



September 23, 2013

The Honorable Cecile Bledsoe, Chair
The Honorable Linda Chesterfield, Vice Chair
Public Health, Welfare and Labor Committee
Arkansas Legislative Council
315 State Capitol Building
Little Rock, AR 72201

Dear Senator Bledsoe and Senator Chesterfield:

Act 1217 of 1999, the Family Savings Initiative Act, required the Arkansas Department of Health and Human Services to provide an annual report on the status of the Individual Development Account (IDA) Program, which was administered by the Division of County Operations. Act 252 of 2007 transferred the Family Savings Initiative from the Arkansas Department of Health and Human Services to the Arkansas Department of Workforce Services (DWS). Attached for your review is a summary of the program for State Fiscal Year 2012.

At the close of the fiscal year 2013, 504 Arkansans participated in the IDA program with a net deposit of \$157,956.47. There were a total of 244 withdrawals from the program. Currently there are 55 counties in Arkansas providing the IDA program.

The impact of IDA program is far reaching, enabling families to establish savings goals for the purchase or repair of a home, save for education, or start a business. The end result is that families will be more stable and communities will be strengthened. DWS appreciates the support of the Arkansas Legislature in creating this program. If you have any questions about this report or the IDA program, please contact me at 501-683-1889.

Sincerely,


Artee Williams

cc: file / Individual Development Account

Enclosure



September 23, 2013

The Honorable John Burris, Chair
The Honorable Reginald Murdock, Vice Chair
Public Health, Welfare and Labor Committee
Arkansas Legislative Council
315 State Capitol Building
Little Rock, AR 72201

Dear Representative Burris and Representative Murdock:

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Sincerely,

A handwritten signature in black ink that reads "Artee Williams".

Artee Williams

cc: file / Individual Development Account

Enclosure

**FAMILY SAVINGS INITIATIVE
ANNUAL REPORT**

STATE FISCAL YEAR 2013
FOR THE PERIOD
JULY 1, 2012 – JUNE 30 2013

Arkansas Department of Workforce Services

September 2013



Temporary Assistance for Needy Families
Arkansas Department of Workforce Services

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History of the Arkansas IDA Program

Act 1217 of 1999, the Family Savings Initiative Act, authorized the Department of Health and Human Services to establish an Individual Development Account program for the State of Arkansas, and provide an annual report to the Legislature on the status of the program. A trust fund consisting of Transitional Employment Assistance (TEA) program funds was established by DHHS to support the IDA program.

Specifically, the Act specifies four distinct purposes for establishing the IDA program:

1. Provide low-income families with an opportunity to accumulate assets.
2. Facilitate good saving habits.
3. Promote home ownership, microenterprise development, education, saving for retirement, and automobile purchase.
4. Stabilize families and build communities.

Act 252 of 2007, an Act to Transfer the Family Savings Initiative, authorized the transfer of this Initiative from the Department of Health and Human Services to the Department of Workforce Services.

Who Is Eligible To Participate?

To be eligible for participation, a household's income cannot exceed 185% of the federal poverty level, and their net worth cannot exceed \$10,000, excluding one automobile and the family's primary residence.

For each \$1 contributed to the IDA savings account by the participant during the preceding calendar year, a match of \$3 will be made by the state, up to a maximum of \$2,000 per IDA account holder or \$4,000 per household per year.

IDA savings accounts can only be used to purchase the following assets (federal Temporary Assistance to Needy Families matching funds are only allowed to be used on items A through D):

- A. Purchase of residence for first time homebuyers.
- B. Major repairs on existing homes if paid directly to the company conducting the repair.
- C. Micro-enterprise development when handled through a business capitalization account through an insured financial institution.
- D. Post-secondary education expenses paid directly to the educational institution.

- E. Amounts paid directly to a retirement account or education IRA established pursuant to federal law in the name of the account holder or an immediate family member.
- F. For the purchase or repair of an automobile, as long as that is not the sole approved purpose.
- G. Qualified emergency withdrawals.

Money Management Training for Participants

IDA program participants are encouraged to attend Economic Literacy training sessions before matching deposits can be made by the state. The training sessions may include:

- Budgeting & Money Management
- Checking & Savings Accounts
- Insurance
- Credit
- Loans
- Goal Setting

How the Arkansas IDA Program Is Administered

The Family Savings Initiative Act provides DWS the authority to contract with one or more Arkansas-based fiduciary (banking) organizations to operate IDA programs. Requests from fiduciary organizations to provide IDAs are evaluated using the following criteria:

- Their ability to market the project to potential account holders.
- Ability to leverage additional matching and operating funds.
- Ability to provide safe and secure investments for individual accounts.
- Overall administrative capacity.
- Capacity to provide financial counseling and other related services to participants.
- Capacity to provide other activities designed to increase the independence of families through the purposes of the program, or to provide links to agencies with such a capacity.
- Proposed operating costs of the fiduciary organization to manage the IDA program.

The fiduciary organization is allowed to use no more than 30% of their compensation from the state for operating and administrative costs, with administrative costs accounting for no more than 10% of the total. In addition, no more than 70% of their compensation can be used for matching qualified bank deposits made by participants.

The fiduciary organization's responsibilities in operating the IDA program include:

- Marketing participation.
- Soliciting matching contributions.
- Counseling participants.
- Conducting basic economic and financial literacy training for participants.
- Conducting required verification.
- Conducting compliance activities.
- Coordinating arrangements between the participant and the financial institution to open the IDA.
- Providing the IDA savings account holders with regular statements of the accounts and matching funds at least once a year.

Non-State Contributions and Grievances

The fiduciary organizations are allowed to accept contributions from private sector businesses, individuals, and organizations to supplement DWS funds to operate the Arkansas IDA program. These private sector entities are allowed a credit against state income tax liability of fifty percent of the amount contributed, up to a maximum of \$25,000 for that calendar year. For State Fiscal Year 2013, none of the fiduciary organizations reported receiving any non-state contributions eligible for state income tax credits.

The fiduciary organizations are required to develop and implement a process for the handling of grievances. There were no grievances reported during State Fiscal Year 2013.

Program Highlights

- As of the reporting period fifty-five (55) counties provided IDA Program Service.
- There are 352 active participants in the IDA program. During this reporting period there were 504 participant IDAs in the program. During this reporting period 244 participants reached their savings goal and 91 participants were removed from the program due a program violation. .
- At the end of the fiscal year, IDA participants' total deposits were \$157,956.47. The total match contributions \$300,931.06 for the reporting period.

2013 IDA Fiduciary Organizations

Arkansas Department of Workforce Services contracted with eight organizations to provide IDA services in the following counties:

- **Argenta Community Development Corporation** – Pulaski
- **Central Arkansas Development Council** - Calhoun, Clark, Columbia, Dallas, Hot Spring, Lonoke, Montgomery, Ouachita, Pike, Pulaski, Saline, and Union Counties.
- **Crawford Sebastian Community Development Council** – Crawford and Sebastian Counties.
- **Community Action Program for Central Arkansas** – Cleburne, Faulkner, and White Counties.
- **East Arkansas Enterprise Community** – St. Francis, Lee, Monroe, Cross
- **Economic Opportunity Agency of Washington County** - Benton, Carroll, Madison, Boone, Newton, Searcy, Baxter and Washington Counties.
- **Southern Good Faith Fund** - Arkansas, Ashley, Bradley, Chicot, Clark, Cleveland, Crittenden, Cross, Dallas, Desha, Drew, Garland, Hot Spring, Howard, Jefferson, Lee, Lincoln, Mississippi, Monroe, Montgomery, Nevada, Ouachita, Phillips, Pike, Poinsett, Prairie, Pulaski, and St. Francis, Saline, Union Counties.
- **Universal Housing Development Corporation** – Conway, Franklin, Logan, Johnson, Perry, Pope, and Yell Counties.

IDA by County

	County	Number of Participants
1	Arkansas	0
2	Ashley	2
3	Baxter	0
4	Benton	12
5	Boone	6
6	Bradley	0
7	Calhoun	0
8	Carroll	10
9	Chicot	20
10	Clark	6
11	Clay	NSP
12	Cleburne	0
13	Cleveland	0
14	Columbia	7
15	Conway	5
16	Craighead	NSP
17	Crawford	7
18	Crittenden	0
19	Cross	9
20	Dallas	0
21	Desha	3
22	Drew	2
23	Faulkner	4
24	Franklin	6
25	Fulton	NSP
26	Garland	5
27	Grant	0
28	Greene	NSP
29	Hempstead	NSP
30	Hot Spring	4
31	Howard	0
32	Independence	NSP
33	Izard	NSP
34	Jackson	NSP
35	Jefferson	1
36	Johnson	10
37	Lafayette	NSP
38	Lawrence	NSP

	County	Number of Participants
29	Lee	4
40	Lincoln	0
41	Little River	NSP
42	Logan	16
43	Lonoke	0
44	Madison	2
45	Marion	NSP
46	Miller	NSP
47	Mississippi	0
48	Monroe	0
49	Montgomery	0
50	Nevada	1
51	Newton	1
52	Ouachita	1
53	Perry	0
54	Phillips	46
55	Pike	0
56	Poinsett	0
57	Polk	NSP
58	Pope	42
59	Prairie	0
60	Pulaski	44
61	Randolph	NSP
62	Saline	6
63	Scott	NSP
64	Searcy	6
65	Sebastian	9
66	Sevier	NSP
67	Sharp	NSP
68	St Francis	10
69	Stone	NSP
70	Union	2
71	Van Buren	NSP
72	Washington	43
73	White	0
74	Woodruff	0
75	Yell	0

TOTAL 352

NSP – No Service Provider

IDA Withdrawals by County and Type

County	Home Purchase	Home Repair	Education	Business	County Total
Benton		12	8	4	24
Boone		2			2
Carroll		2			2
Clark			3		3
Columbia		2			2
Conway	1	1			2
Crawford	4				4
Cross		3	2		5
Faulkner		1	1		2
Franklin			1		1
Garland					
Jefferson		1		1	2
Johnson	1	1			2
Logan					
Lonoke			2		2
Madison				4	4
Ouachita		1			1
Newton		1			1
Phillips	4	16	1		21
Pope		10		1	11
Pulaski		18			18
Saline	7	5	2		14
Searcy	2	4			6
Sebastian	5	6			11
St Francis		2			2
Union		2			2
Washington	20	29	31	20	100
Totals	44	119	51	30	244