

WELFARE PEER TECHNICAL ASSISTANCE SUMMARY

Event: Establishing Individual Development Account Programs:
Programming, Policies, and Resources

Date: December 13-14, 2000

Location: Four Points Barcelo Hotel, Kansas City, MO

The Welfare Peer Technical Assistance (TA) Network, funded by the Administration for Children and Families (ACF), Office of Family Assistance (OFA), Department of Health and Human Services (DHHS), coordinated this workshop involving select representatives from fourteen States (representing eleven human services offices, and nine community partners), from across five ACF Regions, and three federal agencies. Nationally recognized private sector organizations that contributed to this workshop included representatives from the Center for Social Development (CSD) at Washington University in St. Louis, Missouri, and the Corporation for Enterprise Development (CFED) in Washington, DC.

The purpose of this two-day workshop was to assemble a collection of varying levels of expertise from all over the nation among the IDA field to promote information sharing and fact finding. States that are just beginning to break new ground with IDAs were invited as well as those who are considered frontrunners in IDA policy development. States that have been operating IDA programs for several years along with those that have just begun working on IDA policies within the past six months shared information about their programs as well as offered advice on programming design and policy development. In addition, representatives from several federal agencies offered an update on a few of the IDA funding sources available to states as well as some additional programming advice. The representatives from CSD and CFED offered insights into national trends and policies as well as specific state policies. Research from an evaluation conducted on a national IDA demonstration program as well as evaluation findings from one local IDA program's research were presented.

During the workshop, participants were allowed an opportunity to engage with their peers to explore how they can implement effective IDA programs in their states, gain information on maintaining the momentum on their current IDA programs, and/or network with others to gather new ideas as well as contacts for follow-up dialogue. They were also challenged to consider where their current IDA program is and ways to implement ideas gained from the workshop into their own program and policy development strategies within their respective states. An abundance of resources was made available to participants for further assistance. Web sites, copies of state and federal legislation, program descriptions of state and federal programs, copies of letters to IDA partners, client IDA materials, and even copies of requests for proposals from state offices were offered to participants to take home with them for reference.

By way of background, IDAs are special savings accounts set up under an asset-building program that provides matching funds to encourage and promote savings among low-income families. They are a tool that enables low-income workers to accumulate assets for long-term goals. Dr. Michael Sheridan, from Washington University in St. Louis, MO, wrote the book “Assets and the Poor” in 1991 that is credited as helping to launch the IDA concept.

Similar to 401(k)s, IDA accounts are held in the name of the individual. However, the incentive to save in an IDA account is the matching deposits and not the tax deductions as in a traditional 401(k). The accounts are established through the operating organization and are opened at a financial institution such as a bank or credit union. Participating organizations that can work with states to operate an IDA program include non-profit as well as private organizations, public agencies, financial organizations, unions, or other local institutions. These organizations enter into a contract with the state to operate an IDA program. Individual and charitable contributions may be deposited directly into an IDA account. Operating organizations may also use charitable contributions as part of the matching funds deposited into an IDA account. With some variation depending on the specific source of funding, IDA assets may generally be withdrawn only for three purposes: buying a first home, post-secondary education or training, or starting a small business. Most states use the participation criteria of any individual with a family household income less than 200% of the federal poverty level may have an IDA. In general, accountholders may begin receiving payments from their accounts after they have accumulated enough savings and matching funds. This is typically in about two to four years. In addition, it is common practice for IDA programs to require that participants complete an approved financial education course provided by the qualified financial institution or non-profit agency.

For organizations that operate an IDA program, their major areas of responsibility include recruiting, training and counseling account holders; raising matching funds from the community; managing the accounts; and reporting. The local IDA project area may be an urban neighborhood, community, county, multi-county region, or portion thereof within the state.

Prior to the 1996 welfare reform legislation States began funding asset-building programs for welfare families under waiver demonstration projects. IDA programs became increasingly more prevalent with the 1998 passage of the “Assets for Independence Act.” This legislation authorized \$25 million a year for five years for the Office of Community Services to implement a program of demonstration projects to set up IDAs for lower income working families. This program in addition to funding provided through the Office of Refugee Resettlement allowed for programs all over the country to obtain the funding they needed to implement their programs. Other funding that has been used for IDA programs includes Federal and State Temporary Assistance for Needy Families (TANF) dollars, charitable foundation funding, private donations, and various other local-level sources.

Within the broad goals of TANF, States may use Federal TANF or State Maintenance of Effort (MOE) funds for IDA programs. According to CSD, at least 46 states have some kind of community-based IDA programs, and 32 of these states mention IDAs in their plans for using TANF funds. Most of these states allow (or plan to allow) TANF funds to be used for matching funds and administrative costs. The TANF statute contains a specific provision that authorizes the use of Federal TANF funds for IDAs and disregards IDA assets in determining eligibility and benefits under any federally funded means-tested program. This makes it important for potential IDA partners within a state to know the underlying authority for any IDA program operated in their state. Additional policy guidance for use of TANF funds for IDAs may be found at the following web site: www.acf.dhhs.gov/programs/ofa/qapol.htm#individual.

IDA programming suggestions and instructions can be found in the CFED's "Program Design Handbook: A Step by Step Guide to Designing an IDA Program." More information is available on their web site at www.idanetwork.org. For specific information on each state program as well as a complete list of State policies on IDA uses, visit CSD's web site at www.gwbweb.wustl.edu. The Office of Community Services has an envisioned IDA web site that may be visited at www.acf.dhhs.gov/programs/ocs/demo.

Some of the key points that emerged during this workshop from discussions on IDA program design and administration are as follows:

Early Lessons Learned From Long-Term Programs:

- Low-income people can and do save
- Income does not have a statistically significant effect on the amount of savings
- A significant proportion of low-income families do not use banks
- Well-designed IDA activity can be effective in allowing low-income people to purchase assets
- Designing IDA activity based on input of the target client population is essential
- IDA programs function most effectively when they are integrated with other agency programs
- Financial institutions need to be approached by human service agencies as a business partner and not a support agency

Key Program Design Considerations:

- Determine if an IDA is appropriate for both the agency and the community
- Select an account structure and match rate
- Consider permissible uses for withdrawals
- Be aware of deposit and withdrawal guidelines
- Involve money management and asset accumulation training for account holders
- Be diligent in obtaining enough funding
- Involve appropriate community partners through partnerships
- Consider key players as advisory committee members

Key Challenges and Opportunities Facing IDA Program Administrators

Challenges:

- IDAs involve a great deal of inter-agency coordination, a variety of skills are needed to administer a program, and involve a great deal of labor-intensive work
- IDA programs administering a state-wide program may be seen by other organizations as exclusionary and as a threat
- IDAs are a popular trend now and are riding the legislator's "bandwagon"; this creates its own difficulties and may not always be the case in the future
- Obtaining initial funding as well as matching funds can be an enormous challenge
- A small IDA program with little resources requires too much effort and commitment to ensure the program survives- this makes cost-benefit analysis a must prior to starting a program
- Financial institutions are key players in the IDA planning/administration process and should not be treated lightly
- Elimination of old stereotypes concerning low-income individuals' ability to save money over a period of time is sometimes needed on the part of some participating agencies as well as clients before a program can be launched

Opportunities:

- IDAs are a valuable tool for organizations to help low-income individuals become self-sufficient and reach their lifetime goals
- IDAs are pro-family and pro-community in that they send a positive message to children, home ownership is increased, businesses are both created and attracted to the community, and education levels rise among the community's residents
- IDAs promote social justice among communities
- IDAs promote low-wage earners with opportunities for jobs and then the potential to retain and even advance in their careers
- IDAs promote community partnerships
- Legislatures currently support IDAs in their districts and look positively on funding them as it offers them political "points"
- Federal funding is available to allow for participating organizations to gain exposure and experience by being a part of a national demonstration project (those who apply for OCS' Assets for Independence funding)
- IDAs offer an excellent adjunct to existing programs such as micro-enterprise development, job training, housing, etc.

A more detailed summary of this workshop will be available on this web site in several weeks. For more information about this event, or the Welfare Peer Technical Assistance Network in general, contact Blake Austensen at (301) 270-0841, ext. 215, or e-mail baustensen@afyainc.com.