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LEGISLATIVE REFERENCE BUREAU
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Written Comments

SB861 SD1 **RELATING TO HOUSING SAVINGS ACCOUNTS**

Charlotte A. Carter-Yamauchi, Director
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Presented to the Senate Committee on Ways and Means

Tuesday, February 28, 2023, 10:00 a.m.
Conference Room 211 & via Videoconference

Chair Dela Cruz and Members of the Committee:

Good morning Chair Dela Cruz 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 S.B. No. 861, S.D. 1, Relating to Housing Savings Accounts.

The purpose of this measure is to require the Legislative Reference Bureau to first propose a system for the establishment and implementation of a housing savings account program for the State, and then evaluate and study the viability of the proposed system.

The measure requires the proposed housing savings account system to consist of employee contributions and matching employer contributions. The measure also requires that the funds contributed under the proposed housing savings account system be utilized for down payments, mortgage payments, rent, security deposits, and any other lawful purpose.

The measure provides that, when conducting the study, the Bureau consider:

- (1) Problems or barriers to the implementation of a housing savings account system;
- (2) Attitudes and concerns among residents and employees in the State regarding a housing savings account system;

- (3) Components required for a housing savings account to be feasible in the State;
- (4) The feasibility of including independent contractors in the housing savings account system;
- (5) A mechanism that exempts moneys in the housing savings account from an individual's total assets as calculated under title 24 Code of Federal Regulations section 5.609 in order to prevent those in public housing from being disqualified from those programs; and
- (6) Any other matters deemed necessary or relevant to the study.

The measure authorizes the Bureau to contract the services of a contractor to conduct the study, appropriates \$500,000 for this purpose, and 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 2025.

The Bureau takes no position on the merits of this measure; however, we have several serious concerns about our lack of subject matter expertise and submit the following comments for your consideration.

As a general matter, the Bureau notes that it lacks the subject matter expertise to "propose a system for the establishment and implementation of a housing savings account program for the State, and shall evaluate and report on the viability of the proposed system" as required under the measure. We do not presently have any staff with expertise or experience in economics, accounting, housing or mortgage financing, financial institution administration, or the establishment and administration of housing savings accounts.

In addition, while the measure authorizes the Bureau to contract out the study portion of the measure, it does not appear to authorize the Bureau to contract out the development of the proposed system for the establishment and implementation of a housing savings account program for the State.

Consequently, as drafted, the measure allows the Bureau to contract the services experts to evaluate and study a system proposed by the Bureau to establish and implement a housing savings account program for the State, but it requires the Bureau to rely on non-experts (Bureau employees) with no experience in creating such a program to develop the proposal. Such a paradigm seems to be an inefficient use of resources when attempting to develop a high functioning, successful endeavor.

Rather than having the Bureau develop a proposed housing savings account program for the State and the contracting of services of subject matter experts to evaluate and study the proposal, the Committee could instead leverage the subject matter expertise of existing entities

to develop a proposed housing savings account program for the State by convening a working group. Public entities such as the Hawaii Housing Finance and Development Corporation, Hawaii Community Development Authority, Hawaii Public Housing Authority, Financial Institutions Division of the Department of Commerce and Consumer Affairs, Department of Taxation, and the Department of Labor and Industrial Relations, interested private, nonprofit entities with housing development taxation, and financial services expertise, and even legislative representation could be included to ensure that the working group stays on task to develop recommendations on the bill's initiatives. This alternative would most likely result in a quicker delivery of suitable recommendations to the Legislature since it would not only obviate the need for the Bureau to attempt to become sufficiently familiar with the subject matter to allow for development of a Request for Proposals and go through the lengthy process of finding and procuring expert services to conduct the study, but also delay the necessity of evaluating and studying the proposal since it will be developed by subject matter experts of the working group.

If, however, the Committee decides to recommend passage of this measure in a form that requires the Bureau to develop the proposed housing savings account program for the State, we respectfully request that the measure be amended to include:

- (1) Specific authorization for the Bureau to also contract for services to develop the proposed housing savings account program for the State; and
- (2) An appropriation sufficient to fund the contract for services for both the proposal and the evaluation and study; and

If the measure maintains the Bureau as the entity responsible for both developing the proposed housing savings account program for the State and conducting the evaluation study but is amended to address the concerns noted above, the Bureau believes that the services requested under the measure could 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 create a proposal and complete the evaluation and 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.

LATE



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Testimony to the Senate Committee on Ways & Means
Tuesday, February 28, 2023
Conference Room 211

In Support of SB 861, Relating to Housing Savings Accounts

To: The Honorable Donovan DelaCruz, Chair
The Honorable Gil Keith Agaran, 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 47 Hawaii credit unions, representing over 864,000 credit union members across the state.

HCUL offers the following comments in support of SB 861, Relating to Housing Savings Accounts. This bill would direct the Legislative Reference Bureau to conduct a study on the feasibility of housing savings accounts.

While we understand and appreciate the concept of housing savings accounts, there are many unanswered questions as to the administration of this concept. Having a formal study conducted would help to discover whether or not this program could help prospective homebuyers in our state.

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