RESOURCE GUIDE:
STATE IDA PROGRAM SUPPORT

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ASSETS & OPPORTUNITY SCORECARD

OVERVIEW

More than one-quarter of Americans are "asset poor," meaning they do not have sufficient net worth to subsist at the poverty level for three months in the absence of income. Through tax and spending decisions, government can create incentives for people to save and build assets. One policy that helps low- and moderate-income people build assets is a state-supported Individual Development Account (IDA) program. IDAs are special savings accounts that match the deposits of low- and moderate-income savers, provided that they participate in financial education and use the savings for targeted purposes—most commonly postsecondary education, homeownership or capitalizing a small business. States should provide funds and support for local IDA programs.

Research demonstrates that these accounts make families more financially secure and communities more stable.[1] The American Dream Demonstration, which ran from 1997 to 2003, was the first systematic study of IDAs. It proved that, with the proper incentives and support, the poor can and do save. The average monthly net deposit per participant was $19, and—with an average match rate of $2 for every $1 saved—participants accumulated about $700 per year.[2] A 2010 report found that IDA homebuyers were two to three times less likely to lose their homes to foreclosure compared to other low-income homebuyers who purchased homes in the same communities and over the same time period.[3] CFED estimates that more than 100,000 IDAs have been opened in the United States.[4]

WHAT STATES CAN DO

Funding for local IDA programs comes from a combination of federal and state governments, foundations and the private sector. State funding, in addition to directly helping low- and moderate-income savers, can also leverage federal Assets for Independence Act (AFI) grant funds, which require that every federal dollar be matched by a non-federal source.

Generally, state-supported IDA programs involve a partnership between a state agency, nonprofit service providers and financial institutions. Once a state authorizes an IDA program through a legislative or regulatory process, it designates a state agency or non-governmental entity to serve as the program administrator and steward. At least half of the state programs surveyed in a 2005 study[5] were administered jointly by a state agency and a nonprofit.

The program administrator may set up accounts with the financial institution partner; provide fiscal management, administration and overall marketing services; and report results to a state auditor or evaluator. The administrator also partners with nonprofit service providers to interface with accountholders. Service providers manage outreach and recruitment, data collection and administration of individual accounts, and also provide financial education training, budget and credit counseling and asset-specific classes.

1 The Center for Social Development at Washington University in St. Louis (http://www.csd.wustl.edu/) and CFED (http://www.cfed.org/programs/idas/) have each published numerous papers on IDAs, effective and innovative IDA policy design, and IDA uses.

2 Mark Schreiner, Margaret Clancy, and Michael Sherraden, *Final Report: Saving Performance in the American Dream Demonstration: A National Demonstration of Individual Development Accounts* (St. Louis, MO: Center for Social Development, Washington University, 2002).

3 Ida Rademacher, et al., *Weathering the Storm: Have IDAs Helped Low-Income Homebuyers Avoid Foreclosure?* (Washington, DC: CFED and the Urban Institute, April 2010), http://cfed.org/assets/pdfs/WeatheringTheStorm_Final.pdf.

4 This figure comes from the total number of AFI IDAs opened as of the most recent HHS report to Congress (http://www.acf.hhs.gov/sites/default/files/ocs/11th_afi_report_to_congress.pdf), which was about 80,000, plus IDAs opened through the Office of Refugee Resettlement program (http://www.acf.hhs.gov/sites/default/files/orr/click_here.doc), which is about 21,500, plus other state IDA programs.

5 Naomi Warren and Karen Edwards, *Status of State Supported IDA Programs in 2005* (St. Louis, MO: Center for Social Development, Washington Univeristy in St. Louis, 2005), http://csd.wustl.edu/Publications/Documents/PR05-03.pdf.

WHAT STATES HAVE DONE

To date, 42 states have enacted or administratively created state IDA programs, though not all are currently active or have current state appropriations. States that have had a state IDA program at one time or another are: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Hawai'i, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia and Washington. Fifteen states had funding for IDAs in 2013.

FUNDING SOURCES

To date, states have tapped five main types of funding sources to support IDAs. Many states utilize more than one source.

Funding source	State
General funds	CT, IN, MN, MO, NC, NM, OH, PA, TN, VT
Temporary Assistance for Needy Families (TANF)	AR, CO, HI, IL, IA, MI, MN, MO, MT, NJ, OH, OK, PA, SC, TN, TX, VA, WA
Community Development Block Grant	AR, NC, TN, VA
Tax credits to entities or individuals that support the IDA program, or directly to accountholders	AR, CO, CT, HI, IN, KS, ME, MO, OR, PA
Housing trust funds	NC, OH

Note: *Includes both active and inactive state programs.*
Sources: *CFED survey of state agencies and/or state program administrators, 2009-2013. Supplemented with information from: Naomi Warren and Karen Edwards, Status of State Supported IDA Programs in 2005, (St. Louis, MO: Center for Social Development, 2005).*

ADDITIONAL ELEMENTS OF STRONG IDA POLICIES

Whether through law or administrative rule, states may opt to include other elements in their state IDA policy, including:

1. **Asset purchase flexibility.** Federal funding through the AFI program only permits savers to use their match funds to purchase a home, finance higher education or start a small business. Many families, however, could benefit from purchases such as a computer to help with school assignments, a car to get to and from work, home repairs, retirement or assistive technologies for people with disabilities. State funding should support these alternative asset purchases.

2. **Protecting savers' eligibility for means-tested programs.**[6] As IDA participants accumulate savings, it is important that those savings do not negatively affect their eligibility for public benefits. The purpose of the IDA is to build assets, not pay for immediate needs. State law and/or administrative rules should make it clear that an accountholder's savings and matching funds will not affect his or her eligibility for any state-administered or state-funded means-tested public benefits, including Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program (formerly Food Stamps), subsidized child care, housing assistance, general assistance or payments for the elderly, blind and disabled.

3. **Financial education.** Most IDA programs mandate that participants complete financial education in order to access their matching funds. This education may encompass both general financial capability and asset-specific content.

4. **Allowing unrestricted sources of deposits.** Some states, including those receiving federal AFI grant funds, require that deposits to an IDA be made from earned income only. CFED discourages such provisions, as they exclude individuals who do not have earned income (such as retirees receiving Social Security, or people with disabilities receiving disability or SSI income). In addition, these restrictions can require extensive, time-consuming documentation of deposits to prove their source. Thus, rather than listing out multiple allowable sources of contributions to an IDA, CFED recommends that legislative language remain silent on eligible contributions. Doing so will permit a virtually unlimited range of contribution options.

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6 By federal law, all states exclude IDAs funded by TANF and Assets for Independence from federal public benefit programs. However, states should exclude non-TANF and non-AFI-funded IDAs from these programs as well. For more information, see 2002 Federal IDA Briefing Book: How IDAs Affect Eligibility for Federal Programs (Washington, DC: CFED & Center on Budget and Policy Priorities, 2002).

Administering Agency

Across the country, responsibility for administering a state's IDA program resides in a variety of agencies. Based on a 2013 state IDA support survey administered by CFED, the most common types of agencies to administer a state-supported IDA program were housing/community development departments, followed by the commerce/economic development department and the human/social services department. However, experience varies widely across states in terms of which agency plays the lead role. In general, the administering agency is related to the primary funding source. (For example, if TANF is the primary funding source, the human service department is often the lead agency.)

Administering agency of currently operating programs	Number of states
Housing/Community Development	3
Commerce/Economic Development	2
Human/Social Services	2
Labor	2
Finance Authority	1
Workforce Development	1
Non-state agencies (e.g., Community Development Corporations, Community Action Agencies and community-based organizations)	5
Source: *CFED survey of state agencies and/or state program administrators, 2009-2013.*	

There are pros and cons to administering an IDA program in any agency. The following table summarizes the advantages and disadvantages of locating a program at six agencies with experience administering IDA programs.

Agency	Pros	Cons
Human/Social Services	■ Experience working with low-income families ■ Experience working with local partners ■ Mission aligns with purpose of IDAs	■ Perceived as "welfare" program and thus may receive less broad support ■ Many competing demands on limited "safety net" funds
Commerce/Economic Development	■ Can provide link across housing, entrepreneurship, workforce training and economic development ■ Education and training use aligned with agency goals	■ Because IDAs push the boundaries of a traditional commerce role, it may be hard to find a champion and get agency buy-in
Housing/ Community Development	■ Experience with re-granting funds ■ Clear link in mission to use of IDAs for homeownership	■ May come to be perceived as only an affordable housing tool to the exclusion of other uses
Labor	■ Education and training use aligned with agency goals	■ Because IDAs are a less common approach to workforce training, it may be difficult to get agency buy-in ■ May come to be perceived as training account to the exclusion of other uses

Finance Authority	■ Can provide link across housing, entrepreneurship, workforce training and economic development	■ Less tested approach; however, some strong examples of leadership by state treasurers for matched savings and asset building
Workforce Development	■ Experience working with low-income families ■ Can link to other workforce programs to help participants complete training, find new employment and access various work support services ■ Experience working with local partners	■ Links to housing resources, programs and expertise are relatively weak ■ Possibly less of a "case management or compassionate" social service program approach to implementation, and more of a employment service approach

STATE PRECEDENTS: MORE THAN 10 YEARS OF STRONG SUPPORT IN OREGON[7]

In June 2014, the Oregon IDA Initiative will celebrate its 15th anniversary and 4,000th graduate. The Initiative began in 1999 with the near unanimous passage of HB 3600. Along with outlining the Individual Development Account Initiative and structure, the bill included a 25% income tax credit as an incentive for individuals or corporations to support the program. Because the 25% tax credit proved to not be enough of an incentive for donors, HB 3391 was introduced in 2001 by the key sponsors of the initial legislation. The bill made it possible for donors to receive a state tax credit worth 75% of their contribution. In other words, for every dollar a donor contributes to the IDA Initiative, his/her Oregon tax liability is reduced by $.75. The legislation set three initial eligible uses for the tax credit: starting or expanding a small business, a postsecondary education or the purchase of a first home. The bill set no limit on the volume of tax credits available—that limit is negotiated periodically with the Legislative Revenue Committee. In 2011, there were up to $10 million in contributions allowed with $7.5 million available in tax credits.

Several additional changes have been made to the legislation in subsequent years:

- Federally recognized tribes were added as eligible partners, expanding beyond just 501(c)3 organizations.
- Balances from IDA accounts are allowed to be rolled over to a 529 College Savings Plan.
- In 2007, HB 2094 allowed for youth age 12 and older to begin saving in an IDA.
- HB 2094 also added two new asset classes: repair or modification to make primary residences habitable, accessible or visitable; and the purchase of equipment, technology or specialized training to become competitive in obtaining or maintaining employment, or to start or maintain a business.
- In 2013, Oregon enacted a law that allows IDA participants to have up to $60,000 of pension or retirement savings and still be eligible for the program provided they meet other criteria.

The Oregon IDA Initiative has enjoyed the support of several dedicated champions over the years and has appealed to members in both parties. Because the original sponsors have moved on from the Legislature (one now represents Oregon as a U.S. Senator), advocacy efforts now focus on growing and maintaining a strong group of legislative champions from across the state who are familiar with the program as it is implemented in their districts.

7 CFED thanks Janet Byrd, Kathy Turner, Alison McIntosh, Cynthia Winter and Jessica Junke of Neighborhood Partnerships in Oregon for their contributions to this section.

In their messaging, advocates emphasize several key points about the Oregon IDA Initiative and the impacts of IDAs on individuals and communities. Advocates argue that IDAs have an immediate impact on the lives of those who successfully purchase an asset, and long-term impacts on all who participate. To demonstrate impact, in January 2008, Neighborhood Partnerships—the nonprofit that administers the state IDA program—hired the Regional Research Institute at Portland State University to begin a longitudinal study of Oregon's IDA participants. Systems were put in place to gather data on participants when they enroll in the program, when they graduate or terminate from the program, and again one year after graduation/departure from the program.

In the fall of 2010, Portland State University released its first evaluation of the IDA Initiative. The evaluation demonstrated considerable shifts in behavior between the time when participants enter the program and one year after receiving financial education and purchasing an asset. The evaluation found increases in regular saving, use of budgets, on-time bill payment and satisfaction with financial status. The evaluation is available on the Oregon IDA Initiative website, http://www.oregonidainitiative.org/impact-policy/evaluation.

Advocates are focusing their efforts on responding to external circumstances and maintaining stable funding. The Legislature recently turned its attention to tax credits as an IDA funding source. In the past two legislative sessions, lawmakers have begun to systematically examine all tax credits in the state, while implementing blanket sunset dates. The IDA tax credit will be reviewed in the 2015 Legislative session. In addition to the research on program impacts, advocates have taken steps to ensure the IDA program reaches all counties in Oregon, and to aggressively support a diverse group of partners and beneficiaries.

STATE PRECEDENTS: CREATING AND SECURING STATE FUNDING FOR AN IDA PROGRAM DURING TOUGH BUDGET TIMES IN NORTH DAKOTA[8]

The North Dakota Community Action Partnership (NDCAP), a partnership of seven Community Action Agencies across the state, began offering IDAs in 2002. The program was initially funded primarily by foundations. Although the program graduated a number of successful participants over the next few years, advocates realized that they needed to explore alternative funding options to reach greater scale.

In 2008, NDCAP began exploring the possibility of pursuing state funding. The NDCAP Board of Directors was committed to the process, agreeing that state funding would be a more viable source and was the best strategy to expand the program. Much of the discussion surrounding the legislative pursuit focused on modeling the NDCAP IDA program after Family Assets for Independence in Minnesota (FAIM), the program in Minnesota which had successfully secured a rolling appropriation from their state legislature in 1999. FAIM utilized the state appropriation to leverage additional federal support from AFI and was able to grow its program to over 3,000 participants.

In January 2009, Senator Mac Schneider (D-Grand Forks) agreed to be the primary sponsor on a bill which would provide a $125,000 appropriation for the NDCAP IDA program. Advocates argued that a modest investment in the IDA program would result in significant leveraged investment in education, small business and first-time homeownership across the state. The bill was marketed not only to be a successful investment in the North Dakota economy but also an investment in human capital. The bill moved forward with bipartisan and bicameral support. Communicating the projected outcomes of the state funding was critical to getting bipartisan support.

The NDCAP statewide coordinator, along with Senator Schneider and a former IDA graduate, provided testimony in support of the bill throughout the legislative process. During the process, many legislators pushed back, arguing that NDCAP should seek funding from sources other than the state, like churches and foundations. After a rough battle in the legislature, the bill passed and was sent to the Governor's desk to be signed.

8 CFED thanks Andrea Olson of the North Dakota Community Action Partnership for her contributions to this section.

The 2009 legislative success resulted in a one-time state appropriation for two years of funding. NDCAP and other supporters viewed this as a significant victory that catapulted the IDA initiative into a new and exciting level of expansion. NDCAP used the appropriation to leverage additional federal dollars through a matching AFI grant.

Rather than pursuing state funding through the legislative process again in 2011, NDCAP asked the Department of Commerce (DOC) to consider including a regular allocation for the IDA program in its 2011 budget. Prior to the start of the 2011 legislative session, DOC agreed and presented their budget with a $125,000 allocation included for IDAs. The DOC budget was approved and now the IDA program will be expanded by an additional 60 slots every two years across North Dakota until administrative capacity is reached. Including IDAs in the DOC budget is a more stable funding strategy, as it no longer leaves program funding at the whims of the legislative appropriation process every two years.

MAKING THE CASE: STRATEGIES FOR A SUCCESSFUL CAMPAIGN

1. **Use pre-legislative session months to promote the sponsorship and drafting of IDA legislation.** Since IDAs are not likely a familiar concept to many legislators, use pre-session time to identify potential bill sponsor(s), acquaint them with IDAs and draft bill content. Identify a "lead" advocate for the legislation. It may not be the state steward agency, but rather another statewide advocacy organization. This will prevent the legislation from getting lost in any state agency lobbying efforts. However, it is important for advocates to be perceived as authorities on IDA legislation in the state. Reach out to IDA practitioners and advocates in other states to get concrete examples of well-crafted IDA legislation. As an agreement is reached with the bill sponsor(s) on what IDA initiative elements will be most productive for the state, the sponsors' knowledge of the state process can be beneficial.

2. **Identify the most receptive legislative committee.** The state legislature may move filed bills into specific committees (health, community development, social services, economic, business, etc.) for approval before allowing them to be introduced on the floor. In these instances, determine which committee is the best fit for the bill. Consider a committee that is receptive to asset building or that routinely deals with issues similar to IDAs. While it may be a good strategy to work with a committee (e.g., human services) that typically deals with legislation affecting poor families, some states have achieved success by working with committees (e.g., commerce, finance, economic development) that have a broader mandate. Working with this type of committee can help to remove the stigma that IDAs are another form of public welfare.

3. **Keep the IDA legislation simple.** Legislation should be designed to minimize the work of state government officials. The state administrators of IDA initiatives usually have dozens of programs to manage. An administration-heavy initiative will present problems for these understaffed departments, thus delaying implementation dramatically. Furthermore, many organizations may be reluctant to participate in an IDA initiative with onerous regulations. Following burdensome regulation requires significant staff time, which is time better spent on the IDA initiative itself. Generally speaking, legislative language that will allow flexibility and relatively easy administration-light legislation will be easier to implement and will result in more diverse and stronger IDA initiatives. Administrative rules, which are created for most new laws, can be used to more clearly define the IDA initiative, if necessary.

4. **Create legislation that can be applied evenly to rural and urban areas.** Legislation should be flexible enough to serve all low-income constituencies within the state, including both urban and rural areas. Legislative language should consider the community development infrastructure in different areas in the state and provide support for those areas where the infrastructure is weaker.

5. **Identify and recruit allies.** There are certain to be parties outside of the legislature who have an interest in the passage of IDA legislation. Potential beneficiaries include educational institutions, housing and real estate groups, and financial institutions. Banks and financial institutions, in particular, are potential allies as they may see IDA accountholders as a new potential market to serve. In addition, the banking lobby should be consulted on how to operate IDAs effectively, with incentives for banks to participate and with few administrative burdens.

6. **Use a legislative vehicle that is likely to pass and relevant to IDAs as the base for an IDA amendment.** In order to speed up the legislative process and/or increase your chances of successful passage, IDA supporters and their sponsor(s) should be willing to add the IDA bill to another piece of similar legislation that is likely to pass. Often, other legislation that addresses similar community development issues is the right legislative vehicle to attach an IDA amendment to. Several states have passed, and funded, IDA legislation this way.

7. **Pursue sources of stable funding.** Consider various options for state IDA funding such as securing an annual budget allocation from a state agency rather than having to secure state funding through the legislative process each year (see case study on North Dakota above).

8. **Tell compelling stories.** One excellent way to energize and attract attention to your campaign is to tell the stories of individuals and families (in their own words, wherever possible). If your state already has an IDA program, seek out current and former accountholders who can share their success stories. You might also consider creating profiles of individuals who do not currently have access to an IDA, but who would benefit from the opportunity. It is particularly powerful to share stories from a legislator's home district.

9. **Document the impact.** If your state already has an IDA program, consider engaging in research to quantify the positive economic impact that the program has had. For instance, you might cite data on the total amount of personal savings accumulated by savers in the program, the value of assets acquired (such as home values) and new income generated by savers who have used their accounts to make asset purchases (i.e., through small business creation, or better-paying jobs due to educational attainment), and the resulting increases in property and income tax revenues for the state (see Oregon's evaluation in the case study above).

10. **Use effective messages.** In promoting the creation and funding of your state's IDA program, consider using messages that have been effective in other states, such as:

    - There is strong precedent for asset-building programs. The Homestead and Land Grant Acts of 1862 and the GI Bill of 1944 illustrate that an appropriate public role is to invest in its citizenry.
    - IDAs are not just a social service program; they are an economic development tool that helps people with lower incomes enter the financial mainstream.

Years of data and research have demonstrated the power and success of IDAs. See the CFED Resource Directory for specific studies and data points: http://cfed.org/resources.

- Research shows that low-income people can and do save. Some of the most successful programs are working with people with very low incomes. Low-income savers will make sacrifices to turn the opportunity that an IDA provides into lasting prosperity.
- IDAs are a wise investment; there is a direct return on investment by leveraging federal and private funds.

- IDAs are good for communities. They help families become more stable, put down roots and climb the economic ladder. In turn, communities grow and prosper, broadening their tax base and creating new jobs.
- IDAs provide economic opportunities in rural areas as well as urban centers.
- There is a low foreclosure rate among IDA homeowners.

RESOURCES

For more information on this policy, go to http:// scorecard.cfed.org.

Organizations and Websites

- CFED: IDA Resource Library and IDA Research pages: http://cfed.org/programs/idas/.
- Assets for Independence Resource Center: http://www.idaresources.org/.
- Center for Social Development: Visit http://csd.wustl.edu/AssetBuilding/Pages/Overview.aspx for an extensive listing of resources on assets policy, including numerous publications and resources on IDAs.