

Analysis about Adding Assistive Technologies to the Assets for Independence

Legislation

April 30, 2009

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Executive Summary

This analysis looks at the Assets for Independence (AFI) Act which allows for Individual Development Accounts (IDAs). IDAs are matched savings accounts for low-income people that can be used to purchase a first home, education, or small business. IDAs have been around since the mid 1990s.

This paper compares adding assistive technologies to the current programs. The conclusion is to include assistive technologies to the list of approved assets for IDAs. Assistive technologies (ATs) level the playing field for disabled persons. ATs would only be allowed when the AT assists the individual in work related activities. The long run results should show a decreased dependence on other federal programs.

ATs have been added at the state level in Washington, Oregon, and Utah. These states are paving the way for federal level reform. No new money is required to accomplish this policy. A federal level change is needed to exempt IDA savings from the asset tests of other programs. It does not benefit the individual who is saving to be kicked off of other programs before they purchase an AT that will improve their ability to work.

Introduction

How many days do you get up each morning, put on a suit, walk out the door to your car, start the engine and head to work? What if getting in your car required a special lift that takes time and space to operate so you can get your wheelchair-bound self into the car? How much would that impact your ability to get to and from work? What if you didn't have a car with a lift at all and relied on "reliable" public transit? This is a situation many American's face each morning. Some low-income disabled people desire to be productive members of society, but are inhibited due to a disability. What options do these American's have to work around their disability and increase their ability to work? Not enough.

Policy question: Should the Federal Assets for Independence Act be adapted to add in assistive technologies for the disabled?

The goal of this policy paper is to introduce the idea of adding assistive technologies to the Assets for Independence (AFI) Act as an approved asset for Individual Development Account (IDA) participants. Other potential assets will not be covered in this policy analysis because each item is so different in nature that they require each requires its own policy paper. This analysis will include what the current assets offered by the AFI Act, then what adding assistive technologies will do. The argument will be made that adding assistive technologies creates equity among IDA participants in regard to overall outcomes.

Jay Seegmiller, Utah State Representative and sponsor of adding Assistive Technologies to the state IDA legislation said that methods to assist people to make their lives better should be used. He spoke about how moving people to self-sufficiency should be the paramount goal and current federal programs trap recipients but IDAs push them toward self-sufficiency. With Representative Seegmiller's sponsorship the Utah State

Legislature unanimously passed an amendment to the state IDA legislation adding assistive technologies as an approved asset for state funding (Assets for Independence Act, 1998).

Utah is working toward creating equity in their IDA program.

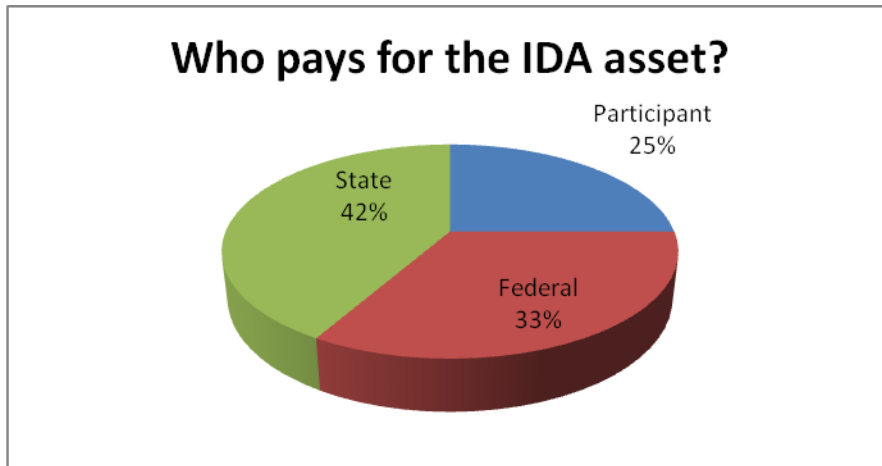
Background and Current Statutes

Assets for Independence (AFI) Act has been around since 1998 and was the foundation for current Individual Development Account (IDA) programs. AFI Act offered federal grants to non-profits, state governments, local governments, tribal governments, community development financial institutions, anti poverty groups, low-income credit unions, and other organizations that target people under 200% of the federal poverty level with a product to increase their self-sufficiency (Assets for Independence Act, 1998).

IDAs are matched savings accounts that allow the low-income person to save money each month and have their money matched towards the purchase of a productive asset. The three assets allowed by the AFI Act are a first home, post-secondary education or vocational training, and capitalizing or starting up a small business. The goal is to help people in poverty get ahead by the same means the middle- and upper-class use which is to invest in themselves and their livelihood. IDAs assist people in moving toward self-sufficiency. Currently, IDAs do not penalize people who are on federal programs, but can be used as a bridge to reduce the dependence on said programs.

Federal dollars distributed by the AFI Act require the administering organization to match them one to one on the local level. This means that an even smaller portion of the money required to purchase an asset comes from the federal government. If a program is set up to match at a three to one ration up to \$1500 of the participant's saving then the

Figure 1 depicts the percentage of the total amount that is paid for by the federal government.



Another aspect of the AFI Act is that it requires participants in federally funded IDA programs to take part in a personal financial management class. Different programs do this at different times. In Utah, participants are required to complete the class prior to entering the IDA program. Martha Wunderli, the Utah IDA Network State Director, said “Financial management is the heart of the program. IDAs are truly a financial product” (2009).

Personal Financial Management classes have been shown to increase an individual’s financial knowledge (Zahn, 2006). This information can be used to help a low-income person reach the financial main stream. Sherraden mentioned that most individuals learn about good financial skills from their employer and the benefits they offer (2007). Many low-income people do not have access to employer benefits and as such must learn through different avenues such as personal financial education.

IDAs are an asset building strategy. The three assets federally sponsored IDAs can purchase are a first home, post-secondary education including vocational training, and start-up or capitalization of small businesses. IDA funds can be used for a down payment

or for closing costs on the purchase of a first home. To be considered a first-time homebuyer the participant must not have owned a home in the last three years. Post-secondary education including vocational training allows participants to increase their skills and subsequently increase their income. As Francis Bacon said “Studies serve for delight, for ornament, and for ability” (MacMillan, 2000). IDAs assist people in increasing their abilities and their family’s income. Lastly, IDAs can be used toward the start-up or capitalization of a small business. Again, this asset allows for an increase in income whether it be by a wife deciding to sell Mary Kay products on the side to boost income, or whether it’s a local business that needs new equipment to be more efficient.

While saving in the IDA program a participant must complete additional training specific to the item they are purchasing. First time homebuyers are required to take Housing & Urban Development (HUD) approved homeownership training prior to purchase. Small business owners are required to submit a business plan with preliminary financials and a marketing strategy that has been reviewed by a non-profit loan fund or a financial institution demonstrating fiduciary integrity. Participants who complete education complete asset specific training based on the administering organizations guidelines. Asset specific training is designed to create a more educated consumer and to continue to teach skills to a population that is frequently ignored.

Asset specific training also creates a “buy-in” factor among participants. They are not handed a check without working towards it. Between their saving and their training they are invested in the outcome of the IDA program. That is one differentiating factor between IDA programs and other need based programs offered. Personal investment can be an avenue of reinforcement of good financial habits. If the participant’s good financial

habits (instilled in them in the financial management class) reap great gains, they will likely continue in that pattern in the future. The match money is a carrot for creating good financial habits.

In Salt Lake City Utah a graduate student, Heather, at the University of Utah has used her IDA money towards her education. When Heather entered the IDA program she was working 30 hours a week at the campus library and made enough to get by, but would face significant student loans for her master's program. Using the skills she learned in her personal financial management class she saw the opportunity to turn her dollar into four dollars in the Utah IDA Network program. This has allowed her to continue on the path of paying as she goes for her Master's in Public Policy. Using her IDA money toward education has helped her to make better financial decisions and continue to save her money to use for future semesters. Heather's financial situation is going so well that she's going to buy a condo near school and work.

Heather's story shows you how the IDA program can take someone who may have struggled to make it on her own and place them on the fast track to success. Heather has changed employers and is earning more money. When she buys a home she will be paying more taxes. When she gets her Master's of Public Policy she will be even more employable and earn more money and pay more taxes. There is a huge multiplier effect in the use of IDA money. In all, Heather will combine \$1500 of her own money with \$4500 in grant money from the Utah IDA Network. Four-thousand and five-hundred dollars is not much in comparison to the \$21,000 in approximate property taxes she will pay over the life of her mortgage. Heather invested in herself and will benefit the community in the process.

There are many reasons why the current assets allowed by the AFI Act are important. Homeowners contribute about \$648,000 in revenue each year to the average city in which they live according to the National Association of Home Builders (2005). The net income to the city is about \$270,000 in revenue yearly. Those who increase their education level are able to increase earnings and self-worth and contribute more to the community in the form of taxes and support. People who start a small business fill a need for a service or product in the community. They also pay taxes and purchase materials or labor from the community. All of these examples show how big a benefit the IDA match money can be. It also shows how a little money can go a long way with the right skills taught throughout the IDA program.

The AFI Act requires a participant in an IDA program to complete asset specific training and meet certain requirements before the match money is issued. For post-secondary education withdrawals, money can only be used for tuition, books, fees, and tools at accredited institutions. When a participant makes a withdrawal the funds are payable directly to the institution. For small business a participant must create a business plan. If the business plan is approved the money can be issued to a federally insured business account or directly to the purchase needed as specified in the business plan. For a home purchase, participants must be a first time homebuyer and use the money for the down payment or closing costs. The money will be sent directly to the title company or escrow agent depending on the state. There is no risk to the government or the individual. The IDA money goes directly to the vendor and bypasses the individual.

Are disabled people poor?

According to Leydorf and Kaplan “over 34% of adults with disabilities live in households with total income of \$15,000 or less, compared to only 12% of those without disabilities” (2001). SSI benefits do not take someone out of poverty (Leydorf & Kaplan, 2001). Leydorf and Kaplan continue in their policy brief to mention that people with disabilities should be able to have an IDA without the fear of losing their cash benefits and medical coverage (2001). They also mentioned expanding IDAs to assistive technologies.

Adding Assistive Technologies

Why add assistive technologies to the existing AFI Act? Adding ATs allows more participants to save towards goals that will improve their lives and their ability to work. It will not restrict disabled people from participating in IDAs due to asset tests. It will help a population dream a little bit and actually improve their overall situation instead of receiving services to maintain the status quo. It could reduce the overall amount of aid a disabled person receives from the federal government over their life time. Lastly, it creates equity among IDA participants and American’s on the whole.

Adding assistive technologies (ATs) allows more participants to save towards goals that will improve their lives and their ability to work. It will not restrict disabled people from participating in IDAs due to asset tests. Under the AFI Act the savings accumulated in an IDA does not count against a participant’s assets when applying to programs such as food stamps or SSI. Current organizations that offer ATs as an IDA asset do not use federal money. They must disclose the potential for the IDA participant to have benefits reduced or eliminated under programs with asset tests. The goal of IDA programs are to move people toward self-sufficiency. The participant, by losing benefits in other programs, will

likely be unable to complete the IDA savings period and purchase their asset designed to increase their work ability. This situation is to no benefit of the government or the participant. The government will benefit if the participant is able to purchase a much needed AT and increase their level of working and subsequently reduce their reliance on other programs in the long term. The participant benefits because they are more employable and increase their income and reduce their reliance on other programs. Table 1 illustrates the change in the asset test between the current program and adding ATs to the AFI Act. Only two areas change: ATs are allowed as an asset and they are subsequently exempted from asset tests.

Table 1	<i>Alternatives</i>	
	No Change	Adding Assistive Technologies
Assets:	Home	Home
	Small Business	Small Business
	Education	Education
		Assistive Technologies
Federal Money:	up to \$4000 per household	up to \$4000 per household
Asset specific training:	Required	Required
Asset Tests:	Home, Small business, & Education Exempt	Home, Small business, & Assistive Technologies Exempt

The Utah State Annual Report of Assistive Technologies Purchased outlined the need and cost associated with purchasing ATs. In 2008 they purchased 711 ATs at a cost of almost \$1.6 million. The average cost per AT was \$2256. Not all the ATs mentioned in this report would qualify for IDA funding because they are not all work related. Table 2 outlines the report's findings and shows the average cost per AT item. ATs in the IDA program would be required to assist in gainful employment of the IDA participant.

Washington’s IDA program defines ATs as “any device that [is] used to maintain or enhance functional capabilities of a person with a disability” (Pennell). The Utah legislation requires an AT to assist in work related activities (State of Utah, 2009).

Table 2: Utah State Fiscal Year 2008 AT Spending Report			
Assistive Technology	# Purchased	Total Amount	Average \$/AT
AT Assessment	4	\$ 1,165.00	\$ 291.25
Hearing aids	37	\$ 95,121.00	\$ 2,570.84
Communication devices	10	\$ 10,617.00	\$ 1,061.70
Optical aids	18	\$ 40,290.00	\$ 2,238.33
Manual Wheelchairs	20	\$ 33,656.00	\$ 1,682.80
power wheelchairs/scooters	82	\$ 307,608.00	\$ 3,751.32
Wheelchair accessories	26	\$ 12,416.00	\$ 477.54
Ramps & porch lifts	125	\$ 560,611.00	\$ 4,484.89
Walkers	23	\$ 9,832.00	\$ 427.48
Environmental controls	2	\$ 844.00	\$ 422.00
Vehicle modifications/devices	81	\$ 312,664.00	\$ 3,860.05
Aids to daily living	234	\$ 184,225.00	\$ 787.29
Repairs/Maintenance/Install	49	\$ 25,970.00	\$ 530.00
Totals	711	\$ 1,595,019	\$ 2,243.35

The way ATs are decided upon would be at the discretion of the administering organization. In Utah, the IDA program is partnering with another organization that already administers ATs. Piggybacking on the expertise of others will allow an IDA program to ensure the AT purchased assists the individual with work related activities. This way the Utah IDA program is not duplicating services or expertise. Each administering organization would need to assess their need for expertise and see what is available in the community or in house. A best practices model should be generated and distributed among IDA programs offering ATs.

As can be seen by Table 2, there is a need for ATs in Utah and that need is easily extrapolated to other states. If in one year nearly \$1.6 million can be spent then a need is

present. What the IDA will allow for is some of the cost to be deferred back to the participant (refer to figure 1 above). Since IDAs require matched funds the AT would be purchased with some federal money matched one to one with local money and then the personal savings of the participant. This matching with participant savings will allow more people to have access and get the AT they need. It frees up a percentage of money (based upon the administering organization's guidelines) that will be used to bring more AT purchasers into IDA programs. If the match rate is three dollars for every one dollar the participant saves, then if the participant saves \$50 each month for 19 months they could purchase a power wheelchair for \$3800. The participant contributes \$950 towards the purchase which reduces the burden on the administering organization to \$2850.

How it would work:

The same saving guidelines would apply to those who purchase ATs. They would be required to: have income less than 200% of the federal poverty level, not have more than \$10,000 in net assets excluding one house and one car, save at least once every three months in their IDA, complete asset specific training, and send IDA money directly to the vendor. There would be leeway for each administering organization to create asset specific training that fit the person or the needs of the people in their area in regard to ATs. It might not be appropriate to send someone who needs a wheelchair to the same asset specific training as someone who needs a seeing eye dog, hence the discretion of the administering organization in deciding on asset specific training.

Saving earned income at least once every three months shows a commitment to the goal of purchasing an AT as well as financial skills. Saving regularly for the AT should instill a habit of saving in the participant which can carry over into other areas of their life after

they finish the program. The match money creates an incentive to save money and once the participant starts, they realize that their savings adds up quickly. IDAs do require the participant to deposit earned income. This means the government is not matching its own money and that the participant is already in the workforce and is looking to advance within the workforce with the AT.

IDAs require the participant to have earned income throughout their savings period. This work requirement would not be waived for AT participants. ATs purchased with the IDA program will “allow persons with disabilities to participate in work-related activities (WSR 05-17-199)?” By requiring participants to work the probability of the participant staying employed post the IDA program is quite high. The non-federally funded program in Washington does not require AT participants to deposit earned income (Pennell). By adding the work requirement to the AFI Act, more programs would be enticed to use the earned income requirement for AT participants. A program that is able to use federal funds to match local funds will most likely decide to use the earned income requirement in their program. Requiring participants to work protects the investment of all funders especially the government.

Asset Test

Currently, only participants who save towards a home, small business or education do not have to count their IDA saving towards any asset test of other programs. If a participant is saving towards an AT at a local program level, they are required to report their IDA savings on any program’s asset test. When exempting current IDA assets from the asset test was established it was designed to prevent penalizing people who were trying to get ahead and build wealth. Those with food stamps or SSI were able to

participate in the IDA programs and not get kicked off their respective programs. The goal is to move people across the continuum of poverty into the middle-class; this is facilitated by continuing assistance of federal programs until the transition has been made. Those with disabilities are at the biggest disadvantage because they cannot save any money without the government threatening to take away their benefits that they rely on. IDA participants saving toward an AT should be exempted from the asset tests of federal programs. *By adding ATs to the AFI Act, IDA savings of those participants will be exempted from the asset test. Adding ATs does not change the asset test, it merely adds another mechanism used for self-sufficiency to an existing list of assets.*

RESNA conducted a conference call to discuss issues surrounding the asset tests. In an attempt to work around the federal regulations, programs that offer AT use purely private or state funding. Reasons programs choose to bypass federal funding are the “lack of flexibility” and complication of federal funding (RESNA). “The only problem with [not using federal funding] is that means that they are subject to the asset limits of SSI, or Medicaid, or any other benefit programs that you have...” (RESNA). Depending on the disability losing SSI or Medicaid benefits could mean losing the only thing that allows you to work. If you require a personal assistant to get you from your bed into your wheelchair each day because you have extremely limited motor skills and you lose your Medicaid, then you are unable to get in or out of bed and are not able to go to work each day. The penalty for disabled people saving in an IDA is too costly considering the benefits of allowing them to purchase an AT.

Pros

Adding ATs to the AFI Act legislation should reduce the burden on other federal program such as SSI, SSDI or Food Stamps. If an individual is allowed to purchase an AT that increases their ability to work their income will likely increase and as such reduce the burden on other federal programs. Also, the AT will increase an individual’s independence to work as well as their self-esteem. In addition the individual will learn personal financial management skills.

Cons

Adding ATs to the AFI Act legislation could pull money away from the current three assets. Funding for IDAs is finite and as such less money will be used toward homes, small businesses, and education. The AT itself could be a bad fit for the individual. Even if industry experts come in and work with IDA programs, there is a chance the AT purchased would not increase the individual’s ability to work. Many need an AT now and cannot wait to save for 6 months or more before they purchase the AT. The Washington IDA program mentions that they would prefer to be able to help people buy the asset right away because many ATs are required prior to working (Pennell). Table 3 outlines the pros and cons to adding assistive technologies to the AFI Act legislation.

Table 3: Adding Assistive Technologies

Pros	Cons
Should reduce burden on other federal programs	Could pull money away from current assets May not increase an individual's ability to work The individual might need the AT now, not in a year
Increases individual's independence	
Increases individual's self-esteem	
Individual learns financial skills and planning	
The technology will help the individual	

Equity in Outcomes

The goal of policy makers should be to create equity in outcomes of their constituents. Currently poor working families have the opportunity to save money and buy a home, small business, or education to push them into the main stream and achieve self-sufficiency. Poor working disabled families are being hindered from increasing their incomes because they need an AT to have better access or the ability to work more and are being denied that opportunity. Preventing these individuals from saving in an IDA toward their AT reduces their ability to enter the main stream financially and as such it is inequitable to deny ATs in IDA programs.

Conclusion

Assistive Technologies should be added to the approved asset list under the Assets for Independence legislation. The burden on the federal government is minimal in cost but could reap great rewards when a participant reduces overall dependence on other federal programs. There are more pros than cons and it is just a smart move to help people increase their ability to work especially in the low-income bracket. Add assistive technologies to the AFI Act legislation.

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