

JAN 23 2009

S.B. NO. 789

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
4 all critical components of economic security. The accumulation
5 of financial assets can offer individuals hope for the future,
6 stimulate growth in all sectors, and enhance the welfare of
7 families and children. For example, a home is often a family's
8 most valuable asset and forms a large component of household net
9 worth for many Americans.

10 The legislature further finds that saving for a down
11 payment on a home is a formidable prospect for too many low- and
12 moderate-income earners in Hawaii. While developing affordable
13 housing properties is necessary, it is equally important to
14 invest in additional strategies that can expand a family's
15 ability to purchase a home. Individual development accounts are
16 special savings accounts that match the deposits of low- and
17 moderate-income account holders to save towards certain



1 qualified financial goals. Individual development accounts have
2 provided proven assistance to families who are saving to
3 purchase a home, pay higher education expenses, and fulfill
4 other asset-building goals.

5 The purpose of this Act is to appropriate funds for
6 individual development account programs to support asset-
7 building among low- and moderate-income families.

8 SECTION 2. Section 257-1, Hawaii Revised Statutes, is
9 amended as follows:

10 1. By adding a new definition to be appropriately inserted
11 and to read:

12 "Department" means the department of human services or any
13 state agency authorized by the department of health to carry out
14 its duties established by this chapter."

15 2. By amending the definition of "qualified expenditures"
16 to read:

17 "Qualified expenditures" means an expense as determined by
18 a fiduciary organization[~~, which~~] that may include [~~but not be~~
19 ~~limited to~~]:

- 20 (1) Costs associated with first homeownership;
21 (2) Post-secondary education;
22 (3) Vocational training; [and]



(4) Small or micro-business capitalization[-]; and

(5) One motor vehicle purchase for school or work
transportation."

SECTION 3. Section 257-2, Hawaii Revised Statutes, is
amended by amending subsection (a) to read as follows:

"(a) The income of the household of the individual
development account holder shall not exceed ~~[eighty per cent of
the area household median income.]~~ an amount determined by the
department."

SECTION 4. Section 257-3, Hawaii Revised Statutes, is
amended to read as follows:

"[+]§257-3[+] Fiduciary organizations. (a) Fiduciary
organizations shall serve as an intermediary between individual
development account holders and financial institutions holding
accounts. The fiduciary organization's responsibilities may
include:

- (1) Marketing participation;
- (2) Soliciting matching contributions;
- (3) Counseling program participants; and
- (4) Conducting verification and compliance activities.

(b) Locally-based organizations shall enter into a
competitive process for the right to become fiduciary



1 organizations [~~for a portion of the state matching dollars that~~
2 ~~would be authorized initially~~]. Fiduciary organization
3 proposals shall be evaluated and participation rights awarded on
4 the basis of such items as:

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



1 The department shall contract, either directly or through
2 another agency contracted by the department, with fiduciary
3 organizations that meet the criteria described in this section.

4 The department shall identify and make use of available federal
5 moneys wherever appropriate.

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



1 program, each selected fiduciary organization shall select the
2 individuals ~~[whom]~~ that the fiduciary organization deems to be
3 best suited to receive ~~[such]~~ the assistance."

4 SECTION 5. Section 257-8, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "[+]§257-8[+] **Matches.** ~~[(a)]~~ The State shall match [an
7 amount of up to \$100,000 per calendar year for individual
8 development accounts-] a specific match ratio for qualified
9 expenditures as determined by the department. The department
10 may adopt rules regarding specific match ratios pertaining to
11 qualified expenditures of an individual development account.

12 ~~[(b)] Not more than a 2:1 match of state funds to account~~
13 ~~holder deposits shall be deposited into any individual~~
14 ~~development account in a given year-]"~~

15 SECTION 6. Section 257-11, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "[+]§257-11[+] **Administration; evaluation; information;**
18 **reporting.** (a) The fiduciary organization running an
19 individual development account program shall have sole authority
20 over the administration of the project. ~~[The State may~~
21 ~~prescribe only such regulations with respect to demonstration~~



1 ~~projects under this chapter as are necessary to ensure~~
2 ~~compliance pursuant to this chapter.]~~

3 (b) Each individual development account program shall
4 annually report the number of accounts, the amount of savings
5 and matches for each account, the uses of the account, and the
6 number of businesses, homes, motor vehicles, and educations
7 purchased, as well as other information as may be required ~~[for~~
8 ~~responsible operation of the program.]~~ by the department.

9 (c) The fiduciary organization shall submit to the
10 ~~[legislature its findings and recommendations no later than~~
11 ~~twenty days prior to the convening of each legislative session.]~~
12 department an annual report, the content of which shall be
13 determined by the department.

14 ~~[(d) Selected fiduciary organizations may use no more than~~
15 ~~ten per cent of state funds as appropriated under this [chapter]~~
16 ~~to cover administrative costs in any given year.]"~~

17 SECTION 7. There is appropriated out of the general
18 revenues of the State of Hawaii the sum of \$ or so
19 much thereof as may be necessary for fiscal year 2009-2010 and
20 the same sum or so much thereof as may be necessary for fiscal
21 year 2010-2011 for fiduciary organizations defined in section



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1 257-1, Hawaii Revised Statutes, to operate individual
2 development account programs.

3 The sums appropriated shall be expended by the department
4 of human services for the purposes of this Act.

5 SECTION 8. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 9. This Act shall take effect upon its approval;
8 provided that section 7 shall take effect on July 1, 2009.

9

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Report Title:

Individual Development Accounts; Appropriation

Description:

Clarifies guidelines for individual development accounts (IDAs) and designates the department of human services or a contracted agency to administer IDAs. Appropriates funds.

