



August 4, 2009

The Honorable Percy Malone, Chair  
The Honorable Gregg Reep, Chair  
Public Health, Welfare and Labor Committee  
Arkansas Legislative Council  
315 State Capitol Building  
Little Rock, AR 72201

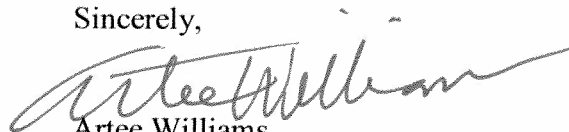
Dear Senator Malone and Representative Reep:

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 2009.

I am pleased to report that 697 Arkansans participated in the IDA program during the year, and they deposited \$170,087 into their IDA savings accounts during the year. These deposits represented an impressive increase over last year's deposits of \$129,129.

The impact of this program is far reaching, enabling families to establish savings goals to purchase or repair 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 501-682-2121.

Sincerely,



Artee Williams  
Director

Attachment

cc: John Selig, Director, Arkansas Department of Human Services

**FAMILY SAVINGS INITIATIVE  
ANNUAL REPORT**

**STATE OF ARKANSAS  
STATE FISCAL YEAR 2009**

**Arkansas Department of Workforce Services**

*Jobs for People. People for Jobs.*

**DWS**  
Department of  
WORKFORCE Services

*August 2009*

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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 IDA 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 SFY 2009, 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 2009.

### **SFY 2009 IDA Program Highlights**

- During the reporting period, there was increase in the number of counties with IDA activity (savings or withdrawals) from forty-two counties last year to fifty-four counties this year.
- During the reporting period, there was an increase in the number of IDA participants from 551 participants last year to 697 participants this year.
- During the reporting period, there was an increase in the dollar amount of participant savings from \$129,129.00 last year to \$170,087.33 this year.

## SFY 2009 IDA Participants By County of Residence

Number of participants:	697
Money saved by participants:	\$170,087.33
Number of Withdrawals:	414

Arkansas Department of Workforce Services contracted with nine organizations in SFY 2009 to provide IDA services in the following counties:

- *Central Arkansas Development Council* - Calhoun, Clark, Columbia, Dallas, Hot Spring, Lonoke, Montgomery, Ouachita, Pike, Pulaski, Saline, and Union Counties.
- *Chicot Housing Assistance Corporation* – Ashley, Chicot, Desha, and Drew Counties
- *Crawford Sebastian Community Development Council* – Crawford and Sebastian Counties.
- *Community Action Program for Central Arkansas* – Cleburne, Faulkner, and White Counties.
- *Crowley's Ridge Development Council* – Craighead, Crittenden, Cross, Greene, Jackson, Poinsett, St. Francis, and Woodruff.
- *EOA of Washington County* - Benton, Carroll, Madison, and Washington Counties.
- *Healthy Connections* – Howard, Montgomery, Pike, Polk, Scott, and Sevier Counties.
- *Southern Good Faith Fund* - Arkansas, Ashley, Bradley, Chicot, Clark, Cleveland, Crittenden, Cross, Dallas, Desha, Drew, Garland, Hot Spring, Jefferson, Lee, Lincoln, Monroe, Ouachita, Phillips, Prairie, Pulaski, and St. Francis Counties.
- *Universal Housing Development Corporation* – Conway, Franklin, Logan, Johnson, Perry, Pope, and Yell Counties.

The chart below illustrates the IDA Participants by their County of Residence.

<b>County</b>	<b>Number Of Participants</b>	<b>County</b>	<b>Number Of Participants</b>
Arkansas	1	Lincoln	9
Ashley	5	Logan	0
Benton	20	Lonoke	1
Bradley	0	Madison	4
Carroll	1	Monroe	1
Calhoun	1	Montgomery	10
Chicot	28	Ouachita	13
Clark	24	Perry	0
Cleburne	4	Phillips	133
Cleveland	2	Pike	4
Columbia	9	Poinsett	1
Conway	0	Polk	39
Craighead	13	Prairie	0
Crawford	0	Pulaski	58
Crittenden	1	Saline	15
Cross	5	Scott	2
Dallas	0	Sebastian	1
Desha	2	Sevier	4
Drew	3	St. Francis	8
Faulkner	9	Union	3
Franklin	0	Washington	65
Garland	11	White	9
Grant	1	Woodruff	0
Hot Spring	10	Yell	0
Greene	1		
Howard	0		
Jackson	4		
Jefferson	141		
Johnson	0		
Lee	23	<b>Total</b>	<b>697</b>

<b>Withdrawals from IDA Accounts in State Fiscal Year 2008</b>
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Below is a list of the number and types of participant withdrawals, by county of residence during the report year. These withdrawals include participant deposits made into IDA bank accounts in State Fiscal Year 2008 and withdrawn in State Fiscal Year 2009.

<b>County of Residence</b>	<b>Home Purchase</b>	<b>Repair/Remodel Home</b>	<b>Higher Education</b>	<b>Micro-enterprise</b>	<b>County Total</b>
Arkansas			1		1
Ashley			1		1
Benton	1	1	1		3
Carroll		1			1
Chicot	3	2	1		6
Clark	4	6	8	1	19
Cleveland	1	1			2
Columbia		3			3
Craighead		1			1
Cross		2	1		3
Desha			1		1
Drew	1	1	1		3
Garland	5	3	1		9
Hot Spring	1	5	2	2	10
Jefferson	59	47	26		132
Lee	4	16	1		21
Lincoln	2	3	2		7

<b>County of Residence</b>	<b>Home Purchase</b>	<b>Repair/ Remodel Home</b>	<b>Higher Education</b>	<b>Micro-enterprise</b>	<b>County Total</b>
Madison				1	1
Monroe		1			1
Montgomery		7	1		8
Ouachita	1	2			3
Phillips	23	89	15		127
Pike		1			1
Polk		15	2		17
Pulaski	4	4	7		15
Saline	1	4			5
Scott	1				1
Sevier		1			1
St. Francis		5	1		6
Washington	1	1	1	1	4
<b>Totals</b>	<b>112</b>	<b>224</b>	<b>73</b>	<b>5</b>	<b>414</b>
<b>Percentage</b>	<b>27.05%</b>	<b>54.11%</b>	<b>17.63%</b>	<b>1.21%</b>	