
A BILL FOR AN ACT

RELATING TO ASSET BUILDING.

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

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PART I

FINDINGS AND PURPOSE

SECTION 1. The legislature finds that economic stability does not arise solely from income. Financial assets, such as cash savings, stocks, bonds, and home and business equity, are a critical component of economic security. Financial assets offer individuals a viable and hopeful future, stimulate development of human and other capital, and enhance the welfare of children.

For many Hawaii residents, the cost of a house, a post-secondary education, and starting a business is increasing. Traditional public assistance programs that concentrate on income are not successful in promoting and supporting the transition to increased economic self-sufficiency. That is because many of the programs that are designed to assist low- and moderate-income families focus on the importance of work and income while penalizing participants for asset building.



1 The legislature further finds that income-based policies
2 should be complemented with asset-based policies because, while
3 income-based policies ensure that consumption needs, such as
4 food, clothing, child care, and health care, are met,
5 asset-based policies provide the means to achieve greater
6 independence and economic well-being.

7 The December 2006, report entitled *Asset-Building Policy*
8 *for Hawaii*, produced by Hawaii Alliance for Community-Based
9 Economic Development, highlighted several key goals to help
10 people move from "just getting by" to "getting ahead." Among
11 the recommendations are ensuring that working families can meet
12 their needs. A self-sufficiency standard should be established
13 to determine the actual amount needed to afford basic needs such
14 as food, housing, and healthcare in Hawaii. The department of
15 human services should then apply the self-sufficiency standard
16 in the determination of public assistance for all usual and
17 absolute minimum recurring living and shelter expenses,
18 including rent or mortgage payments and utilities.

19 Currently, the federal earned income tax credit provides a
20 refundable tax credit to low-income wage earners that can result
21 in significant refunds for people who stay in the workforce.
22 Hawaii should join the national trend, established by twenty



1 other states, and enact a refundable state earned income tax
2 credit equal to at least twenty per cent of the federal earned
3 income tax credit. The initiative will offer low-income
4 families an opportunity to save and invest their refund.

5 It is not enough to offer people an opportunity to build
6 assets if they do not know how or why to save and invest or how
7 to protect their assets. Therefore, it is important that a
8 comprehensive policy include a financial education component
9 that promotes an understanding of consumer, economic, and
10 personal financial concepts, including the basic principles
11 involved with earning, budgeting, spending, saving, investing,
12 and taxation.

13 Another key component to a comprehensive policy is
14 incentives for people to save. Currently, many incentives and
15 subsidies benefit those with higher incomes and greater wealth.
16 For instance, many low-income families have insufficient tax
17 liability to benefit from tax credits or deductions, or lack the
18 resources to cover a down payment or mortgage on a home.

19 Changes to the current individual development accounts law
20 could help more individuals take advantage of this asset
21 building tool. An individual development account enables a
22 participant to receive a match for every dollar that the



1 participant saves. Moneys in the account can then be used for
2 qualified expenditures such as costs associated with first
3 homeownership, post-secondary education, vocational training,
4 and small or micro-business capitalization.

5 The purpose of this Act is to provide asset building
6 opportunities for Hawaii's low- and moderate-income families by:

- 7 (1) Establishing a self-sufficiency standard that will
8 determine the assistance allowance;
- 9 (2) Establishing a refundable state earned income tax
10 credit;
- 11 (3) Providing financial education to temporary assistance
12 for needy families applicants and recipients;
- 13 (4) Expanding the provision of individual development
14 accounts; and
- 15 (5) Making appropriations necessary for these purposes.

16 **PART II**

17 **SELF-SUFFICIENCY STANDARD**

18 SECTION 2. Section 201-3, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "§201-3 Specific research and promotional functions of the
21 department. (a) Without prejudice to its general functions and



1 duties the department of business, economic development, and
2 tourism shall have specific functions in the following areas:

3 (1) Industrial development. The department shall
4 determine through technical and economic surveys the
5 profit potential of new or expanded industrial
6 undertakings; develop through research projects and
7 other means new and improved industrial products and
8 processes; promote studies and surveys to determine
9 consumer preference as to design and quality and to
10 determine the best methods of packaging, transporting,
11 and marketing the State's industrial products;
12 disseminate information to assist the present
13 industries of the State, to attract new industries to
14 the State, and to encourage capital investment in
15 present and new industries in the State; assist
16 associations of producers and distributors of
17 industrial products to introduce [~~such~~] these products
18 to consumers; and make [~~such~~] grants or contracts as
19 may be necessary or advisable to accomplish the
20 foregoing;

21 (2) Land development. The department shall encourage the
22 most productive use of all land in the State in



1 accordance with a general plan developed by the
2 department; encourage the improvement of land tenure
3 practices on leased private lands; promote an
4 informational program directed to landowners,
5 producers of agricultural and industrial commodities,
6 and the general public regarding the most efficient
7 and most productive use of the lands in the State; and
8 make [such] grants or contracts as may be necessary or
9 advisable to accomplish the foregoing;

10 (3) Credit development. The department shall conduct a
11 continuing study of agricultural and industrial credit
12 needs; encourage the development of additional private
13 and public credit sources for agricultural and
14 industrial enterprises; promote an informational
15 program to acquaint financial institutions with
16 agricultural and industrial credit needs and the
17 potential for agricultural and industrial expansion,
18 and inform producers of agricultural and industrial
19 products as to the manner in which to qualify for
20 loans; and make [such] grants or contracts as may be
21 necessary or advisable to accomplish the foregoing;



1 (4) Promotion. The department shall disseminate
2 information developed for or by the department
3 pertaining to economic development to assist present
4 industry in the State, attract new industry and
5 investments to the State, and assist new and emerging
6 industry with good growth potential or prospects in
7 jobs, exports, and new products. The industrial and
8 economic promotional activities of the department may
9 include the use of literature, advertising,
10 demonstrations, displays, market testing, lectures,
11 travel, motion picture and slide films, and [~~such~~]
12 other promotional and publicity devices as may be
13 appropriate; [~~and~~]

14 (5) Tourism research and statistics. The department shall
15 maintain a program of research and statistics for the
16 purpose of:

17 (A) Measuring and analyzing tourism trends;

18 (B) Providing information and research to assist in
19 the development and implementation of state
20 tourism policy;

21 (C) Encouraging and arranging for the conduct of
22 tourism research and information development



1 through voluntary means or through contractual
2 services with qualified agencies, firms, or
3 persons; and

4 (D) Providing tourism information to policy makers,
5 the public, and the visitor industry. This
6 includes:

7 (i) Collecting and publishing visitor-related
8 data including visitor arrivals, visitor
9 characteristics and expenditures;

10 (ii) Collecting and publishing hotel-related
11 statistics including the number of units
12 available, occupancy rates, and room rates;

13 (iii) Collecting and publishing airline-related
14 data including seat capacity and number of
15 flights;

16 (iv) Collecting information and conducting
17 analyses of the economic, social, and
18 physical impacts of tourism on the State;

19 (v) Conducting periodic studies of the impact of
20 ongoing marketing programs of the Hawaii
21 tourism authority on Hawaii's tourism
22 industry, employment in Hawaii, state taxes,



1 and the State's lesser known and
2 underutilized destinations; [and]

3 (vi) Cooperate with the Hawaii tourism authority
4 and provide it with the above information in
5 a timely manner[-]; and

6 (6) Self-sufficiency standard. The department shall
7 establish annually the self-sufficiency standard that
8 shall be the absolute minimum amount required to be
9 expended in Hawaii on the costs of housing, food,
10 childcare, transportation, healthcare, all taxes, and
11 other expenses such as clothing, shoes, utilities, and
12 household items. The self-sufficiency standard shall
13 be based on existing established models that fully
14 incorporate the items essential to attain economic
15 self-sufficiency. The self-sufficiency standard shall
16 be utilized by the department of human services in
17 determining the assistance allowance under section
18 346-53, and may otherwise be used as an economic
19 barometer of the State's economic development and
20 related issues.

21 (b) The department shall be the central agency to
22 coordinate film permit activities in the State."



1 SECTION 3. Section 346-1, Hawaii Revised Statutes, is
2 amended by amending the definition of "assistance allowance" to
3 read as follows:

4 "Assistance allowance" means a single monthly public
5 assistance grant, including funds received from the federal
6 government, expressed in a dollar amount per recipient or per
7 recipient family to be provided a recipient or recipient family
8 for all usual and absolute minimum recurring living and shelter
9 expenses, including rent or mortgage payment and utilities [~~and~~
10 ~~excluding medical care~~]."

11 SECTION 4. Section 346-14, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "§346-14 Duties generally. Except as otherwise provided
14 by law, the department of human services shall:

15 (1) Establish and administer programs and standards, and
16 adopt rules as deemed necessary for all public
17 assistance programs;

18 (2) Establish, extend, and strengthen services for the
19 protection and care of abused or neglected children
20 and children in danger of becoming delinquent to make
21 paramount the safety and health of children who have



1 been harmed or are in life circumstances that threaten
2 harm;

3 (3) Establish and administer programs, and adopt rules as
4 deemed necessary, for the prevention of domestic and
5 sexual violence and the protection and treatment of
6 victims of domestic and sexual violence;

7 (4) Assist in preventing family breakdown;

8 (5) Place, or cooperate in placing, abused or neglected
9 children in suitable private homes or institutions and
10 place, or cooperate in placing, children in suitable
11 adoptive homes;

12 (6) Have authority to establish, maintain, and operate
13 receiving homes for the temporary care and custody of
14 abused or neglected children until suitable plans are
15 made for their care; and accept from the police and
16 other agencies, for temporary care and custody, any
17 abused or neglected child until satisfactory plans are
18 made for the child;

19 (7) Administer the medical assistance programs for
20 eligible public welfare and other medically needy
21 individuals by establishing standards, eligibility,
22 and health care participation rules, payment



1 methodologies, reimbursement allowances, systems to
2 monitor recipient and provider compliance, and
3 assuring compliance with federal requirements to
4 maximize federal financial participation;

5 (8) Cooperate with the federal government in carrying out
6 the purposes of the Social Security Act and in other
7 matters of mutual concern pertaining to public
8 welfare, public assistance, and child welfare
9 services, including the making of reports, the
10 adoption of methods of administration, and the making
11 of rules as are found by the federal government, or
12 any properly constituted authority thereunder, to be
13 necessary or desirable for the efficient operation of
14 the plans for public welfare, assistance, and child
15 welfare services or as may be necessary or desirable
16 for the receipt of financial assistance from the
17 federal government;

18 (9) Carry on research and compile statistics relative to
19 public and private welfare activities throughout the
20 State, including those dealing with dependence,
21 defectiveness, delinquency, self-sufficiency standard,
22 and related problems;



- 1 (10) Develop plans in cooperation with other public and
2 private agencies for the prevention and treatment of
3 conditions giving rise to public welfare problems;
- 4 (11) Adopt rules governing the procedure in hearings,
5 investigations, recording, registration, determination
6 of allowances, and accounting and conduct other
7 activities as may be necessary or proper to carry out
8 this chapter;
- 9 (12) Supervise or administer any other activities
10 authorized or required by this chapter, including the
11 development of the staff of the department through in-
12 service training and educational leave to attend
13 schools and other appropriate measures, and any other
14 activities placed under the jurisdiction of the
15 department by any other law;
- 16 (13) Make, prescribe, and enforce policies and rules
17 governing the activities provided for in section
18 346-31 it deems advisable, including the allocation of
19 moneys available for assistance to persons assigned to
20 work projects among the several counties or to
21 particular projects where the apportionment has not



1 been made pursuant to other provisions of law, if any,
2 governing expenditures of the funds;

3 (14) Determine the appropriate level for the Hawaii
4 security net, by developing a tracking and monitoring
5 system to determine what segments of the population
6 are not able to afford the basic necessities of life,
7 and advise the legislature annually regarding the
8 resources required to maintain the security net at the
9 appropriate level;

10 (15) Subject to the appropriation of state funds and
11 availability of federal matching assistance, expand
12 optional health care to low-income persons as follows:

13 (A) Pregnant women and infants under one year of age
14 living in families with incomes up to one hundred
15 eighty-five per cent of the federal poverty level
16 and without any asset restrictions;

17 (B) Children under six years of age living in
18 families with incomes up to one hundred thirty-
19 three per cent of the federal poverty level and
20 without any asset restrictions;

21 (C) Older children to the extent permitted under
22 optional federal medicaid rules;



- 1 (D) Elder persons;
- 2 (E) Aliens;
- 3 (F) The homeless; and
- 4 (G) Other handicapped and medically needy persons;
- 5 and

6 (16) Subject to the appropriation of state funds and
 7 availability of federal matching assistance, establish
 8 the income eligibility level for the medically needy
 9 program at one hundred thirty-three per cent of the
 10 assistance allowance."

11 SECTION 5. Section 346-53, Hawaii Revised Statutes, is
 12 amended by amending subsection (a) to read as follows:

13 "(a) This subsection does not apply to general assistance
 14 to households without minor dependents. The standard of need
 15 shall equal the [~~poverty level established by the federal~~
 16 ~~government in 2006,~~] self-sufficiency standard as established
 17 annually by the department of business, economic development,
 18 and tourism pursuant to section 201-3, prorated over a twelve-
 19 month period based on family size.

20 The assistance allowance provided shall be based on a
 21 percentage of the standard of need. For exempt households and
 22 households in which all caretaker relatives are minors, living



1 independently with minor dependents and attending school, the
2 assistance allowance shall be set no higher than sixty-two and
3 one-half per cent and no lower than forty-four per cent of the
4 standard of need. For all other households, the assistance
5 allowance shall be set no higher than sixty-two and one-half per
6 cent of the standard of need and set no lower than thirty-four
7 per cent of the standard of need. The standard of need shall be
8 determined by dividing the [~~2006 federal poverty level~~] self-
9 sufficiency standard by twelve and rounding down the quotient.
10 The remaining quotient shall be multiplied by the per cent as
11 set by the director by rules pursuant to chapter 91, and the
12 final product shall be rounded down to determine the assistance
13 allowance; provided that:

- 14 (1) The department may increase or reduce the assistance
15 allowance as determined in this subsection for non-
16 exempt households for the purpose of providing work
17 incentives or services under part XI;
- 18 (2) No reduction shall be allowed that jeopardizes
19 eligibility for or receipt of federal funds;
- 20 (3) Reductions in the assistance allowance shall be
21 limited to no more than one per year; and



1 (4) No non-exempt household, which includes an adult who
2 has received sixty cumulative months of temporary
3 assistance to needy families with minor dependents,
4 shall be eligible for an assistance allowance, unless
5 authorized by federal regulations."

6 SECTION 6. (a) The department of business, economic
7 development, and tourism shall establish the first annual
8 self-sufficiency standard pursuant to section 2 of this Act by
9 December 1, 2007.

10 (b) The department of business, economic development, and
11 tourism shall report to the legislature and the department of
12 human services on the self-sufficiency standard no later than
13 twenty days prior to the convening of the regular session of
14 2008, and thereafter at annual intervals.

15 SECTION 7. (a) The department of human services shall
16 submit a budget request to the legislature identifying the
17 amount of general and federal funds required to implement the
18 self-sufficiency standard no later than twenty days prior to the
19 convening of the regular session of 2009.

20 (b) The department of human services shall report to the
21 legislature with information on the number of persons exiting
22 public assistance, food stamp, and medical assistance programs



1 for work, utilizing the annually adjusted self-sufficiency
2 standard, no later than twenty days prior to the convening of
3 the regular session of 2010, and thereafter at annual intervals.

4 PART III

5 EARNED INCOME TAX CREDIT

6 SECTION 8. Chapter 235, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§235- Earned income tax credit. (a) Each individual
10 taxpayer who:

11 (1) Files an individual income tax return for a taxable
12 year; and

13 (2) Is not claimed or is not eligible to be claimed as a
14 dependent by another taxpayer for income tax purposes,

15 may claim a refundable earned income tax credit. The tax
16 credit, for the appropriate taxable year, shall be equal to
17 per cent of the federal earned income tax credit
18 allowed under section 32 (with respect to earned income) of the
19 Internal Revenue Code and reported as such on the resident
20 individual's federal income tax return.

21 (b) In the case of a part-year resident, the tax credit
22 shall equal the amount of the tax credit calculated in



1 subsection (a) multiplied by the ratio of adjusted gross income
2 attributed to this State to the entire adjusted gross income
3 computed without regard to source in the State pursuant to
4 section 235-5.

5 (c) For purposes of claiming the tax credit allowed by
6 this section, a individual taxpayer shall use the same filing
7 status (i.e., "married filing jointly", "head of household",
8 "surviving spouse", or "single") on the taxpayer's Hawaii tax
9 return as used on the taxpayer's federal tax return for the
10 taxable year. In the case of a husband and wife filing
11 separately, the credit allowed may be applied against the tax of
12 either or divided between them, as they elect.

13 (d) All claims including any amended claims for tax
14 credits under this section shall be filed on or before the end
15 of the twelfth month following the close of the taxable year for
16 which the tax credit may be claimed. Failure to comply with
17 this subsection shall constitute a waiver of the right to claim
18 the tax credit.

19 (e) The director of taxation:

20 (1) Shall prepare any forms that may be necessary to claim
21 a tax credit under this section;

22 (2) May require proof of the claim for the tax credit;



1 purposes of this section, "financial education" means education
2 that promotes an understanding of consumer, economic, and
3 personal finance concepts, including the basic principles
4 involved with earning, budgeting, spending, saving, investing,
5 and taxation."

6 SECTION 10. There is appropriated out of the general
7 revenues of the State of Hawaii the sum of \$, or so
8 much thereof as may be necessary for fiscal year 2007-2008, and
9 the same sum, or so much thereof as may be necessary for fiscal
10 year 2008-2009, for the department of human services to offer
11 financial education to applicants for and recipients of
12 temporary assistance for needy families.

13 The sums appropriated shall be expended by the department
14 of human services for the purposes of this part.

15 PART V

16 ENCOURAGE SAVINGS

17 SECTION 11. Section 257-1, Hawaii Revised Statutes, is
18 amended by amending the definition of "qualified expenditures"
19 to read as follows:

20 "Qualified expenditures" means an expense as determined by
21 a fiduciary organization[~~7, which~~] that may include [~~but not be~~
22 ~~limited to~~]:



- 1 (1) Costs associated with first homeownership;
- 2 (2) Post-secondary education;
- 3 (3) Vocational training; ~~and~~
- 4 (4) Small or micro-business capitalization~~[-]~~; and
- 5 (5) One motor vehicle purchase for school or work
- 6 transportation."

7 SECTION 12. Section 257-3, Hawaii Revised Statutes, is
 8 amended by amending subsections (b), (c), and (d) to read as
 9 follows:

10 "(b) Locally-based organizations shall enter into a
 11 competitive process for the right to become fiduciary
 12 organizations for a portion of the state matching dollars [~~that~~
 13 ~~would be authorized initially~~]. Fiduciary organization
 14 proposals shall be evaluated and participation rights awarded on
 15 the basis of [~~such items as~~]:

- 16 (1) Their ability to market the program to potential
 17 individual development account holders and potential
 18 matching fund contributors;
- 19 (2) Their ability to provide safe and secure investments
 20 for individual development accounts;
- 21 (3) Their overall administrative capacity, including:



- 1 (A) Certifications or verifications required to
2 assure compliance with eligibility requirements;
- 3 (B) Authorized uses of the accounts matching
4 contributions by individuals or businesses; and
- 5 (C) Penalties for unauthorized distributions;
- 6 (4) Their capacity to provide financial counseling and
7 other related services to potential participants; and
- 8 (5) Their links to other activities designed to increase
9 the independence of individuals and families through
10 high return investments, including homeownership,
11 education and training, and small business
12 development.

13 The department of human services shall provide technical
14 and administrative assistance to fiduciary organizations to meet
15 the criteria under this subsection; provided that the State may
16 expend appropriate federal moneys, including temporary
17 assistance for needy families and community development block
18 grants, for this purpose, as applicable.

19 (c) If the [State] the department of human services
20 approves an application to fund an individual development
21 account project under this section, the [State] department of
22 human services shall [~~not later than one month after June 28,~~



1 ~~1999,~~] authorize the applicant to conduct the project with state
2 funds [~~for five project years~~] in accordance with the approved
3 application and this section; provided that an applicant may
4 apply for funding during future fiscal years [~~for five project~~
5 ~~years~~] if [~~the State lacks the~~] there are insufficient resources
6 to fund an individual development account project pursuant to
7 this subsection.

8 (d) For each individual development account program
9 approved under this section, the [~~State~~] department of human
10 services shall make a grant to the qualified entity or
11 collaboration of entities authorized to conduct the project on
12 the first day of the project year in an amount not to exceed
13 \$100,000 per year [~~for five years~~]."

14 SECTION 13. Section 257-8, Hawaii Revised Statutes, is
15 amended by amending subsection (a) to read as follows:

16 "(a) The [~~State~~] department of human services shall match
17 an amount of up to \$100,000 per calendar year for individual
18 development accounts. The department of human services may
19 expend appropriate federal moneys, including temporary
20 assistance for needy families and community development block
21 grants, for purposes of this subsection, in addition to general
22 funds."



1 SECTION 14. Section 257-11, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By amending subsection (a) to read:

4 "(a) The fiduciary organization running an individual
5 development account program shall have sole authority over the
6 administration of the project. The [~~State~~] department of human
7 services may prescribe [~~only such~~] regulations with respect to
8 demonstration projects [~~under this chapter~~] as are necessary to
9 ensure compliance [~~pursuant to~~] with this chapter."

10 2. By amending subsection (d) to read:

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

15 SECTION 15. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$2,000,000, or so
17 much thereof as may be necessary for fiscal year 2007-2008, for
18 fiduciary organizations, as defined in section 257-1, Hawaii
19 Revised Statutes, to conduct individual development account
20 programs, as provided in section 257-3, Hawaii Revised Statutes.

21 The sum appropriated shall be expended by the department of
22 human services for the purposes of this section.



PART VI

MISCELLANEOUS PROVISIONS

SECTION 16. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 17. This Act shall take effect on July 1, 2030; provided that, upon its approval, section 8 shall apply to taxable years beginning after December 31, ; provided further that sections 2, 3, 4, 9, 10, 11, 12, 13, 14, and 15 shall take effect on July 1, ; and provided further that section 5 shall take effect on July 1, .



Report Title:

Asset Building; Omnibus Package

Description:

Provides a comprehensive set of asset building opportunities for Hawaii's low- and moderate-income families by establishing a self-sufficiency standard that will determine the assistance allowance; establishing a refundable state earned income tax credit; providing financial education to TANF applicants and recipients; expanding the provision of individual development accounts; and appropriating funds. (SD2)

