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Mile High United Way

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Individual Development Accounts feed Colorado success stories

The Bell Policy Center today called on state legislators to take six key steps to bolster the state's support of individual development account programs.

"The evidence is clear from across the country. IDAs work to fight poverty and help families become self-sufficient. Low-income residents across Colorado should have access to these effective programs," said Daniel Spivey, public policy fellow at the Bell Policy Center.

Spivey is the author of a new issue brief published by the Bell, *Individual Development Accounts: Helping Low-Income Families Develop Assets*. The eight-page brief explains how IDAs have evolved over the past decade, includes details about the success of the Mile High United Way IDA programs in Denver, Boulder and Colorado Springs, and makes recommendations that could expand IDA programs to low-income residents statewide.

IDA programs offer financial training for low-income workers and provide match money for their savings, which can be spent to put a down payment on a home, pay for postsecondary education or training, or start or expand a small business.

The six key steps the Bell recommends the state to take are:

- Commit \$1 million a year in general fund money to fund a statewide IDA program, leveraging more federal grant money. This would allow about 2,000 Colorado families to save through IDA programs in their communities.
- Collaborate with Mile High United Way, state agencies and community organizations to implement IDA programs in all 64 counties.
- Develop a statewide network of volunteers to work with IDA savers on money management.
- Make the state's IDA tax credit permanent and not dependent on a TABOR surplus. This partial credit will give donors a further incentive to contribute for matching funds and financial training for IDA recipients.

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- Give IDA recipients the option to deposit their state and federal Earned Income Tax Credit into their IDA account. At present, the state EITC is dependent on a TABOR surplus, and won't be available until after 2010. To expedite this opportunity, legislators should also make the state EITC permanent and not dependent on a TABOR surplus.

- Require annual reporting on outcomes and success rates for savers.

An IDA program offered through Mile High United Way is successfully serving Denver, Boulder and Colorado Springs.

The City and County of Denver served as a joint recipient of a federal grant that allowed Mile High United Way to expand its IDA program in metro Denver.

“The Denver Office of Economic Development, through its Division of Workforce Development, is committed to helping Denver's working families become more self-sufficient and economically stable,” said Betty Sparrow, director of the Division of Workforce Development.

“We look forward to continued collaboration with public policy research organizations like the Bell Policy Center in helping our community members save to buy first homes, start businesses and further their education,” Sparrow said.

“Mile High United Way invests in IDAs because they help low-income families gain self-sufficiency,” said Michael K. Durkin, president of Mile High United Way.

“This Bell Policy Center assessment confirms our experiences and underscores the importance of asset building as a vehicle to self-sufficiency. The report gives Mile High United Way even more confidence as we enroll a new group of 150 Individual Development Account participants,” Durkin said.

“We are willing and able to share our expertise and support community groups in Colorado as they begin offering this great opportunity to their clients,” Durkin said.

Since 1999, the Denver IDA program has involved 923 households. Of these, 325 used their savings and match money to make a down payment on a home, further their education, or start or expand a small business. Another 187 households are still in the program.

The remaining 411 exited the program. They withdrew their own savings, but forfeited the match money in their IDA.

Mile High United Way and its collaborating partners, primarily Del Norte Neighborhood Development Corp. and Micro Business Development Inc., have changed the IDA entry process in hopes of achieving a higher success rate with present and future participants.

Low-income households must first get involved with Del Norte, Micro Business or another community organization. The organizations refer the households to United Way once they appear stable enough to have success in the IDA program.

“Poverty alleviation and wealth creation are the program goals – and the actual outcomes of the process,” said Kersten Hostetter, executive director of Micro Business Development Corp.

“But the importance of asset development, although different for each user, is the ability for self-determination, for the creation of choice and opportunity, a new ability to not only dream it but to do it,” Hostetter said.