HAWAII

TANF

Administrative Rules
Hawaii Administrative Rules,
§ 17-675-1, *et al*.

Bills/Laws
HB No. 1007, Relating to Family Self-Sufficiency

Official Analysis
HB 1007, Bill Status

Advocacy
HB 1007 Legislative Talking Points,
HACBED

Asset-Building Policy for Hawaii,
HACBED

Public Comments
Letter of support for HB 1007,
Brent Dillabaugh, HACBED

MEDICAID

Bills/Laws
HB No. 100, Relating to Human Services

SB No. 1938, Relating to Human Services

Official Analysis
Department of Human Services Fiscal Analysis on HB 100

HB 100 Bill Status

SB 1938 Bill Status

Advocacy
HB 100/SB 1938 Talking Points,
HACBED

Advocacy, cont.
Letter of support for SB1938,
Brent Dillabaugh, HACBED

FOOD STAMPS

Administrative Rules
Hawaii Administrative Rules,
§ 17-663-142

HAWAII ADMINISTRATIVE RULES

TITLE 17

DEPARTMENT OF HUMAN SERVICES

SUBTITLE 6 FAMILY AND ADULT SERVICES DIVISION

CHAPTER 675

ASSETS

Subchapter 7 Evaluation Of Motor Vehicles

Subchapter 8 Disposal Of Assets

Historical Note: This chapter is based substantially upon Chapter 17-620 [Eff 7/19/82; am 11/16/82; am 12/21/82; am 6/30/83; am 11/12/83; am 2/17/84; am 8/2/84; am 10/1/84; am 11/13/84; am 12/24/84; am 4/20/85; am 8/29/85; am 12/1/85; am 1/3/86; am 4/21/86; am 9/4/86; am 5/2/87; am 8/15/87; am 10/23/87; am 4/25/88; am 6/12/90; am 12/27/90; R 3/19/93], Subchapter 1 of Chapter 17-717 [Eff 7/19/82; am 10/2/82; am 4/1/83; am 7/5/83; am 5/1/86; am 9/2/86; am 12/27/86; am 7/19/87; am 1/21/88; am 4/28/88; am 5/4/89; am 9/1/89; am 10/19/89; am 8/25/90; R 3/19/93], §17-744-2 [Eff 7/19/82; am 8/23/84; am 6/23/86; am 8/13/87; am 10/23/87; am 6/11/88; am 11/25/88; am 4/15/89; am 10/1/89; R 3/19/93], §17-744-3 [Eff 7/19/82; am 8/23/84; R 3/19/93], Subchapter 3 of Chapter 17-744 [Eff 7/19/82; am 8/20/83; am 10/14/83; am 5/18/84; am 8/23/84; am 12/21/84; am 8/9/85; am 9/7/85; am 6/23/86; am 7/23/86; am 6/18/87; am 9/28/87; am 10/23/87; am 11/25/88; am 4/15/89; am 10/1/89; am 6/12/90; am 10/4/90; am 3/21/91; R 3/19/93], Subchapter 4 of Chapter 17-744 [Eff 7/19/82; am 8/20/83; am 8/20/84; am 4/17/86; am 6/18/87; am 0/23/87; am 6/11/88; am 5/13/91; R 3/19/93], and §17-744-44 [Eff 7/19/82; am 3/28/83; am 9/29/86; am 10/23/87; am 2/22/88; am 6/6/89; am 10/1/89; am 10/4/90; R 3/19/93]

SUBCHAPTER 1

GENERAL PROVISIONS

§17-675-1 Purpose. This chapter describes the types and amount of assets that an individual or a family may retain when establishing eligibility for financial assistance or food stamps. [Eff 3/19/93; am 8/01/94] (Auth: HRS §346-53) (Imp: 7 C.F.R. §273.8; 45 C.F.R. §233.20)

§17-675-2 Definitions. For the purpose of this chapter: "Asset" means cash and any other personal property, as well as real property, that an individual or family:

(1) Owns;
(2) Has the right, authority, or power to convert to cash (if not already cash); and
(3) Is not legally restricted from using for the individual's or family's support and maintenance.

"Automobile" means a passenger car or other motor vehicle used to provide transportation of persons or goods.

“Domestic violence victim” means an individual who has been battered or otherwise subjected to extreme cruelty. Acts which constitute domestic violence include but are not limited to the following:

(1) Physical acts that resulted in, or threatened to result in, physical injury;
(2) Sexual abuse;
(3) Sexual activity involving a dependent child;
(4) Nonconsensual sexual acts;
(5) Threats of, attempts at, physical or sexual abuse;
(6) Mental or emotional abuse;
(7) Medical care deprivation or neglect; or
(8) Stalking.

"Encumbrances" means a financial claim or lien upon real or personal property.

"Equity" means fair market value minus encumbrances against the property.

"Fair market value" means the amount for which an item of real or personal property is expected to sell on the open market in the geographic area involved and under the existing economic conditions.

"Family" means, for the financial assistance programs only, any person or persons requesting or receiving financial assistance payments.

"Financial institution" means any bank, savings and loan association, credit union, or other similar organization.

"Home" means a dwelling or shelter, including a house, building, tent, motor vehicle, boat, or trailer, which is used as the primary residence of an individual, family, or household.

"Individual development account (IDA)" is a special savings account held at a qualified financial institution which has been established as a trust by or on behalf of an individual eligible for assistance under the AFDC program. An IDA is funded through periodic contributions by the establishing individual and those contributions are matched by or through a non-profit organization. The purpose of an IDA is to enable the individual to accumulate funds that can be used only for post-secondary education, first home purchase, or business capitalization.

"Joint tenancy" means equal, undivided interst in real property by two or more persons throughout each respective owner's life. Upon the death of an owner, title automatically passes to the surviving owner or owners. An owner may sell his or her interest in the property without the consent of the others, but this will break the joint tenancy and change the property ownership to tenancy in common.

"Liquid asset" means, for the financial assistance programs, cash and any other personal property that can be quickly converted to cash. Examples are bank accounts, bonds, and stocks. For the food stamp program, "liquid asset" means cash and other assets excluding personal property that can be quickly converted to cash including, but not limited to, bank accounts, stocks, bonds, and lump sum payments.

"Motor vehicle" means any car, truck, van, camper, motorcycle, or mobile home.

"Nonliquid asset" means, for the food stamp program only, assets that cannot be quickly converted to cash including, but not limited to personal property, vehicles, buildings, and real property.

"Personal property" means any asset that is not real property.

"Real property" means land, buildings and anything else erected on or affixed to the land or buildings.

"SSI" mean the federal supplemental security income program for the aged, blind, and disabled, administered by the Social Security Administration.

"Student" means a child under age nineteen, enrolled in a public or private elementary or secondary school, or equivalent level of vocational or technical training.

"Tenancy" means the right to possession of real property or otherwise, permanently or temporarily, with or without title to the property.

"Tenancy by the entirety" means the ownership of real or personal property jointly by husband and wife, acquired by the couple at the same time through the same legal document. The right of survivorship is automatic. Neither spouse can break the tenancy by conveying or mortgaging his or her interest without the consent of the other spouse. A lien cannot be placed against the interest of an individual spouse in this type of property ownership. The ownership changes to tenancy in common with the dissolution of the marriage.

"Tenancy in common" means ownership of property may not be equal. Each person's interest can be sold without the consent of the other owners. [Eff 3/19/93; am 2/7/94; am 8/01/94; am 12/15/95; am 11/22/96; am 01/22/02] (Auth: HRS §§346-14; 346-53) (Imp: HRS §§346-14, 346-53, 346-71; 7 C.F.R. §273.8(c); 45 C.F.R. §§233.20, 233.90)

§17-675-3 (Reserved).

SUBCHAPTER 2

PERSONAL RESERVE STANDARDS

§17-675-4 Personal reserve standards. (a) The personal reserve standard is the maximum amount of countable assets that may be held by an individual, a family, or a household while establishing or maintaining eligibility for financial assistance or food stamps.

(b) An individual, a family, or a household whose equity in non-exempt assets exceeds the personal reserve standard for financial assistance or food stamps shall be ineligible for benefits from the respective program or programs. [Eff 3/19/93; am 8/01/94] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8; 45 C.F.R. §233.20)

§17-675-5 Personal reserve standards for financial assistance. (a) For a family, applying for or receiving financial assistance under the aid to families with dependent children, the personal reserve standard is $5,000.

(b) For an individual or couple who receives SSI benefits or is applying for or receiving financial assistance under the general assistance or aid to the aged, blind, or disabled programs, the personal reserve standards shall be equal to standards employed by the SSI program. [Eff 3/19/93; am 1/25/97; am 9/26/97] (Auth: HRS §346-53) (Imp: HRS §346-29; 45 C.F.R. §233.20)

§17-675-6 REPEALED. [R 8/01/94]

§17-675-7 Personal reserve standards for food stamps. (a) For a household applying for food stamps, the personal reserve standards, which reflect the uniform national resource standards of eligibility, are:

(1) $2,000 per household; or
(2) $3,000 for a household in which one or more members are age sixty or older. If the only member of the household who is age sixty or older is disqualified, the personal reserve standard of the household shall be $2,000.

(b) Households that are categorically eligible for food stamps, as defined in chapter 17-663, are not subject to the food stamp personal reserve standards defined in subsection (a).

(c) A household member who is receiving general assistance (GA), supplemental security income (SSI) or aid to families with dependent children (AFDC) benefits shall be considered to be categorically asset eligible for the food stamp program and that member's assets shall not be included when the household's total assets are calculated. [Eff 3/19/93; am 2/7/94; am 8/19/96] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(a),(b))

§§17-675-8 to 17-675-12 (Reserved).

SUBCHAPTER 3

EVALUATION OF ASSETS

§17-675-13 Purpose. This subchapter describes the individuals whose assets will be considered and when those assets will be evaluated for eligibility determination purposes. [Eff 3/19/93] (Auth: HRS §§346-14, 346-53) (Imp: HRS §§346-29, 346-53; 45 C.F.R. §233.20)

§17-675-14 Evaluating assets for financial assistance. (a) The assets of a recipient shall be evaluated as of the first of the month for which eligibility is being determined.

(b) The assets of applicant shall be evaluated as of the date of application for eligibility determination purposes.

(c) The amounts used to determine the equity value of non-exempt assets shall not be rounded off.

(d) The assets of an SSI recipient shall not be considered in determining eligibility for the federally funded AFDC category for remaining members of the household.

(e) The assets of an SSI recipient shall be considered in determining the recipient's eligibility for the state-funded AFDC, General Assistance, and state-funded assistance for aged, blind, and disabled individuals.

(f) When individuals in the household are eligible for financial assistance in different categories of assistance, the equity value of the asset shall be assigned to the individual who has legal ownership of the asset.

(g) Assets shall be considered part of the personal reserve both when actually available and when the applicant or recipient has a legal interest in a liquidated sum and has the legal ability to make such sum available for support and maintenance.

(h) In family groups in which there are children, assets of both parents, natural, legal, or adoptive, shall be considered available for each other and the support of their children. The natural parent, with no legal duty to support, who is not included in the financial assistance payment shall be counted as a member of the assistance household in determining whether the family's assets are below the family's personal reserve standard.

(i) Assets that are jointly held by an applicant or recipient and other persons shall be considered available, unless prohibited by the legal terms of ownership or evidence is presented to confirm the assets are not available to the applicant or recipient.

(j) All individuals shall apply for and develop potential sources of assets. When the individual fails to apply for or develop sources of assets, the department shall:

(1) Consider the amount the individual is entitled to receive in determining eligibility for financial assistance when the individual provides the department with verification of the amount; or

(2) Deny or terminate financial assistance when the individual fails to provide the department with verification to determine the amount of the asset.

(k) An individual or family who fails to provide verification of the value of their assets shall be ineligible for financial assistance.

(1) An individual or family shall be allowed ten days to provide the necessary verification of

the value of the individual's or family's assets; and

(2) The deadline may be extended because of factors beyond the individual's or family's control. [Eff 3/19/93; am 9/26/97] (Auth: HRS §§346-29, 346-53, 346-71) (Imp: HRS §§346-29, 346-71; 45 C.F.R. §233.20)

§17-675-15 Special provision for financial assistance programs only - assets of sponsor of an alien. (a) The assets of a sponsor of an alien and sponsor's spouse living with the sponsor shall be deemed to be the assets of the alien requesting financial assistance until such time as the alien becomes a United States citizen.

(b) The amount of a sponsor's assets deemed available to the alien shall be determined by:

(1) Establishing a value of all of the sponsor's assets according to department standards; and
(2) Exempting $1,500 from the total value of the sponsor's assets.

(c) If the amount deemed available to the alien exceeds the alien's personal reserve standard according to alien's family size, the alien shall be ineligible for financial assistance.

(d) The alien's failure to provide information and verification regarding the alien sponsor or alien sponsor's assets shall disqualify the alien from receiving financial assistance.

(e) Assets which are deemed to a sponsored alien shall not be considered in determining the need of other unsponsored members or the alien's family except to the extent the assets are actually available to the unsponsored aliens.

(f) The provisions of subsections (a),(b),(c), and (d) do not apply to an alien who is:

(1) Admitted as a conditional entrant refugee to the United States as a result of the application prior to April 1, 1980, under the provisions of section 203(a)(7) of the Immigration and Nationality Act;
(2) Admitted to the United States as a result of an application after March 31, 1980 under the

provisions of section 207(c) of the Immigration and Nationality Act;

(3) Paroled into the United States as a refugee under section 212(d)(5) of the Immigration and Nationality Act;

(4) Granted political asylum by the Attorney General under section 208 of the Immigration and Nationality Act;

(5) A Cuban or Haitian entrant as defined in section 501(e) of the Refugee Education Act of 1980, (Pub. L. No. 96-422);

(6) The dependent child of the sponsor or sponsor's spouse when residing in the same household as the sponsor; or

(7) A domestic violence victim as defined in section 17-675-2 and the alleged perpetrator of the violence is the alien’s sponsor. [Eff 3/19/93; am 9/26/97; am 01/22/02] (Auth: HRS §346-53) (Imp: HRS §346-29; 45 C.F.R. §233.51)

§17-675-16 REPEALED. [R 8/1/94]

§17-675-17 REPEALED. [R 8/1/94]

§17-675-18 <u>Evaluating assets for food stamps.</u> (a) The assets of all members of a food stamp applicant household shall be considered as of the time of the application interview. The household shall be given an opportunity to update any changes in its assets at the time of the application interview. A determination that the household did not transfer assets to become eligible for food stamp shall be made. The updated information shall be used to determine whether the household's assets are below the maximum allowable asset retention limits. In the instance when the asset level at the time of application is above the maximum allowable level and the asset level at the time of interview is below the maximum level, and the dates of application and interview are in two different months, the household will be denied for the month of application and certified eligible for the following month.

(b) The assets of all members of a food stamp recipient household are evaluated as of the first day of the corresponding issuance month.

(c) The assets of the non-household members shall not be counted as available to the household.

(d) The assets of excluded household member shall be counted as available to the remaining household members.

(e) Assets owned jointly by separate households shall be considered available in their entirety to each household, unless the household can demonstrate that the assets are inaccessible to the household. If the household can demonstrate that it has access to only a portion of the assets, that portion of the assets shall be counted toward the household's personal reserve. The assets shall be considered inaccessible to the household if the assets cannot be practically subdivided and the household's access to the value of the assets is dependent on the agreement of the joint owner who refuses to comply. For the purpose of this provision, ineligible aliens or disqualified individuals residing with the household shall be considered household members.

(f) The branch shall, in situations where the household has received a nonrecurring lump sum payment as specified in section 17-675-36(c), review the case file to determine if the amount received in addition to the amount of assets already listed in the case file will exceed the asset limit for the household. If the amount does not exceed the limit, the case file shall be documented with the information received. No further action shall be required. If the total amount exceeds the allowable asset limitation, the household shall be given an opportunity to update its entire asset statement. If the household declines to do so or the amount of assets still exceeds the limit, the branch shall take action to terminate the household's certification.

(g) Households who are categorically eligible as defined in section 17-663-143 shall be considered to have satisfied the resource eligibility criteria for the food stamp program. The assets of any household member who receives general assisstance (GA) benefits, supplemental security income (SSI) benefits under Title XVI of the Social Security Act, or benefits under Part A of Title IV of the Social Security Act (AFDC benefits) shall not be considered when determining the household's total assets. Jointly owned assets, which are considered accessible to all of the owners and which are jointly owned by members of a mixed food stamp household where one or more of the owners are categorically asset eligible and the rmaining owner or owners are not recipients of AFDC, GA, or SSI benefits, shall be prorated by the number of owners listed on the asset. The prorated amount that is attributed to the owners who are nonrecipients of AFDC, GA, or SSI benefits shall be considered a countable asset when determining the household's total assets. [Eff 3/19/93; am 2/7/94; am 8/19/96] (Auth: HRS §346-14) (Imp: 7 C.F.R. §§273.8(d),(j), 273.10(b))

§17-675-19 Special provisions for food stamps - commingled funds. (a) Liquid assets, as defined in section 17-675-2 that are listed in sections 17-675-26 and 17-675-29, which are kept in a separate account and are not commingled in an account with other nonexcluded funds, shall retain the exclusion for an unlimited period in spite of interest accruing. The interest shall be counted as unearned income in the month received and after that month, the interest shall be counted as assets.

(b) The assets of students and self-employed households which have been prorated, counted as income, and commingled with nonexcluded funds shall retain the exemption for the period over which the assets have been prorated as income.

(c) Those excluded moneys which are commingled in an account with nonexcluded funds shall retain their exemption for six months from the date the moneys are commingled. After six months from the date of commingling, all funds in the commingled account shall be counted as assets. Once excluded funds are commingled their exemption shall last only six months, even when the funds are subsequently placed in a separate account. [Eff 3/19/93; am 8/18/94] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(f))

§§17-675-20 to 17-675-24 (Reserved).

SUBCHAPTER 4

ASSETS TO BE EXEMPTED

§17-675-25 Purpose. This subchapter describes assets which are exempt in the determination of eligibility for financial assistance and food stamps. [Eff 3/19/93; am 8/1/94] (Auth: HRS §346-53) (Imp: HRS §346-53)

§17-675-26 Assets to be exempted. (a) The following assets shall be exempted from consideration in the individual or family personal reserve:

(1) Basic maintenance items of limited value essential to day-to-day living including but not limited to clothing, furniture, stove, refrigerator, or washing machine;
(2) All or a portion of the equity or market value of an automobile as described in subchapter 7;
(3) Any equity in the home which is the usual residence of the individual, family, or household;
(4) The value of the food stamp payments under the Food Stamp Act of 1977 (7 U.S.C. §§2011-2027);
(5) The value of the U. S. Department of Agriculture donated foods (surplus commodities);
(6) Any payment received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. §§4601-4655);
(7) Payments distributed per capita to or held in trust for a member of any Indian tribe under

25 U.S.C. §§1179, 1261-1265, 1305, 1401-1407, 459-459e, and 1626 and Pub. L. No. 94-540. Effective October 17, 1975, pursuant to Pub. L. No. 94-114, §6 (89 Stat. 577, 25 U.S.C. 459(e) receipts distributed to members of certain Indian tribes which are referred to in Pub. L. No. 94-114, §5 (89 Stat. 577, 25 U.S.C. 459d);

(8) Certain Indian judgment funds, as provided under Pub. L. No. 83-134, §7 and amended by Pub. L. No. 458, §4 (25 U.S.C. §1407), including those funds:
   (A) Held in trust by the Secretary of the Interior (including interest and investment income accrued while such funds are so held in trust); or
   (B) Distributed per capita to a household or member of an Indian tribe in accordance with a plan prepared by the Secretary of the Interior and not disapproved by a joint resolution of the Congress; and
   (C) Initial purchases made with such funds. This exclusion does not apply to the proceeds from the sale of initial purchases or to funds or initial purchases which are inherited or transferred;

(9) All funds held in trust (including interest and investment income accrued while the funds were held in trust) by the Secretary of the Interior for an Indian tribe, distributed per capita to a household or member of an Indian tribe and initial purchases made with such funds as provided by Pub. L. No. 98-64, §2 (25 U.S.C. §1179). This exclusion does not apply to proceeds from the sale of initial purchases, subsequent purchases made with funds derived from the sale or conversion of initial purchases, or to funds or initial purchases which are inherited or transferred;

(10) As provided by Pub. L. No. 100-241, §15 (43 U.S.C. §1626), any of the following distributions made to a household, an individual Native, or a descendant of a

Native by a Native Corporation established in accordance with the Alaska Native Claims Settlement Act (Pub. L. No. 92-203 as amended):

(A) Cash distributions (including cash dividends on stock from a Native Corporation) received by an individual to the extent that such cash does not, in the aggregate, exceed $2,000 in a year. Cash which, in the aggregate, is in excess of $2,000 in a year is not subject to the above exclusion;

(B) Stock, including stock issued or distributed by a Native Corporation as a dividend or distribution of stock;

(C) A partnership interest;

(D) Land or an interest in land, including land or an interest in land received by a Native Corporation as a dividend or distribution of stock; and

(E) An interest in a settlement trust;

(11) Payments made to volunteers under the Domestic Volunteer Service Act of 1973 (Volunteers In Service to America (VISTA)), student volunteers enrolled in institutions of higher education who participate in the University Year for Action (UYA) program, foster grandparents, senior health aides, senior companions (42 U.S.C. §§4951-5085) and under the Small Business Act (Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE) (15 U.S.C. §637);

(12) Value of free school lunches, provided under the Child Nutrition Act of 1966 and the National School Lunch program (42 U.S.C. §§1771-1789);

(13) Any meals provided to senior citizens, such as congregate meals or home delivered meals funded by the Older Americans Act of 1965 (42 U.S.C. §§3001-3057);

(14) Effective October 17, 1975, pursuant to Pub. L. No. 94-114, §6 (89 Stat. 577, 25 U.S.C. §459e) receipts distributed to members of certain Indian tribes which are referred to

in Pub. L. No. 94-114, §5 (89 Stat. 577, 25 U.S.C. §459d);

(15) Refunds of utility and rental deposits paid by the department;

(16) Cash payments to the assistance unit responsible for household bills by a non-unit household member for his or her share of common household expenses;

(17) Restitution payments provided under the Civil Liberties Act of 1988, Title I of Pub. L. No. 100-383, and the Aleutian and Pribilof Islands Restitution Act, Title II of Pub. L. No. 100-383;

(18) Payments made from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.) effective to January 1, 1989;

(19) All student educational assistance benefits, such as but not limited to, educational grants, loans, scholarships, fellowships, and deferred student loans;

(20) Assistance payments received as a result of a declared federal major disaster or emergency from the federal emergency management agency (FEMA) and other comparable disaster assistance provided by any state or local government agency or disaster assistance organizations;

(21) Payments received under the Radiation Exposure Compensation Act (Pub. L. No. 101-426) to compensate individuals for injuries or deaths resulting from the exposure to radiation from nuclear testing or uranium mining;

(22) Payments made to individuals because of their status as victims of Nazi persecution (Pub. L. 103-286);

(23) Payments made to a victim of a crime by the Criminal Injuries Compensation Commission. If the compensation is kept in a separate account and not commingled in an account with other non-excluded funds it shall retain the

exclusion for an unlimited period, even if interest is accruing; and

(24) All funds held in an individual development account (IDA) as defined in section 17-675-2.

(b) The following shall be exempted from consideration in the individual or family personal reserve for the financial assistance programs:

(1) Foster care payments to the foster care provider;

(2) The assets of the foster child; and

(3) Bonafide loans from any source shall be exempt from consideration in the individual's or family's personal reserve. A bonafide loan is a debt that the borrower has an obligation to repay; and

(4) Earned income tax credits (EITC) for the month in which an EITC payment is received and for the following month.

(c) For the GA and AABD programs, the following shall be exempt from consideration in the individual or family personal reserve:

(1) One wedding ring and one engagement ring; and

(2) Payments received by aged, blind, or disabled individuals under paragraphs 500 to 506 of the Austrian General Insurance Act.

(d) All of the funds in a checking or savings account jointly held with one or more SSI recipients, shall be exempt for federally funded AFDC purposes if the funds in the account were counted for SSI purposes. [Eff 3/19/93; am 2/7/94; am 8/1/94; am 12/15/95; am 9/26/97; am 7/16/99; am 01/22/02] (Auth: HRS §346-53) (Imp: HRS §346-29; 7 C.F.R. §273.8(e); 45 C.F.R. §233.20)

§17-675-27 Exemption of burial spaces and funeral plans. (a) In the financial assistance programs, one burial space, including plots, vaults, and niches, per family member is exempt. In addition, bonafide funeral plans or agreements up to a total of $1,500 of equity value for each family member is exempt.

(b) In the food stamp program, one burial plot per household member, except any amount that can be withdrawn from a prepaid burial plan without a contractual obligation to repay, shall be excluded. Funds from a prepaid burial plan that are borrowed or used with an agreement to repay shall be considered a loan. [Eff 3/19/93; am 8/01/94] (Auth: HRS §346-53) (Imp: HRS §346-29; 7 C.F.R. §273.8; 45 C.F.R. §233.20)

§17-675-28 Special provision for financial assistance programs only - temporary exemption of real property other than the home. Real property not used as a family home may be exempted for a period of six months during which the family is making a good faith effort to sell subject to the following provisions:

(1) The family shall sign a written agreement to sell the real property and to repay the amount of financial assistance received during the six months that would not have been paid had the real property been sold at the beginning of the period;

(2) The family has five working days from the date it realizes cash from the sale of the property to repay the overpayment; and

(3) If the property was intentionally sold at less than fair market value or if it is otherwise determined that a good faith effort to sell the property is not being made, the overpayment amount shall be computed using the fair market value determined at the beginning of the conditional six-month eligibility period. [Eff 3/19/93; am 3/14/94; am 9/26/97] (Auth: HRS §§346-29; 346-53) (Imp: HRS §§346-29.5, 346-53; 45 C.F.R. §233.20)

§17-675-29 Special provisions for the food stamp program - other excluded assets. The following assets are excluded in the food stamp program.

(1) Household goods, such as appliances, furniture, and televisions;

(2) Personal effects, such as clothes, shoes, and jewelry not intended for investments;

(3) The cash value of life insurance policies;

(4) The cash value of pension plans or funds, except for Keogh plans which involve no contractual relationship with individuals who are not household members and individual retirement accounts (IRA's);

(5) Property which annually produces income consistent with its fair market value, even if only used on a seasonal basis;

(6) Property such as farm land and rental homes, except certain vacation homes, which is essential to the employment or the self-employment of a household member. Property essential to the self-employment of a household member engaged in farming shall continue to be excluded for one year from the date the household member stopped farming;

(7) Rental homes which are used by households for vacation purposes at some time during the year which annually produces income consistent with the home's fair market value. The equity value of a vacation home used part of the year by the household which does not produce income consistent with the home's fair market value shall be counted as a resource;

(8) Work related equipment, such as the tools of a tradesperson or the machinery of a farmer, which is essential to the employment or self-employment of a household member;

(9) Installment contracts or an agreement of sale for the sale of land or buildings if the contract or agreement is producing income consistent with its market value. The value of the property sold under contract or held as security in exchange for a purchase price consistent with the fair market value of that property is also excluded;

(10) Non-liquid assets against which a lien has been placed as a result of taking out a business loan and the household is prohibited by the security or lien agreement with the lien holder from selling the asset;

(11) Property, real or personal, to the extent that it is directly related to the mainte-

nance or use of a vehicle excluded in subchapter 7;

(12) Any governmental payments which are designated for the restoration of a home damaged in a disaster, if the household is subject to a legal sanction if the funds are not used as intended. For example, payments include those made by the Department of Housing and Urban Development through the Individual and Family Grant Program, or disaster loans or grants made by the Small Business Administration;

(13) Assets, such as those of students or self-employed persons, which have been prorated and counted as income;

(14) Monthly income including, but not limited to, earnings, SSI, or retirement, survivors, and disability insurance (RSDI) payments directly assigned to the banks. The income received for that month shall be excluded in determining the resource amount for that month; and

(15) Indian lands held jointly with the tribe, or land that can be sold only with the approval of the Bureau of Indian Affairs;

(16) Any benefits received in the form of earned income tax credits (EITC) shall be considered as excluded assets in the first two months of the household's receipt of the EITC. The first two months are defined as the month of receipt and the following month. Any remaining balance that is still available to the household after these two months shall be considered countable assets to the household. Effective September 1, 1994, the EITC shall be considered as excluded assets for a priod of twelve months from the month of receipt if the individual receiving the EITC is participating in the food stamp program when the EITC is received and participates continuously during the twelve month period. Breaks of one month or less due to administrative reasons, such as delayed recertification, shall not be considered as nonparticipation

in determining the twelve month exclusion; and

(17) The assets of any household member who receives supplemental security income (SSI) benefits under Title XVI of the Social Security Act, aid to the aged, blind or disabled under Title I, X, XIV, or XVI of the Social Security Act, or benefits under Part A of Title IV of the Social Security Act (AFDC benefits). [Eff 3/19/93; am 2/7/94; am 8/18/94] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(e) and (h))

§17-675-30 Special provision for the food stamp program - inaccessible assets. (a) If the cash value of an asset is not accessible to the household, including, but not limited to, irrevocable trust funds, security deposits on rental property or utilities, property in probate, and real property which the household is making a good faith effort to sell at a reasonable price, then the personal or real property shall be exempted as an asset. The branch shall verify that the property is for sale and the household has not declined a reasonable offer. Verification shall be obtained through a collateral contact or documentation, such as an advertisement for public sale in a newspaper of general circulation or a listing with a real estate broker.

(b) Any funds in a trust or funds transferred to a trust, and the income produced by that trust to the extent it is not available to the household shall be considered inaccessible to the household if:

(1) The trust arrangement is not likely to cease during the certification period and no household member has the power to revoke the trust arrangement or change the name of the beneficiary during the certification period;

(2) The trustee administering the funds is either a court or an institution, corporation, or organization, not under the direction or ownership of any household member, or an individual appointed by the court who has court imposed limitations placed on the

individual's use of the funds which meet the requirement of this paragraph;

(3) The trust investments made on behalf of the trust do not directly involve or assist any business or corporation under the control, direction, or influence of a household member; and

(4) The funds held in irrevocable trust are either:

(A) Established from a household's own funds, if the trustee uses the funds solely to make investments on behalf of the trust or to pay the educational or medical expenses of any person named by the household creating the trust; or

(B) Established from nonhousehold funds by a nonhousehold member.

(c) Assets shall be considered inaccessible to persons residing in shelters for battered women and children if:

(1) The assets are jointly owned by such persons and by members of their former household;

(2) The shelter resident's access to the value of the assets is dependent on the agreement of a joint owner who still resides in the former household.

(d) An asset shall also be considered inacces sible if the household is unable to sell the asset for any significant return to the household because the household's interest is relatively slight or because the costs of selling the household's interest would be relatively great. An asset shall be so identified if its sale or any other disposition taken against that asset is unlikely to produce any significant amount of funds for the support of the household. The assets affected by this subsection are all nonliquid assets, except vehicles, as defined in section 17-675-2, and does not apply to financial instruments such as stocks, bonds, and negotiable financial instruments. In determining whether the asset is to be exempted based on this subsection, the following standard shall be used:

(1) "Significant return" shall be any return, after estimated costs of sale or disposition,

and taking into account the ownership interest of the household, that is estimated to be one-half or more of the applicable resource limit for the household; and

(2) "Any significant amount of funds" shall be funds amounting to one-half or more of the applicable resource limit for the household. [Eff 3/19/93; am 2/7/94; am 4/1/96] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(e)(8))

§17-675-31 REPEALED. [R 8/1/94]

§§17-675-32 to 17-675-35 (Reserved).

SUBCHAPTER 5

ASSETS TO BE CONSIDERED

§17-675-36 Assets to be considered. (a) Unless exempted in subchapter 4, the following assets shall be considered in the individual or family personal reserve:

(1) Cash on hand;
(2) Cash in savings and checking accounts;
(3) Stocks and bonds. The individual shall obtain verification of the value of stocks and bonds from a stock brokerage firm;
(4) Time deposits and savings certificates. The individual shall obtain verification of the value of assets from the financial institution where the funds are deposited;
(5) State tax refunds, including state excise tax credits and state income tax credits;
(6) Governmental debenture bonds, such as savings bonds, treasury notes, or municipal bonds. The individual shall obtain verification of the value of these assets from financial institutions or stock brokerage firms;

(7) Mutual fund shares. The individual shall obtain verification of the value of the mutual fund shares from a stock brokerage firm;

(8) The equity in burial plots, funeral plans or agreements, or burial vaults, not exempt in section 17-675-27. Equity shall be determined by subtracting all encumbrances from the market value. The individual shall provide verification of the equity value of burial plots, funeral plans or agreements, or burial vaults;

(9) The nonexempt value of motor vehicles;

(10) Any equity in real property not used as the family home, not exempt in section 17-675-26 or 17-675-48;

(11) Moneys or assets in trust funds;

(A) For the financial assistance program only, if an irrevocable trust is involved or there is a legal impediment to the current availability of money or assets of the trust, the applicant, recipient, or trust owner shall execute an agreement to allow the department of human services to institute proceedings for disbursement of moneys from the trust. The department of attorney general shall represent the department of human services in the proceedings. The applicant, recipient, or trust owner's failure to execute the agreement to obtain moneys or assets from the trust shall make the applicant, recipient, or trust owner ineligible for financial assistance.

(B) The provision in subparagraph (A) does not apply to the food stamp program;

(12) Stocks or equity in any profit sharing plan.

(A) The value of any profit sharing plan shall not be counted as an asset as long as the individual continues to be employed by the firm which controls the profit sharing plan. Any payments made to the individual or family from the profit sharing plan shall be counted as part of the personal reserve.

(B) For the food stamp program, profit sharing plan shall be counted as a resource if the cash value is accessible. The cash value of any profit sharing plan shall not be counted as a resource if the cash value is inaccessible as specified in section 17-676-30(a).

(C) For the food stamp program, if the individual has terminated employment and receives the profit sharing funds as a nonrecurring lump sum payment, then the payment shall be counted as resource as specified in section 17-676-36(c).

(13) Money received by the individual or family from the sale of assets shall be counted as part of the personal reserve;

(14) Investments in diamonds, gold, silver, or other precious metals;

(15) The equity value of any assets not exempt under sections 17-675-26, 17-675-27, 17-675-28, and 17-675-29. The individual shall submit verification of the value of these assets;

(16) Federal tax refunds;

(17) Refunds of utility and rental deposits not paid by the department.

(b) For the financial assistance programs, the following assets shall be considered in the individual or family personal reserve:

(1) The equity value of life insurance policies. Equity value of a life insurance policy shall be determined by subtracting any outstanding loans or encumbrances from the cash value of the policy. The individual shall obtain verification of the equity value of the policy from the insurance company;

(2) Any equity in personal property, such as jewelry, a boat, or boat trailer, not exempt in subchapter 4;

(3) Any equity in any business;

(4) The dollar value of interest received by the family or credited to any accounts for the family from banks, loans, or other sources; and

(5) Cash dividends from stocks, life insurance, or other sources.

(c) For the food stamp program only, all nonrecurring lump sum payments, such as, but not limited to the following, shall be considered as countable assets to the food stamp household in the month received unless specifically excluded from consideration as an asset by other federal law:

(1) Retroactive payments for past months, such as social security, SSI, public assistance, railroad retirement benefits, unemployment compensation benefits, Department of Housing and Urban Development rental refund payments, or other payments;

(2) Retroactive annual adjustment payments in the veteran administration's (VA) disability pensions; and

(3) Lump sum insurance settlements.

Nonrecurring lump sum payments are defined as one-time payments to the food stamp household. [Eff 3/19/93; am 2/7/94; am 8/1/94; am 2/10/97; am 01/22/02] (Auth: HRS §§346-53, 346-71) (Imp: HRS §§346-29, 346-71; 7 C.F.R §273.8; 45 C.F.R. §233.20)

§17-675-37 Determining equity in any business for the financial assistance programs. (a) Equity in a business shall be determined by subtracting current liabilities from the current book value of the assets.

(b) The department shall exempt the following assets essential to the production of goods or services in determining equity in a business:

(1) Stock and inventory;

(2) Tools and equipment; and

(3) Motor vehicles required for use in the business.

(c) The applicant or recipient shall be responsible for submitting the applicant's or recipient's information to the department.

(d) Failure on the part of the applicant or recipient to provide information to determine the interest in a business shall disqualify the individual from receiving financial assistance. [Eff 3/19/93; am 2/7/94; am 8/1/94] (Auth: HRS §346-53; 45 C.F.R. §233.20) (Imp: HRS §§346-29, 346-53; 7 C.F.R. §273.8; 45 C.F.R. §233.20)

§§17-675-38 to 17-675-42 (Reserved).

SUBCHAPTER 6

EVALUATION OF REAL PROPERTY

§17-675-43 Equity value of real property. (a) The equity value of real property shall be determined by subtracting all encumbrances from the fair market value.

(b) The equity value of any real property not designated within this chapter to be exempt shall be considered assets countable toward the family's or household's personal reserve. [Eff 3/19/93] (Auth: HRS §346-53) (Imp: HRS §346-29; 7 C.F.R §273.8 (c); 42 C.F.R. §431.10; 45 C.F.R. §233.20)

§17-675-44 Treatment of some special forms of ownership of real or personal property. (a) The fair market value of the individual's interest in property shall be determined on a case-by-case basis by considering the following variables:

(1) Geographic location;
(2) Land use (developed, undeveloped, income-producing, etc.);
(3) Amenities (utility hookups, access to public roads, etc.);
(4) Land configuration (flag lot, landlocked, etc.);
(5) Marketability; and
(6) Type of ownership.

(b) Acceptable verification of the fair market value includes:

(1) A current sales agreement provided the selling price reflects the current property appraisal or an accurate valuation of the property;

(2) A licensed realtor's written statement which reflects an asesssment of each of the variables in paragraph (a);

(3) A licensed appraiser's current valuation of the property; or

(4) The current property tax assessment if the applicant or recipient feels that it represents an accurate valuation of the property.

(c) The value of the individual's share in property shall be determined as a separate unit, on a case-by-case basis by considering the variables listed in subsection (a).

(1) The current value of property under an agreement of sale shall be allocated between the buyer and seller in accordance with their respective interests as follows:

  (A) The buyer's interest shall be the fair market value of the real property minus the balance due on the agreement of sale; and

  (B) The seller's interest shall be the balance on the agreement of sale.

(2) The current value of property subject to life estates with remainder interest shall be allocated between the life tenant and the remaindermen by determining the present worth of their respective interests using the Social Security Life Estate and Remainder Interest Table (attached at the end of this chapter).

(3) For the financial assistance programs only, the treatment provided in this section is complemented by the procedures set forth in this chapter for providing financial assistance pending removal of legal impediments to ownership of real property and through use of real property liens. [Eff 3/19/93; am 5/27/97] (Auth: HRS §346-53)

(Imp: HRS §346-53; 7 C.F.R. §273.8; 42 C.F.R §435.851; 45 C.F.R. §233.20)

§17-675-45 <u>Special provision for financial assistance programs - real property liens.</u> (a) The department shall require a lien on real property not used as a home by the applicant or recipient, pursuant to section 346-29.5, H.R.S., when financial assistance is provided pursuant to section 17-675-28.

(b) The lien shall be for all amounts of financial assistance provided to the family, subject to all the provision of section 346-29.5, HRS. [Eff 3/19/93] (Auth: HRS §346-29.5) (Imp: HRS §346-29.5)

§17-675-46 <u>Special provision for financial assistance programs - eligibility pending removal of legal impediments to ownership of real property.</u> (a) Financial assistance shall be provided to an otherwise eligible individual or family while legal impediments to ownership of real property not used as a home are being removed, on condition the individual or family:

(1) Agrees, within thirty days of the date the family is notified of the requirement, to execute a lien on the property as required by paragraph (3);

(2) Submits a plan of action, within thirty days of the date the family is notified of the requirement, to remove the legal impediments to ownership of real property; and

(3) Executes the real property lien within ninety days of the date the family is notified of the requirement.

(b) Failure to meet these deadlines shall disqualify the individual or family from receiving further financial assistance, and financial assistance provided shall constitute an ineligible payment recoverable by the department.

(c) The department shall periodically review the plan of action and a recipient's failure to take appropriate action shall disqualify the recipient from further financial assistance. [Eff 3/19/93; am

1/30/95] (Auth: HRS §§346-53, 346-29.5) (Imp: HRS §§346-53, 346-29.5; 45 C.F.R. §233.20)

§17-675-46.01 Special provisions for financial assistance programs only - temporary exemption of real property other than the home. Real property not used as a family home may be exempted for a period of six months during which the family is making a good faith effort to sell subject to the following provisions:

(1) The family shall sign a written agreement to sell the real property and to repay the amount of financial assistance received during the six months that would have been paid had the real property been sold at the beginning of the period;

(2) The family has five working days from the date it realizes cash from the sale of the property to repay the overpayment; and

(3) If the property was intentionally sold at less than fair market value or if it is otherwise determined that a good faith effort to sell the property is not being made, the overpayment amount shall be computed using the fair market value determined at the beginning of the conditional six-month eligibility period. [Eff 9/26/97] (Auth: HRS §§346-29; 346-53) (Imp: HRS §§346-29.5, 346-53; 45 C.F.R. §233.20)

§17-675-47 REPEALED. [R 8/01/94]

§17-675-48 Real property used as a home. (a) Real property, which is considered the home or usual place of residence of the applicant or recipient family or household, is generally exempt from consideration as a countable asset.

(b) For the financial assistance programs, the exemption of home property is limited to the parcel of land and a single structure, which is considered the usual residence of the family. Any other structure or structures on the parcel of land are not included in the home property exemption.

(1) For the purposes of this subsection, whether an applicant or recipient is living on or away from real property shall determine whether the real property is to be considered home property or not, irrespective of the form of the individual's interest such as a life tenant, remainderman, a buyer or seller under an agreement of sale, settler or beneficiary under a trust, or any other form of lesser or divided interest.

(2) Any interest in any real property owned by an individual living in a domiciliary care home shall be considered as real property not used as the family home.

(c) For the food stamp program, home property generally consists of the structure in which the household resides and the land immediately surrounding the structure. Land, separated from the home by intervening property, not public rights of way but land owned by other parties, shall not be considered part of the home.

(1) Provided the household members intend to return, the home property shall remain exempt when temporarily not occupied for reasons of employment, training for future employment, illness, or uninhabitability caused by casualty or natural disaster.

(2) If any part of the home property is rented, the income producing test normally required to exempt such real property shall not apply. The entire parcel of real property, provided it remains the home of the household, shall continue to be exempt.

(3) If a household does not already own a home, the value of land purchased for the purpose of building a structure to be the home of the household shall be exempted. If the building which will be the household's home is partially completed, the value of the structure shall be exempt.

(4) Other structures, which are located either on the same or on a contiguous lot as the

household's first home, that are designed, converted, or remodeled into a dwelling unit that is or can be used in whole or in part as a home, residence, or sleeping place by one or more individuals shall be counted towards the household's assets unless the structure can be excluded under one of the other asset exemptions listed in this section.

(A) These other structures, excluding vehicles, can be permanent or mobile in nature;

(B) The structure shall be considered exempt if a member of the food stamp household is residing in this other structure because of space limitations in the household's first home. [Eff 3/19/93; am 8/01/94; am 12/9/94] (Auth: HRS §346-53) (Imp: HRS §346-53; 7 C.F.R §273.8(e); 45 C.F.R. §233.20)

§17-675-49 Special provision for the food stamp program - income producing property. (a) For the food stamp program, equity in real property which annually produces income consistent with its fair market value, even if only used on a seasonal basis are exempt assets.

(1) Property such as farm land and rental home, except certain vacation homes, which is essential to the employment or self-employment of a household member are exempt. Property essential to the self-employment of a household member engaged in farming shall continue to be excluded for one year from the date the household member stopped farming.

(2) Rental homes which are used by households for vacation purposes at some time during the year which annually produces income consistent with the home's fair market value shall be exempt. The equity value of a vacation home used part of the year by the household which does not produce income consistent with the home's fair market value

shall be counted as part of the household's personal reserve.

(b) When it is necessary to determine if property is producing income consistent with its fair market value, the branch shall contact local realtors, local assessors, the Small Business Administration, the Farmer's Home Administration, or other similar sources to determine the prevailing rate of return, for example, square foot rental for similar usage of real property in the area.

(c) If the branch determines that the property is not producing income consistent with its fair market value, for example, the property is being leased for a token payment, the equity amount of the property shall be counted as an asset. However, if the property is leased for a return that is comparable to other property in the area leased for similar purposes, it shall be considered as producing income consistent with its fair market value and shall not be considered an asset.

(d) All findings shall be thoroughly documented in the case file.

(e) Property exempt as essential to employment need not be producing income consistent with its fair market value. For instance, the land of a farmer is essential to the farmer's employment and a good or bad crop year shall not affect the exemption of the property as an asset. [Eff 3/19/93] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(e))

§§17-675-50 to 17-675-54 (Reserved).

SUBCHAPTER 7

EVALUATION OF MOTOR VEHICLES

§17-675-55 Evaluation of automobiles and treatment of the values in the financial assistance programs. (a) For those eligible for GA or AABD, one automobile owned by the individual shall be exempt if it is:

(1) Necessary for employment;
(2) Necessary for the treatment of a specific or regular medical problem;
(3) Utilized to transport a disabled person; or
(4) Necessary for daily use.

(b) If no automobile is exempt under the provisions of subsection (a), the first $4,500 of the fair market value of one automobile is excluded. Equity value is not a consideration for purposes of this exclusion.

(c) For those eligible for AFDC, one automobile regardless of value shall be disregarded and not included in the personal reserve.

(d) The equity value of any other automobile owned by the individual or family shall be considered in the individual's or family's personal reserve.

(e) The equity value of an automobile shall be determined by subtracting all encumbrances from the fair market value of the vehicle. If an automobile is equipped with apparatus for the handicapped, the apparatus shall not increase the value of the vehicle.

(f) The fair market value of the automobile shall be determined by considering:
(1) The Kelly blue book retail value;
(2) Newspaper advertisements on the retail value for the same make, model, size, year, and condition of the automobile; or
(3) Opinions of retail value by qualified automobile appraisers.

(g) The equity value of automobiles owned or registered jointly by a member of the assistance unit and non-members, including SSI recipients, shall be determined by dividing the equity value by the number of legal or registered owners. If a legal impediment exists, the equity value shall be exempt. [Eff 3/19/93; am 8/1/94; am 12/15/95; am 1/25/97; am 9/26/97] (Auth: HRS §346-53) (Imp: HRS §346-29; 45 C.F.R. §233.20; 47 Fed. Reg. 5674; Waiver Terms and Conditions, August 16, 1996, Administration for Children and Families - Department of Human Services)

§17-675-56 REPEALED. [R 8/1/94]

§17-675-57 Exempt motor vehicles in the food stamp program. (a) The entire value of any licensed vehicle, including, but not limited to, a taxi, tractor, or fishing boat, shall be totally exempt if the vehicle:

(1) Is used primarily (over fifty per cent of the time the vehicle is used) for income producing purposes. Licensed vehicles which have previously been used by a self-employed household member engaged in farming but are no longer used over fifty percent of the time in farming because of the termination of the member's self-employment from farming shall continue to be excluded as a resource for one year from the date of termination of the household member's self-employment from farming;

(2) Annually produces income consistent with its fair market value, even if used only on a seasonal basis;

(3) Is necessary for long distance travel, other than daily commuting, that is essential to the employment of a household member (or an ineligible alien or disqualified person whose resources are being considered available to the household). For example, the vehicle of a traveling sales person or a household member who would be fired or not hired if a vehicle could not be provided shall be exempted;

(4) Is necessary for subsistence, hunting, or fishing, such as a snowmobile in the remote areas of Alaska;

(5) Is currently used as the household's home;

(6) Is necessary to transport a physically disabled household member (or an ineligible alien or disqualified person whose resources are being considered available to the household) regardless of the purpose of the transportation.

    (A) One vehicle shall be excluded for each physically disabled person.

(B) A vehicle is excluded if the vehicle is specially equipped to meet the specific needs of the disabled person or if the vehicle is a special type of vehicle that makes it possible to transport the disabled person.

(C) The personal vehicle need not be specially equipped or used for particular purposes.

(D) The vehicle need not be exclusively or primarily used by the physically disabled household member since a vehicle may be necessary for a physically disabled person even if other household members also use the vehicle.

(E) A household with a member who has a temporary physical disability is also entitled to the resource exclusion of the value of a vehicle used to transport the disabled member. If the disabled person loses the disability during the certification period, the household shall be required to report the change in circumstances; or

(7) Is necessary to transport fuel for heating or water for home use when such transported fuel or water is the primary source of fuel or water for the household.

(b) The vehicle exemption shall also apply during temporary periods of unemployment when the vehicle is not in use. For example, when a taxi driver is ill or a fishing boat is frozen in the harbor, the vehicles shall be exempted.

(c) Vehicles exempt for equity value shall include:

(1) One licensed vehicle for each household other than those exempted in subsection (a);

(2) Any additional licensed vehicle necessary for household members (or an ineligible alien or disqualified person whose resources are being considered available to the household) to accept or continue employment, seek employment, or to attend training or school preparatory to employment. A vehicle

customarily used to commute to and from employment shall be excluded by this provision during temporary periods of unemployment; and

(3) Vehicles excluded in subsection (a). [Eff 3/19/93; am 8/18/94] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(h))

§17-675-58 Evaluation of non-income producing licensed motor vehicles in the food stamp program. (a) All licensed vehicles, except boats, not excluded under section 17-675-57 shall individually be evaluated for fair market value, as discussed in subsection (d). That portion of the value of an individual vehicle which exceeds $4,650 shall be attributed in full toward the household's resource level, regardless of any encumbrances on the vehicle, unless the vehicle has both fair market value and equity value. The value of two or more vehicles shall not be added together to obtain a total fair market value in excess of $4,650. For example, a household may own a car with a fair market value of $5,500. Since the value of the car is in excess of $4,650, the amount in excess, $850, shall be added to the household's resource level. A household may own two cars and no other resource. One car has a fair market value of $3,000 and the other $4,000. If both cars are exempt for equity value, then the household has no resource according to the fair market value test.

(b) All non-income producing licensed vehicles shall be individually evaluated for the equity value except for the vehicles exempted in section 17-675-57.

(c) If a licensed vehicle is assigned both a fair market value in excess of $4,650, as in subsection (a), and an equity value, only the greater of the two amounts shall be counted as a resource. For example, a household has two cars. The second car is not used for commuting to work. The fair market value is $5,000 and the household has paid $1,000 on the loan. The excess fair market value is $450 and the equity value is $1,000. The $1,000 which is the greater of the two shall be counted towards the household's resource level and the $450 excess fair market value shall not be counted.

(d) The fair market value of licensed automobiles, trucks, and vans shall be determined by the wholesale value of those vehicles as listed in publications written for the purpose of providing guidance to automobile dealers and loan companies. Publications listing the value of vehicles are usually referred to as "blue books." The blue book shall be used and updated every six months.

(1) The branch shall assign the wholesale value to vehicles. If the term "wholesale value" is not used in a particular blue book, the branch shall assign the listed value which is comparable to the wholesale value. The basic value of a vehicle shall not be increased by adding the low mileage, or other factors such as optional equipment. A household may indicate that for some reason, such as body damge or inoperability, a vehicle is in less than average condition. Any household which claims that the blue book value does not apply to its vehicle shall be given the opportunity to acquire verification of the true value from a reliable source such as a used car dealer.

(2) Households shall be asked to acquire verification of the value of licensed antique, custom made, or classic vehicles, if the branch is unable to make an accurate appraisal.

(3) If a vehicle is specially equipped with apparatus for the handicapped, the apparatus shall not increase the value of the vehicle. The blue book value shall be assigned as if the vehicle was not so equipped.

(4) If a vehicle is no longer listed in the blue book, the household's estimate of the value of the vehicle shall be accepted, unless the branch has reason to believe that the estimate is incorrect. If it appears that the vehicle's value will affect eligibility, the household shall obtain an appraisal or produce other evidence of its value, such as a tax assessment or a newspaper advertisement

indicating the sale price of similar vehicles.

(5) If a new vehicle is not yet listed in the blue book, the branch shall determine the wholesale value through some other means such as contacting a new car dealer which sells that make of vehicle. [Eff 3/19/93; am 8/18/94; am 4/1/96; am 10/28/96] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(g) and (h); Pub. L. No. 104-193 (1996))

§17-675-59 Unlicensed vehicles in the food stamp program. Unlicensed vehicles, unless exempt as described in section 17-675-57(a) shall be evaluated for equity value. The equity value shall be attributed toward the household's resource level. If an unlicensed vehicle is a "junker," not running, half the frame and parts not intact, etc., thus having no fair market value, then the vehicle shall have no equity value and therefore, no value as assets. [Eff 3/19/93; am 12/9/94] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(c)(2))

§§17-675-60 to 17-675-64 (Reserved).

SUBCHAPTER 8

DISPOSAL OF ASSETS

§17-675-65 Disposal of assets for less than fair market value in financial assistance programs. (a) Any applicant who disposed of any assets valued at an aggregate of more than $5,000, for less than fair market value, within the preceding twenty-four months shall be ineligible for financial assistance if the applicant disposed of the assets for the purpose of establishing eligibility for financial assistance.

(1) Any such disposal shall be presumed to be for the purpose of establishing eligibility for financial assistance unless the applicant

proves by a preponderance of evidence that the transfer was for some other purpose;

(2) The value of the asset shall be the fair market value at time of disposal less the amount of compensation received for the asset, if any; and

(3) The period of ineligibility shall be determined by dividing the proceeds for the liquidated property that would have been used to meet the applicant's needs by two hundred per cent of the department's standard of assistance for the family in the month of application. The standard of assistance shall be 62.5 per cent of the standard of need as defined in section 17-678-4. The period of ineligibility shall be not more than twenty-four months.

(b) Any recipient who disposes of any assets valued at an aggregate of more than $5,000 for less than fair market value, shall be ineligible for financial assistance for the period of time the proceeds for the liquidated property would have been used to meet two hundred per cent of the family's needs according to the department's standard of assistance for the family. The period of ineligibility shall be not more than twenty-four months. [Eff 3/19/93; am 9/26/97] (Auth: HRS §346-53) (Imp: HRS §§346-34, 346-53)

§17-675-66 REPEALED. [R 8/1/94]

§17-675-67 Disposal of assets for less than fair market value in the food stamp program. (a) At the time of application, households shall be asked to provide information regarding any resources which any household members (or ineligible alien or disqualified person whose resources are being considered available to the household) had transferred, including, but not limited to, bank accounts, title on a car, a trust, or property which is not producing income equal to the fair market value, within the three-month period immediately preceding the date of application.

Households which have knowingly transferred resources for the purpose of qualifying or attempting to qualify for food stamp benefits shall be disqualified from participation in the FSP for up to one year from the date of the discovery of the transfer. This disqualification period shall be applied if the resources were transferred knowingly in the three-month period prior to application or if the resources were transferred knowingly after the household was determined eligible for benefits.

(b) Eligibility for the program shall not be affected by the following transfers:

(1) Resources which do not otherwise affect eligibility;

(2) The sale or trade of resources at or near fair market value; and

(3) Resources transferred between members of the same household (including ineligible aliens or disqualified persons whose resources are being considered available to the household) or transferred for reasons other than attempting to qualify for FSP benefits.

(c) The length of the disqualification period for a household determined to have knowingly transferred resources for the purpose of qualifying or attempting to qualify for FSP benefits shall be based on the amount by which the transferred resources, when added to other countable resources, exceeds the allowable resource limits. The following amounts shall be used to determine the period of disqualification:

Amount in Excess of the Resource Limit	Period of Disqualification
$ 0 - 249.99	1 month
250 - 999.99	3 months
1,000 - 2,999.99	6 months
3,000 - 4,999.99	9 months
5,000 and up	12 months

For example, if a one person household with $1,750 in a bank transferred ownership of a car worth $5,000, only $250 would be considered as in excess of the resource limit. The first $4,500 of the car's fair market value is exempt, then $250 of the transferred asset is applied toward the $2,000 resource limit which leaves $250 as the amount in excess of the resource limit. The household shall be disqualified for three months for transferring a resource of $250.

(d) If the branch establishes that an applicant household knowingly transferred resources for the purpose of qualifying or attempting to qualify for food stamp benefits, the branch shall send the household a notice of denial explaining the reason for and length of the disqualification. The period of disqualification shall begin in the month of application. If the household is participating at the time of the discovery of the transfer, a notice of adverse action explaining the reason for and length of the disqualification shall be sent. The period of disqualification shall be effective with the first allotment issued after the adverse action notice period has expired, unless the household requests a fair hearing and continued benefits. [Eff 3/19/93; am 8/18/94] (Auth: HRS §346-14) (Imp: 7 C.F.R. §273.8(i))

SOCIAL SECURITY LIFE ESTATE AND
REMAINDER INTEREST TABLES
49 Federal Register Vol. 49 No. 93 05/11/84

AGE	LIFE ESTATE	REMAINDER
0	.97188	.02812
1	.98988	.01012
2	.99017	.00983
3	.99008	.00992
4	.98981	.01019
5	.98938	.01062
6	.98884	.01116
7	.98822	.01178
8	.98748	.01252
9	.98663	.01337
10	.98565	.01435
11	.98453	.01547
12	.98329	.01671
13	.98198	.01802
14	.98066	.01934
15	.97937	.02063
16	.97815	.02185
17	.97700	.02300
18	.97590	.02410
19	.97480	.02520
20	.97365	.02635
21	.97245	.02755
22	.97120	.02880
23	.96986	.03014
24	.96841	.03159

UNOFFICIAL

AGE	LIFE ESTATE	REMAINDER
25	.96678	.03322
26	.96495	.03505
27	.96290	.03710
28	.96062	.03938
29	.95813	.04187
30	.95543	.04457
31	.95254	.04746
32	.94942	.05058
33	.94608	.05392
34	.94250	.05750
35	.93868	.06132
36	.93460	.06540
37	.93026	.06974
38	.92567	.07433
39	.92083	.07917
40	.91571	.08429
41	.91030	.08970
42	.90457	.09543
43	.89855	.10145
44	.89221	.10779
45	.88558	.11442
46	.87863	.12137
47	.87137	.12863
48	.86374	.13626
49	.85578	.14422
50	.84743	.15257
51	.83674	.16126
52	.82969	.17031
53	.82028	.17972
54	.81054	.18946

AGE	LIFE ESTATE	REMAINDER
55	.80046	.19954
56	.79006	.20994
57	.77931	.22069
58	.76822	.23178
59	.75675	.24325
60	.74491	.25509
61	.73267	.26733
62	.72002	.27998
63	.70696	.29304
64	.69352	.30648
65	.67970	.32030
66	.66551	.33449
67	.65098	.34902
68	.63610	.36390
69	.62086	.37914
70	.60522	.39478
71	.58914	.41086
72	.57261	.42739
73	.55571	.44429
74	.53862	.46138
75	.52149	.47851
76	.50441	.49559
77	.48742	.51258
78	.47049	.52951
79	.45357	.54643
80	.43659	.56341
81	.41967	.58033
82	.40295	.59705
83	.38642	.61358
84	.36998	.63002

AGE	LIFE ESTATE	REMAINDER
85	.35359	.64641
86	.33764	.66236
87	.32262	.67738
88	.30859	.69141
89	.29526	.70474
90	.28221	.71779
91	.26955	.73045
92	.25771	.74229
93	.24692	.75308
94	.23728	.76272
95	.22887	.77113
96	.22181	.77819
97	.21550	.78450
98	.21000	.79000
99	.20486	.79514
100	.19975	.80025
101	.19532	.80468
102	.19054	.80946
103	.18437	.81563
104	.17856	.82144
105	.16962	.83038
106	.15488	.84512
107	.13409	.86591
108	.10068	.89932
109	.04545	.95455

Ho`owaiwai
2007 Legislative Talking Points
HB 1007 – Asset Disregard

General Points:
Hawai‘i needs comprehensive public policies to help people build assets. This should include a package of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and become homeowners.

- **One in five** households in Hawai‘i have zero or negative net worth, the 5th worst ranking among the states.
- **One in four** households do not have enough assets to subsist at the poverty level for three months if their income were disrupted.
- Assets are essential for three reasons:
    1. To have **financial security** against difficult times
    2. To create **economic opportunities** for oneself
    3. To **leave a legacy** for future generations to have a better life

HB 1007 *provides that the department of human services shall not consider moneys in escrow accounts established under the federal housing and urban development family self-sufficiency program when determining eligibility for assistance or other benefits under Chapter 346, Hawai‘i Revised Statutes.*

- Hawai‘i has seen a dramatic increase in housing costs over the past few years. With the combination of high housing costs and low- to moderate- incomes, many Hawai‘i families cannot afford to purchase a home.

- Public assistance programs, like the Family Self-Sufficiency Program, assist low-income families in building savings in an escrow account to use as a down payment for a home. This saving mechanism helps families build their assets, purchase a home, and achieve self-sufficiency.

- Homeownership is an important asset for families and a critical component for economic security in Hawai‘i. Saving for a home should not prevent families form receiving other public benefits.

HO`OWAIWAI
…The Hawai`i Asset Policy Initiative

Asset-Building Policy for Hawai`i

Produced by

The Hawai`i Alliance for Community-Based Economic Development

December 2006

TABLE OF CONTENTS

HACBED & The Ho'owaiwai Initiative

This document was prepared by the Hawai`i Alliance for Community-Based Economic Development (HACBED). HACBED is a statewide, tax-exempt, nonprofit organization established in 1992 to encourage increased investments in sustainable and community-based approaches to economic development. HACBED's mission is to maximize the effectiveness of people working in communities and the nonprofit sector to build a healthier and safer Hawai`i through community-based economic development.

Ho'owaiwai is a Hawaiian word meaning "to enrich". *Wai* means "water". In old Hawai`i, it was everyone's *kuleana* or "responsibility" to *malama i ka wai* or "to take care of the water" because it affected the livelihood of the entire village. If you had a sufficient supply of *wai*, you were considered "wealthy". The goal of the *Ho'owaiwai* initiative is to create a collaborative environment that nurtures the wealth of our communities and families in a way that will be perpetuated for future generations. While economic security is fundamental to wealth creation, asset-building strategies must give equal consideration to building natural, human, cultural, and social assets that are the foundation of a community. They must also take into account that, for many, wealth is the ability to share possessions rather than just accumulate them for one's self.

Author and Contributors

The primary author of this report was Andrew Aoki. Andrew is co-founder of 3Point, a Hawai`i-based, mission-driven company that provides public interest consulting, research and advocacy.

Lillian "Beadsie" Woo contributed to the content, structure and editing of this report. Beadsie is a senior economist for CFED (formerly the Corporation for Enterprise Development, a nonprofit organization that expands economic opportunity). Beadsie manages the measure construction and data analysis for CFED's annual *Development Report Card for the States* and biennial *Assets and Opportunity Scorecard.*

Heather McCulloch contributed significantly to the planning, research, content and editing of this report. Heather is the founder of Asset Building Strategies, a consulting firm based in San Francisco, which is focused on advancing policies and strategies to enable low-wealth families to build assets.

To better understand the life experiences of families, focus groups were held in Papakolea and Waipahu. Present day stories appearing in this report come from these sessions as well as focus groups conducted for the Family Independence Initiative (FII) of Hawai`i. Some concepts and principles illustrated in this report stem from FII-Hawai`i and the founder of FII-Oakland, Maurice Lim Miller. We are very grateful to Maurice and all the participating families for their *mana'o*. Support for FII – Hawai`i comes from The Hawai`i Community Foundation, the Harold K.L. Castle Foundation, and the Case Foundation.

Acknowledgements

This report was funded by the Annie E. Casey Foundation, the Hawai`i Community Foundation, the Kosasa Family Fund, the Wallace Alexander Gerbode Foundation, the Atherton Family Foundation and the National Rural Funders Collaborative. We thank them for their support, but acknowledge that the findings and conclusions presented in this report are those of HACBED and the authors alone, and do not necessarily reflect the opinions of these foundations.

INTRODUCTION

At the heart of Hawai`i is an enduring determination to honor our past and leave a legacy for future generations. Today, many people in Hawai`i enjoy a level of security and comfort unknown to their ancestors. Generation upon generation had to overcome disenfranchisement, disease, disasters, discrimination, difficult work conditions, extreme poverty, and limited opportunity to carve out a better life—for themselves and their children.

They accomplished this with hard work and sacrifice—and *asset-building*. In the early and mid 20th century, the people of Hawai`i knew how to build financial assets. In even the most challenging of circumstances, they saved money, started businesses, utilized credit, bought property, invested in education, and saved for retirement.

These abilities were aided by historic movements: unions fought for better wages and benefits, local businesses dedicated themselves to community needs, new industries with better jobs were established, charitable organizations developed a strong safety net, discriminatory practices were curtailed, and public policy focused on ways to ensure that people could get by.

In 2006, the struggle to *just get by* is over for some Hawai`i residents, but not all. Despite how far we have come, too many in Hawai`i still cannot make ends meet, are locked out of opportunities, and are one misfortune—a job loss, a child's illness—away from disaster.

then

From the beginning (1926) I work in the (plantation) store so I didn't work hard. But others work in the field, eh, and whenever they come home from work, I see them. They are so tired; their job is so hard…

We open the store four o'clock, early in the morning… Then, in the afternoon, we go home five o'clock, take a bath, eat supper; and go back again to the store, six o'clock. And we close again at eight o'clock p.m. And… mind you, one dollar one day. That's all we getting. One dollar one day.

…I stayed at the Kawailoa store only until 1948. Before I quit, I have to prepare myself. I bought a property at Haleiwa. I bought one lot, almost one acre. It cost me only thirty-seven cents square foot. So cheap. So first I built my store, I call all my friend to come help me build it… After I build the store, I hired contractor to build my house. When my house was ready, I told the plantation I will resign. I resign.[1]

Like the people in Hawai`i's past, people struggling today can build assets and lift themselves and their children to better lives. But today's challenges require different solutions. In 2006 we face a significantly higher cost of living, scarcity of housing, new forms of bias and division, and, most importantly, an outdated public policy regime. For decades, Hawai`i like the rest of the United States has focused on income-based policies to help families get by. The main tools for addressing poverty have been those that increase incomes through welfare payments and employment programs. These income-focused strategies have helped many people, but they have not directly addressed large gaps in wealth and opportunity. With all our focus on how much people *earn*, we have not focused on how much people *own*.

The U.S. has a long history of asset-building policies—often delivered through the tax code—that enable families to save and invest. However, most of these policies are not accessible to low-income families. For example, families without resources to invest in a home cannot benefit from the home mortgage tax deduction, and families that use all their incomes for necessities cannot take advantage of tax-favored retirement savings. Even worse, families who are receiving public benefits are actually penalized for saving because even modest accumulation of assets can make a family ineligible for assistance.

In response, many states are actively building a more equitable asset-building policy infrastructure—one that encourages all families to save and invest in themselves, their families, and their communities.

Hawai`i lacks a coordinated and comprehensive asset-building policy and there is limited, if any, dialogue about the costs of asset-poverty and the benefits of policy solutions. As a result, many families are caught in a cycle, where they are just *getting by* rather than taking steps toward *getting ahead*. Hard work and sacrifice by today's families are only half the battle. Better policies are needed to fulfill America's promise of opportunity, equality, and freedom.

This report outlines a set of strategies that can benefit all people in Hawai`i. Asset-building policy will simultaneously improve Hawai`i's overall economy, reward and reestablish the values we claim to live by, and create realistic pathways out of poverty in Hawai`i. Working together on these strategies, Hawai`i's people can bring about a new era in Hawai`i's history—a time when we can all fulfill our obligations to the generations that came before and to those yet to come.

ABOUT THIS REPORT

The 2005 Assets and Opportunity Scorecard is one of the most comprehensive and well-respected measures of financial security in the United States. Produced by CFED (formerly the Corporation for Enterprise Development), this report gave Hawai`i an overall grade of "B" and rated the public policy environment "substandard" for asset-building.[2]

As with all scorecard reports, letter grades can provide a helpful overview but do little to inform policy makers and practitioners. Particularly in Hawai`i—where our unique economy, population characteristics and history skew various measures—it is important to look behind the rankings to uncover the important lessons.

This report attempts to develop that customized understanding of the CFED report and other data and analyses relevant to asset-building in Hawai`i. It draws heavily from the excellent 2006 report by the New America Foundation and the Center for Social Development called *State Policy Options for Building Assets*[3] as well as a 2005 report entitled *Promoting Economic Security for Working Families: State Asset-Building Initiatives*,[4] which spotlights Hawai`i for its emerging state asset-building movement, which this report hopes to advance. As background for this report, we reviewed local data and conducted focus groups with families in low-income communities. We also worked collaboratively with CFED and national experts who are part of this burgeoning, nationwide movement. Across the United States, community organizations, nonprofits, philanthropic organizations, and governments are embracing asset-building as a means to address poverty and develop local economies.

WHAT IS ASSET-BUILDING?

This report is concerned with financial assets—cash savings, stocks, bonds, home and business equity. When asked to define an "asset," many people in Hawai`i mention non-financial assets such as family, community, the natural environment, and culture. For many, these assets are much more valuable than financial assets. But almost everyone agrees that financial assets are critically important—perhaps not as an end, but as the means to a richer life where one can "acquire" and "invest in" precious non-financial assets. Ultimately, financial wealth allows families and communities to exercise more choice and control over their lives.

Financial assets support financial wellbeing by reducing strain on families, decreasing the risk of intergenerational poverty, and increasing economic stability. Research also shows that financial assets foster long-term thinking, increase social "connectedness," decrease marital dissolution, increase health and satisfaction, increase civic engagement, and enhance quality of life.[5]

Asset-building policies help people 1) earn enough beyond basic survival to begin building wealth; 2) preserve hard-earned assets and stabilize their finances; and 3) grow their assets through investment and leveraging.[6] The aim is to help families develop financial sustainability. The Annie E. Casey Foundation—a major supporter of asset-building and funder of this report—states it succinctly in this way: we need to help families ***earn it*, *keep it*, and *grow it***.[7] Using this simple slogan as a framework, individuals, communities, and policy makers can make a connection and begin reflecting this common sense approach in personal behavior, business practices, and public policy.

THE CURRENT STATE OF ASSET POLICY: AIMED AT PEOPLE WITH ASSETS

State and federal asset-building policies that encourage and subsidize saving and investment, already exist. However, they are largely aimed at people with expendable incomes and existing wealth. In 2006, CFED found that the federal government spent $362 billion to foster asset-building.[8] These policies include the mortgage interest deduction, the capital gains exclusion on sales of principal residences, reduced tax rates on long-term capital gains, tax advantages for retirement savings, and others. Over 45% of these benefits go to the wealthiest 1% of Americans—those whose incomes average more than $1 million per year. Less than 3% of the benefits go to the bottom 60% of taxpayers.[9] State policies, such as investment tax credits and tax deductions that often mirror federal incentives, add to the regressive nature of existing asset-building policies.

Existing asset-building policies are technically available to all. But in practice, they encourage and subsidize wealth building for those who already have wealth, and do little for people who don't. In the end, society is harmed by a prominent gap between the rich and poor. Today, wealth inequality (disparities in what people *own*) is far more pronounced than income inequality (disparities in what people *make*). The top 20% of wage earners in the U.S. command 43% of earned income, but they control 83% of all net financial assets.[10]

WHAT CAN ASSET-BUILDING ACHIEVE FOR ALL PEOPLE OF HAWAI`I?

If Hawaii can enact and implement a comprehensive asset-building policy, three important things will happen. Hawai`i will:

1. **Cultivate greater self-sufficiency** for people who are currently dependent on government, charity, and others to meet basic needs. This will decrease intergenerational poverty, increase economic security, and reduce the individual and social ravages of poverty. Over time, increasing long-term self-sufficiency can also decrease state expenditures on social services.
2. **Spark overall economic development** because more people will become full participants in Hawai`i's economy—creating new jobs, growing personal incomes, starting businesses, and investing in the community. Asset-building can also unlock brainpower and entrepreneurial energy that is so important for the modern, knowledge-based economy. Too much of Hawai`i's human ability is currently trapped in the daily grind of just getting by.
3. **Better achieve our social goals** with more civic engagement, greater ability to leave a family legacy, greater ability to invest in public goods like schools and the environment, and a more credible version of the American Dream, where any family truly can get ahead by working hard and playing by the rules.[11]

AN ATTITUDE FOR ASSET-BUILDING: COMMITMENT TO EQUAL OPPORTUNITY

Asset-building policy will not garner the momentum it needs without confronting pervasive stereotypes about people with lower incomes. People who are struggling today—just as our ancestors before—want to get ahead and can get ahead if given the opportunity. When society is convinced that struggling people cannot, will not, or do not want to build assets, it sells them short. In essence, society joins these families in the constant struggle to just get by rather than offering a hand up. For example, housing policy is currently preoccupied with homelessness and the severe shortage of rental housing. These truly are acute needs, but this should not diminish efforts to launch strong initiatives to get people with little means on the path to homeownership. If anything, homelessness and extreme poverty should fuel our determination to help families build assets—in order to ensure their long-term financial security.

Contrary to popular belief, those who are currently reliant on government assistance do make economically rational choices more often than not. Unfortunately, the government programs that are often collectively known as "welfare" create harsh financial choices for families. Because benefits generally decrease as income increases, it is often economically rational for a person to reject a pay increase or prevent a family member from working. For example, a family of four earning $13,000 would lose the equivalent of $4,300 in public assistance if it were to earn an additional $1,000. In fact, in order to recover the lost value of benefits as more money is earned through work, the family must increase its work income from $13,000 to $33,000—an unlikely 153% pay raise.[13]

Benefit programs can also penalize saving. Three major benefits—Temporary Assistance to Needy Families (TANF), Food Stamps, and Medicaid/Med-QUEST—force bleak financial tradeoffs for families. For example, if a low-income family of four

PROOF OF THE POWER OF ASSET-BUILDING POLICIES

One of the most important asset-building policies to affect Hawai`i was the GI Bill.

> The Servicemembers' Readjustment Act of 1944—commonly known as the GI Bill of Rights—nearly stalled in Congress as members of the House and Senate debated provisions of the controversial bill.
>
> Some shunned the idea of paying unemployed veterans $20 a week because they thought it diminished their incentive to look for work. Others questioned the concept of sending battle-hardened veterans to colleges and universities, a privilege then reserved for the rich.
>
> Ultimately, the Senate approved the final form of the bill on June 12, and the House followed on June 13. President Franklin D. Roosevelt signed it into law on June 22, 1944. The law's key provisions were for education and training, loan guaranties for homes, farms or businesses, and unemployment pay.
>
> Before the war, college and homeownership were, for the most part, unreachable dreams for the average American. Thanks to the GI Bill, millions who would have flooded the job market instead opted for education. In the peak year of 1947, veterans accounted for 49 percent of college admissions. By the time the original GI Bill ended on July 25, 1956, 7.8 million of 16 million World War II veterans had participated in an education or training program.
>
> Millions also took advantage of the GI Bill's home loan guaranty. From 1944 to 1952, the Veterans Administration backed nearly 2.4 million home loans for World War II veterans.[12]

Like the policies suggested in this report, the GI Bill was targeted at people who might not otherwise have the means to save and invest in themselves. Hawai`i's servicemen of World War II who took advantage of this opportunity—Dan Inouye, George Ariyoshi and many others—helped bring a large segment of the population into Hawai`i's democracy, its economy, its public policy, and its social structure.

Asset-building policies that consciously seek to create opportunities where they are limited or nonexistent have the power to benefit *everyone*. They unlock the human potential in our communities and enable people to participate—as consumers *and* investors—in the local economy.

were to accumulate over $3,500 in savings, they would become ineligible for Med-QUEST but eligible for the more limited QUEST-Net—a loss in benefits of roughly $4,700 per year.[14] Any economically rational person would realize that, in this system, saving money is a bad choice.

Having an attitude for asset-building means being committed to one economic system for all, where hard work is rewarded and self-sufficiency is encouraged regardless of one's social class. An asset-building attitude transcends partisan politics. It appeals to universal principles of equal opportunity, fairness, and respect.

WHY DO WE NEED ASSET-BUILDING?

Since 2001, the economy of Hawai`i has been growing at a remarkable clip. Most analysts forecast continued growth, albeit at a more moderate rate. But recent attention on homelessness in Hawai`i has begged some key questions: If the economy is doing so well, why does homelessness seem to be on the rise? For that matter, why are so many Hawai`i families in general feeling financially insecure? And why do so many hard working people live paycheck to paycheck?"

The truth is that many in Hawai`i continue to struggle despite a "good economy" as measured by typical economic indicators. Many other indicators, which receive too little attention, better reflect the reality for many of Hawai`i's families. These are the numbers that form the compelling case for a comprehensive asset policy in Hawai`i.

High cost of living: Behind a low rate of poverty and high median income

The August 30, 2006 Honolulu Advertiser headline, "Census says fewer poor in state" was inadvertently deceiving.[15] The Census found that at 9.8%, Hawai`i has the 7th lowest percent of people below the Federal Poverty Level, which, for a family of four, is income of $19,971 per year. The story that is not conveyed in the headline is the fact that the Federal Poverty Level is an outdated measure that does not adequately account for regional differences in the cost of living. The latest Census figures only tell us the largely immaterial fact that Hawai`i has fewer people at the Federal Poverty Line—an income insufficient to afford the real costs of food and shelter, let alone any other necessities for living.[16] It says little about real poverty and it is hardly something to celebrate.

Hawai`i's unusually high cost of living must also be considered when evaluating another recent finding from the Census: that Hawai`i has the 4th highest median income in the nation at $58,112. This celebrated figure is less encouraging when we consider a recent estimate by the UH Center on the Family that a family of four needs a total of $55,500 to achieve a bare minimum existence in Hawai`i.[17] About half of Hawai`i's families teeter at or lie below this benchmark.

Low-Wage Jobs: Behind the Low Unemployment Rate

In 2005, Hawai`i had the lowest unemployment rate in the country.[18] But in Hawai`i, 69% of jobs pay less than a living wage—roughly $34,600 for one parent with one child—compared to 50% in other states.[19] Furthermore, Hawai`i is worst in the nation for the percentage of involuntary part-time workers—18% of employees want full time work but cannot find it.[20] Low unemployment numbers alone belie the fact that many people in Hawai`i need to work multiple jobs to make ends meet, leaving less time for self-improvement, parenting, citizenship, or other positive activities. Of the growing job prospects in Hawai`i, eight of the top ten—including cashiers, retail salespersons, waiters, janitors, etc.—do not pay a living wage.[21]

Asset Poverty: Behind the High Net Worth

Hawai`i households have the highest average net worth in the country.[30] But this is largely a result of Hawai`i's extremely high housing values, which actually hinder prospective, first-time homebuyers from being able to get into the market. A better measure might be median net worth, for which Hawai`i households rank 9th highest in the United States at $86,825.[31] But a median—the midpoint of all values—does not tell us how many above the midpoint are millionaires, and how many below it have zero net worth. As it turns out, Hawai`i has a lot of people with zero or negative net worth. In fact, we are 5th worst in the nation with nearly one in five households (19.8%) with no wealth.[32] Hawai`i is also in the bottom third of states for its level of asset poverty—households that, in the absence of income, lack enough assets to live at the Federal Poverty Level (which we know is woefully inadequate to live off of in Hawai`i) for more than three months if their income were disrupted. One in four Hawai`i households is asset poor.[33]

Taxation of the Poor

The State's large budget surplus at the start of the 2006 legislative session was trumpeted as yet another sign of the healthy economy. However, these tax revenues were generated by a system that is disproportionately burdensome on the poor. Hawai`i's income tax is one of the nation's most onerous for poor families.[34] Furthermore, the general excise tax is regressive—the poorest taxpayers pay 10% of their incomes in general excise tax while the richest pay only 2%.[35] Add to these tax burdens the fact that people with lower incomes are less likely to benefit from existing asset-building policies such as the mortgage deduction, and you have an inequitable tax system—one that is subsidizing wealth-building for its higher-income households, while undermining efforts of low-income households. The 2006 legislative session produced a broad-based tax cut which was not aimed at those who needed the most help—the poorest 20% of taxpayers will receive only 5% of the tax relief while the richest 20% will receive 32%. The changes will do little to change our ignominious standing as a state that burdens the poor with taxes.[36]

IMPORTANT ASSET RELATED INDICATORS

These are some of the key numbers and rankings that a comprehensive asset policy should address:

Living Wage Jobs[22]
% of total jobs that pay the self-sufficient wage for one parent with one child.
31% (HI), 50% (U.S.)

Income Tax Threshold[23]
Income at which income tax begins to be levied: one-parent family of three/two-parent family of four
$10,400/$14,000 Rank: 4th worst

Asset Poverty[24]
% of households without sufficient net worth to subsist at the federal poverty level for more than three months if their income were disrupted (Rank of 1 is best)
25.1% Rank: 36 of 51

Zero Net Worth[25]
% of households that have zero or negative net worth (Rank of 1 is best)
19.8% Rank: 46 of 51

Private Loans to Small Business[26]
Dollar amount of private business loans under $1 million per worker (Rank of 1 is best)
$1,349 Rank: 40 of 51

Microenterprise Ownership Ratio[27]
Total number of microenterprises per 100 people in the labor force (Rank of 1 is best)
15.4 Rank: 13 of 50

Homeownership[28]
% of households that own their home (Rank of 1 is best)
58.3% Rank: 49 of 51

Homeownership by Income Ratio[29]
Homeownership rate among household heads in the wealthiest quintile divided by homeownership rate among household heads in poorest quintile (Rank of 1 is best)
2.04 Rank: 43 of 51

Tough Small Business Climate

Hawai`i's residents have substantial entrepreneurial energy, one of our greatest economic assets. Evidence suggests that small businesses have benefited handsomely from the recent economic boom. In 2004, Hawai`i ranked 27th among the states for its number of "surviving start-ups and young growing companies," up from 45th in the nation the year before. It was also the most improved of all 50 states in both "surviving start-ups" and "young growing companies". Neighbor island small businesses showed particularly strong performance, earning the islands top 25 ratings of 90 rural "hot spots" for entrepreneurs across the country.[37] However, there is little evidence to suggest that mainstream lenders or investors are extending their reach to small businesses, in general, and to microenterprises, started by low-wealth entrepreneurs, in particular. The portion of bank portfolios comprised of small commercial loans[38] has dwindled rather than grown over the past five years, with balances falling from $800 million in 2000 to under $750 million in 2005. From 2001 to 2005, Hawai`i consistently ranked among the bottom ten states in Small Business Administration-guaranteed small business lending activity. Hawai`i also ranked in the bottom ten states for overall venture capital investment.[39]

Housing Crisis

Hawai`i's rapidly rising housing costs have been a boon to those who already own homes, but high costs have become an unscalable wall for non-homeowners. Only 58.3% of Hawai`i's households own their homes, giving the state a 49th place ranking among the states.[40] And Hawai`i ranks 43rd among states for the disparity in homeownership between rich and poor.[41] The situation is also bad for renters. Hawai`i has the highest median household rent in the country;[42] is 15th worst for the percentage of renters who pay more than 50% of their incomes in rent; and is the state with the highest "housing wage" (a full-time worker would have to make $22.30 per hour to afford a two-bedroom unit at fair market rents).[43] Hawai`i's housing challenge is severe and unique among all the states.

– – – – –

The economic situation in Hawai`i is neither all bleak, nor all positive. The preceding analysis of key indicators reveals significant challenges facing Hawai`i's families and our overall economy. There are also key assets upon which we can build.

We are better served looking at these good economic times, not as a time for celebration, but rather as a time of opportunity—to address some of the fundamental weaknesses in the economy including the lack of economic diversity, the high cost of living, housing challenges, underinvestment in public education, issues of sustainability, and the growing gap between rich and poor. A comprehensive asset-building policy agenda—one that expands opportunities for *all*—will engage more Hawai`i residents in meeting these challenges.

SIX GOALS OF A COMPREHENSIVE ASSET-BUILDING POLICY AGENDA

Hawaii can help people move from *just getting by* to *getting ahead* for themselves and future generations. Doing so requires the successful pursuit of six key goals:

1) **Make work pay**. A family cannot save if there is nothing left after basic needs are met. Calls for people to "get off welfare and start working" are futile if work does not pay enough.

2) **Teach asset-building**. Even given an opportunity to build assets, people will not do so unless they know why and how to save and invest and how to protect hard-earned assets over time.

3) **Break down barriers to asset-building**. Unethical lending practices, market failures, lack of insurance, and disincentives in public policies conspire to form enormous barriers to asset-building. These barriers leave many people with low- and moderate-incomes stuck in a fringe economy where fees and interest rates are high, information is limited or misleading and saving is penalized.

4) **Help people save**. Incentives and subsidies for saving are overwhelmingly aimed at higher-income households. Asset-building policy must level the playing field with policies that create incentives and that can support saving among low- and moderate-income earners.

5) **Help people start and own businesses**. Besides helping people leverage their assets into greater wealth, entrepreneurship will create jobs and help the overall economy.

6) **Help people buy homes**. A home is the ultimate asset in Hawai`i. Given the natural challenges of living on islands, Hawai`i must launch a substantial effort to achieve this goal. Key to this is a commitment to so-called "demand-side" strategies that enhance the ability of low- and moderate-income earners to compete for housing.

1. Make work pay

It costs a lot to survive in Hawai`i. People can work very hard, holding multiple jobs. People can sacrifice—skipping meals, medicine and foregoing other needs. But in the end, it still may not be enough to do more than just get by. If work does not pay enough for people to be self-sufficient, they are left to depend on government and others.

The first condition for building assets is the ability to support one's family through work. Because so many jobs pay wages that are insufficient for regular needs in Hawai`i, an asset-building policy must look for ways to bolster incomes, help with core expenses, and create incentives to stay employed and strive for higher incomes.

then

I [started working] for Pioneer Mill when I was fourteen years old. Outside [in the] field, cut grass. All of us. Mr. Moir told our teacher that whoever likes to work out in the field to apply for the job. [I made] thirty cents a day. I gave [my pay] to my mother. You know what, when I ask her, 'Can I have some money that I earned?' She say, 'Okay.' She put down my money and say, 'This is for your clothing, this is for your food, this is for your shoes.' Was left nothing. (Laughs.)[44]

Policy Components:

1.1 Maintain and utilize the self-sufficiency standard as a benchmark

The self-sufficiency standard—the actual amount needed to afford basic needs such as food, housing, and healthcare—is a more realistic measure of economic struggle than the Federal Poverty Level. A current self-sufficiency standard would be a useful tool for evaluating programs, designing new policies, and setting benchmarks for measuring economic success. Unfortunately, Hawai`i's self-sufficiency standard has not been updated since the first and only study was completed in 2003. At that time, a single parent with one child needed about $34,600 per year.[45] It is undoubtedly much higher today given steep recent increases in the cost of fuel, housing and healthcare. Efforts to institutionalize this measure as a helpful tool for local policy makers have stalled.[46] These efforts can be reinvigorated.

1.2 Increase access to the federal EITC

The federal earned income tax credit (EITC) provides a refundable tax credit to low-income wage earners that can result in significant refunds for people who stay in the workforce. The EITC is the largest anti-poverty program in the United States. It is widely supported by both political parties because it is well targeted to people who need the most help and it creates an incentive for people to stay in the workforce. Because it is refundable, the federal EITC is accessible to lower-income families who lack sufficient tax liabilities to benefit from other tax credits. The latest data from 2002 suggested that over 19,000 Hawai`i taxpayers were eligible for the federal EITC, but did not claim it.[47] In 2005, a state grant established a program of the Aloha United Way to help ensure eligible people claim this credit. The credit currently brings $125 million in federal funds to Hawai`i, but up to $30 million goes unclaimed each year by Hawai`i's working families. Other states and municipalities have implemented marketing, education, and tax assistance campaigns to increase the amount of federal dollars captured by local families. This investment is small compared to the influx of federal dollars, increased state excise tax revenues and other benefits. In Phoenix, a $200,000 city government effort funded with general funds and Community Development Block Grant funding led to a $21.4 million increase in EITC take up in the first year. And in Philadelphia, free tax preparation services funded by state and city government saved lower-income taxpayers $1.4 million in interest, fees for tax preparation, Refund Anticipation Loans and check cashing alone.[48] These examples demonstrate the potential return if Hawai`i were to support this effort permanently, and have it coordinated either by a government agency or a private entity.

1.3 Establish a refundable state EITC

In September 2006, Michigan became the 20th state to establish a state EITC to further encourage work and to counterbalance regressive state and local taxes.[49] Hawai`i can join this national trend by enacting a refundable state EITC equal to at least 20% of the federal EITC. To claim the credit, a low-income taxpayer would simply multiply their federal EITC claim by the percentage amount and enter the result on their state tax returns. A state EITC will partially offset the effects of the regressive general excise tax, supplement the federal EITC's incentive to choose work over welfare, and create opportunities for low-income families to save and invest.

1.4 Increase the income tax threshold

The income tax threshold is the level at which earned income is subject to the income tax. Even after tax cuts instituted during the 2006 legislative session take effect, Hawai`i will continue to have one of the lowest (worst) income tax thresholds in the nation.[51] In other words, state policy is eroding the incomes of people who have the hardest time supporting themselves. Ironically, state taxes on the most needy make them even more dependent on programs that are funded by state taxes. The goal could be to eliminate income taxes on low-income earners without eroding overall tax revenues. State lawmakers could consider 1) revising tax brackets so that households making 125% of the Federal Poverty Line or less pay no income tax, and 2) provide some method of indexing the tax brackets and standard deductions over time so that they do not become continually more oppressive with rising inflation.

now

It's hard… I used to work two jobs and (my girlfriend) works five jobs. I work for the hotel industry. At least half of the kitchen staff in the hotel works two jobs—two *full time* jobs.[50]

2. Teach asset-building

One law passed by the 2006 Hawai`i State Legislature and signed by the Governor changed the designation of April from "Financial Literacy for Youth Month" to "Financial Literacy Month."[53] While this may seem trivial, it is a positive sign that the state recognizes the relevance of financial education in the overall economy and in helping families build assets.

Fortunately, Hawai`i has many elements to develop a strong system of financial education: an organization dedicated to financial education in schools and teacher training (the Hawai`i Council on Economic Education), organizations that implement financial education programs, strong support from Hawai`i's U.S. Senator Daniel Akaka[54], and state leaders who are aware of the issue.

then

Those days, those who knows how to save like me, well, we save money. But those who only wanted to go around, those are people that no more money. (Laughs) Plenty Filipinos (like me) broke their money by buying new car. Sometime, five of them, together, buy car. And if one quit paying and they cannot carry the payment, the garage take back the car. So that's why they cannot save money. In fact, they lose money.

Me, I bought my own car in 1939. I can go to town. I can make money, so I don't have to worry about the car payment. I take passengers to town, Honolulu side.[52]

Policy Components:

2.1 Maximize financial education opportunities for youth

The No Child Left Behind era for public schools has created challenges for all "peripheral" content areas vying for valuable instructional time. Nevertheless, public and private funding can support efforts to effectively teach financial skills to youth—whether woven into classroom lessons, taught in after-school programs and community assemblies, integrated into club and athletic activities, or led by partner organizations.

2.2 Encourage partnerships between financial institutions and schools

Delaware, New Jersey, Illinois and California have implemented "Bank to School" programs where bank branches are co-located in schools to provide full services and be a learning resource for students and their parents.[55] Hawai`i's banks and credit unions can explore this strategy and other partnerships that increase financial understanding and make banking services more familiar and accessible, while simultaneously cultivating new customers.

2.3 Create public awareness of financial education

There are many resources to help Hawai`i's people understand financial matters, but there is limited demand for them. The symbolic designation of April as "Financial Literacy Month" is a start. The next step is expending public and private resources to raise awareness, teach simple lessons, and point people to those resources.

2.4 Integrate financial education into Department of Human Services programs

Recipients of Temporary Assistance for Needy Families (TANF)— commonly known as welfare payments— must now meet heightened work requirements. Because of this, many recipients do not have the additional time to invest in skill-building activities, such as financial education. As such, job readiness programs and on-the-job training programs should integrate financial education into their curricula. In addition, the Hawai`i Department of Human Services can look for ways to teach financial literacy and create asset-building opportunities in all of their activities. Illinois provides a twelve-hour financial education program that counts as a work activity and has found 80% of participants do a better job of budgeting and tracking expenses. Many have opened bank accounts and rely less on fringe financial services such as payday loans.[56]

2.5 Encourage financial education in the workplace

Financial education offered at the workplace can help employees avoid personal financial problems that can lower their productivity and cause higher absenteeism, turnover, and stress related illnesses.[58] The federal government has implemented a retirement financial education program for their employees. State and local governments can do the same. Private businesses can provide financial education as an employee benefit. Likewise, unions can provide financial education programs as a member benefit. State government could create incentives, or provide resources, to support all of these efforts.

now

Having access to financial information was a big help. I wouldn't have been paying a $750 car payment if I knew what I know now. Now I know I have to suck it up… I'm debt free, I have more money in my account than I could have dreamt of and I have a lot more confidence. I can look to the future instead of day-to-day.[57]

3. BREAK DOWN BARRIERS TO ASSET-BUILDING

In the past, workers on Hawai`i's plantations often had no choice but to buy necessities at a plantation-owned store. Wages were recycled within these companies and, because wages were too low to cover their cost of living, workers often fell into debt with their employer.

Options for low-income workers to access affordable goods and services have improved, but people still face significant obstacles to building a secure financial future. Today's barriers to asset-building are created by free market forces that leave certain communities and families underserved and by unscrupulous and socially unconcerned businesses that practice predatory lending. Furthermore, government policies are creating additional barriers and disincentives for families to build assets.

then

One day, (my) brother bought a washing machine to help my wife. But whatever he was paying for the machine was deducted on the food bill. That made it pretty tough because we accumulated a balance in the plantation store. See, you owe your life to the company store.

They told me, "Well, you have a balance here, so now we have to cut your wages down to seventy-five cents a day." Now that was supposed to feed my two brothers, my wife, my child, and myself.[59]

Policy Components:

3.1 Decrease or eliminate work and savings disincentives in government benefits programs

Government policies intended to help the poor pose some of the greatest barriers to escaping poverty. Income criteria and asset limits (sometimes called an "asset test") are used to determine eligibility. Benefits like Food Stamps, TANF and Medicaid are reduced or retracted as a recipient's income and assets increase. Often, the value of the benefits lost outstrips the value gained through work or saving. Thus government often ends up *encouraging* the economically rational person to choose welfare over work. To remedy this, states can eliminate or increase asset tests and adjust income criteria to create rational incentives for people to realistically work their way out of poverty.

now

I just recently applied for Food Stamps. I was $10 short, *$10*, of being ineligible. I was telling (the eligibility worker), "Wow… if I get (my annual) raise in two weeks, I disqualify myself because I'm doing a good job?" I want to maintain my job, but my kids and I need that benefit to survive.[60]

In November, the Hawai`i State Department of Human Services implemented a new policy that disregards some of a family's increases in income when determining benefit eligibility in order to encourage work. This idea is a good one, but without additional measures to increase or eliminate the asset tests or providing easy access to savings vehicles that are exempt from the asset test, the state will create an incentive for recipients to spend all the extra income they earn. Ohio, and Virginia more recently, simply eliminated their asset tests for TANF. Since it did so in 1997, Ohio has experienced steady declines in caseloads.[61] About half of all states have eliminated asset tests for families on Medicaid, and they have found that the cost and time savings in administering the program have far outweighed the cost of any additional caseloads.[62]

If they are not removed, Hawai`i's asset tests could at least be substantially increased. Because they are not adjusted for inflation, the asset limits in Hawai`i are completely out of step with the amount of assets one might need to have minimal financial security.

3.2 Adopt federal anti-predatory mortgage lending standards

Predatory lending, which strips families of their hard-earned assets, is harmful to families and the state economy. Predatory practices include excessive fees, equity stripping (scams where the homeowner loses the equity in their home), risk-rate disparities (in which borrowers are charged a higher interest rate than risk can justify for a loan) and excess foreclosures.[63] Hawai`i is among the 23 states that have no anti-predatory lending policies to curb these and other abuses in the mortgage industry. Eighteen states have adopted state versions of the existing federal law, and the rest have even tougher standards.[64] To have no policy in a time when home buying is at a fevered pitch leaves families and communities at risk. At the moment, Hawai`i has the second lowest (best) foreclosure rate in the country.[65] However, some fear that the recent flurry of home buying was fueled, at least in part, by subprime loan products that could lead to significant numbers of foreclosures when interest rates rise and the economy cools.

3.3 Enact State Auditor's recommendations on payday lending

Many check cashers and payday lenders charge unscrupulously high fees to their primarily low-income customer base. In her December 2005 Sunrise Analysis, which looked at whether to add new regulations for check cashers and payday lenders, the Hawai`i State Auditor had three recommendations: 1) require payday lenders to post fees and annual percentage rates, 2) reduce the maximum allowable fee for a loan, and 3) institute mandatory registration with the Department of Commerce and Consumer Affairs (Hawai`i is one of three states that does not require special licensing).[66] Given the Auditor's analysis of this issue, the next logical step is for Hawai`i to enact these recommendations into law. An effort to do so stalled during the 2006 legislative session.[67] These simple regulations would help protect the assets of many people in Hawai`i, particularly military families who are some of the largest users of payday lending services.[68]

3.4 Free up trapped equity on Hawaiian Home Lands

The trust status of Hawaiian Home Lands is a major barrier in efforts to direct capital to Native Hawaiian consumers and business owners. Because trust lands cannot be sold or encumbered by a mortgage, and because many banks are unfamiliar with government credit enhancers and other financial products designed for lending on trust lands, banks often avoid lending to Hawaiian homesteaders entirely. Not only has this resulted in fewer home mortgages on Home Lands, it also makes it virtually impossible for homeowners on Home Lands to borrow against their accumulated home equity. For many Native Hawaiians, then, the primary asset they have invested in is virtually worthless for purposes of leveraging additional investment. The Council for Native Hawaiian Advancement estimates $500 million of equity is "trapped" due to these policies.[69] Two steps could be taken to free up this trapped equity: 1) the state could offer and publicize a loan guarantee to lenders who make home equity loans to homesteaders, and 2) the viability of serving this market could be tested by an alternative lender specializing in these loans.

3.5 Ensure heath coverage for all

Lack of access to health care create some of the most significant and formidable challenges to building assets. Unexpected medical problems and their costs are a leading cause of personal bankruptcy. Medical bills can quickly erode savings, particularly for someone who is just starting to build assets. Since 2000, The Hawai`i Uninsured Project has kept a diverse group of stakeholders focused on the many different aspects of health coverage issues in Hawai`i including enrollment of all people eligible for government-sponsored insurance, and getting health insurance to the self-employed and others not covered by Hawai`i's Prepaid Health Care Act. New policies based on this research and dialogue could give Hawai`i's families peace of mind that their hard-earned assets will be better protected against misfortune.

4. Help people save

Government incentives and subsidies to save and invest disproportionately benefit those with higher incomes and greater wealth. If low-income working families have access to similar opportunities, they too will be able to participate, as consumers and investors, in their communities. More options must be created for low- and moderate-income people to save and invest while receiving similarly scaled incentives and benefits.

then

During the wartime, there was money galore, but where were you going to spend it? Was rationing. I mean, you couldn't buy anything else, so what do you do, you put 'em into bonds. So when I quit Ford Island before the war ended, I lived on my bonds money.[70]

Policy Components:

4.1 Improve and greatly expand Hawai`i's IDA programs

Individual Development Accounts (IDAs) are matched savings accounts for low-income families. They can be powerful vehicles for building financial wealth in pursuit of specific goals—usually buying a first home, paying for college, or starting a business. Government and/or private funding (often from charities or financial institutions) provide a match for IDA contributions much like an employer matches a contribution to a 401(k) retirement plan.

Currently, Hawai`i's IDA programs are relatively small, privately funded efforts of nonprofit organizations. A common challenge for IDA providers is a lack of adequate organizational capacity and administrative funding.

In 1999, the state created a tax credit for donors who match IDA contributions. The credit was intended to help organizations build IDA programs, but the credit never got off the ground and has since expired. Hawai`i has not yet discovered the full potential of IDAs. Adjustments to permitted savings objectives, eligibility criteria, time frames, and other policies could fine-tune IDAs for Hawai`i's unique environment. The first obstacle, however, is ensuring IDA programs have adequate resources.

Hawai`i could follow the lead of states that provide direct funding for 1) the matching portions of IDAs, 2) technical assistance provision, and 3) administration of IDA programs. Some of these states use Community Development Block Grant (CDBG) funds, TANF funds, and/or general funds as funding sources.[71] Reauthorizing the tax credit to donors and allowing for administrative expenses could also help Hawai`i's programs reach a sufficient scale.

4.2 Promote and facilitate the use of EITC refunds for savings

The EITC refund presents a great opportunity for low-income earners to fund an IDA, retirement plan, or other savings account. States can make this easier by encouraging people to directly deposit refunds, and allowing "refund splitting"—allowing the taxpayer to deposit at least a portion of their refund directly into a savings vehicle. This simple accommodation can spark savings. In 2007, the federal government will allow federal tax refunds to be split among up to three accounts and states are looking to do the same.[72]

4.3 Encourage "opt out" rather than "opt in" retirement accounts

Research shows that employees—particularly those with lower incomes—are much more likely to participate in employer-based retirement savings programs when they are automatically enrolled upon employment; i.e. when the employee's choice is whether or not to opt *out* of the program.[73] Given the uncertainty of Social Security benefits and the erosion of traditional pensions, it is in everyone's interest that people have sufficient savings for retirement. Companies that adopt this practice, perhaps with encouragement from the government, will be making an important contribution to Hawai`i's future.

4.4 State matches for college savings plans for low- and moderate-income families

Since qualified withdrawals from state college savings plans (529 plans) have become tax-exempt, many middle- and higher-income families have shown greater interest in them.[74] Like other asset policies that seek to encourage taxpayer behavior through the tax code, low- and moderate-income families—with limited tax liability and/or disposable income—have less incentive to participate. The result is that the benefits are concentrated among higher-income households. Six states have offered to match the 529 investments of lower-income families to encourage more equitable participation in this important program.[75] Maine goes one step further by providing an initial $50 per child to start a 529 plan, helping low-income families meet minimum deposit requirements.

4.5 Create a Universal Children's Savings Account

There are approximately 18,000 resident births in Hawai`i per year.[77] The state could open an account and provide a starter deposit (which could be larger for low-income families) for every child born in Hawai`i. The account can grow tax-free and be used for college, a home, retirement, or other stated purposes. Congress is considering a national version of the universal children's account, and Kentucky has set up a commission to develop a state version.[78] The initial deposit, with compounding interest and additional deposits, such as from Earned Income Tax Credit refunds, Child Tax Credits and other sources, would provide a significant foundation for every child in Hawai`i, particularly those with no other assets. It would provide a vehicle for savings and a tool for children and parents to learn the value of saving and investment.

now

Every payday I would take turns buying one kid a $25 bond… So, when I can afford to… I invest in my kids now, for something in the future. I set stipulations up: "You like your stock and bonds, in 30 years, I can see you using it toward investing in your family by purchasing a house, by purchasing a car, or if you want to continue college." So my investment now is something I'm not going to see yet, but I know by me accumulating that now and just working on it when I can, I have something for them later on.[76]

5. Help people start businesses

then

They get tanomoshi (Japanese practice of pooling money) to help these guys out… Even myself, my parents used to— everytime, when they buy the boat (for their fishing business), they need money, so cannot borrow money from the bank, so got to make tanomoshi to borrow from all the friends.[79]

Developing Hawai`i's entrepreneurial environment is essential to improving Hawai`i's overall economy. Despite a good supply of willing entrepreneurs, Hawai`i has struggled to support them with the technical assistance, regulatory climate, and financing necessary to thrive.

Business ownership can also be an effective path out of poverty. Indeed, it has often moved families squarely into the middle class. Microenterprise—businesses with five or fewer employees that can benefit from a start up or capitalization loan of $35,000 or less—can provide income to supplement low wage jobs, and potential for full time self-employment.[80] Hawai`i has the 13th highest ratio of microenterprises per 100 workers[81]—an astonishing fact to those who think of Hawai`i as a poor place for business. Hawai`i can take a number of steps to unlock this potential.

Policy Components:

5.1 Effectively utilize federal funding streams to support microenterprise

Eight states use Workforce Investment Act and TANF funds for microenterprise training, and fourteen states support microenterprise with Community Development Block Grant (CDBG) funds.[82] In Hawai`i, CDBG funds have been used for microenterprise training with varying degrees of success. A more coordinated, more comprehensive, and better resourced approach could greatly improve results.

5.2 Support for Community Development Financial Institutions (CDFIs)

CDFIs provide financial services to underserved populations and markets. These organizations are often the only source of financing for entrepreneurs in low-income and rural communities. They rely on funding from the federal government, commercial financial institutions, and foundations to build and sustain their operations. The state can improve the health of Hawai`i's few CDFIs with tax credits to stimulate private funding or direct funding. Twelve states currently provide similar support.[83]

5.3 Leverage opportunities to support new Native Hawaiian businesses

Native Hawaiians constitute roughly 20% of the state's population.[84] A 2006 study by the U.S. Census found 7,580 Native Hawaiian-owned firms in Hawai`i—7.6% of all firms in Hawai`i accounting for over a billion dollars in revenues.[85] Significantly, the number of Native Hawaiian-owned businesses has been growing at a faster pace than businesses as a whole, creating new opportunities for many Hawai`i residents. The Native Hawaiian Loan Fund of the Office of Hawaiian Affairs is being revamped to better assist Native Hawaiian entrepreneurs.[86] Programs such as this one, utilize federal and other funds to help build wealth and opportunity in Hawai`i. The state government and others should continue to look for ways to leverage these unique funding opportunities and support existing efforts to spur continued creation and growth of Native Hawaiian-owned businesses.

5.4 Allow unemployment benefits for time-specific self-employment allowances

Eight states have programs to help unemployed persons start their own businesses with the help of unemployment benefits.[87] Participants in these Self-Employment Assistance (SEA) programs must be eligible for unemployment insurance; permanently laid off from their previous jobs; identified as likely to exhaust their benefits; and participating in activities such as entrepreneurial training, business counseling and technical assistance. Participants in SEA programs receive weekly payments while they work full-time on starting their businesses.[88]

5.5 Create and support an employee ownership center

Hawai`i could follow the lead of several states that support employee ownership centers, which offer education, technical assistance and other resources to cooperatively owned businesses. The Ohio Employee Ownership Center is a state-supported university-based center that assists employees, unions and business owners interested in exploring employee ownership. Such a center could help Hawai`i companies develop Employee Stock Ownership Plans (ESOPs)—an employee benefit plan that provides tax benefits to business owners and a stake in the company to employees.[90]

now

I don't see it (the money)… I told (my wife) just put it away. The IDA is there for a reason.

My wife has been doing the research for her washerette business… Our mother and father are getting older, Del Monte is closing down. My dad is 80-something years old and he's been at Del Monte all his life. We were thinking maybe if we can open this business, they can work comfortably helping us. The IDA can give us the possibility to open up this business.[89]

6. HELP PEOPLE BUY HOMES

A home is the ultimate asset for a family in Hawai`i and the largest component of household net worth for most Americans. But that which makes housing so valuable and costly in Hawai`i—limited land and a fragile environment, along with an insatiable offshore demand—also make for extreme housing challenges. These challenges mean that a housing policy that is merely *as good*, *as innovative*, and *as proactive* as typical U.S. states' is simply not good enough for Hawai`i. Hawai`i's approach to helping its people become homeowners must be aggressive, comprehensive, coordinated, and efficient. Since we have the greatest challenges, we must mount the greatest effort.

then

I used to come up (to Waialua) practically every weekend to go fishing and all that. So, I thought, why not live up here? I saw this place in the paper. For sale. So we came up and I took one look at the place, and say, "Oh, oh! This is it? I'm ready to go back to town."

My wife says, "No, our money is running low. We need a place. Let's buy it now."

I say, "Well I know, but look at the work!" …You couldn't walk at night through this yard without broking your shins or legs or even your skull. Anyway, she wanted the place, so we bought it. Then we start working on it. While living in town, we'd come up every weekend and haul coral until we were blue in the face…

But it's really worth it. I'm glad we done it at that time…[91]

Almost all of Hawai`i's focus has been on the supply of "affordable" housing for rent and purchase, but this is only a partial solution. Construction of affordable housing in such a hot market means significant private and public subsidies. Developers often couple affordable projects with high-end luxury housing to make up the difference in lost profits. The consequences of these projects have inflamed a separate debate about the prudence and sustainability of additional development in Hawai`i.

Supply-side strategies are indeed necessary, but the acute needs and vexing issues surrounding these approaches often blind us to the fact that supply is only half the problem. As they tackle supply issues, Hawai`i's policymakers must simultaneously invest heavily in *demand-side* approaches that increase the ability of residents to buy homes.

Policy Components:

6.1 Support homeownership education and counseling

Counseling is very important to help first-time homebuyers successfully resolve credit issues, sort through lending and down payment products and opportunities, and defend against predatory practices.[92] Hawai`i has a number of organizations helping people move toward homeownership. These include the Hawai`i HomeOwnership Center, Hawaiian Community Assets, The Department Of Hawaiian Home Lands' Home Ownership Assistance Program, and others. Support for these efforts could be multiplied many times over to help them meet the high demand for services and help Hawai`i collectively learn about what types of services work for different people. Government can increase funding for these services, provide gap services of its own, and promote homeownership education to the general public.

6.2 Increase government funded first-time homebuyer assistance

For many low- and moderate-income earners in Hawai`i, the prospect of saving enough for the down payment and closing costs needed to buy a home is formidable. Even higher-income families often must seek help from relatives to overcome this obstacle. Following the lead of other states, Hawai`i could provide grants for down payment assistance (like 24 other states), and/or expand current mortgage assistance programs.[93] Many states outdo Hawai`i's efforts to support first-time homebuyers despite the fact that the homeownership challenge in Hawai`i has no equal.

6.3 Provide extra support for IDAs intended for homeownership

Given Hawai`i's housing challenge, it may be desirable for government, banks and philanthropic organizations to increase the match when an IDA is set up for homeownership. A three-to-one match ($3 matched for every $1 saved) or more may be necessary to help people build up a realistic amount of funds.

6.4 Develop and encourage employer-assisted housing programs

Employers can play an important role in helping their employees become homeowners through forgivable, deferred, or repayable second loans, grants, matched savings plans, or homebuyer education programs.[94] Hawai`i could follow other states that encourage employer-assisted housing (EAH) programs. Such public-private partnerships could be broadly developed or targeted at certain industries and workforce segments.

6.5 Promote federal programs that support homeownership opportunities

Hawai`i's state housing policy has been understandably preoccupied with homelessness and the severe shortage of affordable rentals. Earlier in 2006, a Joint Legislative Housing and Homeless Task Force reported that Hawai`i would need an astounding 44,190 new housing units during the period from 2005 to 2009.[95] But while that situation is being addressed, Hawai`i could more actively pursue and promote opportunities for low-income households to access federal resources to save for homeownership. For example, the Section 8 Homeownership Program allows Section 8 (the federal program of low-income housing assistance) participants to use their rental vouchers to cover mortgage rather than rental payments. Some state and local governments are working with public housing agencies to maximize Section 8 voucher holder participation in the program. In addition, the federal Family Self-Sufficiency (FSS) program, also administered through public housing agencies, allows Section 8 voucher holders and public housing residents to build savings in an escrow account, which can later be used for a down payment or other uses. A 2004 study of the FSS program found that the median escrow account disbursement for program graduates nationwide was $3,351 and that a common use of the funds was for a down payment on a home.[96] The state of Hawai`i could play a role in encouraging greater participation in this program.

6.6 Alternative approaches to increasing the supply of housing

The free market in Hawai`i will not produce enough affordable housing for residents. There are too many more profitable uses of land in Hawai`i. The unavailability of land, a lack of infrastructure, and permitting processes further hinder timely solutions. Developer requirements and incentives alone may not provide a satisfactory solution. The Department of Hawaiian Home Lands is helping the overall situation by accelerating the construction of homes for qualifying Native Hawaiians on Hawaiian homestead lands. Other approaches that could be supported are: 1) community land trusts for housing where a nonprofit landowner creates a situation where families need only come up with the price of the house; 2) housing cooperatives where resident-members purchase a share in a corporation that owns the building where they live; and 3) self-help housing where a low-income family can invest with "sweat equity".[98]

now

Owning a house, I thought wasn't attainable. But not anymore. Trying to save the money at first, starting with zero, was tough, but I needed to start somewhere. I was surprised how much I saved last year. I decided to do automatic deductions (into my IDA) to make sure I did it and now I am motivated to save.[97]

CONCLUSION: DEVELOPING AN ASSET-BUILDING MOVEMENT

Major milestones in Hawai`i's economic history include: the rise and fall of plantations, dismantling discriminatory labor practices, building a strong safety net for the poor, establishing substantial worker benefits, and developing a tourist industry. A successful asset-building movement in Hawai`i would be no less significant for the people of Hawai`i. As such, it will require the same kind of substantial, broad, and sustained support that moved those previous efforts. Toward this end, there are roles for foundations, nonprofits, businesses, government agencies, lawmakers, and others. These roles include:

1) Researching, drafting, and **passing state and county legislation** that support asset-building.

2) **Advocating** for change in public policy and business practices to recognize the importance of asset-building.

3) **Conducting research, discovering best practices** in other jurisdictions, and tapping into national resources on asset-building.

4) Implementing asset-building **pilot programs and activities**, measuring effectiveness, and discovering ways to bring them to scale.

5) Maintaining data and **tracking important indicators** that reveal progress and challenges.

6) Building a **coordinated system of expertise** where high quality programs for financial education, entrepreneur training, homeownership counseling, and other areas are identified, adequately resourced, and promoted.

7) **Raise public awareness** of the importance of assets—develop broad educational activities that promote savings, asset protection, and investment.

8) Clarify and, where possible, quantify how asset-building can **benefit the overall state economy**.

> **now**
>
> People are assets… extended families are assets, friends are assets, a community that gets involved is an asset.
>
> My two kids catch ride to school with their aunty, which helps me because I don't have to pay for a car. Grandma picks them up.
>
> It's everybody investing in each other in different ways. Everybody who contributes to my kids' life… little do they know they are building these kids.
>
> …It's hard, but I do what I gotta do to make sure my kids have what they need, and that they will learn how to be self-sufficient.[99]

Awareness in communities and within individual families is already growing. Several local and national foundations and local businesses are beginning to support innovative programs in Hawai`i. Over the next few years, Hawai`i can take major steps on the path from isolated ideas, to a coordinated movement. Together, we can substantially address the debts we owe to past generations and the investments we must make in future generations.

NOTES

[1] Michi Kodama-Nishimoto, Warren S. Nishimoto, and Cynthia A. Oshiro (1984), *Hanahana: An Oral History Anthology of Hawai`i's Working People*, Ethnic Studies Oral History Project, University of Hawai`i at Mānoa, interview with Emigdio Cabico, p. 123 & 131.
[2] CFED (2005), *Assets and Opportunity Scorecard*. See www.cfed.org/go/scorecard.
[3] Leslie Parrish, Heather McCulloch, Karen Edwards and Gena Gunn, (June 2006), *State Policy Options for Building Assets,* New America Foundation and the Center for Social Development. See www.newamerica.net/files/Doc_File_3134_1.pdf.
[4] Heather McCulloch (2005), *Promoting Economic Security for Working Families: State Asset-Building Initiatives*, Fannie Mae Foundation.
[5] Lillian Woo and David Buchholz (2006). *Subsidies for Assets: A New Look at the Federal Budget.* (Washington, DC: CFED). . The full report is available at www.frbsf.org/community/research/assets/SubsidiesforAssets.pdf.
[6] The Annie E. Casey Foundation (2006), *An Overview of Rural Family Economic Success: Earn It, Keep It, Grow It.* See www.aecf.org/publications/data/final_overview_5_22.pdf.
[7] The Annie E. Casey Foundation (2006).
[8] The $362 billion includes both tax expenditures and direct spending—the effects are the same. Tax expenditures are preferences in the tax code that reward taxpayers who engage in specific types of behavior such as saving and investing.
[9] Woo, et al. (2004).
[10] Edward Wolff (2001), "Recent Trends in Wealth Ownership, from 1983 to 1998," in *Assets for the Poor: The Benefits of Spreading Asset Ownership*, Russell Sage Foundation.
[11] CFED(2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=505.
[12] See www.gibill.va.gov/GI_Bill_Info/history.htm.
[13] The Family Independence Initiative and 3Point Consulting (2006), *One Step Forward, Two Steps Back*. Analysis based upon eligibility standards and other rules in effect in 2005.
[14] The Family Independence Initiative and 3Point Consulting (2006).
[15] "Census Says Fewer Poor In State," *Honolulu Advertiser*, August 30, 2006. See http://the.honoluluadvertiser.com/article/2006/Aug/30/ln/FP608300339.html.
[16] Diana Pearce (2003), *The Self-Sufficiency Standard for Hawai`i*, Hawai`i State Commission on the Status of Women. In 2003, food for a family of four in Honolulu required a minimum of $9,552 and rent required $14,148—for a total that exceeds the Federal Poverty Level.
[17] *Honolulu Advertiser*, August 30, 2006. Self-sufficiency estimate provided by the University of Hawai`i Center on the Family.
[18] U.S. Department of Labor, Bureau of Labor Statistics (2006). See www.bls.gov/opub/ted/2006/feb/wk4/art04.htm.
[19] Analysis of data from the U.S. Bureau of Labor Statistics, Occupational Employment Statistics, 1999-2004 and Wider Opportunities for Women, Setting the Standard for American Working Families, 2003. In 2002 the living wage in Hawai`i for one parent with one child was approximately $34,600.
[20] U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics Office (2004).
[21] Pearce (2003).
[22] See note 19.
[23] Jason A. Levitis and Nicholas Johnson (May 4, 2006), "The Impact of Hawai`i's Income Tax on Low-Income Families: An Update," Center on Budget and Policy Priorities. See www.cbpp.org/5-4-06sfp2.htm.
[24] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2841.
[25] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2846.
[26] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2867.
[27] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2868.
[28] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2876.
[29] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2878.
[30] Corporation for Economic Development (2002), *State Asset Development Report Card.* See www.cfed.org/sadrc/measures/meannetworth.php.
[31] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2840.
[32] See note 25.
[33] See note 24.
[34] Levitis and Johnson (May 4, 2006).
[35] Institute on Taxation and Economic Policy (2003), *Hawai`i Taxes Hit Poor & Middle Class Far Harder than the Wealthy*,.

[36] Levitis and Johnson (May 4, 2006).
[37] Cognetics (2002), *Entrepreneurial Hot Spots Report.*
[38] "Small loans" are defined as those under $1 million.
[39] Hawai`i Small Business Administration analysis of FDIC data on insured financial institutions.
[40] See note 28.
[41] See note 29.
[42] "Hawai`i Households Pay Highest Rents in U.S.," *Honolulu Advertiser*, October 3, 2006. See http://the.honoluluadvertiser.com/article/2006/Oct/03/bz/FP610040340.html.
[43] National Low income Housing Coalition (2005), Out of Reach 2005. See www.nlihc.org/oor2005.
[44] College of Social Sciences Center for Oral History (December 2003), *Pioneer Mill Company: A Maui Sugar Plantation Legacy*, accessed at http://www.oralhistory.hawaii.edu/pages/community/pioneer.html.
[45] Pearce (2003).
[46] In 2004, Senate Concurrent Resolution 81, which would have encouraged maintaining and using the Self-Sufficiency Standard, failed to pass.
[47] Estimates by Aloha United Way using data from the Internal Revenue Servivce.
[48] Sarah Torian (March 2006), State and Local Support for Earned Income Tax Credit (EITC) Campaigns, Annie E. Casey Foundation.
[49] See www.stateeitc.org.
[50] Hawai`i Alliance for Community Based Economic Development, statement of focus group participant in Papakolea, April 2006.
[51] Levitis and Johnson (May 4, 2006).
[52] Kodama-Nishimoto (1984), interview with Emigdio Cabico.
[53] 2006 Session of the Hawai`i State Legislature, Act 47.
[54] Senator Akaka has long advocated for financial literacy programs including authoring the Excellence in Economic Education Act.
[55] Parrish et al. (June 2006).
[56] Steve Anderson, Jeff Scott, and Min Zhan (2004), *Financial Links for Low-Income People (FLLIP): Final Evaluation Report*, Sargent Shriver National Center on Poverty Law.
[57] Hawai`i Alliance for Community Based Economic Development, statement of focus group participant in Kahalu'u, May 2006.
[58] Parrish et al. (June 2006).
[59] Kodama-Nishimoto (1984), interview with Adam Holmberg.
[60] Hawai`i Alliance for Community Based Economic Development, statement of focus group participant in Papakolea, April 2006.
[61] Parrish et al. (June 2006).
[62] Parrish et al. (June 2006).
[63] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2858.
[64] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2858.
[65] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2880.
[66] Hawai`i State Auditor (2005), *Sunrise Analysis: Check Cashing and Deferred Deposit Arrangements (Payday Loans)*. See www.hawaii.gov/auditor/Reports/2005/05-11.pdf.
[67] HB2768 and SB2908 both failed in the 2006 Session of the Hawai`i State Legislature.
[68] "U.S. Military Doing Battle With Payday Lenders," *Honolulu Advertiser*, September 1, 2006. See http://the.honoluluadvertiser.com/article/2006/Sep/01/bz/FP609120324.html.
[69] Interview with Robin Danner, President and CEO of the Council for Native Hawaiian Advancement.
[70] Kodama-Nishimoto (1984), interview with Eleanor Heavey.
[71] Parrish et al. (June 2006).
[72] Parrish et al. (June 2006).
[73] Parrish et al. (June 2006).
[74] Margaret Clancy. (August 2006). Personal communication
[75] Parrish et al. (June 2006).
[76] Hawai`i Alliance for Community Based Economic Development, statement of focus group participant in Papakolea, April 2006.
[77] Hawai`i State Department of Business Economic Development & Tourism (2006), 2005 State of Hawai`i Data Book.
[78] Parrish et al. (June 2006).

[79] Ethnic Studies Program (1978), *Remembering Kakaako, 1910-1950*, Ethnic Studies Oral History Project, University of Hawai`i at Mānoa, interview with Keisuke Masuda.
[80] Parrish et al. (June 2006).
[81] See note 27.
[82] Parrish et al. (June 2006).
[83] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2872.
[84] Kamehameha Schools (2005), *Ka Huaka'i*. See http://ulukau.org/elib/cgi-bin/library?e=d-0nhea-000Sec--11en-50-20-frameset-book--1-010escapewin&a=p&p=frameset&d=D0.9&toc=0
[85] US Census (2006), *Native Hawaiian- and Other Pacific Islander-Owned Firms, 2002*. See www.census.gov/prod/ec02/sb0200csnhpi.pdf.
[86] "OHA Revamps Loan Program," *Honolulu Advertiser*, September 18, 2006. See http://the.honoluluadvertiser.com/article/2006/Sep/18/ln/FP609180345.html
[87] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2874.
[88] See http://workforcesecurity.doleta.gov/unemploy/uilawcompar/2004/extensions.pdf.
[89] Hawai`i Alliance for Community Based Economic Development, statement of focus group participant in Waipahu, May 2006.
[90] Parrish et al. (June 2006).
[91] Kodama-Nishimoto (1984), interview with Adam Holmberg.
[92] Parrish et al. (June 2006).
[93] CFED (2005). See www.cfed.org/focus.m?parentid=31&siteid=504&id=509&measureid=2884.
[94] Parrish et al. (June 2006).
[95] See www.capitol.hawaii.gov/site1/studies/Joint_Homeless_Task_Force.pdf.
[96] Parrish et al. (June 2006).
[97] Hawai`i Alliance for Community Based Economic Development, statement of focus group participant in Kahalu'u, May 2006.
[98] Parrish et al. (June 2006).
[99] Hawai`i Alliance for Community Based Economic Development, statement of focus group participant in Papakolea, April 2006.

HACBED

Hawai`i Alliance for Community-Based Economic Development
677 Ala Moana Blvd., Suite 702 Honolulu, HI 96813
Ph. 808.550.2661 Fax 808.534.1199
Email info@hacbed.org www.hacbed.org

March 23, 2007

Senate Committee on Ways and Means
Wednesday, March 28, 2007 at 9:30 a.m.
Conference Room 211 – 25 copies
HB 1007 -- Support

Dear Chair Baker and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of HB 1007 that provides the Department of Human Services shall not consider moneys in Escrow Accounts established under the federal Housing and Urban Development Family Self-Sufficiency Program when determining eligibility for assistance or other benefits under Chapter 346, Hawai‘i Revised Statues.

Hawai‘i needs a comprehensive public policy to help people build assets. This should include a package of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and become homeowners. We support HB 1007 as a component of a set of bills that we believe does just that. The Ho‘owaiwai Asset Policy agenda addresses these needs by putting together a comprehensive package of bills and policies that encourages and widens opportunities for asset building.

Assets are essential for three reasons:

1. To have **financial security** against difficult times
2. To create **economic opportunities** for oneself
3. To **leave a legacy** for future generations to have a better life

Hawai‘i has seen a dramatic increase in housing costs over the past few years. With the combination of high housing costs and low- to moderate-incomes, many Hawai‘i families cannot afford to purchase a home. Public assistance programs, like the Family Self-Sufficiency Program, assist low-income families in building savings in an escrow account to use as a down payment for a home. This saving mechanism helps families build their assets, purchase a home, and achieve self-sufficiency.

Homeownership is an important asset for families and a critical component for economic security in Hawai‘i. Saving for a home should not prevent families form receiving other public benefits. This bill is critical for Hawai‘i families that receive public assistance and dream of owning their own home. Passage of this measure will provide more families in Hawai‘i the opportunity to save for a down payment and purchase a home.

Thank you for your consideration.

Sincerely,

Brent Dillabaugh
Deputy Director
HACBED

HOUSE OF REPRESENTATIVES
TWENTY-FOURTH LEGISLATURE, 2007
STATE OF HAWAII

H.B. NO. 100

A BILL FOR AN ACT

RELATING TO HUMAN SERVICES.

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

SECTION 1. Section 346-29, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) The director shall adopt rules pursuant to chapter 91 defining assets and to determine eligibility for medical assistance; provided that [~~the~~]:

(1) For households with minor dependents, the department shall disregard assets in determining the needs of persons for medical assistance; and

(2) The cash surrender value of life insurance policies owned by persons included in an application shall be treated as assets."

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of $, or so much thereof as may be necessary for fiscal year 2007-2008, and the same sum, or so much thereof as may be necessary for fiscal year 2008-2009, to eliminate the asset limits for households with minor dependents' applications for medical assistance.

H.B. NO. 100

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

SECTION 4. This Act shall take effect on July 1, 2007.

INTRODUCED BY: ______________________

JAN 17 2007

Report Title:
Human Services; Application for Medical Assistance

Description:
Eliminates the asset limits for households with minor dependents' applications for medical assistance and appropriates funds for this purpose.

THE SENATE
TWENTY-FOURTH LEGISLATURE, 2007
STATE OF HAWAII

S.B. NO. 1938

JAN 24 2007

A BILL FOR AN ACT

RELATING TO HUMAN SERVICES.

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

SECTION 1. Section 346-29, Hawaii Revised Statutes, is amended by amending subsection (d) to read as follows:

"(d) The director shall adopt rules pursuant to chapter 91 defining assets and to determine eligibility for medical assistance; provided that [~~the~~]:

(1) For households with minor dependents, the department shall disregard assets in determining the needs of persons for medical assistance; and

(2) The cash surrender value of life insurance policies owned by persons included in an application shall be treated as assets."

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of $, or so much thereof as may be necessary for fiscal year 2007-2008, and the same sum, or so much thereof as may be necessary for fiscal year 2008-2009, to eliminate the asset limits for households with minor dependents' applications for medical assistance.

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

SECTION 4. This Act shall take effect on July 1, 2007.

INTRODUCED BY: [illegible]

[illegible]

[illegible]

Suzanne Chun Oakland

Will Espero

[illegible]

Carol Fukunaga

[illegible]

Rosalyn H. Baker

S.B. NO. 1938

Report Title:
Asset Building; Application for Medical Assistance

Description:
Eliminates the asset limits for households with minor dependents' applications for medical assistance and appropriates funds for this purpose.

LINDA LINGLE
GOVERNOR

LILLIAN B. KOLLER, ESQ.
DIRECTOR

HENRY OLIVA
DEPUTY DIRECTOR

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

February 9, 2007

MEMORANDUM

TO: Honorable Maile S. L. Shimabukuro, Chair
House Committee on Human Services and Housing

FROM: Lillian B. Koller, Director

SUBJECT: H.B. 100 – RELATING TO HUMAN SERVICES
Questions from House Committee on Health, January 29, 2007

Testimony on HB 100 – Eliminating the asset limits for households with minor dependents for all adults in those households to qualify for Medicaid without an asset test.

We have not, as yet, determined how to reliably estimate the cost impact of H. B. 100. In particular, the scope of the bill is very broad in that all members of households with minor dependents (children), *not just the parents of those children*, would be eligible for our Medicaid programs without an asset test as this bill is written. This would include all members of each household including parents, siblings, grandparents, uncles, aunts, cousins and other family members.

The information provided in this memo does not cover all members of each household with children. *Instead, we based this memo on data that we could readily obtain on the parents of the children who are currently in our Medicaid programs, not all household members. Therefore, the cost projections in this memo are far less than the full cost impacts of this bill. We are still working on developing a model with which we could reliably estimate the full cost impacts of this bill.*

1. **What is the approximate cost estimate of eliminating the asset test?**

Limiting our cost estimates to eliminating the asset test for only the parents of children in households with minor dependents, not all members in these households as proposed in this bill, the cost impacts to our Medicaid QUEST Medicaid Fee-For-Service (FFS) programs. The income standard for adults is 100% of the federal poverty level (FPL). The estimate of affected adults (parents only) is based on the number of children in the current caseload of households with incomes under 100% FPL. The Department does not currently have sufficient data on the number of other adults per household that would be affected by this bill.

Medicaid QUEST Cost Impact

Children <100% FPL		3,987
Factor for children with Adults in Household		0.46
QUEST Adults w/children not receiving assistance		**2,153**
Capitation Rate		$185
Monthly Costs		$398,301
Annual Costs		$4,779,616
State Share (Less current Federal match 57.55%)		$2,028,946

Medicaid Fee-For-Service (FFS) Cost Impact

Children <100% FPL		1,383
Factor for children with Adults in Household		0.46
Blind/Disabled Adults w/children not receiving assistance		**747**
Average Fee-For Service Cost		$645
Monthly Costs		$481,815
Annual Costs		$5,781,780
State Share (Less current Federal match 57.55%)		$2,454,366

Total State Cost QUEST and FFS Parents		**$4,483,312**

The Department estimates that the total annual State cost increase will be $4,483,312 based on the current State share (57.55% Federal match, reducing to 56.5% from October 1, 2007 through September 30, 2008, thus requiring more State funds).

2. **Does the Department have any recommendations with regards to increasing the assets limitations?**

Currently the Medicaid asset test is the same as used for SSI eligibility. Setting a different test will create a new gap group between financial, SSI and medical eligibility.

It is also important to point out that the federal match, called the Federal Medicaid Assistance Percentage (FMAP), will decrease for Federal Fiscal Year 2008 from 57.55% to 56.5% which will require additional State funds to maintain current services and reimbursement rates.

Also, in the Executive Biennium Budget 2007-2009, additional funds are requested to provide for projected enrollment and cost increases for HMS 401PE, the Aged, Blind and Disabled population. The projected rate increases are clinic services 2%, hospice services 5%, FQHC services 5%, nursing facility 3.9%, acute services 4%, and Part A/B Medicare services at 5%, equating to $16.4 million in State general funds for FY 08 and $18.1 million in FY 09. These increases are either required changes by the federal government or part of the Hawaii Medicaid State Plan. This request also includes additional general funds to compensate for a decrease in the FMAP, which will fall from 57.55% in FY07 to 56.50% in FY08. Additional funds were also requested to provide for projected increases in the service rates of 5% and population growth of 4% for HMS 401PQ, the QUEST managed care population including additional general funds to compensate for a decrease in the FMAP of $16.2 million in general funds for FY 08 and $43.4 million for FY09.

3. **What is the experience of other states that have eliminated the assets test? Testimony indicated that Oklahoma and New Mexico have dropped the test and only saw a slight increase in enrollment and realized administrative cost savings.**

We have not been able to confirm data from New Mexico or Oklahoma regarding their experience with eliminating the asset test for adults in Medicaid.

More importantly, it appears that Oklahoma and New Mexico's elimination of the asset test is much more narrow than proposed in H.B. 100. We have confirmed from the Oklahoma and New Mexico policy manuals that they do not count assets for AFDC (able-bodied) household members. However, if a member in the household is aged, blind or disabled (ABD), assets would count for that member.

The proposal in H.B. 100 does not differentiate between a household member who is AFDC (able-bodied) or ABD (not able-bodied). In Hawaii, AFDC individuals are in our QUEST program, where the State can waive the asset test for certain adult household members. The ABD individuals are not included in our QUEST program so the asset test is required for adults (except for pregnant women for whom the asset test is waived).

4. **What would be the administrative cost savings in eliminating the assets test?**

Based on current operating procedures, there will be no administrative cost savings as a result of eliminating the asset test for household with children. The implication of the testimony was that New Mexico or Oklahoma netted administrative cost savings because staff time was not expended on asset verification. However, in Hawaii, MQD staff time for verifying assets is minimal because self-declaration is considered acceptable verification. Staff are required by federal regulations to do verification of information only when provided via IEVS (electronic reports from IRS Workers Compensation, DOL, IRS, etc.). In short, we accept the applicant's declaration on the application and, if incorrect, then they are subject to criminal penalties including fraud as cited on the application. Even if the *asset test is removed, we are still subject to IEVS and staff will have to verify* income and other information about the applicant.

Additionally, if the asset test were removed, there will be a greater increase in administrative costs associated with the provision of benefits to adults who are not currently eligible. These costs would involve staff time to enroll eligibles in plans, issue notices, cards, handling appeals, processing requests for authorization for services, processing claims, and other costs not associated with direct benefit payments.

5. Additional concerns related to removing the assets test for household with children

There is a strong possibility of a challenge under the ADA if the State disregards assets for both the AFDC (able-bodied) with children and the ABD (aged, blind or disable) adults with children, and not for the ABD (aged, blind or disabled) adults without children.

There is a lesser possibility of a challenge under the ADA if the State disregards assets for both the AFDC (able-bodied) adults with children and the ABD (aged, blind or disabled) adults with children, and not for the ABD adults without children.

The Attorney General's office is currently attempting to contact its counterparts in New Mexico and Oklahoma to clarify how they are dealing with these potential liabilities.

Ho`owaiwai
2007 Legislative Talking Points
HB 100/SB 1938 – Eliminates Asset Limits on Medicaid

General Points:
Hawai‘i needs comprehensive public policies to help people build assets. This should include a package of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and become homeowners.

- **One in five** households in Hawai‘i have zero or negative net worth, the 5th worst ranking among the states.
- **One in four** households do not have enough assets to subsist at the poverty level for three months if their income were disrupted.
- Assets are essential for three reasons:
    1. To have **financial security** against difficult times
    2. To create **economic opportunities** for oneself
    3. To **leave a legacy** for future generations to have a better life

HB 100/SB 1938 *would eliminate Medicaid asset limits for families with children.*

- Government policies intended to help the poor pose some of the greatest barriers to escaping poverty. Income criteria and “asset tests” are used to determine eligibility. As a result, the government ends up encouraging the economically rational person to choose welfare over work.

- Government must eliminate asset tests and adjust income criteria to create rational incentives for people to realistically work their way out of poverty.

- Twenty states have eliminated asset tests for families on Medicaid. The majority of these states found that any increased enrollment costs were off-set by administrative savings. For example, New Mexico found a slight increase of $23,000 per year in state funds due to increase enrollment and Oklahoma saved over $1 million in administrative costs by eliminating the test.

HACBED

Hawai`i Alliance for Community-Based Economic Development
677 Ala Moana Blvd., Suite 702 Honolulu, HI 96813
Ph. 808.550.2661 Fax 808.534.1199
Email info@hacbed.org www.hacbed.org

February 6, 2007

House Committee on Human Services and Public Housing
Tuesday, February 6, 2007 at 1:30 p.m.
Conference Room 016 – 25 copies
SB 1938 -- Support

Dear Chair Chun Oakland and Committee Members:

The Hawai`i Alliance for Community Based Economic Development (HACBED) is submitting testimony in support of SB 1938 which would eliminate Medicaid asset limits for families with children.

Hawai‘i needs a comprehensive public policy to help people build assets. This should include a package of programs, tax incentives, regulatory changes, and other mechanisms to help people earn more, save more, protect hard earned assets, start businesses and become homeowners. We support SB 1938 as a component of a set of bills that we believe does just that. The Ho‘owaiwai Asset Policy agenda addresses these needs by putting together a comprehensive package of bills and policies that encourages and widens opportunities for asset building.

Assets are essential for three reasons:

1. To have **financial security** against difficult times
2. To create **economic opportunities** for oneself
3. To **leave a legacy** for future generations to have a better life

Incredibly, government policies intended to help the poor pose some of the greatest barriers to escaping poverty. Income criteria and "asset tests" are used to determine eligibility. Benefits like Medicaid are reduced or retracted as a recipient's income and assets increase. Often, the value of the benefits lost outstrips the value gained through work or saving. Thus government often ends up *encouraging* the economically rational person to choose welfare over work. To remedy this, this committee should adopt this bill to eliminate asset tests and adjust income criteria to create rational incentives for people to realistically work their way out of poverty.

Twenty other states have eliminated asset tests for families on Medicaid. The majority of these states found that any increased enrollment costs were off-set by administrative savings. In fact, New Mexico saw a slight increase of $23,000 per year in state funds due to increase enrollment and Oklahoma saved over $1 million in administrative costs by eliminating the test.

Thank you for the opportunity to submit testimony.

Sincerely,

Brent Dillabaugh
Deputy Director
HACBED