

State Individual Development Account Program Support

2009 Assets and Opportunity Institute

Tina Morris-Anderson, North Carolina Department of Labor

Cynthia Winter, Neighborhood Partnerships (OR)

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Purpose

Overview – Individual Development Accounts (IDAs)

- Matched savings accounts designed to encourage low- and moderate-income people to save; typically restricted to specific asset-building uses and accompanied by financial education.
- Research demonstrates that IDAs are an important tool for making families more financially secure and communities more stable (see CFED and CSD).
- In the ADD Demonstration, average monthly net deposit per participant was \$19; with an average match of 1:1, participants accumulated \$700/year.
- One of 12 Policy Priorities in the Scorecard.

Grading the States on Support for IDAs

- To date, 41 states have enacted or administratively created IDA programs, though not all are currently active.
- In the Scorecard, the threshold for receiving any credit is having a funded program in FY 2009; if the state did not provide funding in FY 2009, it was ineligible to receive credit for any criterion.
- 21 states had funded IDA programs in 2009; however, only 17 (less HI, MI, ND, UT) met one or more of our criteria:
 - Is the state's commitment to IDAs sufficient to meet demand (i.e. no less than \$200 per low-income resident)?
 - Is there a strong agency steward for the program?
 - Is at least 15% of funding allowed for administrative/operating costs?
 - Is there stable funding?

Grading the States on Support for IDAs (more)

- 6 states considered strong or very strong:
 - Arkansas
 - Illinois
 - Indiana
 - Iowa
 - Minnesota
 - Oregon
- Oregon:
 - most well-funded,
 - provides about 4x the funding as the 2nd place state MO,
 - BUT, no state comes close to meeting the demand of those who could benefit from an IDA opportunity.

Key Questions

- Policy Framework – What legislation supports IDAs in your state? What is the legislative history?
- Program design – What is the structure of your state's IDA program or initiative? What role did legislation play in creating this structure?
- Funding – What is the source of funding for your state's IDA program or initiative? Have you used this funding to leverage other sources of funds?
- Advocacy/messaging – What is the role of advocacy in your state's IDA program or initiative?
- Lessons/advice -- What are the primary lessons or advice you would like to share with others?

1. Policy Framework

Oregon IDA Initiative

- In 1999, HB 3600 established the use of a 25% income tax credit as an incentive for contributions to the Oregon IDA Initiative
- In 2001, HB 3391 was passed increasing the tax credit to 75%
- In 2007, HB2094 allowed for
 - Youth 12 and older to participate in the IDA Initiative
 - Improvements, repairs or modifications necessary to make or keep the participant's primary dwelling habitable, accessible or visitable
 - The purchase of equipment, technology or specialized training required to become competitive in obtaining or maintaining employment or to start or maintain a business
- In 2009, HB2258 clarified the definition of "median household income"

1996: NC Working Group on IDAs and Asset Building

Shared vision of creating a public/private, statewide system that supports, encourages and invests in asset-building among low wealth residents

- NC Dept. of Labor
- NC Dept. of Commerce
- NC Dept. of Health and Human Services
- NC Rural Economic Development Center
- Center for Community Self-Help
- Corporation for Enterprise Development
- NC Community Development Initiative
- NC Institute of Minority Economic Development

NC IDA Legislation

1997

- **S.B. 1031:** NC General Assembly appropriation of \$600,000 to NCDOL and NCDHHS for IDA pilot project (80% Area Median Income; all three IDA purposes) [17 sites serving 30 counties]
- **Administrative Rule:** Commitment of \$250,000 in Small Cities CDBG]

2001

- **H.B. 1401:** Bill to provide \$2.4 million (2 years) for the expansion of IDAs ***BILL FAILED***

2003

- **Administrative Rule:** \$360,000 in TANF funds allocated for IDAs

1999: Assets For Independence Act

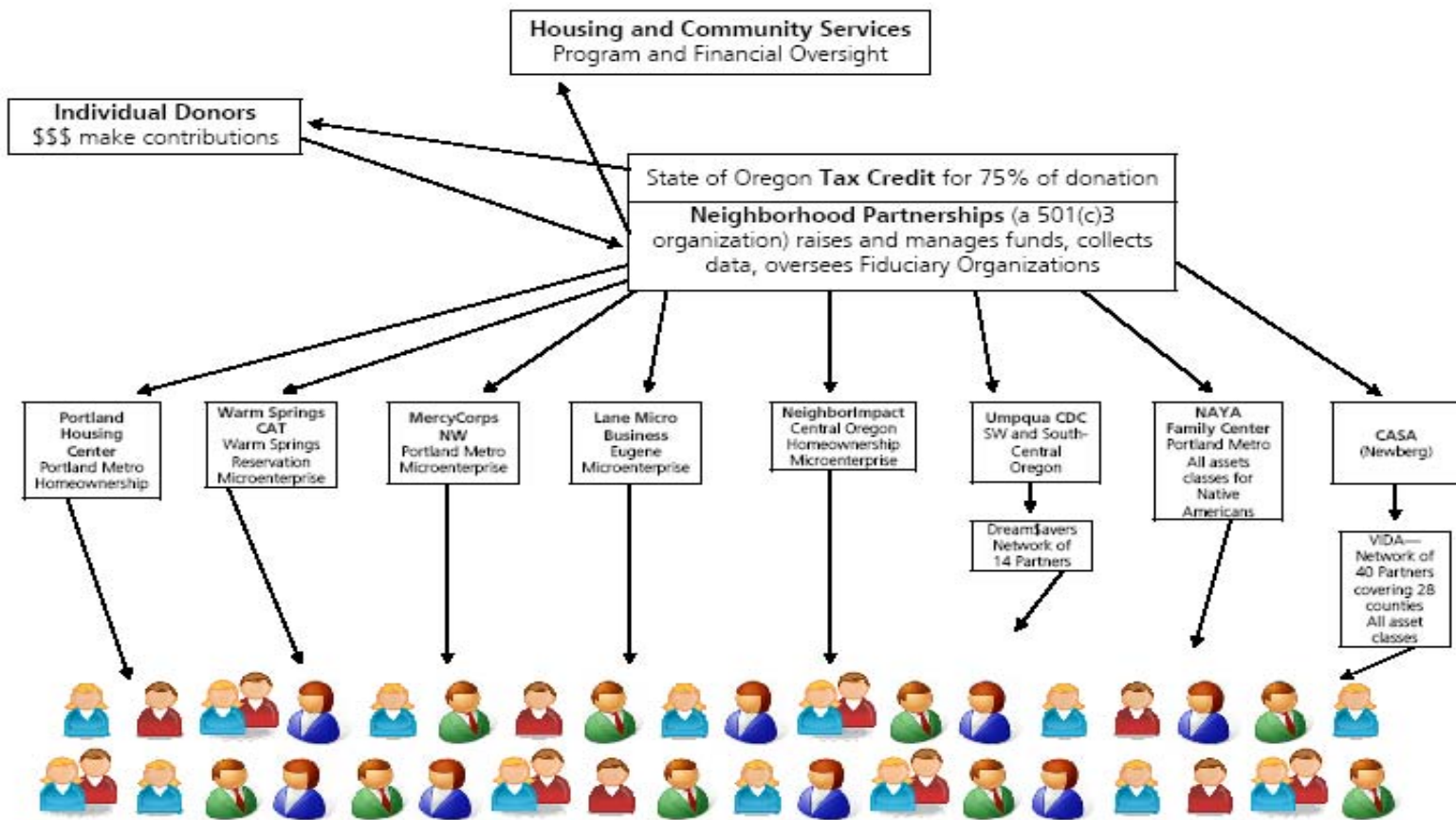
Public Law 105-285 (Federal)

- IDA Workgroup became IDA and Asset Building Collaborative of North Carolina
(subsequently became 501(c)3 organization)
- Collaborative and NC Department of Labor applied for \$331,785 grant using state appropriation as non-federal match (200% poverty level) [9 sites serving 13 counties]
- NCDOL awarded three subsequent grants using federal and state funds

2. Program Design

Oregon IDA Initiative

- Eight Fiduciary Organizations and over 60 partner organizations
- IDAs are available in 34 of 36 Oregon Counties
- Initiative has engaged 2546 low income participants in the past seven years
 - 870 are seeking to purchase their first-home
 - 656 are starting/expanding a small business
 - 395 are pursuing additional post-secondary education
 - 30 are saving to repair their primary dwelling
 - 5 are purchasing assistive technology to help them re-enter the workforce
- Will celebrate 1000th graduate this fall!



Individuals open savings accounts, learn financial skills, and build assets using matching funds from the IDA Initiative

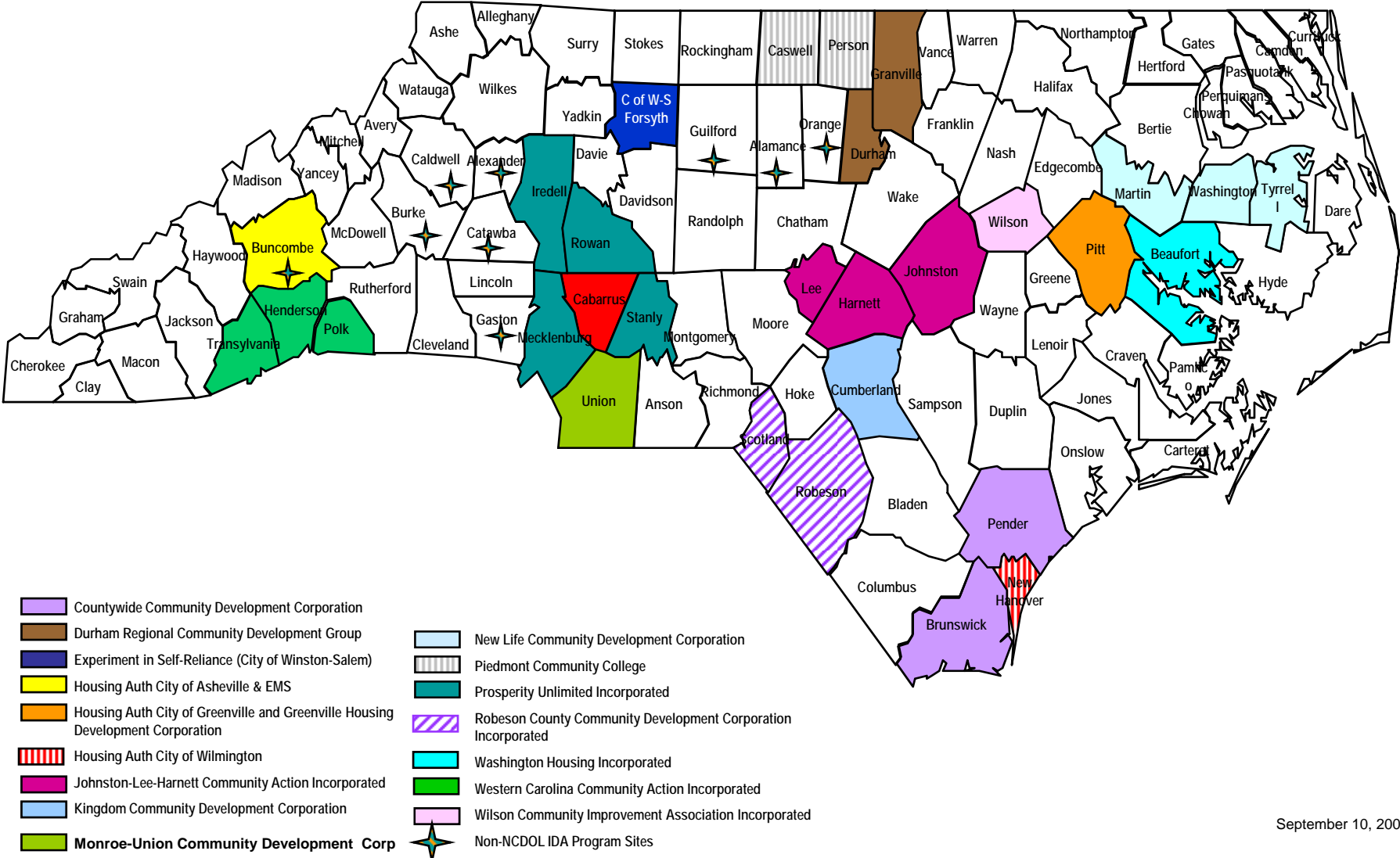
Oregon IDA Initiative

- All program management transferred to Neighborhood Partnerships in 2008
- Neighborhood Partnerships provides:
 - Oversight of Fiduciary Organizations
 - Quarterly trainings
 - Monthly conference calls with FOs
 - Data Collection software and oversight
 - Annual Fiscal and Program Audits
 - Contract with Portland State University for outside evaluation
 - Legislative Liaison
- Program costs covered by Tax Credit – no department expenses

North Carolina IDAs

- **Statewide: 26 IDA programs serving 42 out of 100 counties**
- Currently 18 NCDOL program partners; additional programs in the state using other funding
- 30 out of 100 counties served by NCDOL partners
- Minimum 87 active account holders (AFI² data challenge)
- Between 1999 and 2008, graduates from the NCDOL IDA Program made an estimated **\$44,012,079** investment in 483 homes, 34 businesses and 31 educational pursuits.

North Carolina Counties Served by IDA Programs



NCDOL Program Design

NC Department of Labor

Administrative oversight
Account match and administrative funds
Training and technical assistance
Data collection
Local program advocacy

Sub-grantee (16)

Marketing
Recruitment
Curriculum
Financial Institution and Community Partners
Program implementation
Data collection

IDA Program Community Partners

- Community Development Corps.
- Community Action Agencies
- Depts. of Social Services
- Public Housing Authorities
- Community Colleges
- Financial Institutions
- Cooperative Extension
- Consumer Credit Counseling
- Community Colleges
- Municipal Government
- Joblink Centers

3. Funding

Oregon IDA Initiative

Breakout of Tax Credit Funds

96% of Donor Contribution goes directly to IDA Program

- 2% NP program management & evaluation
- 2% Marketing credit
- 5% FO Administration of program
- 20% Training and case management for IDA participants
- 71% Match funds for IDA participants

Oregon IDA Initiative

Marketing History

| Year | Contrib. Limit | Contrib. Received |
|--------|----------------|-------------------|
| ■ 2003 | \$ 666,000 | \$ 666,000 |
| ■ 2004 | \$ 666,000 | \$ 666,000 |
| ■ 2005 | \$1,500,000 | \$1,340,515 |
| ■ 2006 | \$4,000,000 | \$3,584,181 |
| ■ 2007 | \$6,000,000 | \$6,000,000 |
| ■ 2008 | \$8,000,000 | \$4,544,703 |

NCDOL IDA Program Funding

- State appropriation [\$600,000]
- Federal funding (4 AFI grants; 2 closed/2 open) [\$2,752,000]
(September 2009: fifth grant for \$300,000)
- Temporary Aid for Needy Families (TANF) [\$360,000; \$180,000 contracted]
- NCDOL allocation [\$188,500]
- NC Housing Finance Agency [\$500,000+]
(Funds for account match, gap financing and IDA Loan Pool)
- Community Development Block Grant [\$711,000]

4. Advocacy/Messaging

Oregon IDA Initiative

Evaluation

- PSU Regional Research Institute hired to do outside evaluation of Oregon IDA Initiative
- Three IDA Participant Surveys
 - Survey graduates at exit
 - Brief survey at exit of participants that were not able to complete program
 - Follow-up survey one year post exit

Oregon IDA Initiative

Exit Survey of Graduates

- Satisfaction with financial status increased from 46% to 78%
 - “very satisfied” increased from 7% to 26%
- 45% reported reduced debt
- 44% reported increased income
- Regular deposits to savings grew from 23% to 65%
- Use of budgeting grew from 32% of participants to 69%

Oregon IDA Initiative

Financial Behavior & Wellbeing 12 months later

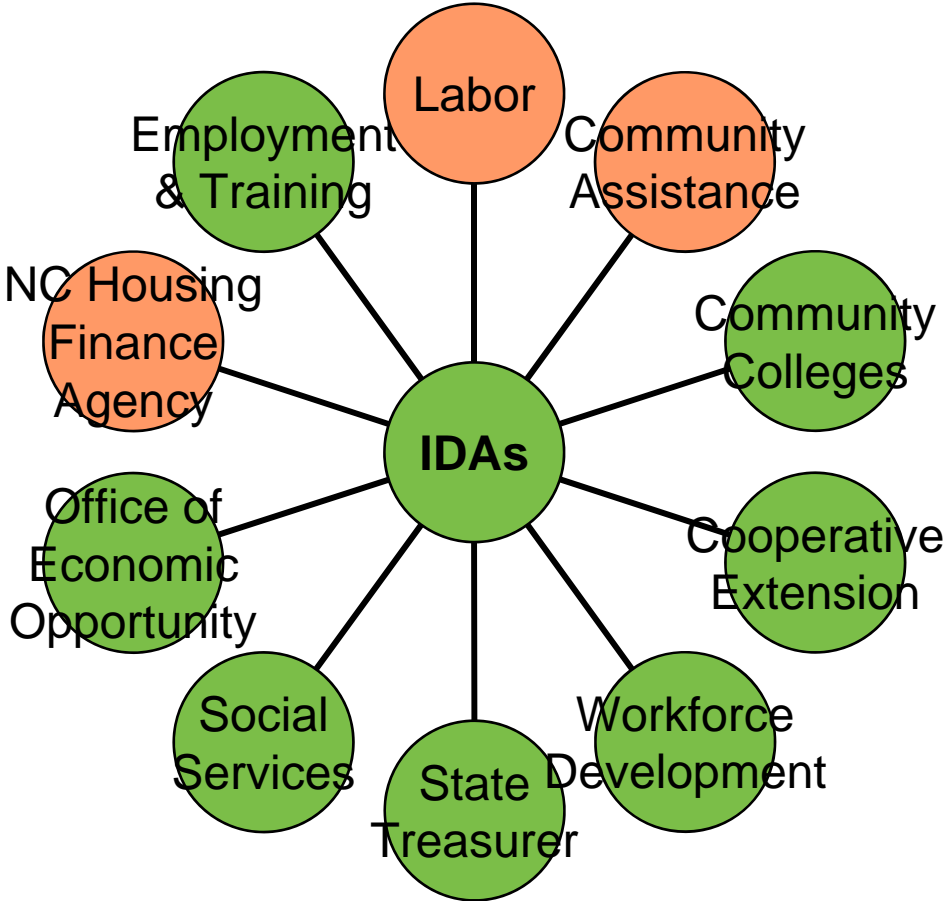
- 59% often use a budget to monitor expenses
- 41% are regularly making deposits to savings
 - 25% saving for an IRA or other long term saving plan
 - 28% saving for family needs
 - 18% for more education
 - 27% saving to purchase or improve home

Oregon IDA Initiative

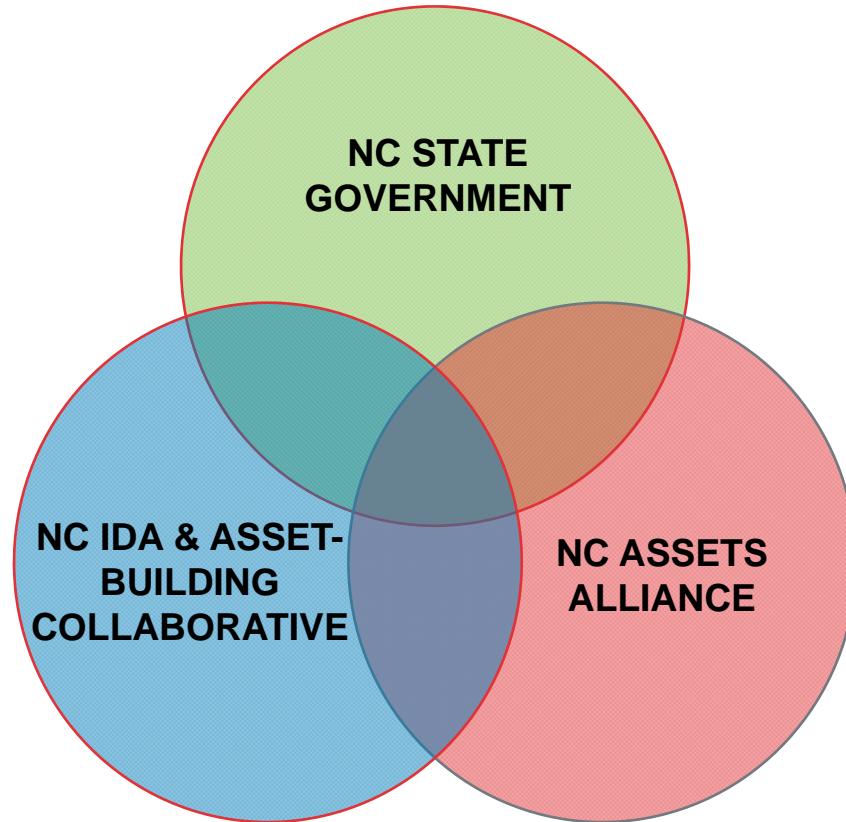
Feedback from Non-Completers

- 23% left within 5 months
- 56% stayed more than a year
- 32% said “big change” in how they handle money

NC State Government IDA Conversation



Outreach



5. Lessons/Advice

Oregon IDA Initiative

- IDA Legislation needs a permanent source of funding for program management and participant match in order to go to scale
- Tax Credit needs to be enough of incentive for donors and businesses
- Legislation needs to be flexible
- Needs to be a strong relationship between the State, program management staff and FO staff
- IDAs change lives and behaviors!

North Carolina Lessons

- When requesting additional funds from legislature, it is important to have data on program outcomes and community impact.
- For State agencies, when engaged in tight State budget negotiations, greater emphasis may be placed on department mission-related budget items at the expense of IDAs and requested funding.
- Identify a “lead” advocate for proposed legislation.
- “Reality checks” are vital – IDAs are not going to be the right solution for every community.
- IDA program homeowners are less likely to undergo foreclosure.

Contact

Tina Morris-Anderson, Director
Research, Policy and Planning Division
NC Department of Labor
1101 Mail Service Center
Raleigh, NC 27699-1101
(919) 715-7415
Tina.Morris-Anderson@labor.nc.gov

Cynthia Winter, Program Director
Neighborhood Partnerships
1020 SW Taylor, Suite 680
Portland OR 97205
Direct: 503-226-3001 x 101
cwinter@neighborhoodpartnerships.org