Approved: March 22, 2005
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Vice-Chairman Les Donovan at 11:00 A.M. on March 15, 2005 in Room 519-S of the Capitol.

All members were present except:
Barbara Allen- excused

Committee staff present:
Chris Courtwright, Kansas Legislative Research
Gordon Self, Revisor of Statutes Office
Nancy Kirkwood, Secretary

Conferees appearing before the committee:

Senator Brungardt
Jim Gregory, Salina Vortex Corp
Representative O'Malley
Julie Riddle, Family Conservancy, Director, Individual Development Account Program (IDA)
Geri Hughes, IDA Participant
Sister Therese Bangert, Kansas Catholic Conference
Karen Sommers, VP of Marketing, Emporia State Bank & Trust
Deborah Adams, University of Kansas School of Social Welfare
Denise Unruh, Exec. Director, South Central Community Foundation

Written testimony:
Marlee Carpenter, Kansas Chamber of Commerce
Gerald Cook, President, Salina Chamber of Commerce and the Salina Economic Development Corporation
Timothy Rogers, Exec. Director, Salina Airport Authority
Melissa Lewis, El Centro
Tiffany Jarvis, MO KAN
Representative Sydney Carlin

Others attending:
See attached list.

Hearing on:

HB 2102 - Sales tax exemption for construction of facility conveyed to business qualifying for sales tax exemption.

In the absence of Chairperson Allen, Vice-Chairman Donovan directed the Committee's attention to opening the hearing on **HB 2102**.

Senator Brungardt addressed the Committee supporting **HB 2102**. Senator Brungardt asked for the Committee's support to help the Salina Airport Authority develop a new plant for a Salina manufacturer (Attachment 1).

Jim Gregory, appeared before the Committee as a proponent. Mr. Gregory presented testimony on behalf of the Salina Vortex Corporation, the Salina airport Authority, and the Salina Area Chamber of Commerce. Mr. Gregory stated **HB 2102** is necessary because current Kansas law prohibits a company from owning a facility constructed by an economic development corporation, vs. leasing it from such as organization, in order to obtain the benefit of a sales tax exemption on new construction (Attachment 2).

Written testimony in support of **HB 2102** was submitted by the following:

Marlee Carpenter, Vice President of Government Affairs, the Kansas Chamber of Commerce (Attachment 3).

MINUTES OF THE Senate Assessment and Taxation Committee at 11:00 A.M. on March 15, 2005 in Room 519-S of the Capitol.

Gerald Cook, President of the Salina Area Chamber of Commerce and the Salina Economic Development Corporation (Attachment 4).

Timothy Rogers, Executive Director, Salina Airport Authority (Attachment 5).

There being no others wishing to testify on **HB 2102**, Vice-Chairman Donovan closed the hearing.

HB 2222 - Establishing the individual development account program

Vice Chairman Donovan opened the hearing on **HB 2222**, recognizing Julie Riddle, Individual Development Account (IDA) Program Manager, the Family Conservancy. Ms. Riddle appearing as a proponent to **HB 2222**, stated IDAs represent an opportunity to bring more families into the economic mainstream, create economic stability for families and communities and provide much needed financial education to people who may not have had access to resources and information crucial to success in our economy (Attachment 6).

Representative Ed O'Malley testified in support of **HB 2222** expressing there are three components necessary for an IDA program:
1) a local non-profit organization to administer the program
2) a local financial institution to house the IDA accounts
3) an account holder (Attachment 7).

Geri Hughes, an IDA Participant testified in support of **HB 2222** and spoke to the Committee about her personal experience since joining the program in 1997. Attached to her testimony were other IDA Participants' stories (Attachment 8).

Presenting in support of **HB 2222**, Sister Therese Bangert, Kansas Catholic Conference, stated the Kansas Catholic Conference stands with those who speak for this policy (Attachment 9).

Karen Sommers, Vice-President of Marketing for Emporia State Bank & Trust Company, spoke in support of **HB 2222**. Ms. Sommers stated Emporia State Bank & Trust Company was chosen in 2002 to participate as the financial partner with the Emporia Community Housing Organization along with Heart of America Family Services in Kansas City and the Kauffman Foundation. Emporia was chosen by the Kauffman Foundation to be the first community outside of the greater Kansas City area to benefit from their gift of building assets for low-income Americans (Attachment 10).

Dr. Deborah Adams, Associate Professor, University of Kansas School of Social Welfare, testified as a proponent to **HB 2222**. Dr. Adams' testimony, Research Summary: *Findings from Studies of Individual Development Account Programs* (Attachment 11).

Testimony in support of **HB 2222**, was given by Denise Unruh, south Central Community Foundation. Ms Unruh stated Family Asset Building through IDAs 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 (Attachment 12).

Written testimony was submitted by Representative Sydney Carlin in support of **HB 2222** (Attachment 13).

There being no others wishing to testify on **HB 2222**, Vice Chairman Donovan closed the hearing.

Vice Chairman Donovan informed the Committee, it would be taking action on **SB 257** tomorrow and possible action on other bills in the Committee.

Vice Chairman Donovan asked for a motion to approve the minutes of March 2, 8, and 9. Senator Jordan made a motion to approve the minutes. Senator Apple seconded the motion. The motion carried.

The meeting adjourned at 12:00 p.m. The next meeting is scheduled for tomorrow at 11:00 a.m.

SENATE
ASSESSMENT & TAXATION COMMITTEE

GUEST LIST

DATE: Tues Mar 15

NAME	REPRESENTING
Julie Riddle	The Family Conservancy
Karen Jautz	South Central Community Foundation
Denise Unruh	South Central Community Foundation
Kinga Hamerski	Intern of The Family Conservancy
Melinda Lewis	El Centro, Inc.
GERI HUGHES	The Family Conservancy
Jane Weiler	SRS
DAWN PAYNE	MOKAN SAVE
Tiffany JARVIS	Kansas Assc of Comm Action Progs / MoKAN Save
Auffer Shoverdi	MCH of KS.
Angela Sellami	University of KS
Deborah Adams	Univ of KS School of Social Welfare
David O Bissemeyer	Salina Area Chamber of Commerce
Shelli Swanson	Salina Airport Authority
[illegible]	Ks Turnpike Authority
Bill Brady	KGC

STATE OF KANSAS

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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIR: FEDERAL AND STATE AFFAIRS
VICE CHAIR: HEALTH CARE STRATEGIES
MEMBER: FINANCIAL INSTITUTIONS AND INSURANCE
PUBLIC HEALTH AND WELFARE
ORGANIZATION, CALENDAR AND RULES

INTERIM COMMITTEES:
CORRECTIONS AND JUVENILE JUSTICE OVERSIGHT
STATE-TRIBAL RELATIONS

Testimony Given: March 15, 2005
Senate Assessment and Taxation Committee

HB 2102 provides for a sales tax exemption on new buildings erected by an economic development corporation. Currently, this transaction would be exempt if the manufacturer leased the building.

Normally, companies do not want to own the factory. In this initiative, Salina Vortex wishes to own the premises. They hope this continues the company in Salina. We think there is no change in legislative intent in tax policy.

I ask your support to help the Salina Airport Authority develop a new plant for a good Salina manufacturer.

Assessment & Taxation
Date 03-15-05
Attachment # 1

JAMES GREGORY CONSULTANCY

Kansas Senate Assessment & Taxation Committee
March 15, 2005
HB 2102

Madam Chair and Members of the Committee:

My name is Jim Gregory of James Gregory Consultancy. I appear today before you representing Salina Vortex Corporation, the Salina Airport Authority, and the Salina Area Chamber of Commerce. These entities all request your support for HB 2102.

This amendment to Kansas statutes will enable the Salina Economic Development Corporation to build and transfer ownership for Salina Vortex's new corporate headquarters and manufacturing campus to the company. HB 2102 will permit utilization of an already in-place sales tax exemption for new construction, not permissible under current statutes. The bill is limited to Saline County, is effective upon publication in the Kansas register, and sunsets in 2007.

HB 2102 is necessary because current Kansas law prohibits a company from owning a facility constructed by an economic development corporation, vs. leasing it from such an organization, in order to obtain the benefit of a sales tax exemption on new construction.

$3.5-$4 Million Investment for a Premier Exporter
Salina Vortex Corporation's proposed new worldwide corporate headquarters and manufacturing complex will be 105,000 square feet of new construction on a 17-acre parcel of land purchased from the Salina Airport Industrial Center. Total investment by the company in its Kansas headquarters/manufacturing campus will be $3.5-$4 million with 85 employees. Salina Vortex's investment decision is contingent upon obtaining the amendment.

Salina Vortex is an industry-leading manufacturer of slide gates and valves for handling dry bulk material for all dry bulk industries. Fully 90% of the company's annual revenue of more than $10 million comes from outside Kansas, including 15% from international export sales. It directly competes for sales with manufacturing companies in North America and Europe.

Promoting Economic Development Ownership
Under existing statutes, if Salina Vortex leased the building from a third party rather than owning it, it would be entitled to better tax treatment for its substantial investment in the Kansas economy. The law should to be amended to promote more permanent corporate ownership in new and expanded headquarters and manufacturing facilities.

Thank you. I will be happy to answer any questions.

Assessment & Taxation
Date 03-15-05
Attachment # 2

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Legislative Testimony

HB 2102

March 15, 2005

Testimony before the Kansas Senate Assessment & Taxation Committee
By Marlee Carpenter, Vice President of Government Affairs

The Kansas Chamber of Commerce supports HB 2102. This legislation gives the Salina Economic Development Corporation the ability to transfer title for a proposed new corporate headquarters and new manufacturing plant to Salina Vortex Corporation. Salina Vortex is a homegrown and owned industry and HB 2102 will permit the company to benefit from the usual sales tax exemption on new construction.

Current law prescribes that the sales tax exemption is only available to a company that leases the property from an economic development corporation. The Kansas Chamber supports this change, which is applicable to Salina and will sunset in 2007, as a way to encourage permanent Kansas corporate ownership of a new corporate headquarters and plant.

The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.

Assessment & Taxation
Date 03-15-05
Attachment # 3

Salina Area Chamber of Commerce
Salina Economic Development Corporation

Testimony to:
Kansas Senate
Assessment and Taxation Committee
March 15, 2005

Madam Chairman and Distinguished Committee Members,

My name is Gerald Cook. I am the President of the Salina Area Chamber of Commerce and the Salina Economic Development Corporation. I am pleased to present testimony on behalf of these organizations urging your favorable consideration of HB 2102.

This legislation will permit the transfer of ownership of a new manufacturing facility and corporate headquarters from the Salina Economic Development Corporation to Salina Vortex Corporation, while preserving the sales tax exemption on new plant construction already available.

HB 2102 amends K.S.A. 74-50,115(d) by waiving the five-year lease rule, which prescribes that a company must lease a facility for a minimum of five years in order to receive the benefit of sales tax exemption on the costs associated with the construction of a new facility. Immediate transfer of ownership to the company on completion of construction allows the company to utilize the federal 1031 exchange and accomplishes the community and state goal of company ownership of production facilities. A 1031 exchange also enables the company to invest more in capital equipment than would otherwise be possible. The promotion of permanent corporate ownership in new manufacturing facilities and headquarters is a continuing goal of the Salina community and a positive direction for the State.

As written, this bill is applicable only to Salina and will sunset in two years.

Salina Vortex Corporation is a Salina owned and grown company that produces precision gate valves used in dry material handling. The company has grown from local, to regional, to national, and to international in market penetration. The international market place is growing larger as monetary exchange rates become more advantageous for U.S. and Kansas companies. This new 105,000 square feet, $3.5-$4.0 million, manufacturing facility and corporate headquarters, to be located in the Salina Airport Industrial Center, will provide the company with state of the art facilities and new manufacturing processes in which to better compete in the world market. The new facility will provide the company with significant room for future expansion and helps solidify its future in Salina.

Thank you for the opportunity to present to you today and for your consideration of this important economic development legislation.

Assessment & Taxation
Date 03-15-05
Attachment # 4

Written Testimony Before the
Kansas Senate
Assessment and Taxation Committee

Submitted By:

Timothy F. Rogers, A.A.E.
Executive Director
Salina Airport Authority

Tuesday, March 15, 2005

HB 2102

The Salina Airport Authority supports HB 2102 and requests that the Senate Assessment and Taxation Committee vote in favor of the bill.

If approved by the Kansas Legislature, this bill will facilitate the further growth and expansion of a Kansas owned and based company that traces its roots back to the early pioneers who settled the great State of Kansas.

Salina Vortex Corporation is a worldwide leader in the manufacturing of slide gates and valves for handling bulk material for all dry and bulk industries. Your morning cup of coffee, and bowl of cereal was made possible by Salina Vortex products. Please read the attached Exhibit A for more details on how Salina Vortex and its employees worked hard to make your day a better one.

For over 25 years, Salina Vortex has been one of the Airport Authority's most stellar tenants. The Airport Authority and Vortex have worked together to grow & develop the corporation's current facility, which is located at the Salina

Airport Industrial Center. The current 60,000 + sq. ft. facility sits on 3.2 acres of land. Vortex has outgrown this facility and is not able to construct additional expansions on the 3.2 acre site. The fact of the matter is that the current facility has become functionally obsolete for Vortex's purposes.

In order to remain competitive in today's world economy, Salina Vortex must expand and modernize its manufacturing facility. Since expansion at its current site is not a possibility, the corporation has selected a 17 acre site located in the southern portion of the Salina Airport Industrial Center. It is upon this site with access to the newly constructed I-135 and Waterwell Road interchange that Vortex wants to invest for it's future growth. Salina Vortex wants to own its new state of the art manufacturing facility, which demonstrates the company's commitment to Salina and Kansas.

Kansas settlers pioneered the State's world renowned wheat industry. Those that followed set up flourmills that turned Kansas wheat into flour for shipment worldwide. Our state's milling industry gave rise to companies such as Salina Vortex that developed expertise in handling dry bulk materials such as flour. Salina Vortex is a Kansas legacy manufacturing firm that is an acknowledged leader in its manufacturing specialty. The corporation's future growth is good for Salina and the State.

The Salina Airport Authority supports HB 2102 since it is an important component to a process that will enable Salina Vortex to build and own a new corporate headquarters and manufacturing campus. Approval of the bill by the Kansas Legislature will lead to increased payroll and jobs that will benefit Salina and Kansas.

Thank you for your time and attention to this issue.

The Salina Airport Authority operates the Salina Municipal Airport and the Salina Airport Industrial Center where over 4,500 employees work for more than 70 businesses and organizations. Employers such as Tony's Pizza Service, Inc. Raytheon Aircraft Company's Salina Division, ElDorado National of Kansas, Inc., Love Box Company, Kansas State University-Salina College of Technology and Aviation, Kansas Army National Guard, Salina Vortex Corporation, Ovation Cabinetry, Inc., Power Ad Company and the Occupational Center of Central Kansas, Inc., contribute more than $120 million in annual payroll to the Salina economy. The Salina Airport and Airport Industrial Center are integral components to the region's economy and the state's economic development efforts.

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What Is
Salina VORTEX?

As explained by company president Lee Young

"Many people ask: 'What does Salina Vortex do?' The answer can create more questions than it answers. The following narrative will help you understand what we do and how we are a part of your daily life.

At Salina Vortex, "We don't make the products, we help make them better." We help our customers make their products more efficiently, with less cost, providing a cleaner environment and a safer work place. We manufacture slide gates, diverter valves and iris valves for controlling the flow of dry bulk materials ranging from valves as small as 5/8" in diameter to as large as 72" square.

We are unknown to you, but a part of your daily life. When you awoke this morning you probably slept on a mattress filled with fiber fluff processed by a company using our products. You jumped into the shower and turned on a faucet made by a manufacturer who required large damper valves made in Salina for dust control in their foundry. You reached for that bar of soap made by a company who used our gate valves to meter the flow of phosphates into their manufacturing process.

After that refreshing shower you then walked into the kitchen for that first cup of coffee specially blended with the use of our patented gate valves with dribble feed controls. You don't like your coffee black so you stirred a sweetener into your coffee, took a bite of your Danish and smelled the aroma coming from your hot oatmeal, all processed using our valves.

As you walked out the front door you noticed how nice your new floor tile looked, not knowing that someone in Salina played a part in its manufacture. It snowed last night and you noticed the side walk was slick; not thinking about the fact the cement came from a company who needed a gate valve to shut off the flow of potash used in its manufacture.

The cold morning air hit your face and it made you glad you took your antibiotic last night, not knowing that a special all stainless steel valve was needed in its manufacture.

You hurry out to your new car and admire its paint job and wonder how they can make it look so good and maybe wonder if the painting process was environmentally safe. It was made safe by a paint overspray collection system made possible by unique valves made in Salina.

As you get into your car you think those new tires should give you plenty of traction on the wet streets this morning...their manufacture made possible by special valves for handling carbon black.

Driving to work you think about your full day as you listen to your new compact disk, not knowing the aluminum disk and its polycarbonate coating were processed using diverter valves and gate valves from Salina, Kansas. As you drive to work you pull several photo copies of today's itinerary from your brief case, reading as you drive but not knowing how the copy toner was manufactured using a Salina produced product.

You pull up into your parking place at work, step out and breathe in the morning air, thinking it's great to live in Kansas with its fresh air and not noticing an Environmental Protection Agency aircraft passing overhead with a Salina Vortex diverter valve in its nose cone collecting air quality samples for testing.

As you can see, before you get to work people in Salina have worked hard to make your day a better one!"

* * * * * * *

Salina Vortex currently has 16 product lines encompassing over 700 standard sizes and configurations which can be modified over **500 million** different ways to meet customer's needs.

Salina Vortex currently provides job opportunities for 90 families living in the Salina area.

For further information contact:
Salina Vortex Corporation
3024 Arnold Avenue
Salina, Kansas 67401-8105
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the family conservancy℠

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March 15, 2005
Testimony for Julie Riddle
Senate Committee on Taxation

Vice Chairman Donovan and Honorable
Members of the Committee:

Thank you for committing your time to learn more about Individual Development Accounts (IDAs), as outlined in HB 2222. Individual Development Accounts represent an opportunity to bring more families into the economic mainstream, create economic stability for families and communities and provide much-needed financial education to people who may not have had access to resources and information crucial to success in our economy.

What are IDAs?

- Dedicated, matched savings accounts for low-to-moderate income families, designed to help build long-term assets
- Premise based on seminal work by Michael Sherraden, Washington University in St. Louis, Assets and the Poor
- IDAs are not a "grant" or a give-away
- Designed to create a parallel structure for low income families to accumulate wealth, similar to those available for middle and upper income families
- Matching funds are based on participants' own deposits

Savings only can be used for specific purposes

- Homeownership
- Post-secondary education
- Small business development
- Major home repairs

How do they work?

- Participants save monthly (Usually over a one to three year period)
- Savings are matched by funders in the community, with varying match rates.
- Typical funders include committed businesses, agencies, financial institutions, foundations, churches and state and local governments

IDAs have three main components:

- Matching funds
- Economic education or financial literacy
- 1:1 support or case management

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Attachment # 6

Matching funds:

- Participants have individual savings accounts in their own names
- Accounts are no-fee, interest bearing savings and may be custodial accounts, with the administering organization acting as custodian for the participant.
- The community-based organization administering the program monitors participant accounts and provides statements monthly, indicating participant deposits and match

Education

- General financial curriculum
- Asset specific curriculum
- Classes offer peer support as well as education

1:1 support (case management)

- Instrumental in establishing rapport and developing trust with participants
- Useful in budgeting and goal setting phase, as well as helping to problem solve when savings becomes difficult

The Family Asset Building (FAB) Program at The Family Conservancy

- Began in 1997 with the American Dream Demonstration with 75 accounts
- Expanded in 1999 to NE Kansas City, KS with an additional 250 accounts
- Expanded again in 2001 with 500 accounts in KCMO and KCKS
- Latest expansion includes 50 accounts in Johnson County, KS
- Current banking partner is US Bank
- Match rate is 2:1
- Accounts are custodial
- Community partnerships are utilized for recruitment, case management and economic education
- There are approximately 5000 IDA programs nationally, serving over 30,000 participants

Are IDAs effective?

- The Family Conservancy original 75-account program yielded personal savings of over $80,000 and total savings of nearly $180,000
- 10 homes; 9 small businesses; 24 retirement; 18 home repair; 14 post-secondary education
- Participants with lower incomes saved comparatively more than those with higher incomes
- To date IDA participants in the Family Asset Building Program have saved nearly $900,000

- 76 participants have purchased homes; 102 have used their accounts for post secondary education or training; 49 businesses have been started or expanded;
- In our original pilot, funded solely with private funds, 18 participants also used their IDAs to make major home repairs and 27 opened Individual Retirement Accounts

These purchases have resulted in over $5.5 million dollars in investment in the community, and this is only the beginning. By the time the participants in The Family Conservancy finish with their asset purchases, they will have saved over $2 million dollars with match and contributed nearly $20 million dollars to the community.

House Bill 2222 is an opportunity to spread this wealth throughout the state of Kansas.

As these numbers demonstrate, Individual Development Accounts are effective instruments in helping lower income families build assets. The speakers who will follow me will provide additional information pertinent to the discussion about IDAs and asset-building policy. Thank you for the opportunity to share this information. The Family Conservancy looks forward to providing continued technical assistance and information to policy makers on these issues.

Warmest regards,

Julie Riddle
IDA Program Manager
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Program Manager: Julie Riddle, MSW
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the family conservancy

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.

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

Testimony to the Senate Assessment and Taxation Committee

HB 2222 – Individual Development Account Program Act

Rep. Ed O'Malley
March 14, 2005

Mr. Vice-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.

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Assessment & Taxation
Date 03-15-05
Attachment # 7

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.

Testimony for Ms. Geri Hughes, Individual Development Account (IDA) Participant
Senate Tax Committee
March 15, 2005

My name is Geri Hughes and I am single parent who has been in the IDA program since 1997. I found out about the IDA program when reading a newspaper article that was circulated in the neighborhood I has just recently moved back to. I moved back in with my mother because I was having trouble making ends meet. I called the number and made an appointment to see the social worker. I did this in August of 1997, I attended the required classes that I was supposed to attend, but I did not start my savings account until February of 1998. It took me that long to realize that I could save for my and my children's future by way of payroll deduction.

With the first IDA program my goal was to buy a house for me and my children since I had just moved back with my mom. That changed when my daughter got accepted into college in Louisiana. I used the first IDA monies to pay for her freshmen year in college. I was truly amazed that I was able to save any money at all, and with the help of the program have enough to pay for a freshmen year of college.

The classes that were required and the success of being able to save a little on my own gave me the determination to continue to save and also to teach my children the fundamentals of saving. I encouraged my daughter to sign up for the program and she did. The program reiterated a lot of what I had already started teaching her. It also confirmed for her a lot of saving techniques that could be used when trying to save. Being a college student away from, home the information was really helpful to her. She saved and was able to pay for her own Junior year of college with the challenge I put before her.

I am in the second pilot of the IDA program and I had my plans again to purchase a home for me and my children. I was able to accomplish this goal in April 2004. I purchased a home that needed to be rehabbed and am in the process of doing so now. The home is almost finished and will be ready to move in a matter of months. The project took a lot longer than I expected it to take. However, with the knowledge I received form the classes, I know I can finish project in time for my next project. This is not just for finances and how to keep everything straight but also with the information I received on where to go if I need help in accomplishing something. I have money left in my IDA account and with that I plan to further my education so that I can open my business successfully.

Thank you,
Geri Hughes
IDA Participant, homeowner and future entrepreneur
Kansas City, MO

Assessment & Taxation
Date 03-15-05
Attachment # 8

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

Karen Yarbrough, Former IDA Participant.

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 succed.

Thank-you for this opportunity, I feel strongly about my future finances and have learned to use applications recieve 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

IDA Participants' stories and quotes

(Gathered from participants in The Family Conservancy's Family Asset Building Program)

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 you 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 is 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!!!

Kansas Catholic Conference

6301 ANTIOCH • MERRIAM, KANSAS 66202 • PHONE/FAX 913-722-6633 • WWW.KSCATHCONF.ORG

Testimony on HB2222
Senate Assessment and Taxation
March 15, 2005
Sister Therese Bangert
Kansas Catholic Conference
www.kscathconf.org

Previous testimony in support of HB2222 has given this committee the "nuts and bolts" and particulars of this legislation. The Kansas Catholic Conference stands with those who speak for this policy.

In November 2002, the United States Conference of Catholic Bishops released **"Making A Place at the Table"**. This document called the faithful of the Catholic Church to a recommitment to overcome poverty. It called Catholics to come together ***"with a common conviction that we can no longer tolerate the moral scandal of poverty in our land . . ."***

The document gave a direction to overcoming poverty:

"Our efforts to serve and stand with the poor recognize and build on the essential roles and responsibilities of four institutions . . .

1. ***what families and individuals can do***
2. ***what community and religious institutions can do***
3. ***what the private sector can do***
4. ***what the government can do***

HB2222 is a great example of the above institutions working together to help families.

We ask this committee's support of Individual Development Accounts through HB2222.

Thank you for receiving this testimony.

Assessment & Taxation
Date 03-15-05
Attachment # 9

AN EMPORIA TRADITION SINCE 1901

EMPORIA STATE BANK
AND TRUST COMPANY

March 15, 2005

To the Kansas Senate Tax Committee

Re: Individual Development Accounts at Emporia State Bank & Trust Company
We support House Bill 2222.

My name is Karen Sommers, I am Vice-President of Marketing for Emporia State Bank & Trust Company in Emporia, Kansas. I am the Community Reinvestment Act officer for our bank. Emporia State Bank or ESB is the only home-owned bank in Emporia. Our assets total over $100,000,000. There are currently 8 banks operating in Emporia. Our bank was chosen in 2002 to participate as the financial partner with the Emporia Community Housing Organization along with Heart of America Family Services in Kansas City and the Kauffman Foundation. Emporia was chosen by the Kauffman Foundation to be the first community outside of the greater Kansas City area to benefit from their gift of building assets for low-income Americans, which they call "Individual Development Accounts" or IDAs.

Emporia is located in Lyon County.... the total county population was 35,935 in the 2000 census and the total Emporia population was 26,760. The demographics of Emporia have changed dramatically over the last decade. Our school district, USD 253, during the 2004 school year had a total of 4939 students...49.3% white and 50.34% "New Americans." Job opportunities in the meatpacking and manufacturing industries have attracted non-English speaking workers in relatively large numbers. IBP-Tyson is one of the largest employers in Emporia. Approximately 75% of the employees at the Emporia facility are "New Americans."

In 2002 we acquired ten IDA accounts. As of this year 2005, we have six active accounts. Of the original ten accounts, four individuals have qualified for matching funds, and one individual will be purchasing a home after completing 3 more hours of Money Smart classes. Two individuals have purchased homes and two individuals have used the match for college education. This is a success rate of 50% during our 3 years.

MAIN BANK - 801 Merchant • **INDUSTRIAL PLAZA BANK** - 1111 Industrial Road
P.O. BOX 807 • EMPORIA, KANSAS 66801 • PHONE: 620-342-3454 • FAX: 620-342-5311
E-MAIL: esbtrust@esbtrust.com • **WEBSITE:** www.ESBTRUST.com

Assessment & Taxation
Date 03-15-05
Attachment # 10

Emporia State Bank & Trust Company is proud to be a partner with the Kauffman Foundation and The Family Conservancy (formerly Heart of America Family Services) and the Emporia Community Housing Organization in helping people to achieve their dreams.

Best Regards,

Karen W Sommers
VP/Marketing
Emporia State Bank & Trust Company
801 Merchant Street
Emporia, Kansas 66801
620-342-3454
www.esbtrust.com

Individual Development Accounts

Research Summary: Findings from Studies of Individual Development Account Programs

Deborah Adams, Ph.D.
Associate Professor

Testimony for the Kansas Senate Assessment and Taxation Committee

March 15, 2005

University of Kansas
School of Social Welfare
Edwards Campus
12600 Quivira Road; Room 210
Overland Park, KS 66213
debpa@ku.edu

(913) 897-8444

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.

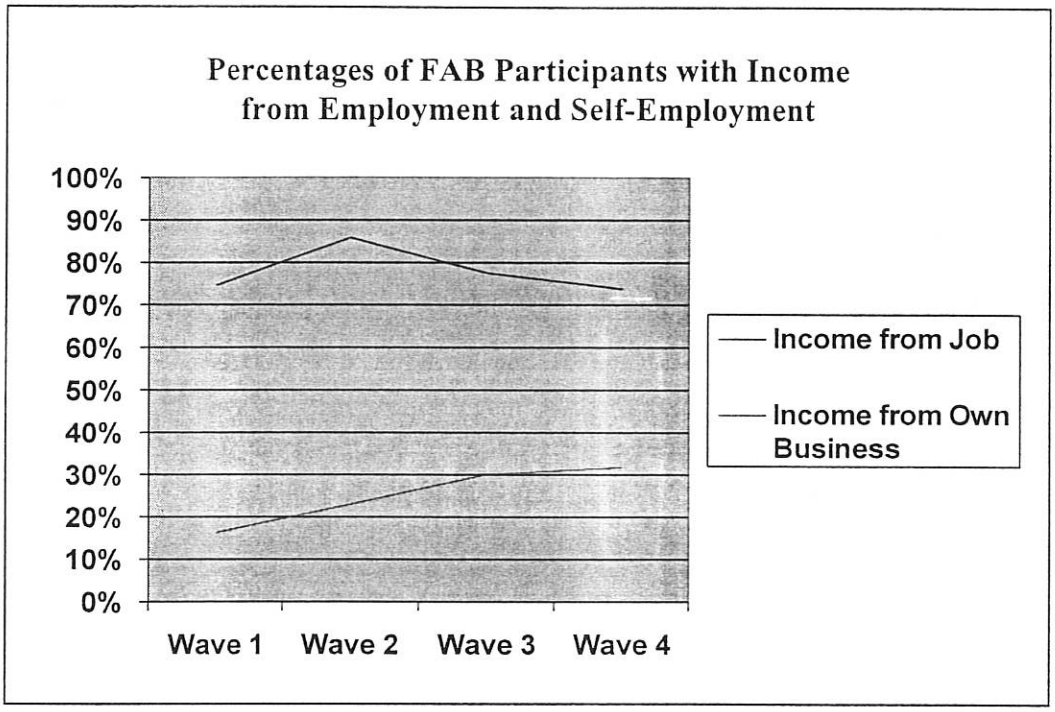
Beyond savings outcomes, we are studying other possible effects of asset building in the lives of lower-income IDA participants. Data on demographics, self-employment, homeownership, money management, and participant perceptions of the FAB program and its impacts are presented on the following pages. 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).

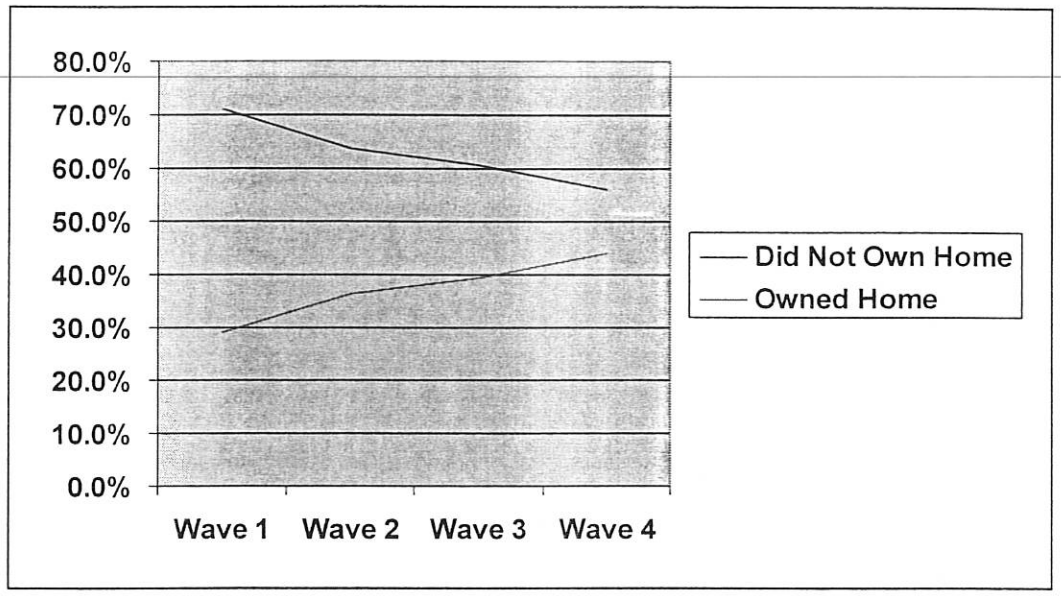
Demographic Characteristics of FAB Participants at Time of IDA Program Enrollment (n=86)

	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.



Homeownership Among FAB Participants



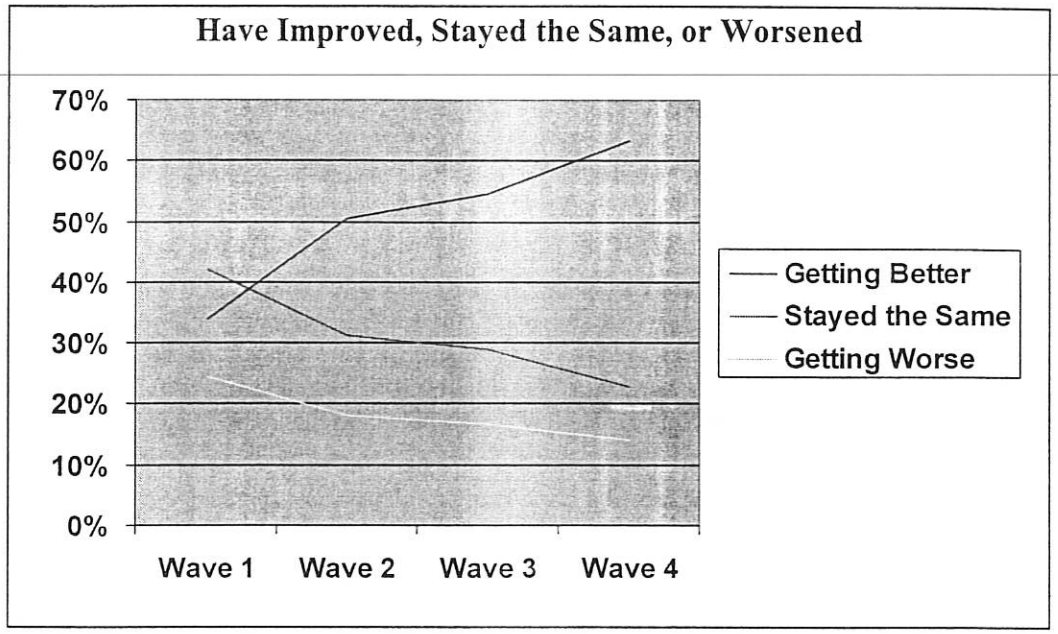
Participants with a Written Budget or Spending Plan				
	n	Never	Sometimes	Always
At FAB Enrollment	80	36%	33%	31%
During FAB Participation	86	22%	35%	43%

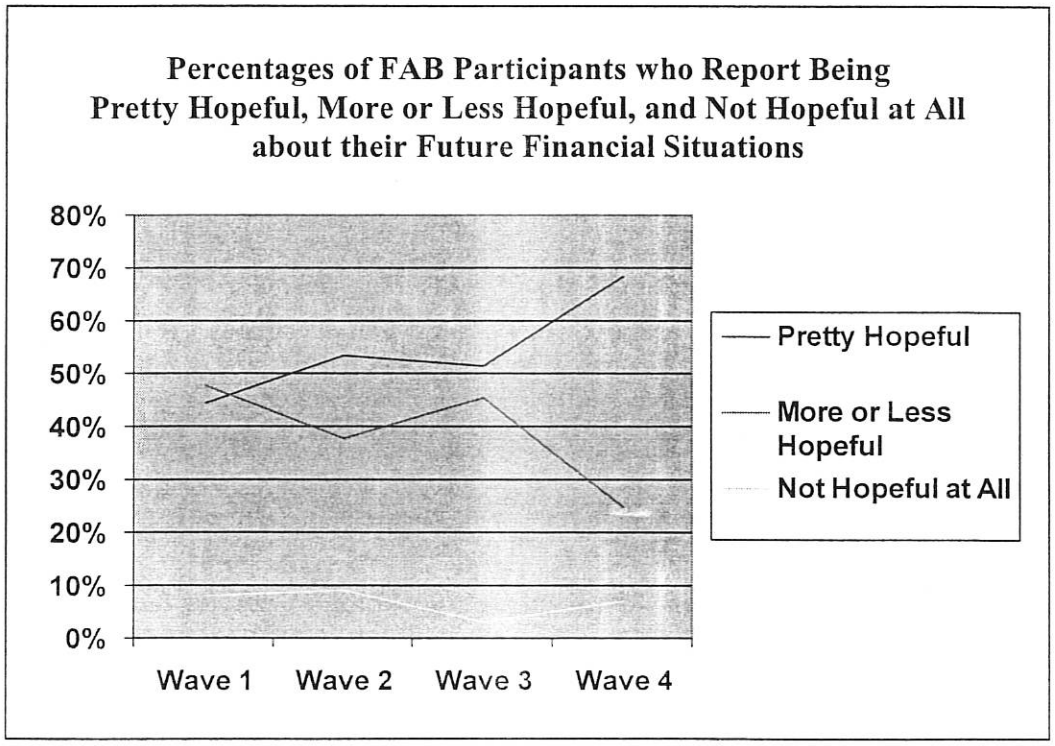
Participants who Compare Actual to Planned Spending				
	n	Never	Sometimes	Always
At FAB Enrollment	86	33.7%	37.2%	29.1%
During FAB Participation	86	22.1%	32.6%	45.3%

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 that their Financial Situations


Have Improved, Stayed the Same, or Worsened
70%
60%
50%
40%
30%
20%
10%
0%
Wave 1
Wave 2
Wave 3
Wave 4
Getting Better
Stayed the Same
Getting Worse


Percentages of FAB Participants who Report Being Pretty Hopeful, More or Less Hopeful, and Not Hopeful at All about their Future Financial Situations
80%
70%
60%
50%
40%
30%
20%
10%
0%
Wave 1
Wave 2
Wave 3
Wave 4
Pretty Hopeful
More or Less Hopeful
Not Hopeful at All

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%

South Central Community Foundation

Assuring a Bright Future for South Central Kansas

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March 15, 2005

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

To Chairman Allen and Honorable 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" and we believe economically secure families are essential to the bright future of south central Kansas.

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 of the Homestead Act has produced financial stability for four generations of my family

IDAs offer the same hope of financial stability to today's families and generations beyond. That is why I am 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 bringing IDA education to Kingman County. Leaders in the areas of

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economic 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.

Also, as a result of these educational meetings, we have formed the IDA Coalition of Kingman County that includes partners from Kansas Children's Service League, Kingman County Economic Development, Kingman Community Hospital, Citizens Bank of Kansas, Mid-Kansas Community Action program and the community foundation.

The Coalition has developed a survey to assess interest in the program and identify families that might qualify for an IDA. Also, we are collecting data on the housing needs in Kingman County. After we compile the information we will begin to seek grant dollars to fund a pilot project in Kingman County with the hopes of expanding it into other counties in south central Kansas.

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

Thank you for your consideration of House Bill 2222.

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HOUSE OF
REPRESENTATIVES

Committee Assignments:
Ranking Minority Member: Higher Education
Economic Development
Taxation

March 15, 2005

Honorable Chairwoman Barbara Allen and members of the Senate Taxation Committee:

Good morning. I am State Representative Sydney Carlin and I am here to urge your support of HB 2222. This bill passed the Senate in a similar form last year and passed the House Taxation Committee, but failed to appear on the House Floor. There have been revisions to the bill that make it a much better piece of legislation.

HB2222 would establish the Individual Development Account Program Act, to be administered by the Department of Commerce. The program would allow eligible families or individuals to open an individual development account to save money for specified expenditures, including educational costs, start-up costs for a small business, purchase of a primary residence, or repairs or improvements to a primary residence.

Statistics have shown that approximately 20% of Kansas families do not earn adequate income to cover for their basic needs. Thus, many families living above the poverty level find themselves living from paycheck to paycheck with no prospects of advancement. IDAs can provide that prospect.

There are two main incentives to the account holder. First, accumulated savings are not counted against Medicaid or TANF benefits. Secondly, account holder savings are matched by the trust fund established through corporate contributions at up to $3 to $1.

Eligible families or individuals would be those whose household income is less than 200% of the federal poverty level. (For a family of 4 it is $37,700). Financial institutions would create the accounts and corporations which contribute to the

program would be awarded state income tax credits. Maximum total corporate tax credits allowed in a fiscal year would be $500,000.

The maximum an individual can save in one year is $4,000. Moneys deposited in an individual development account by an account holder, will be exempt from income taxation unless withdrawn for an unapproved use.

No more than 20% of all funds in the reserve fund account may be used for administrative costs in the first and second years of the program, and no more than 15% of such funds may used for administrative costs in any subsequent year. Funds deposited by account holders shall not be used for administrative costs.

We know that saving is difficult for anyone. But with the help of the community service organizations and the educational factors built into this program, we believe that individuals can learn to save, make wise decisions regarding the use of their money and make progress through this asset building legislation. This legislation allows us to reach out to those in need and give them something to grab onto to pull themselves up from the depths of poverty

I urge your support of HB 2222.

Respectfully submitted

Sydney Carlin

Sydney Carlin
State Representative, 66th District, Kansas