

# **The Montgomery Advertiser**

## **‘Hand up’ bill moves beyond handouts**

By Stephen Stetson

5-26-11

With the shot clock winding down on the 2011 legislative session, lawmakers have one last chance to pass a piece of legislation that ought to be a slam dunk for Alabama's low-income families.

SB 295 passed through the Senate before the Legislature took a break to work on re-districting, but the challenge now lies squarely on the shoulders of the House of Representatives to pass what has come to be known as "the IDA bill."

IDA stands for Individual Development Account. The bill, requiring no funding from the state's thin 2012 budgets, will enable qualifying Alabama citizens to take advantage of federal matching funds to purchase assets that will help them emerge from poverty.

Here's how it works: A federal law called the Assets for Independence Act was passed in 1998, allowing the feds to put matching funds into the IDA savings account of a low-income saver. The match gets triggered if the saver pairs up with a local non-profit that's also willing to do a dollar-for-dollar match of the savings.

That means that a low-income person can save up to \$2,000 and have it matched not once, but twice, resulting in up to \$6,000 in the special savings account.

And here's the clincher: The tripled savings can't go toward a home entertainment system or a trip to the casino. Rather, those who save the nest egg must undergo a financial literacy course, improving their understanding of money and how wealth is built.

Then, the money saved can be used for only three purposes: buying a first-time home, starting a business, or going back to school.

The idea resonates across a wide range of political beliefs. The saver learns a life lesson about the rewards of saving. Who can be against the idea of encouraging low-

income workers to set goals, save a few dollars each month out of their paychecks, and use the money to purchase a valuable and lasting asset that will enhance their quality of life?

Pretty much everybody agrees with the goal of moving people out of poverty and into stakeholder positions in their communities.

What's more, we have proof that IDA programs work in Alabama. The United Way of Central Alabama has been administering such accounts for years now. The agency's success stories describe folks who have moved from paying rent into home ownership, people who've gone back to school to gain wage-enhancing skills and credentials, people who have turned entrepreneurial ideas into productive businesses.

Those are the stories of the American dream coming true. When people use assets to emerge from poverty, everyone benefits.

But we can improve on existing programs by expanding access. The current IDA bill is needed because every eligible Alabamian should be able to participate -- no matter where they live.

In future years, when the economy turns around, the state can (and should) become a matching partner. For example, money currently going to two-year colleges could be matched with money from the feds, meaning that state appropriations for community colleges could be tripled, helping state budgets while helping low-income students.

Proof of this consensus can be seen in the fact that the IDA bill passed the Alabama House of Representatives 97-0 back in 2009, before being pocket-vetoed by then-Gov. Bob Riley. And while there's no controversy about the bill this session either, the narrow window of time left before the Legislature adjourns means that the IDA bill is far from home free. Public pressure on the House to pass the bill (and then on the governor to sign it) could seal the deal.

One senator aptly described the IDA bill during committee hearings as "a hand up, not a handout."

That's absolutely correct. SB 295 is a bill that helps people help themselves by encouraging low-income people to improve their financial literacy and save up for an asset that will help them emerge from poverty.

SB 295 is scheduled to be in committee at 9 a.m. today before the House Committee on Children and Senior Advocacy.

*Stephen Stetson is a policy analyst at Arise Citizens' Policy Project.*