

SAN MATEO COUNTY'S INDIVIDUAL DEVELOPMENT ACCOUNTS PROGRAM

Vince Odusanya*

EXECUTIVE SUMMARY

INTRODUCTION

In selecting a project for my BASSC Internship, I wanted to examine if the Contra Costa Employment and Human Services Department could develop an asset accumulation program for CalWORKs participants who are currently employed. I was mostly interested in a goal-oriented savings program that will result in economic self-sufficiency for the participants and hopefully prevent re-entry into the CalWORKs program in the future.

In 2000, San Mateo County Human Services Agency (HSA) implemented Individual Development Accounts (IDA) as an asset accumulation, goal-oriented, and economic self-sufficiency program for low-income families. An IDA is a matched savings account designed to help participants achieve their long-term financial goals.

FINDINGS

The IDA program consists of two basic components. The first is identification and support of families who would benefit from participation in the program. The second is financial education and skills development to support the savings plans of the families. Families participate in workshops on money management, financial goal-setting, and asset development concepts. They establish savings goals for education, business startup, home purchase/home improvements, or retirement. There is ongoing case management to monitor the partici-

part's savings patterns and encourage and support as needed. Participant's savings are matched \$2.00 for every \$1.00 saved up to a total amount of \$4,000.00. Participants could eventually accumulate \$6,000.00 during the required 3-year period for use towards their IDA goal.

THE PARTNERSHIP

- Center For Venture Philanthropy (CVP)
- Lenders for Community Development (LCD)
- Citibank
- San Mateo County Human Services Agency
- Catholic Charities of San Jose
- North Central College Institute of Samaritan House
- De Anza College
- Family Support Center of Mid Peninsula

CVP and LCD serve as managing partners. IDA match funds are raised by CVP through donations and investments set up by individuals in the community. San Mateo County provided \$100,000 in direct match funds. HSA's funding of the IDA program was allocated from TANF incentive funds.

ELIGIBILITY

To apply, a participant must

- be a resident of San Mateo County
- be at least 18 years old
- have net assets of less than \$10,000 (excluding car and primary residence)

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- have an earned income of no more than 80% of the County's median income
- have asset goals compatible with the IDA program

OUTCOMES

- 233 enrolled participants
- 9 program graduates (3 homes purchased)
- \$146,000 in participants savings accounts
- \$260,000 in match funds account
- \$25,000 in participants withdrawals
- \$50,000 in match funds released to participants
- \$52.00 in average monthly deposits
- \$481,000 total impact on the County's economy

IMPLICATIONS FOR CONTRA COSTA

The IDA program would be beneficial to low-income families of Contra Costa County. IDA

enrolled CalWORKs participants at risk of timing out would have the opportunity to utilize their IDA funds for specific goals to achieve self-sufficiency.

The East Bay Asian Local Development Corporation (EBALDC) currently administers IDA programs for some East Bay CBOs, including Alameda and San Francisco Counties.

I recommend the implementation of an IDA program in Contra Costa County.

ACTION PLAN

- Set up a taskforce to meet with EBALDC and develop a pilot IDA program
- Provide funding for administrative costs (\$60,000)
- Train Employment Specialists
- Implement IDA pilot in East Contra County.

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BACKGROUND

In selecting a project for my BASSC Internship, I wanted to examine if the Contra Costa County Employment and Human Services Department could develop an asset accumulation program for some of the CalWORKs participants who are currently employed. I was particularly interested in a goal oriented savings program that will result in economic self-sufficiency for the participants and hopefully prevent re-entry in to the program in the future.

In recent years, some of the CalWORKs participants, who were discontinued due to increased earned income, have either re-applied for aid due to loss of jobs, or are still employed and earning relatively low wages. Securing and maintaining employment does not automatically equate to self-sufficiency. Low-income families have limited discretionary income to allocate to savings accounts to be used as a reserve for family financial emergencies, or to invest in their future. I chose San Mateo County Human Services Agency's Individual Development Account to learn how the program was developed and its impact on the community. I was interested in the process of setting up the program, the funding sources, impact on caseloads, and the community. My other objective was to find out how San Mateo County was able to design the IDA program to comply with CalWORKs and Food Stamp regulations relating to property and resource limits.

HISTORY

In 2000, a proposal by the San Mateo County Human Services Agency (HSA) for a four year Individual Development Account (IDA) Pilot project at PeninsulaWorks in Daly City was approved by the County's Board of Supervisors. The major goal was to help clients achieve self-sufficiency using IDA as the component of an innovative anti-poverty strategy to enable low-income families to advance economically through savings, investment, and asset-building. IDAs are a matched savings account designed to help low-income and low-wealth families accumulate a few thousand dollars for high return investments, such as buying a home, starting a business, securing an education, or building a retirement fund.

Two BASSC graduates, Judy Davila and Roberta Deis, started the IDA 1-year pilot at the PeninsulaWorks in Daly City. They responded to the agency's request for research and possible implementation of the IDA program in San Mateo County. Roberta Deis and Judy Davila successfully wrote a case study on IDA programs as a post-BASSC agency project. The program consists of two basic components. The first is identification and support of families who would benefit from participation in the program. The second is financial education and skills development to support the savings plans of the families. Families participate in workshops on money management, financial goal

setting, and asset development concepts. They establish savings goals for education, business startup, home purchase/home improvements, or retirement. There is ongoing case management to monitor the participant's savings patterns and encourage and provide support as needed. Participant's savings are matched \$2.00 for every \$1.00 saved up to a total amount of \$4,000. Participants could eventually accumulate \$6,000 during the required three-year period toward their IDA goal. The real strength of the IDA approach is the intrinsic emotional boost it provides to people struggling to rise above the trials of poverty.

The IDA program was implemented with an initial enrollment of 50 participants and has expanded each year due to the success of the program. There are currently 200 participants enrolled and active in the IDA program; the enrollment cap of 215 participants will be reached by July 2004.

The motivation for implementing the IDA program was based on research by Goss and Phillips, who found that a lack of savings impacts both individual families and the community through:

- Less discretionary income and purchasing power
- Fewer well-educated individuals
- More at risk behaviors which increase demands on public safety and social services
- Increased homelessness and joblessness
- Fewer homeowners

BUILDING THE PARTNERSHIPS

San Mateo County elected to join the Assets for All Alliance Collaborative. The Center for Venture Philanthropy (CVP) and Lenders for Community Development (LCD) partnered with the Peninsula Community Foundation to form the Assets for All

Alliance (AAA). The Alliance supports low-income families as they save toward their dreams of owning a home, going to college, starting a business, or retiring with some security. The collaborative was already actively administering IDA programs through CBOs in Santa Clara County. CVP and LCD work with community-based nonprofits that serve low-income families in order to identify, recruit, and support qualified participants among their existing clients. The IDAs are held in savings accounts at Citibank. The current partners are:

- Center For Venture Philanthropy (CVP)
- Lenders for Community Development (LCD)
- Citibank
- San Mateo County Human Services Agency
- Catholic Charities of San Jose
- North Central College Institute of Samaritan House
- DeAnza College
- Family Support Center Of Mid Peninsula

CVP and LCD serve as managing partners. IDA match funds are raised by CVP through donations and investments and set up by individuals in the community to engage in the new concept of Venture Philanthropy. In the first year, San Mateo County committed \$100,000 in direct match funds. HSA also provided funds for administrative support for case management, training, food and childcare services for 50 participants. HSA's funding of the IDA program was allocated from TANF incentive funds.

The Assets for All Alliance receives additional funding through a grant from the Assets For Independence Act National Demonstration Program administered by the Department of Health and Human Services Office of Community Services.

IDA ELIGIBILITY

Requests for IDA information and application are processed at Peninsula Works locations in Daly City, San Carlos, and Redwood City.

To apply, a participant must

- be a resident of San Mateo County
- be at least 18 years old
- have net assets of less than \$10,000 (excluding car and primary residence)
- have an earned income of no more than 80% of the County's median income
- have asset goals compatible with the IDA program

The Assets for All Alliance offers the IDA program to families identified by the Human Services Agency who meet the eligibility criteria.

Eligible saving goals include:

- Business start-up or expansion
- Post secondary education or vocational training for themselves or a child
- First-time home purchase or value added home improvement
- Retirement

THE PROCESS

Concurrent with the receipt of matching funds, enrolled participants are required to successfully complete a five-week money management class entitled Master Your Money, attend selected training sessions related to their specific IDA goal, and attend a monthly IDA Investor Club. The financial training classes are provided by Assets for All Alliance staff and volunteers in the community. The Human Services Agency provides training facilities, food, and childcare services for the participants.

THE SEQUENCE

Participants attend the Assets for All Alliance orientation conducted by LCD staff. Those families, who want to continue the application process, are required to participate in a one-on-one assessment conducted by PeninsulaWorks Daly City staff and sign an IDA program agreement. LCD staff will then evaluate the applicant and either admit or turn down the applicant, or provide in writing what factors the applicant will need to change (i.e., reduce debts) for admission to the program.

Enrolled participants:

- complete the five-week Master Your Money class
- complete a Savings Agreement in which the IDA participants will designate a goal for the account and a target monthly savings rate (\$20.00 minimum). The account is set up by Citibank
- make monthly deposits
- receive statements from Citibank and LCD each month showing their deposits and matching funds earned.
- attend one goal-specific training session (i.e. starting your own business, researching and choosing a College)
- attend six IDA Investor Clubs each year, which features speakers on such topics as repairing credit, building credit, etc.
- reach a savings goal (within 3 years)
- request through LCD the issuance by Citibank of IDA funds directly to the vendor(s) designated by the IDA participant and approved by the LCD and Human Services Agency (withdrawal for goals)

Participants can make deposits to their savings accounts at any Citibank branch. Fund withdrawals

are very restrictive and must be authorized by LCD. If participants fail to complete the program their matching funds will not be released to them. They are only allowed to withdraw the balance in their savings account.

SUCCESS

The program initially encountered skepticism from the community that made recruitment difficult.

People thought the program was too good to be true and would not be well-funded. IDA programs usually experience recruitment difficulties, especially in the development stage.

HSA was able to recruit some participants from the caseloads at PeninsulaWorks. Eventually, recruitment increased when word-of-mouth about the program spread to the families and friends of the initial IDA participants.

Some other challenges encountered included participants not completing the program and some who have actually completed their savings goals but have not made the necessary account withdrawal for their goals

Some of the outcomes of the program include:

- 233 enrolled participants
- 9 program graduates
- \$146,000 in participants savings
- \$260,000 in matching funds account
- \$25,000 in participants withdrawal
- \$50,000 in matching funds released to participants
- \$52.00 in average monthly deposits
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Savings Goals:

- Home—23 participants
- Home improvements—8 participants
- Education for child—20 participants
- Post-Secondary Education—36 participants
- Retirement—23 participants
- Start business—11 participants

RECOMMENDATIONS

During my interview with staff members at Assets for All Alliance, I was informed that Alameda and San Francisco counties have IDA programs administered by the East Bay Asian Local Development Corporation (EBALDC) based in Oakland. Other partners include Homebuyers Assistance Center, Consumer Credit Counseling, Habitat For Humanity, Citibank, Federal Home Loan Bank, and United Way of the Bay Area. EBALDC's goals are to promote economic self-sufficiency, asset accumulation, and poverty reduction by providing quality resources and program for low-income individuals, families and community organizations in the East Bay.

As a result of my observations in San Mateo County, I submit the following recommendations:

- Partner with EBALDC
- Have EBALDC provide matching funds and program administration
- Provide facilities for training classes
- Set target of 30 participants
- Recruit participants from EHSD WTW clients who have transitioned to gainful employment (within six months of CalWorks discontinuance)
- Have Employment Specialist volunteer to manage the caseload

ACTION PLAN

- Set up a taskforce to meet with EBALDC and develop a pilot IDA program
- Provide funding for administrative costs (\$60,000)
- Train Employment Specialists
- Implement IDA pilot in East County.

ACKNOWLEDGEMENTS

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References

Staff proposals and reports written by: Roberta Deis and Judy Davila, and Margot Rawlins
Goss, E. P and J. M. Phillips. 1997. The Impact of Homeownership on the Duration of Unemployment.

