

# **ASSET BUILDING POLICIES IN MASSACHUSETTS**

**INSTITUTE ON ASSETS  
AND SOCIAL POLICY**

**The Heller School for Social Policy and Management**  
Brandeis University, Waltham, Mass.

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## **About the Institute**

The Institute on Assets and Social Policy (<http://iasp.brandeis.edu>) of the Heller School for Social Policy and Management at Brandeis University generates policy ideas to broaden wealth, reduce inequality, and improve the social and economic mobility of low-income American households by promoting asset building. The Institute fulfills its mission through research, analysis, education, and public engagement. Working in partnership with a wide range of organizations, the Institute bridges the worlds of academic research, government policy making, and the interests of constituencies.

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## Introduction

Many states are developing the elements of a policy framework with “asset building” at its core. Central to this framework is the recognition that all households need to build assets in order to succeed. Assets are the resources and capacities that enable individuals to achieve economic stability. There is a growing realization in this country that we all share the need to develop personal and financial assets.

The Institute on Assets and Social Policy at Brandeis University envisions an asset policy framework that does not stratify citizens into separate tiers, some deserving and other not, some worthy of sustaining social investments and others deserving only of temporary assistance. Instead, asset policy universally addresses the shared needs and aspirations of households by rewarding work, and promoting initiative and self-reliance. It embodies widely shared beliefs about fundamental fairness and real opportunity to succeed.

The Institute is providing this document as a brief analysis of a wide range of policies that can have a critical role in aiding low-income people and working families build assets. The report presents the current status of numerous policies in Massachusetts; then compares each policy to action taken in other states in New England and across the country.

This report does not intend to be a definitive collection of policies that can positively impact asset building, nor does it mean to imply that any focus on asset building must encompass all of these policies to be effective. While some of the featured policies have long been associated with asset building, others may not typically be viewed in this light. It is the latter, in particular, on which we want to turn the asset lens, while at the same time ensuring that more traditional asset building policies do not exclude those previously left out of the economic mainstream.

Massachusetts is out in the forefront in some policy areas and others states are looking our direction to see if these pioneering policies hold true to their promise. On the other hand, Massachusetts is noticeably behind the policy initiatives of some other states in a few areas and could learn much by taking a closer look at what has been effective in those states. And then there are some policy areas where every state could do more to provide all Americans with greater opportunity to enter and stay in the economic mainstream. Nonetheless, together states are laying the groundwork for a shared national strategy for building a future of greater social mobility and economic security for all Americans and in so doing, significantly broadening the nation’s middle class.

## Creating and Preserving an Asset Foundation

Providing all Americans with the opportunity to enter and stay in the economic mainstream requires public policies that ensure sufficient earnings and job-related benefits to allow families to live securely, make ends meet, and have something left over to save. It also requires policies designed to help preserve that asset foundation during life transitions and crises.

Americans expect that having a job will stave off poverty and provide opportunities to make a sustainable living from work. Recognition of the paramount importance of earned income to household independence and self-sufficiency is clearly evident in long-standing government policies such as the minimum wage, unemployment insurance and, more recently, the Earned Income Tax Credit. While the labor market largely mediates the income stream and other benefits that flow from holding a job, government policies regulate the labor market to enhance and preserve employment income and job-related benefits.

**Adequate income creates the foundation to stabilize family needs and eventually build wealth.**

Many policy makers realize, however, that in today's economy the earned income of the working poor often is not sufficient to sustain households at a minimum standard of economic well-being. While federal laws form the basis for most existing income-

related policies, state government has frequently led the way in policy experimentation, identifying when existing policies are inadequate and initiating innovative reforms. In some areas, Massachusetts has taken a lead role in that experimentation, but in other areas, the Commonwealth may want to look toward the examples of other states illustrated below.

### Minimum Wage

MA Policy: Legislation passed in 2006 will increase the Massachusetts' minimum wage from \$6.75 an hour to \$7.50 effective January 1, 2007 and \$8.00 effective January 1, 2008.<sup>1</sup> It is estimated that by 2008, 315,000 low-wage workers will be directly or indirectly affected by the wage increase. Over three-quarters (76%) of affected workers are adults and almost half (46%) are employed full-time.<sup>2</sup>

Comparison: The federal minimum wage has been \$5.15 an hour since 1997. Numerous attempts to increase it have failed, including several recent Congressional efforts to raise it to \$7.25 an hour. Currently, 12 states, including Massachusetts, have a minimum wage of \$6.75 an hour or higher, with Washington state the highest at \$7.63. In 2006, the New England states with the highest minimum wage are Connecticut at \$7.40 an hour and Vermont at \$7.25. Vermont is the newest state to join Washington, Oregon and Florida in indexing its minimum wage to

<sup>1</sup> [http://www.massbudget.org/Massachusetts\\_New\\_Minimum\\_Wage.pdf](http://www.massbudget.org/Massachusetts_New_Minimum_Wage.pdf) **Massachusetts' New Minimum Wage: \$8 in 2008**, Massachusetts Budget and Policy Center, July 2006.

<sup>2</sup> *ibid*

inflation. The effort to index Massachusetts' minimum wage failed; thus the real purchasing power will not be protected by annual cost of living adjustments. Therefore, the state may not have the highest minimum wage in the country when it increases to \$8.00 an hour in 2008. Also, Massachusetts' wage increase may not raise residents to the same standard of living as other states, such as FL, HI, IL, ME, NV, OR, RI, VT and WA, where the minimum wage is 45% to 55% of the median wage of workers in those states.<sup>3</sup>

Remarks: Minimum wage laws establish a floor for wages paid by most employers, especially for new entrants to the workforce. Increases in the minimum wage typically cause a "spillover effect", pushing up wages for workers earning above (up to one dollar more) the new minimum wage.<sup>4</sup> Studies have shown there is no negative impact on employment growth rates in states that have set a minimum wage higher than the federal level.<sup>5</sup>

## Living Wage Ordinances

MA Policy: In *Boston*, a living wage ordinance was first enacted in 1997. The current law requires businesses with city service contracts over \$25,000 to pay their employees at least \$11.57 an hour (as of 05/05). It is adjusted based on increases to the poverty guidelines for a family of four or 110% of state minimum wage, whichever is higher.<sup>6</sup>

In *Cambridge*, a living wage ordinance was enacted in 1999 that requires the city and businesses with city service contracts, subcontracts, or public subsidies over \$10,000 to pay their employees at least \$12.19 an hour (as of 05/05). It is indexed to the annual Greater Boston Consumer Price Index.<sup>7</sup>

*Somerville* enacted a living wage ordinance in 1999 that requires the city and businesses with city service contracts or subcontracts over \$10,000 to pay their employees at least \$10.17 an hour (as of 07/05).<sup>8</sup>

In May 2005, *Brookline* initiated a living wage ordinance that extends to employees of town contractors with contracts over \$25,000 (to be lowered to \$5,000 by 2008) a wage of at least \$11.15 an hour in starting 2006.

Comparison: There were at least 115 living wage ordinances in U.S. cities and counties creating bottom wages ranging from \$7.06 to \$14.75 an hour. Other living wage ordinances in New England include five cities in Connecticut where bottom wages range from \$10.23 to \$11.10 an hour.<sup>9</sup> Nationally, several jurisdictions set higher living wages for contractors that do not provide health care benefits. Since 2003, several cities have passed

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<sup>3</sup> <http://www.assetinstitute.org/pdfs/Minimum%20Wage.pdf> **Minimum Wage: Creating an Asset Foundation**, Institute on Assets and Social Policy, Revised December 2005.

<sup>4</sup> [http://www.epi.org/content.cfm/issueguides\\_minwage\\_minwagefacts](http://www.epi.org/content.cfm/issueguides_minwage_minwagefacts) **Minimum Wage: Facts at a Glance**, Economic Policy Institute, January 2006.

<sup>5</sup> <http://www.assetinstitute.org/pdfs/Minimum%20Wage.pdf> **Minimum Wage: Creating an Asset Foundation**, Institute on Assets and Social Policy, Revised December 2005.

<sup>6</sup> <http://www.livingwagecampaign.org/index.php?id=1958> ACORN Living Wage Resource Center

<sup>7</sup> *ibid*

<sup>8</sup> City of Somerville's Living Wage Ordinance (No. 1991-1)

<sup>9</sup> <http://www.livingwagecampaign.org/index.php?id=1958> ACORN Living Wage Resource Center

ordinances creating a minimum wage for most employees in the private sector, not just those working for businesses contracting with the city. Santa Fe led the way with a minimum wage of \$8.50 an hour applying to businesses with 25 or more employees. The wage will go up to \$10.50 an hour in 2008 and then be indexed to inflation.<sup>10</sup> Beginning in July 2007, a Chicago ordinance will require stores of at least 90,000 square feet operated by firms with \$1 billion or more in annual sales to pay employees a minimum of \$9.25 an hour and fringe benefits valued at \$1.50. These figures will rise to \$10 and \$3, respectively, by 2010 and then automatically be adjusted for cost-of-living.<sup>11</sup>

Remarks: Cities and counties have enacted living wage ordinances usually based on the wage a full-time worker would need to earn to support a family of three or four at 100% to 130% of the federal poverty level.<sup>12</sup>

### Self-Sufficiency Standard

MA Policy: Several bills were introduced in the recent legislative session to bi-annually establish a “self-sufficiency” standard – the amount of income necessary for a family to meet its basic needs without reliance on public or private assistance. The standard is to be reported to the legislature and state agencies and generally made available to the public. It is suggested that the standard be used as a guide for establishing policies that assist individuals who seek employment, education or training, and to aid in setting personal financial goals and estimating the income needed to support a family.<sup>13</sup>

Comparison: There is no official national self-sufficiency standard. A few other states have pending legislation similar to Massachusetts’ to establish their own standard. Connecticut has successfully enacted a statute requiring the state Office of Policy and Management to calculate a self-sufficiency measure for each region of the state. This measure is now used to identify workers without the skills to earn a wage equal to the self-sufficiency measure and to direct workforce planning boards to assist such workers.<sup>14</sup> In Delaware, the Economic Development Office uses the self-sufficiency standard to award certain state funds.<sup>15</sup>

Remarks: It is generally agreed that the federal poverty guidelines, devised almost five decades ago, no longer adequately measure the ability to meet the basic costs for food, clothing and shelter in different areas of the country. Several groups have fashioned a more accurate measure of the income needed to cover local costs of basic necessities plus work-related

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<sup>10</sup> <http://www.livingwagecampaign.org/index.php?id=1958> ACORN Living Wage Resource Center

<sup>11</sup> <http://www.chicagotribune.com/news/custom/newsroom/chi-060726bigbox-vote.1.7029868.story> ‘Big Box’ wage law passes, Chicago Tribune, July 26, 2006.

<sup>12</sup> [http://www.epinet.org/content.cfm/issueguides\\_livingwage\\_livingwagefacts](http://www.epinet.org/content.cfm/issueguides_livingwage_livingwagefacts) Living Wage: Facts at a Glance, Economic Policy Institute, 2002.

<sup>13</sup> <http://www.mass.gov/legis/184history/h03664.htm> <http://www.mass.gov/legis/184history/s01133.htm>

<sup>14</sup> <http://www.sixstrategies.org/states/statewhatdone.cfm?strStateProject=CT> Six Strategies for Family Economic Security, A Project of Wider Opportunities for Women.

<sup>15</sup> <http://www.knowledgeplex.org/showdoc.html?id=106925> Promoting Economic Security for Working Families: State Asset Building Initiatives, Fannie Mae Foundation, July 2005.

expenses such as child care and other mandatory expenses such as taxes. For example, in 2003, a two-parent family with two young children in Boston would require \$54,612 per year in income to be self-sufficient.<sup>16</sup> The official federal poverty guideline for that size family in 2003 was \$18,400.<sup>17</sup>

## Unemployment Insurance (UI)

- MA Policy:** Massachusetts permits use of an alternative base period for calculating unemployment benefits eligibility that uses earnings during the last three completed quarters (rather than the last four), plus the most recent uncompleted quarter. Separation from work due to domestic violence qualifies as “good cause” when determining eligibility. Individuals may limit work search to part-time employment if they were previously working part-time and there is a continued necessity to do so. In addition to basic coverage, those participating in a full-time job training program can receive up to 18 additional weeks of benefits (only accessed by about 2% of those receiving unemployment benefits.)<sup>18</sup> Individuals who receive benefits and whose family income is 400% of poverty or less, may be entitled to family health insurance coverage.<sup>19</sup>
- Comparison:** Many states have taken action similar to Massachusetts to make UI more responsive to the circumstances faced by today’s workers. Nineteen states use an alternative base period to count more recent earnings on UI applications.<sup>20</sup> In 28 states, workers who leave a part-time job or who are only available for part-time work qualify for UI benefits<sup>21</sup>, but only eight states (CA, DE, KS, NE, PA, SD, VT and WY) pay UI benefits to part-time workers under essentially the same rules that apply to full-time workers.<sup>22</sup> In 2004, nationally only 37% of unemployed persons were receiving benefits. In Massachusetts, 55% of unemployed people received benefits, joining Vermont and Connecticut among New England states with significantly higher UI coverage than the national average.<sup>23</sup>
- Remarks:** Federally, unemployment compensation policy remains substantially the same as it was when established in 1935 despite significant changes in the workplace over the intervening period. These changes include the

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<sup>16</sup> <http://www.sixstrategies.org/files/MAFESS.sss.report.pdf> **The Self-Sufficiency Standard for Massachusetts**, prepared for the Women’s Educational and Industrial Union, April 2003.

<sup>17</sup> <http://aspe.hhs.gov/poverty/03poverty.htm> **2003 HHS Poverty Guidelines**

<sup>18</sup> <http://www.nelp.org/docUploads/Mass%2E%20Pos%2E%20Rpt%2EFinal%2Epdf> **Protecting Working Families and Our Economy: Unemployment Insurance in Massachusetts**, National Employment Law Project, October 2003.

<sup>19</sup> <http://www.gbls.org> **Unemployment Benefits and Barriers**, Greater Boston Legal Services, February 2, 2001, and reaffirmed by Monica Halas, Jan. 26, 2006.

<sup>20</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

<sup>21</sup> *ibid*

<sup>22</sup> <http://www.nelp.org/changingworkforce/state-by-state/state-comparisons.html>, **Changing Workforce, Changing Economy: State Unemployment Insurance Reforms for the 21<sup>st</sup> Century**, National Employment Law Project.

<sup>23</sup> <http://www.nelp.org/docUploads/EastUI2004%2Epdf> **Northeastern States UI Statistics, 2004**, National Employment Law Project.

increase number of part-time and short-term workers (many involuntarily), and the fact that the majority of parents with dependent children, whether single or married, work outside the home. When UI was created, beneficiaries were largely heads of households, temporarily out of full-time work and likely to return to that or similar work after the interruption of their employment.<sup>24</sup>

## State Earned Income Tax Credit (EITC)

- MA Policy:** The state earned income tax credit rate is 15% of the federal EITC. In 2003, over 303,000 Massachusetts tax filers claimed the state EITC.<sup>25</sup> Like the federal, Massachusetts' EITC is refundable; that is, full credit is granted even if the amount of the credit exceeds the individual's tax liability. In tax year 2005, working families with children that have annual incomes below about \$31,000 to \$37,000 (depending on marital status and number of children) are eligible for the credit. The maximum state credit is \$660 for a family with two or more children and \$399 for a family with one child.<sup>26</sup> Massachusetts' legislation filed in 2005 to increase the state EITC to 30% of the federal credit did not make it out of committee.
- Comparison:** Seventeen other states and DC have EITCs, 12 of which are refundable. Other states' credits also are a flat percentage of the federal EITC and range from 5 to 32% (VT), with two exceptions. Wisconsin creates a category for families with three or more children at 43% of the federal EITC. Minnesota adjusts the percentage to reward increased earnings in families making the transition from welfare to work and losing cash assistance. Its minimum family credit is 25% of the Federal EITC, with an average of 33%.<sup>27</sup> A 2001 change in federal tax law modestly reduced the so-called "marriage penalty" by raising the income levels at which the federal EITC begins to phase out for married couples who file a joint return. This change is reflected in state EITCs because they are calculated as a percentage of the federal.
- Remarks:** The federal EITC is widely credited for supporting work and reducing poverty. More than 21 million families and individuals filing federal income tax returns – roughly one in six – claim the credit.<sup>28</sup> Indexed to inflation, it is adjusted to the cost of living. Refundable, it ensures that those who earn too little to owe taxes still receive an incentive to work comparable to the tax credit for those with a tax liability. Yet, the complexity of filing for the credit means many do not receive the full benefit. While the IRS has encouraged the creation of Volunteer Income

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<sup>24</sup> <http://www.assetinstitute.org/pdfs/promising.pdf> **Promising State Asset Development Policies: Promoting Economic Well-Being Among Low-Income Households**, Institute on Assets and Social Policy, April 2001.

<sup>25</sup> <http://www.stateEITC.info/states/massachusetts.asp> State EITC Online Resource Center

<sup>26</sup> <http://cbpp.org/7-19-05eic.htm> **The Earned Income Tax Credit: Boosting Employment, Aiding the Poor**, Center on Budget and Policy Priorities, July 2005.

<sup>27</sup> <http://cbpp.org/5-14-04sfp.htm> **A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2004**, Center on Budget and Policy Priorities, May 2004.

<sup>28</sup> *ibid.*

Tax Assistance (VITA) centers to assist low-income filers, nationally 98% of families with incomes below \$30,000 use a paid tax preparer.<sup>29</sup>

## Other State Tax Deductions for Low-Income Households

- MA Policy: *Child and Disabled Dependent Care Deduction* – Working families can deduct \$4,800 for one dependent and \$9,600 for two or more dependents for allowable care expenses from their state taxable income.<sup>30</sup> In recent years, about 45,000 tax filers have taken advantage of this.<sup>31</sup>  
*Dependent under 12 or 65 or Older Deduction* – Households that do not claim the Dependent Care Deduction can claim this deduction of \$3,600 for a single dependent or \$7,200 for two or more dependents from their taxable income.<sup>32</sup> In 2003 and 2004, about 630,000 Massachusetts tax filers claimed it for a total of about \$3.1 billion each year.<sup>33</sup>  
*Rent Paid Deduction* – Fifty percent of rent paid, not to exceed \$3,000, can be deducted from state taxable income.<sup>34</sup> In recent years, about 875,000 households have taken advantage of this for an average deduction just over \$2,500 per filer.<sup>35</sup>
- Comparison: *Dependent Child Care Deduction/Credit* – Twenty-six of the 41 states with an income tax have a dependent care tax provision for working families. In 12 states, it is a refundable tax credit allowing a filer to receive full or partial credit for child care expenses even if they do not owe state income taxes.<sup>36</sup> The federal Dependent Care Tax Credit allows families to reduce their federal tax liability by 20% to 35% (percentage decreases as income increases) of expenses up to a cap of \$3,000 for care for one dependent and \$6,000 for two or more dependents. It is not refundable.<sup>37</sup>  
*Federal Child Tax Credit* – The maximum child tax credit (CTC) is equal to \$1,000 per child. Low-income households may claim a refundable CTC of up to 15% of earnings in excess of \$11,000. The credit starts to phase out at an adjusted gross income of \$110,000 for married filing jointly and \$75,000 for single head of household. For 2005, about 95% of

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<sup>29</sup> <http://www.urban.org/publications/411145.html> **Paying the Price? Low-Income Parents and the Use of Paid Tax Preparers**, The Urban Institute, February 2005.

<sup>30</sup> [http://www.dor.state.ma.us/help/guides/abate\\_amend/personal/issues/chldcare.htm](http://www.dor.state.ma.us/help/guides/abate_amend/personal/issues/chldcare.htm) **Guide to Taxes**, Massachusetts Department of Revenue

<sup>31</sup> Mass. Department of Revenue statistics as compiled by Jeff McLynch, Massachusetts Budget and Policy Center, Boston ph. 617-426-1228

<sup>32</sup> [http://www.dor.state.ma.us/help/guides/abate\\_amend/Personal/issues/depmemb.htm](http://www.dor.state.ma.us/help/guides/abate_amend/Personal/issues/depmemb.htm) **Guide to Taxes**, Massachusetts Department of Revenue

<sup>33</sup> Mass. Department of Revenue statistics as compiled by Jeff McLynch, Massachusetts Budget and Policy Center, Boston ph. 617-426-1228

<sup>34</sup> [http://www.dor.state.ma.us/help/guides/abate\\_amend/Personal/issues/rentded.htm](http://www.dor.state.ma.us/help/guides/abate_amend/Personal/issues/rentded.htm) **Guide to Taxes**, Massachusetts Department of Revenue

<sup>35</sup> Mass. Department of Revenue statistics as compiled by Jeff McLynch, Massachusetts Budget and Policy Center, Boston ph. 617-426-1228

<sup>36</sup> [http://www.nccp.org/wizard/wizard.cgi?action=X&page=pol\\_1](http://www.nccp.org/wizard/wizard.cgi?action=X&page=pol_1) **50 State Policies**, National Center for Children in Poverty, Columbia University.

<sup>37</sup> [http://www.nccp.org/policy\\_long\\_description\\_14.html](http://www.nccp.org/policy_long_description_14.html) **Federal Child and Dependent Care Tax Credit**, National Center for Children in Poverty, Columbia University.

CTC benefits went to families with incomes between \$20,000 and \$200,000.<sup>38</sup>

*Renter's Deduction/Credit* – Massachusetts is joined by at least one other state (MN) in offering a means to keep rental housing affordable by using this expenditure to offset the amount of state income taxes owed.

Remarks: The Massachusetts tax deductions described above are not refundable credits. Qualified individuals with taxable income, regardless of their income level, can apply for the deductions. But low-income households, below the state income tax threshold, cannot apply for these benefits even though child care and rent expenses may consume a substantial portion of their earnings.

## **Paid Family Leave**

MA Policy: Several Massachusetts initiatives propose to create a paid family leave option for parents of newborns. The proposals generally offer 6 to 12 weeks of paid leave at about 50% of average weekly wages to those who meet eligibility for unemployment compensation. Proposed methods of funding include a trust fund from employer contributions, tax credits to businesses, or use of state surpluses in the general fund or Medical Security.<sup>39</sup>

Comparison: Federal law requires businesses employing 50 or more people to provide 12 weeks of unpaid family leave from work for child and health related reasons. Massachusetts, along with Maine, Minnesota, Oregon and Vermont, has extended this job protection to new parents working for employers with fewer than 50 employees.<sup>40</sup> Massachusetts is one of 26 states in which legislation was filed this year to create a funding mechanism to provide paid family leave. Coverage methods include tax credits to employers who offer this benefit and expansion of Temporary Disability Insurance (TDI) to partially compensate workers who are temporarily disabled for medical reasons, including pregnancy and childbirth.<sup>41</sup> Rhode Island and four other states (CA, HI, NJ, NY) have already enacted legislation that provides for the latter.<sup>42</sup>

Remarks: Beyond the personal and developmental benefits of making it feasible for a parent of a newborn to stay home for a brief period, there may also be economic benefits for the state and employers. Replacing 50% of wages at a low-wage job may cost less than the child care subsidy to cover cost of care for an infant. Research also shows that paid parental leave helps

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<sup>38</sup> [http://www.taxpolicycenter.org/UploadedPDF/411232\\_child\\_tax\\_credit.pdf](http://www.taxpolicycenter.org/UploadedPDF/411232_child_tax_credit.pdf) **Who Gets the Child Tax Credit?**, Tax Policy Center, October 2005.

<sup>39</sup> Taylor Hatcher, National Partnership on Women and Families, ph# 617-426-1878.

<sup>40</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

<sup>41</sup> Taylor Hatcher, National Partnership on Women and Families, ph# 617-426-1878.

<sup>42</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

keep parents in the workforce and significantly increases their likelihood of returning to the pre-birth workplace.<sup>43</sup>

## Child Care Subsidies

- MA Policy: Families with an income up to 50% of the state median income (SMI) are eligible to apply for assistance with payment for child care for work-related needs and remain eligible for assistance until their income reaches 85% of SMI. If the family has a special needs child, initial eligibility extends to 85% of SMI and continues to 100% of SMI. All but the very poorest families pay a sliding fee. For example, a family of three with income at the poverty level (\$16,090 in 2005) pays a fee of \$22.50\* per week per child, and at 50% of SMI (\$35,708 in 2004) this family pays a fee of \$87.50\* per week.<sup>44</sup> \*(Note: The sliding fee chart uses SMI figures from 10/01/00 for determination of payment at 50% to 85% of SMI.) As of June 2005, over 14,400 children living in low-income working families were on the waitlist for subsidized child care.<sup>45</sup> Families currently receiving TAFDC cash assistance or those who have transitioned off welfare in the last 12 months are entitled to a child care subsidy, if they are working or working and in a training program. Current TAFDC recipients do not have to pay a sliding fee, but former recipients do.<sup>46</sup>
- Comparison: Federal funds can be used for child care subsidies for working families with incomes up to 85% of SMI. Maine is one of two states that extend eligibility to this upper income limit.<sup>47</sup> The affordability of child care for low-income families also depends on the required co-payment. Sixteen states, including New Hampshire and Rhode Island, impose a very nominal or no co-payment for a family of three with income at the poverty level.<sup>48</sup>
- Remarks: In 2000, the average annual cost for child care for a 4-year-old in a center was \$8,121 and for a 12-month old it was \$12,978 for Boston families. The average cost for family day care was \$7,259 and \$7,626 respectively.<sup>49</sup> Most likely these costs are even higher today, making it impossible for some families to afford child care without assistance, especially those that are earning at or near the state's minimum wage.

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<sup>43</sup> <http://www.nationalpartnership.org/portals/P3/library/paidleave/parentalleavereportMay05.pdf>

**Expecting Better: A State-by-State Analysis of Parental Leave Programs**, National Partnership for Women and Families, May 2005.

<sup>44</sup> <http://www.eec.state.ma.us/docs/ieslidingfee.pdf> **Commonwealth of Massachusetts Sliding Fee Scale for Child Care**, effective 7/1/2001

<sup>45</sup> [http://www.eec.state.ma.us/kr\\_research.aspx](http://www.eec.state.ma.us/kr_research.aspx) **Children on Waitlist**, Mass. Department of Early Education and Care, June 2005.

<sup>46</sup> [http://www.masslegalservices.org/docs/TAFDC\\_FINAL\\_2005\\_with\\_corrections.pdf](http://www.masslegalservices.org/docs/TAFDC_FINAL_2005_with_corrections.pdf) **TAFDC Advocacy Guide**, Mass. Law Reform Institute, 2005 edition.

<sup>47</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

<sup>48</sup> *ibid*

<sup>49</sup> <http://www.childrensdefense.org> **The High Cost of Child Care Puts Quality Care Out of Reach for Many Families**, Children's Defense Fund, 2000.

Research has shown that child care assistance improves employment outcomes and can help families stay employed and off welfare.<sup>50</sup>

## Food Stamp Program

- MA Policy: In 1994, before welfare reform, Massachusetts' rate of participation of eligible people in the federal food stamp program was 69%, compared to a national average of 74%.<sup>51</sup> Five years later, the participation rate had dropped to 43%, the second lowest rate in the nation.<sup>52</sup> In 2003, the most recent year for which data is available, Massachusetts' overall participation rate remained at 43%, now the lowest in the country. The participation rate for the working poor was 29%, with only Nevada lower at 28%.<sup>53</sup> In recent years, the state has used new outreach efforts such as simplified flyers, maintaining networks of community agencies, media campaigns, and a toll-free hotline to increase participation in the program.<sup>54</sup> Approximately \$500,000 in annual state funding to the Department of Public Health supports this coordinated effort.<sup>55</sup>
- Comparison: In 2003, Oregon had the highest participation rate of eligible people in the food stamp program at 83%; the top New England state was Maine at 72% and the national average was 56%.<sup>56</sup> All states experienced a decline in the participation rate after 1995, with the national rate dropping 17 percentage points by 1999, from 74 to 57%.<sup>57</sup> But Massachusetts' decline was particularly sharp (26 percentage points) due to potential recipients' lack of understanding of changes in eligibility, low-income workers' difficulty in accessing benefits when leaving TAFDC, and poor outreach and customer service.<sup>58</sup> This is manifested in Massachusetts' 2003 participation rate of the eligible working poor of only 29% compared to 47% nationally, with the states of Oregon and Tennessee reporting the highest participation rates of 76% and 74%, respectively.<sup>59</sup>
- Remarks: Food stamps provide vital funds to alleviate hunger and poverty of Massachusetts residents, with an average monthly benefit of \$82 for an

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<sup>50</sup> [http://www.clasp.org/publications/ccassistance\\_employment.pdf](http://www.clasp.org/publications/ccassistance_employment.pdf), **Child Care Assistance Helps Families Work: A Review of the Effects of Subsidy Receipt on Employment**, Center for Law and Social Policy, April 2006.

<sup>51</sup> [www.cfpa.net/foodstamps1999rates.pdf](http://www.cfpa.net/foodstamps1999rates.pdf), **State Food Stamp Participation Rates in 1999**, USDA, June 2002.

<sup>52</sup> *ibid.*

<sup>53</sup> <http://www.fns.usda.gov/oane/MENU/Published/FSP/FSPPartState.htm> **State Food Stamp Participation Rates for the Working Poor in 2003**, USDA Food and Nutrition Service, April 2006.

<sup>54</sup> [www.frac.org/html/federal\\_food\\_programs/programs/fsoutreachprg.html](http://www.frac.org/html/federal_food_programs/programs/fsoutreachprg.html), **A Guide to Food Stamp Program Outreach**, Food Research and Action Center.

<sup>55</sup> *ibid.*

<sup>56</sup> [http://www.frac.org/pdf/2006\\_SOS\\_Report.pdf](http://www.frac.org/pdf/2006_SOS_Report.pdf), **State of the States 2006: A Profile of Food and Nutrition Programs Across the Nation**, Food Research and Action Center, March 2006.

<sup>57</sup> [www.cfpa.net/foodstamps1999rates.pdf](http://www.cfpa.net/foodstamps1999rates.pdf), **State Food Stamp Participation Rates in 1999**, USDA, June 2002.

<sup>58</sup> [www.boston.com/news/nation/articles/2005/12/31/service\\_woes\\_hit\\_state\\_food\\_stamp\\_aid?mode=pf](http://www.boston.com/news/nation/articles/2005/12/31/service_woes_hit_state_food_stamp_aid?mode=pf), **Service Woes Hit State Food Stamp Aid**, The Boston Globe, December 31, 2005.

<sup>59</sup> <http://www.fns.usda.gov/oane/MENU/Published/FSP/FSPPartState.htm> **State Food Stamp Participation Rates for the Working Poor in 2003**, USDA Food and Nutrition Service, April 2006.

individual and \$172 for a family. Also, food stamps brought over \$363 million in federal dollars to Massachusetts in FY '05.<sup>60</sup> Increasing the number of eligible people participating in the food stamp program to near its 1994 level would bring in at least \$80 million in additional federal dollars.<sup>61</sup> Effective outreach for the program benefits program participants and all residents by enabling self-sufficiency and encouraging economic growth.

## Rental Housing Assistance

- MA Policy: Massachusetts has developed almost 50,000 units of public rental housing for households that typically earned 80% of area median income (AMI) or less.<sup>62</sup> Limited funding is available for the development of additional units. In addition to federal Section 8 housing vouchers, the state has two primary voucher programs for rental housing assistance – Massachusetts Rental Voucher Program (MVRP) and Rental Assistance for Families in Transition (RAFT). MVRP helps low-income families pay their rent in private apartments; to be eligible, household income must not exceed 200% of the federal poverty level.<sup>63</sup> In FY '05, the program served 4,463 households with an average subsidy of \$422 per month.<sup>64</sup> State budget constraints have resulted in major reductions to this program that at its height in the early 1990s served almost 20,000 households.<sup>65</sup> RAFT is a program whose aim is to keep families from being homeless as they transition from shelter life to an apartment or house. The program assists families with income at or below 50% of area median income with a lifetime cap of \$3,000.<sup>66</sup> It was funded at \$2 million for FY2005 and served 1,321 families; in FY2006, the program was funded at \$5 million and is expected to serve about 3,000 families.<sup>67</sup>
- Comparison: A study published in March 2001 found that eight states, in addition to Massachusetts, provided either tenant-based or project-based housing assistance with no time limit for people who qualify by reason of low-income. Hawaii was the only other state that had built state-funded public housing. Connecticut was the only other state that served more than 2,000 households through a rental assistance voucher program. The most prevalent type of ongoing rental assistance provided by states is the so-called circuit breaker programs (adopted in 26 states) that refund the

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<sup>60</sup> [http://www.frac.org/pdf/2006\\_SOS\\_Report.pdf](http://www.frac.org/pdf/2006_SOS_Report.pdf), **State of the States 2006: A Profile of Food and Nutrition Programs Across the Nation**, Food Research and Action Center, March 2006.

<sup>61</sup> [www.boston.com/news/nation/articles/2005/12/31/service\\_woes\\_hit\\_state\\_food\\_stamp\\_aid?mode=pf](http://www.boston.com/news/nation/articles/2005/12/31/service_woes_hit_state_food_stamp_aid?mode=pf), **Service Woes Hit State Food Stamp Aid**, The Boston Globe, December 31, 2005.

<sup>62</sup> <http://www.mass.gov/dhcd/about/default.htm> Mass. Department of Housing and Community Development, Division of Public Housing and Rental Assistance

<sup>63</sup> [www.MAHomeless.org/legislative/fy'06%20fact%20sheets/mrvp.doc](http://www.MAHomeless.org/legislative/fy'06%20fact%20sheets/mrvp.doc) **Massachusetts Rental Voucher Program**

<sup>64</sup> Paul Nixon, Department of Housing and Community Development, ph. 617-573-1217.

<sup>65</sup> [www.MAHomeless.org/legislative/fy'06%20fact%20sheets/mrvp.doc](http://www.MAHomeless.org/legislative/fy'06%20fact%20sheets/mrvp.doc) **Massachusetts Rental Voucher Program**

<sup>66</sup> [www.mass.gov/dhcd/Temp/05/raft/default.htm](http://www.mass.gov/dhcd/Temp/05/raft/default.htm) **Rental Assistance for Families in Transition (RAFT) FY06 Program Summary**

<sup>67</sup> Paul Nixon, Department of Housing and Community Development, ph. 617-573-1217.

portion of a person's yearly rental costs that are assumed to pay the owner's property tax.<sup>68</sup>

Remarks: Nationally, more than two-thirds of the working poor families that spend more than half of their income on housing are renters.<sup>69</sup> Massachusetts has one of the least affordable rental markets in the country. Rental subsidy policy helps reduce what can be a major depletion of earned income and recognizes that for families to move toward economic security and build assets, housing policy has to begin at this basic level.

## Health Care Coverage

MA Policy: Massachusetts' new Health Care Access Law will go into full effect on July 1, 2007. It is estimated that the provisions of the law will result in 90-95% of the approximately 550,000 uninsured in the state receiving health care coverage. Through the Commonwealth Health Care Insurance program all adults below 100% FPL will be able to access comprehensive private insurance with no monthly premiums or deductibles. Adults with incomes between 100-300% are eligible for state premium subsidies and will pay no deductible, if their employer does not offer a subsidized insurance policy. Those making more than three times the federal poverty level will have to buy their own coverage using pre-tax dollars or pay a fine. For those who qualify for Medicaid/MassHealth, certain benefits, such as dental and vision service, are included. Medicaid/MassHealth eligibility is also extended to all uninsured children living families with incomes under 300% of FPL. Employers with 11 or more workers are required to make a fair share contribution up to \$295 per FTE annually or to offer employees health insurance with subsidized premiums.<sup>70</sup>

Comparison: While Massachusetts may be the first state to achieve near universal health care coverage, similar initiatives are under way in several states. In Maine, the Dirigo Health Reform Act of 2003 is designed to ensure that every Mainer has access to affordable, quality health care by 2009. In Vermont, the Catamount Health Plan will go into effect in October 2007. The state will provide premium assistance to purchase standard coverage for residents who have been uninsured for at least 12 months and who have incomes below 300% of FPL.<sup>71</sup> Bi-partisan legislation has been introduced in Wisconsin to create a statewide health care plan that covers all private and public employees, with employers paying a standard monthly assessment for each employee and employees sharing costs through co-pays and deductibles.<sup>72</sup> Efforts in other states, such as AR, CA, IL, MD, NY and WA, are focused on expanding coverage to children

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<sup>68</sup> <http://www.nlihc.org/pubs/patchwork.pdf> **A Report on State-Funded Rental Assistance Programs**, National Low Income Housing Coalition, March 2001.

<sup>69</sup> [www.cbpp.org/12-10-04sfp.pdf](http://www.cbpp.org/12-10-04sfp.pdf) **State Policies to Assist Working-Poor Families**, Center on Budget and Policy Priorities, December 2004.

<sup>70</sup> <http://www.hcfama.org/act/index.asp> **Affordable Care Today**

<sup>71</sup> <http://www.familiesusa.org/resources/state-information/across-states/> **Families USA**

<sup>72</sup> <http://www.aflcio.org/issues/legislativealert/stateissues/upload/wi.pdf> **The Wisconsin Health Care Partnership Plan**, Wisconsin State AFL-CIO, April 2006.

in low-income families and/or requiring medium and large business to offer subsidized coverage to their employees.<sup>73</sup>

Remarks: Free or subsidized comprehensive health insurance is important to building wealth as it reduces the bite out of earned income and helps ensure the ability to work due to maintenance of good health. But it is also critical in helping to avoid medical debt which can severely damage credit records, leading to difficulty in securing a mortgage, getting a car loan, or even getting a job. A survey of 1,700 low and moderate-income taxpayers found that 46% had medical debt, and more than half had some health care coverage when they incurred that debt.<sup>74</sup>

### **Earned Income Disregard for Transitional Assistance to Families with Dependent Children (TAFDC)**

MA Policy: For individuals required to engage in work activity, \$120 per month of earned income (and up to \$200 per month for out-of-pocket child care expenses) plus 50% of the remainder of earnings is disregarded when determining eligibility for TAFDC cash assistance. When gross income exceeds 185% of the TAFDC grant, the grant terminates although most families are still below 50% of the federal poverty level.<sup>75</sup>

Comparison: Many states have a more generous overall earned income disregard policy and many disregard a higher initial flat amount to cover work-related expenses and provide an incentive for work. For example, California disregards the first \$225 per month and Ohio the first \$250 and both states disregard 50% of the remainder. In Connecticut, 100% of earnings are disregarded up to the federal poverty level for family size.<sup>76</sup>

Remarks: Higher disregards than those used for TAFDC would more realistically reflect the expenses associated with workforce participation in addition to child care, such as transportation costs, appropriate clothing, and use of time saving measures. But Massachusetts policy is even less effective in enhancing income because it cuts off cash assistance as a supplement to earned income at such a low percentage of poverty. Research has shown consistently that expanded earnings disregards improve employment outcomes for TANF recipients.<sup>77</sup>

### **Child Support Payments for TAFDC Families**

MA Policy: The first \$50 of child support collected each month is passed through to the custodial parent and disregarded when determining TAFDC cash

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<sup>73</sup> <http://www.familiesusa.org/resources/state-information/across-states/> Families USA

<sup>74</sup> <http://www.assetinstitute.org/pubs/monthlyfeb06.html> **Medical Debt and Household Asset Stability**, Institute on Assets and Social Policy, February 2006.

<sup>75</sup> [http://www.masslegalservices.org/docs/TAFDC\\_FINAL\\_2005\\_with\\_corrections.pdf](http://www.masslegalservices.org/docs/TAFDC_FINAL_2005_with_corrections.pdf) **TAFDC Advocacy Guide**, Mass. Law Reform Institute, 2005 edition.

<sup>76</sup> [http://www.nccp.org/policy\\_index\\_12.html](http://www.nccp.org/policy_index_12.html) **Temporary Assistance for Needy Families Cash Assistance**, National Center for Children in Poverty, Columbia University.

<sup>77</sup> <http://www.cbpp.org/8-17-06tanf.pdf>, **TANF at 10: Program Results are More Mixed than Often Understood**, Center on Budget and Policy Priorities, August 2006.

assistance.<sup>78</sup> For children who are excluded from the cash assistance grant because they were born while the mother was on welfare, all child support collected is passed through and the first \$90 is disregarded.<sup>79</sup>

Comparison: Although the 1996 federal welfare law allowed states to discontinue passing through or disregarding child support payments, almost half of the states continue the AFDC policy of passing through and disregarding the first \$50 of collected support each month. Three states greatly exceed this practice. Vermont passes through all current support (but not payments in arrears), disregarding the first \$50 in determining the level of TANF cash assistance. Minnesota passes through all child support with no disregard, while Wisconsin passes through all child support paid and disregards it all in determining the TANF cash assistance grant.<sup>80</sup>

Remarks: Several pilot projects have demonstrated that child support payments can be increased through well thought-out policies. Such policies provide better incentives for non-custodial parents to make regular payments due to greater realized benefits for their children, and assist them with paying off what is owed in arrears.<sup>81</sup> In 2004, 51% of families in the child support program received support payments, up from 20% in 1996.<sup>82</sup>

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<sup>78</sup> [http://www.nccp.org/wizard/wizard.cgi?action=X&page=pol\\_1](http://www.nccp.org/wizard/wizard.cgi?action=X&page=pol_1) **50 State Policies**, National Center for Children in Poverty, Columbia University.

<sup>79</sup> [http://www.clasp.org/publications/pass\\_thru3.pdf](http://www.clasp.org/publications/pass_thru3.pdf) **State Policy Regarding Pass-Through**, Center for Law and Social Policy, August 2004.

<sup>80</sup> [http://www.nccp.org/wizard/wizard.cgi?action=X&page=pol\\_1](http://www.nccp.org/wizard/wizard.cgi?action=X&page=pol_1) **50 State Policies**, National Center for Children in Poverty, Columbia University.

<sup>81</sup> **Child Support Amnesty**, Center for Law and Social Policy June 27, 2001 Audio Conference.

<sup>82</sup> <http://www.cbpp.org/8-17-06tanf.pdf>, **TANF at 10: Program Results are More Mixed than Often Understood**, Center on Budget and Policy Priorities, August 2006.

## Strengthening Human Capital

Knowledge, skills and experience that are acquired over a lifetime are individual assets known as human capital. For most Americans, it is the knowledge and skills they are able to bring to a job that advances their economic opportunities and the building of wealth. We begin to acquire this knowledge in early childhood and build on that base throughout our lives. These assets can be strengthened through targeted policy initiatives that offer avenues of access and affordability to education and training for many who have been traditionally left out.

**Education and training are human assets that provide the knowledge and wherewithal to enter and move up in the job market of the future.**

Today's workforce requires a continuum of formal and informal lifelong learning opportunities to establish and maintain pathways for entering, remaining, and advancing in the workplace. Public policy initiatives at the federal and state level can be redesigned to broaden opportunities for those who historically have been left behind. Financial assistance programs can be targeted not only to traditional students, but also to older adults seeking to increase their knowledge and skills. For those not ready to enter post-

secondary education, opportunities to improve basic education and move on to advanced learning can be created. And for those struggling to enter and maintain employment and build the work history necessary to advance to better jobs, programs targeting the incentives and supports to make this feasible are essential.

In many cases, states are providing the leadership to promote human capital development required for the nation in the twenty-first century. In Massachusetts, policy makers are beginning to refocus their attention on the need for all workers to have an opportunity to build human capital so the state has the skilled workforce needed for the new economy.

### Early Childhood Education

MA Policy: Massachusetts' Community Partnerships for Children (CPC) initiative builds a system of services and programs for 3- and 4-year-olds. It targets children in families earning up to 125% of state median income. Programs are offered in public schools, Head Start and private child care facilities. About 15,000 children were served in FY'04 with a budget of \$68.6 million, of which 75% was state general revenues and the remainder was federal funds.<sup>83</sup> About 10% of the state's 3- and 4-year-olds receive education and care through the program with CPC paying on average \$4,400 per child.<sup>84</sup> <sup>85</sup> While the state provides no incentives for school districts to offer full-day kindergarten, CPC requires that at least

<sup>83</sup> [http://www.clasp.org/publications/all\\_together\\_now.pdf](http://www.clasp.org/publications/all_together_now.pdf) **All Together Now**, Center for Law and social Policy, February 2005.

<sup>84</sup> *ibid*

<sup>85</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

one-third of total slots be for full-day, full-year care. The state requires all teachers to have early childhood training and has developed comprehensive curriculum standards.<sup>86 87</sup>

Comparison: At least 38 states have pre-kindergarten initiatives. Six states have policies in place or goals for universal access to pre-kindergarten; two of them – Georgia and Oklahoma – currently have over 50% of 4-year olds enrolled in state supported programs. In a program analysis, 16 states were found to have quality standards equal or better to Massachusetts'.<sup>88</sup>

Remarks: Investing in children's early care and education increases school readiness and has lasting, positive effects on children's well-being. One study found that children who participated in high-quality preschool programs were less likely to be on welfare or commit crimes and have higher earnings and more wealth than non-participating peers. The study concluded that every dollar invested in high-quality preschool programs would yield a \$7.16 return to the public.<sup>89</sup>

### **State Aid for Public Primary and Secondary Education**

MA Policy: In FY '04, 39.8% of funding for public primary and secondary education in Massachusetts came from state revenue and 53.6% came from local revenues. This represents an increase of state revenue share from the 31.5% it was in FY '93 before passage of the Education Reform Act of that year. The state percentage steadily climbed until FY '99 and then maintained nearly constant (at 42.1%) until FY '02 before it began to decline as the state responded to its fiscal crisis.<sup>90</sup>

Comparison: With a state revenue contribution to the cost of public primary and secondary education of 39.8%, Massachusetts ranks 41<sup>st</sup> among states. The national median for the state's percentage of funding for public education is 48%. Vermont is the highest ranking New England state at 5<sup>th</sup> with 68% of public primary and secondary education funded with state revenue.<sup>91</sup>

Remarks: Court decisions in Massachusetts and several other states have ruled that expenditure on public primary and secondary education should be less reliant on local revenues so that differences in income and property wealth of local communities will have less impact on total spending for education in public schools.

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<sup>86</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

<sup>87</sup> <http://www.iwpr.org/pdf/R264.pdf> **The Status of Early Care and Education in the States**, Institute for Women's Policy Research, March 2006.

<sup>88</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

<sup>89</sup> <http://www.iwpr.org/pdf/R264.pdf> **The Status of Early Care and Education in the States**, Institute for Women's Policy Research, March 2006.

<sup>90</sup> [http://www.massbudget.org/Public\\_School\\_Funding\\_in\\_MA.pdf](http://www.massbudget.org/Public_School_Funding_in_MA.pdf) **Public School Funding in Massachusetts**, Massachusetts Budget and Policy Center, June 2006.

<sup>91</sup> *ibid*

## Need-based Aid for Postsecondary Education

MA Policy: *State Funded Grants* – The primary need-based financial assistance grant program is MASSGrant. Full-time students enrolled in certificate, associate or bachelor’s degree programs in public or private approved institutions in Massachusetts or the other New England states are eligible for awards of \$300 to \$2,300 per academic year. A separate program provides part-time students financial aid starting at \$200 for public or private institutions in Massachusetts that offer undergraduate degrees or certificate programs. Grant programs are also available for special populations such as surviving children or spouses of someone who has been killed while in service for the Commonwealth, and paraprofessional teachers seeking a teaching certificate.<sup>92</sup>

*Tuition Waivers* – Several tuition waiver programs exist. The Need Based Tuition Waiver Program was established to offset increases in tuition at public institutions of higher education. Students enrolled for at least three credits per semester can be eligible for both the tuition waiver and the Cash Grant Program to cover mandatory fees. Categorical waivers are available for veterans and members of the armed forces, children who were in state foster care or adopted, senior citizens, and others.<sup>93</sup>

*Loan Programs* - Massachusetts No Interest Loan is a need-based program that provides full-time students enrolled in certificate, associate or bachelors degree programs in public or private approved institutions in Massachusetts loans of \$1,000 to \$4,000 per academic year. The total loan cannot exceed \$20,000. Students have a period of ten years to repay the loan.<sup>94</sup> The Education Rewards Loan Program offers low interest loans up to \$10,000 for part-time students enrolled in associate degree program targeted to high growth occupations.<sup>95</sup>

Comparison: States support public colleges and universities through both direct funding to institutions and through aid to students. For the past ten years, Massachusetts has consistently ranked either 48<sup>th</sup> or 49<sup>th</sup> among states for tax appropriations for higher education per \$1,000 of personal income.<sup>96</sup> In a national comparison of state policies measuring the affordability of higher education, Massachusetts was found to be above the national median in the level of need-based aid offered to students, but also above the national median in tuition cost for public institutions of higher education. States that have both lower than the median tuition and higher than the median need-based aid are AR, CA, CO, KY, TX and WV.<sup>97</sup>

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<sup>92</sup> [http://www.osfa.mass.edu/default.asp?page=aid\\_programs](http://www.osfa.mass.edu/default.asp?page=aid_programs) Mass. Board of Higher Education, Office of Student Financial Assistance.

<sup>93</sup> *ibid*

<sup>94</sup> *ibid*

<sup>95</sup> <http://www.commcorp.org/cwi/programs/education/index.html> **Education Rewards Loan Program**, Commonwealth Corporation, Center for Workforce Innovation.

<sup>96</sup> <http://coe.ilstu.edu/grapevine/Tables.htm> Grapevine: Annual Compilation of State Tax Appropriation for General Operations for Higher Education, last updated 01/06.

<sup>97</sup> <http://www.policymatters.us/fullreport.html> **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

Remarks: Nationally, between 2001 and 2005, the average cost of tuition and fees for students attending four-year public universities increased 33%.<sup>98</sup> During that same five-year period, tuition and fees at Massachusetts' four-year state colleges rose by 68%<sup>99</sup> and spending on grants and scholarships fell 22%.<sup>100</sup>

## Basic and Vocational Skills Bridge Training Programs

MA Policy: *Adult Basic Education and English for Speakers of Other Languages (ESOL)* – Annually, approximately 25,000 students have participated in these classes for the last several years. The number of people on formal, active waiting lists for services has increased from under 10,000 in 2000 to 24,400 today with demand especially high for ESOL classes.<sup>101</sup> In FY '03, services were supported by \$11 million in federal funding, \$28 million in state funding, and an additional \$11 million from other sources.<sup>102</sup>

*Community College Workforce Training Incentive Grants* – The program was initiated in 2000 and received an appropriation of \$900,000 in FY '03, down from \$2.5 million in FY '02.<sup>103</sup> The program provides incentives for public community colleges to expand training opportunities that promote workforce development and minimize the shortage of skilled workers. Colleges can receive up to \$200 for every \$1,000 the school generates in tuition associated with providing vocational-oriented coursework.<sup>104</sup>

*BayState Works (formerly BEST Initiative)* – Several state agencies have pooled existing funds to generate regional responses to workforce development through a partnership of business, education/training providers, and labor. In Spring 2002, six projects were awarded funds ranging from \$342,110 to \$691,580 for industry-driven education and training initiatives that included a basic skills component for entry-level workers and supported career advancement. This funding has been supplemented by over \$4 million in matching contributions. Over 2,700 workers received training, education services and career guidance with four of the six projects reporting completion rates of 75% or above.<sup>105</sup>

*Extended Care Career Ladder Initiative (ECCLI)* – The program was created in 2000 to address the high demand for Certified Nursing Assistants (CNAs) in long-term care and to assist CNAs move up the career ladder to Licensed Practical Nurse. From FY '00 thru '03, ECCLI received funding totaling \$7.2 mil, and \$8.2 mil has been appropriated for

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<sup>98</sup> [http://www.massinc.org/fileadmin/researchreports/higher\\_ed/higher\\_ed\\_report.pdf](http://www.massinc.org/fileadmin/researchreports/higher_ed/higher_ed_report.pdf) **Paying for College**, MassINC, April 2006.

<sup>99</sup> *ibid*

<sup>100</sup> [http://www.boston.com/news/local/massachusetts/article/2005/02/27/mass\\_college\\_see\\_costs\\_rise\\_aid\\_f](http://www.boston.com/news/local/massachusetts/article/2005/02/27/mass_college_see_costs_rise_aid_f) **all** Boston Globe, February 27, 2005.

<sup>101</sup> Kenneth Tamarkin, Massachusetts Coalition for Adult Education, ph. 617-778-7971

<sup>102</sup> <http://www.doe.mass.edu/boe/annual/02.pdf> **Massachusetts Board of Education 2002 Annual Report**, Department of Education, April 2003.

<sup>103</sup> **Workforce Development: An Agenda for Massachusetts' Next Governor**, Mass. Workforce Alliance, 2003.

<sup>104</sup> <http://www.mass.edu/> **Community College Workforce Training Incentive Grant Program Guidelines**, Board of Higher Education.

<sup>105</sup> <http://64.70.134.109/cwi/programs/best/index.html> Commonwealth Corporation.

FY '04-'07. Since 2000, over 4,000 entry-level workers have been trained in basic, ESOL, and soft and technical skills, and 700 managers have been trained to support workers attempting to move up the career ladder.<sup>106</sup>

Comparison: Several states (CA, IL, OR, WA, AR and others) have long used state and federal funds to establish a collaboration between community colleges and local employers to develop specialized skills training for high-demand, good paying jobs and to offer the supports necessary for program participation.<sup>107 108</sup> North Carolina maintains a Workers Training Trust Fund financed by the interest earned on UI reserves that may be used to support programs such as adult basic education, GED programs, occupational skills training, and job counseling and placement programs.<sup>109</sup>

Remarks: Bridge training programs prepare adults who lack adequate basic skills to enter and succeed in postsecondary education and training leading to career path employment.<sup>110</sup> Short, specially designed courses in curricula based on mastering specific competencies, along with broader skills, can quickly prepare lesser skilled workers to enter skilled jobs or advance in the workplace.

## State Incentives to Increase Employer-based On-the-Job Training

MA Policy: *Mass. Workforce Training Fund (WTF)* – Established in 1999, this fund is financed through annual contributions of \$18 million (raised to \$21 million in FY 2005) from Massachusetts employers in exchange for lowering unemployment insurance contribution rates. Training grants up to \$1 million are awarded to employers of any size, labor organizations, and training providers. A dollar for dollar cash or in-kind applicant match is required. Training must result in job retention, job growth, increased wages, or increase the company's productivity and competitiveness, and can be for a duration of no longer than two years. Trainees can be incumbent or newly hired employees, full or part-time.<sup>111</sup> Through FY 2005, \$107 million was awarded from the fund to provide training to 157,000 workers.<sup>112</sup> In FY 2003 alone, these awards leveraged more

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<sup>106</sup> [http://www.clasp.org/publications/wise\\_up\\_2006.pdf](http://www.clasp.org/publications/wise_up_2006.pdf) **Wising Up: How Government Can Partner with Business to increase Skills and Advance Low-Wage Workers**, Center for Law and Social Policy, April 2006.

<sup>107</sup> <http://www.assetinstitute.org/pubs/progmodels.html> **Promising State Asset Development Policies**, Institute on Assets and Social Policy, Brandeis University, April 2001.

<sup>108</sup> <http://www.womenemployed.org/docs/BridgeGuideFinal.pdf> **Bridges to Careers for Low-Skilled Adults**, Women Employed, October 2005.

<sup>109</sup> [http://www.ncjustice.org/media/library/795\\_btcrptaug142006.pdf](http://www.ncjustice.org/media/library/795_btcrptaug142006.pdf) **Rebuilding North Carolina's Worker Training Trust Fund**, North Carolina Budget and Tax Center, August 2006.

<sup>110</sup> <http://www.womenemployed.org/docs/BridgeGuideFinal.pdf> **Bridges to Careers for Low-Skilled Adults**, Women Employed, October 2005.

<sup>111</sup> <http://www.detma.org/workforcehome.htm> **The Workforce Training Fund**, Mass. Dept. of Workforce Development, Division of Career Services.

<sup>112</sup> [http://www.clasp.org/publications/wise\\_up\\_2006.pdf](http://www.clasp.org/publications/wise_up_2006.pdf) **Wising Up: How Government Can Partner with Business to increase Skills and Advance Low-Wage Workers**, Center for Law and Social Policy, April 2006.

than \$91 million in private investments.<sup>113</sup> Of the companies receiving grants, 70% report increased ability to retain employees and 63% report that workforce training has led to employee pay increases.<sup>114</sup>

*Mass. Workforce Training Fund Express* – Grants of \$5,000 per trainee, not to exceed \$15,000, are awarded to reimburse 50% of direct training costs for businesses with 50 or fewer employees. All training must be job-related and can last no longer than 12 months.<sup>115</sup>

*ABE/ESOL pilot* – Following the WTF guidelines, employers were encouraged to apply for training grants focusing exclusively or primarily on adult basic education or English for speakers of other languages pilot initiatives. In Round 21 WTF awards in 2005, two employers received grants for a total of about \$60,000 to exclusively provide training in this area and another employer included workplace ESOL in the training curriculum.<sup>116</sup>

*Hiring Incentive Training Program* – This program is a pilot designed to assist employers in paying for training of newly hired employees who have been unemployed for more than one year. New hires must be permanent employees working full or part-time. Grants up to \$2,000 per employee cover training related to the new position in which at least 50% of the training is completed during the first 60 days of employment. The applicant is required to cover the cost of additional training after that time.<sup>117</sup>

Comparison: In 1998, Massachusetts ranked 46<sup>th</sup> in amount of funding spent per capita for employer focused training.<sup>118</sup> For example, at that time, Rhode Island spent ten times as much per capita in this area.<sup>119</sup> Since then, new initiatives cited above have greatly expanded both state and private funding in Massachusetts for employer-based on-the-job training.

Remarks: The WTF legislation states that the program must prioritize low-skilled, low-wage workers. It is estimated that 10-15% of the grant funds are used for basic skills training.<sup>120</sup> Sixty percent of the workers benefiting from the Workforce Training Fund in FY 2003 were in production/construction, clerical, or service positions, while the remaining 40% were

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<sup>113</sup> [http://www.detma.org/PDF/4574\\_0204.pdf](http://www.detma.org/PDF/4574_0204.pdf) **The Massachusetts Workforce Training Fund: Annual Report FY 2003**, Mass. Dept. of Workforce Development.

<sup>114</sup> [http://www.detma.org/PDF/4574\\_0204.pdf](http://www.detma.org/PDF/4574_0204.pdf) **The Massachusetts Workforce Training Fund: Annual Report FY 2003**, Mass. Dept. of Workforce Development.

<sup>115</sup> <http://www.detma.org/workforceexpresslearn.htm> **Learn About Workforce Training Express**, Mass. Dept. of Workforce Development, Division of Career Services.

<sup>116</sup> <http://www.detma.org/pdf/round21.pdf> **Round 21 Workforce Training Fund Awards**, Mass. Dept. of Workforce Development Division of Career Services.

<sup>117</sup> <http://www.detma.org/workforcehome.htm>, **The Workforce Training Fund**, Mass. Dept. of Workforce Development, Division of Career Services.

<sup>118</sup> <http://www.nga.org>, **A Comprehensive Look at State-Funded, Employer-Focused Job Training Program**, National Governors' Association, November 1999.

<sup>119</sup> <http://massinc.org> **Opportunity Knocks: Training the Commonwealth's Workers for the New Economy**, MassINC, March 2000.

<sup>120</sup> [http://www.clasp.org/publications/wise\\_up\\_2006.pdf](http://www.clasp.org/publications/wise_up_2006.pdf) **Wising Up: How Government Can Partner with Business to Increase Skills and Advance Low-Wage Workers**, Center for Law and Social Policy, April 2006.

in managerial, professional, or marketing/sales positions.<sup>121</sup> Thus, this program roughly assists both higher skilled workers and less skilled and generally lower paid workers equally.

## One Stop Career Centers' Training Programs

- MA Policy: Across the state, 32 One Stop Career Centers administer the federal Adult Training programs, Dislocated Worker programs, and programs for individuals transitioning off welfare. An individual applying for services through a center may be considered for a training program if the following criteria are satisfied: it is a goal of an employment plan; requirements for admission are met and the training is likely to be completed; there is a reasonable expectation that there are opportunities for full-time employment in the field; and average wages can lead to self-sufficiency. Funding for training is provided through Individual Training Account (ITA) vouchers, but is limited and not available in all areas. Eligibility for an ITA and the amount are determined by income, residency and other criteria established for each area.<sup>122</sup>
- Comparison: The training offered through these sites reflects implementation of the federal Workforce Investment Act of 1998 (WIA). The Act required partnering among 19 federal employment, job training, and literacy programs and suggested that five others be included. Integrated services must be available through one-stop centers that provide universal access to basic workforce development services. Nationally, this has resulted in a 14% decline from 2000 to 2003 in the share of adults receiving training who are low-income or disadvantaged.<sup>123</sup> Proposed changes to federal funding would further divert investments away from low-income adults in need of new occupational skills.
- Remarks: Statewide, few individuals are given ITA vouchers due to insufficient funding. For example, Boston annually receives federal funding to train 360 individuals, while it is estimated that there are 35,000 Boston residents in need of such services.<sup>124</sup> A 2004 analysis found that 0.2% of Massachusetts adults age 18 to 64 without a diploma or GED received training funded by WIA.<sup>125</sup> The frequency with which One Stop Career Centers refer adult workers to other programs providing needed training and education is unknown.

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<sup>121</sup> [http://www.detma.org/PDF/4574\\_0204.pdf](http://www.detma.org/PDF/4574_0204.pdf) **The Massachusetts Workforce Training Fund: Annual Report FY 2003**, Mass. Dept. of Workforce Development.

<sup>122</sup> <http://www.detma.org/WSpayfortraining.htm>. **The Next Step: Pay for Your Training**, Mass. Department of Workforce Development.

<sup>123</sup> [http://clasp.org/publications/decline\\_in\\_wia\\_training.pdf](http://clasp.org/publications/decline_in_wia_training.pdf) **Declining Share of Adults Receiving Training under WIA are Low-Income or Disadvantaged**, Center for Law and Social Policy, December 2005.

<sup>124</sup> Estimates developed by staff of the Boston Private Industry Council.

<sup>125</sup> [http://www.aecf.org/initiatives/fes/workingpoor/workingpoor/massachusetts\\_final.pdf](http://www.aecf.org/initiatives/fes/workingpoor/workingpoor/massachusetts_final.pdf) **Investing in Massachusetts Working Families**, The women's Union, April 2004.

## Training for the Unemployed

- MA Policy: Through the Section 30 Program, unemployment insurance recipients can participate in vocational/technical or basic skills training that will prepare them for high-demand occupations, rather than engage in job search. The training program must be full-time and completed in one year. Weekly UI benefits can be extended up to 18 weeks to cover the training period.<sup>126</sup> UI recipients are responsible for training related costs.
- Comparison: In Maine, on a case-by-case basis, UI can be used to cover tuition and training related costs such as child care and transportation with any remaining benefits being paid to the recipient.<sup>127</sup> No other state appears to incorporate participation in training in its UI benefits.
- Remarks: While recipients of unemployment benefits in Massachusetts are offered the opportunity to participate in full-time training that can prepare them for good paying, high-demand jobs in place of job search, many unemployed residents do not have access to this as they are not eligible for UI. Others may not be able to exercise this option as they need to return to full-time work as quickly as possible.

## TAFDC Provisions for Education & Training for Cash Assistance Recipients

- MA Policy: Currently, non-exempt single-parent cash assistance recipients, whose youngest child is between age two and six, are required to be engaged in an authorized work activity 20 hours per week; if the youngest child is between school age and age eight, 24 hours a week of work activity is required; and if the youngest child is age nine or older, 30 hours a week is required. Approved work activity can include basic skills training and education at a two-year college in a field of study likely to lead to employment. Education and training can count toward the work requirement for no longer than 12 months and education beyond an associate degree does not meet the work requirement.<sup>128</sup>
- Comparison: As of 2002, 23 states allowed TANF cash assistance recipients to engage in postsecondary education for more than 12 months as countable work activity.<sup>129</sup> Several states have followed Maine's example in allowing TANF recipients or those eligible to receive TANF cash assistance to participate in a four-year degree program as a full-time student with the first two years fulfilling the work requirement and the last two years requiring a combined total of 40 hours per week of education, study and work.<sup>130</sup> Recent federal reauthorization of TANF and the accompanying

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<sup>126</sup> <http://www.detma.org/WSUISection30.htm> **Applying for Approved Training**, Mass. Dept. of Workforce Development, Division of Career Services.

<sup>127</sup> <ftp://ftp.state.me.us/pub/sos/cec/rcn/apa/12/172/172c024.doc> **Approved Training**, Maine Unemployment Insurance Commission.

<sup>128</sup> [http://www.masslegalservices.org/docs/TAFDC\\_FINAL\\_2005\\_with\\_corrections.pdf](http://www.masslegalservices.org/docs/TAFDC_FINAL_2005_with_corrections.pdf) **TAFDC Advocacy Guide**, Massachusetts Law Reform Institute and Greater Boston Legal Services, 2005.

<sup>129</sup> <http://www.cbpp.org/12-10-04sfp.htm> **State Policies to Assist Working Families**, Center on Budget and Policy Priorities, December 2004.

<sup>130</sup> <http://www.mejp.org/pas/index.html> **Parents as Scholars Program**, Maine Equal Justice, March 2005.

interim regulations (effective immediately) may cause some states to change their policies regarding education and training as the definitions of countable work activity has narrowed and use of state matching funds is more restricted.<sup>131</sup>

Remarks: Just after implementation of TAFDC, between 1995-97, Massachusetts community colleges recorded an average drop in enrollment of TAFDC recipients of 46%.<sup>132</sup> In 2004, it was reported that only 3.9% of welfare recipients in Massachusetts were placed in education and training programs.<sup>133</sup> This has left many current and former welfare recipients without the skills needed in today's job market. According to the Bureau of Labor Statistics, by 2010 more than 42% of all jobs, nationally, will require at least a postsecondary education.<sup>134</sup>

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<sup>131</sup> <http://www.cbpp.org/7-21-06tanf.pdf> **Analysis of New Interim Final TANF Rules**, Center on Budget and Policy Priorities and Center on Law and Social Policy, July 2006.

<sup>132</sup> **Closing Doors: Declining Opportunities in Education for Low-Income Women**, Welfare Education Training Access Coalition, Brandeis University, 1998.

<sup>133</sup> [http://www.aecf.org/initiatives/fes/workingpoor/workingpoor/massachusetts\\_final.pdf](http://www.aecf.org/initiatives/fes/workingpoor/workingpoor/massachusetts_final.pdf) **Investing in Massachusetts Working Families**, The Women's Union, April 2004.

<sup>134</sup> <http://www.bls.gov/opub/mlr/2001/11/art4exc.htm> **Occupational employment projections to 2010**, U.S. Department of Labor, Bureau of Labor Statistics, November 2001.

## Building and Securing Financial Assets

Many Americans are “asset poor”. One-quarter of American families do not have enough net asset wealth – cash savings, stocks and bonds, and equity in a home – to meet their basic needs for three months, if they were to lose their jobs. But these resources play a crucial role in household economic well-being not only for immediate needs in times of economic crisis, but also over the long term. They enable a family to make a down payment on a home, pay for an education, start a business or save for retirement. Key to building and preserving asset wealth is access to sufficient and reasonably priced credit, and the capacity and means to manage financial resources.

**Financial assets, such as savings, home ownership, and retirement accounts, increase economic stability throughout life.**

The challenge of broadening wealth is not uniform across population groups. For most minorities, disparities in wealth are far greater than disparities in income. For every dollar the typical white family has in wealth, an African-American family has ten cents and a Hispanic family has three cents.<sup>135</sup> This inequality is passed down from generation to generation when there is no private family wealth to draw upon to gain economic leverage. Women are also at a disadvantage when trying to build asset

wealth due to wages that are lower than their male counterparts, fewer years in the workforce, and greater responsibility for dependent care.

In recent years a number of policies and programs have been adopted to give low-income families the same opportunities to build a financial stake that have been given to those in the middle class. Many states have designed initiatives using a range of discretionary funds to increase savings, and build financial literacy and management skills, and enacted laws to protect assets once they are accumulated.

### Post-Secondary Education 529 Savings Plan

**MA Policy:** The U. Fund is Massachusetts’ ‘section 529’ college savings plan that allows a maximum investment of \$250,000 (at this time.) With an initial investment of \$1,000 or an automatic deduction of \$50 per month, a U. Fund saving plan can be opened on behalf of a child to pay for tuition, fees, room, board, books and required supplies and equipment at any eligible undergraduate or graduate educational institution. The estimated annual expense ratio for administering the investment account is 0.70%. Qualified withdrawals are exempt from federal and state income tax.<sup>136</sup>

**Comparison:** Unlike 25 other states, Massachusetts does not allow an in-state tax deduction for contributions. Such deductions, although encouraging contributions, are not refundable and have been criticized for favoring the wealthy, especially when they can be applied to very large contributions.

<sup>135</sup> <http://www.assetinstitute.org/pdfs/Shapiro%20-%20Demos.pdf> **A Black Tax on Wealth Accumulation**, Institute on Assets and Social Policy, May 2005.

<sup>136</sup> [http://www.mefa.org/savings/ufind\\_faq.php](http://www.mefa.org/savings/ufind_faq.php) **U. Fund FAQ**, Massachusetts Educational Financing Authority.

But Louisiana addresses this by doubling its modest deduction (up to \$2,400, or \$4,800 if filing jointly, per beneficiary) for an account opened for an eligible needy, non-related beneficiary. Maine and Rhode Island join six other states (CO, LA, MI, MN, PA and UT as a pilot) in funding a match for contributions either made by low-income households or made for beneficiaries living in low-income households. The total match ranges from \$200 to \$500 per beneficiary.<sup>137</sup>

Remarks: 529 college savings plans can provide a way for low and moderate income parents, and others interested in a child's well-being, to begin early to save for college. While sometimes criticized for providing the most tax benefit to middle and upper income families, states can design 529 plans to target savings by families of lesser means. States can also ensure that public investments in 529 plans do not jeopardize funds dedicated to need-based grants for post-secondary education.

## Children's Savings Accounts

MA Policy: Discussion about the establishment of universal savings accounts for children are in the beginning stages in Massachusetts. The state does not have one of the designated pilot sites for the Saving for Education, Entrepreneurship, and Downpayment (SEED) foundation funded initiative to establish children's savings accounts (CSA).

Comparison: Twelve sites around the country have been selected for the 10-year SEED national initiative to develop, test and promote matched savings accounts and financial education for low-income children and youth. A total of 1,325 accounts will be established with children of differing age and with varying savings incentives.<sup>138</sup> The largest is an experimental program in Michigan where 529 college savings plan accounts have been opened with an initial deposit of \$800 by the program for 500 children with the state adding a \$200 match and up to \$1,200 in contributions made by parents to be matched 1:1.<sup>139</sup> The SEED initiative also includes an experimental universal program that will be implemented in Oklahoma with deposits of up to \$1,000 into 529 plan accounts made in the name of random infants. Deposits by low-income families into the 529 plan on behalf of the child will be matched up to \$250 each year for four years.<sup>140</sup> State leaders in Kentucky have proposed the 'Cradle to College' initiative that would provide a savings account for every child, seeded with enough state money for the child to attend a community college with allowance for further contributions to be made by family members.<sup>141</sup> Advocates in Illinois, California, Kansas, and Missouri are also working on proposals for

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<sup>137</sup> [http://www.savingforcollege.com/compare\\_529\\_plans/](http://www.savingforcollege.com/compare_529_plans/) **Compare 529 Plans**, Savingforcollege.com

<sup>138</sup> <http://www.povertylaw.org/advocacy/community-investment/saving-for-education-entrepreneurship-and-downpayment-seed.html> Shriver National Center on Poverty Law, Illinois.

<sup>139</sup> <http://www.olhsa.org/seed.asp> Oakland Livingston Human Service Agency, Michigan.

<sup>140</sup> <http://gwbweb.wustl.edu/csd/SEEDUMsearch/brief.pdf> **SEED Universal Policy Model and Research**, Center for social Development, Washington University, November 2005.

<sup>141</sup> [http://www.assetbuilding.org/AssetBuilding/Download\\_Docs/Doc\\_File\\_1493\\_1.pdf](http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1493_1.pdf) **State Policy Options for Building Assets**, New America Foundation and Center for Social Development, Washington University, June 2006.

CSA or universal 529 plans for children that are initiated with state funded deposits and linked to age-appropriate financial education for children.<sup>142</sup> On the federal level, Congress is considering the ASPIRE Act to initiate these universal accounts nationwide.

Remarks: Universal CSAs could help ensure that all children have the opportunity for advanced education and asset building by providing the mechanism and incentives to promote savings on behalf of children. The option of establishing accounts within the 529 savings plan could provide a means by which to administer the program in each state.

## Individual Development Accounts (IDAs)

MA Policy: IDAs are dedicated savings accounts containing deposits by low-income account holders and matched by private and/or public sources. In FY 2007, the state budget for the first time includes \$500,000 for a statewide matching-grant program for low-income families. These funds will allow program expansion beyond that which is already supported with federal funds, the United Way of Mass Bay, and other sources. Currently, there are 18 active IDA programs in this state. To date, 1,055 accounts have been opened and 968 individuals have completed the program. Of those who completed the program, 213 purchased homes, 72 used their savings for business start-ups, 250 applied their savings to postsecondary education and 433 purchased other assets. Participants in the eight IDA programs that receive federal monies under the Assets for Independence Act have saved up to \$5,000 each, an amount that has been matched 1:2, 1:3 or 1:4, depending on the program.<sup>143</sup>

Comparison: As of March 2004, 25 states had legislation for active state-supported IDA programs, including three New England states (CT, ME, and VT). Eight states use state general funds, ten provide state tax credits for IDA program contributors, six employ Community Development Block Grant (CDBG) funds, and 12 use TANF funds for matching IDA savings.<sup>144</sup> Approved uses of savings, depending on the source of the matching funds, may include business start-up, postsecondary education, home ownership or improvement, car purchase or repair, one-time family medical emergency or health care costs not covered by insurance, emergency expenses, retirement, and work-related expenses, such as child care.

Remarks: IDAs operate from the premise that low-income families can save and accumulate financial assets if the proper supports are in place including critical financial education primarily geared toward the savings goal. An extensive evaluation of a large-scale (2,400 participants) foundation

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<sup>142</sup> [http://www.assetbuilding.org/AssetBuilding/Download\\_Docs/Doc\\_File\\_1493\\_1.pdf](http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1493_1.pdf) **State Policy Options for Building Assets**, New America Foundation and Center for Social Development, Washington University, June 2006

<sup>143</sup> Margaret Miley, MIDAS Coordinator, Boston, MA ph. 617-787-3874x214, March 2006.

<sup>144</sup> <http://gwbweb.wustl.edu/csd/policy/StateIDAtable.pdf> **IDA Policy in the States**, Center for Social Development, Washington University, St. Louis, MO, March 2004.

funded IDA pilot program<sup>145</sup>, and reports on other programs, point to significant savings, asset-building, and personal capacity building outcomes for IDA programs.

## Family Self-Sufficiency (FSS) Escrow Accounts

MA Policy: Residents in federally supported public housing and recipients of Section 8 tenant assistance may participate in FSS programs and in so doing, may divert any increased amount owed for rent resulting from increased earnings into escrow accounts to be used for purchase of a home or other purposes. As of March 31, 2006 there were 618 recipients of Section 8 tenant assistance participating in the program statewide. Between 10/01/03 and 05/20/05, 103 individuals graduated from the program and of these 35 are no longer receiving Section 8 assistance. The average savings accrued by the program graduates was \$8,397 with a high of over \$20,000.<sup>146</sup> Statewide numbers are not available for program participants living in public housing.

Comparison: Nationally, there are about 73,000 participants in 1,400 FSS programs, most of whom have Section 8 tenant assistance.<sup>147</sup> This is approximately 2,000 fewer families than in 2004 due to HUD funding changes that have reduced funds for coordination, causing programs to freeze enrollment.<sup>148</sup> A 2004 study of the program found that the median escrow account disbursement for program graduates was \$3,351.<sup>149</sup> Other positive outcomes have also been reported. A HUD evaluation of FSS found that the increase in median income between 1996 and 2000 of program participants was twice that of a comparable group of non-participants.<sup>150</sup> In New York state, FSS programs have accessed additional funding for administration and use partnerships to increase training and financial education opportunities and expand access to banking services.<sup>151</sup>

Remarks: Public Housing Authorities (PHAs) that received HUD funding for public housing and Section 8 subsidy slots between 1993 and October 1998 are required to develop FSS programs. According to HUD's requirements, PHAs are obligated to enroll approximately 140,000 families in FSS, but just over half this number is actually enrolled and the percentage in

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<sup>145</sup> <http://gwbweb.wustl.edu/csd/Publications/2005/IDIPResearchReport2005.pdf> **Savings in Low-Income Households**, Center for Social Development, Washington University, St. Louis, January 2005.

<sup>146</sup> Leslie Gleason, Mass. Department of Housing and Community Development, ph. 617-573-1209.

<sup>147</sup> [http://www.assetbuilding.org/AssetBuilding/Download\\_Docs/Doc\\_File\\_1344\\_1.pdf](http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1344_1.pdf) **Shoring Up HUD's Family Self-Sufficiency Program**, New America Foundation, September 2005.

<sup>148</sup> *ibid*

<sup>149</sup> [http://www.assetbuilding.org/AssetBuilding/Download\\_Docs/Doc\\_File\\_1493\\_1.pdf](http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1493_1.pdf) **State Policy Options for Building Assets**, New America Foundation and Center for Social Development, Washington University, June 2006.

<sup>150</sup> <http://www.fsspartnerships.org/includes/FSS%20Evaluation%20Summary.pdf> **HUD Program Evaluation confirms FSS' Success in Promoting Self-Sufficiency and Asset Building**, FSS Partnership, September 2004.

<sup>151</sup> Anna Oles, New York Division of Housing and Community Renewal, Albany, NY ph. 518,474-6082, November 2006.

Massachusetts is even less.<sup>152</sup> Insufficient funds to cover PHA administrative costs are often cited as the primary reason for low participation rates.

## Section 8 Homeownership Program

- Policy:** In Massachusetts, Public Housing Authorities in Boston and 30 other communities have opted to offer this HUD program that allows qualified families who hold Section 8 tenant assistance vouchers to apply them to monthly mortgage payments instead of rent. Participants must be first-time home buyers, able to make a 3% down payment and pay closing costs, and at least one adult in the family must be working full-time. Eligible families may continue to receive the assistance for up to 15 years, but if the home is sold within 10 years of purchase, a percentage of the assistance will be recaptured.<sup>153</sup> The number of participants statewide has not been determined.
- Comparison:** This Section 8 program, originally initiated as a demonstration project in eight areas, was launched nationally in September 2000. A successful program on Long Island has been able to move an average of eight families a year into homeownership. To purchase a home in this very costly market, most home buyers need to obtain a 30-year first mortgage with aid of other housing assistance programs and a 15-year second mortgage for which payment is made through Section 8 vouchers.<sup>154</sup>
- Remarks:** In Massachusetts' areas where home costs are very high, this program, coupled other with mortgage assistance programs and housing development programs that bring down the purchase price, can make homeownership possible for some low-income families.

## Soft Second Loan Program (SSP)

- MA Policy:** This program assists first-time home buyers in over 250 participating Massachusetts communities who have an income that is less than 80 or 100% of the area median income. One of 40 participating lenders underwrites a first mortgage at 77% of the purchase price and a second mortgage at 20% of the purchase price and 3% is made in down payment. The borrower pays the entire principal and interest only on the first mortgage, while the principal payments for the second loan are deferred for 10 years. Eligible homebuyers can qualify for public funds that cover some of the interest on the second mortgage, and other program provisions can also lower costs related to home buying.

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<sup>152</sup> [http://www.assetbuilding.org/AssetBuilding/Download\\_Docs/Doc\\_File\\_1344\\_1.pdf](http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1344_1.pdf) **Shoring Up HUD's Family Self-Sufficiency Program**, New America Foundation, September 2005.

<sup>153</sup> <http://www.massresources.org/pages.cfm?contentID=7&pageID=2&subpages=yes&SecondLeveldynamicID=534&DynamicID=372> **Section 8 Housing Choice Voucher Homeownership Program**, Community Resources Information, Inc.

<sup>154</sup> Eileen Andersen, Senior Vice-President, Community Development Corporation of Long Island, NY, ph. 631-471-1215 x 145, November 2006.

- Participants must attend first-time home buyers courses. Since 1991, the program has helped over 7,000 families buy their first home.<sup>155</sup>
- Comparison: No other state that offers this program has been identified, but a few cities offer similar mortgage assistance programs to their residents.
- Remarks: A recent study found that the median household income of SSP borrowers between 2001 and 2003 was \$36,600. The program especially assisted minorities achieve homeownership as almost 43% of the borrowers were Latinos, African-Americans or Asians at a time when these groups represented about 13% of Massachusetts' households.<sup>156</sup>

## Micro-enterprise Development

- MA Policy: In FY '07, Massachusetts for the first time will dedicate general revenue funds to supporting micro-enterprise development. The Department of Business and Technology will have \$2 millions to award to organizations to provide technical assistance and training for micro-entrepreneurs heading businesses with 25 or fewer employees. In the past, primary public support for micro-enterprise development has been provided through federal Small Cities CDBG funds for technical assistance and loans which are subject to a 25% match from the community.<sup>157</sup>
- Comparison: It is estimated that there are two million low-income micro-entrepreneurs of whom approximately 90% do not have access to micro-enterprise services.<sup>158</sup> Approximately 20% of the \$70-100 million annual total funding to support all micro-enterprise development is provided through state and local funds.<sup>159</sup> States support micro-enterprise through allocation of federal funds at their disposal, including TANF, WIA and CDBG funds, and through state general funds and tax credits that support loan funds and other services.<sup>160</sup> For example, Vermont provides loans, technical assistance, and training through state general revenues to support micro-enterprise development. Several New Hampshire communities have joined together to allocate CDBG funds for training and technical assistance.<sup>161</sup>
- Remarks: While starting a small business has proven very beneficial for some, many are not successful, even among the few who have the benefit of support services. Studies of low-income micro-entrepreneurs who were enrolled in assistance programs report that about two-thirds were still in business after two years and about half were still in business after five

<sup>155</sup> <http://www.mhp.net/homeownership/softsecond.php> **Soft Second Loan Program**, Massachusetts Housing Partnership.

<sup>156</sup> <http://www.mahahome.org/documents/SSP2004.pdf> **Expanding Homeownership Opportunity**, Mauricio Gaston Institute, University of Massachusetts/Boston, July 2004.

<sup>157</sup> Chris Sikes, Western Massachusetts Enterprise Fund, Inc., Greenfield, MA ph. 413-774-4033, August 2006; Joseph Kriesberg, Massachusetts Association of Community Development Corporations, ph. 617-426-0303x22, August 2006.

<sup>158</sup> <http://www.cfed.org/publications/effectivePractice/State%20Funding%20for%20SMAs.pdf> **State Level Funding for Microenterprise Development**, Vol. 2, No. 2, Effective State Policy and Practices, CFED.

<sup>159</sup> *ibid*

<sup>160</sup> *ibid*

<sup>161</sup> *ibid*

years.<sup>162</sup> A study of TANF recipients found that on average participants experienced a 78% increase in household income after two years in business and other studies have reported equally favorable results.<sup>163</sup> Nonetheless, while studies report increases in assets and net worth, increases in liabilities are reported to have grown more quickly.<sup>164</sup>

## Financial Literacy and Banking

MA Policy: *Financial Literacy Education* – Massachusetts has no curriculum standards or graduation requirements related to financial literacy education for students K-12.<sup>165</sup> But the Department of Education and the Office of Consumer Affairs and Business Regulation have partnered to offer free to all school districts teacher training for the NEFE High School Financial Planning Program curriculum along with instructor manuals, workbooks, and other resources.<sup>166</sup> The Department of the State Treasurer offers several financial education programs to residents. The Savings Makes ‘Cents’ program, a banking program for elementary students, which focuses on the ABCs of money management, is now in over 400 schools. A free day-long Money Conference is offered to women several times a year with 500 to 1,000 attending each time. Workshops at the conference range from basic budgeting to understanding today’s mortgage loan products. Tomorrow’s Money provides online tools and resources specifically designed for Massachusetts residents.<sup>167</sup>

*Becoming Banked* – In 1994, the Massachusetts Community and Banking Council established the Basic Banking for Massachusetts program. Currently 131 banks, including all the largest banks, have opted to offer this service.<sup>168</sup> The Basic Checking Account features a maximum monthly charge of \$3 with eight free withdrawals a month and a \$10 minimum balance. A comparison study conducted in 1999 found that charges for a range of services by licensed check cashers were 2.3 to 7.0 higher than what the service would cost with a Basic Checking Account. For someone earning \$13,000 annually, fees to check cashers for cashing weekly payroll checks and purchasing eight money orders per month were more than 10 times what they would be with a Basic

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<sup>162</sup> <http://fieldus.org/Publications/FulfillingthePromise.pdf> **Opening Opportunities, Building Ownership**, FIELD, Aspen Institute, February 2005.

<sup>163</sup> <http://fieldus.org/Publications/FulfillingthePromise.pdf> **Opening Opportunities, Building Ownership**, FIELD, Aspen Institute, February 2005.

<sup>164</sup> *ibid*

<sup>165</sup> <http://www.ncee.net/about/survey2004/NCEESurvey2004web.pdf> **Survey of the States: Economic and Personal Finance Education in Our Nation’s Schools in 2004**, National Council on Economic Education, March 2005.

<sup>166</sup> <http://www.mass.gov/HiFi> HiFi Program, Office of Consumer Affairs and Business Regulation

<sup>167</sup> <http://www.mass.gov/treasury/finedu.htm>

<sup>168</sup> <https://www.massbankers.org/default.asp?LINKNAME=BASICBANKING&Parent=6> Massachusetts Bankers Association

Checking Account. If the same individual earned \$26,000 annually, the fees would be 18 times higher.<sup>169</sup>

Comparison: *Financial Literacy Education* – By 2005, personal finance was a requirement for high school graduation in nine states and at least six additional states passed legislation that year to require financial education at some point in K-12.<sup>170</sup> Several states, including Delaware, Illinois, and Missouri allow financial education courses to count as an allowable work activity for TANF recipients.<sup>171</sup> Pennsylvania and Wisconsin have created Offices of Financial Education with their states' banking departments to coordinate financial education across the state.<sup>172</sup>

*Becoming Banked* – In New England, Rhode Island and Vermont also have special programs to assist low-income residents access bank accounts, as does IL, MN, NJ, NY, and PA. In Massachusetts, this initiative by banks may be triggered by a state-level Community Reinvestment Act, as may also be true in Illinois and New York.<sup>173</sup>

Remarks: The increasing array of financial products and their complexity create a need for financial education at some level for almost everyone. The response to this need is ever growing, especially through foundation grant support. But states are also acting to help their residents gain the knowledge to make better financial decisions and to have better access to mainstream financial institutions. A recent study reported that cities with higher shares of 'banked' residents tend to have higher rates of income, employment and homeownership, and lower crime rates.<sup>174</sup>

## Protection Against Predatory Lending

MA Policy: *Regulating Payday Loans* – Payday loans are very short-term loans for immediate cash, typically with the borrower's intent to repay the loan with the next paycheck. Very high interest rates, coupled with inability to make quick payment, can lead to unmanageable debt. To regulate this practice, Massachusetts imposes a small loan interest rate cap of not more than 18% per annum for loans less than \$1,000 and not more than 12% per annum for loans less than \$6,000. These restrictions apply to

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<sup>169</sup> [http://www.mass.gov/?pageID=ocaterminal&&L=5&L0=Home&L1=Consumer&L2=Banks+%26+Banking&L3=Selecting+Banks+%26+Credit+Unions&L4=Education+%26+Consumer+Alerts&sid=Eoca&b=terminalcontent&f=dob\\_checkrep&csid=Eoca](http://www.mass.gov/?pageID=ocaterminal&&L=5&L0=Home&L1=Consumer&L2=Banks+%26+Banking&L3=Selecting+Banks+%26+Credit+Unions&L4=Education+%26+Consumer+Alerts&sid=Eoca&b=terminalcontent&f=dob_checkrep&csid=Eoca) **Second Annual Study on the Cost of Utilizing Massachusetts Licensed Check Cashers**, Division of Banking, March 1999.

<sup>170</sup> [http://www.assetbuilding.org/AssetBuilding/Download\\_Docs/Doc\\_File\\_1493\\_1.pdf](http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1493_1.pdf) **State Policy Options for Building Assets**, New America Foundation and Center for Social Development, Washington University, June 2006.

<sup>171</sup> *ibid*

<sup>172</sup> *ibid*

<sup>173</sup> *ibid*

<sup>174</sup> [http://www.brookings.edu/metro/pubs/20060504\\_financialaccess.htm](http://www.brookings.edu/metro/pubs/20060504_financialaccess.htm) **Financial Access for Immigrants: Lessons from Diverse Perspectives**, The Brookings Institute and the Federal Reserve Bank of Chicago, May 2006.

both lenders and brokers, and therefore, local companies cannot partner with out-of-state banks to evade the state's regulation.<sup>175</sup>

*Predatory Mortgage Lending* – Predatory mortgage lenders take advantage of uninformed borrowers or those with poor credit histories by using unfair lending practices such as negative amortization, unjustifiable high interest rates, prepayment penalties, and detrimental refinancing. Codifying existing state regulations in 2004, Massachusetts enacted an anti-predatory lending law that applies to all types of mortgage loans and requires pre-loan counseling, bans prepayment penalties, limits points and fee charges to 5% of the loan amount, and prevents refinancing where the borrower ends up worse off than before.<sup>176</sup> This has resulted in 1.23 fewer subprime home loans per month per 10,000 adults (for a total of 590 loans) compared to states with minimal protections.<sup>177</sup>

Comparison: *Regulating Payday Loans* – Massachusetts is joined by only Maryland and Georgia in both restricting abusive payday lending and forbidding local lending companies from partnering with out-of-state banks to avoid the restrictions.<sup>178</sup>

*Predatory Mortgage Lending* – In a recent analysis of state anti-predatory lending laws, Massachusetts was found to have one of the strongest laws in the country, along with NJ, NM, NY, NC, and WV.<sup>179</sup> Many other states also have found a need to pass their own regulatory laws as the federal Home Ownership and Equity Protection Act of 1994 proved to have loopholes and provide insufficient protection.<sup>180</sup>

Remarks: Most payday borrowers end up in a downward economic spiral from growing interest payments, making them less likely to qualify for conventional loans. One estimate is that payday lending costs low-wage families \$3.4 million per year.<sup>181</sup> Predatory lending practices can strip a family of home equity and lead to mortgage foreclosure. Every year, predatory mortgage lenders cost American families an estimated \$9.1 billion.<sup>182</sup> A recent study has found that African-American and Latino borrowers are more likely to be subject to the most expensive subprime mortgage loans, even after controlling for legitimate risk factors.<sup>183</sup>

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<sup>175</sup> <http://www.mass.gov/legis/laws/mgl/140-90.htm> <http://www.mass.gov/legis/laws/mgl/140-96.htm>

Mass General Laws, Ch. 140 ss 90 and 96.

<sup>176</sup> <http://www.chapa.org/predlendlawsummary.pdf> **Massachusetts Anti-Predatory Lending Law**, Massachusetts ACORN.

<sup>177</sup> [http://www.responsiblelending.org/pdfs/rr010-State\\_Effects-0206.pdf](http://www.responsiblelending.org/pdfs/rr010-State_Effects-0206.pdf) **The Best Value in the Subprime Market: State Predatory Lending Reforms**, Center for Responsible Lending, February 2006.

<sup>178</sup> <http://www.policymatters.us/fullreport.html>, **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

<sup>179</sup> [http://www.responsiblelending.org/pdfs/rr010-State\\_Effects-0206.pdf](http://www.responsiblelending.org/pdfs/rr010-State_Effects-0206.pdf) **The Best Value in the Subprime Market: State Predatory Lending Reforms**, Center for Responsible Lending, February 2006.

<sup>180</sup> *ibid*

<sup>181</sup> <http://www.policymatters.us/fullreport.html>, **Policy Matters: Twenty State Policies**, Center for the Study of Social Policy, January 2006.

<sup>182</sup> *ibid*

<sup>183</sup> [http://www.responsiblelending.org/pdfs/rr011-Unfair\\_Lending-0506.pdf](http://www.responsiblelending.org/pdfs/rr011-Unfair_Lending-0506.pdf) **Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages**, Center for Responsible Lending, May 2006.

## Asset Limits for Eligibility for Income Support Programs

- MA Policy: *TAFDC* – The state allows countable assets up to \$2,500 and the fair market value of one vehicle up to \$10,000, with any equity value that exceeds \$5,000 to be included in countable assets.<sup>184</sup>  
*Food Stamps* – Households do not have an asset limit if there is a child under age 19, the household consists solely of a pregnant woman, or all members receive TAFDC, SSI or EAEDC. Households with at least one member who is age 60 or older or disabled may have countable assets up to \$3,000. All remaining households may have countable assets up to \$2,000. A home or vehicle is not considered to be a countable asset.<sup>185</sup>  
*Medicaid* – Asset tests for determining eligibility of families with children have been eliminated.<sup>186</sup> Other individuals need to meet the asset tests of the program that qualifies them for Medicaid.
- Comparison: *TANF* – Twelve states allow countable assets up to \$3,000 or more at time of application and three additional states have set this asset limit for TANF recipients.<sup>187</sup> Ohio and Virginia have eliminated all asset tests, for families receiving TANF cash assistance.<sup>188</sup> Twenty-nine states exclude the entire value of one vehicle or more.<sup>189</sup>  
*Food Stamps* – Thirty-nine states exclude the value of at least one vehicle when determining eligibility for food stamps and 26 states exclude the value of all vehicles.<sup>190</sup>  
*Medicaid* – Idaho and Texas are the only states that have not eliminated eligibility asset tests for children receiving public health insurance through all or some programs. In addition to Massachusetts, 20 other states and the District of Columbia have also eliminated the Medicaid eligibility asset tests for adults in families with children.<sup>191</sup>
- Remarks: While generously relaxing asset tests for Medicaid eligibility, Massachusetts has not relaxed assets limits for TANF recipients to the same extent as many states. Relaxing or removing asset tests for income support programs allows low-income households to receive temporary assistance without depleting the savings that can help overcome future crises. Excluding the value of vehicles from the asset

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<sup>184</sup> [http://www.masslegalservices.org/docs/TAFDC\\_FINAL\\_2005\\_with\\_corrections.pdf](http://www.masslegalservices.org/docs/TAFDC_FINAL_2005_with_corrections.pdf) **TAFDC**

**Advocacy Guide**, Massachusetts Law Reform Institute and Greater Boston Legal Services, 2005.

<sup>185</sup> <http://www.massresources.org/pages.cfm?contentID=12&pageID=3%20&subpages=yes&SecondLevelDynamicID=420&DynamicID=418> **Food Stamp Program Financial Eligibility Requirement**, Community Resources Information.

<sup>186</sup> <http://www.kff.org/Medicaid/loader.cfm?url=/commonspot/security/getfile.cfm&pageid=13750>

**Eliminating the Medicaid Asset Test for Families**, April 2001.

<sup>187</sup> <http://www.nccp.org/wizard/wizard.cgi> **50 State Policies**, National Center for Children in Poverty, Columbia University.

<sup>188</sup> <http://www.acf.hhs.gov/programs/ofa/ASSET2.htm> **Asset Provisions of State TANF Plans**, U.S. Administration for Children and Families.

<sup>189</sup> <http://www.nccp.org/wizard/wizard.cgi> **50 State Policies**, National Center for Children in Poverty, Columbia University.

<sup>190</sup> <http://www.cbpp.org/7-30-01fa.htm> **States' Vehicle Asset Policies in the Food Stamp Program**, Center on Budget and Policy Priorities, September 2005.

<sup>191</sup> <http://www.nccp.org/wizard/wizard.cgi> **50 State Policies**, National Center for Children in Poverty, Columbia University.

test recognizes that many people need to use this means of transportation to obtain or maintain employment.

## APPENDIX

The attached document, **Asset Opportunity Ladder: How policies impact asset building over a lifetime**, demonstrates the interrelatedness of state and federal policies that build assets for individuals throughout their lifetime. It also highlights the link between individual achievement and greater community economic prosperity and involvement.

# ASSET OPPORTUNITY LADDER

## How policies impact asset building over a lifetime

*All Americans – as family members, workers, and citizens – should be able to envision a secure future and have the opportunity to build the resources necessary to achieve it.*

While the United States is an affluent country, millions of individuals and working families are *asset poor*, a condition that limits their economic security and our prosperity as a nation. Assets are the financial and human capacities that enable individuals to enter into and stay in the economic mainstream. Developing and securing assets promotes individual advancement, as well as strengthening the broader community through shared economic prosperity and social mobility.

The *Asset Opportunity Ladder* charts the many policies that can impact the ability to build assets over a lifetime. At each life stage innovative state and federal policies can aid in creating an asset foundation, strengthening human capacities, and building financial wealth. The ability to strengthen the economic well-being of individuals and communities is especially important in our “new economy”, where change and innovation often produce economic dislocations and uncertainty. Policies that create opportunity help individuals acquire the foundation and tools they need to meet the demands of an ever-changing workplace, and ensure business has the labor force it needs. Maximizing human growth and potential also helps ensure that the community will have informed citizens who are prepared to act on its behalf.

The *Asset Opportunity Ladder* highlights the link between individual achievement and greater economic prosperity and civic engagement. It also illustrates the interrelatedness of factors that contribute to economic mobility and security and the need for an integrated approach to asset development over a lifetime. While policies depicted on the ladder are attributed to certain life stages, many policies have intergenerational relevance and impact. For example, a child's well-being and development is closely linked to basic resources that parents can provide, and similarly, the capacity to save and invest through adult working years impacts financial security in retirement and the ability to leave a legacy to future generations.

## ASSET OPPORTUNITY LADDER: How policies impact asset building over a lifetime

Life Stages on Opportunity Ladder	Asset building opportunities for families & individuals	Policies that create and preserve an asset foundation	Policies that strengthen human capacities	Policies that build and secure financial wealth	Economic and community benefits
<b>Early Childhood</b>	Solid foundation for healthy and productive future	Child care access and affordability; WIC (infant and child nutrition)	Head Start; Early Development (for special needs); Quality child care; SCHIP (child health care coverage)	Matched saving accounts at birth	Early investments for better health and development for long term achievement
<b>Primary and Secondary School Years</b>	Sound basic education upon which to build to personal skills		Quality education for K-12; Early financial literacy training linked to savings plans; Leadership training	No fee checking and savings for first time accounts	Basic education critical to future ability to contribute to economy & community
	Good health and family stability to maximize learning opportunities	TANF cash assistance, if parent unable to work; School breakfast and lunch programs	Extended SCHIP (health care coverage for older children)		Healthy physical and emotional development to prepare for participation in work & society
<b>Young Adulthood</b>	Work experience to acquire workplace skills	Minimum wage indexed to inflation; No state income tax for very low-income	On-job-training; English as a Second Language (ESL) classes; GED classes & certificate	Direct deposit of pay check; Youth Individual Development Accounts (IDA) (matched savings)	Positive entry into work environment
	Further education to acquire knowledge-based skills for better employment	Work-Study program	Expanded Pell Grants and federal student loans; State student loans programs		Skilled workforce to meet demand for jobs in "New Economy" and informed participation in civic society
<b>Early Parenthood</b>	Meet basic needs of affordable housing, food security, etc.	Food Stamp Program; FEMA fuel assistance; Rental subsidy; Refundable renter tax credit	Financial education to learn budgeting & avoid debt	Link benefit receipt to bank services; Eliminate asset limits for program eligibility; Family Self-Sufficiency (FSS) program	Basic economic security necessary to seek and maintain employment
	Access supports that make it feasible to work and raise a family	Dependent care tax credit; Child care subsidy; Transportation subsidy	Transitional jobs for hard-to-employ; Criminal record expungement for minor offenses	Employer contributions to Social Security/Survivors Benefits	Workers better able to focus on tasks and be productive
	Ability to give children a healthy start and begin investing in their future	EITC for 3 or more children & two-wage earners; Child tax credit; Child support collection; Paid family leave for emergencies; SCHIP	Child development and parenting classes	Matched deposits in state 529 college savings plan; EITC split tax return with direct deposit into savings account; IDA	Begin to invest in well-being of next generation to ensure community and economic growth

<b>Life Stages on Opportunity Ladder</b>	<b>Asset building opportunities for families &amp; individuals</b>	<b>Policies that create and preserve an asset foundation</b>	<b>Policies that strengthen human capacities</b>	<b>Policies that build and secure financial wealth</b>	<b>Economic and community benefits</b>
<b>Adult Working Years</b>	Maintain good health and avoid medical debt	Transitional Medicaid when leaving TANF; Medicaid for low-income working parents	Accessible health maintenance care	Tax incentives to save for emergencies	Preventive health care ensure more productive worker, less lost time
	Avoid economic crisis during unemployment & transition periods	TANF cash assistance; Flexible unemployment compensation (UC); COBRA health coverage	Skills training linked to receipt of TANF or UC; Job search, education & training through local Workforce Investment Board (WIB)	Savings withdrawal w/o penalty for emergency; Eliminate asset limits for program eligibility	Maintain community stability as families transition through economic crisis
	Avoid falling off opportunity ladder due to debt		Financial education programs	Anti-predatory lending & consumer protection regulations; Access to standard banks	Wise handling of earnings results in more disposable income for purchases
	Advance to better paying jobs with better benefits	Require employer provided family health insurance plan	Incumbent worker training; Federal/state grants & loans for non-traditional students; TANF support for post-secondary education	Regulation of pensions & 401k; Employer tax credits for matched deposits in 401k;	More qualified worker to meet job demand and higher earnings to invest in economy
	Invest in first home and increase net worth through home equity	Refundable mortgage interest tax deduction; Refundable 1 <sup>st</sup> time homebuyer's tax credit	First time homebuyers classes	Savings from IDA or FSS program; Mortgage assistance programs; Soft second mortgage program	Home ownerships stabilizes community and increases civic participation
	Start own small business	Tax deduction for start-up costs; Small business loan; IDA savings	Training on small business development and business planning	Allowance built into Capital Gains tax	Create new jobs, contribute to tax base, & invest in community
(New immigrants)	Ability to work, provide for family and save	Provision for valid photo I.D. for work & program eligibility	ESL; Citizenship classes	Use of photo I.D. to become banked & pay taxes	Aid new immigrants to be more literate workers, community members, and citizens
<b>Retirement Years</b>	Living comfortably, reaping benefits of earlier asset building investments	Social Security benefits; Payments from IRA, pension, and/or 401k	Continuing Education classes	Graduated Estate Tax	Assist with education of grandchildren; Leave legacy to children; Volunteer in community