

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 9, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Bruce Larkin- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Ed O'Malley
Julie Riddle, Family Conservancy
Karen Yarbrough, Individual Development Account Participant
Gabrielle Yarbrough, Individual Development Account Participant
Turner Pettway, U.S. Bank
Lance Rutledge, Emporia Community Housing Organization
Deborah Adams, Ph.D. University of Kansas, School of Social Welfare
(Written testimony only)
Denise Unrah, South Central Community Foundation
Carol Smith, United Community Services of Johnson County
Tiffany Jarvis, MOKANSave
Melinda Lewis, , El Centro, Inc.

Others attending:

See attached list.

The Chairman opened the floor for bill introductions.

Representative Craft requested that a conceptual bill be introduced that would impose the collection and remittance of a transient guest tax on state entities. Representative Owens made the motion to introduce the bill. Representative Huff seconded the motion. The motion carried.

Representative Dillmore made the motion to introduce a bill relating to liquor by the drink tax and the disposition of funds back to municipalities. Representative Menghini seconded the motion. The motion carried.

The Chairman announced the appointment of a Sub-Committee for **HB 2023 - Classes of cities for sales tax purposes; uniformity**. (Representative Siegfried-Chair, Representative Owens and Representative Davis) The Chair requested a sub-committee report be given to the Committee on February 18, 2005.

HB 2222 - Establishing the Individual Development Account Program

Ms. Dorsey distributed a briefing paper on **HB 2222 (Attachment 1)**. She stated the major parties involved in the bill are: Secretary of Commerce/Department of Commerce, Secretary of Revenue, Community Based Organizations, and Financial Institutions. The intent of the bill is to provide for savings accounts with matching moneys for those people within 200% of the federal poverty guidelines. The fiscal note could reduce fiscal year 2006 state general fund revenues by \$502,500.

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Representative Ed O'Malley stated that **HB 2222** creates the Kansas Individual Development Account Act, an economic development opportunity, aimed at aiding Kansans who truly want to help themselves ([Attachment 2](#)).

Representative O'Malley explained the following key points:

- There are three components necessary for an IDA program: a local non-profit organization to administer the program, a local financial institution to house the IDA accounts and an account holder.
- Account holders must have a household income less than or equal to 200% of the federal poverty level.
- Account holders must agree to participate in financial literacy workshops sponsored by the local non-profit organization.
- Account holder will save money to be used for any of five predetermined reasons.
- All withdrawals from an account must meet the approval of the local non-profit organization serving as the local administrator.
- Account holder savings will be matched up to a three-to-one ratio.
- Financial institutions can choose whether or not they wish to house IDA accounts.
- Individuals or entities that donate to "individual development account reserve funds" will receive an income tax credit worth 50% of the donation.
- The total tax credits authorized shall not exceed \$500,000 in any fiscal year.

Currently there are IDA programs in Kansas, however they do not receive any financial support from the state of Kansas. He concluded his testimony by reading a statement from Kansas Congressmen Jerry Moran and Jim Ryun: "Just as current (tax) incentives have helped create our nation's great middle-class, IDA tax credits will help ensure that low-income families and individuals will finally be able to take advantage of similar incentives...(IDAs) are designed to help people who want to help themselves...hundreds of thousands of working poor families will finally be able to achieve their piece of the American Dream."

Julie Riddle, IDA Program Manager - The Family Conservancy, rose in support of **HB 2222**. She explained the mechanism of an IDA program and provided testimony of IDA Participants.. She stated that the bill offers Kansas an opportunity to broaden its economic development vision and enable low-income families a greater chance to positively impact the communities in which they live ([Attachment 3](#)).

Karen Yarbrough, former IDA Participant, appeared in support of **HB 2222**. She told her personal story and how the IDA program turned her life around. She is now living in a new house with her daughter Gabrielle; the results of the education and savings program offered through the IDA program ([Attachment 4](#)).

Gabrielle Yarbrough, thanked the Committee for the IDA savings program that had provided her the opportunity to attend college. She has learned to use applications from the IDA programs not offered anywhere else. She praised the workers administering the IDA program who, in her opinion, helped empower her to not fear but embrace life's hardships ([Attachment 5](#)).

Turner Pettway, Community Development Manager, U.S. Bank, stated that they were proud supporters of the IDA concept, because it helps low and moderate income families build wealth and purchase assets. U.S. Bank holds over 800 accounts in the Kansas City Metro area in partnership with three nonprofit IDA administrators ([Attachment 6](#)).

Dr. Adams, Associate Professor, School of Social Welfare, University of Kansas appeared in support of **HB 2222** ([Attachment 7](#)). She shared results of research that is being done in a national study of IDAs called the American Dream Demonstration (ADD). Beyond savings outcomes, their study included possible effects of asset building in the lives of lower-income IDA participants. Data on demographics, self-employment, homeownership, money management and participant perceptions of the Family Asset Building program was included in her testimony.

Lance Rutledge, Executive Director of Emporia Community Housing Organization, appeared in support of **HB 2222** ([Attachment 8](#)). Emporia's IDA program is privately funded through The Family Conservancy from a grant given by the Kauffmann Foundation, however, she believes that it is time for Kansas to put up the

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resources to help its lower income citizens save responsibly and to grow the IDA program.

Written testimony in support of **HB 2222** was received and distributed from:

- Denise Unruh, LMSW, South Central Community Foundation (Attachment 9)
- Carol Smith, United Community Services of Johnson County (Attachment 10)
- Tiffany M. Jarvis, MOKANSave (Attachment 11)
- Melinda Lewis, El Centro, Inc. (Attachment 12)

Representative Carlin rose in support of **HB 2222**, stating that she had been part of a Kansas team that had attended a conference in Philadelphia on IDAs. She had worked on this legislation and believed that a key point of the bill is that it allowed individuals to save money while they receive various government benefits through public assistance.

Discussions followed regarding the administration of the program by the Department of Commerce, how tax credits worked, possible use of the funds for emergency needs and possible resulting penalties.

The Chairman requested that staff confer with the Department of Commerce and others to provide information on the tax credit process involved with IDAs. Several scenarios should be included reflecting how it has worked in the community.

Dr. Adams suggested that Committee members may contact her for additional information. For a full copy of the full research report she spoke of, contact Deborah Adams at the University of Kansas School of Social Welfare Her email address is debpa@ks.edu and her telephone number (913) 897-8444. She also suggested that an excellent additional resource would be the final report on the national IDA research that is available through the Center for Social Development, Washington University. In response to the Chairman's question, Dr. Adams stated the hypothesis of the study is about behavioral change as much as financial gain.

Discussions followed regarding the probability of a pilot program relating to medical savings accounts, safeguards against fraud, and qualifications of participants for the IDA program.

The Chairman closed the hearing on **HB 2222**.

The meeting adjourned at 10:30 a.m. The next meeting is scheduled for February 10, 2005.

HOUSE TAXATION COMMITTEE GUEST LIST

DATE: 2-9-05

NAME	REPRESENTING
Natalie Haag	Security Benefit
Julie Riddle	The Family Conservancy
LANCE RUTLEDGE	EMPOWIA COMMUNITY HOUSING ORGANIZATION
Jennifer Saxson	Community Action, Inc., Topeka
SUE Wheatley	Community Action, Inc. Topeka
John Houlisid	Community Action, Inc. Topeka
George Petersen	Ks Taxpayers Network
Eri Toyao	Rosedale Community Project
Donna Devine	Rosedale Community Project
Sandy Culiq	Rosedale Community Project
Tawny Stottlemire	KS Assn of Community Action Programs
Steven Lohr	Southeast Kansas Community Action Program
Adam Azeltine	Intern Rep. Kelley
Dawn Payne	MOKANsave
Tiffany JARVIS	MOKANsave / KS Assn of Comm Act Prog
Michelle Peterson	Ky. Governmental Consulting
Gabrielle Yarbrough	Mokan save / IDA Program
Karen Yarbrough	Mokan save / IDA Program.
Melinda Lewis	El Centro, Inc.

Kathy Valentin

SRS

Summary of HB 2222
2005 Session
--KLRD--

Following is a summary of provisions related to the major parties involved in HB 2222:

Secretary of Commerce/Department of Commerce

- p.2, 1.38 ● Administers the program
- p.3, 1.6 ● Issues the request for proposals for Community Based Organizations (CBO's)

Secretary of Revenue

- p.5, 1.31 ● Must verify all tax credit claims by contributors

Community Based Organization (CBO)

- Administer an IDA reserve fund on a not-for-profit basis
- p.3, 1.10 ● Must submit a proposal to the Department of Commerce that includes:
 - A requirement that the CBO make matching contributions to the IDA contributions made by either the account holder or the family
 - A process for including account holders in decision making regarding the investment of funds in the account
 - Specifications of the population or populations targeted for priority participation in the program
 - A requirement that the individual account holder or family attend economic education seminars
 - A process for including such seminars in the IDA program
 - A process for regular evaluation and review of IDA's to ensure program compliance by account holders
 - A requirement that the CBO obtain an annual independent audit of the CBO's administration of the statutory requirements
- p.5, 1.32 ● With cooperation of participating financial institutions, must submit required information to Secretary of Revenue so Secretary can verify all tax credit claims by contributors.

Financial Institution

- Any financial institution seeking to open and maintain IDA's approved by the Secretary of Commerce shall be permitted to do so.
 - Must:
 - Keep account in name of account holder;
 - Allow deposits to be made:
 - By account holder
 - By CBO on behalf of account holder. May include matching money up to a 3-to-1 ratio
 - Provide that account earns at least market rate interest
 - Allow account holder to withdraw money on approval of CBO for specified purposes
 - Work with CBO in submitting required information to Secretary of Revenue so Secretary can verify all tax credit claims by contributors
- p.5, 1.15
- Earnings by any financial institution attributable to its IDA's shall be exempt from privilege taxation

Account Holder/Program Contributor (individual/family member)

- p.4, 1.41
“”
p.4, 1.10

 - Make deposits to an IDA
 - Calendar year maximum: \$4,000
 - Account balance maximum: \$50,000
 - Money may be spent on any of five purposes stated on Page 4, beginning line 10, with their noted limitations:
 - Postsecondary education costs for any family member
 - Job training costs for any family member 18+ years of age
 - First-time home-buying costs
 - Primary residence major repairs or improvements
 - Qualified business capitalization expenses

- p.5, 1.22

 - May receive state income tax credit
 - Cannot exceed 50% of the contribution amount
 - Not allowed if the contribution also qualifies for a Community Services Tax Credit (79-32,195)

- p.5, 1. 24

 - May use state income tax credit money to offset income tax liability

- p. 6, 1.6

 - If not subject to state income taxation, may transfer tax credits for an amount *not less than* 50% of the tax credit amount
 - Shall receive a matching contribution from the Community Based Organization (CBO)

- p. 5, 1. 19

 - Funds in an IDA, including accrued interest, are not to be considered when:
 - Determining eligibility to receive, or
 - Determining the amount of, any public assistance or benefits.

- p.5, 1.8

 - Upon account holder's death, the account may be transferred to a contingent beneficiary.
 - If the beneficiary is deceased or otherwise can't accept the transfer, the balance must be transferred to the CBO's IDA reserve fund.

- p.5, 1.1

 - Penalty for withdrawing funds not according to the requirements:
 - Forfeit all matching funds
 - All forfeited matching money goes back to CBO's IDA reserve fund.



REP. EDWARD J. O'MALLEY JR.
STATE OF KANSAS, 24TH DISTRICT

Testimony to the House Taxation Committee
HB 2222 – Individual Development Account Program Act

Rep. Ed O'Malley
February 7, 2005

Mr. Chairman and members of the committee, thank you for this opportunity to discuss HB 2222. This bill creates the Kansas Individual Development Account Act. United State Senator Rick Santorum recently described federal IDA legislation by saying, “[It] is about compassion in our society . . . compassion for those who are trying to make the American dream a reality; and compassion for the most needy in our society.”

Before I discuss this bill, let me remind the committee of millions of dollars in economic incentives we have enacted in recent years. Whether it was hundreds of millions for Boeing, upwards of \$500 million to develop the bioscience industry or millions to promote entrepreneurship this Legislature has been eager to support dynamic economic development initiatives. I have been proud to support those efforts, and I am equally proud to support this effort.

This is an economic development opportunity. It is not aimed at building an industry or retaining companies, but it is aimed at aiding Kansans who truly want to help themselves.

While Individual Development Account programs (IDAs) do exist in Kansas, currently none receive state support. HB 2222 would provide up to \$500,000 of state support to approved IDA programs.

In general, IDAs are about asset development. Our society places a heavy emphasis on asset development and there are numerous public policies that support this focus. Home mortgage interest deductions, 401(k) tax incentives, individual retirement accounts, and other incentives all encourage asset development. These incentives are most often delivered through the tax code and targeted toward middle and upper-income individuals. These benefits are almost always completely out of the practical reach of low-income families.

The Corporation for Enterprise Development recently gave the State of Kansas a grade of "C" for asset outcomes and asset policy. It also stated in its *State Asset Development Report Card*:

Assets are the way resources can be moved through time. They are durable and can be leveraged – allowing for relatively great appreciation. They are flexible and can be used to survive a time without a job, meet an emergency, invest in a business, purchase a house, or finance an education. In a very real sense, it is assets that allow people to live in and for the future – they provide the reason to believe in it, the confidence to shape it, the impetus to plan for it, the investment to make it real.

In general, HB 2222 describes IDAs and also creates a tax credit to generate funding for IDA programs. The following are key points in the bill:

- There are three components necessary for an IDA program: a local non-profit organization to administer the program, a local financial institution to house the IDA accounts and an account holder.
- Account holders must have a household income less than or equal to 200% of the federal poverty level.
- Account holders must agree to participate in financial literacy workshops sponsored by the local non-profit organization.
- Account holders will save money to be used for any of the following purposes:
 - Postsecondary education costs
 - Job training costs
 - Down payment/closing costs for first-time homebuyers
 - Major repairs or improvements to a primary residence, or
 - Expenses associated with starting a business.
- All withdrawals from an IDA account must meet the approval of the local non-profit organization serving as the local administrator.
- Account holder savings will be matched up to a three-to-one ratio.
- Financial institutions can choose whether or not they wish house IDA accounts.

- Individuals or entities that donate to “individual development account reserve funds” will receive an income tax credit worth 50% of the donation.
- The total tax credits authorized shall not exceed \$500,000 in any fiscal year.

Mr. Chairman, allow me to close by reading a statement from Kansas Congressmen Jerry Moran and Jim Ryun:

“Just as current [tax] incentives have helped create our nation’s great middle-class, IDA tax credits will help ensure that low-income families and individuals will finally be able to take advantage of similar incentives . . . [IDAs] are designed to help people who want to help themselves . . . hundreds of thousands of working poor families will finally be able to achieve their piece of the American Dream.”

Mr. Chairman, I am proud of the work this legislature has done promote to *economic* development. I hope this committee will join me in viewing HB 2222 as a unique opportunity to promote *asset* development among those Kansans who are willing to work hard and pull themselves up, but just need a bit of help along the way.

Section by Section Breakdown of HB 2222

New Section 1	Titles the bill the Individual Development Account Program Act
New Section 2	Definitions
New Section 3	Criteria for proposals from local non-profit community organizations that wish to administer IDA programs
New Section 4	Requirements for participation in an IDA program. List of qualified expenditures.
New Section 5	Involvement of financial institutions.
New Section 6	Explanation of what occurs if a withdrawal is made for a nonqualified expenditure or death of account holder.
New Section 7	Earnings by a financial institution made by housing IDA accounts are not subject to privilege taxation. Funds in an IDA account are disregarded when determining eligibility to receive public assistance.
New Section 8	Tax credit of 50%. \$500,000 annual limit.
Section 9	Gives Department of Commerce power to administer IDA program.
Section 10	Miscellaneous changes to conform with tax code.

IDAs: Elected Officials Agree on the Wisdom of this Asset-based Strategy

"Income may feed people's stomachs, but assets change their heads." Since Michael Sherraden penned this statement 1991, many of the US' leading politicians have agreed. In 1999, a nationwide IDA program was created by bipartisan passage of the Assets to Independence Act. Recognizing that IDAs were working, additional IDA bills, which promote private charitable contribution through tax credit incentives, have received co-sponsorship from Republicans and Democrats. IDAs remain a popular anti-poverty and economic development strategy. In January 2005, Senate Republican Rick Santorum introduced the MORE Act to further federal investment in this anti-poverty policy that is rooted in personal responsibility and sacrifice. Such ideals are part of our nation's foundation and appeal, therefore, to pragmatic leaders with a vision for inclusive economic development.

"[The MORE Act is] about compassion in our society – . . . compassion for those who are trying to make the American dream a reality; and compassion for the most needy in our society." *Senator Rick Santorum (R-PA)*

"Those in the lowest 20% of income usually have savings of less than \$1,000. Many coming off welfare have never had a personal bank account. But money in the bank builds confidence. It makes us agents of our own destiny. Many people who are now successful can remember how hard it was to save, but how important it was to start. And we can help many Americans make that start." *President George W. Bush*

"IDAs can help lift up those who are struggling every day to better their lot in life... Instead of living paycheck to paycheck, IDAs encourage those households that have never saved to begin saving and planning for the future...Those who never dreamed they could afford a home, education or a small business will be able to save with those goals in mind." *Congressman Joe Pitts (R-PA)*

"Just as IRAs are helping middle-income Americans save for their retirement, IDAs can help working families save for their futures. I believe IDAs can be to the 21st century what the Homestead Act was to the 19th and what the GI Bill was to the 20th -- an investment in the common genius of the American people." *Former Senator Dan Coats (R-IN)*

"Just as it is necessary to cut spending to balance the budget, so it is crucial that we make prudent investments in America's economic future. IDAs are such an investment." *Former Congressman John Kasich (R-OH)*

"Just as current [tax] incentives have helped create our nation's great middle-class, IDA tax credits will help ensure that low-income families and individuals will finally be able to take advantage of similar incentives . . . [IDAs] are designed to help people who want to help themselves . . . hundreds of thousands of working poor families will finally be able to achieve their piece of the American Dream." *Kansas Congressmen Jerry Moran and Jim Ryun*

"Success in today's economy increasingly is defined by asset ownership...[IDAs] won't single-handedly eliminate the wealth gap, but ... will help carve out a little more space in the winner's circle." *US Senator Joseph Lieberman (D-CT)*

February 9, 2005

Chairman Kenny Wilk
House Committee on Taxation
Kansas State House

Honorable Chairman Wilk,

Thank you for the opportunity to present to the House Committee on taxation concerning HB 2222, supporting a state tax credit to fund Individual Development Accounts (IDAs). The Family Conservancy has been in existence for 125 years, supporting our mission of helping individuals and families thrive in their communities. IDAs help our agency achieve its mission in many ways – supporting neighborhood revitalization, financing entrepreneurship, helping children grow up in stable homes, with the expectation that hard work and a supportive community can help a family achieve its dreams. .

IDAs are dedicated, matched savings accounts that help low-income families save for appreciable assets, such as home ownership, major home repair, small business development and post-secondary education or training. Purchasing and/or maintaining each of these assets helps a family move toward self-sufficiency.

The Family Conservancy has administered Individual Development Accounts since participating in the first national pilot of IDAs, The American Dream Demonstration, in 1997. Since that small beginning of 75 accounts, The Family Conservancy has widened availability of IDAs to over 800 accounts, 360 of which are located in Kansas. To date, our IDA participants have saved nearly \$1,000,000 of their own money, plus matching funds. **76 participants have purchased homes; 102 have used their funds to pay for post-secondary education or training; 47 have opened or expanded businesses; 18 have paid for major home repairs; 27 have contributed to Individual Retirement Accounts (program funded by private foundation dollars). And hundreds more will reach their asset goals in the next two years.**

As these statistics attest - this program works, using a combination of financial incentives, classroom instruction, and individual support. To achieve success, Individual Development Account Programs employ three primary components – the funds used to match participants' deposits, general and asset-specific financial education and individual support.

A. Matching Funds –

- Savings match typically ranges between 1:1 and 4:1, depending on the availability of funds and the needs of a particular community. The match acts as a powerful incentive for families to save, as they see their small deposits grow quickly.
- Participants have individual savings accounts in their own names and are required to save for a minimum period of time before accessing the match.

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Attachment 3

- Accounts are no-fee, interest bearing savings. Many times the accounts are custodial.
 - Matching funds are held in a separate pooled account and paid directly to a vendor at the time of asset purchase.
 - The community-based organization administering the program determines eligibility of participants, monitors participant accounts, approves withdrawals and provides statements monthly, indicating participant deposits, accrued match and any withdrawals.
- B. Financial Education
- Participants are required to attend general financial education classes, covering such topics as budgeting, managing bank accounts, and understanding and repairing credit
 - Asset-specific classes are also required in order to meet program requirements i.e., home buyer education or small business training
 - Classes may be offered by the non-profit administering the program or by a community partner, such as a financial institution.
 - The classes offer peer support as well as education and serve as an added incentive for participants to make deposits in their IDAs.
- C. Individual support (case management)
- Program staff or community partners meet regularly with participants to review budgets, credit information, questions about the asset purchase and to strategize around barriers to saving.
 - Useful in budgeting and goal setting phase, as well as helping to problem solve when savings becomes difficult.
 - Instrumental in establishing rapport and developing trust with participants

These three program components may be customized according to the strengths of the sponsoring agency and the surrounding community. The beauty of an IDA program is that it can be as diverse and creative as the community sponsoring it. Just as the program participants bring their own strengths and experiences to a program, so does the community that embraces Individual Development Accounts as a strategy to help all families get access to the financial mainstream.

HB 2222 offers Kansas an opportunity to broaden its economic development vision and enable low-income families a greater chance to positively impact the communities in which they live.

Thank you for your time and attention. Please contact me if you have further questions

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The Family Conservancy

Family Asset Building Program (FAB)

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IDAs: THE IDEA THAT CAN WORK FOR KANSAS

WHAT ARE IDA's?

- **Individual Development Accounts (IDAs)** are matched savings accounts for low-to-moderate-income families. Using the "earn and learn principle" the IDA program allows participants to earn higher returns for each dollar saved and provides an economic education curriculum that teaches the basics of sound financial practices.
- **Savings can be used only for specified purposes:** education, home ownership, major home repair or small business development. The savings translate into a personal and community investment, as participants merge into the economic mainstream, accessing additional financial products and services along the way.
- **Participants save monthly**, usually over a one-to-three-year period, and their savings are matched by funders in the community. Typically, committed businesses, agencies, financial institutions, foundations, churches, state and local governments act as partners in the creation of IDA's.
- **Match rates vary from one program to another**, depending on funding opportunities. Participant savings may be matched one-to-one or as high as four dollars of matching funds for each dollar saved. The Family Asset Building Program's typical match rate is 2:1,
- **Community organizations** (usually 501 (c) (3) non-profit organizations) counsel and monitor participants, provide a required economic education curriculum, control matching funds, and authorize payment of funds for the specified asset purchases.

The Family Conservancy Family Asset Building Program (FAB)

Our History

- The FAB program began as one of 13 sites in the American Dream Demonstration in 1997.
- **This model is currently being replicated in Canada, Taiwan, the UK and other countries across the globe.**
- Since the program's inception, FAB has been funded to serve 821 accountholders. These families have saved nearly **\$1,000,000**, including matching funds, purchased **60 homes**, started **35 new businesses** and sent **102 people back to school**.
- By the end of 2006, participants will have saved nearly **three million dollars, including matching funds**.
- To date, participants have completed **2500 hours of financial education**.

Because of funding constraints all previous FAB accounts have been available to Jackson County, MO and Wyandotte County, KS residents

Our Future

- **FAB is expanding to Johnson County**
- The newest grant, funded by local business, the US Department of Health and Human Services and the Kauffman Foundation will serve up to 50 Johnson County families.
- Families will be able to save up to \$2000 of their own funds and receive a 2:1 match, for a total of up to \$6000 per participant.
- FAB partnered with the University of Kansas to offer at least 20 homeowners IDAs for home repair in Kansas City, KS

Our Community Partners

Johnson County Human Services and Aging will refer participants and provide financial education and case management.

United Community Services of Johnson County has helped to spread awareness of IDAs across Johnson County

Community LINC, Rose Brooks Center, El Centro, & Emporia Community Housing Corporation have become partners in economic education and case management.

The Ewing Marion Kauffman Foundation provides funding to match participant savings, generous use of its facilities and the expertise of the capable staff.

The FDIC has provided a comprehensive economic education program to teach sound financial practices.

First Step Fund and **Hispanic Economic Development Corporation** provide micro entrepreneurship training to FAB participants.

The Kansas City Neighborhood Alliance, Neighborhood Housing Services and El Centro are providing credit counseling and home ownership classes.

The City of Kansas City, MO provides operating funds to help the program run effectively.

US Bank is the financial institution that holds the accounts. KC Terminal Employees/ Guadalupe Center Federal Credit Union was the initial banking partner.

The McAuley Institute is providing a portion of the matching funds for women saving for home ownership.

The University of Kansas School of Social Welfare provides research, evaluation, technical assistance, and student interns.

The U.S. Department of Health and Human Services is underwriting nearly half of the matching funds and administrative funds but these funds must be matched with state, local or private funding.

The Phoenix Family Housing Corporation, Habitat for Humanity & Operation Breakthrough & the Family Resource Center have become partners in recruitment of qualified participants.

IDA Participants' stories and quotes

Deborah White

"Some time ago, I enrolled in the FAB program. In the beginning I was gung-ho about the possibility of building an account although I had no real clear goal of what I would do with the account once I had accumulated money. I attended the financial education classes, in fact, I only have a couple more classes to complete but I wasn't consistent with my deposits....I recently enrolled in a homeownership program and have found a new full-time job. I now have a clear set goal and the money to achieve homeownership. I am reworking my priorities, moving my account to the top of the list... and I wanted to thank the wonderful people at FAB to let them know my intentions..."

Jose Joaquin Osorio

An immigrant from El Salvador, Jose has reached his goal of starting a roofing business with the help of the Wyandotte Individual Development Account program. He was an exemplary WIDA participant as he attended the ten hours of financial literacy classes, saved \$1080.00 in his IDA, and developed his feasibility plan. Of his business, Joaquin's Roofing LLC, he says, "What makes my business different is that I want to provide accessible, affordable, and dependable roofing repairs to moderate-income Hispanic and inner city families in Kansas City. My main desire is that my company's workmanship reflects the high standards that all people deserve: honesty, hard work and reliability." We are confident that Joaquin's many years of experience in roofing and his newly acquired knowledge about running his own business will make him a successful entrepreneur.

Morgan Ruhnke

Morgan Ruhnke has been serving both the FAB and WIDA Individual Development Account Programs as an Americorps*VISTA member for the past year by supporting participants as they strive to achieve their assets. During this time, Morgan has also been participating in the program herself; saving, attending economic education Classes, getting her credit check and attending home-buyer education class. Morgan has been a participant in the FAB Program since Sept. 2003 and has recently purchased an affordable two bedroom unit in a cooperative. "I feel like I was able to support our program participants better as a participant myself, working towards my own goals and going through the same steps to be successful in purchasing my asset. Thank you, FAB!" Congratulations on your success, Morgan, and thank you so much for your dedication to the IDA participants!

Selena Hutchingson

The WIDA program would like to recognize Selena Hutchingson for completing her WIDA goal. When Selena came to the WIDA program in June of 2000, she had hopes of someday becoming a home-owner. Today, Selena can proudly say that she has reached her goal. It took time, determination and good saving strategies for her to accomplish her long awaited dream. The program is very proud of Selena for not giving up, even on those days when life seemed dull and gray. Selena's strength of character has paid off as she has now purchased a 3 bedroom home for herself and her two teenage boys. She is now planning to use the rest of her money to attend college. Way to go, Selena! Congratulations, you did it!

Penny Cline

Penny Cline started a small business called Le'Chic Hair, Nails and Barber Boutique on Feb 1, 1999 and has used her money to purchase chairs, supplies and also replace the plumbing. She says that the FAB Program is one of the best programs that she has ever had the pleasure to come to know. "It has taught Me about banking, budgeting, and credit. The classes give you a valuable education on banking, budgeting and your credit report. Saving your money in the program is easy, as little as a few dollars a month or as much as you like to

save-it's great! Pat Burns and Staff are always ready to help with any questions you may have. After completing the class and saving the money, the staff were right there to help me outline how I planned to spend the money. I'm happy with the finished product. I have gained more clients and hired a new barber." Penny, we are so proud of your hard work and dedication. Congratulations on your business' five year anniversary!!

Humberto Valles and Mireira Avilez

It only took roughly a year and a half for Mireira Avilez and her husband Humberto Valles to achieve their dream. When asked how they felt when they signed the final papers toward their home, Mireira said, "We couldn't believe we were buying a home, and we were happy that we were realizing the American dream...one that everyone wants: to own your own home!" Both Mireira and Humberto entered into Heart of America Family Services' FAB program through its partner El Centro in May 2002. They rapidly completed the required 10 hours of financial education and Home Buyer Education. "There are still people that can't believe it. They say 'Who can help with something like this?'" Mireira says she tells them about El Centro and Heart of America Family Services where people can get the help they need as they did. Congratulations, Mireira and Humberto on your new home!

Olga Garcia

Olga is an enterprising individual with long term goals. She recognized the opportunity to start her business and developed her business skills by attending workshops that helped her to enhance her ideas. Olga's home decorating business presently serves the Hispanic community, primarily Spanish speaking customers. She will visit the customers and assess their home; giving them ideas of how they can decorate with her items to beautify their homes. Olga is ecstatic with her new business and the opportunity to meet new people. Her clientele is growing and her business as well. Olga always had the idea of having a small business, now that she has started one she is happy she went through with it and would not have it any other way. The WIDA program salutes Olga for her perseverance and vision for the future. Way to go Olga! What an entrepreneur!

Patricia Castro

The WIDA staff would like to congratulate Patricia Castro for her perseverance in making her ultimate dream come true. Patricia, a Mary Kay consultant in Kansas City, has branched out to serve the Hispanic community by offering the Mary Kay cosmetic line in the Indian Springs Mall. Her store will feature an array of beauty products including cosmetics and health/beauty aids. Patricia's primary focus is to educate her clientele with a one-on-one demonstration of how to take good care of their skin. All of the presentations and information will be in Spanish. Patricia has been a participant of the program since 2000 and has recently completed her goal. It has taken Patricia much time and dedication to accomplish her goal, but all of her hard work has certainly paid off. Way to go, Patricia!

Agustin Pineda

The Emporia Community Housing Organization would like to recognize Agustin Pineda for his success in the IDA program. Originally from El Salvador, Agustin is using his money to attend Emporia State University's Intensive English Program so that he can improve his English skills. Despite the language barrier, he attended all of the financial education classes and he credits the program with teaching him about good personal economic habits. "The ECHO IDA Program helped me a lot because before I didn't know anything about credit cards or how to save money", Agustin said. He plans to use his schooling to improve his verbal and written skills so that he can help people who do not speak English. He is very thankful for the opportunity to save money for his educational goals while at the same time gaining valuable financial information. Congratulations, Agustin!!

Rhonda Creech

"I would like to thank Heart of America Family Services for partnering with Community LINC on the IDA/FAB Program," Rhonda Creech told staff. Her matching funds paid for a semester of college tuition and books. The remaining funds paid all closing costs to purchase a beautiful, newly remodeled home for herself and for her children in a safe neighborhood. "The match money of this wonderful savings program allowed my 10 year old son to pick out his very first new bedroom set with our regular savings account. We have gone from homelessness to homeownership. We are grateful to all those we met along this journey. Imagine getting a check within one day of the request, delivered with a smile! Imagine!" Rhonda, you have come so far and accomplished so much. The FAB Program is very proud of you and of your many successes. May you continue to prosper and grow. Great job, Rhonda!

Sheila Frazier

Ms. Frazier is currently finishing her bachelor's degree in Social Work at Central Missouri State University. She plans to graduate in 2006, and is paying for her degree with monies from the FAB Program. When asked if it was hard being in the Family Asset Building program Sheila Frazier simply said, "I had already heard some of the information, so it made it easier." She added that, "if I could say something to a new participant it would be take advantage of information in the program because it helps you avoid financial mistakes that most young people fall victim to." Ms. Frazier wants to thank her daughter Porsche Cain for her wonderful support and unconditional love while she's pursuing her bachelor's degree. She wants to thank her family and friends as well.

Luis Padilla & Vilma Hernandez

It is with great pleasure, that we announce the grand opening of Alpha & Omega Custom Tailoring and Alterations; proprietors Luis Padilla and Vilma Hernandez joined the WIDA program in KS. Recently, they have opened their shop and it is open to the public! Luis and Vilma worked very hard to graduate from the program-attending the financial education classes and finishing their feasibility plan requirement. Luis credits the WIDA program for the assistance he received and the business orientation he got to help him with the success of his tailor shop. He is happy to have finally realized his dream and to have become his own boss in America. Luis and Vilma are originally from Honduras. Alpha & Omega tailor shop is located at 11 South 7th St. KC, KS. The hours of operation are 9:00 am to 9:00 pm. M-F as well as weekends. They can be reached at (B) 913-621-1943.

Luis Hernandez and Percy Rodriguez

Together this hardworking couple has managed to establish LUIS Painting. Luis and Percy came to the program with a strong will and serious determination to graduate from the program and to open their own painting business. Luis and Percy knew what they wanted the moment they walked into the office. Their personal desire to establish a business marked the path they needed to take. When they heard of the WIDA program they immediately knew that was the answer to their dreams and took advantage of the program. Luis and Percy joined the program together and started to save and attend the financial education classes, as well as special asset specific classes that were business oriented. Their passion for business was the driving force behind all of their hard work. Once they completed a feasibility plan, all program criteria were met, and they recently launched their business. Luis Painting is now open! Luis has 15 years of painting experience. He has references and will do free estimates to any job. Luis Painting specializes in interior/exterior residential and commercial painting; carpentry; sheetrock; and varnish, as well as cleanup. For more information Luis Hernandez can be reached at 913-269-1938. Luis and Percy welcome your business and are happy to answer any questions. Remember, the next time you have some painting to do don't forget to give Luis and Percy a call. Your business is much appreciated to help this former IDA business grow and prosper.

Geri Hughes

Geri Hughes is a veteran Family Asset Building participant. The first goal of Ms. Hughes was to pay her daughter's first year at a historically black college. Next she used her IDA to purchase her first home. As a single mother she could always find something else to do with her money. So it took 6 Months to begin saving. The only way she could do it was with direct deposit. The thing that Geri liked most was the classes. "I like the information the classes provided. It was like a clarification and confirmation of things I already knew. There was lots of good information." When asked what she would tell a new participant she said simply, "that it is possible. When it seems that it doesn't matter, it does. Use all of the support of FAB. There is a lot support." The part that was most important was meeting participants and knowing I'm not the only one struggling. I learned from participants' stories. You hear that they were in the same place once and are still saying 'you can do it, let's go.'" Geri says she is so successful because of support, knowledgeable staff and determination. "No one can change a predicament but you," she said. "We must teach our kids so they believe they can do it. I'm breaking cycles."

Lori Herrera

Lori Herrera, an El Centro participant, is using her money to attend classes at Kansas City Kansas Community College in order to receive her nursing degree. Returning to college after many years has presented numerous challenges to Lori. Getting past class credits to transfer has proved challenging enough, but Lori has also had to learn to balance attending college classes with working a full-time job; all while raising two children. Although it has not been easy, Lori is definitely on the road to success. We are very pleased to be a part of Lori's journey and are very proud her hard work and dedication. The program would also like to thank Lori for doing such a wonderful job of promoting our program. She often hands out business cards to others that she feels could benefit from this program. "I love this program! I give your business cards to everyone!"

Dionne Tucker

Dionne Tucker of Kansas City, KS has recently purchased her home! Dionne has been a WIDA participant since the program began in 1999. Dionne has been saving and attending the financial education classes; carefully planning every step to make her dream come true. Her hard work has paid off. She has recently purchased a two bedroom house for herself and her son. When asked about her participation in the IDA program Dionne said, "I recommend everyone that is able and qualified to seek IDAs. Thank you, I found it very helpful. I learned a lot of things I did not know." The WIDA staff would like to congratulate Dionne for her hard work and commitment to the program. We enjoyed having her as a participant and we wish her much luck in her new home. Way to go Dionne!

Gema Castaneda and Eduardo Ramirez

Gema Castaneda and Eduardo Ramirez had many obstacles to overcome to be able to reach their dream of purchasing their first home. With the help of El Centro and the Family Asset Building (FAB) IDA Program, that dream is now a reality. Eduardo and Gema recently purchased a two bedroom home for their family in Kansas City, KS. Gema told the FAB staff that the program helped her to learn how to save money. She was able to re-evaluate her spending habits and find ways to cut back on the amount of money that she was spending. Gema said that she was very grateful to the program for helping her and her husband to buy their first home. The staff at El Centro and FAB are extremely proud of them for their amazing dedication and hard work. Congratulations to you both and enjoy your new home!!!

Karen Yarbrough
116 W 89th Ter
Kansas City MO 64114

February 7, 2005

Dear Representative O'Malley,

Below is my written testimony of my experiences in the Individual Development Account program.

We, my daughter Gabrielle and I lived at the Woodland Hills Apartments in Kansas City Kansas for seven years, from 1996 until Oct 2003. My budget was extremely tight - I earned seven dollars (\$7) an hour. Our monthly bills included: rent - \$390, car payment - \$301, car insurance, gas, food, clothing, entertainment and a few other bills like after-school childcare. Gabrielle was only in the fourth grade.

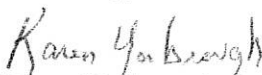
In mid 2001, the apartment manager at Woodland Hills told me about the IDA savings program. Then - the program sounded too good to be true! By this time, Gabrielle was in high school and I was almost convinced I would never be able to afford a home. I agreed and attend the orientation and later signed up for the program. I was required to learn and understand my credit report, attend monthly classes on financial management and invested at least \$30 a month towards my goal of homeownership. Now -- I can honesty say, "The entire experience was truly rewarding"! I listened and learned from their speakers and program staff. They were awesome! They were supportive and knowledgeable about their programs. Each class was different, they covered financial topics like: lending terms, credit rating, purchasing cars (lemon laws), available home loans-- These topics were never taught in high school! I also met several other participants -- "good" people like me, we were all in the same financial predicament - we were poor and never really knew how to make wise financial decisions.

Eventually, I had paid off my car loan and kept up with the vehicle maintenance. This allowed the dollars that would have gone towards a new car, instead be placed in my IDA account for our home. Some month later, Gabrielle also enrolled in the program - so we learned together! We placed monies in her IDA account for her college education. Now, thanks to IDA, Gabrielle is in her first year of college and we are both living in our new home!

Mr. O'Malley, I am asking----- no begging you to please continue supporting this program. The matching contribution made a huge difference in the quality of our lives. We never would have made it this far without it! And even though things are still tough financially our future looks a lot brighter than it did before we entered the program.

Thank-you for your time and attention.

Sincerely,


Karen Yarbrough, Former IDA Participant.

Hs Taxation Committee
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Attachment 4

Feb 7, 2005

Dear Representative O'Malley,

I wanted to share my experiences in the Individual Development Account program with you. I first heard about the program through my mom, Karen Yarbrough. On the days that she attended classes she would teach me everything learned and things to incorporate in our daily lifestyle. After a short time I knew I needed the IDA program. I was drawn to it by mom's "saving sessions" and the month-to-month double match monies I could save. Knowing that after high school my plan was to go to college I saw an opportunity to help myself succeed.

Thank-you for this opportunity, I feel strongly about my future finances and have learned to use applications receive from the IDA program - financial resource not offer anywhere else. Workers like Program Manger, Julie Riddle has empower me to not fear but embrace life hardships. Wyandotte Individual Account program was there for my mom and I during our low-income hardships, and help me understand and stabilize my future. Thanks-again.

Sincerely,
Gabrielle Yarbrough
116 W. 89th Ter, KCMO, 64114
(816)333-0192

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February 9, 2005
Attachment 5

Turner Pettway
Kansas General Assembly
Wednesday February 9, 2005
Testimony

Good morning, name is Turner Pettway, I am the Community Development Manager for U.S. Bank in Kansas City. I am responsible for the Community Development operations within Kansas City, St. Joseph, Lawrence and Topeka. I first became familiar with the Family Conservancy through my previous employer the Kansas City Neighborhood Alliance where I was the Director of Homebuyer Education, providing credit counseling, budget and first-time homebuyer workshops. As Community Development Manager for the State of Kansas, I manage relationships between nonprofit organizations and the bank in keeping with the Community Reinvestment Act as well as various tracking and reporting functions under this Act.

U.S. Bank is a proud supporter of the Individual Development Account concept, because it helps low and moderate income families build wealth and purchase assets. The IDA process allows low and moderate-income families the opportunity to obtain financial education as they save on a regular basis and develop relationships with local financial institutions. We feel the programs help break down barriers to saving, as well as break the cycle of poverty in many communities through counseling, education and systematic saving into a deposit account. IDA programs help the banking industry work with nonprofit social service agencies to reduce the intimidation felt by individuals with little or no banking experience. We hope the IDA programs will help customers develop a financial relationship extending beyond IDAs and take advantage of low cost mortgages, car loans, and investment products available to all our customers.

U.S. Bank holds over 800 accounts in the Kansas City Metro area in partnership with three nonprofit IDA administrators. The nonprofit administrators provide financial education and counseling to help the IDA account holder make better financial decisions. This key element helps participants become long term savers and extend opportunities for secondary education, home ownership and small business development. Though we realize these highly structured programs may not be for everyone, we support the concept and encourage participation wherever possible.

U.S. Bank has trained staff at four locations closest to the program sites and low to moderate-income census tracts to open accounts for participants.

U.S. Bank is committed to maintaining the relationship with The Family Conservancy and other nonprofit organizations willing to assist low and moderate-income families build wealth, reduce debt and accumulate assets.

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February 9, 2005
Attachment 6

Individual Development Accounts

Research Summary: Findings from Studies of Individual Development Account Programs

Deborah Adams, Ph.D.
Associate Professor

February 2005



**University of Kansas
School of Social Welfare
Edwards Campus
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(913) 897-8444**

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Individual Development Accounts (IDAs) are matched savings accounts that help people of modest means build assets, reach life goals, and achieve long-term security. Account holders receive matching funds as they save for purposes such as buying and maintaining a home, starting a small business, or going to college. Research on asset-building suggests that low-income account holders are able to save for long-term goals in IDAs.

In a national study of IDAs called the American Dream Demonstration (ADD), approximately 88 percent of participants (n=2,364) had incomes that were less than 200 percent of the federal poverty level. Median monthly household income was \$1,358 (annual mean household income = \$17,952). In ADD, saving success was not significantly influenced by household income. In fact, the amount of household income was not linked with average monthly net deposits in IDAs until it exceeded \$1,600, and even then had only a small effect on savings. Program characteristics such as match rate, the maximum amount of savings that can be matched, and the availability of direct deposit into IDAs had a greater overall effect on savings outcomes than participant characteristics such as gender, age, and income (Schreiner, M., Clancy, M. & Sherraden, M. (2002). *Saving Performance in the American Dream Demonstration*. St. Louis: Center for Social Development at Washington University).

One of the 14 community-based organizations that was chosen to participate in ADD was The Family Conservancy, formerly known as Heart of America Family Services. My colleagues at the University of Kansas and I are studying some of the IDA programs in Kansas City and Wyandotte County that are administered by The Family Conservancy. The oldest of these programs, called the Family Asset Building (FAB) program began in November 1997 and had about 90 participants.

Most FAB participants saved in IDAs with the goal of homeownership or major home repair (47%), while others had goals involving post-secondary education and training (22%) or self-employment through capitalization of a small business (12%). Similarly, homeowning, microenterprise, and college were goals of the overwhelming majority of ADD participants across the country.

FAB participants made median net deposits of \$16.88 monthly. This figure is conservative because it includes participants who moved out of the area or stopped participating for other reasons before they completed the program. The typical FAB participant was able to make a deposit in about seven of every twelve months in the program. FAB participants had an average of \$2,223 in cumulative net deposits plus matching dollars as of December 31, 2001. The aggregate total of net deposits including matches and matched withdrawals was \$193,232 for FAB participants as a group.

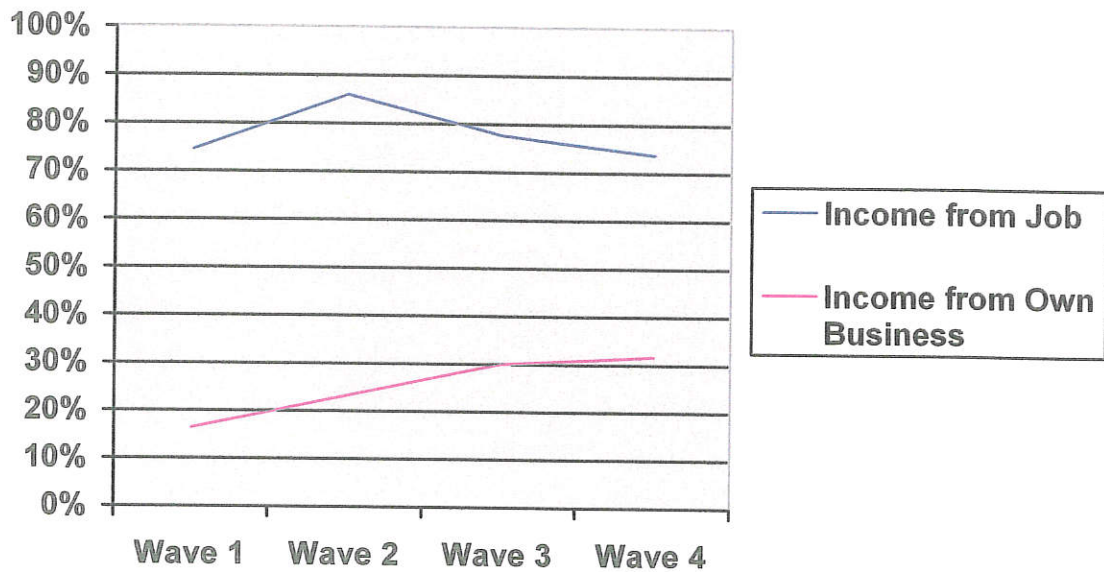
Beyond savings outcomes, we are studying other possible effects of asset building in the lives of lower-income IDA participants. Data on demographics, self-employment, homeownership, money management, and participant perceptions of the FAB program and its impacts are presented on the following pages. For a full copy of the full research report, please contact Deborah Adams at the University of Kansas School of Social Welfare (913-897-8444 or debpa@ku.edu).

**Demographic Characteristics of FAB Participants
at Time of IDA Program Enrollment (n=86)**

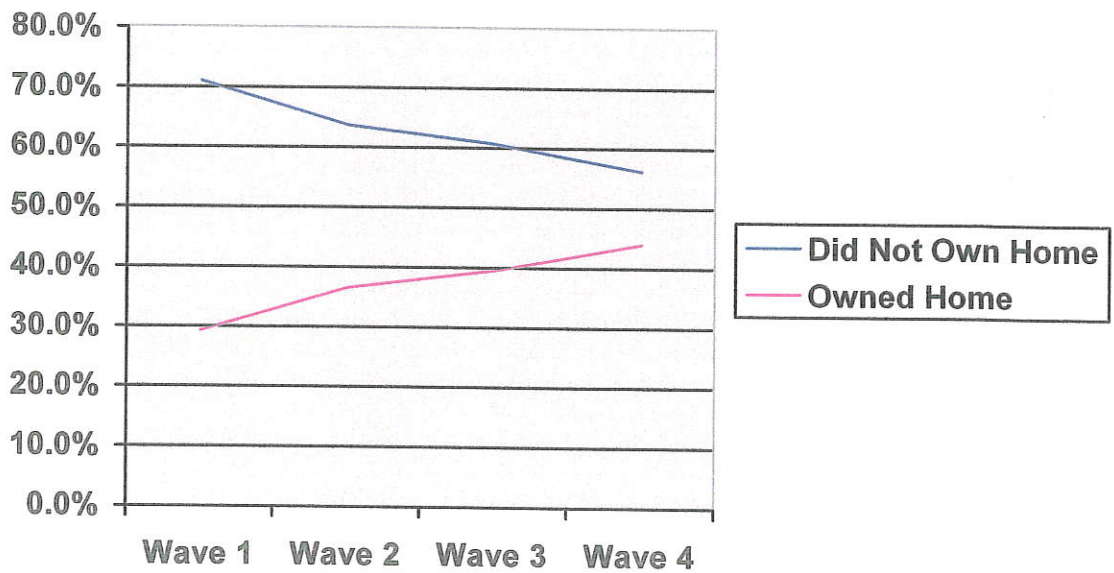
	Frequency	Percent
Gender		
Male	14	16.3
Female	72	83.7
Race/Ethnicity		
Black/African-American	35	40.7
White/Caucasian	10	11.6
Hispanic/Latino/Latina	36	41.9
Asian/Asian-American	2	2.3
Native American	1	1.2
Other	2	2.3
Age in Years		
20-29	21	24.4
30-39	39	45.3
40-49	18	20.9
50-65	8	9.3
Marital Status		
Single, Never Married	29	33.7
Married	17	19.8
Divorced	29	33.7
Widowed	11	12.8
Education		
Less than high school	4	4.7
Some high school	5	5.8
Graduated high school or GED	18	20.9
Some college	34	39.5
Graduated from college	16	18.6
Some graduate school	6	7.0
Completed graduate school	3	3.5
Monthly Income from Wages		
None	22	25.6
Between \$0 and \$999	25	29.1
Between \$1,000 and \$1,499	19	22.1
Between \$1,500 and \$1,999	13	15.1
Between \$2,000 and \$2,499	4	4.7
More than \$2,500	3	3.5

Note: Percentages may not sum to 100 due to rounding.

Percentages of FAB Participants with Income from Employment and Self-Employment



Homeownership Among FAB Participants



7-4

Participants with a Written Budget or Spending Plan

	n	Never	Sometimes	Always
At FAB Enrollment	80	36%	33%	31%
During FAB Participation	86	22%	35%	43%

Participants who Compare Actual to Planned Spending

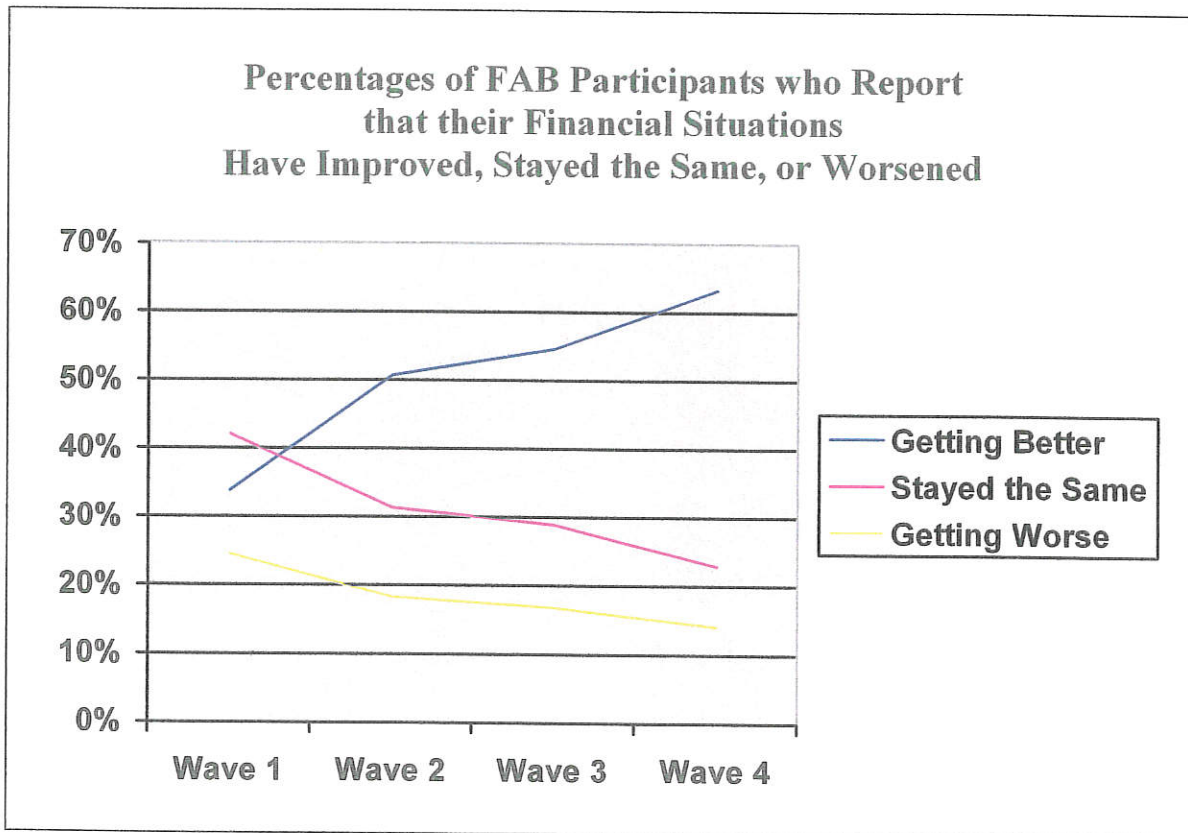
	n	Never	Sometimes	Always
At FAB Enrollment	86	33.7%	37.2%	29.1%
During FAB Participation	86	22.1%	32.6%	45.3%

Participants who Try to Save Regular Amount Each Month

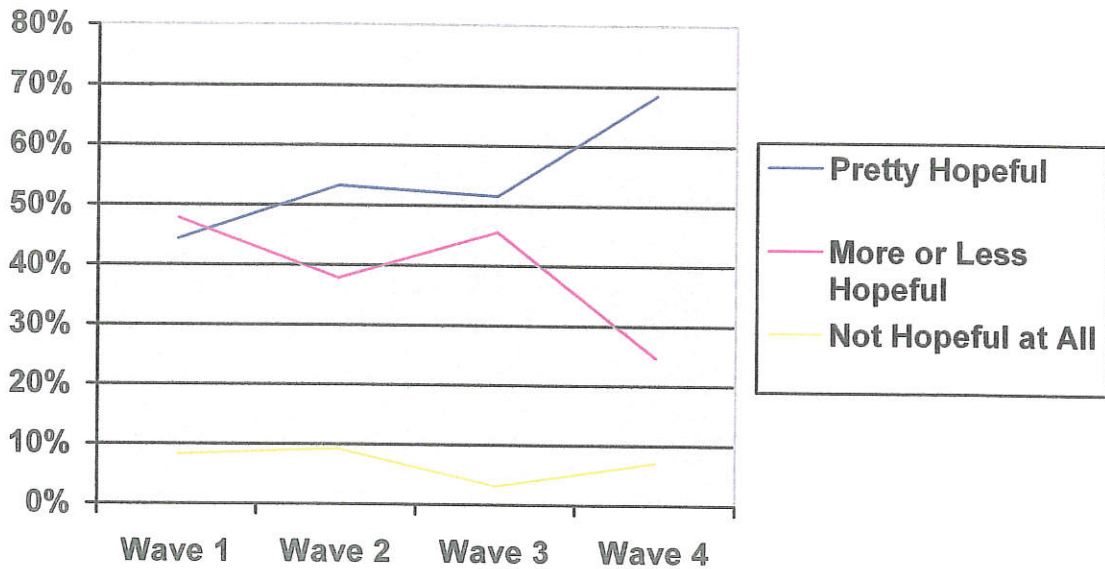
	n	Never	Sometimes	Always
At FAB Enrollment	86	18.6%	41.9%	39.5%
During FAB Participation	86	11.6%	23.3%	65.1%

Participants who are Hesitant to Spend Saved Money

	n	Never	Sometimes	Always
At FAB Enrollment	85	19.8%	34.9%	45.3%
During FAB Participation	86	8.2%	21.2%	70.6%



**Percentages of FAB Participants who Report Being
Pretty Hopeful, More or Less Hopeful, and Not Hopeful at All
about their Future Financial Situations**



FAB Participants Respond: "What Facilitates Saving in IDAs?"

(Second Annual Interviews; n=74)

	Strongly Disagree	Disagree	Agree	Strongly Agree
I like the financial institution.	2.7%	5.4%	43.2%	48.6%
My IDA seems secure.	1.4%	0%	36.5%	62.2%
My IDA earns enough interest.	4.1%	11.0%	37.0%	47.9%
The match rate is adequate.	1.4%	2.7%	25.7%	70.3%
I want to save for a certain goal.	0%	4.1%	25.7%	70.3%
I like rules about taking money from IDA.	0%	4.1%	32.4%	63.5%
The IDA classes have helped me save.	0%	12.7%	31.0%	56.3%
Family and friends have helped me save.	36.5%	35.1%	17.6%	10.8%

Remarks of Lance Rutledge
Kansas House Taxation Committee
February 9, 2005

Good Morning Chairperson Wilk and distinguished members of the House Taxation Committee,

My name is Lance Rutledge. I am the Executive Director of the nonprofit Emporia Community Housing Organization (ECHO) from Lyon County Kansas. I am here today to speak in support of HB 2222.

ECHO's mission is "to revitalize the older areas of Emporia while assisting low and moderate income residents in meeting their housing needs." Toward that end, we enhance Emporia's aging housing stock by acquiring, rehabbing and reselling houses, and will soon build new rental units – all for lower income families. Many of these families are first time homebuyers. Therefore, we include training to create a better educated housing consumer. Our involvement in the Family Conservancy's Individual Development Accounts has been very useful to our participants – not only in assisting them with developing the necessary assets to gain home ownership or enter higher education, but also to assist them in understanding the intricate ins and outs of asset development. Educated consumers are less likely to default on student loans or have their homes go into foreclosure. A 2001 Freddie Mac study found that borrowers who receive pre-purchase homeownership counseling have on average, 19% lower 90-day delinquency rates.

I believe that you will find that the "costs" to our communities for operating IDA programs are less than "costs" of making unwise financial decisions.

Emporia's IDA program is privately funded through the Family Conservancy from a grant given by the Kauffmann Foundation. We have ten seats for participants that receive a match of 2 dollars for every one that they save, up to a total amount \$2,400 (\$800 saved by the participant). Out of ten savers so far 4 participants have saved the maximum and used their funds to make purchases – 2 for homes and 2 in education. Only one saver dropped out of the program - after she lost her job. Five participants remain in the program, all of whom are saving for home ownership.

In total, our participants have saved at least \$4600 of their own money, received \$9200 in matching funds for 13,800 total dollars.

Emporia is a growing community. A large part of that growth is due to new workers moving in. Developing assets will help these workers acquire homes and develop a sense of community. Forty two percent of our housing stock is used as rental property. The presence of Emporia State University and incoming students is a welcome boon for our economy. At the same time this creates situations where rent is often higher than monthly mortgage payments. New workers with starting wages usually do not have the assets to qualify for home loans. IDA programs can help bridge this gap and stabilize our community

I appreciate the efforts of private foundations to work with our community; however, I feel that it is time for Kansas to put up the resources to help its lower income citizens save responsibly and to grow this program.

Thank you for your time, I will answer any questions that you may have.

Hs Taxation Committee
February 9, 2005
Attachment 8



South
Central
Community
Foundation

Denise Unruh
Executive Director
(620) 672-7929
Fax (620) 672-7669
105 W. 2nd
P.O. Box 8624
Pratt, Kansas 67124
sccf@sctelcom.net

February 9, 2005

House Taxation Committee
Regarding: House Bill 2222
Testimony on Individual Development Accounts
Presented by: Denise Unruh, LMSW

written only

To the Honorable Chairman Wilk and Committee Members:

Thank you for the opportunity to testify about Individual Development Accounts in support of House Bill 2222. You have already heard excellent testimony about the benefits of IDAs to low wealth families as they climb out of poverty.

I am the Executive Director of South Central Community Foundation that covers Barber, Comanche, Kiowa, Kingman, Pratt, Rice and Stafford counties with our office based in Pratt. We manage \$6.1 million dollars in charitable assets and give away more than \$200,000 each year in grants and scholarships. Our mission is to "Assure a Bright Future for South Central Kansas" we believe economically secure families are a big part of that bright future.

Family Asset Building through Individual Development Accounts is of interest to the community foundation, because human and financial resources are dwindling in the rural area as many families are migrating to the cities to find better economic opportunities. To retain resources in south central Kansas, we must find ways to help families build their asset base right here at home.

Family Asset Building through Individual Development Accounts (IDA) is exactly the vehicle we need to lend a hand to families climbing out of poverty. You might think this concept is unprecedented in our governmental history. Asset building, however, was the foundational concept for the Homestead Act, GI Bill and Individual Retirement Accounts. These programs lent government support to families who were willing to use their work equity and resources to develop land, purchase a home, complete their education or save for retirement.

I have personally benefited from the Homestead Act by a grandfather who ran the Cherokee Strip into Oklahoma where he acquired and developed land that supported two generations of my family. Proceeds from the sale of that land have been passed down to two subsequent generations. The asset building approach to the Homestead Act has produced financial stability for four generations of my family

After learning about IDAs through my Masters Degree at the University of Kansas, I was committed to finding a way to bring IDAs to south central Kansas. Fortunately, a grant from The Coalition of Community Foundation's for Youth has facilitated a partnership between South Central Community Foundation, Mid-Kansas Community Action Program and the Citizens Bank of Kansas in Kingman for the purpose of bring IDA education to Kingman County. Leaders in the areas of economic

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development, post-secondary education, local government, childhood education, business, real estate, micro enterprise and low-income families have attended two educational sessions.

These discussions encouraged Dale Tower, Executive Director of Mid-Kansas Community Action Program to approach the Kansas Association of Community Action Programs with a request to focus statewide attention on IDAs. It has resulted in a partnership with MOKANSave and KACAP to bring IDA information to the state of Kansas.

As the people of Kansas learn about Individual Development Accounts, there will be grass roots support for the concept. There will be donors who will want to invest in the people of Kansas who are climbing out of poverty. There will be foundations that will join with the state of Kansas to stabilize financially fragile families.

Thank you for your consideration of House Bill 2222.

Denise Unruh, LMSW
South Central Community Foundation
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Pratt, KS 67124
620-672-7929
620-672-7669 Fax
sccf@sctelcom.net



UNITED COMMUNITY SERVICES OF JOHNSON COUNTY

Drug & Alcoholism Council of Johnson County • Johnson County Children's Coordinating Council

Mission: *To identify human service needs in Johnson County, Kansas and marshal public and private resources to meet those needs.*

*presented
by
Cade Smith*

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- Rabbi Mark Levin
- Dr. Robert Meneilly
- Jan Meyers
- Paul J. Morrison
- Mark Parkinson
- Stephen F. Rose
- Carol Sader
- Charlie Sunderland
- Hon. Annabeth Surbaugh
- Dr. Elaine Tatham
- Robert Vancrum
- Dr. Ron Wimmer

EXECUTIVE DIRECTOR

- Karen Wulfskuhle

Written Testimony – House Taxation Committee *February 9, 2004*

Thank you for this opportunity to provide written testimony on behalf of United Community Services of Johnson County (UCS), a nonprofit human service research organization and planning partner of United Way in Johnson County. Throughout its 37-year history, UCS has been committed to advancing public policy strategies that bolster the economic self-reliance of low-income Kansans.

Proponent of HB 2222: UCS supports HB2222 which proposes to establish a Kansas Individual Development Accounts (IDAs) program.

UCS works with a collaboration of organizations and concerned individuals that address poverty and homelessness in Johnson County. One of the lessons learned from these organizations on the frontlines of helping households without assets is that poverty gives rise to despair. IDAs can raise one of life's priceless possessions – hope for the future. In order to escape poverty, families must be able to do more than survive from month to month. Assets give people a renewed sense that a plan and responsible decisions can result in a brighter future.

IDAs use matched savings accounts to help lower income families save for appreciable assets, such as home ownership, post secondary education or small business development. Funds from the accounts are paid directly to third parties for such things as down payments and closing costs for homes or tuition and books for postsecondary training.

A key component of IDAs success is financial education. Participants agree to attend financial education classes, and learn the skills to make better decisions about managing their money. As a result, IDAs are a tool to help participants form long-term savings habits and gain the skills necessary to participate in the financial mainstream.

In closing, IDAs help participants make long-term investments in their financial security and in the future of their children. When families have assets such as homes, college educations, and/or small businesses, children are more likely to succeed in school and less likely to become involved in the criminal justice system. Financial assets built through IDAs can also, for example, help survivors of domestic violence break away from abusive situations.

Thank you for your consideration of this strategy that builds long-term self-sufficiency and, as a result, reduces dependence upon the emergency economic assistance safety net.

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House Taxation Committee
February 9, 2005
Attachment 10



United Way's Planning Partner
in Johnson County

Missouri Office

C/O MASW
606 East Capitol Avenue
Jefferson City, MO 65101
Telephone: (314) 935-6158
Fax: (314) 935-8661

**Kansas Office**

C/O KACAP
621 SW Swygart Avenue
Topeka, KS 66607
Telephone: (785) 234-0878
Fax: (785) 234-1652

February 9, 2005

House Taxation Committee
Regarding: House Bill 2222
Written Testimony on Individual Development Accounts

To the Honorable Chairperson Wilk and Committee Members:

MOKANSave is a bi-state coalition of Kansas and Missouri organizations that supports Individual Development Accounts (IDAs) for low-income working families. We would like to express our appreciation to the House Taxation Committee for considering legislation that would promote a funding source for IDA programs in Kansas. Additionally, we would like to personally express our gratitude to Representatives Sydney Carlin and Ed O'Malley for their continued efforts towards this goal. Their commitment to the constituents and communities they serve, as well as to Kansas as a whole, should be applauded.

Currently in Kansas, there are only three Individual Development Programs that are available to low-income working families. A large majority of Kansans does not have access to this innovative, anti-poverty, economic development program. MOKANSave supports efforts to change this. Through the creation of a state program, Kansans would have the opportunity to participate in a program that has been empirically proven to produce successful results, as people in Emporia, Kansas City, Wichita and other states in the US have experienced. We would like to highlight a few of these key successes. Individual Development Accounts have:

- Promoted the economic stability of families, resulting in a decreased need for public assistance by participants;
- Increased a family's financial knowledge, resulting in better economic decisions and choices;
- Increased a family's involvement and engagement in the community, resulting in better upkeep of neighborhoods and increased participation in community activities such as Parent Teacher Organizations;
- Increased the economic future and education obtainment of a family's offspring; and
- Increased human and financial capital in the community.

Additionally, we would like to comment that IDAs are consistent with traditional "Kansas" values such as hard work, personal responsibility and ownership, while recognizing, that despite valiant efforts, many families are still struggling to obtain the "American Dream" and financial independence. Individual Development Accounts provide a "hand-up" while encouraging families to be responsible for their destinies.

MOKANSave would like to again thank the House Taxation Committee Members for considering making IDAs more available to Kansans. While we realize that there are issues with Kansas' budget, we feel confident that you will support former US Representative John Kasich (R-OH)'s comment that "Just as it is necessary to cut spending to balance the budget, so it is crucial that we make prudent investments in America's economic future. IDAs are such an investment."

Sincerely,

Tiffany M. Jarvis
MOKANSave Kansas Coordinator

House Taxation Committee
February 9, 2005
Attachment 11



El Centro, Inc.

The Center for Continuous Family Improvement

**Administration and
Computer Learning Center**
650 Minnesota Avenue
Kansas City, KS 66101
913-677-0100
www.ElCentroInc.com

February 9, 2005

Chairman Kenny Wilk and Honorable Members of the House Taxation
Committee,

The Academy for Children
1330 S. 30th Street
Kansas City, KS 66106
913-677-1115
913-677-7090 fax

El Centro, Inc. would like to share our enthusiastic support for Individual Development Accounts (IDAs). IDAs are long-term investments that return significant gains, not just for the individuals and families whose lives are changed and horizons broadened, but for our entire state. As you examine the priorities to fund this year, we believe that IDAs deserve serious consideration.

**Academy for Children,
Choo Choo Child Care**
219 S. Mill Street
Kansas City, KS 66101
913-371-1744
913-371-1866 fax

We have first-hand experience with how IDAs can move families from economic marginalization to confident, secure asset holders. We have had wonderful opportunities to observe other Kansas communities' successes with IDA programs and other asset-building strategies for low-income families, and the results have been phenomenal. We are further excited by continued interest in asset-based anti-poverty strategies at the federal level and believe that, with passage of HB2222, Kansas will position ourselves to fully utilize those federal resources. Furthermore, we will complement our existing economic development strategies with a well-tested initiative that builds on personal responsibility, promotes an ownership society, and helps families to move permanently out of economic insecurity. Importantly, HB2222 provides the mechanism for communities in all parts of the state, urban and rural, east and west, to more adequately meet the demand for asset-building tools. Kansas should pride itself on its supply of affordable housing, its strong state colleges and universities, and its entrepreneurial spirit. Individual Development Accounts help lower-income families take advantage of these tools and fully enter the economic mainstream and, in the process, they strengthen our entire state.

**Academy for Children,
Donnelly College**
608 North 18th Street
Kansas City, KS 66102
913-281-1700

Casa de Rosina Apartments
851 Barnett
Kansas City, KS 66101

ECI Development, Inc.
2100 Metropolitan Ave.
Kansas City, KS 66106
913-677-1120
913-677-0051 fax

El Centro, Inc. Argentine
1333 S. 27th Street.
Kansas City, KS 66106
913-677-0177
913-362-8520 fax

**El Centro, Inc. Family Center,
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Overland Park, KS 66212
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913-381-2914 fax

Macías-Flores Family Center
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913-281-1186
913-281-1259 fax

Woodland Hills, Inc.
1012 Forest Court
Kansas City, KS 66103
913-362-8155
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El Centro, Inc. has been involved with Individual Development Account programming and policy since 2001 and has engaged in many discussions about best practices in both areas. We are very pleased with the provisions of HB2222 and believe that it provides a very good start for Kansas' asset-building efforts. Building on our knowledge of the 34 other states that have legislated Individual Development Account-type programs and the 8 that have developed such initiatives through administrative rule, we wish to highlight some of the key strengths of HB2222. It recognizes that nonprofit organizations are best equipped to administer these accounts, perform outreach and financial education components, and support participants' asset purchases. It includes a tax credit financing component that involves individuals and corporations as investors in the IDA strategy, as do nine other states. It builds an appropriate role for financial institutions as the fiscal agents holding the accounts. It includes the major asset purchases: homeownership, microenterprise, and higher education, that the federal legislation stresses, and also includes major home repairs, a crucial issue in many rural communities and a key component of many states' policies. It houses the IDA program within the Department of Commerce,



House Taxation Committee

Mission Statement: The purpose of El Centro and its subsidiaries is to create and sustain ea February 9, 2005

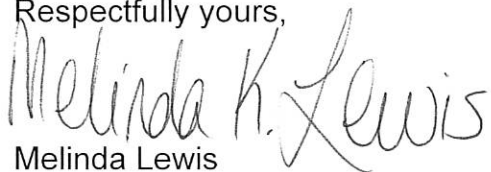
Attachment 12

correctly recognizing its compatibility with other economic development measures, particularly those funded through tax credits.

Individual Development Accounts are important tools for promoting homeownership, entrepreneurship, and pursuit of higher education in the state. For many low-income individuals and their families, a combination of financial, social, and structural factors have made these dreams too distant to seem attainable. In these cases, the infusion of additional financial incentives, in the form of a 1:1, 2:1, or 3:1 match, combined with financial education and supportive case management, can make all the difference. Taken collectively, these individual victories result in communities filled with first-time homeowners instead of renters, small businesses instead of abandoned buildings, and educated workers instead of frustrated mismatches between employer need and employee skill. For these reasons and many more, leaders such as Alan Greenspan, President Bush, former President Clinton, several Governors, many members of Congress, and representatives from such industries as residential construction, real estate, and mortgage lending call IDAs an important component of a comprehensive, equitable, and sustainable community and economic development strategy. In Kansas, the public resources that we invest in job training, housing production, and higher education can be further leveraged through mechanisms such as IDAs, where participants are required to contribute their own funds as well. They are by nature public-private partnerships, and, in a troubled economy, they make sense as an economic stimulus for struggling communities, and in a booming one, to include lower-income families in the wealth building.

Thank you for this opportunity to discuss Individual Development Accounts in Kansas and the ways in which they can positively impact all counties, families, and economies in our state. Those of us who have worked with and advocated on behalf of asset-building strategies such as Individual Development Accounts are encouraged to see such momentum building across Kansas. We look forward to continued progress towards equitable, sustainable, comprehensive asset-building policy in the state.

Respectfully yours,



Melinda Lewis
Director of Policy Advocacy and Research
El Centro, Inc.

El Centro, Inc.

The Center for Continuous Family Improvement

Selected Testimonies from IDA Participants—all now successful asset owners

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Brenda Macias – Kansas City, KS

“I found that the financial classes at El Centro Inc (that were part of my IDA program), gave me a great amount of insight into the power of managing ones money with basic money handling skills. The classes gave me the motivation to strategically spend and save my money to see its full potential. The classes answered many of the questions I had before taking the classes and the instructors were very helpful and knowledgeable. I often came out of the classes feeling empowered by the new knowledge I possessed and ready to put it to good use. The program made a difference in my savings habits.”

Mireira Avilez – Kansas City, KS

“We could not believe that we were really able to buy a house. We were so happy to be able to make our dream come true, to own our own house. We realized the American Dream to have a house; that is all that one can want, to have your own home. Our lives are very different now. Our apartment was very closed, without a yard. Now we have a patio, we have animals, we can have people over if we want. We live in freedom. Our children are so happy in the yard, and to have their own rooms! We could not have done this without the help of the IDA program. We tell everyone about it, but there are still a lot of people who don't believe that it's true—they think that I'm not telling the truth—that anyone really offers assistance like this. I tell everyone who wants to buy a house about the IDA program, because it helps us to make our dreams a reality.”

Jose Mercado –Kansas City, KS

“When I first found out about the IDA program, I thought that I would never be able to fulfill all of the requirements, like the savings goals, the financial classes, and the home inspection for the house I would buy. But when I talked with the staff about my situation, I felt supported in all ways. When I started the financial classes, the volunteers showed me how to save in ways that I never would have imagined. When it came time to buy my house, I was helped and taught through the whole process, until the contract was closed with the owner and with the bank. Thank you so much and may God bless you all.”