Are We Successful if Consumers are No Longer Income Poor, but Still Asset Poor?

Asset Development: A Framework to Align Economic Development, the Safety Net, and Education in Arizona

Corporation for a Skilled Workforce

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Introduction

More than one third of American children born each year are born into asset poor families. The rate is even higher for minority children, half of whom live in asset poor families.[1] Asset poor families, those that cannot sustain themselves without income for at least three months or weather emergencies without falling into the safety net, are consistently vulnerable. Their financial, social, educational, and/or health weaknesses weaken the state economy. Wealth, not income, is the foundation of economic security.

Arizona seeks to align its economic development, safety net, and education systems to benefit both its citizens and its economy. The systems would do well to align themselves around an **asset development framework. Assets reduce the risk of poverty and reliance on the safety-net. Assets can break generational poverty. Assets enable people to start businesses. Assets enable people to invest in education. Education improves productivity and the economy.**

In CSW's previous paper, *Setting the Stage for Systems Alignment*, we explained that systems that are aligned have a shared vision for a desired future. In this paper, we propose that **Asset Development** provides a policy framework for system alignment and that asset growth is a strong candidate for a common metric that demonstrates progress toward the desired future within the person-centric principle that links personal capacity with economic growth.

The previous paper asserted that a person-centric safety net is not successful unless families earn a self-sufficient wage (using the Wider Opportunities for Women standard). Reducing immediate dependency is a short-term goal, but by itself will not ensure families are less vulnerable, more resilient, or more sustainable. This paper explains that self-sufficient families are still vulnerable and have not reached their maximum capacity if they continue to be asset-poor.

Key Questions

- **Are personal tangible and intangible assets critical to the state's economic vitality?**
  - **YES**
- **Is education a critical asset?**
  - **YES**
- **Can assets accumulation be measured both individually for consumers as well as on a statewide aggregate level?**
  - **YES**
- **Do all three systems –- education, the safety net, and economic development – have a role to play in asset creation and growth?**
  - **YES**
- **Would growth in family assets benefit the bottom line of all three systems?**
  - **YES**
- **Have Arizonans attained their maximum human capacity if they lack assets?**
  - **NO**

We will explore why assets are so important; how social policy has often conflicted with asset accumulation; provide evidence of Arizona's asset-poor environment; identify potential state policy strategies; and outline a framework for action for system partners.

[1] Children's Savings Accounts: An Investment In America's Future; CFED Policy Paper; http://cfed.org/assets/documents/onepagers/childrens_savings_accounts.pdf

Definitions

- **Income** is:
    - A **flow** of resources.
    - Mostly spent on immediate consumption.
    - Transitory.
    - Only accessible to the generation that earns it.
- **Assets** are:
    - A **stock** of resources.
    - Held over time for future security.
    - More stable and provide stored up purchasing power.
    - Accessible to future generations. "Families with private wealth are able to move up from generation to generation, relocating to safer communities with better schools and passing along the accompanying advantages to their children. At the same time, those families without wealth remain trapped in communities that do not allow them to move up, no matter how hard they work."[2]
- **Tangible assets** include:
    - Money savings
    - Stocks, bonds, etc.
    - Hard assets (cars, art, jewelry)
    - Machines, equipment, tools (methods of production and income generation)
    - Durable household goods (washers and dryers, etc.)
    - Natural resources
    - Copyrights, patents
- **Intangible assets** include:
    - Access to credit
    - Human capital
    - Cultural capital
    - Social capital
    - Political capital.
- Assets can be accumulated either actively or passively. Assets are accumulated actively through one's own efforts; i.e., through saving and portfolio building. Assets are accumulated passively without any self-effort; e.g. through inheritance and gifts from relatives. The poor pretty much

[2] *After the Fall: Rebuilding Family Balance Sheets, Rebuilding the Economy*; Ray Boshara and William Emmons; Federal Reserve Bank of St. Louis Annual Report, 2012.

have to actively accumulate any assets, while the wealthy can often increase their assets passively.

- Assets can also be short, medium, or long term in nature. Financially secure families have a "balanced portfolio" of all three types. An example of short-term assets is a checking account. Examples of mid-term assets are savings accounts and CDs. Long-term assets include retirement accounts, education IRAs, and long-term bonds. Asset poor families may have none of these, or at best, just short-term assets. They may not even understand the benefit of having all three levels of assets, even if they could afford to plan for them.

- When determining net worth, we must weigh assets against debts and type of debt. An example of secured debt would be home ownership, while an unsecured debt would include credit card balances. Even through higher income families may have larger amounts of debt than low-income (e.g., a mortgage payment on an expensive home) this would be a secured debt, while low-income families are more likely to have credit card or installment loans, i.e., unsecured debt. The interest on unsecured debt is usually higher. Net worth measures must take into consideration whether the debt side of the equation is secured or unsecured. If an individual is self-employed, has recently changed jobs or has a poor credit history, he might not be able to enter into unsecured debt; and unless she owns a home, she is unlikely to be able to get a secured loan.

- Two commonly accepted measures define financial distress:
    - Debt-to-income ratio greater than 40%
    - Payments past due 60 days or more.

  Do we know how many DES consumers are in financial distress in addition to being income poor?

- There is currently no commonly accepted asset-poverty definition. But one researcher defines it as "a household that does not have sufficient net worth to sustain themselves above the poverty level for three months."[3] Are consumers exited from services without enough assets to weather 3 months of unanticipated unemployment without falling back into dependency?

[3] *Ibid.*

Why are Assets Important?

Policy makers have been slow to recognize that asset poverty is a more meaningful measure than income poverty in determining the true level of well-being of individuals and families. Families that are above the poverty level (or even 200% above the poverty level) but lack assets are **unable to reach their full capacity**. The ramifications of asset poverty are psychological, social, and generational as well as financial.

Income generation and asset building are essential to the economic lives of everyone, rich or poor. Assets are MORE critical for low-income families than higher income because people at the margins are more likely to need to draw upon them for uninsured health expenses, loss of job, reduced hours, and gaps in employment. The iLead Strategies paper, *Strategies for Addressing Federal and Legislative Barriers to Creating a Person Centric System* asked us to imagine "you are a young single new parent who was working as a housekeeper at a hotel before her baby was born, but has few resources to rely on as she contemplates getting back to work. Without savings, it will be hard to maintain housing or even purchase food or diapers… Without health insurance, one emergency room visit can create years of debt."

The potential to fall into poverty at some point in one's life is great for the *majority* of Americans, not just the people we traditionally label as the poor.

A family's ability to borrow $500 in the event of an emergency does as much to reduce hardship as tripling family income.

- Between the ages of 20 and 75:
    - 58% of Americans will experience at least one year below the official poverty line.
    - 75% will experience at least one year below 150% of the poverty level.
- Between the ages of 20 and 65;
    - Two-thirds of Americans will rely on a means-tested safety net program.
    - 40% will use a safety net program in five or more separate years.

Life-course risk of poverty has increased in the past 30 years.[4] This is a trend we must reverse. Having assets keeps people from having to borrow and pay high interest rates when they suffer a reversal. Without assets, there is a high cost to recovering from temporary hardships. "Mayer and Jenks (1989) show that a family's ability to borrow $500 in the event of an emergency does as much to reduce hardship as tripling family income."[5]

If the Arizona Department of Economic Security and its partners assist consumers in developing assets, the life-course risk of poverty will be lowered for the consumers as well as for the next generation.

[4] *Asset Building and Low-Income Families;* edited by Signe-Mary McKernan and Michael Sherraden; Urban Institute Press; 2008.

[5] Benefits and Consequences of Holding Assets; Robert I. Lerman and Signe-Mary McKerna

Assets enable families to move up to middle-class status (education, home ownership, business ownership). Income alone is insufficient to enable families to make this jump because of the initial financial investment involved in going to college, buying a home, or starting a business. Parents who possess even a modicum of wealth can make a big difference in their children's lives by providing resources at the right time in their kids' life cycles.

> "My parents opened my first savings account for me when I was 7. I was given a green Pulaski passbook I brought to the bank to deposit a birthday check from my grandparents or extra allowance money. Going to the bank was something the grown-ups I knew did."
>
> *The Real Reason the Poor Go Without Bank Accounts;* Lisa J. Servon; The Atlantic Cities; September 11, 2013

- Transfers of resources from parents to children "make meaningful differences in the lives of many young adults and even middle-aged adults…financial assets, especially those from parents, lift an individual beyond his or her own achievement. This is in part why … assets are 'transformative.' Inherited financial assets can lift class status to a level that is seldom reached with income alone."[6] Poor parents cannot lift their children. Nearly $^{2/3}$rds of the net worth of individuals comes through family transfers in the form of transfers, bequests, and payment of college expenses by parents.[7]
- Class rank tends to perpetuate itself. "Those with working- or lower-class parents are likely to remain working or lower-class themselves." "Parent's class differences result in significant differences in the resources and opportunities available to their children.[8]
- Assets improve household stability -- financially, socially, and psychologically. "Simply put, when people are accumulating assets, they behave differently, and the world responds to them differently as well. This includes a variety of positive effects, including greater labor force attachment, political and civic interest, marital stability, better health, and so on…In short, asset building allows individuals and families **to more fully develop their human capacity and potential**"[9] [emphasis added].
- "'The transfer of wealth from one generation to the next may be the single most important determinant of who owns what, how they got it, and what effects it has on both individual- and system-level outcomes.'"[10]
- Assets have a role in perpetuating inequality when one generation has nothing to leave the next. "Bottom-income quintile families hold median assets of $17,000 ….48 times less than fifth-quintile families (($808,100)."[11] "A child who knows she will come into ownership of an inheritance at age 18 is likely to act differently at ages before 18, compared with someone

[6] *Asset Building and Low-Income Families;* edited by Signe-Mary McKernan and Michael Sherraden; Urban Institute Press; 2008.
[7] *Ibid.*
[8] *Ibid.*
[9] *Ibid*
[10] *Ibid.*
[11] *Ibid.*

without that expectation."[12] "A child who knows that her family spends carefully and saves regularly, overhears and perhaps participates in conversations about stock performance, and is encouraged to have her own savings account is expected to be more financially sophisticated and more inclined to save as an adult than an individual raised in a family that does not save and does not make use of a variety of financial products."[13] Seeing others' good and bad saving experiences shapes what an individual believes about his or her own prospects for saving. Holding assets demonstrates to children that it is an expectation of adulthood that you accumulate assets.

- Families with assets are less likely to be mobile. Children who enjoy residential stability feel more rooted in their community, do better in school, make more lasting friends, are more likely to engage in extracurricular activities, and are more likely to find and take jobs while still young.
- Parental assets are associated with a decrease in premarital childbearing. Savings of $3,000 or above have been found to be positively associated with mothers' expectations and children's high school graduation.[14]
- Assets create a "future orientation" which is less common among the poor than the middle class. A future orientation is an important component of human and social capital.
- Many higher income parents give money to adult children to buy their first home.
    - Financial benefits: by having a higher down payment, the kids qualify for lower interest rates. By allowing them to buy in a higher-end neighborhood than they could otherwise afford, they are more likely to have a home that grows in value.
    - Social benefits: by being in a better neighborhood, their own children have access to better educational opportunities and higher social standing.

Thus, the "starting line" is different for children of more affluent parents and the benefits get passed down through the generations. In a 1996 survey, it was found that 21% of first time home buyers received gifts for down payments in the late 1980's and early 1990's.[15]

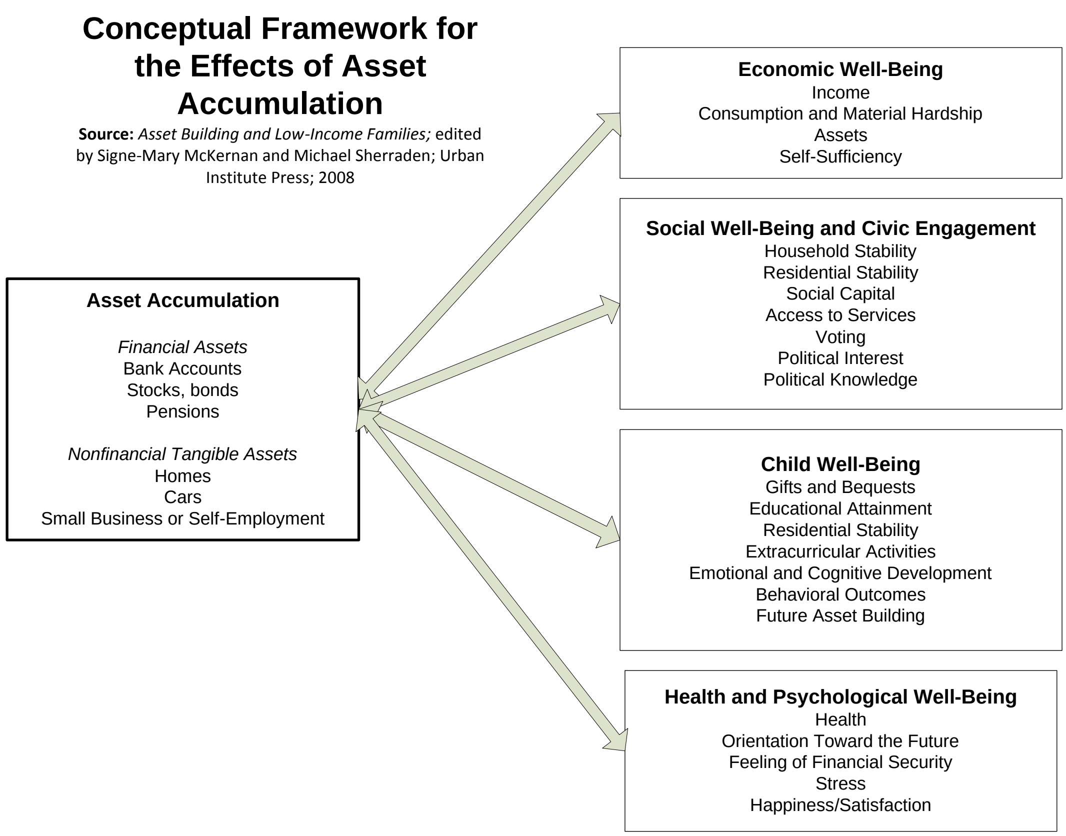
Assets save time and money.

- **If you have a home**: a fixed mortgage rate protects from the rent increases that renters face. It also allows you to get an income tax reduction on interest paid. Plus, growing equity in the home represents passively accumulated wealth, and the more expensive the home is to begin with, the more value is passively accumulated.
- **If you have a car**: you are protected from rate increases of using cabs and buses. Importantly, owning a car saves time (no transfers, no intermediate stops); that time could be used to spend more quality time with family and friends, increase civic involvement, or build more assets.
- **If you have your own washer and dryer**: you save on the cost of using a laundromat (and also the time to go use one).

[12] *Ibid.*
[13] *Ibid.*
[14] Benefits and Consequences of Holding Assets; Robert I. Lerman and Signe-Mary McKernan
[15] *Ibid.*

- **If you have access to liquid assets**: you can make a larger down-payment on a home, which saves you from having to purchase private mortgage insurance. Paying for things in cash eliminates paying interest on loans. Being able to pay off credit card balances every month saves paying high interest.
- **If you have a computer at home**: you can bank and shop from home (saves time); you are able to take online courses; you can increase educational opportunities for your kids; and you are able to search for and apply for jobs online 24/7 instead of only when public facilities are open.

The book *Asset Building and Low-Income Families* expertly outlines the benefits of asset accumulation on economic well-being, social well-being, child well-being, and health/psychological well-being in a simple graphic:



Social Policy and Assets

If you meet the federal definition of poverty, you are *really* poor. This is why some programs fix their eligibility limits at 150% or 200% of poverty, understanding that you may not be technically poor, but you are still desperately in need of safety net supports. However, even this approach falls short.

If we only measure poverty by the number of individuals at a given income levels, we are still missing the true measure of American vulnerability. The percentage of people who are *asset-poor* is a much better indicator of whether people have the capacity to be self-sufficient in a volatile economy.[16] It is easier to get out of income poverty than it is asset poverty, which deludes us into thinking public policies have been successful when they have not. "More than 60 percent of households that were asset poor in 1984 remained so in 1994, while only 42 percent of income-poor households remained poor over the same time period"[17] [emphasis added]. Earning income was easier than saving. People can get their heads up above water, but they are still in the water and treading furiously.

Researchers have identified a link between declines in asset-holding and the recession and weak recovery. The International Monetary Fund likewise "confirmed that household debt can become so large and burdensome that it hampers economic growth."[18] **Economic development should thus rightly be concerned with public safety net policy.** It impacts their bottom line!

Economic Resilience

"The goal for public policy is to support individual workers in all four areas:

- *"Skills and Adaptability.* Resilience requires higher-level technical, cognitive, and interpersonal skills as well as resources and opportunities for ongoing education and skills upgrading to remain market relevant in the changing economy.
- *"Income and Savings.* Resilience requires high wage jobs that produce sufficient incomes for workers and their families and allow for savings necessary to weather transitions and build financial assets, including education and retirement accounts.
- *"Health and Wellness*: Resilience requires not only access to affordable, quality health care for individuals and families but also the adoption of healthy lifestyles to reduce serious risk factors that can lower productivity (e.g., obesity, smoking, and drugs and alcohol) or lead to future illness.
- *"Mutual Support and Networks.* Resilience requires having a circle of support from family, friends, and peers who encourage each other to take risks, make life changes, and stay connected to diverse social networks (e.g., school and professional networks) that enable people to avoid isolation and connect to opportunities outside their immediate neighborhood or social group.

"Together these four cornerstones are the "assets" individuals must have to navigate in today's economic environment."

The Cornerstones of Economic Security for Resilient Workers, A Policy Framework for Shared Action; National Governors Association Center for Best Practices; April 2013.

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[16] Defined as a household that does not have sufficient net worth to sustain themselves above the poverty level for three months.
[17] *Asset Building and Low-Income Families;* edited by Signe-Mary McKernan and Michael Sherraden; Urban Institute Press; 2008.
[18] *After the Fall: Rebuilding Family Balance Sheets, Rebuilding the Economy*; Ray Boshara and William Emmons; Federal Reserve Bank of St. Louis Annual Report, 2012

An asset building framework for **safety net policy** could provide a long-term savings to public assistance programs by reducing numbers of people who exist on the brink of repeatedly falling into dependency and by reducing generational poverty. An asset building policy for **educational policy** would develop the state's skill base. An asset building framework for **economic development policy** would build the state's wealth and attractiveness to business.

The economy of the state depends on having people who are consumers of goods and services rather than dependent on costly public supports. Unemployment contributes to divorce, depression, anger, child or spouse abuse, drug and alcohol abuse, poor school performance by children, and negative psychological effects on children. All of these have economic consequences.[19] Family and economic stability, on the other hand, increases civic engagement, neighborhood stability, lower crime, keeping neighborhoods clean (motivated by home ownership) and supporting good schools. **Asset-rich families are good for the economy**. Assets allow individuals to take risks – invest in starting a business, going back to school, owning property. "Families must have some faith in their income trajectories to make the hard consumption choices necessary to invest in assets. Because the incomes of low-income families fluctuate widely, their lack of faith is well-founded."[20]

The value of assets are so many, how could we neglect to include assets in public policy? Public assistance programs are set up to guarantee a minimal level of consumption, not to build assets. The person-centric approach aspires to go beyond the current paradigm by growing people out of the need for the minimal level of consumption, but does not yet aspire to the final level of success: to grow families out of vulnerability as measured by assets. Lives and generations cannot be transformed though consumption-based policy. We posit that maximum human capacity is not possible without assets sufficient to maintain the family for at least three months without income.

The person-centric approach aspires to go beyond the current paradigm by growing people out of the need for the minimal level of consumption, but does not yet aspire to the final level of success: to grow families out of vulnerability.

The National Governors' Association (NGA) Center for Best Practices maintains that there are four asset areas that are key to economic resilience [see sidebar on previous page]:

- Skills and Adaptability
- Income and Savings
- Health and Wellness
- Mutual Support and Networks

Current public policy addresses only half of one of NGA's four cornerstones: income. When social policy does address assets, it focuses on tangible assets (mostly financial) because they are easier to measure.

[19] Benefits and Consequences of Holding Assets; Robert I. Lerman and Signe-Mary McKernan.
[20] *Asset Building and Low-Income Families;* edited by Signe-Mary McKernan and Michael Sherraden; Urban Institute Press; 2008.

Policy-makers tend to disregard assessing and growing the human, cultural, social, and political capital that are critical to maximum human capacity.

Lerman and McKernan (*Benefits and Consequences of Holding Assets*) explain the limitations of how even this half of one cornerstone is insufficient, because it is measured as point-in-time. For example, last month you were eligible for food stamps; this month you are not; next month you will likely be eligible again. "A family's financial welfare is in many respects better conceptualized as the product of a long-term, dynamic process rather than an accounting of income over a limited period of time… The potential for assets to expand opportunities, as well as to prevent economic hardship, make them a valuable social indicator and a component of a more encompassing definition of poverty…. **Contributing to the accumulation of financial wealth is an appropriate public policy goal because it is relevant, achievable, and measurable**"[21] [emphasis added].

Arizona's TANF policy contributes to asset poverty. Asset tests for TANF, SNAP, SSI, and so forth, use countable assets to determine eligibility. Countable assets for program eligibility purposes include savings, bonds, stocks, and vehicle values**.** Arizona has no asset test for SNAP or Medicaid, but does have for TANF. Six states[22] have entirely eliminated the asset test for TANF. In 1997, Ohio was the first state to abolish asset limits in TANF. "Although Ohio budget analysts predicted a small increase in the TANF caseload as a result of eliminating the asset test, no caseload increase or political fallout occurred. In fact, Ohio caseloads remained at record-low levels (Less than 25% of 1992 peak levels) as of late 2011, despite the national recession and increases in the TANF benefit level"[23]. "Asset limits may do little to prevent the less needy from participating, yet they make eligibility determinations more burdensome and costly."[24] Excluded assets for TANF in Arizona are:

- All vehicles
- Individual Development Accounts (IDAs) up to $9,000 (for current recipients only)
- 529 and 530 educational savings accounts
- Retirement accounts including 401(k)s and 457 plans
- The first $1,500 in equity value of one prepaid burial plan or funeral agreement for each participant
- Tools, equipment, machinery, animals and other items that may be used to produce income
- A business checking account used only for self-employment
- Earned Income Tax Credit

[21] *Ibid.*
[22] Ohio, Louisiana, Colorado, Virginia, Alabama and Maryland
[23] *Asset Building and Low-Income Families;* edited by Signe-Mary McKernan and Michael Sherraden; Urban Institute Press; 2008.
[24] *Ibid.*

Arizona has not only kept an asset test for TANF, but has failed to index it for inflation as some other states with asset tests have done.

Growing Asset Inequality

Wealth inequality is a fact of life, but it has reached such incredible levels that it impacts social stability and the sustainability of capitalism. Inequality in the US is higher than in either Egypt or Tunisia.[25]

The employment gap between the rich and the poor has been exacerbated by the recession. Employers can be choosey when unemployment is high. Why fill a position that only requires a high school diploma with a high school graduate when there are plenty of college graduates looking for work? Low skill workers are being crowded out and left to linger on the safety net.[26]

Bruce Judson, author of *Making Capitalism Work for the 99%: A Manifesto,* fears that the expanding chasm between rich and poor and diminishment of the middle class portends danger for the safety net. He said in an interview that, "The members of the middle class hope to move up, so they want mobility to remain a desirable option, but they also fear moving down, so they are more likely to support a social safety net. **In essence, the middle is the group that ensures stability as a barrier to legislative extremes that unduly reward the wealthy or harm the poor**"[27] [emphasis added]. But the middle class is evaporating and taking public support for the safety net with it.

> "The fact is that the richest 10% own almost 90 percent of stocks excluding pensions, and the stock market has historically risen three times faster than the GDP itself. Success comes easy when you can make money just by going to bed at night."
>
> *A Free (Rigged) Market Is Good For Everyone Except 99% Of Americans*; Paul Buchheit For Buzzflash At Truthout; Accessed 9-17-13

Currently, asset policies benefit the non-poor more than the poor, which contributes to further growth in inequality. Structured mechanisms for asset accumulation in this country favor higher income families. This includes income deductions for home mortgage interest and property taxes[28], exclusions for employment-sponsored pension contributions and earnings; tax deferments for IRAs; tax deferment for employer contributions to retirement accounts and for employee pension plans. Low income people are often not "eligible" for these structured savings because they don't earn enough to itemize; rent or have a low-cost home with little interest to claim; don't work for places that offer retirement accounts; or have no discretionary money and/or financial knowledge to set up retirement or financial plans. People of any income level are more likely to save when they don't have to think about it (e.g., required employee contributions to a pension plan) and when there are constraints against taking the money out (e.g., can't take out the money until 59 ½ or can only use the money for education, home ownership, or

[25] *Worsening Income Inequality*; The Blog; Al Gore; posted 03/11/2013.
[26] *Employment Gap Between Rich, Poor Widest On Record;* Hope Yen; Detroit News; September 16, 2013.
[27] *Bruce Judson on the Societal Dangers of Income Inequality;* interview by Bryce Covert; Next New Deal; The Blog of the Roosevelt Institute; December 8, 2011; accessed September 26, 2013.
[28] The value of mortgage interest deductions in 2006 was $65 billion, and almost 75% of that benefit went to households with annual incomes of $100k or more.

starting a business). The poor actually have to think harder and invest more energy to save, while higher income individuals often have all the thinking and saving done for them.

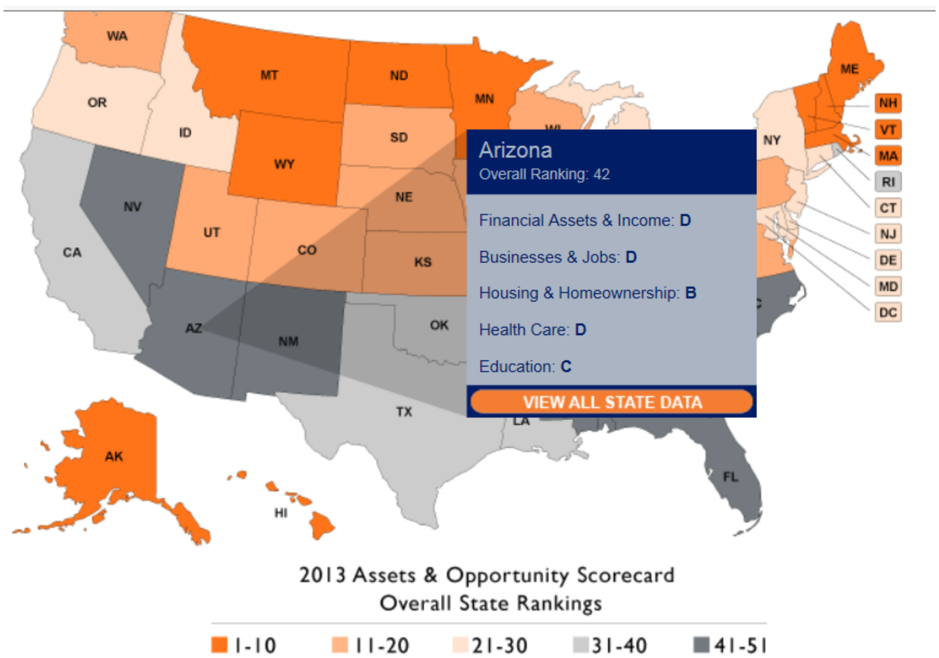
CFED's Assets and Opportunities Scorecard (http://assetsandopportunity.org/scorecard/) explains that "States have the flexibility to design their own tax rates and structures to fund public services. Most states rely on three types of taxes: personal income, property and consumption (sales and excise) taxes. Whether the state's tax system is regressive (taxes the poor more heavily than the rich) or progressive (taxes the rich more heavily than the poor) depends, in part, on how much the state relies on each of these three types of taxes. Income taxes are usually progressive, whereas property taxes and consumption taxes are usually regressive. In almost all states, the poor pay a higher proportion of their income in taxes than wealthy residents do**."**

The disparity in taxes paid as a percent of income between poor and wealthy Arizonans is among the highest in the country (Arizona ranks 40th). **In both social *and* economic development terms, this is an unhealthy economy. Arizona ranks 40th** (meaning some of the worst disparity).

	Taxes Paid as a Percent of Income (%) [1]		
State	**Poorest 20%**	**Top 1%**	**Ratio**
Arizona	12.9%	4.7%	2.7

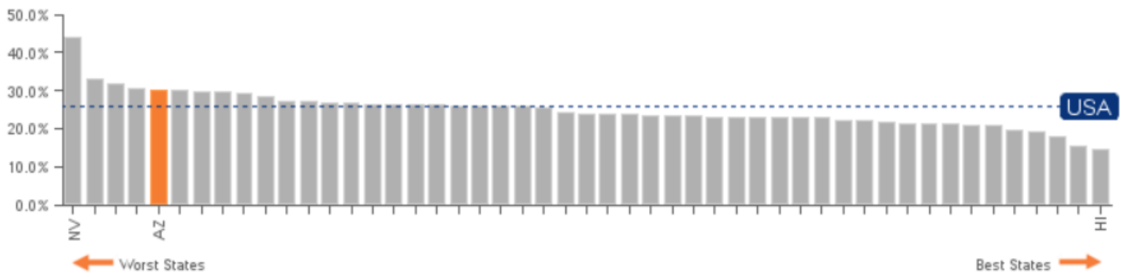
Arizona's Asset-Poor Environment[29]

CFED's Assets and Opportunities Scorecard ranks the state dismally on asset measures: (42nd in the nation) with a "D" in the Financial Assets and Income category. The state is on the side of "worst states" on nearly every individual measure within the category. It is 45th in asset poverty, 42nd in extreme asset poverty, 48th in unbanked households, and so on.



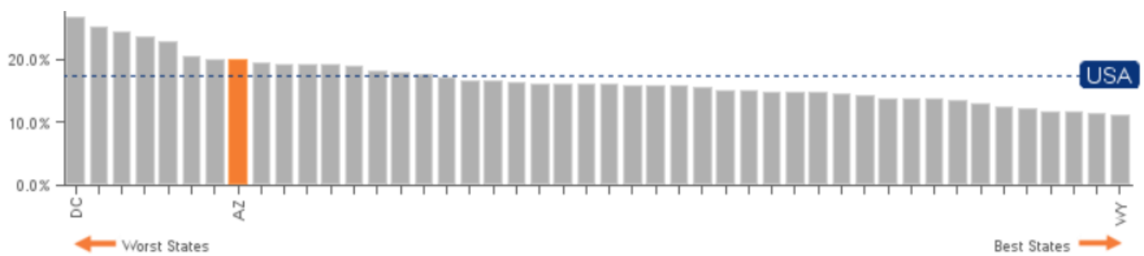
[29] The source for all data and definitions is http://assetsandopportunity.org/scorecard/

Asset Poverty Rate: The threshold used to determine the asset poverty rate varies by family size. A family of four with net worth less than $5,763 in 2012 is asset poor.



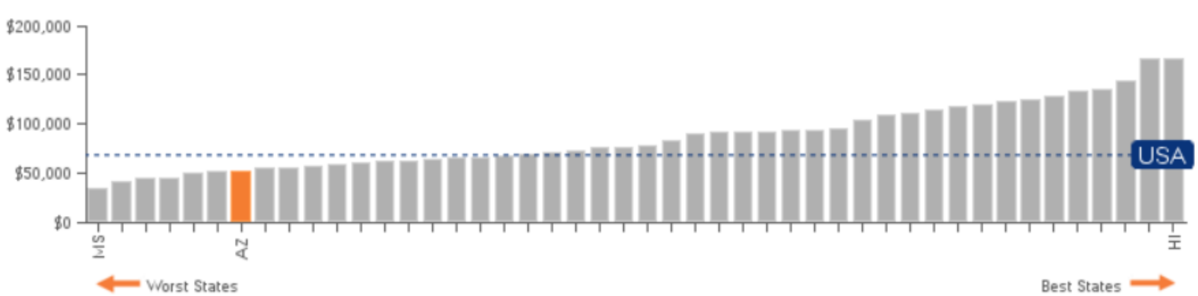
30.0% of Arizona households are asset poor

Extreme Asset Poverty Rate: Percentage of households that have zero or negative net worth, 2010



19.9% of Arizona households live in extreme asset poverty

Median net worth, a basic indicator of wealth and financial well-being, is the value of assets held by households at the middle of the wealth distribution. Net worth represents the amount of financial cushion a household has to respond to unexpected events – such as a job loss or unforeseen medical expense – as well as take advantage of opportunities – like buying a home, starting a business or going to college. Building net worth over a lifetime is also essential to adequate retirement and financial security later in life.



The median net worth of Arizona households is $51,408

Change in Median Net Worth:

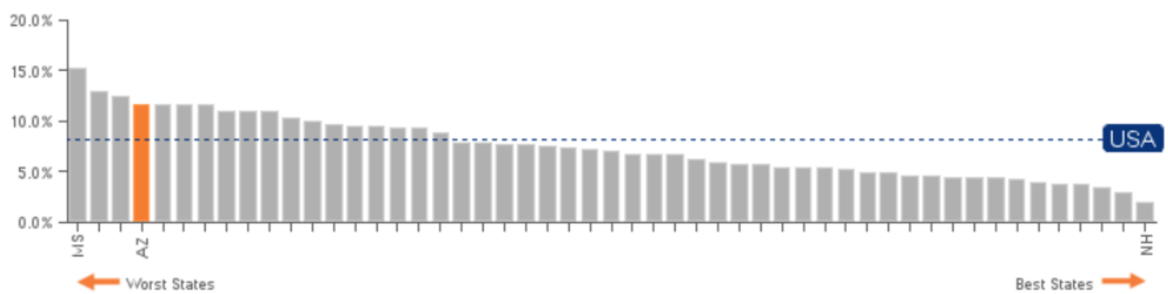
Between 2002 and 2010, the median net worth of Americans climbed from $62,759 to $68,948 (9.9%). During that same time period, the median net worth of Arizonans started at a low

$47,150 and finished at $51,408 (9.0%), so the state is falling progressively farther behind. The nation in general experienced substantial increases in median net worth in 2006 that eroded badly during the recession. Arizona's drop was greater than the national average.

	Median Net Worth (adjusted to 2010) ($)				
State	2002	2004	2006	2009	2010
United States	**$62,756**	**$75,348**	**$96,052**	**$71,758**	**$68,948**
Alabama	$46,236	$38,668	$61,324	$49,802	$65,663
Alaska	$124,240	—	—	—	—
Arizona	**$47,150**	**$48,829**	**$86,182**	**$39,251** *	**$51,408** *
Arkansas	$52,686	$57,716	$66,970	—	$57,251 *

People without bank accounts or credit cards can't document a credit history, and thus have difficulty qualifying for loans. Plus, they may have to pay a fee to cash a paycheck. Being **banked** is a critical outcome for consumers and is easily measured.

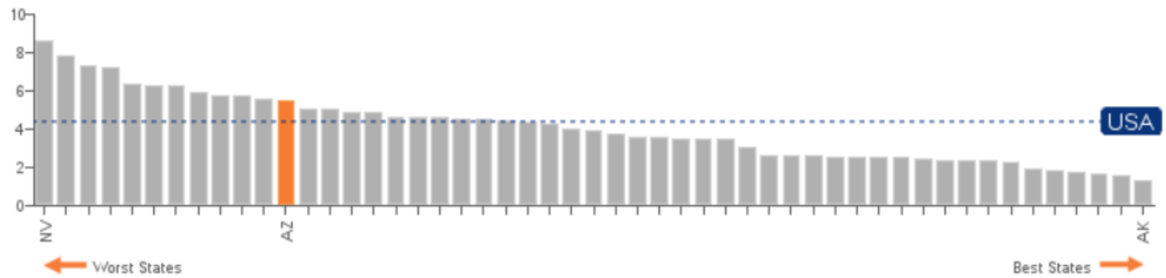
Unbanked households: Percentage of households with neither a checking nor savings account, 2011:



11.6% of Arizona households are unbanked

Filing for bankruptcy has a negative impact on the ability to build assets because it limits the type and price of credit available. There are so many difficult considerations in deciding whether to file for bankruptcy that case coordinators need to either become knowledgeable of the rules themselves, or at a minimum be able to sufficiently explain to a consumer why they really need financial counseling before making that decision and where to go to get the counseling.

Bankruptcy Rate:



5.4 out of 1,000 people in Arizona have filed for bankruptcy

The state income tax threshold is the lowest annual income at which residents must pay the state income tax. The federal government exempts families with incomes below the poverty line from the federal income tax, but in many states, these families must still pay state income taxes. Although some states have raised their thresholds, many still continue to tax even the poorest families. Taxing the incomes of the working poor makes it even more difficult for these families to work their way out of poverty. Eliminating this tax burden for low-income households allows families to keep more of their limited incomes, thus increasing the potential for savings. Nine states have no threshold. **Arizona, at $20,100, ranks 30th in the nation.**

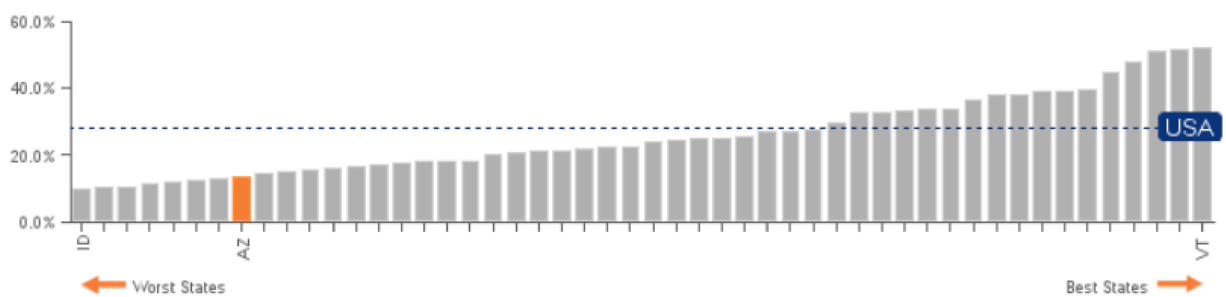
TANF-Funded Workforce Training is defined as the Percentage of state Temporary Assistance for Needy Families (TANF) and Maintenance of Effort (MOE) expenditures on non-assistance spent on workforce training and education. States have the flexibility to use federal TANF and MOE funds to support a variety of services in their TANF programs, including education and training. Education and job training programs are critical in helping individuals on TANF assistance to develop the required job skills needed to join or rejoin the workforce with sustainable employment. Participation in education and training activities helps build skills and credentials that are valued in the labor market, and is especially beneficial to TANF recipients lacking education qualifications. States are assessed on the percentage of state TANF and MOE expenditures spent on workforce training and assistance. **Arizona ranked dead last** among the states in FY 2011. Compare Arizona's investments in developing the skill capacity of its TANF recipients to two of the highest ranking states, Hawaii and Montana:

State	Percent of TANF and MOE Expenditures Spent on Education and Training (%)
Arizona	-0.04%
Hawaii	24.12%
Montana	42.32%

The change in the percentage of uninsured low income children is dropping in the US, but growing in Arizona:

	Uninsured Low-Income Children (%)		
State	2009	2010	2011
United States	12.9%	11.7%	10.7%
Alabama	9.1%	8.6%	6.9%
Alaska	13.7%	12.3%	12.5%
Arizona	15.8%	17.3%	17.4%
Arkansas	6.7%	7.8%	7.0%
California	13.9%	12.9%	11.2%
Colorado	18.8%	17.2%	15.8%

Arizona is one of the worst states in the percentage of 3 and 4 year olds enrolled in Head Start, state pre-K or special education (2010-2011 school year). This does not bode well for the future wealth of the state.

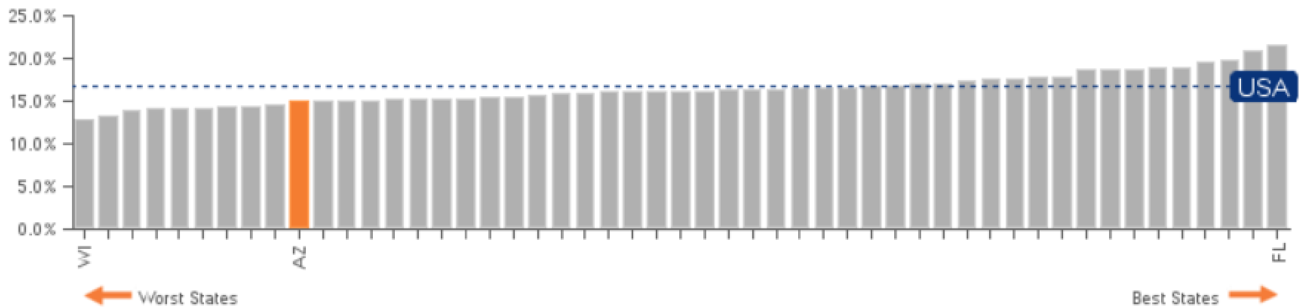


13.5% of Arizona 3- and 4-year olds are enrolled in public pre-K

A microenterprise is defined as a business that requires $35,000 or less in start-up capital and has five or fewer employees. More than 80% of microenterprises in the United States employ a single owner-operator.

> **Microenterprise Ownership Rate** is defined as the total number of firms with 0-4 employees and non-employer firms as a percentage of people in the labor force. For low-income individuals, self-employment is a significant source of employment and income, and business ownership represents an important opportunity to build assets. The higher the microenterprise ownership rate (and the higher the small business ownership rate), the higher the percentage of

residents who have the opportunity to build wealth through business capital accumulation. Arizona is again near the bottom (2010):



14.8% of the Arizona labor force owns a microenterprise

Arizona provides little state support for microenterprise:

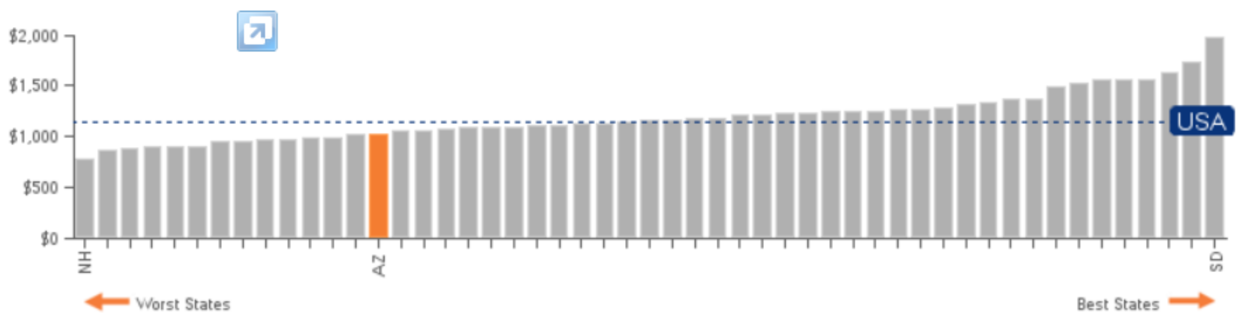
Legend

State policy meets 4 criteria · State policy meets 3 criteria · State policy meets 2 criteria · State policy meets 1 criteria · State policy meets no criteria

Strength of State Policies: State Support for Microenterprise

State	Does the state fund microenterprise development or codify its support for microenterprise in law? [1]	Does the state use federal block grant funding to support microenterprise development? [2]	Has the state implemented a Self-Employment Assistance program? [3]	Does the state provide funding to its State Microenterprise Association? [4]	Rating	
Alabama	No	No	No	No		
Alaska	No	Yes (WIA)	No	—		
Arizona	No	No	No	—		
Arkansas	Yes	No	No	—		

Private Loans to Small Business: The dollar amount of small business loans (defined as private business loans of $1 million or less) made, per person in the labor force. In order to survive and prosper, small businesses need access to capital from lending institutions. The greater the volume of small business lending, the better supported small businesses are. Small businesses drive the economy: they employ more than half the private sector workforce and serve as an engine for job creation. Business ownership is second only to homeownership as a source of wealth for Americans. In 2010:



For every worker in Arizona, $1,017 was loaned to small businesses

Job Quality Standards: An estimated 30 million Americans hold low-wage jobs. Workers in these jobs struggle to meet their basic day-to-day expenses, let alone save for the future. While wages are one component of job quality, benefits – such as health insurance, retirement contributions and protected time off – are another. Millions of workers are faced with choosing between keeping their income and taking time off work to care for themselves or a loved one because they lack the basic leave benefits necessary to protect their earnings and jobs. Federal policy provides a floor for wage and benefit standards; however, state policy can appropriately expand on and strengthen federal laws. For example, states can ensure that the minimum wage keeps pace with the rising cost of living and accounts for geographic variation. They can also ensure that no class of workers is excluded from wage protections and that laws are properly enforced. Likewise, states can strengthen leave policies by establishing paid sick, family and medical leave for workers.

Arizona policy is mostly unconcerned with job quality:

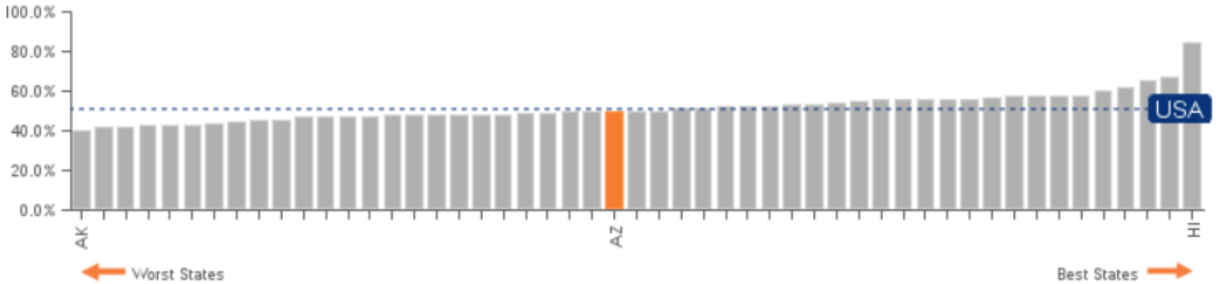
Legend

State policy meets 4 criteria · State policy meets 3 criteria · State policy meets 2 criteria · State policy meets 1 criteria · State policy meets no criteria

Strength of State Policies: Job Quality Standards

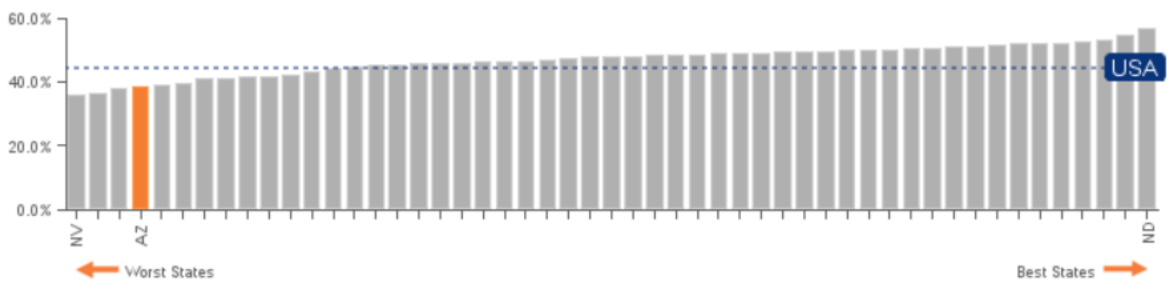
State	Is the state minimum wage at least $8.00?	Is the state minimum wage anually adjusted for cost of living increases?	Does the state extend full minimum wage protection to agriculture, domestic, home care and tipped workers? [2]	Does the state require employers to offer paid medical, family or sick leave? [3,4]	Does the state expand FMLA to cover more workers? [5,6,7]	Rating
Alabama	No state minimum wage	—	No	No	No	
Alaska	No ($7.75)	No	No	No	No	
Arizona	No ($7.65)	Yes	No	No	No	
Arkansas	No ($6.25)	No	No	No	No	
California	Yes ($8.00)	No	Yes	Yes (Family, Medical)	Yes	

Arizona does not do too badly on the measure of employers offering health insurance, being just very slightly below 50%:



49.1% of private-sector Arizona employers offer health insurance to employees

The state does considerably less well on **Retirement Plan Participation**, which has long-term implications for the future of senior citizens.

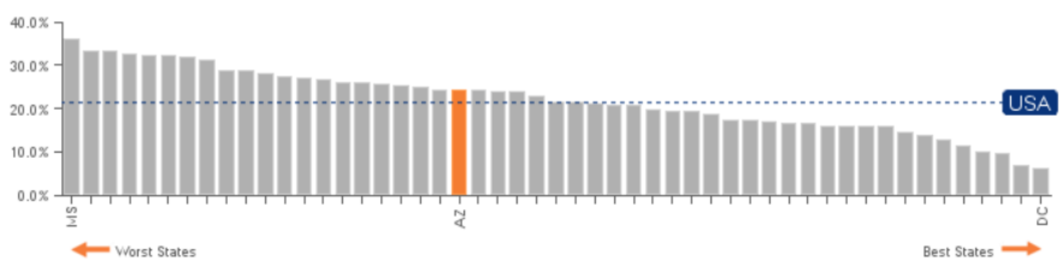


38.1% of workers in Arizona participate in an employment-based retirement plan

Arizona does not yet have enough high wage jobs in its economy. It is in the bottom half of the nation. But attracting higher wage jobs requires educating citizens to be qualified for those jobs.

Low Wage Jobs: Percentage of jobs in occupations with median annual pay below 100% poverty threshold for a family of four ($22,314), 2010.

Wage rates are one of the most important aspects of job quality, and jobs with low wages also tend to lack other important benefits such as health insurance, paid sick leave and paid vacation. It is increasingly possible in the United States to work full-time and still earn an income that does not pay enough to lift a family out of poverty.



24.3% of jobs in Arizona are low-wage jobs

In short, there is ample room for Arizona's safety net, education, and economic development systems to find common ground and work towards policies that will increase asset accumulation for individuals and consequently strengthen the economy.

What Arizona Can Do

- **Eliminate the TANF asset test.**
- **Quantify the extent of asset poverty among DES consumers and the degree to which such poverty is ameliorated at time of exit:**
  - Measure how many consumers who come to DES in financial distress are no longer in such distress when they leave the safety net (using the definition of financial distress as: Debt-to-income ratio greater than 40% and/or payments past due 60 days or more).
  - Measure how many consumers exit DES programs with enough assets to weather 3 months of unanticipated unemployment.
- **Enact tax credits for working families – the Earned Income Tax Credit, the Child Tax Credit, and the Child and Dependent Care Tax Credit**. (The Urban Institute has shown that a modest minimum wage increase, childcare expansion, and strengthening EITC and Child Tax Credit could have reduced poverty by 26%).
- **Ensure consumers are banked.** Link benefit cards to bank services. (See an interesting article titled *The Real Reason The Poor Go Without Bank Accounts* at http://www.theatlanticcities.com/jobs-and-economy/2013/09/why-poor-choose-go-without-bank-accounts/6783/)
- **Allocate some existing economic development resources to fund organizations that provide technical assistance and loans to microenterprises to increase self-employment.**
- **Implement Saving Incentives.** Research has shown that matching deposits encourages people who otherwise would not save to start saving and that they can encourage savers to save more than they otherwise would.
  - **Create incentives for college savings by matching deposits into 529 accounts.** (A 529 Plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs. Arizona offers two direct-sold 529 college savings plans, one managed by College Savings Bank offering FDIC-insured options, and another managed by Fidelity Investments featuring its mutual funds along with a bank savings option. A third Arizona 529 plan, managed by Waddell & Reed, is advisor-sold. The typical DES consumer would likely need help understanding the differences between the types of accounts. E.g., the Fidelity Arizona College Savings Plan "features three age-based options; one using Fidelity mutual funds; one using Fidelity index mutual funds; and a third multi-firm option with portfolios that invest in funds offered by several different companies. The plans also offer 11 static options, and one option that invests in an interest-bearing deposit account."

    On the positive side, Arizona approved a state budget in June of 2013 that includes a provision that will increase the deduction for contributions to a 529 plan. The new deduction increases from $750 to $2,000 for individual filers and from $1,500 to $4,000 for joint filers. And a couple months before, in April of 2013, the Governor signed SB 1196 into law, removing the December 31, 2012 expiration of the state's deduction for contributions made to a 529 plan. The deduction is now permanent.)

> "William Elliott III, a leading researcher in this area, found that among youth who intend to go to college, those with savings accounts in their own name, regardless of the amount, were nearly seven times more likely to attend college than youth lacking accounts. Elliott also found other powerful correlations between savings and postsecondary education outcomes—namely, that higher levels of savings are associated with higher rates of college graduation, even for lower-income children. The research suggests that dedicated college savings forge what is called a "college-bound identity," which appears to extend a child's planning horizon and spur behavior changes associated with college success, such as selecting more challenging classes and prompting parental engagement."[30]

- **Create Universal Children's Savings Accounts (CDAs).** Universal savings accounts are promoted by many researchers and by the CFED. The accounts provide every child with a one-time government contribution at birth and permit contributions from the family or other sources. Typically, they are restricted in terms of the age at which withdrawals can be made and purpose for which they can be used (like education). Several models have been proposed in the US, but not yet enacted nationally. They already exist in Canada and the UK, where 75% of families are taking advantage of the savings opportunity. The Ford Foundation led a multi-year demonstration of children's savings accounts called SEED (Saving for Education, Entrepreneurship, and Downpayment) in 2003-2006. At the end of the demonstration, 11 sites around the country had 1,220 active participants who had saved approximately $1.5 million through a variety of sources.[31] Matching contributions have been documented as powerful incentives to save.

The SEED OK program in Oklahoma is currently conducting a demonstration of universal children's savings accounts. Randomly selected newborns are assigned to either an experimental or control group. The experimental group gets an initial $1,000 deposit and savings are matched progressively. Investments grow tax-free if used for qualified education

[30] *After the Fall: Rebuilding Family Balance Sheets, Rebuilding the Economy*; Ray Boshara and William Emmons; Federal Reserve Bank of St. Louis Annual Report, 2012.
[31] *The Case for Child Accounts;* Lisa Mensah, Pamela Peru, Elena Chávez Quezada; The Aspen Institute

expenses. The study will end in 2014 and results are eagerly anticipated. Initial findings[32] suggest universal or progressive CDA programs may be more effective than tax-based programs.

- **Promote Individual Development Accounts (IDAs).** IDAs are matched savings for adults that can be used for specific purposes such as buying a home, education, or starting a business. Restricted savings accounts such as IDAs can be much more valuable than regular savings because they *are* restricted. "Demands from social network members for money can sabotage efforts to save, as well as influence consumption patterns, aspirations, and expectations for saving. There may be cultural expectations that any "extra" money be shared with others. And, low-income families are more likely to have social network members who are struggling and thus likely to make demands. In one survey, "interviewees said they did not save because others would insist they share their savings.'"[33]

  Virginia has aligned its IDA program with EITC and free tax preparation assistance for low-income taxpayers, offering a two- to-one match for EITC refunds deposited into IDA accounts.[34] In the Phoenix area, IDAs are available through the International Rescue Committee in Phoenix, the Mesa Community Action Network in Mesa, and the Newtown Community Development Corporation in Tempe.

- **Support high quality financial education**. Financial literacy is a must for consumers, and it can't just be a one-time workshop. The Financial Industry Regulatory Authority's Investor Education Foundation surveyed 25,000 people across all 50 states and released a report revealing that 19% of Americans are spending more money than they make; 36% are breaking even; more than half do not have an emergency savings fund; 22 percent overdraw their checking accounts occasionally; 34% pay the minimum on credit card bills.[35] In a study of low-income people only 48% understood that investments are usually riskier than savings accounts.[36] Consumers need access to on-going financial counseling. Programs such as Financial Peace University[37] could be considered.

  The City of Phoenix Human Services Department provides case management services for people in subsidized housing to help them work towards financial independence. A critical component of the program is financial education, taught by volunteers from local financial institutions and AmeriCorps. The Financial Education Program provides low- and moderate-income families with a comprehensive foundation for saving, spending and investing wisely by providing no-cost financial management education. The initiative was linked with the campaign to increase participation in EITC

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[32] *Do Child Development Accounts Promote Account Holding, Saving, and Asset Accumulation for Children's Future? Evidence from a Statewide Randomized Experiment*; Yunju Nam, Youngmi Kim, Margaret Clancy, Robert Zager, Michael Sherraden; 2011

[33] Benefits and Consequences of Holding Assets; Robert I. Lerman and Signe-Mary McKerna
[34] *The Cornerstones of Economic Security for Resilient Workers, A Policy Framework for Shared Action*; National Governors Association Center for Best Practices; April 2013.
[35] *How Badly Does America Need to Improve Its Financial Literacy?* Eric Mcwhinnie; Wall Street Cheat St.; May 30, 2013.
[36] *Asset Building and Low-Income Families;* edited by Signe-Mary McKernan and Michael Sherraden; Urban Institute Press; 2008.
[37] http://www.daveramsey.com/home/

when it was found that many low-income people lost much of their tax refund as a result of poor money management or predatory practices.[38]

Note: The Financial and Economic Literacy Improvement Act, S 1532, was recently introduced in the US Senate that would authorize $250 million in grants to local education agencies and two- and four-year colleges for financial literacy and economics education.

- **Strengthen human capital through skill development and postsecondary attainment**. Career pathways programs, Bride and Ramp programs, and sector-based training strategies are among the many routes to self-sufficiency for low income workers. The programs exist to various extents around Arizona, but there needs to be a concerted effort to expand education and training for DES consumers. To increase college attainment rates, Arizona should create incentives for college savings by matching deposits into 529 accounts as described above.

  "States can build a strong foundation for economic success and shared prosperity by investing in education. Providing expanded access to high quality education will not only expand economic opportunity for residents, but also likely do more to strengthen the overall state economy than anything else a state government can do".[39] "Evidence suggests that states that increase the level of education of their workforce see greater productivity."[40]

- **Encourage the safety net system to develop assets**. The safety net can (and should) help people adjust to changing economic and labor market conditions**.** Current safety net programs were designed to be temporary stop-gaps to carry people over to the next job, which wasn't far away. However, increased and changing skill demands have led to long-term unemployment and skill mismatches that the safety net programs are ill-prepared to address. The result is reduced productivity and widening wealth gaps that are detrimental to the overall state economy. The safety net system can be encouraged through 1) contracting practices that favor entities with asset development goals; 2) making financial literacy education a standard offering at one-stop centers; 3) including asset development in all individual development plans; 4) rewarding consumers who meet savings goals.

- **Increase quality child care availability**. The national Survey of Children's health found that one in every 10 children under the age of six had parents who had to quit a job, not take a job, or greatly change their job because of child care issues.[41]

- **Ensure all consumers are covered by health insurance before they are terminated from services.** Health care expenses were the most common cause of bankruptcy in 2007, accounting for 62% of U.S. bankruptcies.[42]

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[38] *Innovative State Policies to Reduce Poverty and Expand the Middle Class*; Sandra H. Venner, Janet Boguslaw, and Daphne Lamson Hunt; Institute on Assets and Social Policy; Heller School of Social Policy and Management; December, 2005.

[39] *A Well-Educated Workforce Is Key To State Prosperity*; Noah Berger and Peter Fisher; Economic Analysis and Research Network Report; August 22, 2013.

[40] *Ibid.*

[41] *The Cornerstones of Economic Security for Resilient Workers, A Policy Framework for Shared Action*; National Governors Association Center for Best Practices; April 2013.

[42] *Ibid.*

- **Focus geographically; intensively recruit and work with people within specific communities.** A geographic approach has two advantages. First, it addresses the environment that the low-income people live in. Place-conscious policies recognize that living in a less-distressed neighborhood results in significant health/mental health gains. Distress can be reduced through crime reduction (more frequent policing); cleaning up graffiti and abandoned properties; and building relationships among community members. A Moving to Opportunity (MTO) demonstration found that the longer families lived in neighborhoods with lower poverty and higher education levels, the better their outcomes in work, school, and health.[43]

  Second, a neighborhood focus allows development of social networking/social capital. A barrier for many low-income families is lack of support networks. A Family Independence Initiative in Oakland and San Francisco, California; Boston, Massachusetts; and Oahu, Hawaii focuses on resource sharing, mutual support, and role-modeling among peers. "Participants support each other in taking family actions that include income and balance sheet improvements, education and skill building, health and housing improvements (e.g., preventive care and behavioral changes such as weight loss and smoking cessation), expanding job networks, referring peers to jobs, sharing child care, buying groceries in bulk, sharing information about how to get out of debt, and helping families through crises…The network actively seeks out residents (i.e., waves of volunteer door knockers), referring residents to neighborhood service centers and neighbor circles where they can build relationships and arrangements for mutual support (e.g., sharing child care responsibilities, carpooling)."[44] Participants are also connected to services that can help them build assets, including education and training.

- **Focus on a target demographic.** The typical low-asset family is headed by a single adult under 35 years old, is nonwhite or Hispanic, and lacks a high school diploma. Targeting interventions toward consumers who meet this profile could be an efficient way to increase Arizona's overall asset ranking over time.

- **Create a voluntary, state administered 401(k) plan to increase retirement security**. The target group members mentioned above have only a 35% chance of participating in a retirement account[45] and thus are likely to carry some level of dependency into their senior years. Several states are contemplating a state sponsored retirement system for private sector workers who lack access to a workplace pension. Massachusetts adopted a version for employees in the nonprofit sector. In California, the senate passed SB-1234. The bill declares that:

  > *California workers without access to an employer-sponsored retirement plan need a seamless, lifelong savings system, providing them with the opportunity to build their assets and helping them to attain their future financial stability through a program that offers secure and portable*

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[43] *Insights from the Moving to Opportunity Demonstration*; Margery Austin Turner, Austin Nichols, Jennifer Comey; September 07, 2012

[44] *The Cornerstones of Economic Security for Resilient Workers, A Policy Framework for Shared Action*; National Governors Association Center for Best Practices; April 2013.

[45] *Asset Building and Low-Income Families;* edited by Signe-Mary McKernan and Michael Sherraden; Urban Institute Press; 2008

retirement savings. According to recent data by the University of California, Berkeley, Center for Labor Research and Education, middle class families in California are at significant risk of not having enough retirement income to meet even basic expenses, as nearly 50 percent of middle-income California workers will retire at or near poverty. The lack of sufficient retirement savings poses a significant threat to the state's already strained safety net programs and also threatens to undermine California's fiscal stability and ongoing economic recovery.

The Governor approved the bill 9/28/12.

- **Last but not least: <u>set goals for asset growth</u> as a part of a Logic Model or Theory of Change**. The CFED Opportunity Scorecard provides excellent, quantified measures of how well the state is doing. Selecting a few of these measures for impact will spur strategies by the partners.

  Goals drive strategies and behavior. Skyline College in California is dedicated to mitigating economic disparity at the college. They measure their institutional effectiveness by how well they do this. Skyline's asset goals for its graduates include:

  - Livable income that meets the self-sufficiency standard for the areas.
  - A good credit score of 650 or above.
  - Savings equal to three months of living expenses.
  - Debt less than 40% of monthly income.

  To reach these goals, the college partnered with United Way to establish a SparkPoint Center on campus.

  SparkPoint is modeled on the Annie E. Casey Foundation's Centers for Working Families. A SparkPoint Center integrates services provided by multiple organizations that help low-income families achieve financial stability. Every client gets a coach who helps create a step-by-step plan to set and achieve personal financial goals. SparkPoint commits to working with clients for as long as two or three years to achieve their goals. The Center has added partners that include the Medical Administrative Activities Program and it has become an official Food Stamp Outreach partner.

  The United Way and Skyline's jointly defined desired outcomes are identified as short term, long-term and impact in their logic model:

<table>
<tr><th colspan="3">OUTCOMES - IMPACT</th></tr>
<tr><th>Short Term – Economic Mobility*
(1-3 Years)</th><th>Long-Term – Financial Stability*
(4-6 years)</th><th>Impact
(7-10 Years)</th></tr>
<tr>
<td>Clients will achieve Economic Mobility by:

• Increasing income by at least 5%
• Increasing credit score by at least 5% (5% increase in at least one credit reporting agency score)
• Reducing debt by at least 5%
• Increasing savings by at least 5%

Additionally, clients who are students will:
• Increase academic persistence rates when bundling services.
• Increase likelihood of achieving an academic degree or certificate when bundling services.

*Economic Mobility: 5% increase in at least one short term goal.</td>
<td>Clients will achieve Financial Stability by:

• Achieving a self-sufficient income.
• Achieving a credit score of 650 or above.
• Reducing debt to income ratio to less than 40%.
• Accumulating a savings equivalent to three months of living expenses.

Additionally, students will:

• Transfer to a four year college or university OR
• Obtain credential for employment.

*Financial Stability: Achieve all four long-term financial goals listed above.</td>
<td>SparkPoint Regional Impact:

• Along with other community/collective impact initiatives, cut Bay Area poverty in half by 2020.
• Influence public policy to promote collaboration and improve service delivery to increase financial stability.

SparkPoint at Skyline College Impact:
• Increase access to certificates and degrees.
• Improve college affordability.
• Strengthen persistence toward achievement.
• Expand accountability.</td>
</tr>
</table>

Agreement on a logic model or **Asset Theory of Change** in Arizona would be an excellent first step for the system partnership.

Asset Development: A Framework for System Alignment

Asset development can serve as a unifying goal that allows the systems to work towards a common end while staying consistent with their strategic plans and acting in their own wheelhouses. In the tables below, existing strategic goals, strategies, outcomes, and impacts are shown in normal font. Yellow highlighting shows where I have inserted ***suggested*** additions that would be consistent with each system's larger goals.

Arizona Commerce Authority

Current Strategic Plan	Strategies	Outcomes	Impact
Quality growth – driven by targeting industries against strategic criteria.	• Continue to target industries that grow in output and employment; create high-wage jobs; and generate greater tax revenues that support public services. • Add to target criteria: firms that: offer employee health insurance; provide full time employment to the majority of the workforce; and offer retirement plan participation. • Create a toolkit for employers to provide savings and retirement planning education to their workers. • Promote the benefits of asset development in newsletters and other media forms. • Set goals for, track and report the success of ACA's planned efforts to identify and facilitate programs that address specific economic development opportunities such as internships, training programs, employee placement and job matching programs	• Two-thirds of the projected 75,000 high wage jobs to be created will be higher value jobs (average wage substantially above the median wage) • At least 55% of Arizona employers offer health insurance (up from the current 49.1%) • At least 45% of Arizona workers participate in an employment-based retirement plan (up from current 38.1%) • 20% or fewer jobs in the Arizona economy are low-wage. • 5% increase in the number of internships available for postsecondary students.	Increase the Gross State Product (GSP) and individual and family incomes to increase long-term economic stability for the state, firms, workers, and workers' families.
Support entrepreneurship.	• Continue the AZ Fast Grant program, Innovation Challenge Grants, et. al. • Support the Center for Innovation and Entrepreneurship at Gateway College. • Continue to offer mentoring, training and financing programs to assist in the creation and development of start-ups. • Dedicate a percentage of available grants for microenterprises started by low-income workers.	• Maintain Kauffman Entrepreneurial Index rank of #1 in the nation • Increase microenterprise ownership rate by 5%.	

Education (Arizona Community Colleges Strategic Plan)

Current Strategic Plan	Strategies	Outcomes	Impact
Ensure broad access to high quality education and training for all Arizonans at times and places convenient for learners.	• Prioritize basic skills as essential function of the institutions • Identify new ways of proving developmental education • Work with K-12 to align college readiness with HS graduation requirements. • Outreach to underserved populations, particularly those who represent emerging demographic trends. • Initiate or participate in sector strategies and build stronger pathways for low-wage workers to engage in postsecondary education to earn labor-market relevant credentials. • Provide all students with financial education training and incorporate financial literacy instruction into academic and occupational coursework.	• 5% reduction in the percent of students requiring three or more developmental education (currently 23% do). • Increase enrollment of underserved populations by 5%. • 10% increase in the percentage of student hours earned through alternative methods. • Reduce by 2% the number of adults age 25-64 without 2 or 4 year degrees or who have limited English skills, and who earn less than the state median wage, or are in the labor force but have not worked in the last year (current number in Arizona: 938,323)[46]. • 5% reduction in total student debt. • 100% of all graduates are banked.	A workforce with higher educational attainment resulting in higher productivity; attraction of firms to the state that need a highly skilled workforce; reduced unemployment; fewer demands on the safety net; and reduced wealth gaps between racial and ethnic groups.
Improve retention of learners through achievement of their education or training goals.	• Provide and promote wide variety of support services. • Encourage faculty and staff to identify at-risk students early. • Create career and transfer programs that link developmental, academic, and occupational programs.	• Improve retention in education to at least the national average (currently 7.3% below average).	

[46] *Building the Middle Class with Better Skills and Wages: Who Would be Helped by Stronger Pathways?;* Center for Law and Social Policy (CLASP) Center for Postsecondary and Economic Success and Center on Wisconsin Strategy (COWS); August 28, 2013

Significantly increase the number of learners who achieve their education or training goals, complete a degree or certificate, transfer to a university, and/or complete non-credit workforce education courses or programs.	• Collect data to identify learners' education or training goals and target interventions accordingly. • Track industry trends to ensure degrees and certificates are offered that align with demand in the labor market. • Promote certification of work readiness through the National Career Readiness Certificate Plus.	• Increase the rate of community college students who complete a degree or certificate within 6 years to the national average of 37% (currently just under 18% in Arizona). • Close the completion gap between white and minority students. • 10% increase in the number of ABE/GED students who enter postsecondary education. • 10% increase in the percent of occupational program completers either employed at a living wage or enrolled in further education. • All graduates scores at the Bronze level or above on WorkKeys/NCRC, or at the 7th grade reading/math level on TABE or equivalent • All graduates possesses the soft skills necessary to keep a job as measured through NCRC+, portfolio assessment, or similar means.	

ARIZONA 2011

Graduation rates are very low, especially if you're poor, part time, African American, Hispanic, or older.

Associate Degree-Seeking Students		All	White	Hispanic	African American	Age 25 and Over	Age 20–24	Directly from HS (age 17–19)	Pell Grant Recipients (at entry)	Remedial
2004 Full-Time	On-time (2 years)	7.1%	7.9%	5.5%	6.2%	4.3%	6.3%	7.6%	NP*	NP*
	Within 3 years	15.4%	17.9%	11.9%	11.6%	9.7%	11.1%	17%	NP*	NP*
	Within 4 years	19.8%	22.5%	16.8%	14.4%	13.3%	14.4%	21.70%	NP*	NP*
2004 Part-Time	Within 2 years	1.1%	1.3%	0.7%	0.6%	1.4%	1.0%	0.9%	NP*	NP*
	Within 3 years	3.4%	4.2%	2.4%	2.0%	3.3%	3.2%	3.7%	NP*	NP*
	Within 4 years	6.2%	7.6%	4.7%	2.8%	5.6%	5.8%	7.0%	NP*	NP*

22.5% 16.8% 14.4%

Associate degree graduation rates are abysmal across the country — for Hispanic and African American students, they're tragic.

Source: Complete College America

Education (Arizona Commission for Postsecondary Education)

Current Strategic Plan	Strategies	Outcomes	Impact
Maximize student financial assistance available to students and families	Effective, efficient administration of student financial assistance programs: • Arizona Family College Savings Program • Arizona Leveraging Educational Assistance Partnership (AZLEAP) • College Access Challenge Last Stretch Scholarship • Math, Science and Special Education Teacher Loan Forgiveness • Provide one secure web portal providing access to the state student grants,	• Increase enrollment of underserved populations by 5%. • Increase percent of people from foster care who complete a bachelor's degree to the general population average of 24% (currently only 2% of foster children earn a bachelors'). • 5% reduction in total student debt.	Expand access and increase success in postsecondary education for Arizona citizens. A workforce with higher educational attainment resulting in higher productivity; attraction of firms to

	scholarships, forgivable loans, and loan repayments (www.azgrants.gov)		the state that need a highly skilled workforce; reduced unemployment; fewer demands on the safety net; and reduced wealth gaps between racial and ethnic groups.
Provide information and support from knowledgeable professionals to help students and families plan for and succeed in postsecondary education	Provide information and support from knowledgeable professionals to help students and families plan for and succeed in postsecondary education • Coordinate the statewide College Goal Sunday Financial Literacy Initiative. • Fully develop and implement the Arizona College Access network (AzCAN) increasing capacity and setting standards. • Provide current and relevant information through: Arizona College and Career Guide; Rapid Guide to Financial Aid; College Savings Planner. • Lobby for matching funds for 529 accounts. • Provide all students with financial education training and incorporate financial literacy instruction into academic and occupational coursework		
Provide a forum where all sectors of postsecondary education dialogue, partner, and problem solve issues of mutual interest	Provide a forum where all sectors of postsecondary education dialogue, partner, and problem solve issues of mutual interest Lead and participate in statewide collaborative efforts: • Developing Arizona's Human Capital Conference • Support efforts of Getting AHEAD, Governor's AZ Ready Education Council, Arizona ACT, Expect More Arizona • Initiate research through Arizona Minority Education Policy Analysis Center (AMEPAC): *Minority Student Report (2012); To Learn and Earn: Arizonans' Experiences Competing in the Race for Good Jobs (2011); To Learn and Earn: Arizona's Unfinished Business in Human Capital (2009)*		

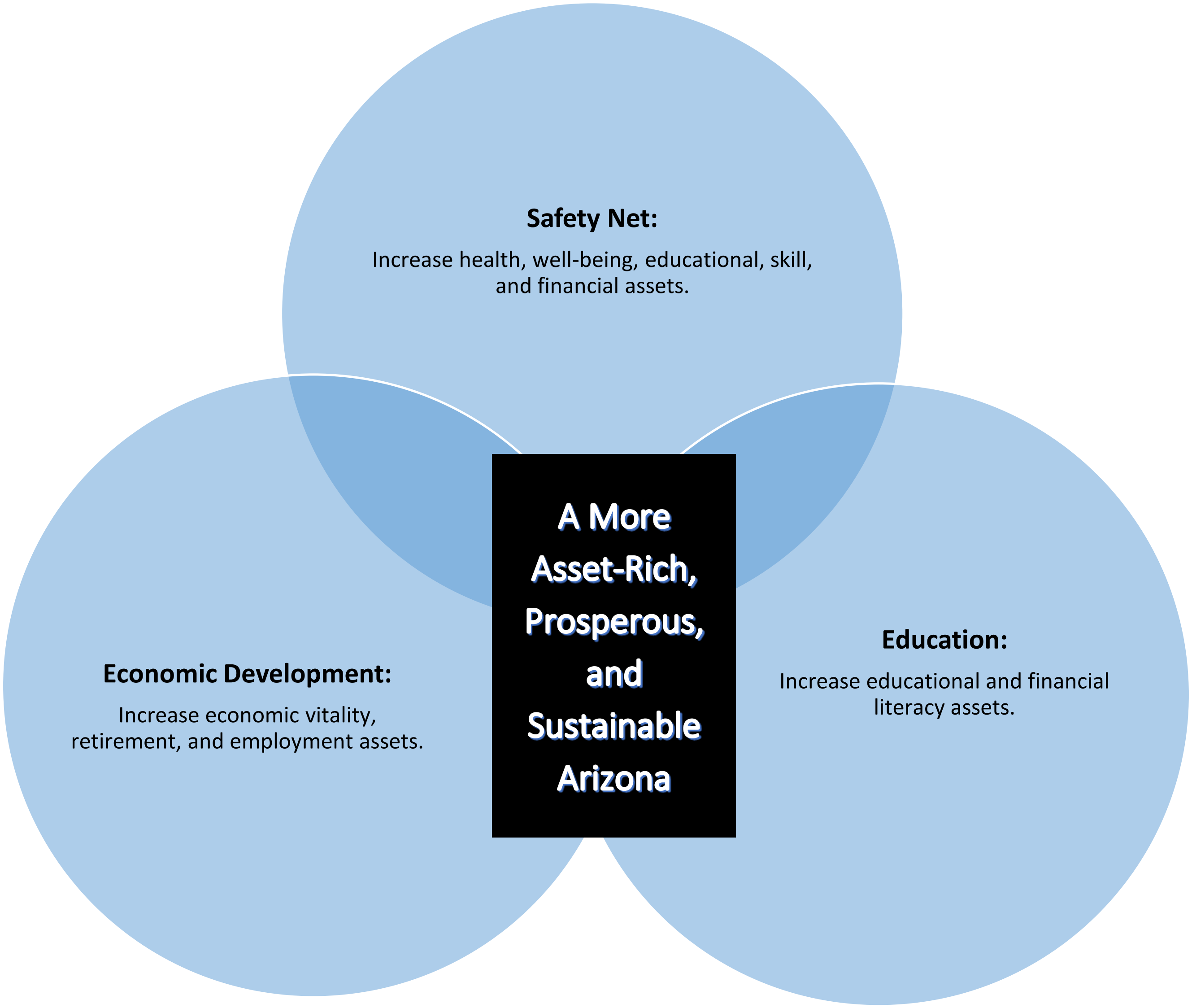
Education (Arizona Department of Education)

Current Strategic Plan	Strategies	Outcomes	Impacts
Provide Support Services to Schools to Influence Higher Student Achievement	• Baseline the existing number of additional second language program opportunities for all students by September 30, 2013 • Develop and implement childhood literacy programs by January 15, 2014. • Provide support services to LEAs participating in the National School Lunch Program. • Identify strategies and create initiatives that will continuously improve classroom results. • Provide all students with age-appropriate financial literacy instruction. • Identify at-risk, low-income, and homeless students and connect their families with safety net services.	• By June 30, 2014, increase the percent of Fully English Proficient (FEP) students by 10% of the reclassification rate defined for 2013 • 90% of children are proficient or above in literacy by third grade in 2018. • Increase from 51% to 54% the percentage of schools that have Nutrition Education included in their Local Wellness Policy • Increase by 3 percentage points, the percentage of elementary schools that are providing at least 150 minutes of weekly physical education, and the percentage of middle and high schools providing at least 225 minutes of weekly physical education. • From 2013 to 2014, incident rates for threat/intimidation, fighting and assault will each decrease 2% or more in schools participating in the S32 project than in schools not participating, as measured by AZ SAFE data. • 100% of schools will incorporate age appropriate financial literacy into K-12 coursework. • 100% of schools will be compliant with The McKinney-Vento Act, which provides certain rights for homeless students and all homeless students receive Title I services.	Arizona's youth will be academically prepared to enter postsecondary education, and physically, emotionally, and financially prepared to be productive members of the workforce and society.

Safety Net

Current Strategic Plan	Strategies	Outcomes	Impacts
Strengthen individuals and families. Increase self-sufficiency	• Assist older and at-risk adults, individuals with disabilities, and youth aging out of foster care to live independently. • Enhance child protection staffing and reduce caseloads to manageable levels for CPS staff to address child safety, and ensure permanency and well-being. • Safely reduce both the number of children entering the foster care system and the number of children who remain in the foster care system by developing safe alternatives, including timely permanency. • Safely reduce the number of children in congregate care and place children in family-like settings (kinship care and family foster homes). • Provide core safety net services to stabilize families as a first step toward enabling them to achieve maximum employability and self-sufficiency. • Provide employment-related services and assistance supports to vulnerable populations, such as older adults, individuals with disabilities, refugees, economically disadvantaged youth and adults, veterans, and youth who have aged out of foster care. • Reduce the number of families on Cash Assistance by increasing self-sufficiency through increased employment placement. • Make child support a reliable source of income for the families we serve. • Define and measure self-sufficiency for all DES consumers. • Define and measure asset poverty for all DES consumers.	• 5% increase in the percent of DES consumers who are self-sufficient at time of exit from services over a baseline year. • 5% decrease in the percent of DES consumers who are asset poor at time of exist from services over a baseline year. • All DES consumers are banked at time of exit from services. • 10% reduction in percent of DES consumers who are in financial distress at time of exit from services over a baseline year. • All DES consumers are covered by health insurance at time of exit from services. • CDAs are provided for 5% of DES consumer children. • 100% of all TANF and SNAP recipients receive financial literacy training. • A voluntary, state administered 401(k) plan is made available to all state residents. • The percent of TANF and WIA resources used for education and skill training is at the national average.	Children grow up in nurturing family environments. Vulnerable individuals, children and families live in safe Environments. Individuals and families meet their basic needs for food and housing along with any necessary employment-supports that serve as a bridge to increased self-sufficiency and maximum independence.

	• Assist DES consumers to become banked. • Define and measure financial distress for all DES consumers. • Assisted consumers in accessing health insurance. • Eliminate the TANF asset test. • Lobby for creation of Universal Children's Savings Accounts (CDAs. • Provide - and require - financial literacy training for all recipients of public supports. • Lobby for a voluntary, state administered 401(k) plan to increase retirement security. • Increase resources for education and skill training (from resources such as TANF and WIA that allow training activities).		
Collaborate with communities to increase capacity.	• Work in partnership with Tribal Nations to strengthen individuals and families. • Increase collaboration with community partners and stakeholders to provide core safety net services. • Engage Faith-based Organizations as partners to promote the safety, well-being, and self-sufficiency of individuals and families. • Work closely with the business community to identify opportunities for employing at-risk individuals.	• 5% increase in the number of DES consumers placed in employment. • 5% increase in the number of DES consumers placed in employment who are earning self-sufficient wages.	Partnerships build the capacity of communities and maximize the impact of shared resources to strengthen individuals and increase their self-sufficiency.
Improve outcomes for Arizonans by creating a person-centered human services system.	• Lead a coordinated, integrated and comprehensive public and private effort to grow the capacity of socially and economically challenged Arizonans to achieve their highest functioning self and reduce dependency on public supports. • Create and implement comprehensive approaches to meet the needs of individuals and families seeking or receiving services by transforming the Department construct to a person-centric, integrated, and connected engine for human wellbeing.	• [are the evaluators defining and quantifying the outcome measures and goals?]	An efficient, effective and innovative human services system is person-centered and creates the enabling conditions for individuals and families to achieve their desired outcomes.


Safety Net:
Increase health, well-being, educational, skill, and financial assets.
Economic Development:
Increase economic vitality, retirement, and employment assets.
A More Asset-Rich, Prosperous, and Sustainable Arizona
Education:
Increase educational and financial literacy assets.