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Abstract

Diffusion of a policy innovation from one state to another is an important component of social change. Several theories and models have been developed to explain how and under what circumstances policy innovation and diffusion occurs. This paper examines the policy diffusion process through the case of Individual Development Accounts (IDAs), a policy innovation designed to provide matched saving opportunities for low-income people to accumulate assets. While our examination supports several of the prominent theories of policy diffusion, we suggest that a fusion of policy theories may better guide policy makers in more adequately predicting and executing the diffusion of policy innovation. Furthermore, these theories appear to hold most relevance at distinct stages of the process.

Key words: policy innovation, policy diffusion, IDAs, asset building, state policy, and federal policy

Diffusion of Policy Innovation: The Case of Individual Development Accounts (IDAs) as an Asset Building Policy

Understanding the diffusion process of policy innovations is essential for those engaged in the policy process such as policy makers, practitioners, and lobbyists. Berry and Berry (1999 p. 170) studied state government innovation and conclude that "despite the extensive number of studies there are two principal forms of explanation for the adoption of a new program by a state: internal determinants and diffusion models." Knowledge of these determinants and typical policy processes may afford more efficient and rapid policy diffusion.

Diffusion theory suggests that policy-making activity at the state level may occur either through internal processes or by building on what has occurred in other states (Berry & Berry 1999; Gray 1994; Walker 1969). This paper utilizes a case study format – the case of Individual Development Accounts (IDAs) policy - to gain a better understanding of policy diffusion theories. IDAs are included in current policies as saving programs targeted to low-income people that provide incentives and an institutional structure for saving. Account holders receive matching funds from both public and private sources as they save for assets that promote long-term well-being and financial self-sufficiency such as a home, post secondary education, or microenterprise (Sherraden 1991).

Welfare Policy: A Time for Change

Social welfare policy actually exists for all wealth levels. However, these policies are largely regression policies and favor individuals in higher income brackets. Sherraden's (1991) book *Assets and the Poor* sparked a national discussion of the crisis of the welfare state in the United States. Existing welfare policy provided some assistance for the poor, but did not provide the institutional structure that would allow the poor to accumulate assets. Not only was it

difficult for the poor to accumulate assets, but means-tested programs imposed penalties on the poor when assets exceeded a predetermined limit. Furthermore, welfare policy did little to provide low-income people with long-term social and economic development opportunities and, in fact, impeded their ability to save and improve their financial situation or "get ahead."

The introduction of IDA policy was intended as a means to advance inclusive welfare policy. This case study illustrates presents the conditions and circumstances that allowed IDAs to move from a policy concept to a policy reality over the past decade. The diffusion of IDA policy met with success, but could have been translated more effectively from state to state and state to federal legislation if policy advocates and policymakers had utilized and tested diffusion theory throughout the policy making process. Therefore, this case study might offer several lessons to policymakers and advocates who wish to use theory to promote new policy concepts in an innovative and effective way.

Theories of Policy Diffusion and State Government

Policy Entrepreneurs: Catalyst for Change

Entrepreneurs are agents of change. They are more commonly known in the private sector for market innovation, but policy entrepreneurs have also emerged in the political arena, playing a significant role as creators of policy innovation and drivers of new policy adoption and diffusion. The continual evolution of our political environment requires policy entrepreneurs to have motivation, innovative ideas, and the necessary skills for moving policy change forward. Such individuals may be in or outside of government office and are willing to invest their creativity, time, and energy to facilitate large-scale change (Kingdon 1995).

As key players in the policy making field, policy entrepreneurs begin their journey by recognizing and identifying genuine needs in their community (local, state, or national), then

moving to strategize how to fulfill those needs. Once they have developed a policy innovation, the policy entrepreneur begins the task of persuading policy makers of its potential impact and promoting adoption of the policy at its optimum scale. Following these steps, policy entrepreneurs often spend their time engaging and activating networks of support. This requires an immense investment of time and effort with no real guarantee of success. (Mintrom 1997; King and Roberts 1987)

Internal Determinants

Proponents of internal determinants models of policy innovation theory suggest that adoption of policy innovation and the speed with which a policy diffuses depends on the internal characteristics of a state (Berry & Berry 1999). These characteristics may be economic, political, or social, and are often directly related to the motivation to innovate, the strength of obstacles, and resource availability (Berry & Berry 1999; Mohr 1969). Motivation of a state government to adopt a new policy depends on the number of these characteristics present at the time a policy is introduced and the level of interaction among them (Brown 1981). Characteristics related to policy innovation and diffusion may include:

1. Emergence of a problem or crisis that necessitates changing existing circumstances, with the perception of serious crises increasing the likelihood of policy adoption. Moreover, the likelihood of adoption and the rate of diffusion increases if a great compatibility of an innovation is perceived to exist with both current circumstances and the generally accepted values and norms of the social system (Nice 1994; Rogers 1995).

2. Comfort or discomfort with existing policies in a state may also influence adoption of innovations. If officials are satisfied with the status quo, they may have little or no interest in initiating innovation. Consistent demands for change from political, economic, and social arenas

may provide impetus for the motivation to change (Berry & Berry 1992; Hanson 1983; Kingdon 1984).

3. Program innovation and implementation in a state carry high costs. Researchers consistently report that larger and wealthier states adopt new programs faster than smaller and poorer states (Gray 1994; Walker 1969). Thus, the availability of resources may increase the motivation of decision makers to initiate a search for new ideas, study their effectiveness, and actually use them in practice (Berry & Berry 1999; Jensen 2004). The fiscal viability of a state is not the only established resource required to precipitate policy adoption; the capacity of public servants is also essential for promoting policy innovations (Walker 1969).

4. Attitudes toward change and levels of experience of those promoting change may affect a state government's ready acceptance of innovation. Obstacles to innovation may include lack of community readiness to accept the necessary changes associated with the innovation and the perceived complexity of the innovation. Community readiness encompasses all levels of decision-makers, from the general public to political leaders. Resistance to change at any level decreases the likelihood of policy adoption in general. Complexity is the degree to which an innovation is perceived as being difficult to understand or use. New ideas that are easier to understand are adopted more rapidly than innovations that require the adopter to develop new skills and understandings. In addition, if a new idea can be tried incrementally, it will generally be adopted more quickly than innovations that are not divisible (Kingdon 1984).

Policy Diffusion Models

One common definition of policy diffusion is "the process by which innovation is communicated through certain channels over time among the members of a social system" (Rogers 1995, p. 5). Several policy diffusion models have been developed that differ in their

explanation of the way states communicate with and influence one another. Berry and Berry (1999) suggest that most diffusion models incorporate at least one of the following reasons underlying emulation: (1) states learn from each other, (2) states compete with each other, and (3) states respond to persuasion either from the general public or from the national government.

Regional Diffusion Model

Hagerstrand (1953 p. 21) describes diffusion as a “contagious and social process.” The regional diffusion model, one of the more widely used theories, holds that a state is influenced by the actions of its neighbors - both immediate neighbors and those within their geographic region - and will often emulate such actions. Some diffusion theorists suggest that there is a greater likelihood that states will adopt policy innovation if a neighboring state has already adopted it (Berry & Berry 1992; 1999; Gray 1994; Mooney & Lee 1995; Walker 1969).

Jensen (2004) amends this model stating that innovation diffusion is not solely reliant on states emulating states within close geographical proximity. Additional factors likely play a role in states’ decisions to adopt policy, including political and cultural similarities between states and conversely, competition with other states. A study conducted by Grossback, Crotty, and Peterson (2004 p. 541) provides evidence that state “ideology” significantly impacts whether or not a state will adopt a policy innovation. States learn about the ideological foundation of a proposed policy by examining which states have already adopted it. States’ decisions to adopt that same policy may be based on congruence of baseline ideologies with early adopters’ ideologies.

National Interaction Model

The national interaction model proposes that diffusion of innovation occurs as a result of continuous interactions among state officials. Therefore, the probability of a state adopting other

states' innovations depends on the number of such interactions (Berry & Berry 1999; Gray 1973; Maienhofer & Finholt 2002; Walker 1969). Though interaction may play an important role, innovation adoption is not always predictable, as some states have a greater desire to be on the "cutting edge" and are willing to take risks, while other states prefer to wait until an innovation is "standard practice" before considering adoption (Dunsenbury and Hansen 2004).

Vertical Influence Model

The vertical influence model does not view learning and competition as key elements to policy diffusion, but rather influence of the national government as a central role. Therefore, it is more likely that states will adopt policies of the national government than emulating policies of other states (Berry and Berry 1999). More specifically, the vertical influence model posits that states are most likely to adopt policy innovation in response to federal mandates. Furthermore, adoption is even more likely when it is attached to federal funding and incentives (Berry and Berry 1999). Innovation adoption is also influenced by the national government's expectation that states conform to standards (Brown 1981; Walker 1969).

Diffusion of IDA Policy

Diffusion theories presented earlier suggest that policy adoption occurs in an orderly, predictable manner, influenced by either geographic proximity of states to early adopters or influence of early adopting states and/or political leaders. The path of IDA policy from concept to policy presents an anomaly to these theories, suggesting that it may not always be possible to explain the process with one single theory but rather through the integration of several theories. Other variables may contribute to the successful adoption and diffusion of a policy innovation. For the most accurate portrayal of the process we must go back to the very beginning, the policy concept.

IDAs: From Concept to Policy

IDAs were originally conceived as privately owned, long-term savings accounts, established as early as birth, supported in part by public funds, for every person in the country. Individuals could make additional deposits into the accounts, which could also be supplemented by deposits from other private and public sources, especially related to specific life milestones such as graduation from high school or national service. Public funds would be used to subsidize, but never fully fund, IDAs for people with low-to-moderate incomes, on a sliding scale. At age 18 an individual could withdraw from his or her account to make "high-return" asset investments such as in homeownership, small business capitalization, or post-secondary education (Sherraden 1991). As this paper will illustrate, the diffusion of IDA policy is considered successful, with IDA policy adopted in 39 states. However, the path of this policy record was not straight and narrow and IDAs as they are known today, are designed differently from the original concept.

Though no single theory can specifically explain the diffusion of IDA policy, examination of the adoption pattern across the United States reveals three distinct phases of diffusion. In phase one, with internal determinants ripe for policy change, policy entrepreneurs introduced the concept of universal asset building policy that would include the poor. Phases two and three exemplify the regional diffusion model and a hybrid of the vertical influence model and the national interaction model.

Phase I - Role of Policy Entrepreneurs

The concept of IDAs was first introduced in the late 1980s by policy entrepreneur, Michael Sherraden, a professor at Washington University, who initiated a body of work proposing that U.S. social welfare policy should take a more progressive direction in the post-industrial era and include asset building opportunities for all people in the country, not just a

wealthy few. Earlier asset-building policies, designed to "grow" the economy at individual and family levels, as well as local and national levels, included the Homestead Act and the G.I. Bill, which transferred large amounts of public assets (land and money for educational expenses) to private ownership. These policies held great appeal for many individuals and families and contributed to the nation's economic development as well as a great westward expansion of white settlers. However, many low-wealth individuals and families, including minorities, were still left out.

Sherraden (1991) presented IDAs as an innovative way to create inclusive policy. IDA policy would provide the incentives (financial education and savings match) that would make it possible for low-income persons to save and accumulate assets within an institutional framework. IDAs, as a policy instrument in this new era, would test the efficacy and impacts (including the social and civic benefits) of building assets for people earning low incomes. IDAs would also require institutionalized financial mechanisms that would better facilitate a universal asset-building policy in the United States (Sherraden 1991).

Internal Determinants and IDAs

From the beginning of IDA policy development in the United States, internal determinants related to diffusion were present. Two contextual determinants were the emergence of a problem and a booming economy that increased availability of resources. The emerging problem was still growing poverty in America which had led to a "war on poverty" during the 1960s. By the 1980s the "war on poverty" was widely perceived to be lost. The American welfare state was in crisis and policymakers were searching for solutions. As a result, both federal and state governments became more open to considering new policy concepts for fighting poverty, including asset-building for the working poor. At that time, welfare policies were

primarily designed to support or maintain certain income levels. Bolstering the incomes and consumption levels of poor families, while requiring them to relinquish available assets and essentially remain asset poor, was showing signs of being a part of the poverty equation, rather than part of the solution. As Sherraden observed, "People don't spend their way out of poverty, they save their way out" (Sherraden 1991 p. 7).

A second determinant that predisposed the adoption of IDA policy was the booming economy. At the beginning of the 1990s, the financial picture of low-income families in the United States looked bleak, but as the decade progressed, a booming economy created a more favorable environment for the adoption and funding of new and innovative policies to build assets for American families – even policies targeting poor families.

Phase I: Policy Entrepreneur Introduces Innovative Concept

Sherraden suggested that IDAs would be most effective as part of a large universal asset-building policy system. To facilitate greater effectiveness of this policy change, he suggested that asset limits for means-tested programs be raised significantly or removed, so that poor and low-income families could build wealth that would help mitigate crises due to job loss or other income-depleting circumstances. Toward this end, in 1992 Sherraden worked with Jack Kemp, then Secretary of Housing and Urban Development, to change welfare policies that penalized individuals needing temporary assistance (food stamps and Aid to Families with Dependant Children, or AFDC) by requiring that they own very few assets in order to qualify for aid (Edwards & Mason, 2003). Specifically, Sherraden helped to secure a presidential proposal allowing states to raise asset limits for families receiving AFDC from $1,000 to $10,000. A subsequent policy change allowed states to apply for federal welfare reform "waivers" that would

give them the ability to raise asset limits for innovative welfare program designs. This resulted in forty-four states eventually raising asset limits, to some degree, as part of state welfare reform.

During the 1980s and 1990s, Sherraden worked with Robert Friedman, founder of the Corporation for Enterprise Development, a Washington based non-profit organization, dedicated to promoting innovative programs and policies to help poor and low-income people build assets, and Ray Boshara, then a federal congressional aide to Representative Tony Hall (D-OH) to create and establish IDA policy at the state and federal levels. Boshara crafted federal legislation, which was introduced in the U.S. House of Representatives in 1991, although it did not pass or get a hearing on the floor (Boshara 2001).

There were obstacles to the adoption of IDA policy. First, the overhauling of public benefits for the poor was seen as potentially both extensive and expensive propositions, and transfer of public funds for private savings of the poor was perceived, especially early on, as a strange and perhaps risky proposition. Second, since most proposals for welfare reform in the early 1990s were for states to receive large blocks of funding over which they would have considerable control, states were reluctant to pre-commit to any particular strategy such as IDAs. Third, many states were concerned that they would not have sufficient funds for higher priority purposes (Edwards & Sherraden 1995). In consideration of these concerns, IDA policy was developed and proposed as a short-term demonstration project, which was appealing to policy-makers as there was no long-term commitment to continuing the policy if it proved to be minimally effective or ineffective.

Early policy adoption and diffusion efforts met both success and failure. The process began during the early 1990s when three states were targeted by Freidman of CFED for demonstrations of IDAs; Iowa, Colorado, and Oregon. Determined not to wait on the federal

government to reform welfare programs, legislators and non-profit policy advocates expressed interest in creating projects that would build assets for the poor. IDAs became a part of that forward-thinking policy momentum. In the early 1990s with no existing example of IDA policy from which to draw, at state or federal levels, the above mentioned states made bold moves toward instituting asset-building policy for low-income residents.

These early adopters exemplified the internal determinant theory of policy innovation in desiring to be the first states to adopt IDA policy, which Iowa accomplished in 1993 as part of a sweeping welfare reform bill. Colorado IDA legislation came very close to passing it, but failed due to emerging budgetary constraints in the state at the time (Colorado eventually passed IDA legislation in 2000). Oregon passed IDA policy as Children's Savings Account legislation in 1991, which would create IDAs for all Oregon children, a law which is still on the books but as yet has received no funding appropriation (Stein & Freedman 2003).

During the same period that IDA legislation was being promoted in these states (1990-1994) only three known community-based IDA programs were operational in the United States. Shortly thereafter, several more community-based IDA programs were initiated by diverse, unrelated non-profit organizations growing steadily in numbers through a grassroots support movement. In many states, IDA policy had not yet been passed; therefore, the emerging programs were mostly funded by private foundations and philanthropies. A few documented results from these early community-based programs were later used to advocate for IDA policy adoption.

By the time Oregon and Iowa passed IDA legislation in 1991 and1993, respectively, these programs had not been operational long enough to adequately inform policymakers that IDAs could be successful. Hence, the passage of early state IDA policy relied largely on the

conceptual strength and bi-partisan appeal of IDAs as an interesting policy innovation and a relatively high level of interest and commitment to the concept on the part of many state-level policymakers and advocates (Edwards and Mason 2003).

As intrigued as some state legislators were by the innovation of the IDA concept, they were equally anxious to create policy that would prevent potential fraud and abuse of the welfare system. As a result, many prescriptive rules and restrictions were written into early IDA bills. As each new piece of restrictive legislation was passed, policy advocates in other states seemed to assume that this type of legislation was a political necessity to ensure that these initiatives were effective (Edwards and Rist 2001). It took several years for asset-based policy advocates to convince policymakers that numerous restrictions were not only unnecessary, but could become onerous.

Phase II – Regional Diffusion

The regional diffusion model came into play in most of the 36 states that passed IDA laws from 1993 to 2004, which were largely based on the first few pieces of successfully-passed IDA legislation. The successful passage of IDA legislation by even a few early adopters encouraged nearby states desiring welfare reform to push passage of similar legislation. After Iowa, other such states adopted IDA policy in a rapid fashion, including Arizona, Texas, Tennessee, Indiana, and Ohio. Initially, Iowa's legislation was the most frequently copied, because it was the earliest example. However, as more states began instituting IDA legislation, hybrid models of Iowa's law were created (Edwards & Mason 2003).

Examples of the regional diffusion model of IDA policy creation are best illustrated by combinations of states such as Ohio and Pennsylvania, Maryland and Virginia, Indiana and Illinois, as well as Tennessee and Kentucky, to name a few. The Center for Social Development

(CSD) at Washington University in St. Louis, established in 1994 by Michael Sherraden, tracked overall state IDA policy efforts during much of the 1990s, fielding many requests by states for information about IDA policy efforts in neighboring states, putting CSD in a unique position to view and facilitate these regional diffusion efforts. One state IDA policy advocate informed CSD staff that the legislators in her state would consider IDA policy more readily if a neighboring state was considering it also, or had passed it into law. She commented that her state often looked to the neighboring state for signs of interest in innovative policies. The neighbor state was acknowledged as creative in its policy efforts regarding the demonstration of new concepts, even as some competition existed between the states as to which was being most progressive in terms of policy.

Phase III – Illustration of Vertical Influence and National Interaction Models

The vertical influence model of diffusion suggests that states will most readily adopt policies of the national government, particularly those including funding incentives. Key elements to the rapid diffusion of IDA policy in the mid-1990s were inclusion of IDAs in the "Welfare Reform Act" of 1996 and the introduction of federal incentives to develop and adopt IDA policy. The "Welfare Reform Act" allowed states to use TANF funds to match participant savings in IDA programs, which positively affected the creation of many state-level IDA policies. At least 10 states passed IDA legislation designed to mirror Section 404(h) of the act, so that Temporary Assistance for Needy Family (TANF) funds (the replacement for AFDC) could be tapped for IDAs in those states as funding levels allowed, stating that TANF funds "may" be used for IDAs. Some states never acted upon, or funded, those pieces of legislation, but a significant number of states have invested several millions of TANF dollars into state-supported IDA programs, since 1996.

One of the main disadvantages of the vertical model – in regard to state IDA policy developing from federal IDA policy – is the loss of the more innovative features that occurred in state initiated IDA legislation and programs. Most innovative policies and practices for IDAs, to date, have been created at the state level, independently of federal funding sources and/or requirements. State legislators have, on the whole, listened and attempted to act on suggestions by non-profit policy advocates on developing IDA policies that meet the asset-building needs of people with low-to-moderate incomes living in their states. IDA policy innovation occurring at the state level includes such features as: additional uses for IDA savings (besides the "big three" goals of homeownership, business capitalization, and education), higher allowable match rates, longer savings periods, fewer participant requirements, and fewer overall restrictions in law and/or rules (Edwards and Mason 2003).

The national interaction model posits that diffusion of innovation occurs as a result of continuous interactions among state officials. IDA policy development in the United States also demonstrates the national interaction theory of policy innovation. IDA policy advocacy began at the grassroots level, mostly driven by community-based non-profits that embraced the asset-building concept as an innovative way to move their clients and customers up the economic ladder -- a movement that bubbled up from the local arena to state and federal political arenas. Organizations such as CSD, CFED, and the philanthropic community played significant roles in moving grassroots IDA policy dialogue to the national level, by presenting and disseminating research results from a large scale, multi-site IDA policy demonstration project (the American Dream Policy Demonstration) at conferences, on web sites, and through networking. This research also served to highlight many of the effective practices of community-based IDA programs, paving the way for state-level IDA policy amendments, and the advent of less

restrictive, more flexible language in both existing and newly-proposed state IDA legislation (Edwards and Mason 2003).

A result of all this research dissemination and policy development was that, in the late 1990s, national associations and organizations, whose clientele included state government representatives, such as the National Council of State Legislatures and the National Governor's Association, began to disseminate information about IDA policy to their membership. As state government officials began to discuss IDA policy development and funding possibilities with each other, at conferences and other venues sponsored or supported by these organizations, the desire not to be left out of a burgeoning policy innovation came into play. A few states proposed or passed IDA legislation, based on recommendations from officials of other states, through these venues.

Current State of IDA Programs and Policy

Over the past decade, grassroots program development and policy advocacy created at least 500 community-based IDA programs in all 50 states (including programs specifically targeting populations such as American Indians, refugees, and people with disabilities) and established an estimated 20,000 IDAs (these numbers are based on combined data collected independently through surveys distributed by CSD in 2002, and by CFED in 2003). This is a modest beginning in terms of numbers, but the policy precedent and models represented are important. IDAs, as a policy mechanism, offer state governments an opportunity to include low-income individuals in larger, state-level asset-building policy strategies.

IDA policy has diffused to 39 states with some states adopting the original form and others adopting amended versions based on ADD findings and other evidence of IDA program success. As previously mentioned, a fundamental outcome of these collective policy efforts was

that nearly all states raised asset limits for welfare assistance programs during the 1990s, paving the way for states to consider adopting innovative anti-poverty initiatives that would assist the poor to build assets (Greenberg and Savner 1996). An even more impressive result of this work occurred due to the inclusion of Section 404(h) in the Social Security Act, which prohibits the counting of IDA savings and match as assets, when determining eligibility for means-tested welfare programs. Most recently, Ohio, Virginia, and Illinois have completely eliminated asset limits and means testing in welfare programs to allow for asset accumulation.

Over time Boshara's and Tony Hall's 1990 legislation evolved into the Assets for Independence Act (AFIA), which was passed into law in 1998. Since the passage of AFIA, several states have collaborated with community-based non-profit organizations to apply for AFIA dollars (only non-profits may apply for these funds). AFIA funding, granted through an ongoing "request for proposals" process, provides a federal matching dollar for every non-federal dollar raised due to the fact that state sourced IDA funding qualifies for the federal match. At least four states passed IDA policy that mirrors AFIA policy language, specifically to compete for these dollars (Center for Social Development 2002). Other states have discovered that they do not need to copy AFIA policy language, which has less flexible design than is desired in many states, to have IDA program participants qualify for and receive AFIA matching dollars. This revelation has influenced some states, beyond the four "mirror language" states, to pass IDA legislation (Zdenek and Stein 2003).

Continued policy innovation work by a variety of organizations supporting IDA policy initiatives has resulted in public pledges of support by President Bill Clinton in the 1990s and President George W. Bush during the 2000 presidential campaign. President Clinton included IDAs in two of his State of the Union speeches, and President George W. Bush continues to

support IDAs. He has actively promoted the Charitable Aid, Recovery and Empowerment Act (CARE), which includes the Savings for Working Families Act (SWFA). SWFA is IDA legislation that would provide 100% federal tax credits to financial institutions contributing to IDAs, creating the potential for 300,000 accounts over nine years. This IDA provision is included in the 2005 version of the CARE Act in the Senate, but not in the House version.

Future Directions

The Power of Research

Initially, IDA policy advocates promoted asset policy as having many potential positive social effects and some states adopted IDA policy based on this core appeal. However, a more powerful testimony comes from the American Dream Policy Demonstration (ADD) confirming that poor people can save. ADD was the first large-scale test of IDAs designed to study the merit of IDAs as a community development and public policy tool. Results indicate that not only do low-income individuals and families have a willingness to save, but can successfully save and accumulate assets when they are provided with structured opportunities that are supported by institutional factors (e.g. access, information, incentives, facilitation, and expectation).

Expansive diffusion of IDA policy may depend on additional research that provides greater visibility of the success IDAs have had in terms of helping low-income acquire assets and/or further research of the long-term effects of IDAs on asset accumulation among low-income families and individuals.

Sustainability

Aside from funding the ADD demonstration program, IDA policy has not incorporated funding levels or structured features to support policy sustainability or scalability. Maintenance

of current policies, at a minimum with expansion as optimal, will require more adequate funding, which needs to occur in partnership between state and federal governments.

Establishing Broad Policy Appeal

An important feature of successful diffusion may depend on the target population. Social welfare policy, in the United States was developed for all income groups, but is labeled differently. Social security, disability insurance, Medicare, unemployment insurance, IRAs, and 401(k)s are all examples of these subsidized policies, but the population primarily taking advantage of these policies happens to be persons whose incomes are at middle or upper class income levels. For these groups, welfare policy is viewed more in terms of fiscal welfare, whereas for lower income groups, welfare policy is defined as social policy or cash benefits. The difference in assets policy identification has created a growing asset gap between income groups and the public perception of the need for and purposes behind asset based policies for each group.

To date, IDA policy has not been connected to larger, universal asset policies. Innovation of asset based policies is much rarer for poor populations than for higher income classes. Assets policy innovation for the poor is typically achieved through welfare reform, whereas assets policy innovation for the wealthy often occurs through the tax code. Scalability of IDA policy depends on the ability to bridge assets policy application across the wealth gap through universal and progressive policy rather than more income-based population specific policy. The universal need for financial education, which research indicates is one of the most effective components of IDAs, may facilitate the use of IDAs as a “bridging” policy. New forms of asset policy have been proposed by the Bush administration (e.g. medical savings accounts, etc.) but appear to provide wealth-building opportunities mostly for persons with more substantial income flows

and tax liabilities. IDA policy advocates need to promote more inclusive asset policy in which IDAs are designed with subsidies for low-income populations.

Challenges for Future Diffusion of IDA Policy

All fifty states in the United States, the District of Columbia, and Puerto Rico have community-based IDA programs, and at least half of the states currently have active, state-supported IDA programs. However, as an innovative policy becomes familiar to more and more people, excitement over the innovation wanes. IDA policy development activity has slowed down and though IDAs are by no means a household word, the policy has now been introduced to a large number of policymakers. Going forward, if the majority of states judge IDA policy to be effective it may have a better chance of becoming institutionalized. However, if this institutionalization is to occur, the policy may need to continue to be innovative, changing IDAs into more efficient, streamlined vehicles that can better support themselves, along the order of College Savings 529 Plans, IRAs, and 401(k)s (Sherraden 2000).

A suggested strategy for further developing and diffusing asset-building policy, that has proven initial success, is for states to create statewide asset-building "task forces" or "coalitions," either legislatively or by administrative rulemaking (Sabatier 1999). These task forces can focus on studying a variety of IDA and other asset-building policies, including policies such as the Earned Income Tax Credit and College Savings Plans, which are typically delivered at the state level. The primary goal of state asset task forces should be to create a more inclusive economic policy plan for the state, one that does not leave out those with limited resources. Regarding the few assets task forces currently organized, a few states tout success at initiating these ventures, while several other states are considering this avenue, due partly to the desire to investigate additional funding sources that might be used for asset building (Edwards and Mason 2003).

These coalitions engage a wide variety of stakeholders, including financial and business representatives, in discussions that intend to forge connections across IDAs, employment incentives, financial education, homeownership, microenterprise and small business creation, college savings, asset protection (including protection from predatory lenders), and other asset-building policies and initiatives. Such statewide efforts have emerged at varying stages in Arizona, California, Delaware, Hawaii, Illinois, Massachusetts, and Pennsylvania, and the list is growing steadily. In addition, a handful of bi-state and regional asset-building initiatives have emerged in the South, Midwest, and West. This trend may signify the beginning of a new phase of asset-building policy innovations.

Conclusion

Successful policy innovation and scaled diffusion relies on several defining features: presence of internal determinants, innovative policy entrepreneurs, strength of advocacy networks, sustained financial support, and research on policy impact. Understanding theories of diffusion may help a policy innovator develop their proposal to appeal to their target networks. In turn, appealing to key network affiliates may stimulate the diffusion process, and evaluative research may provide advocacy support to move policy to scale.

IDA policy entrepreneurs helped policy makers realize the connection between asset building and welfare policy for the poor. They made the case that IDAs were not just another welfare policy, but rather an economic policy. The survival and future diffusion of IDA policy depends on both acquiring information about the level and kind of impact it has had on asset-building of low-income families and the dissemination of that information to key policy-makers. Maintaining the tenant that IDA policy must become part of an inclusive national level, asset building policy system will be critical to the maintenance and growth of this policy. Also, policy

advocates will need to more effectively connect IDA policy to a variety of means-tested programs as part of an economic development package This strategy has been proven successful when IDAs are connected with TANF.

"The diffusion of an innovation might be difficult to model adequately due to the fact that humans interact, learn, innovate, and adapt, at times, unpredictably, in a social world that has a historical dimension" (Maienhofer and Finholt 2002 p. 276). The development of IDA policy supports Maienhofer & Finholt's suggestion that policy diffusion may not be easily modeled. Each theory captures unique components of the diffusion process and provides insight into the complexity of the diffusion process. Incorporating several models and theories makes it possible to more adequately predict the diffusion process of a proposed policy. It is important for researchers, policy advocates, and policy makers to be familiar with and understand a variety of policy diffusion theories so they can consider alternative strategies when trying to move a new policy forward, both from one state to another, and between state and federal levels.

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