

Rapid #: -9578547

CROSS REF ID: **1597930**

LENDER: **MDU :: Health Sciences Library**

BORROWER: **KKU :: Watson**

TYPE: Article CC:CCL

JOURNAL TITLE: Journal of policy practice

USER JOURNAL TITLE: Journal of policy practice

ARTICLE TITLE: Adoption of a policy innovation: the case of individual development accounts (IDAs).

ARTICLE AUTHOR: Grinstein-Weiss, M.,

VOLUME: 8

ISSUE: 1

MONTH:

YEAR: 2009

PAGES: 34-

ISSN: 1558-8742

OCLC #:

Processed by RapidX: 8/24/2015 7:03:38 AM



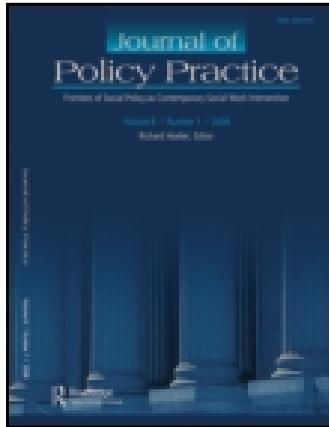
This material may be protected by copyright law (Title 17 U.S. Code)

This article was downloaded by: [University of Maryland, Baltimore]

On: 24 August 2015, At: 06:00

Publisher: Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: 5 Howick Place, London, SW1P 1WG



Journal of Policy Practice

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/wjpp20>

Adoption of a Policy Innovation: The Case of Individual Development Accounts (IDAs)

Michal Grinstein-Weiss^a, Karen Edwards^b, Pajarita Charles^c & Kristen Wagner^d

^a Assistant Professor, University of North Carolina at Chapel Hill, Chapel Hill, North Carolina

^b Project Director, Center for Social Development Washington University, St. Louis, Minnesota

^c University of North Carolina at Chapel Hill, Chapel Hill, North Carolina

^d Research Assistant, Center for Social Development Washington University, St. Louis, Minnesota

Published online: 02 Jan 2009.

To cite this article: Michal Grinstein-Weiss, Karen Edwards, Pajarita Charles & Kristen Wagner (2008) Adoption of a Policy Innovation: The Case of Individual Development Accounts (IDAs), *Journal of Policy Practice*, 8:1, 34-53, DOI: [10.1080/15588740802282383](https://doi.org/10.1080/15588740802282383)

To link to this article: <http://dx.doi.org/10.1080/15588740802282383>

PLEASE SCROLL DOWN FOR ARTICLE

Taylor & Francis makes every effort to ensure the accuracy of all the information (the "Content") contained in the publications on our platform. However, Taylor & Francis, our agents, and our licensors make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors, and are not the views of or endorsed by Taylor & Francis. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Taylor and Francis shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to or arising out of the use of the Content.

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden. Terms &

Conditions of access and use can be found at <http://www.tandfonline.com/page/terms-and-conditions>

Adoption of a Policy Innovation: The Case of Individual Development Accounts (IDAs)

MICHAL GRINSTEIN-WEISS

*Assistant Professor, University of North Carolina at Chapel Hill,
Chapel Hill, North Carolina*

KAREN EDWARDS

*Project Director, Center for Social Development Washington University,
St. Louis, Minnesota*

PAJARITA CHARLES

University of North Carolina at Chapel Hill, Chapel Hill, North Carolina

KRISTEN WAGNER

*Research Assistant, Center for Social Development Washington University,
St. Louis, Minnesota*

An important aspect of social change is adoption of policy innovation by multiple states. Using models to explain the factors affecting policy adoption and diffusion, this paper examines the models that best explain the adoption process for the innovative Individual Development Accounts (IDAs) policy. We show that policy entrepreneurs play a principal role in initiating the policy adoption process. In addition, two internal determinants, the emergence of a problem and the availability of resources, are influential in the states' decisions to enact IDA legislation. Furthermore, policy leaders at both state and federal levels, as well as federal legislation are influential in the implementation and diffusion of IDA policy. We discuss implications for public policy.

KEYWORDS policy innovation, policy diffusion, IDAs, asset building, state policy, federal policy

The authors wish to thank the following foundations for support of this paper: the Annie E. Casey Foundation and the Charles Stewart Mott Foundation. We also thank Michael Sherraden, Penny Stein, and Diane Wyant for their helpful comments and suggestions.

Address correspondence to Michal Grinstein-Weiss, Assistant Professor, University of North Carolina at Chapel Hill, Chapel Hill, NC 27599-3550, USA. E-mail: michalgw@email.unc.edu

In response to the needs of communities, policy advocates, legislators, and researchers have frequently devoted immense efforts to the development of policy innovations aimed at promoting social equities and justice. However, such policy innovations are seldom adopted as instruments of widespread social change, and the dissemination of these innovations sometimes seems painfully slow. At least in part, this slow process of adoption is likely the result of policy makers' lack of clear understanding of the complex processes involved in the adoption of policy innovation across multiple states. Therefore, for legislators, lobbyists, practitioners, and others involved in the development of public policy, a clear understanding of the process of policy adoption is essential. In addition, the same level of understanding of this process is equally essential to social science researchers if their policy innovations are to be successfully translated/transformed into social change. By developing a thorough understanding of how these diffusion and adoption processes operate, social science researchers, policy advocates, and policy makers will be better positioned to effectively disseminate policy innovations.

Models of policy adoption have suggested that state-level policy making occurs either through internal processes, or through building on the framework of what other states have already put in place (Berry & Berry, 1999; Gray, 1994; Walker, 1969). To thoroughly examine and test policy adoption models, this study used a case study format to investigate the adoption and diffusion process of the policy for Individual Development Accounts (IDAs). IDAs are among the current public policies designed to promote social and economic development among economically disadvantaged populations. IDA programs promote savings by providing low-income individuals with access to saving programs that offer incentives and an institutional structure to facilitate saving. Funded through either private or public sources, IDA account holders qualify for matching funds when they use their savings for eligible asset-building purposes that promote long-term well-being and financial self-sufficiency (Sherraden, 1991).

Social welfare policy in the United States exists for all wealth levels. However, because these policies are largely regressive, they typically provide more opportunities for savings and greater incentives to save for individuals in higher income brackets. The 1991 publication of Sherraden's book, *Assets and the Poor*, sparked a national discussion of the crisis within the U.S. welfare state during the last decades of the 20th century. Sherraden argued that although the welfare policy at the time provided modest financial assistance for poor individuals, the policy failed to adequately address the long-term financial well-being of low-income individuals and their families. For example, Sherraden noted that U.S. welfare policy did not provide an institutional structure that allowed the poor to accumulate assets (i.e., that could lead toward greater self-sufficiency over time), even though U.S. policies have provided taxpayers with substantial incentives for the acquisition of certain assets such as homeownership, investments, and retirement accounts

(Sherraden, 2005). However, because these asset-based policies have operated through the tax system, the poor are less likely to be able to benefit from these policies given their low incomes and relatively low tax rates (Sherraden, 1991, 2005). Conversely, asset limits in means-tested public assistance programs, such as Temporary Assistance to Needy Families (TANF), serve as disincentives to asset holding among poor households because even modest savings may disqualify them from access to help with basic needs (Powers, 1998; Ziliak, 1999). Furthermore, U.S. welfare policy provided few, if any, long-term social and economic development opportunities for low-income individuals, which further impeded their ability to save and to “get ahead” by improving their financial situation.

The introduction of IDA policy was intended to open a new avenue for advancing inclusive welfare policy. IDAs are an example of an asset-building approach applied to welfare policy targeting low-income individuals. IDA policy and programs were designed specifically to target the working poor and to promote financial self-sufficiency through the provision of matched savings, financial education, and case management services for each participant. At the time of withdrawal, account holders receive matching funds when they use their savings for approved asset-building purposes such as to purchase a home, to acquire postsecondary education, and to start or expand a small business (Sherraden, 1991). This article uses a case study design to explore the process of IDA policy adoption, and to test how well various adoption and diffusion models fit the case of IDAs.

MODELS OF POLICY INNOVATION IN STATE GOVERNMENT

Policy Entrepreneurs: Catalysts for Change

In every arena, entrepreneurs serve as agents of change. Although most commonly associated with private sector market innovation, policy entrepreneurs have also emerged as key players in the political arena, with significant roles as creators of policy innovation as well as serving as the driving force behind policy adoption and diffusion. The continual evolution of the political environment requires that policy entrepreneurs have motivation, innovative ideas, and the skills necessary for moving policy change forward. Such individuals may be either in or outside of government office, and are willing to invest their creativity, time, and energy to facilitate large-scale change (Kingdon, 2003).

As key players in policy making, these entrepreneurs begin by recognizing and identifying genuine needs in their community (local, state, or national), and then developing strategies to fulfill those needs. Once a policy innovation has been successfully developed, the policy entrepreneur then begins the dual tasks of persuading policy makers of the innovation's potential for positive impact, and promoting the adoption of the policy at its

optimum scale. Following these steps, policy entrepreneurs often spend their time engaging and energizing support networks for the policy. This level of network involvement requires that an immense investment of time and effort be made without a guarantee of success (Mintrom, 1997; King & Roberts, 1987). Although policy entrepreneurs play an influential role in effecting change at the state level, they cannot implement policy entirely on their own initiative. Usually, other conditions that make policy adoption feasible must be present for successful implementation to occur. The following models of policy innovation describe some of these contributing conditions.

Internal Determinants Model

The internal determinants model posits that a state's internal characteristics govern its policy adoption process. Proponents of the internal determinants model have suggested that these internal characteristics—whether economic, political, or social—are often directly related to the motivation to innovate, the strength of obstacles, and the availability of resources (Berry & Berry, 1999; Mohr, 1969). Motivation of a state government to adopt a new policy is largely determined by both (a) the number of internal characteristics present at the time a policy is introduced, and (b) the extent of interaction among these characteristics (Brown, 1981). The model is labeled an internal model because a state is motivated to innovate under conditions specific to that state and is not influenced by the activities of other states. As described in the internal determinants model, the circumstances under which states are most likely to innovate include the following conditions:

1. The emergence of a problem or crisis often necessitates changing existing circumstances; emergencies typically increase the likelihood of policy adoption. Moreover, both the likelihood of adoption and the rate of diffusion increase if the proposed innovation is perceived as compatible with the current circumstances and the generally accepted values and norms of the social system (Nice, 1994; Rogers, 1995).
2. The comfort level of key players with existing state policies also influences adoption of policy innovations. If officials are satisfied with the status quo, it is unlikely that they will have any interest in initiating change. However, consistent demands for change that arise from political, economic, and social arenas may provide the needed impetus to motivate change (Berry & Berry, 1992; Hanson, 1983).
3. Statewide program innovation and implementation carry high costs. Thus, the availability of resources may increase the motivation of decision makers to initiate a search for new ideas, study their effectiveness, and incorporate positive results into practice (Berry & Berry, 1999; Jensen, 2004). It is not surprising that researchers consistently report that larger and wealthier states adopt new programs faster than smaller and

poorer states (Gray 1994; Walker 1969). However, 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. The overall attitude toward change held by those promoting innovation (based on their level and quality of experience with change) has the potential to affect a state government's acceptance of innovation.

Although the internal determinants model describes and explains these conditions under which states are likely to adopt and implement new ideas, the model fails to consider the influence of other states' activities and ideologies. The following policy diffusion models suggest a different approach to policy innovation that is inherently intergovernmental; the models regard the adoption of a policy in one state as an emulation of earlier policy adoptions in other states (Kingdon, 1984).

Policy Diffusion Models

Policy diffusion is most frequently defined as "the process by which innovation is communicated through certain channels over time among the members of a social system" (Rogers, 1995, p. 5). Despite this commonly used definition, policy diffusion models differ in their explanations of the way states communicate with and influence one another. Berry and Berry (1999) suggested that most diffusion models incorporate one of the following aspects of interaction: (1) states learn from one another, (2) states compete with one another, or (3) states respond to persuasion that comes from either the general public or the national government.

Regional diffusion model. One of the more widely used policy diffusion models is the regional diffusion model, which was described by Hagerstrand (1953, p. 21) as a "contagious and social process." This model posits that a state is influenced by the actions of its neighbors (i.e., both immediate neighbors as well as those states within a geographic region), and will often emulate such actions. Some diffusion theorists have suggested policy adoption in one state increases the likelihood of that policy being adopted in the neighboring states (Berry & Berry, 1992, 1999; Gray, 1994; Mooney & Lee, 1995; Walker, 1969).

Jensen (2004) amended the regional diffusion model by stating that innovation diffusion is not solely reliant on states emulating those in close geographical proximity. He argued that additional factors such as political and cultural similarities between states, and, conversely, competition among states, are equal to proximity in influencing states' decisions to adopt policy. Moreover, a study conducted by Grossback, Nicholson-Crotty, and Peterson (2004) concluded that the similarity of ideology between the adopting state and previous adopters played a more salient role in driving policy innovation than did geographic proximity. States determine the ideological foundation

of a proposed policy by examining which states have already adopted the policy. Thus, a state's decision to adopt the same policy may be based on congruence of baseline ideologies with early adopters' ideologies.

National interaction model. The national interaction model proposes that innovation diffusion results from frequent, regular interaction of state officials. During these interactions, officials share information regarding programs in their state. Therefore, the probability of a state adopting an innovation first implemented in another state largely depends on the number and frequency of interactions between the states' officials (Berry & Berry, 1999; Gray, 1973; Maienhofer & Finholt, 2002; Walker, 1969).

Although interaction undoubtedly plays an important role in policy innovation, some researchers hold that policy adoption is not always well predicted by this model because it assumes that all potential adopters are equally likely to adopt, and that potential adopters' interactions are random (Berry & Berry, 1999); however, neither assumption is likely to be true. For example, some state officials are proactive and desire to be on the "cutting edge," and thus are willing to take risks to bring about innovation, whereas other state leaders are reactive, choosing to take a "wait-and-see" approach, and delay adoption until an innovation is accepted as standard practice (Dunsenbury & Hansen, 2004).

Vertical influence model. The vertical influence model emphasizes the role of the national government as the key element in policy diffusion, and holds that the states are more likely to adopt federal policies than to emulate policies of other states (Berry & Berry, 1999). Specifically, the vertical influence model posits that states are most likely to adopt policy innovation in response to federal mandates, and the adoption process is further enhanced when federal funding and incentives are attached to the mandate (Berry & Berry, 1999). Furthermore, researchers have indicated that adoption of policy innovation is influenced by the national government's expectation that states will conform to federal standards (Brown, 1981; Walker, 1969).

Similar to the criticism of the internal determinants model, all three of the policy diffusion models we have presented are limited because of their exclusivity: they do not take into account the ways in which a state's internal characteristics influence its policy innovation activities. Therefore, research on policy innovation should give careful consideration to the influence of both internal and external forces on a state's policy adoption process (Berry & Berry, 1999). The objective of the current study was to examine the diffusion process of the IDA policy and to determine which of the above models best explains the successful efforts to move IDA from policy innovation to policy instruments.

IDAS: FROM CONCEPT TO POLICY

The IDA concept was first introduced in the late 1980s by policy entrepreneur Michael Sherraden. He proposed that U.S. social welfare policy take a

more progressive, inclusive approach by implementing asset-building opportunities for all people, not just the wealthy few. Historically, asset-building policies were those designed to “grow” the economy at the individual and family levels, as well as at the local and national levels. Examples of these policies include the 1862 Homestead Act and the 1944 G.I. Bill, which transferred large amounts of public assets (i.e., land and money for educational expenses) to private ownership. These policies not only appealed widely to individuals and families, but also contributed to the nation’s economic growth and development. However, either by design or by practice, many low-wealth individuals and families, including minorities, were excluded from participation or from receiving the benefits of these policies.

IDAs were initially conceived as privately owned, long-term savings accounts that would be established for every U.S. citizen, and partially supported with public funds. Individuals’ contributions (i.e., deposits) to the accounts would be supplemented with deposits from other private and public sources to mark 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. At 18 years old, individuals would be allowed to withdraw from their account to make an investment in a high-return asset, such as homeownership, small business capitalization, or postsecondary education (Sherraden, 1991).

As conceived by Sherraden, IDAs represented an innovative way to create inclusive policy. IDA policy would provide the incentives, in the form of actual accounts, financial education, and matched savings, that would enable all low-income persons to save and accumulate assets within an institutional framework. As a policy instrument, IDAs would test the efficacy, social benefits, and impact of saving and building assets for people earning low incomes. In addition, IDAs would require institutionalized financial mechanisms to facilitate a universal asset-building policy in the United States (Sherraden, 1991).

RESEARCH QUESTIONS AND HYPOTHESES

This study seeks to address the following research questions and hypotheses:

1. To what extent did policy entrepreneurs play a role in initiating the adoption of IDA policy?
We hypothesized that policy entrepreneurs played an important role in the early stages of IDA policy adoption.
2. What internal determinants motivated states to adopt IDA policy?
We do not propose a hypothesis for this question because it is an exploratory question that is not testing a hypothesis.
3. Based on the regional diffusion and national interaction models, which of the three factors—geographic proximity, similarity of ideology, or the

interaction of state officials—was predominant in facilitating IDA policy diffusion?

We hypothesized that the interaction of state officials and advocates played the most significant role in facilitating the diffusion of IDA policy.

4. Among the three diffusion models presented in this paper—regional diffusion, national interaction, vertical influence—which model best represents the strongest influences related to IDA policy diffusion?

We hypothesized that among the three diffusion models the vertical influence model best explains the process of IDA policy diffusion.

METHODS

A case study approach was used to analyze data for this study. The analyses were conducted using existing data obtained from interviews with key informants and a nationwide survey. These data were collected by the Center for Social Development (CSD), a research and policy center based at the Brown School of Social Work, at Washington University in St. Louis, Missouri. CSD has played a leadership role in collecting, monitoring, analyzing, and disseminating information on state IDA policymaking efforts since 1999 and has provided technical assistance to states interested in developing IDA policy and programs. As part of this work, CSD developed an infrastructure to keep careful record of all communications with states regarding their IDA activity. At this time, CSD is considered the premier source of information on the conceptualization, development, and implementation of state-level IDA policy in the United States.

The interviews were conducted on an ongoing basis by CSD staff between 1999 and 2004 with key informants at the different states that were developing IDA programs or had passed IDA legislation. The purpose of the interviews was to collect information that could be used to increase the effectiveness of IDA programs and help inform strategic planning and policy directions with respect to taking IDAs to scale. Forty interviews were conducted with state administrators and policy advocates, as well as representatives of several national networks (Zdenek & Stein, 2003).

A second study conducted by CSD in 2005 complemented the key informant interviews. Data were obtained from a nationwide survey that was distributed to all states with existing IDA programs that were being implemented at the time. The purpose of the survey was to examine state level IDA policy activity, program development, administration, and research. Topic areas that the survey covered include establishment of state IDA programs, administration of programs, length of time in operation, state fiscal support, interstate collaboration efforts, program participation, and evaluation efforts (Warren & Edwards, 2005).

The respondents of the survey included State Department or Agency personnel who were designated as the fiscal agent of the program and representatives from non-profit organizations contracted to implement the state IDA programs. Twenty-one states, out of a possible twenty-two states, plus the District of Columbia and Puerto Rico, responded to the survey. Nine state IDA Program Administrators and 14 non-profit Program Administrators completed the survey.

Data Analysis

Several staff from the Center for Social Development conducted the interviews including the principal investigators and two master level student research assistants. Consultants with expertise in this area, from outside the University community, were also utilized. Most of the interviews were phone or in person interviews and were audio taped. In several cases however, respondents asked for a survey style interview and were sent the interview protocol and directions for answering the questions. These interviews were returned to the research team by mail or email. In the first phase of analysis, the recorded interviews were transcribed and analyzed using a thematic approach. The interview questions were put into categories in data tables and participant responses were compared question by question.

The data were then carefully examined to identify recurrent themes and key trends. The information was organized according to the following thematic groups: "policy/program design, program administration, barriers, reaching new constituencies and linking with other groups, funding and resources, strategies to promote at the national level, strategies to promote at the state level, and strategies for using national IDA networks" (Zdenek & Stein, 2003, p. 1).

The analysis phase was conducted in an iterative process to ensure that the findings were reliable. The students and consultants conducted the first stage of analysis and assigned the data to the appropriate thematic groups. The principal investigators then reviewed this work and identified issues requiring further discussion. When necessary the interviewers re-contacted respondents to resolve discrepancies in the data (i.e., when multiple respondents from the same state gave contradictory information) and then made a final decision about the assignment of the information to the appropriate thematic groups. Consensus between the two principal investigators on any disagreements prevailed, whenever group consensus with all team members could not be reached.

The survey data were then reanalyzed using both qualitative and quantitative methods for the purpose of addressing the research questions in this study. The quantitative technique involved calculating basic descriptive statistics followed by a thematic analysis of data obtained from open-ended questions on the survey. The second phase of analysis was theory driven

and involved identification of salient themes across both sets of data relevant to the models being tested in this study. Information that emerged in the analysis process was then organized into one of the following groups: regional diffusion model, national interaction model, or vertical influence model.

RESULTS

The policy innovation models we have presented hold that policy adoption occurs in a segregated, predictable manner influenced by a state's internal economic, political, or social characteristics, or by factors external to the state, such as geographic proximity to early adopters of a policy, interactions among state policy leaders, or influence by the federal government. However, the successful adoption of IDA policy and its transformation from concept into reality occurred because of a combination of factors that were drawn from several of the models. This alignment of factors suggests that it may not always be possible to explain the process of policy diffusion through a single model, but rather through the integration of several models because of the complex processes involved in policy innovation and adoption.

The Role of the Policy Entrepreneur

During the 1980s and 1990s, IDA policy efforts brought together three key policy entrepreneurs to work toward developing and establishing IDA policy at the state and federal levels: Michael Sherraden, who created the concept of IDAs; Robert Friedman, who founded the Corporation for Enterprise Development (CFED) as a nonprofit entity dedicated to promoting innovative programs and policies to help low-income individuals build assets; and Ray Boshara, who crafted the original federal IDA legislation introduced in 1991, and who serves as the federal congressional aide to Representative Tony Hall (D-OH) (Boshara, 2001).

Sherraden conceived of IDAs as part of a larger, universal asset-building policy system. To facilitate this policy change, he suggested that asset limits for means-tested programs be raised significantly or removed so that low-income families could build wealth. Toward this end, in 1992 Sherraden began working with the Secretary of Housing and Urban Development Jack Kemp to change the existing welfare policies (e.g., the Food Stamps Program, Aid to Families with Dependant Children [AFDC]) that penalized individuals needing temporary public welfare assistance by requiring that individuals eligible for these aid programs could own few assets (Edwards & Mason, 2003). Specifically, the asset limits required individuals or families to spend or "cash in" their assets to qualify for even temporary public assistance. However, Sherraden helped secure a presidential proposal that

allowed states to raise the asset limits from \$1,000 to \$10,000 for families receiving AFDC. In addition, a subsequent policy change permitted states to apply for federal welfare reform waivers that allowed raising asset limits for innovative welfare programs. These federal initiatives resulted in 44 states seeking waivers to increase asset limits as part of state efforts toward welfare reform.

In the early discussions related to the implementation of IDAs, political leaders and the IDA policy entrepreneurs identified three primary obstacles to the adoption of IDA policy. First, the implementation of IDA policy would require a philosophical shift in the management of public welfare policy. Public officials perceived overhauling the system of public benefits as both an extensive and expensive proposition. Furthermore, most public officials perceived the transfer of public funds to private savings accounts of the poor as a risky proposition that ran counter to the assumption that the poor could not save. Second, because most welfare reform in the early 1990s proposed that states receive block funding, which shifted responsibility for allocation of funds to the states, the states were reluctant to commit substantial funds to a particular strategy, such as IDAs. Third, many states were concerned that committing to an IDA program would leave them with insufficient funds for higher priority purposes (Edwards & Sherraden, 1995). Taking these concerns into consideration, the policy entrepreneurs developed and proposed IDA policy as a short-term demonstration project, which was an approach that appealed to policy makers because there was no commitment to continuing the policy if it proved to be ineffective.

However, early policy adoption and diffusion efforts met with both success and failure. The process began in the early 1990s when three states (Iowa, Colorado, and Oregon) were selected as potential host states for IDA policy demonstration projects by IDA policy advocates. Only Iowa and Oregon were successful at passing IDA legislation at that time, although neither state was able to get a funding appropriation for IDA policy. A few years later, the IDA concept picked up important support from a growing grassroots movement of forward-thinking legislators and nonprofit policy advocates determined to create demonstration projects to build assets for the poor. These policymakers and advocates did not want to wait for the federal government to reform its welfare programs, before legislating IDAs. Although the private sector can often implement innovation more quickly than public systems, most of these community-based IDA programs were small in scope and new in implementation, and could not provide significant evidence of success. Even though there were few evidence-based examples of IDA policy to draw from, at that time, a number of states did implement and support larger IDA demonstration projects, taking bold steps toward instituting asset-building policies for low-income constituents.

As to the demonstration site states, Iowa was the first state to adopt IDA policy as part of a sweeping welfare reform bill passed in 1993.

Although the Iowa IDA program took 3 years to reach the level of full operation, Iowa IDA legislation became the prototype for other states interested in adopting IDA policy (Edwards & Mason, 2003). Oregon passed a modified IDA policy as the Children's Savings Account legislation in 1991, which proposed creating IDAs for all Oregon children. Despite passage of the legislation, the program never received funding appropriations (Stein & Freedman, 2003). The initial Colorado IDA legislation came close to passing, but failed because of budgetary constraints. However, Colorado returned to the policy, and passed IDA legislation in 2000. Given the lack of empirical evidence related to IDAs, the passage of IDA legislation by early adopters relied largely on the conceptual strength of the policy, and the bi-partisan appeal of IDAs as a promising policy innovation (Edwards & Mason, 2003).

The next two states to adopt IDA policy were Texas and Tennessee, both of which passed IDA legislation in early 1996. In the period following the 1996 federal welfare reforms, a large number of other states passed IDA legislation. Significantly, most states that passed IDA policy enacted the legislation during the post welfare reform period from 1997 to 2000 (Edwards & Mason, 2003; Edwards & Rist, 2001). It is important to note many states passed IDA legislation during that time because welfare reform policy allowed TANF funds to be used to support IDAs. Those states wanted to declare interest in IDAs so that they could use the money for that purpose down the road, if opportunities arose.

The early work of the policy entrepreneurs played an integral role in developing and facilitating the initial stages of IDA policy adoption by many states in the 1990s; this supports our first hypothesis. However, more widespread acceptance of IDAs took considerably longer and came about when state leaders recognized the value and benefit that IDAs afforded low-income residents.

Internal Determinants that Motivated States to Adopt IDA Policy

The second research question that guided our inquiry was related to examining the internal determinants that motivated the adoption of IDA policy. From the beginning of IDA policy development in the United States, internal determinants related to IDA adoption—such as the emergence of a problem, and a booming economy—were not only present but also influenced the perception of IDAs.

The emerging problem was the recognition that prior to welfare reform, welfare policies primarily focused on income supports for low income populations and did not provide the asset building tools necessary for long-term social and economic development. In addition, a growing income and assets inequality between the poor and the rich continued to widen. These factors led policy makers to search for additional approaches to help low income individuals become self-sufficient. In turn, both federal

and state governments became more open to innovative policy concepts that would promote social and economic development. This new era ushered in a shift in the basic paradigm from using only income transfers as the main social welfare policy, to seeking strategies that would complement income support programs with additional asset-building opportunities for the working poor.

A second internal determinant predisposing states to the adoption of IDA policy was the upturn in the domestic economy. At the beginning of the 1990s, the financial picture of low-income families in the United States looked bleak; however, as the decade progressed, a booming economy created a favorable environment for both employment and the adoption and funding of innovative policies to build assets for American families—even policies directed toward poor families.

These internal determinants influenced the decision of several states to adopt IDA policy. However, these factors were part of the experience of nearly all states, not only the ones that adopted IDA policy. Thus, in response to our second research question, it seems that the presence of these two internal determinants (i.e., the emergence of a problem, and the availability of resources) were influential, but not predictive, in states' decisions to pass IDA legislation.

Diffusion Models and IDA Policy Diffusion

Our third and fourth research questions looked at three policy diffusion models: regional diffusion, national interaction, and vertical influence. The third research question was based on the regional diffusion and national interaction diffusion models, and asked which of three factors was predominant in facilitating IDA policy diffusion: geographic proximity, similarity of ideology, or the interaction of state officials. The fourth research question examined the three diffusion models to determine which model had the strongest influence on IDA policy diffusion.

Regional diffusion model. The regional diffusion model provides an explanation of IDA policy diffusion for most of the 36 states that passed IDA laws from 1993 to 2004, many of which were based on the first few examples of successful IDA legislation. Several others however, were based on the language in the welfare reform bill of 1996. The passage of IDA legislation by the early adopters encouraged other states pursuing welfare reform and asset-building policy to push forward with similar legislation. In the five years after the adoption of IDAs in Iowa, several other states enacted similar legislation, including Texas, Tennessee, Indiana, and Ohio. The adoption of IDA policy in these states was, in large part, motivated by the states' sharing a common Midwestern geography (Indiana and Ohio) and a common ideology related to welfare reform policies (Texas and Tennessee) (Edwards & Mason, 2003).

In addition, the regional diffusion model as related to IDA policy is illustrated by dyads of states in geographic proximity to one another such as Ohio and Pennsylvania, Maryland and Virginia, Indiana and Illinois, and Tennessee and Kentucky who proposed IDA legislation in close order to one another. Legislators often expressed interest, to IDA advocates, in what neighboring states and other states in their region were doing regarding IDA policy activity. These states seemed to pursue IDA legislative proposals in order to avoid being left out of this innovation trend.

National interaction model. The national interaction model posits that policy diffusion comes through frequent, regular interactions among state officials. IDA policy development in the United States also demonstrates this model of policy diffusion. IDA policy advocacy began at the grassroots level, and was principally driven by community-based nonprofit agencies that embraced the concept of asset building as an innovative way to move their clients up the economic ladder. The efforts of organizations such as CSD, Corporation for Enterprise Development, and the philanthropic community were critical in moving the IDA policy dialogue to the national level. These organizations used their national platforms at conferences, Web sites, and networking expertise to disseminate the pivotal research findings emerging from the American Dream Policy Demonstration (ADD), which was a large-scale, multi-site IDA policy demonstration project. Furthermore, the ADD research highlighted the effective practices of community-based IDA programs, which, in turn, was used to support state-level IDA policy amendments, and to introduce less restrictive, more flexible language in both existing and newly proposed state IDA legislation (Edwards & Mason, 2003).

The progression of this extensive dissemination of research evidence and policy development came in the late 1990s, when national associations and organizations began to disseminate information about IDA policy to their membership. This dissemination represents a critical element when explaining policy diffusion using the national interaction model. For example, the national groups involved with IDA policy dissemination efforts included state government intermediary organizations and associations such as the National Council of State Legislatures, and the National Governor's Association. Further, as state government officials began to discuss IDA policy development and funding possibilities at conferences and other venues sponsored 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 made through these venues.

The third research question for this study asked which of the three factors reflected in two of the models—geographic proximity (regional diffusion model), similarity of ideology (regional diffusion model), or the national interaction model itself—played the most significant role in facilitating IDA policy diffusion. Based on the evidence presented above, we concluded

that interaction among state leaders and communication between organizations such as CSD and CFED with policy makers, played the more influential role in states deciding whether or not to pass IDA legislation.

Vertical influence model. The vertical influence model of diffusion suggests that states will be more inclined to adopt federal policy when mandated to do so and when the policy is accompanied by financial incentives. Two elements proved crucial to the rapid diffusion of IDA policy in the mid 1990s: the 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 participants' savings in IDA programs. This incentive positively affected the creation of many state-level IDA policies. At least 10 states passed IDA legislation that mirrored Section 404(h) of the Act, so that TANF funds could be tapped for IDAs as funding levels allowed by stating that TANF funds may be used for IDAs. Although some states never acted upon or funded those pieces of legislation, in the time since 1996, a significant number of states have invested several millions of TANF dollars into state-supported IDA programs.

The final hypothesis for this research study stated that of the three diffusion models presented, the vertical influence model best explained how IDA policies were adopted in the United States. Although early adopter states, such as Iowa and Oregon passed IDA legislation before the Welfare Reform Act of 1996, the vast majority of states either incorporated IDA policies into their welfare reform bills or implemented IDAs shortly after welfare reform. The federal government's financial incentives provided to states interested in implementing IDAs played a crucial role in influencing successful passage of IDA legislation in many states. Our final hypothesis is supported: the vertical influence model best explains why IDA policy innovation has been so successful and under what circumstances it was diffused.

CURRENT STATUS OF IDA PROGRAMS AND POLICY

Over the past decade and across all 50 states, grassroots program development and policy advocacy have created some 500 community-based IDA programs, including programs directed toward specific population groups including Native Americans, refugees, and people with disabilities. Moreover, an estimated 20,000 IDA program participants have established savings accounts through these programs (based on combined data collected independently by CSD in 2002, and by CFED in 2003). Although a modest beginning in terms of total numbers, the IDA policy precedent and models represented are important and influential to future policy design. As a policy mechanism, IDAs 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 proposal and others adopting amended versions based on ADD findings or other evidence of IDA program success. As previously mentioned, a primary outcome of the collective policy efforts was that nearly all states raised asset limits for welfare assistance programs, which, in turn, created an opportunity for states to consider adopting innovative asset building initiatives to assist the working poor to save and build assets (Greenberg & Savner, 1996). An impressive result of these collective policy efforts and one that is indicative of the substantive changes IDA policy has made in social policy, was the inclusion of Section 404(h) in the Welfare Reform Act, which prohibits the inclusion of IDA savings and matched funds as assets when determining eligibility for means-tested welfare programs. Most recently, Ohio and Virginia eliminated all asset limits and means testing in welfare programs, and Illinois eliminated selected asset limits, to allow for greater asset accumulation by individuals and families with low-incomes.

Over time, the early IDA legislation crafted by Boshara evolved into the Assets for Independence Act (AFIA), which was signed into law by President Clinton in 1998. The passage of AFIA prompted several states to enter collaborative partnerships with community-based nonprofit organizations to apply for AFIA dollars (only nonprofit agencies are eligible to receive these funds). Under this program, the state-sourced IDA funding qualifies for one-to-one federal matching funds. At least four states passed IDA policy that mirrors AFIA policy language, specifically to compete for federal dollars (CSD, 2002). Other states discovered that their IDA programs could still qualify for and receive AFIA matching dollars even though these states had not exactly replicated AFIA policy language. This recognition influenced still more states to pass IDA legislation (Zdenek & Stein, 2003).

The continued work of a variety of organizations supporting IDA policy initiatives 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. President Bush actively promoted the Charitable Aid, Recovery, and Empowerment Act (CARE), which includes the Savings for Working Families Act (SWFA). SWFA is IDA legislation that provides 100% federal tax credits to financial institutions contributing to IDAs, creating the potential for 300,000 accounts over nine years. This IDA provision was included in the 2005 version of the CARE Act passed by the Senate, but was not included in the House version. The 108th Congress adjourned without resolving the disparity between the two bills. However, CARE is part of the Senate leadership's top priorities for the 110th Congress.

CONCLUSION

The diffusion of IDA policy is considered a success because 39 states adopted a version of the policy within the first decade of its introduction. The purpose of this article was to explore how well policy adoption models explain the implementation and diffusion of IDA policy using a case study design. We found that the combination of four features drawn from various models was required to best explain the mechanism of the IDA adoption process: (1) innovative policy entrepreneurs; (2) similarity of states due to geographic proximity or ideology (regional diffusion model); (3) the influence of state officials (national interaction model); and (4) mandates and incentives from the federal government (vertical influence model). The internal determinants model suggests that factors internal to a state affect a state's decision to adopt new public policy. However, we could not identify any internal determinants with certainty that specifically influenced any one state in its decision to pass IDA legislation. Instead, we identified contextual factors that most states in the country were experiencing during the 10 years of IDA policy adoption, but not only the states that decided to adopt IDA policy.

IDA policy entrepreneurs helped policy makers realize the connection between asset building and welfare policy for low-income and low-wealth individuals. These policy entrepreneurs presented a clear argument that IDAs were not just another welfare program, but rather can be a new innovative asset-based policy that will supplement traditional income transfer programs. The early survival and diffusion of IDA policy depended on these entrepreneurs and their communication with key policy makers. The policy entrepreneurs convincingly shared information about how IDAs could help economically disadvantaged individuals achieve long term social and economic development.

Despite the early influence of policy entrepreneurs on the policy adoption process, a combination of two models (i.e., the national interaction model and the vertical influence model) best explains the process of IDA policy diffusion. Communication between state policy leaders about the role of IDAs in helping low-income families generate assets was influential in the IDA diffusion process. Early state adopters and advocates of IDAs traveled to other states and shared information at national meetings about their experience with IDAs. This interstate contact around IDAs in turn prompted state leaders to propose and push for passage of IDA legislation in their own states. The federal government played perhaps the most important role in the diffusion process. Passage of the Welfare Reform Act of 1996 was accompanied by financial incentives that allowed states to use TANF funds as matching dollars for participants' IDA deposits. Many states took advantage of this opportunity and implemented IDA programs in the years following the Welfare Reform Act.

There are two limitations to our study that should be noted. First, our analysis relies on a case study approach to explore the implementation and diffusion of a single public policy in the United States. The diffusion process for IDAs however, may not fully generalize to other types of public policies in the country or world. It is important to keep in mind that the models we use to explain IDA diffusion may operate differently under other conditions and when applied to other policies.

Second, it is difficult to define what constitutes successful policy adoption. In this paper, we define success as a state's ability to develop and implement an IDA program. There are however, other ways of characterizing successful adoption such as whether a state passes IDA legislation or obtains the necessary funding to carry out implementation. Despite these limitations, this study draws from empirical evidence that provides a unique opportunity to examine how the diffusion of an innovative policy occurs.

"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 & Finholt, 2002, p. 276). The development of IDA policy supports Maienhofer and Finholt's suggestion that policy diffusion may not be easily modeled. The models presented in this paper capture unique components of the adoption and diffusion process and provide insight into the complexity of introducing and disseminating policy. The use of several models makes it possible to more adequately predict the adoption and diffusion process of a proposed policy.

Two key lessons from the IDA process that could be instructive for future policy implementation efforts are worth mentioning here. First, states might have derived more benefit from having greater access to several individualized IDA policy models, designed with specific options they could use to meet the needs of their constituencies. Instead, states often used general conceptual models of IDA policies replicated from other states, from which they developed policy that honored the asset-building concept, but was not necessarily best suited to serve the constituency in their states. The second lesson is that support from national intermediaries, such as the National Governors Association and the National Conference of State Legislatures, would have been more helpful if offered at an earlier stage in the state-level IDA policy adoption process. These organizations have powerful abilities to widely disseminate information on policy innovations and trends, and an earlier effort to do so could have enhanced the policy diffusion process for IDAs. Understanding these lessons and a variety of policy diffusion models will well equip researchers, policy advocates, and policy makers to develop effective strategies for moving a policy innovation forward as social change.

REFERENCES

- Berry, F. S. & Berry, W. D. (1992). Tax innovation in the states: Capitalizing on political opportunity. *American Journal of Political Science* 36, 715–742.
- Berry, F. S. & Berry, W. D. (1999). Innovation and diffusion models in policy research. In P. Sabatier (Ed.), *Theories of the policy process* (pp. 169–200). Boulder, CO: Westview Press.
- Boshara, R. (2001). Asset-building and IDA Policies. In R. Boshara (Ed.), *Building assets: A report on the asset-building and IDA field* (pp. 81–100). Washington DC: Corporation for Enterprise Development.
- Brown, L. A. (1981). *Innovation diffusion: A new perspective*. London: Methuen.
- Center for Social Development. (2002). *State assets policy*. Washington University: Center for Social Development. Retrieved June 13, 2007, from <http://gwbweb.wustl.edu/csd/policy/index.htm>
- Dusenbury, L. & Hansen, W. (2004). Pursuing the course from research to practice. *Prevention Science*, 5, 55–59.
- Edwards, K. & Mason L. (2003). State policy trends for Individual Development Accounts in the United States, 1993–2003. *Social Development Issues*, 25(1/2): 118–129.
- Edwards, K. & Rist, C. (2001). *IDA state policy guide: Advancing public policies in support of Individual Development Account–2001*. Washington DC: Corporation for Enterprise Development.
- Edwards, K. & Sherraden, M. (1995). *Individual Development Accounts: Asset-based policy innovation*. St. Louis, MO: Washington University: Center for Social Development.
- Gray, V. (1973). Innovation in the states: A diffusion study. *American Political Science Review*, 67, 1174–1185.
- Gray, V. (1994). Competition, emulation, and policy innovation. In L. C. Dodd & C. Jillson (Eds.), *New perspectives on American politics* (pp. 230–248). Washington DC: Congressional Quarterly Press.
- Greenberg, M. & Saver S. (1996). *Waivers and the new welfare law: Initial approaches in state plans*. Washington DC: Center for Law and Social Policy.
- Grossback, L. J., Nicholson-Crotty, S., & Peterson, D. M. (2004). Ideology and learning in policy diffusion. *American Politics Research*, 32, 521–545.
- Hagerstrand, T. (1953). *Innovation diffusion as a spatial process*. Chicago: University of Chicago Press.
- Hanson, R. (1983). The intergovernmental setting of state politics. In V. Gray & H. Jacob, (Eds.), *Politics in the American states: A comparative analysis* (6th ed.; pp. 27–56). Washington, DC: CQ Press.
- Hoppe, R. (2002). Cultural theory's gift for policy analysis. *Journal of Comparative Policy Analysis: Research and Practice*, 4, 235–241.
- Jensen, J. L. (2004). A multipopulation comparison of the diffusion of public organizations and policies across space and time. *Policy Studies Journal*, 32, 109–127.
- King, P. J. & Roberts, N.C. (1987). Policy entrepreneurs: Catalysts for policy innovation. *Journal of State Government*, 60(4), 172–179.
- Kingdon, J. W. (1984). *Agendas, alternatives, and public policies*. Boston: Little, Brown.

- Kingdon, J. W. (2003). *Agendas, alternatives, and public policies*. New York: Longman.
- Maienhof, D. & Finholt, T. (2002). Finding optimal targets for change agents: A computer simulation of innovation diffusion. *Computational & Mathematical Organization Theory*, 8, 259–280.
- Mintrom, M. (1997). Policy entrepreneurs and the diffusion of innovations. *American Journal of Political Science*, 4, 738–770.
- Mohr, L. B. (1969). Determinants of innovation in organizations. *American Political Science Review*, 75, 963–974.
- Mooney, C. Z. & Lee, M-H. (1995). Legislating morality in the American states: The case of pre-Roe abortion regulation reform. *American Journal of Political Science*, 39, 599–627.
- Nice, D.C. (1994). *Policy innovation in state government*. Ames: Iowa State University.
- Rogers, E. M. (1995). *Diffusion of innovations* (4th ed.). New York: Free Press.
- Sabatier, P.A. (1999). *Theories of the policy process*. Boulder, CO; Oxford: Westview Press.
- Schneider, M., Teske, P., & Mintrom, M. (1995). *Public entrepreneurs: Agents for change in American government*. Princeton, NJ; Princeton University Press.
- Sherraden, M. (1991). *Assets and the poor: A new American welfare policy*. Armonk, NY: M.E. Sharpe, Inc.
- Sherraden, M. (2000). From research to policy: Lessons from Individual Development Accounts. *Journal of Consumer Affairs*, 34, 159–181.
- Stein, B. & Freedman, R. (2003). *Children's Development Accounts: The Oregon story* (Research report). St. Louis, MO: Washington University: Center for Social Development.
- Walker, J. L. (1969). The diffusion of innovations among the American states. *American Political Science Review*, 63, 880–899.
- Warren, N. & Edwards, K. (2005). *Status of state supported IDA programs in 2005*. St. Louis, MO: Washington University, Center for Social Development.
- Zdenek, R. O. & Stein, B. (2003). *Recommendations from the field: Individual Development Accounts as part of a universal asset-building system* (Policy report). St. Louis, MO: Washington University, Center for Social Development.