

# The Asset Policy Initiative of California

## *Building Momentum for Policy Change at the State Level*

By Heather McCulloch

*The CFED State Asset Development Report Card revealed, in 2002, that one in four California families was asset poor, meaning that they had insufficient net worth to survive at the federal poverty level for more than three months if their income were disrupted. The data also showed that almost one in five families had zero or negative net worth. When compared to other states, California ranked in the bottom ten percent on both categories.<sup>1</sup>*

In January 2003, the Earned Assets Resources Network (EARN), a San Francisco-based non-profit, began to mobilize a response. EARN provides asset building opportunities to lower-income families throughout the San Francisco Bay Area using Individual Development Accounts (IDAs). By providing both in-house case management and outsourced services to community-based IDA providers, EARN sought to achieve an exponential increase in the number of families participating in IDAs in the region. However, EARN quickly realized that without a supportive public policy infrastructure, they would be able to serve only a fraction of the Bay Area's low-income families.

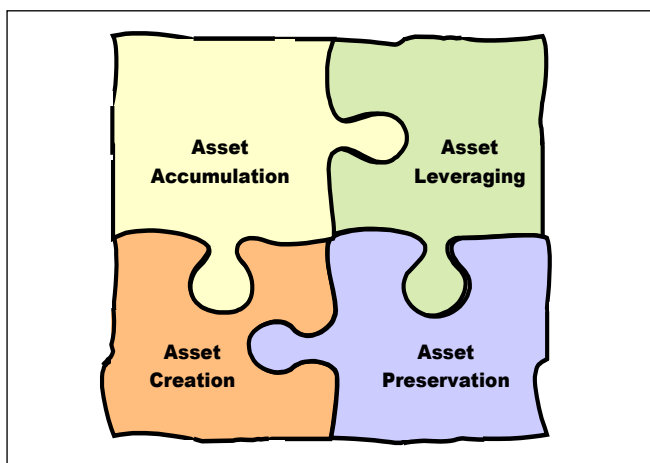
From January to June 2003, EARN staff laid the groundwork for the creation of the Asset Policy Initiative of California (APIC), a statewide effort to advance policies that enable low- and moderate-income families to save, invest, and preserve their assets. With funding from the Ford Foundation, EARN started building APIC by meeting with civic leaders from across the state to draw attention

to the economic, social, and political implications of asset poverty.<sup>2</sup> EARN's message fell on fertile ground. Within a number of months, EARN pulled together a 35-member task force devoted to developing public policies in support of asset-building opportunities for low- and moderate-income families across the state. The task force represented a broad coalition of current and former elected officials, representatives from financial institutions, regulatory agencies and foundations, public agency staff, and statewide asset building and community development advocates.

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**Figure 4.1** APIC Framework



One of the first challenges for the task force was to develop a framework for thinking about asset building policy. Unwilling to accept a narrow definition of assets, the task force agreed on a framework that incorporates activities across the asset building spectrum. The four components of the framework—accumulation, leveraging, preservation, and creation—are distinct, yet integrated, areas of asset development (Figure 4.1: APIC Framework). State funding for IDA programs, for example, is a policy that directly enables low-income households to accumulate savings, which could be used for the downpayment on a house. However, to be effective over the long-term, this policy needs to be complemented by initiatives to increase the supply of affordable homeownership opportunities (asset leveraging) and to strengthen anti-predatory lending legislation (asset preservation).

Recently, state legislators and asset building advocates have begun to pay attention to the myriad opportunities to support asset building through state-level policy change. In the past three years, comprehensive statewide asset policy initiatives have taken root in states across the country including California, Delaware, Hawaii, Illinois, Michigan and Pennsylvania. To support these efforts and to help groups in other states to develop their own policy agenda, Heather McCulloch, with support from the Fannie Mae Foundation, has recently analyzed these six statewide initiatives. Tentatively entitled *State Asset Policy Initiatives: Building Savings and Investment Opportunities for Working Families*, the report describes how these initiatives are using public policy to enable low- and moderate-income families to build financial assets. The report examines each initiative's leadership, goals, framing, challenges, and lessons learned; highlights common themes and elements of success; and describes the emerging menu of state-level asset building policies. The report will be available this summer at [www.knowledgeplex.org](http://www.knowledgeplex.org).

### Moving to Action

With a framework in place, the next challenge facing APIC was to develop a strategic policy agenda for California around asset building. Through a series of meetings, data analysis, and review of asset building policies in other states across the country, the task force identified the key issues facing California families that could be addressed through policy changes at the state level. Strategies explored by the task force included:

- **Eliminating or reducing asset limits in public benefits programs:** Assets are used as eligibility criteria in many public assistance programs. Many states have lifted or eliminated their asset limits as a way to encourage families to save. California has relatively strict asset limits compared to other states: \$2,000 for CalWorks (TANF) recipients and \$3,150 for Medi-Cal (Medicaid).
- **Supporting Individual Development Accounts:** Across the country, states are supporting low-income families to save in IDA accounts through a variety of mechanisms including direct appropriations, state tax credits, and allocation of federal funds over which states have control, such as CDBG or TANF funds. While California adopted legislation authorizing a state IDA program in 2002, state funds were never appropriated.
- **Appropriating state funds for 529 accounts:** College savings plans, or 529 plans, are state-managed plans that allow families to save, tax-free, for a child's education. Five states offer a savings match to encourage low- and moderate-income families to save in 529 accounts.<sup>3</sup> California has a 529 plan, but it does not provide any resources to support low-income families to save.

In 2004, APIC staff used the preliminary policy priorities to reach out to groups across the state. This outreach culminated in the first statewide asset policy symposium in California, held at the Federal Reserve Bank of San Francisco's Los Angeles Branch in February, 2005. Over 100 stakeholders from non-profits, financial institutions, and government agencies joined together for two days of interactive workshops and participatory general sessions.

APIC policy priorities, which emerged from the meeting, included creating a financial education task force and a savings trust fund for working families, as well as supporting pre-existing efforts around the establishment of a home ownership trust fund, eliminating or increasing asset limits in public benefits programs, and supporting anti-predatory lending legislation.

Since the statewide symposium, APIC has been working to educate legislators in Sacramento on asset building issues and to build broad support for asset-based policies that benefit California's low-income families. APIC is also working with national organizations to support the development of state policy to establish children's savings accounts in California and to explore the creation of legislative caucuses similar to the recently-established bipartisan savings and ownership caucuses at the federal level.

### Conclusion

APIC—and similar efforts in Delaware, Hawaii, Illinois, Michigan, and Pennsylvania—represents a new frontier in the national asset building movement, one that promises to attract public attention to the economic and social costs of asset poverty; build new coalitions of stakeholders; identify innovative policy solutions; and build momentum for policy change (Box 4.1 Lessons Learned from State Policy Initiatives). By educating and mobilizing new and unlikely allies, statewide asset policy initiatives can help to ensure that opportunities to build economic security for current and future generations are available to all American families.

Heather McCulloch is a consultant on asset building strategies and policies, based in San Francisco, California. She has served as primary consultant to APIC since early 2003 and is currently a member of the APIC Steering Committee.

For more information on APIC visit [www.assetpolicy-ca.org](http://www.assetpolicy-ca.org) or contact Ben Mangan at EARN at [ben@sfearn.org](mailto:ben@sfearn.org). 

## Building Assets from the Grassroots Up in Hawaii

Box 4.2

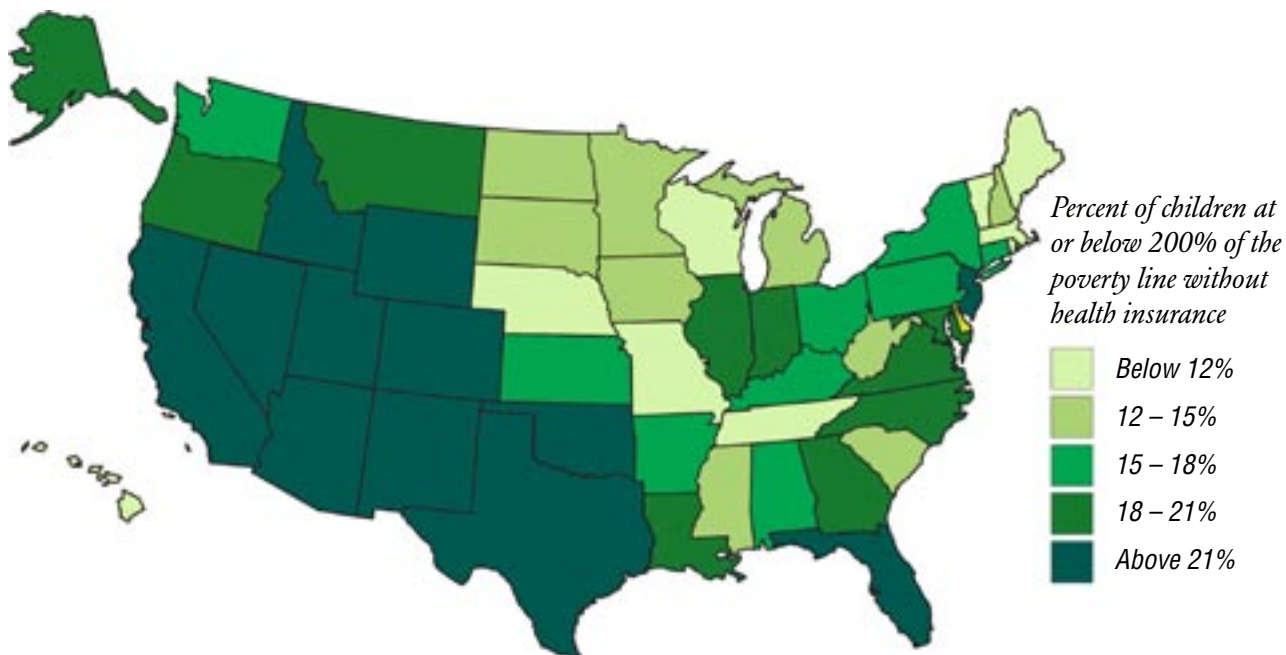
Since the early 1990s, Ke Aka Ho'one Self-help Housing, led by the Consuelo Zobel Alger Foundation on the coast of the island of Oahu in Hawaii, has been helping low-income families to build assets through homeownership. Between 1992 and 2001, Foundation staff worked with 75 low-income families from the community—95 percent of which are Native Hawaiian—to help them to construct and purchase their own homes. Prior to construction, the families participated in intensive credit counseling and pre-homeownership financial education. They then began the process of building homes, each working 10-hour days, on Saturdays and Sundays, over a nine-month period. Today, these families—including 150 adults and 235 children—are homeowners in an area where property values are rapidly escalating. "What's really nice is to see people thriving," says Joey Kahala, the project manager. "It's pretty powerful stuff."

As in California, Hawaii recently launched a new statewide initiative to advance public policy that supports this type of asset building innovation. The Ho'owaiwai Asset Policy Initiative—led by the Hawai'i Alliance for Community Based Economic Development (HACBED)—is working to draw attention to the issue of asset poverty and to open up a dialogue about a culturally-relevant definition of wealth and assets for Hawaii. HACBED leaders are currently convening community meetings across the islands to engage community leaders around asset building priorities. At the same time, they are working to develop a policy commission that will have the capacity to translate grassroots priorities into positive policy change.

For more information on asset building in Hawaii, contact Bob Agres at HACBED, [info@hacbed.org](mailto:info@hacbed.org).

## Health and wealth

When health emergencies arise, lack of health insurance for children can drain household savings and put assets at risk. Seven of the Fed's nine 12th District states have some of the highest percentages of uninsured low-income children in the nation.



Source: CFED 2005 *Assets and Opportunity Scorecard* calculations based on 2002 Census Bureau figures.