant to this measure be exempted from the State Procurement Code (chapter 103D, Hawaii Revised Statutes).

If the measure is amended to address the concerns noted above, the Bureau believes that the services requested under the measure would be manageable and that the Bureau will be able to provide the services in the time allotted; provided that the Bureau can find qualified contractors who are willing and able to complete the study for the amounts appropriated and within the required timeframe; and provided further that the Bureau's interim workload is not adversely impacted by too many other studies or additional responsibilities, such as conducting, writing, or finalizing other reports, drafting legislation, or both, for other state agencies, task forces, or working groups that may be requested or required under other legislative measures.

Thank you again for your consideration.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Housing Savings Accounts Study

BILL NUMBER: HB 605, HD-1

INTRODUCED BY: House Committee on Housing

EXECUTIVE SUMMARY: Requires the legislative reference bureau to conduct a study on the establishment of a housing savings account that would provide every employee in the State the ability to automatically contribute to a housing savings account through payroll deduction and submit a report to the legislature.

SYNOPSIS: In an uncodified section, requires the legislative reference bureau to include in the study an assessment on the costs, including staff and operating costs; benefits; implementation strategy; and timeline for establishing a housing savings account system

EFFECTIVE DATE: 7/1/2050.

STAFF COMMENTS: This bill, if enacted, could well be a broad-based employer mandate. It would be another in a long list of employer mandates that already burden employment in this State. While encouraging savings may be a good idea in the abstract, we question whether the benefit to be gained would be worth the administrative burdens that this bill would inflict and the additional bureaucracy that this bill would create.

Digested 2/10/2021

HB-605-HD-1

Submitted on: 2/10/2021 6:29:49 PM

Testimony for CPC on 2/12/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ellen Godbey Carson	Individual	Support	No

Comments:

We have an affordable housing crisis that needs new strategies. This housing savings account, inspired by Singapore's housing savings accounts, offers a new way families and working folks in Hawaii could try to afford housing. I am a former president of IHS, and advocate for FACE (Faith Action for Community Equity), very concerned about the harms done to our community by the lack of better affordable housing strategies. I paid my own way to Singapore to participate with Senator Chang's study group, and was inspired by how much these savings accounts can help people save toward housing needs. With median housing costs hovering around \$880,000 for a house and \$440 for a condo, most of our residents will need all the help they can get to afford a home during their lifetime. Please support a study of housing savings accounts, and support implementation of such accounts to assist in our housing crisis.

Thank you for your consideration

Ellen Godbey Carson

HB-605-HD-1

Submitted on: 2/10/2021 11:00:27 PM

Testimony for CPC on 2/12/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Kawamoto	Individual	Support	No

Comments:

I support HB 605 HD 1, which requires the Legislative Reference Bureau to conduct a study of the establishment of a housing savings account system that would provide every employee in the State the ability to automatically contribute to a housing savings account through payroll deduction.

Homeownership creates the stability needed to build strong families and communities. Yet the homeownership rate has declined for 50 years in Hawaii, which now has the third lowest homeownership rate of all states.

Families are finding it more and more difficult to acquire housing because of constantly increasing land prices, which drives up the price of housing. Housing savings accounts create an avenue that makes it easier for families to save money so they can own their own homes.

This bill helps to address Hawaii's housing crisis, but alone cannot solve it. It should be one of a number of complementary bills passed by the Legislature.