### A BILL FOR AN ACT

RELATING TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

#### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that economic stability 2 does not arise solely from income; financial assets including 3 cash savings, stocks, bonds, and home and business equity are all critical components of economic security. The accumulation 4 5 of financial assets can offer individuals hope for the future, 6 stimulate growth in all societal sectors, and enhance the 7 welfare of families and children. For example, a home is often a primary asset for a family in Hawaii, and forms a large 8 component of household net worth for most Americans. 9 The 10 legislature finds that saving for a down payment on a home is a formidable prospect for too many low- and moderate-income 11 12 earners in Hawaii. While developing affordable housing properties is necessary, it is equally important to invest in 13 additional strategies that can also expand a family's ability to 14 purchase a home. Individual development accounts are special 15 savings accounts that match the deposits of low- and moderate-16 17 income accountholders to save towards certain qualified



financial goals. These accounts have provided proven assistance 1 to families who are saving to purchase a home, pay higher 2 education expenses, and fulfill other asset-building goals. The 3 purpose of this Act is to appropriate funds for individual 4 development account programs to support asset building among 5 low- and moderate-income families. 6 SECTION 2. Section 257-3, Hawaii Revised Statutes, is 7 amended to read as follows: 8 "[4] §257-3[4] Fiduciary organizations. (a) Fiduciary 9 organizations shall serve as an intermediary between individual 10 development account holders and financial institutions holding 11 accounts. The fiduciary organization's responsibilities may 12 include: 13 14 Marketing participation; (1)Soliciting matching contributions; 15 (2)Counseling program participants; and (3) 16 Conducting verification and compliance activities. 17 (4) Locally-based organizations shall enter into a 18 (b) competitive process for the right to become fiduciary 19 organizations for a portion of the state matching dollars [that 20 would be authorized initially]. Fiduciary organization 21



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1	proposals	shall be evaluated and participation rights awarded on
2	the basis	of such items as:
3	(1)	Their ability to market the program to potential
4		individual development account holders and potential
5		matching fund contributors;
6	(2)	Their ability to provide safe and secure investments
7		for individual development accounts;
8	(3)	Their overall administrative capacity, including:
9		(A) Certifications or verifications required to
10		assure compliance with eligibility requirements;
11		(B) Authorized uses of the accounts matching
12		contributions by individuals or businesses; and
13		(C) Penalties for unauthorized distributions;
14	(4)	Their capacity to provide financial counseling and
15		other related services to potential participants; and
16	(5)	Their links to other activities designed to increase
17		the independence of individuals and families through
18		high return investments, including homeownership,
19		education and training, and small business
20		development.
21	The depar	tment of human services shall provide technical and

22 administrative assistance to fiduciary organizations to meet the



criteria described in this section. In order to provide this
 assistance, the department may contract with another agency, and
 shall identify and make use of available federal moneys wherever
 appropriate.

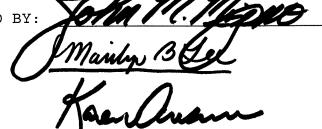
5 If the [State] department of human services approves (C) an application to fund an individual development account project 6 under this section, the [State] department of human services 7 shall [, not later than one month after June 28, 1999,] authorize 8 9 the applicant to conduct the project with state funds [for five project years] in accordance with the approved application and 10 this section; provided that an applicant may apply for funding 11 during future fiscal years [for five project years if the State 12 lacks the] if there are insufficient resources to fund an 13 individual development account project pursuant to this 14 15 subsection.

16 [(d) For each individual development account program
17 approved under this section, the State shall make a grant to the
18 qualified entity or collaboration of entities authorized to
19 conduct the project on the first day of the project year in an
20 amount not to exceed \$100,000 per year for five years.
21 (e)] (d) From among the individuals eligible for
22 assistance under the Hawaii individual development account
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1 program, each selected fiduciary organization shall select the 2 individuals whom the fiduciary organization deems to be best 3 suited to receive such assistance." 4 SECTION 3. Section 257-8, Hawaii Revised Statutes, is 5 amended to read as follows: "[+]§257-8[+] Matches. [-(a)] The State shall match an 6 amount of up to [\$100,000 per calendar year for] 4:1 in state 7 funds for deposit into an individual development [accounts.] 8 account. The department of human services may adopt rules 9 regarding specific match ratios pertaining to qualified 10 expenditures of an individual development account. 11 [(b) Not more than a 2:1 match of state funds to account 12 holder deposits shall be deposited into any individual 13 14 development account in a given year.]" SECTION 4. Section 257-11, Hawaii Revised Statutes, is 15 amended by amending subsection (a) to read as follows: 16 17 "(a) The fiduciary organization running an individual development account program shall have sole authority over the 18 administration of the project. The [State] department of human 19 services may [prescribe only such regulations] adopt rules with 20 respect to demonstration projects under this chapter as are 21 22 necessary to ensure compliance [pursuant to] with this chapter." 2008-0633 HB SMA.doc 

1	SECTION 5. Section 257-11, Hawaii Revised Statutes, is		
2	amended by amending subsection (d) to read as follows:		
3	"(d) Selected fiduciary organizations may use no more than		
4	[ <del>ten</del> ] <u>twenty-five</u> per cent of state funds as appropriated under		
5	this [ <del>[</del> ]chapter[ <del>]</del> ] to cover [ <del>administrative</del> ] <u>operating</u> costs in		
6	any given year."		
7	SECTION 6. There is appropriated out of the general		
8	revenues of the State of Hawaii the sum of \$ or so		
9	much thereof as may be necessary for fiscal year 2008-2009 for		
10	fiduciary organizations defined in section 257-1, Hawaii Revised		
11	Statutes, to operate individual development account programs.		
12	The sum appropriated shall be expended by the department of		
13	human services for the purposes of this Act.		
14	SECTION 7. Statutory material to be repealed is bracketed		
15	and stricken. New statutory material is underscored.		
16	SECTION 8. This Act shall take effect upon its approval;		
17	provided that section 6 shall take effect on July 1, 2008.		
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	INTRODUCED BY:		

Della a. Belatti



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### н.в. №. 2047

Report Title: Individual Development Account Program

#### Description:

Appropriates funds for the individual development account program, instead of making grants. Requires the department of human services to provide technical and administrative assistance to entities seeking to become fiduciary organizations. Prohibits fiduciary organizations from using more than 25% of state funds per year for operating costs.

