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February 5, 2025

TO: The Honorable Representative Lisa Marten, Chair  
House Committee on Human Services & Homelessness

FROM: Ryan I. Yamane, Director

SUBJECT: **HB 324 – RELATING TO BABY BONDS.**

Hearing: February 6, 2025, Time 10:00 am  
Conference Room 329 & Videoconferencing, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the bill's intent, defers to other named members of the working group, provides comments, and suggests an amendment.

**PURPOSE:** Establishes the Baby Bonds Working Group to develop a plan for the creation of a baby bonds program for the State to address intergenerational poverty and wealth inequality in Hawai'i.

DHS appreciates the Legislature's 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 DHS 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 of 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 solely on developing a Baby Bond program, which is the latest iteration of a matched savings program, the group's efforts include strategies to improve participation or utilization of existing asset-building programs.

Lastly, DHS may need resources to engage a knowledgeable consultant who can assist with necessary financial planning.

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



## HOUSE BILL 324, RELATING TO BABY BONDS

FEBRUARY 6, 2025 · HSH HEARING

**POSITION:** Support.

**RATIONALE:** The Democratic Party of Hawai'i Education Caucus supports HB 324, relating to baby bonds, which establishes the Baby Bonds Working Group to develop a plan for the creation of a baby bonds program for the state to address intergenerational poverty and wealth inequality in Hawai'i.

Intergenerational poverty in Hawai'i is real.

Residents of our state face some of the highest housing costs in the nation, at more than twice the national average. Researchers who authored the National Low Income Housing Coalition's *Out of Reach 2024* report found that a full-time worker would need to earn \$44.60/hour—\$or \$92,768 per year—to afford a two-bedroom apartment at fair market value in our state, with Honolulu experiencing a 67 percent increase in fair market rent between 2005 and 2015. Average rent for a two-bedroom unit surpassed \$2,000 well before the COVID-19 pandemic hit.

One out of every four households in Hawai'i report that they are “doubling up” or are three paychecks or less away from being homeless, per the Hawai'i Appleseed Center for Law and Economic Justice. Additionally, over 60 percent of households are severely cost-burdened,

meaning that they pay more than 30 percent of their income on housing, a number that rises to over 80 percent of extremely low-income households.

A recent survey conducted by the Holomua Collective found that 60 percent of residents face worries about not being able to pay a monthly bill and 63 percent face difficulties in saving money from their paychecks for future emergencies, retirement, or other expenses. A staggering 70 percent of middle-class respondents to Holomua's survey say they will—or are unsure if they will have to—relocate in the coming years. As Holomua Collective states in its report on the findings, “These are the very workers powering Hawai‘i’s economy, now on the brink of leaving their homes behind.” That population includes the teachers who are tasked with educating our keiki.

intergenerational poverty undermines social and economic wellness. According to the 2009 paper, *Childhood and Intergenerational Poverty: The Long-Term Consequences of Growing up Poor*, “individuals who grow up in poor families are much more likely to be poor in early adulthood. Moreover, the chances of being poor in early adulthood increase sharply as the time spent living in poverty during childhood increases.”

Systemic financial inequality disproportionately impacts the well-being of children in communities of color, including Native Hawaiians and other Pacific Islanders, African Americans, Hispanics, American Indians, Alaska Natives, Asian Americans, immigrant households, and children living in the United States territories. To address this, some states, such as Connecticut, are investing directly in the success of children born into poverty. Known as “baby bonds” programs, these initiatives set aside funds for each baby whose birth is covered by Medicaid.

The funds are held and managed by the state. When participating children reach adulthood, they can claim the funds to purchase a home, pay for higher education or job training, start a business, or save for retirement. Lifting children out of poverty reduces the reliance on social safety net programs, strengthens public health and wellness indicators that correlate with financial security, lowers crime rates, and empowers people to participate meaningful in our overall economy.

**Contact: [educationcaucusdph@gmail.com](mailto:educationcaucusdph@gmail.com)**

**HB-324**

Submitted on: 1/31/2025 10:18:22 PM

Testimony for HSH on 2/6/2025 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Carol Linde	Individual	Support	Written Testimony Only

Comments:

I am in support of this bill. It offers an excellent opportunity to literally invest in the future of the state, especially at such an unstable time.