CSD Policy Report

Temporary Assistance for Needy Families (TANF) and Individual Development Accounts (IDAs): A Good Match?

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About This Report

In January 2005, a working group of representatives from most of the state-supported Individual Development Account (IDA) programs with Temporary Assistance for Needy Families (TANF) funds as a primarily source of funding were assembled in St. Louis by the Center for Social Development to participate in a meeting titled, "TANF and IDAs: A Good Match?" This important working group had four main objectives: to illustrate concrete ways that state TANF-supported IDA programs fulfill TANF goals; to identify the most important benefits and most pressing challenges related to using TANF funds as a source of support for state-level IDA initiatives; to share information on effective ways to use TANF funds to support IDAs; and to develop recommendations for improvement of TANF IDA policy and programs.

Since the inception of TANF law, 17 states have appropriated TANF funds as the main source of funding support for state-level IDA programs. Many of these states have experienced significant difficulty in utilizing TANF funds for IDAs for a variety of reasons, most of which are related to a variety of federal-level and state-level interpretations of overall TANF administration rules. Ten of the 17 states were represented at this meeting: Arkansas, Illinois, Louisiana, Michigan, New Jersey, Texas, Vermont, Virginia, Washington, and Wyoming (Wyoming was represented by the only American Indian tribe currently using tribal TANF funds for IDAs). At the time of this meeting, 4 of the 10 states attending – Illinois, Louisiana, Texas, and Washington – had just completed or were winding down IDA programs supported by one-time state allocations of TANF funds for IDAs, with no future allocations secured. Two of those states, Louisiana and Texas, were waiting to hear if TANF funding would be renewed.

Seven other states are allocating, or have allocated or appropriated, TANF funds for IDAs: Colorado, Indiana, Iowa, New Hampshire, Oklahoma, Pennsylvania, and Tennessee. Of those seven states, Iowa, New Hampshire, Oklahoma, and Tennessee have either expended their TANF support for state-level IDA programs, or are winding down one or more previous TANF allocations for IDAs, with no further allocations secured. The remaining three states – Colorado, Indiana, and Pennsylvania – use TANF funds for IDAs, but not as the main source of state support for IDA programs.

A number of additional states, including Arizona, California, Florida, Kentucky, Massachusetts, Montana, New Mexico, and Utah, passed legislation or created administrative policy that allows for the creation and funding of IDA programs with TANF funds, but TANF-supported IDA programs in those states have not yet materialized, and appropriations or allocations of TANF funds have not yet been made. Also, TANF funds have been allocated to a number of community-based non-profit IDA programs – in several states not mentioned above – but were (or are) allocated at the community level, not as part of statewide IDA initiatives that have significant state support.

As mentioned above, the ten-state panel of experts attending CSD's January meeting drew on considerable expertise related to the use of TANF funding to support IDAs. Specifically, their experience and expertise enabled them to: discuss related successes and challenges; better determine how TANF goals are met by IDA programs; discuss whether or not TANF funding is an effective source of support for IDAs; and consider policy recommendations for further use of TANF funding for IDAs. This report attempts to capture information shared, and recommendations made, at the meeting, so that a wider group of interested state-level IDA program implementers, administrators, policymakers, and stakeholders, may gain more complete information on the effectiveness of using TANF funding to support IDAs.

Each convening participant was asked to write a short discussion piece covering their experience with TANF funding for their state-level IDA program, using both proposed meeting agenda discussion questions and an additional CSD questionnaire as guidelines (the agenda and questionnaire are included as addenda at the end of the report). The following panel of experts attended the January meeting:

Stephanie Sikora,* Arkansas
Randy Lawson, Arkansas (State)
Dory Rand,* Illinois
Lina Alfieri Stern,* Louisiana
Terry Meeuenberg, Louisiana (State)
Eric Muschler,* Michigan
Pat Caruso, Michigan (State)
Mary Ann Barkus,* New Jersey (State)
Woody Widrow,* Texas
Julian Huerta, Texas
Diane Carminti, Vermont (State)
Mary Niebling,* Vermont
Christa Donahue,* Virginia (State)
Janet Abbett,* Washington (State)
Lisa Wagner,* Wyoming (Tribal TANF)

* Fourteen people attended the meeting, representing ten states. Six represented non-profits, seven represented state governments, and one represented the only American Indian tribal-affiliated non-profit (a community development financial institution, or CDFI) using Tribal TANF for IDAs. The above attendees marked by an asterisk turned in discussion pieces. Mary Niebling, representing a Vermont non-profit, did not make it to the meeting due to last minute technical difficulties with her flight, but did turn in a discussion piece for Vermont – which was represented at the meeting by Diane Carminti.

Zoe Neuberger, of the Center for Budget and Policy Priorities in Washington, D.C., also attended. Ms. Neuberger's work includes research on TANF policies and how states are using TANF, and she reported on both states' declared use of TANF for IDAs, and the status of the reauthorization process for TANF policy. TANF policy was scheduled to be reauthorized in 2001, but Congress postponed completing the process. It has been temporarily renewed (annually) since then, at stationary funding levels, until Congressional agreement can be reached on policy reauthorization, amendments, and a new appropriation.

Karen Edwards and Gena Gunn, Project Directors for the Center for Social Development (CSD), which is part of the George Warren Brown School of Social Work at Washington University in St. Louis, hosted the meeting. Ms. Edwards and Ms. Gunn are co-directors of the "State Assets Policy Project," a CSD research project centered on tracking, and informing state governments, on issues related to state-level IDA and other assets policies. Support for the January meeting was provided by the Charles Stewart Mott and Annie E. Casey Foundations.

Annika O'Melia, a graduate student at the George Warren Brown School of Social Work and a research assistant at CSD, assisted in the planning and execution of the meeting, and acted as videographer.

CSD thanks the expert panel of participants, listed above, for their willingness to share experiences and learn from each other, and for helping us to consider effective policy structures for incorporating asset building into welfare reform. We especially wish to thank the Charles Stewart Mott and Annie E. Casey Foundations for the generous support that continues to make this work possible.

Background: IDAs and TANF Law

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which established the Temporary Assistance for Needy Families (TANF) program, was passed as part of Federal welfare policy reform (included in the Social Security Act of 1996). This act replaced the Aid to Families with Dependent Children (AFDC) Act and program. Although welfare recipients could, under certain circumstances, draw on AFDC for undetermined periods of time, TANF, as the name implies, was developed to be a more temporary source of assistance for families who are without income, or have very low incomes, and was focused on moving recipients into new or better jobs within a few years, at which time assistance is terminated.

One of the provisions allowed in PRWORA, Section 404(h), is for "states to which grants are made under section 403 to create and fund Individual Development Account programs" (PWRORA, 1996, see Addendum Three for the complete wording). The requirements for establishing and using IDAs are included in the law in a relatively brief and straightforward way, including stipulations that only "earned income" may be deposited in accounts by IDA holders, and that IDAs must be established as "trust(s) created or organized in the United States" by non-profits or state or local governments.

The IDA provision in PWRORA has been acclaimed by some policy analysts as an important step forward in social welfare policy. The inclusion of this provision acknowledges, in federal policy, that asset building plays an important role in establishing financial self-sufficiency for people who qualify for welfare benefits. Additionally, the provision allows states to use part of their TANF block grant money to fund individual development accounts, and disregard savings in IDAs as personal or household “assets,” in determining eligibility to receive general cash assistance from any Federal benefits program. Considering that former AFDC rules penalized recipients for all but a small amount of savings and investment, this provision marks a monumental step forward in allowing welfare policy to both assist people in finding jobs and maintaining a certain level of income, and to build assets for the longer term (developing a personal safety net) without penalty (Sherraden & Friedman, 1997).

However, the promise of this welfare policy breakthrough was initially tempered by some TANF administrative rule snafus. The temporary nature of TANF caused problems for states interested in establishing and supporting longer-than-two-years IDA programs, using TANF funds. Although the IDA provision in TANF set an extraordinary precedent for helping people on general assistance to retain and build assets, several states relinquished the idea of creating a state-supported IDA program using TANF funds because they could not determine administratively acceptable ways to expend TANF funds for IDAs (according to the broader rules for using TANF funds). States found that they had to consider the temporary nature of TANF expenditures in the context of the longer time frames (typically 2 to 5 years) established for IDA programs by community-based organizations implementing IDA programs, without compromising both TANF recipients' cash assistance awards and the overall goals of the TANF program. The time frames typically established for saving in IDAs have generally been acknowledged by those in the asset-building field as particularly necessary for people wanting to buy a home – due to the fact that in many areas of the country a considerable amount of money is needed for the down payment and closing costs associated with home purchase.

IDA program timing issues were solved by several states in a variety of creative ways, but the solutions carried with them some trepidation for states, especially due to limited direction on how to administratively draw down TANF funds for IDAs, from the U. S. Department of Health and Human Services (DHHS) (the Federal department that administers the TANF program) in the early years of the TANF program. This general lack of understanding early on, on the part of both Federal and State governments, was largely due to the fact that IDAs were a new concept, with only a small number of IDA programs established across the country, providing governments with limited knowledge of IDAs and how "typical" IDA programs worked.

Since then, however, DHHS has not only supported the actions of many states in dealing with the administrative challenges related to using “short term” TANF funds for “longer term” IDAs (while still working within general TANF rules), but has also organized and hosted several “technical assistance” workshops at locations across the country, working with state-level Human Services employees and community-based non-profit administrators of state IDA programs toward better understanding effective ways of using TANF funds to support IDAs.

Additional issues related to using TANF funds to support IDAs surfaced in the first few years after the law was passed, but were largely resolved with a number of TANF rule clarifications related to IDAs, established in 1999. These clarifications resolved that savings in IDAs are not to be considered as assets when establishing the amount of “cash assistance” awarded to TANF applicants and recipients, and that the time required for saving in an IDA program is to be excluded from the set time period, or “time clock,” established for TANF recipients cash assistance awards.

However, a number of state-level departments managing state TANF programs still interpret TANF rules related to IDA programs in highly restrictive ways, and whether these interpretations are related to state-level or Federal-level TANF rules and regulations is often unclear. Various interpretations of several still unclear TANF rules, related to state support of IDA programs, were discussed in this meeting.

Welfare Recipients and Saving

The question people ask most consistently, when discussing the efficacy of the TANF IDA provision, is whether or not it is even possible for TANF recipients or “the poor,” to save and build assets, considering that the target population earns such low incomes. Researchers at CSD, and other organizations, have amassed considerable evidence that answers this question in the affirmative. Yes, welfare recipients and poor people can and do save, if they are provided with the same (or useful equivalents of) institutionalized supports and incentives for building wealth used by people with moderate to high incomes.

Since the TANF IDA provision allows TANF funds to be used to match the savings of the poor, and removes the asset test barrier (asset limits), the poor now have opportunities and incentives to build wealth seldom before realized. Several studies have documented the negative effect of asset limits on wealth accumulation among low-income households in a variety of public assistance programs. One study (Silverman, 1997) found that 49 percent of public assistance recipients indicated that they would save more if the government did not cut their benefits because of their savings (Zhan, Sherraden & Schreiner, 2004).

Spurred by the discussion of progressive asset-based policy during the 1990s, and in response to PWRORA, many states are actively trying to stimulate savings by TANF recipients and other low-income people by loosening or eliminating asset tests and offering IDAs. By 1998, 37 states had raised the liquid-asset limit above $1,000, and 47 states had raised the vehicle-exemption limit above $1,500 (Hurst & Ziliak, 2001). Three states have eliminated the asset test altogether (Illinois, Ohio, and Virginia). Thirty-nine states have passed IDA or related legislation (Warren and Edwards, 2005), creating real opportunities for TANF recipients and low-income residents to save.

The American Dream Policy Demonstration (ADD), a privately funded IDA program organized by CFED, a non-profit based in Washington, D.C., and implemented from 1997 to 2001 in 14 programs at 13 program sites across the country, created over 2400 IDAs in low-income households. Demographically, ADD participants as a whole were mostly African American and White single “head of household” females, less than 40 years of age, supporting one or more children in the household. Hispanics were the third largest demographic group in ADD, followed by Asian Americans and American Indians (Schreiner, Clancy & Sherraden, 2002).

ADD research, designed by CSD to obtain both quantitative and qualitative data, includes a description of savings outcomes by the welfare status of participants. Results compiled by CSD show that receipt of AFDC/TANF, whether before or at enrollment in ADD, was not significantly related to the average monthly net deposit, savings rate, deposit frequency, or net deposit relative to the saving target (Zhan et al, 2004).

CSD concluded that, with other observed factors in the model constant, receipt of welfare was uncorrelated with unobserved factors that affect saving. Also, receipt of welfare was not significantly associated with the probability of unmatched withdrawals. This leads to the further conclusion that welfare recipients in ADD had the ability and willingness to save when they were provided with structured opportunities to accumulate assets, and saved as well as non-recipients. These findings provide support for theories suggesting that asset limits in welfare programs discourage savings. These and other results also provide support for an institutional view of saving which suggests that very poor people, like everyone else, will respond positively to having savings access, information, incentives, and facilitation (Zhan, et al, 2004).

A significant number of African Americans participated in the ADD program, with some other minority populations that were fewer in number. However, findings such as the ones mentioned above, would likely be similar when applying to a large number of other minority populations, particularly American Indians who, as sovereign nations, have the opportunity to receive separate and dedicated pots of TANF dollars (called Tribal TANF and received directly from DHHS) to use for asset-building initiatives, such as IDAs, with fewer pre-determined participant requirements.

Many tribal communities, however, still receive TANF appropriations through states, and therefore should be included in all planning and implementation plans for state TANF-supported IDA programs – especially since offering savings access, information, incentives, and facilitation, to a people who are traditionally underserved and have higher rates of poverty than any other demographic group (King, Hicks, Edwards & Larson, 2003) would have significant positive economic outcomes for both states and communities. However, dispersing TANF funds for IDAs would likely be most successfully accomplished within the tribal communities themselves – executed through a partnership between state and tribal governments or state governments and tribal non-profits – to allow greater flexibility for program implementation and effectiveness.

A significant amount of research on existing state TANF-supported IDA programs (and IDA programs receiving significant amounts of other types of state support) has been completed (or will be completed soon) by a variety of sources including state agencies, non-profits, and private researchers. Several existing or upcoming reports on TANF-funded state IDA initiatives were mentioned at the January meeting. This research will act as a ripe source of data for determining whether or not TANF populations participating in state-supported IDA programs are being provided with the kind of supports needed to build assets, how well they are able to save and build assets in IDA programs, and what benefits (for both participants and governments) are being derived from IDA savings and asset acquisition by the poor.

Meeting Discussions

Considering the information included above, meeting discussion focused on four main questions:

1. In what ways do IDA program goals complement broader TANF program goals?
2. What are the benefits and challenges related to using TANF Funds for IDAs?
3. Based on experience, what state-level strategic plan should be developed for using TANF funds for IDAs?
4. Based on experience, what recommendations should be made to policymakers and the assets field for effective ways to use TANF funds for IDAs?

Other discussion areas included: Reasons for deciding to allocate TANF funds to support IDAs in states; whether or not TANF funding appropriations or allocations for IDAs are currently secure or threatened in various states; whether or not states represented at the meeting have considered or established a more broad TANF strategy for asset building (in addition to IDAs); and what the current, historical total, and expected appropriations of TANF funds for IDAs are – in the states represented.

Meeting attendees brought to the discussion a vast amount of experience with IDA programs and IDA participants. It is significant that IDA participants in all the states represented fall into income classifications that would have marked them, just a few years ago, as poor candidates for saving money to purchase major assets. However, with TANF IDA programs, many participants not only learned how to save and invest, but also escaped considerable debt and learned to reject predatory financial practices through financial education and other financial confidence-building practices.

None of the meeting participants recommended suspending the use of TANF funding for IDAs and, even though the group (as a whole) described several levels of program "successes," all participants supported the continuation of allowing TANF funding for IDA initiatives by Congress and states, and expressed great interest in making recommendations for improvement in effective administration and implementation of TANF IDA policy and programs at the federal, state, and tribal government levels.

In what ways do IDA program goals complement broader TANF program goals?

The following are ways meeting participants described overall TANF and IDA program goals as complementing each other. Both programs seek to:

- Assist “economically needy” families to become more responsible for their own financial support and less dependent on public assistance (self-sufficiency).
- Move people out of poverty while promoting economic independence.
- Reduce the probability of returning to public assistance by providing a plan of action [asset accumulation] and motivating people [incentives] to make financial independence a reality.
- Reinforce the importance of saving towards long-term financial goals, for all members of the family [future orientation].
- Offer a variety of incentives that encourage people to find and keep work.
- Create greater potential for improving work situations and financial security through expanded educational opportunities.
- Teach people financial skills that can be used at both work and home, assisting people to develop healthier financial habits and make more positive financial decisions for both the short and long term.
- Provide low-income working families with real opportunities to capitalize on initial successes, such as finding and keeping jobs [offering a “next step’ toward self-sufficiency through savings and asset accumulation].
- Promote and better facilitate self-sufficiency, self-determination, and an enhanced quality of life for reservation communities.

It was agreed by the group that the IDA savers, in state TANF-supported IDA programs, find greater value in obtaining and retaining employment when they have chosen a goal asset, saved towards it, and received financial education (with credit clean-up), which also helps retain the goal asset. It was unanimously agreed that IDAs, representing a real opportunity for asset building, work hand in hand with other TANF goals, including gaining and retaining employment, leaving poverty, and moving towards self-sufficiency.

What are the benefits and challenges related to using TANF Funds for IDAs?

It was unanimously agreed that TANF IDAs benefit both IDA program participants and states in a number of ways.

The following are the greatest ***benefits*** *of IDAs that meeting participants agreed on for TANF-funded IDA program participants and states.*

- Encourages the acquisition and retention of jobs by allowing the deposit of earned income into IDAs and the accrual of matching funds.
- Provides a venue for learning important life skills including: distinguishing between needs and wants; making more beneficial short-term and long-term saving and spending choices; delaying gratification; saving; perseverance in the face of adversity; and purchasing important financial assets.
- Provides a way to acquire a variety of educational and training opportunities that will further careers and increase earnings capabilities.

- Provides a safe financial vehicle in which to deposit all or part of earnings and tax refunds – shielding savings from excessive financial demands of family members and others.
- Greatly expands the availability of financial education and general financial information available to low-income households.
- Increases financial opportunities available to low-income populations by encouraging service agencies to broker (with financial institutions) a broader array of financial services and products to low-income customers.
- Assists states in financially empowering people without patronizing them.
- Provides information, motivation, and incentives for staying out of poverty and accruing additional assets.
- Brings together a diverse group of program advisors and experts from state government, financial services, business, philanthropy, human service organizations, and the community, who might not typically work together on a project or program.
- Participants benefit by receiving a tax deduction on the amount of home mortgage interest paid; states and communities benefit by receiving taxes on homes purchased and building more stable neighborhoods; both benefit from new businesses providing jobs and self-sufficiency and educational opportunities that improve or enhance employment opportunities [for employees and employers].

One state representative mentioned that:

> Benefits of the IDA program, in our state, exist anecdotally, if not by the numbers. The number of savers purchasing an asset has been small, but significant…If [our state] program is judged solely on the number of savers having reached their savings goal [to date], program success may seem limited. However, many savers established positive savings habits and financial skills that continued on, after participating in the IDA program (even after withdrawal from the program, according to IDA program site coordinators), that will likely be passed on to their children.

Other meeting participants stated:

> We have data available regarding the number of assets purchased and dollars leveraged, but have not yet done any evaluation or analysis of other benefits. Available data has been used primarily to inform potential funders and legislators. We are currently working with a state university to develop an evaluation methodology that will help us to assess [more of] the various benefits and impacts of the program.

> We have over 100 letters of support on file from participants; families that have experienced significant economic, educational, and psychological benefits from their participation in the IDA program. They [state that they] have become more knowledgeable citizens, more confident, more self-sufficient, and more economically motivated…An in-house analysis of about 30 IDA mortgages

revealed that the economic impact of each IDA match dollar to be as much as 19:1. This is a phenomenal result that needs to be studied further.

There were 34 purchases related to homeownership in our state. Assuming that these purchases represent a new pool of tax revenues going to the state, that is a very good return on investment, so far.

All meeting participants agreed that offering TANF participants (and TANF eligible people) IDAs yields significant benefits to the saver – both the material and non-material, providing a significant return on investment for the states.

The following are the greatest ***challenges*** *meeting participants agreed on for TANF-funded IDA program participants and the state.*

- Only TANF populations or TANF eligible populations are served, meaning IDAs savers must have very low incomes and reside with at least one minor child, leaving out a large portion of the poor and working poor, including individuals and families without minor children, many disabled people, and the elderly.
- TANF IDA policy and program restrictions [imposed at the state and/or federal levels] inhibit the flexibility needed to truly meet the asset-building needs of the target population and the community. Restrictions such as having to create IDAs as trust accounts, requiring earned income to be saved in IDAs (leaving out many disabled people), offering only a minimal number of goal assets, setting low limits

in total match amounts, and the establishment of very short time frames for saving.

- Some states do not build a supportive system between nonprofit providers and the state agencies designated to implement the program, creating a communications disconnect that impedes program growth and effectiveness. In some states there often does not appear to be an agreed upon [by state and nonprofits] set of mutually beneficial outcomes.
- The requirement that amounts paid from an IDA for business capitalization be "paid directly to a business capitalization account in a federally insured financial institution and used for a qualified business expense" is often seen in a negative light by both state and nonprofit partners as limiting effective control of IDA funds and accountability for how IDA funds may be used by participants.
- The definition of a "first-time homebuyer" does not provide an exemption for displaced homemakers or single parents – as does the definition of a first-time homebuyer used for similar Department of Housing and Urban Development (HUD) and Federal Home Loan Bank (FHLB) programs.
- Several issues must generally be worked out between state-level program administrators and non-profits in a time-consuming manner prior to IDA program implementation, regarding interpretation of TANF eligibility and program execution requirements such as the drawing down of, and reporting on, expenditures, and applying annual funding obligation rules to an IDA program that extends through multiple years.

- Regarding tribal TANF: There are no written policies or guidance for tribes on how to establish IDAs. Also, tribal TANF must be expended within one year, which creates uncertainty and concern at the tribal government level – no one is sure that federal government auditors will not demand that the match money be returned because it has not yet been expended (due to IDA programs that extend over multiple years).
- Established goals of state TANF-funded IDA programs (within current TANF IDA guidelines) are often designed to meet the needs of government entities and other funders, not the community.

One non-profit IDA administrator stated that her program philosophy is to “Address challenges while focusing on the benefits.” Most of the challenges this meeting participant listed related to lack of direction and clarity in both TANF legislation and TANF rules and regulations related to developing IDA programs and rules. Her organization would have liked to take the initiative to creatively develop a program that they believed followed TANF guidelines and purposes, but was wary of “breaking the rules” and potentially being levied with penalties, or being asked to give TANF money back, because the program does not work within the system according to government standards. “It’s a ‘Catch 22,’ state [and tribal] governments are given a certain amount of leeway in administering IDA programs, but are hesitant to take that leeway for fear of ‘breaking the rules.’”

One state IDA program person stated:

> Early in the development of the pilot [IDA] program [in our state], the use of Federal TANF funds was deemed too restrictive and the decision was made to use state 'Maintenance of Effort" (MOE) TANF funds instead. These funds are appropriated directly from state general funds as the state commitment to the TANF program, and have somewhat more flexibility than Federal TANF funds. However, they are still considered TANF funds, are somewhat restricted, and do not carry the automatic exemption of asset tests for IDA participants, if not used under the stipulations of section 404(H) in PWRORA.

Another state representative stated:

> All of the funds must be obligated within the year allocated, but the majority of funds are actually expended in subsequent years. We had to work out an agreement whereby our state TANF program maintained its original level of commitment to funding for IDAs, but allocated only a portion of the funds to us each year. Annual allocations are based on our annual expenditure estimates. If actual expenditures exceed estimates, we have to go back and seek approval for an increased allocation for that year. If expenditures are less than estimated, we are allowed to carry funds forward into the next fiscal year. [After we took the time to establish that the aforementioned process was possible] we have been able to make this work without too much difficulty.

As to the tribal level, no tribal policies have been created, so far, stating that IDA savings will not reduce benefits for TANF clients – if a tribal IDA program is developed to go beyond the requirements and specifications in Section 404(H) of PWRORA. Tribal governments have the autonomy to set certain policies and rules, just as states do, but are also just as confused about the requirements and possibilities. Only one tribe is currently using tribal TANF for IDAs.

What strategic plan would you recommend for using TANF funds for IDAs?

Meeting participants were asked to draw on their experience using TANF funding for IDAs, to consider the benefits, opportunities, and challenges they face in executing a TANF-funded IDA program in their states, and brainstorm about a more workable system or plan for using TANF funds to support IDAs, within the current TANF law and rules.

*States should retain IDA funding as a line item in the state TANF budget, and encourage TANF-funded IDA programs to be established for the longer term***.** There was unanimous agreement that a certain amount of ongoing TANF funding should be made annually available (allocated or appropriated) for IDAs in all states, and that this funding be considered expended when awarded to IDA programs, so that longer-term use of the funds for IDAs is possible, without the concern for funds being rescinded. Some of the states represented at the table are already looking at IDAs as a long-term initiative, and have worked out efficient ways to draw down funds over multiple years (as long as five years). However, all admit that the benefits of IDA programs must be made better known at the state government level for significant support to be secured for the long-term or sustained over the life of more prolonged TANF-funded IDA programs.

Allow longer periods of time for TANF funds expenditure by participants – especially for home purchase. One of the areas that all participants agreed needed to be more carefully considered when designing a TANF-funded IDA program was the time window for saving in a TANF-funded IDA program for specific asset purchases. In most of the states represented at the meeting, more than two years of saving in an IDA was needed for home purchase. Four states allowed only two years (or less) for saving to purchase an asset – including homes. One of those states legislated a three-year pilot, but start-up was delayed that effectively made it a two-year program, and several sites in that state intend to apply for an extension on time allowed to receive TANF funds, so that participants can complete the program – however, such an extension is not guaranteed. All of these state representatives agreed that such a short program time period stymied recruitment and marketing efforts, and reduced the effectiveness of the IDA program.

Even states represented at the meeting allowing more than a two-year program window considered it a good idea for time limits to be flexible according to asset purchase. Education and small business capitalization were considered likely to be less expensive purchases and saved for over a shorter period of time. However, in almost all the states represented, a considerable number of IDA savers who originally sought home purchase have been forced to change their goals when they were not able to save enough, in the time allowed, to retain home ownership as a viable asset goal.

Part of the timing issue is the process of drawing down TANF funds within a particular window of time (according to broader TANF rules funds must be expended in the fiscal year they are obligated for use – which could be as long as 18 months, but not likely longer than that), which adds administrative confusion and burden to the IDA program process. A few states were told by their TANF-administering department that they had no more than 18 months to use all the funds for participants, whereas other states obligate and expend the funds on a yearly basis for as many years as necessary to complete IDA programs. However, in these latter states TANF Maintenance of Effort (MOE) money is being used, which carries with it the possibility of the state itself determining regulations about how long expenditures may be retained, unspent.

In this same vein of conversation, it was mentioned that one state not in attendance (a state using state general funds for IDAs rather than TANF funds) changed their four-year IDA program to a two-year program in an application for grant funds to AFIA, because fewer people in their program were considering home ownership as a viable asset goal, due mostly to the high cost of home ownership in the urban areas of the state. The cost of homeownership in the major urban areas of this particular state are so prohibitive that a significant number of IDA savers in the original four year state-supported pilot IDA program had been forced to choose an alternate goal for their IDAs. Discussion followed suggesting that this strategy might be helpful, but that a decision to use such a strategy should be determined on a state-by-state basis – and not be made mandatory.

Allow more than one goal use per IDA holder, or more than one account per eligible IDA family. A few TANF-funded IDA programs in states allow multiple uses for IDAs within the IDA savings period. It was suggested that this might be a good example for all states to consider, if the saver(s) remains in the program for the maximum time period allowed. Another suggestion was allowing multiple IDAs per family. The IDAs could be combined for homeownership, or kept separate to purchase two needed assets.

Request that states allocate the maximum TANF funding allowed to be used for direct services to clients, or "case management." TANF allows the state to grant a considerable amount of funds to be used toward direct services to clients (up to 50%). A smaller amount of money for these purposes is available through AFIA grants (only 7.5% is allowed for program administration). IDA programs should be encouraged to take advantage of this benefit of TANF IDA funding, if it is needed.

Obtain as many sources of state funding for an IDA program as possible. Develop plans to use TANF allocations as part of a larger pool of state funding dedicated to IDAs and asset-building policies and programs. The main case for this additional state funding is that TANF funding can't be used to serve the asset-building needs of all low-income populations in the states, and the TANF program is only authorized for a set number of years, with no guarantees of reauthorization. Also, obtaining state general funds, or other non-federal funds, is essential for applying for an AFIA grant, since TANF dollars, or state MOE TANF dollars, can't be used as the "local" match to obtain AFIA grant funds.

States often want to see as many funding sources as possible coming into state-supported programs, to better address scale and sustainability issues. Many states want to invest in innovative programs that have the potential to become sustainable without depending solely on state welfare moneys.

TANF funding should be posed as part of a continuum of funding that serves low-income populations on a grade, or striated levels, considering that many qualified working poor – including those without children, the disabled, and refugees – may not be served with TANF funds. States should be convinced of the desirability of establishing a larger mission of assisting all the poor and low-income people in the state to build assets such as homes, businesses, and better jobs through greater educational opportunities.

It was also suggested that IDAs might be presented to the state as a way to keep people from "falling back" into poverty, since people are not only purchasing assets, but acquiring habits of deferred gratification and saving, cleaning up credit, and participating in financial education to assist them in making less costly financial choices, making IDAs a good investment all around. Two states mentioned that they are in the process of completing research that will illustrate the positive effects of IDAs on welfare recipients, particularly towards preventing recidivism. Other state-supported asset-building initiatives (such as FSS, FHLB, HUD, and work initiatives) could more formally partner with IDAs and contribute some funding to a pool of funds dedicated to a more broad asset-building effort.

Obtain funding from the state or other sources to perform a longitudinal research study of the TANF-funded IDA program. All participants agreed that this type of research would be invaluable, both for improving IDA programs and making the case for continued and increased funding to state governments and others. Information particularly sought after by state legislators and other government officials includes: Do IDA participants still apply for some types of welfare benefits after saving and using IDAs for asset purchase?; how many assets have been purchased and what kind?; were goal assets retained or leveraged (such as business or education)?; were positive changes made in eliminating costly social behaviors as a result of participating in an IDA program?; and were new jobs obtained because of training or education acquired through IDAs? Although it was also agreed by the majority of meeting attendees that it was likely unrealistic to expect their time- and money-challenged state governments to plan and fund such major studies at this time, completion of some essential research should be feasible in all states.

Allow for a greater portion of TANF dollars to go to IDA programs in rural areas. Rural areas don't often have the personnel or philanthropies to make fundraising efforts feasible. A larger portion of TANF funds should be designated to rural areas to help rural IDA programs address program development and operation challenges that are heightened in rural areas, such as facilitating program start-up, increasing numbers of IDA holders (which currently tend to be very low in rural areas), bringing funding partners to the initiative, and keeping programs operational for the long term.

What recommendations would you make to policymakers and the field for the most effective way to use TANF funds for IDAs?

This question was posed to elicit both the most effective practices determined to date, and policy recommendations for future TANF IDAs. The following suggestions were made:

Allow goal uses for IDAs to be determined at the discretion of the states. Some states allow more goal uses for IDAs than the three listed in the TANF law. If TANF funds are used for IDAs created outside section 404(H) in PWRORA, more than the traditional three uses for IDAs may be allowed, but asset tests are then imposed on IDA savings according to federal law, unless the states take extra steps to create an additional exemption. However, the states may only rule that IDA participants be exempt from asset tests in programs under states' control (some means tested programs are only under federal control and could not be asset test exempted by the state). Pennsylvania's IDA legislation appropriates considerable state general funds for IDAs and allows "any [goal] use approved by the state plan" (Pennsylvania was not represented at this meeting). If this type of language were to be added to TANF law, determining goal uses could be left to individual state discretion, which was agreed by the majority at the meeting to be a more effective strategy.

The two additional uses most desired by the meeting group were automobiles – particularly for use in obtaining and retaining employment, and home repair. It was mentioned that focusing on the appreciable quality of an asset might be less effective than focusing on what type of assets might be used to “move people ahead.” For this purpose, an appropriate asset might include technically depreciable assets, such as cars, that help move individuals or families off public assistance, and towards self-sufficiency.

It was also suggested that it might improve the effectiveness of IDAs to allow more than one IDA to be established per eligible family, either consecutively or simultaneously. This would be particularly desirable if the IDA program was seen as permanent and ongoing – not limited to a pilot or demonstration time frame. This step would allow qualified families to have a better chance to save enough for homeownership in high priced housing areas. If families are willing to save over several years for homes, businesses, and expansion of educational options, why shouldn’t they be allowed to? The government is currently seeking innovative ways to create a more pronounced savings habit in the United States – among people of all income levels – and this might be one.

Allow low-income populations other than TANF served or TANF eligible to establish TANF-funded IDAs. As long as IDA program participants are low-income, having dependent children should not be the main determining factor for IDA program participation. A certain percentage of program slots could go to non-TANF eligible low-income participants. It was suggested by one meeting participant that this practice might “help build the self-reliance and financial security of the working poor and lower-income individuals so that they avoid the possibility of ever needing to use TANF funds [in the first place].”

Remove "earned income" as a requirement for the participant savings dollar in IDAs. This would allow people with disabilities, displaced homemakers and victims of domestic violence, the elderly, refugees, Native peoples, and others to contribute to an IDA from sources of income other than those earned through wages. For several populations served by other social welfare programs, this would not be working against the TANF goal of increased self-sufficiency, since it may be difficult to impossible for many people in these populations to get jobs. Suggested language to include in policy is, "and other sources of income as defined by the State."

Extend the "draw down" period for TANF IDAs. Allow obligated TANF funds, for IDAs, to be drawn down (expended) over a longer period of time – as long as five years. This would allow states to more effectively support local IDA programs.

Remove the requirement that IDAs be established as "trust accounts." Since it is highly unlikely that many states are following this language (this practice would be cost prohibitive to states and financial institutions), but interpreting it as "custodial accounts," it would be better to remove the "trust" language (which is interpreted as custodial in AFIA) and give states and local IDA programs the discretion to establish IDAs as traditional or custodial savings accounts (the most common current practices).

States should eliminate recipient asset tests for IDAs established under any section of TANF law. Some states have already eliminated asset tests for people receiving welfare benefits, including IDAs. IDA holders' savings are protected if TANF-funded IDAs are established under section 404(h) of TANF law, but not protected if TANF-funded IDAs are established under the more broad TANF law. This stymies state creativity for funding IDAs for goals and purposes that agree with TANF purposes and goals, but might not be included in section 404(h). It was the consensus of the group that asset tests should be removed from all instances of establishing and funding IDAs through TANF.

States should simplify and streamline reporting requirements on the use of TANF funds by local implementers. This is a dual state practice/policy recommendation, but is critical to the success of local and state-supported IDA programs. Since local IDA program implementers are typically short on IDA program staff and operations funding, making reporting onerous and complex works directly against the potential for success of local program implementation, local creativity, and acquiring additional program support.

It was also suggested by the group that state governments and state TANF administrators be encouraged by DHHS to make IDAs a higher priority, and to interpret TANF rules related to IDAs in the most flexible and inclusive ways. DHHS should better convey their enthusiasm and support for IDA program innovation and success (staying within TANF goals and purposes) to state TANF administrators.

It was also suggested that, currently, at least a few policy modifications may need to be made at federal, state and tribal government levels to better ensure successful IDA program practices. All modifications should be aimed at making programs more flexible, so that maximum effectiveness of administration and delivery, and maximum participation may be achieved.

Additional information about TANF-funded IDAs provided by meeting participants

All states represented at the meeting that use TANF funds for IDAs had to design and submit a state "plan" to the federal government for actually using TANF funds for IDAs (determine an amount of funding, set it aside, draw it down to agencies and/or accounts, manage the program, report on results, etc.). Plans also had to be made to determine what organization(s) or agency(ies) would administer the program, how the program sites receiving state TANF funds to operate IDA programs would be selected, and what type of accountability for chosen sites would be put into place. In this section, information was provided as to how the various state and non-profit administrators addressed the requirements and challenges facing implementation of a state TANF-funded IDA program.

- Several states represented issued RFPs to choose the non-profit organizations that would implement the program at one or more sites in the state. One state mentioned that a new RFP is issued every two years.
- In one state the TANF-administering department contracts with another state department to implement the program.
- Several of the TANF-funded state-level IDA programs represented at the meeting are based on IDA laws. These programs must honor the requirements of the law

and/or rules and regulations determined by the law, but may choose not to follow parts of the laws that are “suggestions” rather than requirements. In a few states the state-supported programs did not follow all “suggestions” in the laws.

- In one state a specific goal of the law was to “prepare, place, and retain individuals in employment.” One of the IDA program administrators stated that he believed this to have been accomplished in his state – and he will have the data to back his claim up when the state IDA program has completed its evaluation, sometime in 2005.

All the information regarding IDA program outcomes supplied to CSD by meeting participants will be combined with other state-level IDA research data and compiled in additional publications and policy briefs that CSD will release over the next two years (2005-2007). In November 2005, CSD will begin to post regular state IDA program research updates on our web site at http://gwbweb.wustl.edu/csd under the menu selections, “State Assets Policy Project,” and “State IDA Policy and Program Research,” and release monthly news bulletins on the web, related to state assets policy developments, via email.

Other Additional information provided by meeting participants

The tables below reflect additional information provided by meeting participants on state TANF-supported IDA programs, as of January 2005. The following statements are important to consider when interpreting the tables:

- Arkansas and Vermont have instituted ongoing TANF-funded IDA programs that expect to be refunded annually (barring great shortfalls to TANF funding), or at least on an ongoing basis.
- Illinois' IDA program expended all TANF funds for IDAs and does not expect to receive additional TANF funding. However, the Illinois FLLIP program (Financial Links for Low-Income People) continues to receive TANF funding from the state for implementing financial education programs in the state.
- IDA program administrators in Louisiana and Texas are winding down legislated appropriations of TANF funds for IDA programs, and are waiting to hear if new allocations of TANF funds (for IDAs) will be forthcoming (to date no new funding has been allocated or promised).
- Michigan and New Jersey are running TANF-supported IDA programs on one-time funding appropriations or allocations, received on an ongoing basis over a pilot period. The State of Michigan has committed additional funding to their IDA program (past the pilot period – making it an ongoing program) at a lower funding level than the previous allocation (the new allocation is $200,000 annually). The status of future TANF support for New Jersey's IDA program is unknown.
- Virginia's pilot program has been made an ongoing state program, receiving an additional TANF allocation of $760,000 (above the initial $500,000 allocation for the previous pilot IDA program), for fiscal years 2005 and 2006.
- Washington State's IDA program is winding down the TANF funding appropriation for the pilot program in 2005. IDA program administrators and

implementers have been informed that additional TANF funding will not be forthcoming. However, legislation was recently passed in Washington that appropriated $1 million in state general funds for creation of a new state-supported IDA program.

- Wyoming's state TANF-supported and Tribal TANF-supported IDA programs are too new to predict if additional funding allocations might be forthcoming.

Additional information about state TANF-funded programs that were not represented at the January meeting:

- States that allocate TANF funding for IDAs as a significant source of state support, but not as the *main* state funding source include: Colorado, Indiana, and Pennsylvania.
- States that have already completed and ended TANF-supported programs, with no new funding appropriations or allocations forthcoming, at this time, are: Tennessee, Iowa, and Oklahoma.

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Table 1: Names of state TANF-supported IDA programs represented at the meeting

State	TANF-supported IDA program name
Arkansas	Temporary Employment Assistance (TEA) IDA Program
Illinois	Financial Links for Low-Income People (FLLIP)
Louisiana	The IDA Collaborative of Louisiana (IDACL)
Michigan	Michigan IDA Program (MIDAP)
New Jersey	New Jersey IDA Program
Texas	Texas IDA Pilot Program
Vermont	Vermont IDA Program
Virginia	Virginia IDAs (VIDA)
Washington	Washington Work First IDA Program
Wyoming	Personal Opportunities with Employment Responsibilities (POWER) IDA Program
Wyoming (Tribe)	Wind River Development Fund IDA Program

Table 2: Through what mechanism(s) was the state TANF-supported IDA program initiated?

State	Legislation	Administrative Rulemaking	State- or tribal-level Department Initiative	One Time Allocation or Appropriation
Arkansas	X			
Illinois		X	X	X
Louisiana	X			X
Michigan		X		
New Jersey	X			
Texas	X			
Vermont		X		
Virginia		X		X
Washington		X		X
Wyoming		X		X
Wyoming (Tribe)			X	X

Table 3: Who is the main implementer of the state TANF-supported IDA program?		
State	**State Government**	**Non-Profit(s) in Cooperation with a State or Tribe**
Arkansas		X
Illinois		X
Louisiana		X
Michigan		X
New Jersey	X	
Texas		X
Vermont		X
Virginia	X	
Washington	X	
Wyoming		X
Wyoming (Tribe)		X

Table 4: Number of state TANF-supported IDA program sites	
State	**Number of state TANF-supported IDA programs sites**
Arkansas	4
Illinois	15
Louisiana	55
Michigan	52
New Jersey	8
Texas	3
Vermont	5
Virginia	8
Washington	9
Wyoming	3 (1 Tribal TANF)

Table 5: Allocations or appropriations from TANF funds, for state-supported IDA program (all state-supported programs received some IDA funding from additional sources)

State	**Current TANF funding for IDAs**	**Total TANF funding allocations or appropriations for IDAs, and year of start-up**
Arkansas	Funds received in an ongoing manner	$550,000 since 1999
Illinois	0	$500,000 since 2000
Louisiana	0	$4,000,000 since 2002
Michigan	Funds received in an ongoing manner; in 2004, state created $200,000 annual TANF budget line item for IDAs	$3,600,000 since 2000
New Jersey	Funds received in an ongoing manner	$2,000,000 since 2001
Texas	0	$550,000 since 2002
Vermont	Funds received in an ongoing manner	$69,000 since 2002
Virginia	$760,000	$1,260,000 since 2001
Washington	Funds received in an ongoing manner	$3,600,000 since 1999
Wyoming	0	$80,000 since 2004
Wyoming (Tribe)	0	$23,000 since 2004

Table 6: Is state TANF support secure? (Considering recent state budget deficits and the uncertainty of completing a TANF reauthorization plan.)

State	**Funding is secure**
Arkansas	Yes
Illinois	Funding has ended
Louisiana	No
Michigan	Yes, but reduced
New Jersey	Unknown
Texas	No
Vermont	Yes
Virginia	Yes
Washington	Funding has ended
Wyoming	Unknown
Wyoming (Tribe)	Unknown

Table 7: Is a larger asset-building program (beyond IDAs) and/or policy agenda being considered in your state or tribe?

State	Larger Asset-Building Agenda	Assets Coalition Formed?
Arkansas	Yes	Yes
Illinois	Yes	Yes
Louisiana	Yes	No
Michigan	Yes	Yes
New Jersey	Yes	No
Texas	No	No
Vermont	No	No
Virginia	No	No
Washington	No	No
Wyoming	No	No
Wyoming (Tribe)	Yes	No

The future of TANF funding for IDAs

Considering the information captured in this report, many states support the concept that TANF funding of IDAs is both currently effective and full of potential for the future. Since it seems imminent that TANF will be reauthorized as policy close to the current iteration, the suggestions for changes and improvements made in this report are both timely and efficacious.

PWRORA, with its landmark IDA provision, was passed in 1996, when there were relatively few IDA programs in the country to learn from. Little research had been completed, and the national-focused American Dream Demonstration (ADD) had not yet begun. Little was known about "best practices," or what conditions might be necessary for successful implementation of state-level IDA policies, including effective program elements, funding levels required, and how to institute inclusive, cost-effective, and widely available IDA delivery mechanisms.

Much research has been completed on IDA policy and program implementation since then, and more is being completed every day – at community, state, and national levels. We now know that the poor can save, and that allowing flexibility in IDA policies and program designs allows a more diverse group of constituents and communities to be served in a more effective manor. According to a cross-sectional survey of participants in the American Dream Demonstration, the possible economic effects of IDAs include that 59 percent agree or strongly agree that, because of the IDA, they are more likely to work or stay employed, and 41 percent are more likely to work more hours. On human capital effects, 59 percent agree or strongly agree that, because of the IDA, they are more likely to make educational plans for themselves, and 60 percent are more likely to make educational plans for their children. On security and control effects, 84 percent agree or strongly agree that, because of the IDA, they feel more economically secure; 93 percent feel more confident about the future; and 85 percent feel more in control of their lives (McBride, Lombe & Beverly, 2003). Because these are only opinions, and the data are cross-sectional, these results are only suggestive, but they do indicate that asset-holding in the form of IDAs may have very positive psychological and behavioral outcomes (Sherraden, 2005). Much more such research is necessary to move asset-building public policy, such as TANF IDAs, toward scale and sustainability.

Several states have amended IDA policies in the hopes of better achieving the rewards of flexibility, and states that have recently instituted IDA policies have included both innovative and expanded program delivery options and have placed fewer restrictions on participants and programs. Examples of recent state IDA policy innovations include: Allowing American Indian Tribal Governments to operate and receive state funds for IDA programs; removing earned income requirements and/or expanding definitions of earned income; allowing annual income levels to be higher than 200 percent of poverty, and removing the "household" income moniker; allowing assistive technology purchases for people with disabilities; allowing other expanded goal uses for IDAs; eliminating of program time limits and expanded time limits on savings; increasing the maximum savings amounts possible over time; allowing rollover of IDAs into college savings plans; and allowing IDAs to be established by youths (Edwards & Gunn, 2004).

According to research to date, there seems to be no reason that TANF support for IDAs should require more restrictions than successful IDA programs with less restrictive sources of funding, since all serve low-income populations – the so-called working poor. The policy and program recommendations included in this report should be carefully read and evaluated by policy makers, since they represent the best thinking to date of the people in the field with the most hands-on experience in offering IDAs to TANF and TANF eligible populations. It is our sincere hope that policy makers at both state and federal levels read this report and use it to forward a TANF policy and program agenda that includes expanded asset-building opportunities for people transitioning from welfare to work, including expanding IDAs and financial education opportunities.

CSD again wishes to thank our advisors for this report: the forward-thinking group of people, representing both the non-profit arena and state governments, who attending the meeting "IDAs and TANF: A Good Match?" at Washington University in St. Louis, in January 2005. We also wish them great success in future endeavors to provide IDAs and other asset-building opportunities to those in their states who will benefit from them the most – the poor.

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Addendum One

Temporary Assistance for Needy Families (TANF) and IDAs: A Good Match?

Center for Social Development
Washington University
St. Louis, Missouri
January 2005

Meeting Agenda

8:30 am	to	9:00 am	Continental breakfast
9:00 am	to	9:15 am	Welcome and introductions
9:15 am	to	9:30 am	Purpose for meeting
9:30 am	to	10:15 am	**Discussion 1:** 1) Do IDA program goals complement TANF program goals? If yes, how? If no, why not? 2) How and when was the original determination made to use TANF funds to support IDAs, in your state?
10:15 am	to	10:30 am	Break
10:30 am	to	11:15 am	**Discussion 2:** 3) Through what mechanism was TANF funding obtained for your state IDA program (law, administrative decision); how much was originally allocated, or appropriated? 4) Is TANF funding for IDAs currently secure, or threatened? Does your state have a broader TANF strategy for asset building?
11:15 am	to	12:00 pm	**Discussion 3:** 5) Are there benefits to using TANF Funds for IDAs (for both IDA savers and the state?) If yes, what? If no, why not? 6) Are there challenges (including any administrative challenges) to using TANF funds for IDAs? If yes, what?

12:00 pm	to	1:00 pm	Lunch
1:00 pm	to	1:45 pm	**<u>Discussion 4:</u>** 7) If you had or have experienced challenges in implementing your TANF-funded IDA program, how were/are they addressed? If there are ongoing challenges, how do you address them? 8) Is there evidence of benefits of IDAs to your state, both for IDA savers and the state? If yes, are you sharing this information in any way - how and with whom?
1:45 pm	to	2:45 pm	Development of a strategic plan for the most efficient way to use TANF funds for IDAs
2:45pm	to	3:00 pm	Break
3:00 pm	to	3:45 pm	Recommendations for policymakers and the field
3:45 pm	to	4:00 pm	Closing Remarks

Addendum Two

State TANF-Supported IDA Program Questionnaire

Please write a brief report (5-10 pages) on the overall experience of using TANF funding for IDAs in your state, using both the meeting agenda discussion questions and the ten additional questions listed below to write your report. If any of the questions below seem duplicative of the discussion questions, we apologize – please address only one of any questions you think are redundant. Please do not answer the questions below on this sheet, but incorporate them into your report.

Also, please include the date, your name, title, and the name of your state at the top of your report. Thank you.

1. What is the name of your state TANF-supported IDA program?

2. How many IDA program sites are supported by TANF funds in your state?

3. Please provide a brief description of the administration and management structure of state-supported IDA program in your state, including the way sites receive and draw down TANF funds for IDA savers.

4. What is the approximate total of TANF dollars allocated to the state TANF-supported IDA program since it's inception.

5. What is the current allocation of TANF funding?

6. Are TANF funds allocated or appropriated annually?

7. If "no" to question 6, how are (were) TANF funding amounts allocated or appropriated?

8. Were there any challenges to making the TANF IDA program operational? If yes, how were they addressed?

9. What are the main ways that you think your state TANF-supported IDA program benefits participants? If you do not think a benefit is derived, why not?

10. What are the main ways that you think your state TANF-supported IDA program benefits the state? If you do not think a benefit is derived, why not?

Addendum Three

IDAs In Welfare Reform Law

Excerpt from the Personal Responsibility and Work Opportunity Reconciliation Act of 1996

Section 404(h): Use of funds for Individual Development Accounts

(1) IN GENERAL

A State to which a grant is made under section 403 may use the grant to carry out a program to fund individual development accounts (as defined in paragraph two) established by individuals eligible for assistance under the State program funded under this part.

(2) INDIVIDUAL DEVELOPMENT ACCOUNTS

(A) ESTABLISHMENT- Under a State program carried out under paragraph (1), an individual development account may be established by or on behalf of an individual eligible for assistance under the State program operated under this part for the purpose of enabling the individual to accumulate funds for a qualified purpose described in subparagraph (B).
(B) QUALIFIED PURPOSE- A qualified purpose described in this subparagraph is 1 or more of the following, as provided by the qualified entity providing assistance to the individual under this subsection:

- POSTSECONDARY EDUCATIONAL EXPENSES- Postsecondary educational expenses paid from an individual development account directly to an eligible educational institution.
- (ii) FIRST HOME PURCHASE- Qualified acquisition costs with respect to a qualified principal residence for a qualified first-time homebuyer, if paid from an individual development account directly to the persons whom the amounts are due.
- (iii) BUSINESS CAPITALIZATION- Amounts paid from an individual development account directly to a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses.

(C) CONTRIBUTIONS TO BE FROM EARNED INCOME- An individual may only contribute to an individual development account such amounts as are derived from earned income, as defined in section 911(d)(2) of the Internal Revenue Code of 1986.

(D) WITHDRAWAL OF FUNDS- The Secretary shall establish such regulations as may be necessary to ensure that funds held in an individual development account are not withdrawn except for 1 or more of the qualified purposes described in subparagraph (B).

(3) REQUIREMENTS

(A) IN GENERAL- An individual development account established under this subsection shall be a trust created or organized in the United States and funded through periodic contributions by the establishing individual and matched by or through a qualified entity for a qualified purpose (as described in paragraph (2)(B)).

(B) QUALIFIED ENTITY- As used in this subsection, the term 'qualified entity' means--

- (i) a not-for-profit organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code; or
- (ii) a State or local government agency acting in cooperation with an organization described in clause (I).

(4) NO REDUCTION IN BENEFITS

Not withstanding any other provision of Federal law (other than the Internal Revenue Code of 1986) that requires consideration of 1 or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such law to be provided to or for the benefit of such individual, funds (including interest accruing) in an individual development account under this subsection shall be disregarded for such purpose with respect to any period during which such individual maintains or makes contributions into such an account.

(5) DEFINITIONS- As used in this subsection--

(A) ELIGIBLE EDUCATIONAL INSTITUTION- The term 'eligible educational institution' means the following:

- (i) An institution described in section 481(a)(1) or 1201 (a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a)(1) or 1141(a)), as such sections are in effect on the date of the enactment of this subsection.
- (ii) An area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521 (33) of such Act), as such sections are in effect on the date of the enactment of this subsection.

(B) POST-SECONDARY EDUCATIONAL EXPENSES- The term 'post-secondary educational expenses' means--

- (i) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution, and

- (ii) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

(C) QUALIFIED ACQUISITION COSTS- The term 'qualified acquisition costs' means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.

(D) QUALIFIED BUSINESS- The term 'qualified business' means any business that does not contravene any law or public policy (as determined by the Secretary).

(E) QUALIFIED BUSINESS CAPITALIZATION EXPENSES- The term 'qualified business capitalization expenses' means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

(F) QUALIFIED EXPENDITURES- The term 'qualified expenditures' means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

(G) QUALIFIED FIRST-TIME HOMEBUYER

- (i) IN GENERAL- The term 'qualified first-time homebuyer' means a taxpayer (and, if married the taxpayer's spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this subsection applies.
- (ii) DATE OF ACQUISITION- The term 'date of acquisition' means the date on which a binding contract to acquire, construct, or reconstruct the principal residence to which this subparagraph applies is entered into.

(H) QUALIFIED PLAN- The term 'qualified plan' means a business which--

- (i) is approved by a financial institution, or by a nonprofit loan fund having demonstrated fiduciary integrity,
- (ii) includes a description of services or goods to be sold, a marketing plan, and projected financial statements, and
- (iii) may require the eligible individual to obtain the assistance of an experienced entrepreneurial advisor.

(I) QUALIFIED PRINCIPAL RESIDENCE- The term 'qualified principal residence' means a principal residence (within the meaning of section 1034 of the Internal Revenue Code of 1986), the qualified acquisition costs of which do not exceed 100 percent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e) of such Code).