Center for
Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK

Active Partnerships

Working Together and Working for the Field

State Assets Policy Conference Report 2007

Washington University in St. Louis

Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

Active Partnerships

Working Together and Working for the Field

Jennifer Heffern
Center for Social Development

Gena Gunn, editor
Center for Social Development

Karen Edwards, editor
KME Consulting

2008

CSD Conference Report
No. 08-10

Campus Box 1196 One Brookings Drive St. Louis, MO 63130-9906 • (314) 935.7433 • www.gwbweb.wustl.edu/csd

Washington University in St. Louis

Active Partnerships: Working Together and Working for the Field

The State Assets Policy Project (SAPP), an initiative of the Center for Social Development (CSD) at Washington University in St. Louis, hosted its 6th asset-building policy conference November 7-9, 2007, in St. Louis, Missouri. The conference was titled, *Partnerships: Working Together and Working for the Field*, and was supported by the Annie E. Casey Foundation. Approximately 75 national and regional intermediaries and key asset-building stakeholders attended the 2007 conference.[1]

The conference had three purposes: 1) to share information about current asset-building policies, and the existing or potential universality of these policies; 2) to facilitate collaboration between participating organizations; and 3) to consider the potential for universality of proposed assets policies, strategies, and systems. This document provides a summary of conference activities geared to assist conference participants to fulfill these purposes, and an outline of the assets policy and program ideas identified by conference participants.

The conference structure allowed for a keynote speech followed by related panel presentations from a group of asset-building policy experts. The keynote plenary speech, by Dr. Michael Sherraden, focused on the bigger picture of assets policy development and set the tone for the panel presentations and discussions that followed. The presentations sought to 1) highlight the benefits and challenges of an existing universal policy; 2) explore impediments to asset building and the need for universal protection; 3) illustrate how one specific policy action could better assist low-income populations to more effectively utilize universal asset-building policies; and 4) present an overview of the current policies that might shape a universal asset-building system.

Plenary

Michael Sherraden, Benjamin E. Youngdahl Professor of Social Development and founding director of the CSD, initiated the 2007 conference with a plenary speech that addressed the current status of universal asset-building policy development in the United States. Key points from the speech are summarized below.

Over the last 15 years, the concept of establishing asset-building policies for people at all income levels has become established in policymaking circles, as policymakers grow less skeptical of evidence that suggests that low-income people can save and gain financial mobility. This

[1] For more information on this and other state asset policy conferences, please visit http://gwbweb.wustl.edu/CSD/policy/conf.htm

political environment makes the idea of a national and universal asset-building policy system seem more feasible than ever before. At the state level, asset-building policy activity with funding support is increasingly widespread, and federal funding for large asset-building policies has great potential.

Despite the current supportive political climate and level of policy activity, instituting large scale inclusive public policy for wealth creation in the United States is unlikely in the immediate future. One of the barriers to inclusive policy development is the lack of a large policy system or structure to administer a more universal assets policy. Additionally, historical and current wealth disparities in the US significantly block access to wealth creation by people with low incomes—a large impediment to an accessible, universal assets policy.

The issue of wealth disparities between income groups largely colors the "big picture" of assets policy development. In the US, wealth disparities at various income levels are currently greater than the income disparities. Wealth disparities are also impacted by racial disparities, since the assets of whites are ten times greater than the assets of people of color. The federal government exacerbates inequality through a skewed tax policy that provides subsidies for people in middle and higher income levels, but does not provide a significant incentive for people with low-incomes. In addition, other types of taxes (sales, property, etc) are regressive, thus effectively lowering income levels and reducing the potential for people at the lowest income levels to save.

Individual development account (IDA) programs have successfully increased wealth accumulation for some low-income people, but currently have characteristics that limit their scope. IDAs, as they exist today, are usually established through short term community-based programs that are targeted to specific groups and limited in size. These characteristics result in relatively small amounts of money being saved. Thus, typically designed IDAs are not likely to be an effective solution for the low wealth accumulation of tens of millions of low-income people.

Instead, an effective universal assets policy would need to be instituted through a larger planned structure. Developing new policy structures, however, is more difficult than expanding existing structures. Therefore, the best strategy for developing a universal assets policy may be to expand an existing policy structure. This strategy is currently being tested in the SEED for Oklahoma Kids demonstration—a demonstration of child development accounts using the College Savings Plan (529) structure.

There is a great temptation among policymakers to address pressing assets policy issues one at a time, but this approach distracts from the establishment of a universal assets policy system. Ironically, a universal system would create a policy structure through which to address immediate issues more effectively. In the wake of the sub-prime mortgage and housing crisis, it seems necessary to create immediate policies that effectively regulate home mortgage lending. Likewise, financial education is important to equip consumers with the tools to avoid predatory lending. However, making these improvements without instituting a larger planned structure for more universal asset-building is not likely to make a dent in existing asset inequality.

Panel of Experts

Following Dr. Sherraden's speech, a panel offered important perspectives on universal asset-building policy. Panel participants included Kilolo Kijakazi, Program Officer at the Ford Foundation; Thomas Shapiro, Professor of Law and Social Policy at Brandeis University; Dory Rand, Supervising Attorney of the Community Investment Unit at the Sargent Shriver National Center on Poverty Law; and Rourke O'Brien, Policy Analyst at the New America Foundation. Their presentations are summarized below.

The Benefits and Challenges of Social Security, an Existing Universal Policy
Dr. Kilolo Kijakazi

The Social Security Act created a national, universal social insurance policy and program designed to protect not only those who pay into it, but also very vulnerable populations that may or may not have contributed, against unknown risks. These risks may include death and disability, failure to save adequately for retirement, and financial pitfalls that deplete retirement savings. Individuals must work for at least 10 years and contribute 6.2% of their earning to receive full benefits at retirement.

Contributions and access to Social Security are typically the greatest financial assets possessed by low-income households. It is also the nation's most successful anti-poverty program. The Social Security program has demonstrated remarkable sustainability through its 70 year existence. The program has also effectively decreased the percentage of elderly living in poverty from 50% in 1937 to 10% in 2007.

Despite the efficacy of the Social Security program, some program elements have undermined Social Security's intended universality, threatening to make it exclusive and highly racialized. From 1937-1950, domestic and farm workers, a group disproportionately composed of African Americans and Latinos, were not covered by Social Security. In 1950, coverage was extended to these workers. However, domestic and farm employers have historically underreported their workers, which limited the effectiveness of this coverage. This history of inadequate coverage is not only a source of great inequity, but one of the greatest challenges to establishing true universality in the Social Security program.

The Social Security's Spouse Survivor benefits structure has also unwittingly provided benefits based on race. Spouse Survivor benefits vary depending on the amount of income earned. Since minorities are overrepresented in the low-wage work sector, they also receive a smaller amount of survivor support in the event of spousal death.

These structural flaws have historically decreased the amount of Social Security received by minorities. As a result, people of color are more likely than whites to be poor after they retire, even when they receive Social Security benefits. Numerous policy changes could be made to Social Security to distribute benefits more equitably. These changes include: 1) restoring the minimum benefit so that the poorest of the poor are supported adequately; and 2) imposing regulations to require reporting of all eligible workers, which will increase the amount going into each individual's account.

Recently, the creation of individual development accounts (IDAs) within the Social Security system has been suggested in some policy circles. One method of establishing such accounts would involve diverting part of the payroll tax into a private account. The traditional Social Security payment would be reduced, and individuals who did not have a private retirement account would not receive either the additional Social Security benefits or the full amount of benefits due them. People with low-incomes are not likely to benefit greatly from privatized accounts that draw deposits from their Social Security benefit payments.

Some fear that this type of system-tapping would expand the inequitable distribution of Social Security benefits. An alternate method of incorporating IDAs accounts into the Social Security system is the "add-on" method. In this method, the typical Social Security system would remain intact, and the IDA would be either an optional addition, or funded for all through a source other than that which funds Social Security benefits.

In summary, the structural changes in the Social Security system over time illustrate two lessons that might be applied to the creation of a universal asset-building policy:
1) certain policy amendments will benefit some and exclude others if not carefully thought out and constructed in a truly equitable fashion; and 2) there are some potentially universal features that can change existing policy to address historical inequities.

Impediments to Asset Building: Predatory Lending Practices and the Need for Universal Protections
Dr. Thomas Shapiro

Homeownership is the most common pathway to wealth creation in the United States. Approximately two-thirds of middle class wealth is invested in homes. In the past 20 years there has been a swell of public and private support for first-time homeownership. These efforts have helped more individuals obtain homes, but measures to protect these important assets have not been widely instituted.

The current short-term foreclosure crisis is the result of this general lack of protections. This crisis might be more aptly named a "wealth stripping" crisis for low- to moderate-income individuals and families. Many individuals are cashing out the wealth or value accumulated as equity in their homes in order to pay large credit card balances and other typically short-term debts. We should not blame the victims for this crisis, since the real culprits belong to the public policy arena. In the 1980s, what might be known as the deregulatory era, many banking regulations that might have averted current loan crises were dropped. This lack of lending regulations, coupled with an unprecedented influx of global capital, created fertile ground for the growth of a formidable sub-prime loan market.

The simultaneous rise of first-time home ownership programs and the sub-prime loan market has presented tremendous challenges for home-as-asset preservation. An evaluation of the Self-Help

Housing Program, a first-time home ownership program serving low-income populations, provides insight into the interactions between the sub-prime loan market and first-time homeownership programs. The research, conducted in Jacksonville, Florida, by program staff, found that 70% of home refinancing was sub-prime lending. Additionally, when “testers” (white vs. black) with identical credit risk tried to obtain loans, the African American group was directed to sub-prime lending more often than the white group. Despite this tenuous climate for preserving home ownership, Self-Help program participants mirrored the same default and foreclosure rates as conventional loan users. However, the research suggests that the community support and resources inherent in the Self-Help Housing Program helped participants avoid foreclosure more often than their peers in more conventional loan programs.

In light of this research, the need for a more universal, non-racialized asset-building policy or policy system is clear. A key part of this policy structure would be a lending policy that better regulates lending practices and ensures that low-income people of color have genuine opportunities to accumulate *and* preserve assets. To achieve such a policy with significant impact, we would need to educate financial services providers about the consequences of sub-prime lending practices, and develop a constituency of institutions and individuals to support policy changes extend universal protections for assets.

Removing Institutional Barriers to Universal Asset-building: The Case of Asset Limits
Dory Rand, Esq.

Many low-income people receive some kind of public benefits, such as food stamps and Temporary Assistance for Needy Families (TANF), which use asset limits as an indicator of eligibility. Asset limits, however, discourage low-income people from participating in asset-building programs because they fear they will lose their benefits. Research shows that asset tests are confusing, inefficient, counterproductive, and inequitable. Asset tests in means-tested programs vary from program to program, and state to state, and thus are often confusing to caseworkers and recipients who are not familiar with the most recent rules. In addition, asset tests waste the time of caseworkers who must document the obvious lack of assets for their asset-poor clients. Further, asset tests run counter to the self-sufficiency mission of public benefits programs because they strip the recipients of the only safety net they and their families are likely to have—personal savings for such purposes as emergencies, college, and retirement. Finally, asset tests penalize the savings of the poor while billions of public tax subsidies are offered to the wealthy as an incentive to save. A more equitable policy would consider any kind of savings, for any person or household, to be valuable and worthy of being fostered through public policies.

States have the authority to reform asset rules for means-tested programs, such as TANF, Food Stamps, Medicaid, and SCHIP. They can eliminate or curb asset limits and tests, or make special conditions regarding specific types of assets through administrative rules or legislative changes. Even though they have the authority to make changes to state asset rules, policy makers are often hesitant to act because they fear appearing to be “soft on welfare,” are influenced by stereotypes of welfare recipients, or are quoted inflated cost estimates for making the changes.

Of the many states that have successfully revised asset rules, Ohio and Virginia are the only two to have eliminated the TANF asset test. Colorado, Illinois, and California have reformed asset rules, but the changes are still producing inefficiency due to the paperwork required. Some states have made asset rule exemptions for education savings accounts (Colorado, California, and Pennsylvania), and others have made exemptions for retirement accounts and food stamps (Colorado, Illinois, Ohio, and Virginia). Virginia and Illinois have eliminated the lump sum rule (a rule that disqualifies individuals from receiving food stamps if they receive a type of lump sum payment, i.e. insurance settlement or inheritance). Most states do not have asset tests for children's Medicaid and SCHIP, and 21 states do not have asset tests for family Medicaid.

Rand recommends several strategies for reforming state asset limits. The first step is to gather information through sources like CFED's Assets Opportunities Scorecard. This information, as well the State Asset Limit Toolkit (found at www.povertylaw.org), can be used to collaborate with state and county agencies to determine what real effects might result from reforming asset limits. During this process, it is essential to build relationships with the executive branch and legislators, and solicit input from advocates, policy groups, and legal services. Collaboration with these sources can help states decide whether changes can be best achieved through legislation or administrative rule. States can also educate the public that asset building is good for welfare reform and leads to greater levels of self-sufficiency in the state populace.

Several current proposed policies, if enacted, would reform federal asset limits. The Farm Bill would index the standard deduction for Food Stamps (preventing the Food Stamp's purchasing power from decreasing), exempt retirement and education savings accounts, and (in the Senate version) raise limits for policies with federally established limits (those that states cannot change) from $2000 to $3500. The Freedom to Save Act (HR3172) would eliminate asset tests in SSI, SCHIP, and TANF in all states and raise asset limits and exempt vehicles from eligibility requirements for the Food Stamp Program. Exemptions for assets are also included in some proposed child development account bills.

Overview of Current Policies: Precursors for a Universal Asset-Building System
Rourke O'Brien

The "Next Social Contract" describes a genre of policies that would foster effective universal asset-building, based on three foundational principles. The Contract's first principle is that we must create a balance between the shared risks of social insurance and the individual risks of private ownership accounts. Financial accounts make sense in our current economy, and policymakers should not use these accounts to replace or weaken social insurance policies. The second principle of the Contract is that we should ensure that asset-based policy becomes less regressive and more universal. Account-based policies, as currently designed, will not overcome inequities if no provisions are made for those who start with no wealth, and should include provisions that offer additional benefits to historically marginalized groups and low-income families. The third principle is that universal asset-building social policy is viable and durable, and should be designed so that it creates opportunities for all people. These policies should also be designed so that they do not suggest welfare-type aid to the poor. When everyone participates in wealth building through universal-type policies, everyone has a stake, giving everyone the opportunity to share in the transformative effects this type of policy system could offer.

Several types of these policies could be established, stimulating asset-building for current generations. One policy strategy involves pulling asset-incentives out of the tax code so they can benefit the entire population. Potential policy directions for achieving this goal include: 1) Bloomberg's conditional cash transfers (programs that aim to reduce poverty by making cash transfers to individuals who perform specific tasks); 2) making the savers credit/other tax credits refundable; 3) enacting an EITC "Savers Bonus"; and 4) funding matched savings for higher education, homeownership, and retirement.

Removing barriers to saving is vital in creating an environment in which a universal asset-building policy system can thrive. Although reforming asset limits is important, it alone is not sufficient. Research has shown that even when asset rules are changed, people are convinced saving will be penalized. We must change the culture of welfare by actively encouraging savings at all income levels. Of course, targeted policies are also needed (e.g. removing asset limits) to meet the needs of specific populations such as people with disabilities, immigrants, refugees, minorities, and others.

Another essential policy strategy is establishing bank or financial transactional accounts for everyone, and providing more universal access to reasonably-priced financial services. This access could potentially be encouraged by amending regulations while adding incentives for banks and other financial institutions to compete and innovate for this underserved population.

A current policy proposal that could achieve this goal is the Assets and Transaction (ATA) Act, which seeks to bank every taxpayer through an ATA account. Financial education policies that offer universal, accessible, and pertinent financial education for all populations couple well with policies striving to bank the unbanked. Some policy ideas include making a financial education curriculum mandatory for public schools, and funding the Financial Service Corps, an organization that seeks to guarantee every American access to quality financial counseling.

The politics of a universal asset-building policy system involve questions that make the political feasibility of universal asset-building policies unclear. These questions include: 1) How do we pay for this? Billions of dollars are funding asset-building policies for the wealthy because a high return on investment is expected—how do we show potential returns on these policies?; 2) How do you make the assets accounts approach as compelling as the income maintenance approach to helping low-income families, and how do we make one seem indispensable to the other?; 3) If we make our case well, how do we make sure assets policies are developed and poised to take advantage of available funds?

Small Group Discussion

In this session, conference attendees assembled themselves into small groups to discuss the following questions regarding the plenary and panel sessions:

1. *How do we frame a universal asset-building policy and initiative agenda so that people who have no or little income are included? How do we ensure that mainstream society perceives this as a boost and not a drain to the economy?*

2. *Many workers in today's economy face the prospect of being poor when they retire, even if they receive Social Security, because of the inequities they face in the labor market (e.g., higher rates of unemployment, low wages, and lack of benefits). What can we propose for shoring up Social Security and improving access to other types of retirement funds for these workers?*

3. *Considering that there are other factors affecting wealth disparities such as racial discrimination and segregation, population bias (undocumented workers, people with disabilities, refugees, incarcerated persons, etc.), and cultural insensitivity, what additional strategies need to be developed to ensure that all populations will have real opportunities to benefit from a universal account system?*

Some discussion groups tackled one question at a time, while other groups dealt with the questions simultaneously. Several common themes emerged that touched on some aspect of all the questions. These themes are discussed below.

Messaging and Framing

Conference attendees agreed that the message of universal asset building must be carefully crafted and distributed by many messengers, targeting specific groups of people. Attendees suggested that the asset-building message could be effectively linked with discussions of timely topics such as national security and global economic competitiveness. The message should also illustrate that financial stability of all families creates a more sound economy for all, and creates stakeholders, savers, and investors which come from and benefit every sector of society. Suggested messengers include such strategic partners as community centers and faith communities. A suggested strategy was using a community outreach model that involves trusted people from a community reaching out to others within that community. This model should also promote access to a message that crosses cultures, languages, races, and abilities.

Universality and Constituency

Attendees acknowledged that a universal asset-building policy system must employ targeted universalism. In this type of policy, everyone would have access to asset-building accounts, but traditionally marginalized populations would be given additional (and pertinent) incentives. Attendees also commented that this universal policy system should be sensitive to the diverse constituency that would be accessing the policy: children, families, elders, military personnel, incarcerated persons, immigrant communities, and communities of color. These groups should be accommodated through universal accounts with strategic incentives and purposes in mind, such as children's savings accounts, accounts established upon high school graduation, accounts opened upon entering military service, and accounts for children in foster care.

Scale and Sustainability

Participants indicated that scale and sustainability for a universal asset-building system might be achieved by changing the tax policy and restructuring regulations for financial institutions. Tax policy should be progressive and work to support (not compete with) income support programs. Changes to tax policy might include raising or eliminating the ceiling on payroll tax and significant revisions to the estate tax. Tax policy changes might create the funds needed to establish a universal asset-building account system, but regulations for financial institutions also need to be restructured in order to provide accounts for all people of all income levels and financial circumstances. Financial institutions could be required to lower service fees, protect these accounts from creditors, and require only a small minimum charge to service the accounts.

Social Security

Attendees had several suggestions for improving the equitable distribution of Social Security benefits. Some suggestions involved removing structural barriers to Social Security benefits such as eliminating or raising the payroll ceiling, and increasing the wage cap up to 90% of payroll. Similarly, participants recommended instituting minimum universal Social Security benefits, so that people with very low incomes have a significant form of social insurance, and a median survivor's benefit, as well as adjusting or removing work disincentives for qualified people who claim benefits. Attendees also outlined program elements that could be added to Social Security to increase participation, including automatic enrollment, automatic deposits (that people could opt out of), and a default IRA product. Other suggestions involved creating new sources of retirement funds such as a universal 401k that supplements (not replaces) Social Security benefits and a state-based 401k plans with state matches.

Universal Financial Education

Conference participants agreed that universal financial education is a necessary element in a universal asset-building system. A universal financial education program should be accessible to, and targeted towards, various age groups: children, youth, college-age, adults, and elders. The program ideally should cover general financial management, tools for saving and investing, and retirement options.

Policy Discussion

The conference concluded with a discussion of currently proposed asset-building policies at the federal and state levels. Carol Wayman, Senior Legislative Director at CFED, provided a thorough overview of federal asset-building legislative action. Ms. Wayman commented that with Democrats in control of the House, the assets policy agenda is more central, and the field has new support from committee chairmen. Current activity on Capitol Hill that may forward a more universal assets policy agenda includes:

- Office of Refugee Resettlement (ORR) has released a new round of funding for establishing IDA programs for refugees (re-funding).

- Farm Bill (H.R.2419) includes a major reform (increase) of asset limits in the Food Stamps program.
- Capital Access Bill is in the works and addresses lack of credit scores for many people with low incomes, and accepts reporting on-time utility payments to achieve higher credit scores.
- The House has passed a national housing trust fund bill (S. 2523, H.R. 2895), with John Kerry currently leading this effort in the Senate.
- Savings for Working Families Act (S. 871, H.R.3915) has acquired a long list of co-sponsors and includes a provision for operational expenses for non-profits implementing IDA programs.
- Saver's Credit Bill (H.R. 2724) institutes refundable saver's credits for people with no or low tax liabilities as a matter of fairness.
- The Automatic IRA Act (S. 1141, H.R. 2167) is a bipartisan bill that requires employers with more than 10 employees to automatically enroll them into IRAs (exercising an opt-out, rather than an opt-in option).
- Assets for Independence Act IDA program (P.L. 105-285) will be reauthorized. Changes include more flexibility, and special funding allowances for approved pilot programs.

Several conference attendees gave updates about state legislative action. In California, legislative action included movement toward a state EITC. Attendees from Alabama reported on a future legislative strategy to target public education trust fund money to fund IDA programs. Other current state policy information can be found on CSD's website at http://gwbweb.wustl.edu/csd/policy/states_comp.htm.

Closing Remarks

Conference activities stimulated the enthusiasm of conference attendees to address large-scale issues. Through discussion and collaboration, attendees developed a variety of productive solutions to problems facing the assets field. The Center for Social Development hopes that state and federal policy advocates consider these recommendations and use them in their work to institute public asset-building policies.

Conference Presenters

Kilolo Kijakazi, PhD
Dr. Kijakazi joined the Ford Foundation in September of 2003 as a program officer for the Economic Development Unit in the Asset Building and Community Development Program. Her portfolio is examining strategies for creating universal and sustainable policy around a life-cycle of savings strategies including children's savings accounts, individual development accounts, Social Security, and pensions. She is also undertaking an effort to infuse the expertise of people of color into all aspects of asset building, including research, policy, and practice.

Rourke O'Brien
Mr. O'Brien is a Policy Analyst at the New America Foundation, a nonprofit, nonpartisan public policy institute based in Washington, DC. As part of the Asset Building Program, Mr. O'Brien conducts research and educates policymakers on asset-based policies to promote economic self-sufficiency for low- and moderate-income families.

Dory Rand
Ms. Rand is supervising attorney of the community investment unit (CIU) at the Sargent Shriver National Center on Poverty Law. She is co-coordinator of the Illinois Asset Building Group. She supervises the Chicago site of the Savings for Education, Entrepreneurship, and Downpayment (SEED) Policy & Practice Initiative. Ms. Rand also coordinated the Financial Links for Low-Income People coalition's financial education and individual account programs from 2000 to 2006.

Thomas Shapiro, PhD
Dr. Shapiro directs the Institute on Assets and Social Policy and is the Pokross Professor of Law and Social Policy at The Heller School for Social Policy and Management, Brandeis University. Dr. Shapiro's primary interest is in racial inequality, poverty, and public policy. He is a leader in the asset development field with a particular focus on closing the racial wealth gap.

Michael Sherraden, PhD
Dr. Sherraden is the Benjamin E. Youngdahl Professor of Social Development at the George Warren Brown School of Social Work, Washington University, and the founding director of CSD. His work focuses on development rather than maintenance, and he is particularly interested in ways in which social policy contributes to economic growth of households and communities. His work is characterized by innovative approaches to long-standing policy challenges, frequently drawing on insights from US history and experiences of other nations.

State Assets Policy Conference Report 2007
Active Partnerships
Working together and working for the field

Center for Social Development
Washington University
in St. Louis

Center for
Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK

Gena Gunn, Project Director

Center for Social Development (CSD)
Washington University in St. Louis
Campus Box 1196 , One Brookings Drive
St. Louis , MO 63130
(314) 935-9651 work (314) 935-8661 fax
ggunn@wustl.edu

Website: http://gwbweb.wustl.edu/csd/

Washington University in St. Louis