



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 9, 2009

MEMORANDUM

TO: The Honorable John M. Mizuno, Chair
House Committee on Human Services

FROM: Lillian B. Koller, Director

SUBJECT: **H.B. 734 - RELATING TO INDIVIDUAL DEVELOPMENT
ACCOUNTS**

Hearing: Monday, February 9, 2009; 8:15 a.m.
Conference Room 329, State Capitol

PURPOSE: The proposed amendments will clarify the guidelines for individual development accounts (IDAs) and designates the Department of Human Services or a contracted agency to administer IDAs. Appropriates funds.

DEPARTMENT'S POSITION: The Department of Human Services supports the intent of this bill but has concerns that the appropriation needed to implement this bill may adversely impact the priorities in the Executive Biennium Budget.

Page 2, line 12. The definition of Department is confusing. It is unclear on what the role of the Department of Health is.

Page 5, lines 4-5, states that the Department shall identify and make use of available federal moneys wherever appropriate. Please note that the Department of Human Services' primary source of Federal funding is TANF funds. Use of TANF Federal funds for IDAs places some limitation on what the money may be used for and may limit some aspects of this program. For example, TANF Federal funds for IDAs

may only match earned income, may not be used for the purchase of a home and may not be used for administrative fees. The Legislature will also need to raise the TANF cap on the Department's TANF expenditures to use TANF Federal funds to implement this bill.

Also, this bill states the Department of Human Services will be required to contract directly or through another agency contracted by the Department with fiduciary organizations to administer this program. We request that this function be given to a Department that has this expertise or that funding be appropriated to contract for this service.

This bill proposes to amend chapter 257, Individual Development Accounts, by replacing the references to the State with the Department of Human Services. It should be noted that the Department of Human Services is not the only department that may issue IDAs. Replacing the State with the Department of Human Services will limit the kinds of IDAs that can be issued.

This bill would expand the responsibilities of the Department by requiring the Department to provide technical and administrative assistance to fiduciary organizations to implement this program. The auditing of the records of the numerous vendors selected would take considerable time and expertise to ensure that the program was meeting Legislative purposes and accomplishing Legislative intent. The Department has no expertise regarding the fiduciary responsibilities required for this program so implementation of this program will need to be contracted out as this bill would allow.

Also, this bill will require the Department to determine the State match ratio for this program. The Department currently has no data to be able to project what the funding needs for this program will be.

This bill proposes to amend chapter 257, Hawaii Revised Statutes, Individual Development Accounts, by making replacing the references to the "State" with the "Department of Human Services". It should be noted that the Department of Human Services is not the only Department that may issue IDAs. In other States, IDAs are issued by various departments, depending on the funding source. Replacing the "State" with the "Department of Human Services" will limit the kinds of IDAs that can be issued.

We request that chapter 257 not be amended to make DHS the sole providers of IDAs and respectfully request that its passage does not replace nor adversely impact the priorities set forth in the Executive Biennium Budget for Fiscal Years 2009-2010.

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