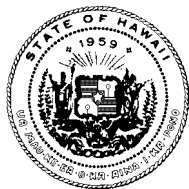


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March 21, 2024

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 1<sup>st</sup> \$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,

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