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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HOUSING
ON
HOUSE BILL NO. 605

February 4, 2021
9:00 a.m.
Room 423

RELATING TO HOUSING SAVINGS ACCOUNTS

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 605.

H.B. No. 605 adds a new chapter to establish: the Housing Savings Account System (HSAS) to provide each employee in the State of Hawaii the ability to automatically contribute to a housing savings account through payroll deductions; the HSAS Board, its appointment requirements, and its authorities to employ staff and establish administrative rules; and requirements for employer and employee participation.

The department appreciates the intent of H.B. No. 605; however, it has concerns that the bill provides no funding for staff and other operating costs, no time for the Board to develop rules and procedures for participation in the HSAS, and no time for Hawaii's employers to implement administrative changes necessary to ensure compliance. B&F strongly recommends that the Legislature have the Legislative Reference Bureau conduct a thorough analysis of the program as proposed in this bill to fully understand the costs, benefits, and feasibility of its implementation.

Thank you for your consideration of our comments.



Support HB 605

Aloha House Housing Committee,

Faith Action HousingNOW! supports SB 605, which establishes the legal framework for Housing Savings Accounts and encourages employees to save for housing by creating an automatic payroll deduction for this purpose. Employers are required to offer their employees the opportunity to contribute to Housing Savings Accounts, but participation by employees is optional.

Hawaii faces not just an affordable housing shortage, but an affordable housing crisis. The Aloha United Way commissioned a report entitled, "ALICE: A Study of Financial Hardship in Hawaii." ALICE is an acronym for Asset Limited, Income Constrained, Employed. The ALICE population is comprised of people who have jobs, yet do not earn enough to afford the basic necessities because of Hawaii's high cost of living. They are a paycheck or two away from homelessness.

In Hawaii, 37% of the households are ALICE. They earn between \$30,000 and \$75,000 a year, which is below the median household income. Another 11% of the population live below the poverty level. In total, 48% of Hawaii households are ALICE and below.

The National Low Income Housing Coalition estimates that Hawaii faces a shortage of more than 40,000 homes for families earning incomes of 50% or below of the area median income.

State and county housing agencies have been trying to create affordable housing for decades. But development costs are so high and the shortage of affordable housing is so great that traditional programs have been able to create only a fraction of what is needed.

This bill works with others, such as HB 607, to propose a new approach in developing affordable housing. This new approach adapts the highly successful Singapore model to fit Hawaii's circumstances. In 50 years, Singapore has been able to develop nearly a million residential units that today house 80% of its population.

Singapore requires its working residents to contribute to a housing savings account that enables them to purchase housing. Hawaii may not mandate such contributions, but HB 605 creates a mechanism that facilitates saving for housing.

For the foregoing reasons, HousingNOW! supports HB 605.

Mahalo for your consideration to pass this bill,

Foo Pham
Faith Action
HousingNOW! Chair

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Housing Savings Accounts

BILL NUMBER: HB 605; SB 5

INTRODUCED BY: HB by NAKAMURA by request; SB by CHANG, ENGLISH, KEITH-AGARAN, KEOHOKALO, LEE, MISALUCHA, Gabbard, San Buenaventura, Taniguchi

EXECUTIVE SUMMARY: Establishes the procedures for a housing savings account system for all employees in the State. Housing savings accounts offer no tax benefits. We question whether establishment of such accounts is worth the administrative expenses and other resources that would need to be expended to establish these accounts.

SYNOPSIS: Adds a new chapter to the HRS to establish housing savings accounts and an agency to oversee them. The accounts would confer no income tax benefits and monies in the accounts may be withdrawn at any time. Requires each employer in the State to offer to its employees the opportunity to contribute to a housing savings account through payroll deduction. Allows the employer in the State to match an employee's contribution into each employee's housing savings account. Each employee in the State shall automatically contribute to a housing savings account; provided that an employee may elect to opt out of contributing to a housing savings account at any time.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This bill, if enacted, would 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 2/2/2021

LATE

HB-605

Submitted on: 2/3/2021 1:08:56 PM

Testimony for HSG on 2/4/2021 9:00:00 AM

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

Comments:

I support HB605's proposal for Housing Savings Accounts for state employees. These accounts are modeled on those available in Singapore, to assist our residents in saving toward housing costs. We have some of the most expensive housing prices in the nation, and anything that can help individuals save toward purchase of housing would be a helpful measure. I am testifying as an individual, but have been president of IHS and other community organizations that are dedicated to addressing homelessness and economic inequities in our community. I hope you will support this bill.

LATE



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Testimony to the House Committee on Housing
February 4, 2021, 9:00 am
Hawaii State Capitol, Via Videoconference

Comments on HB605. Relating to Housing Savings Accounts

To: The Honorable Nadine Nakamura, Chair
The Honorable Troy Hashimoto, Vice-Chair
Members of the Committee

My name is Stefanie Sakamoto, and I am testifying on behalf of the Hawaii Credit Union League, the local trade association for 51 Hawaii credit unions, representing over 800,000 credit union members across the state. We offer the following comments on HB 605, Relating to Housing Savings Accounts.

While we understand and appreciate the intent of this bill, there are unanswered questions as to the administration of this concept. Opening the account would not be the issue; the question would be who would have the responsibility of "policing" the account if/when the funds are withdrawn. There would have to be safeguards or specific triggers in place to ensure that the funds from an IHA are not spent in an unauthorized manner. Further, it is unclear how the funds would need to be treated when applying them towards a mortgage loan. We would suggest that amendments be made to reduce the burden on the financial institutions, which would be the entities holding the accounts.

Thank you for the opportunity to provide comments.