



SCR39/SR28

**REQUESTING THE DEPARTMENT OF HUMAN SERVICES TO CONVENE A BABY
BONDS WORKING GROUP**
Senate Committee on Health and Human Services

March 22, 2024

1:00 p.m.

Conference Room 225

The Office of Hawaiian Affairs (OHA) will recommend to the Board of Trustees (BOT) that it **SUPPORT** HCR33/HR22, which requests that the Department of Human Services (DHS) convene a baby bonds working group.

In 2020, OHA developed a 15-year strategic plan called Mana i Maui Ola. The strategic plan is rooted in three foundations: ‘ohana (family), mo‘omeheu (culture) and ‘āina (land and water). From these foundations, our plan lays out four strategic directions: educational pathways, health outcomes, quality housing and economic stability. One of the top outcomes OHA identified for economic stability for Native Hawaiians is to increase the number of kānaka maoli who are resource stable. A family’s capacity to be resource stable has ripple effects in their ability to secure quality housing, educational success and thrive in their health and well-being.

Baby bonds are simple in theory with profound positive potential. They are publicly funded child trust accounts that aim to close the wealth gap for families who are lower income and/or who come from communities that are often actively marginalized from power and influence. Practically speaking, baby bonds provide every child in a given eligibility group an account that is seeded with money usually dependent on their family’s income or wealth. That child would typically be entitled to additional deposits at different points throughout their youth. Then, at age 18, they would be able to access these accounts for specific uses like home ownership, education and more.

OHA believes baby bonds have potential to close the wealth gap for many in Hawai‘i but especially Native Hawaiians. Kānaka maoli have faced nearly 200 years of land and wealth dispossession. This has impacted our health, well-being and ability to thrive here in our homeland. We believe baby bonds can help seed successful futures for Hawaiian keiki



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and reverse the impacts of land and wealth dispossession. OHA would like to be a part of the work group who explores the promising potential of baby bonds here in Hawai'i.

Thus, OHA respectfully requests that we be added as a member of the working group with the following amendment:

BE IT FURTHER RESOLVED that the working group is requested to consist of the following members:

- (1) The Director of Human Services or the Director's designee, to serve as Chairperson of the working group;
- (2) The Director of Taxation or the Director's designee;
- (3) The Director of Finance or the Director's designee;
- (4) The Chief Executive Officer of the Office of Hawaiian Affairs or the Chief Executive Officer's designee;
- (45) One member from the Senate, to be appointed by the President of the Senate;
- (56) One member from the House of Representatives, to be appointed by the Speaker of the House of Representatives;
- (67) The Executive Director of the University of Hawaii Economic Research Organization or the Executive Director's designee;



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(78) One representative from a nonprofit public interest organization specializing in public health, as invited by the Chairperson;

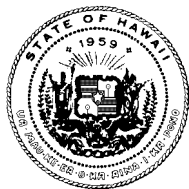
(89) One representative from a nonprofit, public interest organization specializing in anti-poverty policies for low-income individuals, as invited by the Chairperson;

(910) One representative from a nonprofit public interest organization specializing in advocacy for children, as invited by the Chairperson; and

(1011) Other relevant stakeholders as recommended by the working group and invited by the Chairperson; and

Mahalo nui for the opportunity to testify in support of exploring the potential for baby bonds here in Hawai'i. OHA respectfully urges the Committee to **amend and PASS SCR39**.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



CATHY BETTS
DIRECTOR
KA LUNA HO'OKELE

JOSEPH CAMPOS II
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF HUMAN SERVICES
KA 'OIHANA MĀLAMA LAWELAWE KANAKA
Office of the Director
P. O. Box 339
Honolulu, Hawaii 96809-0339

TRISTA SPEER
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

March 21, 2024

To: The Honorable Senator Joy A. San Buenaventura, Chair
Senate Committee on Health & Human Services

FROM: Cathy Betts, Director

SUBJECT: **SCR 39/ SR 28 – REQUESTING THE DEPARTMENT OF HUMAN SERVICES TO
CONVENE A BABY BONDS WORKING GROUP.**

Hearing: Thursday, March 22, 2024, Time 1:00 p.m.
Conference Room 225 & Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the resolution's intent, provides comments, and defers to other entities identified as working group members.

PURPOSE: This resolution requests the Director of the Department of Human Services or the Director's designee to serve as chairperson of Baby Bonds working group to:

- (1) Develop recommendations for a baby bonds program that reduces intergenerational poverty and wealth inequality in the State;
- (2) Suggest eligibility criteria for a baby bonds program operated by the State;
- (3) Coordinate with other stakeholders, agencies, and programs within and outside of the State that are working to implement baby bonds programs or reduce intergenerational poverty; and
- (4) Perform an analysis of the Connecticut baby bonds program to determine what aspects of the program may be beneficial to incorporate into a baby bonds initiative for Hawaii; and
- (5) Submit a report of its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2025.

DHS appreciates the Legislature's renewed interest in wealth-building strategies for low-income residents, especially those who are experiencing intergenerational poverty. [Act 160](#), Session Laws of Hawaii 1999, established the statutory framework for Hawaii's matched saving program, or Individual Development Account. The 1999 Hawaii State Legislature similarly wrote:

"The legislature finds that an individual development account (IDA) is a special savings account program designed to: (1) Provide individuals and families, especially those with limited financial means, an opportunity to accumulate assets; (2) Facilitate and mobilize savings; (3) Promote post-secondary education, vocational training, homeownership, and micro-enterprise development; (4) Stabilize families; and (5) Build communities."

Amongst other things, Act 160 also provided for the Department of Human Services to disregard the IDA in its eligibility determinations. However, the IDA program has not been widely used as a wealth-building strategy for a variety of reasons, which may include the complexity of administering the program, lack of sustained match funds, and low-income families' competing demands for financial resources that make regular savings difficult.

Alternatively, the State does have its Hawaii College Savings Plan [HI529 Plan](#) created to assist and encourage families to save ahead for higher education expenses. The website describes,

- "Anyone—including friends, grandparents and other family members—can open an account for as little as \$15
- Earnings grow tax-deferred (both federal and Hawai'i State taxes)."

As part of their State's 529 plans, Kansas matches the 1st \$600, and Oregon provides a tax credit up to \$300. In Maine, a private philanthropist established the [Alfond Scholarship Foundation](#), which provides a \$500 grant to Maine resident babies born on or after January 1, 2013, to start a NextGen 529 account.

Given the existing savings vehicles the Legislature has already established, DHS respectfully suggests that rather than focusing on the Baby Bond program, which is the latest iteration of a matched savings program, the group's efforts should focus on how to fund the match or otherwise encourage participation in the State's HI529 Plan.

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



TESTIMONY FROM THE DEMOCRATIC PARTY OF HAWAII

COMMITTEE REFERRAL: HHS

MARCH 22, 2024

SCR 39/SR 28, REQUESTING THE DEPARTMENT OF HUMAN SERVICES TO
CONVENE A BABY BONDS WORKING GROUP

POSITION: SUPPORT

The Democratic Party of Hawai'i **supports** SCR 39/SR 28, which requests the Department of Human Services to convene a baby bonds working group.

Intergenerational poverty undermines social and economic wellness for our community. According to the 2009 paper "Childhood and Intergenerational Poverty: The Long-Term Consequences of Growing up Poor" by Robert L. Wagmiller, Jr., and Robert M. Adelman, "individuals who grow up in poor families are much more likely to be poor in early adulthood". Moreover, Hawai'i's high cost of living makes overcoming intergenerational poverty difficult for working families.

The National Low Income Housing Coalition's 2023 Out of Reach study found that a minimum wage employee must work 107 hours per week to afford a one-bedroom rental home at fair market rent in Hawai'i and \$41.83/hour to afford a two-bedroom rental unit without being cost burdened. Similarly, the Massachusetts Institute of Technology's living wage calculator estimates a livable wage for a Hawai'i resident who is a single adult and has no children to be \$27.33/hour and a single adult with one child to be

\$51.83/hour. Our failure to provide wages that approximate these estimates worsens financial inequality across our state.

Longstanding systemic inequality and its continued effect on government policy has created unacceptable outcomes across the spectrum of child well-being for children in communities of color, including but not limited to Native Hawaiian and other Pacific Islander, Filipino, Black, Hispanic, Asian, and immigrant households. These conditions were further exacerbated by the COVID-19 pandemic and its economic fallout, which entrenched disparities for children of color and their families.

In 2021, Connecticut became the first state to pass an initiative that invests directly in children born into poverty known as "baby bonds", which sets aside funds for each baby born in Connecticut whose birth is covered by Medicaid, with those funds to be held, managed, and invested by the Connecticut Office of the Treasurer.

When participating children reach adulthood, they are eligible to claim funds to be used for buying a home, paying for higher education or job training, starting a business, or saving for retirement. Connecticut's baby bonds program is designed to narrow the wealth gap and spur economic growth. Launching a baby bonds program in Hawai'i could have a parallel impact, significantly alleviating intergenerational poverty in the islands.

Mahalo nui loa,

Kris Coffield

Co-Chair, Legislative Committee

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UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
Senate Committee on Health and Human Services
Friday, March 22, 2024 at 1:00 p.m.

By

Carl Bonham, Executive Director
University of Hawai'i Economic Research Organization

And

Denise Konan, Dean
College of Social Sciences

And

Michael Bruno, Provost
University of Hawai'i at Mānoa

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Chair San Buenaventura, Vice Chair Aquino, and Members of the Committee:

Thank you for the opportunity to provide testimony on Senate Concurrent Resolution 39 /Senate Resolution 28. These measures includes the executive director of the University of Hawai'i Economic Research Organization (UHERO) or the executive director's designee as a member of a Baby Bonds Working Group within the Department of Human Services to develop recommendations for a baby bonds program in Hawai'i.

As you may know, UHERO's core mission is to enhance public and private sector decision-making through rigorous research focused on the people, environment, and economy of Hawai'i. This mission aligns with the working group's charge to:

- (1) Develop recommendations for a baby bonds program that reduces intergenerational poverty and wealth inequality in the State;
- (2) Suggest eligibility criteria for a baby bonds program operated by the State;
- (3) Perform an analysis of the Connecticut baby bonds program to determine what aspects of the program may be beneficial to incorporate into a baby bonds initiative for Hawai'i.

UHERO supports study and research on the development of a baby bonds program in Hawai'i. Both UHERO and the College believe this is an important initiative that has the potential to aid Hawai'i's most vulnerable residents.

It is important to point out that UHERO relies on the donations and contacts for roughly one-half of its budget. Without financial support, UHERO participation in this working

group will necessarily impact our capacity to complete existing commitments and research. Undertaking a comprehensive study would require additional resources from the State. This support would enable UHERO faculty or staff researchers to concentrate on the specialized research and analysis needed to advance the goals of the baby bonds working group. We would be happy to develop a budget for this work for your consideration.

Thank you for the opportunity to provide testimony.