



Session 6C:

Emerging and Innovative Policy Ideas

Moderator: Amanda Feinstein, Program Officer, Walter and Elise Haas Sr. Fund

Panelists:

- Ben Mangan, Executive Director, EARN,
- Lilian “Beadsie” Woo, Senior Program Manager, CFED
- Anne Stuhldreher, Senior Research Fellow, New America
- John Burbank, Executive Director, Economic Opportunity Institute in Washington State

SUMMARY OF TOP THREE ISSUES THAT EMERGED:

1. The importance and challenges of implementing pilots (i.e., SEED, local EITC in SF, FII in Alameda Cty) to inform policy.
2. The need to develop ways to share these new models with others, especially bringing in rural communities.
3. The opportunities to build bi-partisan alliances and partnerships with businesses—it takes work!

This panel will focus on the following five emerging/innovative policy ideas:

- Savings for Working Family Trust
- Statewide Asset Budget Assessment
- Children’s Savings Accounts
- Local EITC
- State-Sponsored Voluntary Retirement Accounts

Additionally, the members of the audience contributed ideas and information on other emerging and/or innovative programs.

Savings for Working Family Trust

Ben Mangan reported on the concept of a Savings for Working Family Trust. There is a systematic shortfall of resources to support asset building. Additionally, existing supports (from the federal government, foundations, etc.) are subject to fluctuation and thus uncertainty. We need a different capital structure to support asset-building programs as the demand grows and as programs change to serve different segments of the low-income community.

The concept of a Savings for Working Family Trust is that it would be a permanent or semi-permanent source of funding. Like housing trust funds, the Savings for Working Family Trust would require one or multiple steady sources of income (for more information on housing trust funds, see the notes for Concurrent Session 5B). One example would be a check box on California’s state income tax, asking taxpayers if they would like to donate \$1 towards helping poor families in the state.



The idea of a Savings for Working Family Trust is being developed by APIC, and is in its preliminary stages. If the idea is approved by APIC's Policy Committee, then APIC will begin working with the Milken Institute to explore this issue in further depth. For more information, contact Ben Mangan at EARN at ben@sfearn.org.

Statewide Asset Budget Assessment

Beadsie Woo reported on the Statewide Budget Assessment. The federal government has many ways in which it subsidizes the asset building of Americans. This mostly occurs through the tax system, through tax breaks for home purchasing, capital gains, retirement, etc. In fact, according to CFED's Hidden in Plain Sight: A Look at the \$335 Billion Federal Asset-Building Budget", for every \$1 spent on asset building programs (such as AFIA grants for IDAs) in FY 2003, the federal government "spends" \$642 on tax relief towards asset building (this report is available at <http://www.cfed.org/think.m?id=112&pubid=130>). The vast majority of these subsidies went toward the income-wealthy, while the bottom half of the population barely received any breaks at all.

To expand our knowledge of government subsidization of asset building, CFED plans to undertake an analysis of subsidies at the statewide level. Preliminary explorations could lead to an analysis of California's budget in 2005. This builds on a back of the envelope analysis conducted in 1999, which pinpointed \$10 billion in California government subsidies towards asset building. The results should be available at the end of the year, and available on the APIC website (<http://www.assetpolicy-ca.org>).

Children's Savings Accounts

Beadsie Woo reported on the Children's Savings Accounts. Conceptually, the earlier savings begin, the more savings can occur. As such, CFED is looking into the factors that can influence savings before the age of 18, so that young adults will have a nest egg to use as an asset-building foundation. CFED is running a national demonstration called "SEED" – Saving for Education, Entrepreneurship, and Downpayment. Such a program was recently enacted in the United Kingdom.

To maximize the information collected over the five years of the demonstration, CFED is working in 12 different sites. Each site targets a different age group so that, collectively, the sites span children from birth to age 18. For example, some promote an account at birth. Others, like the California program (housed at JUMA Ventures in San Francisco), focus on high school students. Sites also vary by geography as well as racial composition. Nine of the 12 projects began in late 2003, the other three in late 2004. As they are still young, it is still too early to identify lessons learned from the project. To keep updated on the SEED project, see <http://seed.cfed.org>.



CFED is also making sure to work with the proposed Americans Saving for Personal Investment, Retirement, and Education (ASPIRE) Act, currently in the US Congress. This Act proposes providing an asset-building account of \$500 to every American child at birth, with matching funds for families below the median income. For more information on the ASPIRE Act, see <http://www.assetbuilding.org/AssetBuilding/index.cfm?pg=docs&SecID=101&more=yes&DocID=1023>.

Local EITC

Anne Stuhldreher reported on the Local Earned Income Tax Credit (EITC). The federal EITC is a huge national resource for supplementing the income of low-income working families. To further support these families, the city of San Francisco instituted a citywide EITC, starting for the 2005 tax season. This local EITC will provide a 10-20% match for the federal EITC. The city also hopes that programs promoting the local EITC will also increase uptake of the federal EITC, thereby bringing a net surplus of dollars into the city. Currently, about 20% of eligible families are not collecting their federal EITC.

San Francisco's local EITC is a two-year pilot program. It is anticipated to cost \$6 million for both years. Given the current financial crisis in San Francisco, the City could only dedicate \$3 million of its own resources, and sought to raise an equal amount from the private sector. This it was able to do, largely from a \$1 million donation from the tax preparation company H&R Block. Eligible City residents will be able to apply for the local EITC free of charge from H&R locations, as well as from the City's free tax preparation sites.

The City hopes to link the local EITC program directly to asset building services. EARN anticipates promoting financial planning classes at the tax preparation sites. H&R Block is expected to offer access to "express" IRAs and to help workers set up checking and savings accounts through Wells Fargo and US Bank, while agreeing not to market early return loans that decrease the overall return to the family (the bank accounts would be free for 14 months, and would continue to be free as long as a relatively nominal minimum balance was maintained). Additionally, at the tax preparation centers the City is looking to start screening families for eligibility for other government programs and to refer workers to EARN's IDA program.

The City is also planning on collecting data on this pilot program, so that the program can be assessed and adjusted as necessary. Data assessed include account utilization, savings v. spending, the value of services provided, and whether there was an increase in claims of the federal EITC. This data can also be compared against other local EITC programs, such as those in New York and Chicago. Advocates of the program also hope that this pilot can build momentum for a California EITC.

For more information, visit the City's Working Families Credit webpage at http://www.sfgov.org/site/wfc_index.asp.

State-Sponsored Voluntary Retirement Accounts

John Burbank reported on State-Sponsored Voluntary Retirement Accounts. Economic security in retirement can be thought of as a three-legged stool: Social Security + pensions + savings. The data show that all three legs are wobbly – pensions and savings are at post-WW II lows, while Social Security may be overhauled in the near future in a fashion that reduces the security of entitlements. In sum, the current generation has a lot less retirement money than the previous generation. Workers in small businesses and part time workers are particularly ill-prepared for retirement. The problem is exacerbated by the difficulty businesses have in establishing retirement plans. These are often expensive to establish, in price and in terms of time spent researching the myriad options.

In response, Seattle's Economic Opportunity Institute (EOI) is promoting the Washington Voluntary Accounts (WVAs). The WVAs are designed to give every worker and business opportunity to save for retirement. All workers would have access to Individual Retirement Accounts (IRAs), while employers could opt to participate in 401(k)s. One advantage is the economy of scale presented by WVAs, which cuts down on administrative costs and increases bargaining power. Another advantage is that WVAs are fully mobile as workers change employers. WVAs would be easy and voluntary. WVAs are also expected to help private industry, in that workers will now have investable savings that they did not have before.

EOI has been working on promoting WVAs for 5-6 years. They have been able to garner significant support from lawmakers, the business community, retired people (via AARP), and government technocrats – in addition to the workers that these accounts would best serve. Outreach has included focus groups and discussions with Chambers of Commerce. A law supporting the creation of WVAs is currently wending its way through the Washington state government. EOI is also promoting federal funding for the anticipated \$10 million startup costs (the program expects to be financially self-sufficient once up and running). It is anticipated that extending this program to other states would further increase the economies of scale.

For more information, see the WVA section of the EOI website at <http://www.eoionline.org/Policy-WVA.htm>.

Audience Input

- APIC may be the appropriate site for a clearinghouse of innovative asset-building ideas.
- Rural communities are often underserved by asset building programs. If a California-wide program existed, these areas could be better served.
- State Social Security would also provide some level of economic security.