Building FAMILY ASSETS

A GUIDE TO KEY IDEAS, EFFECTIVE APPROACHES, AND TECHNICAL ASSISTANCE RESOURCES FOR MAKING CONNECTIONS CITIES AND SITE TEAMS

part of a series from the Technical Assistance/Resource Center of The Annie E. Casey Foundation

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A list of Technical Assistance/Resource Center Resource Guides appears on the inside back cover.

The Annie E. Casey Foundation

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for vulnerable children and families in the United States. It was established in 1948 by Jim Casey, one of the founders of United Parcel Service, and his siblings, who named the foundation in honor of their mother.

Headquartered in Baltimore, the Foundation is the largest private foundation in the nation dedicated solely to the needs of vulnerable children and families, with assets of more than $3 billion. The Foundation's grants are intended to help states, cities, and neighborhoods improve the life chances of the millions of American children at risk of poor educational, economic, social, and health outcomes. For more information, visit the Foundation's website at www.aecf.org.

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preface to family strengthening resource guides

Children do well when their families do well, and families do better when they live in supportive neighborhoods.

This simple premise underlies *Making Connections*, the centerpiece of a 10- to 15-year commitment by the Annie E. Casey Foundation to improving the life chances of vulnerable children by helping to strengthen their families and neighborhoods. The Foundation is working in 22 American cities to promote neighborhood-scale programs, policies, and activities that contribute to stable, capable families.

Making Connections seeks to help families raise healthy, confident, and successful children by tapping the skills, strengths, leadership, and resilience that exist in even the toughest neighborhoods. The initiative is founded on the belief that families and their children can succeed if the people who live, work, and hold positions of influence in distressed neighborhoods make family success a priority—and if there are deliberate and sustained efforts within the broader community and at the state level not only to connect isolated families to essential resources, opportunities, and supports, but also to improve the material conditions of the neighborhood.

The Foundation is dedicated to helping selected communities engage residents, civic groups, public and private sector leadership, and faith-based organizations in efforts to transform the toughest neighborhoods into family-supportive environments. *Making Connections* seeks to enable residents in these neighborhoods to live, work, play, earn decent wages, and interact with family, friends, neighbors, and social institutions in a safe, congenial, and enriching environment.

In order to improve the health, safety, educational success, and overall well-being of children, *Making Connections* is a long-term campaign aimed at helping selected cities build alliances and mobilize constituencies at the neighborhood level.

Making Connections has identified three kinds of connections essential to strengthening families:

+ **Economic opportunities** that enable parents to secure adequate incomes and accumulate savings, thus assuring their families the basic necessities of food, clothing, shelter, and health care. To meet this need, communities must address job development, employment training, wage supplements, and asset-building strategies—all of which help ensure predictable incomes, which in turn bolster healthy child development.
+ **Social networks** in the community, including friends, neighbors, relatives, mentors, community organizations, and faith-based institutions that provide neighbor-to-neighbor support and help family members feel more confident and less isolated.
+ **Services and supports**, both formal and informal, public and private, which provide preventive as

MAKING CONNECTIONS CITIES

Atlanta	Milwaukee
Baltimore	New Orleans
Boston	Oakland
Camden	Philadelphia
Denver	Providence
Detroit	San Antonio
Des Moines	San Diego
Hartford	Savannah
Indianapolis	Seattle
Louisville	St. Louis
Miami	Washington, D.C.

well as ongoing assistance, and are accessible, affordable, neighborhood based, family centered, and culturally appropriate. These might include high-quality schools, health care, housing assistance, and affordable child care.

How will we know when Making Connections goals have been achieved?

Making Connections will have succeeded in a city when community leaders and residents have built a local movement on behalf of families that has the power and momentum to accomplish the following:

+ Build on existing efforts and spur neighborhood-scale, family strengthening strategies that reduce family isolation by increasing their connections to critical economic opportunities, strong social networks, and accessible supports and services.
+ Use these neighborhood-scale initiatives to rethink, revamp, and redirect policies, practices, and resources on a citywide scale to improve the odds that all families succeed.

As this movement grows, it will enable each city to know it is succeeding in a number of other ways:

+ When parents have the means, confidence, and competence to provide for their families economically, physically, and emotionally;
+ When residents have people to talk to and places to go for help, support, and camaraderie;
+ When families feel safe in their homes and in their neighborhoods;
+ When children are healthy, succeed in school, and go on to college or a job after high school;
+ When communities offer the resources families need to pass on a legacy of literacy and opportunity to their children.

What do we mean by "family strengthening"?

Family strengthening policies, practices, and activities recognize the family as the fundamental influence in children's lives. These policies and practices both reinforce parental roles and messages and reflect, represent, and accommodate families' interests. Family strengthening means giving parents the necessary opportunities, relationships, networks, and supports to raise their children successfully, which includes involving parents as decision-makers in how their communities meet family needs.

A family's major responsibility is to provide an optimal environment for the care and healthy development of its members, particularly its children. Although basic physical needs—housing, food, clothing, safety, and health—are essential, children also need a warm emotional climate, a stimulating intellectual environment, and reliable adult relationships to thrive.

Threats to a family's ability to manage its responsibilities come from many sources: externally generated crises, such as a job or housing loss, or internal crises, such as child abuse or estrangement among family members. Unexpected events, such as the birth of a child with a disability or a teen's substance abuse problems, or more common events, like new jobs, marriages, deaths, and household moves, precipitate potentially destabilizing changes. The family's ongoing stability hinges on its ability to sustain itself through these disruptions. To help families cope effectively with crises and normal life events, communities need a variety of resources, including adequate and accessible services for children at all stages of their development, effective supportive services for families, and a critical mass of healthy families who can effectively support their neighbors.

Family strengthening policies and practices consider the whole family, not just individual family members. Often, agency protocols and programs create tensions inadvertently when their focus excludes family needs. A striking example is a well-intentioned nutrition program arranged to ensure that homeless children were fed breakfast, lunch, and dinner at school. The children's parents and other siblings had no source of food, however, and the program participants had no opportunity to share meals with the rest of their families. Once the program leaders recognized the problem, parents and siblings were included in the school mealtimes, and the program designers learned to reconsider their strategies. Similarly, many welfare-to-work programs report difficulties in job retention because of family stresses—stresses often resulting from the jobs themselves. When a family member finds work, family rituals, logistical patterns, roles, and responsibilities change. More successful programs consider these disruptions ahead of time and develop ways to help the family cope.

What do we mean by "strengthening neighborhoods"?

Families must be helped to thrive within the context of their neighborhoods and broader communities. Job development, for example, should be coordinated with specific local or regional businesses, and community economic development should build on the resources of each unique neighborhood. Connecting families to economic opportunities can have a ripple effect: Just living in a neighborhood where a substantial number of families work can reinforce positive expectations for the children in the neighborhood.

Making Connections recognizes that the informal social networks that are most important to people (their friends, neighbors, faith communities, and clubs) almost always exist at the neighborhood level. Time and time again, these natural helping networks prove most important to families' abilities to raise their children successfully. One component of strengthening neighborhoods is thus to invest in the social capital provided by neighborhood-based networks. At the same time, *Making Connections* seeks to widen the networks that families have at their disposal, thereby broadening their aspirations, attitudes, and opportunities. Linking families to broader networks both within and outside their own neighborhoods promises to open up new possibilities for children and parents alike.

Finally, strengthening neighborhoods means placing formal public services in neighborhoods, and making them comfortable rather than intimidating for families. This requires redefining the jobs of public workers so that professionals from several separate mainline systems — as well as natural helpers or informal caregivers—work together in teams and are deployed to specific neighborhoods to take the necessary steps to help families succeed.

The Technical Assistance/Resource Center

The Foundation's Technical Assistance/Resource Center (TARC) seeks to connect people in the 22 cities to powerful ideas, skillful people and organizations, examples of what works in other communities, and opportunities to develop leadership skills in their own neighborhoods. It provides assistance to the 22 *Making Connections* cities on a range of topics, from building alliances that lead to stronger families in healthier, more stable communities, to diverse strategies that community leaders may pursue in terms of jobs, housing, safety, schools, and health care. TARC responds to the sites' priorities through a "help desk" approach, which seeks to meet sites' requests for assistance, and "peer consultation," where colleagues who have successfully addressed a particular problem help their peers in other communities to frame and solve a similar issue. In this way, *Making Connections* cities can capitalize on the practical knowledge that emerges from on-the-ground innovators.

One component of the Foundation's technical assistance strategy is a set of Resource Guides, including this one. The Resource Guides articulate the Foundation's perspective about issues pertaining to *Making Connections* sites, as well as summarize trends in the field, highlight effective examples, and point to people, organizations, and materials that can provide additional help. The Resource Guides are intended first for Foundation staff, in order to create a common fund of knowledge across a broad range of issues. Second, the guides are intended for residents and other leaders in *Making Connections* cities who may want to learn more about specific subjects.

The precise number of Resource Guides will fluctuate as demand changes, but approximately 12-15 guides will be produced during the year 2000 (see the inside back cover for a list). All guides will address topics aimed at both supporting individual families and strengthening neighborhoods. The guides fall into four categories: (1) Economic Opportunities for Families, (2) Enhancing Social Networks, (3) Building High-Quality Services and Supports, and (4) Techniques for Advancing a Family Strengthening Agenda in Neighborhoods.

The guides in the first three categories address substantive areas in which activities can directly lead to better outcomes for children and families as well as strengthen neighborhoods. The first Economic Opportunity Resource Guide, on jobs, for example, provides information about how to connect low-income residents to regional and local labor markets, allowing families to provide for their basic necessities and contributing to family stability. Simultaneously, successful jobs initiatives fortify the neighborhoods in which they operate, making them more attractive places to live and providing strong incentives for younger residents to participate in the labor force.

Likewise, the Resource Guides in the second and third categories were chosen because they affect both individual families and their neighborhoods. For instance, the guide on housing is intended to help communities provide affordable housing to low-income families, which in turn leads to enhanced housing stock and more desirable neighborhoods. The guide on child care seeks to help communities develop plans for increasing the supply of affordable, quality child care—especially the notoriously hard-to-find care for infants and school-age children, and care during nontraditional work hours. Achieving this goal not only would improve the developmental preparation of young children, but it also would help stabilize parental employment, enhance the viability of neighborhood enterprises, and promote safer, better-connected communities.

The guides in the last category address techniques for advancing neighborhood-based family strengthening work, such as how to develop a communications strategy and how to use data and maintain accountability for specific outcomes.

Additional guides may be developed as new requests for assistance surface from the sites. This guide is a working draft that may be updated periodically as we receive particular information requests from Foundation staff and *Making Connections* sites. We view these guides not as an end in themselves, but as a first step in posing and answering some of the most difficult questions we face about how to help families in the toughest neighborhoods. Toward this end, we welcome readers' comments and thoughts on any of the subjects included in these guides.

Douglas W. Nelson
President
The Annie E. Casey Foundation

executive summary

This is the second of two related Economic Opportunity Resource Guides, each of which describes a complementary strategy for advancing economic opportunity for families living in *Making Connections* neighborhoods. The first volume in this series, *Connecting Families to Jobs*, describes the basics of job development strategies. By job strategies, we mean the actual approaches used to help people obtain and keep jobs, a process often called "attaching" people to the labor market. The goal is to increase access to good jobs for people with a variety of needs and strengths.

But connecting people with jobs is often only the first step of many in moving toward economic self-sufficiency. This guide, *Building Family Assets* describes ways of enabling low-income, working families to build up assets (such as home and business ownership), through savings and through supplements, to the very low wages often paid for entry-level jobs. Supplements not only offer the immediate advantage of providing much-needed additional income, but they also constitute an important incentive for workers to stay in the labor market, thereby helping families in a long-term effort to move up the economic ladder.

The **Introduction** argues that people move forward economically through savings and investment, not through spending and consumption. Owning assets gives people a stake in the future—a reason to save, to dream, and to invest time, effort, and resources in creating a future for themselves and their children. If residents in *Making Connections* neighborhoods are to work their way out of poverty, they need to build up their assets through a combination of savings and income supplements. Without assets, home ownership, entrepreneurship, and higher education—the basic elements of the American dream—are usually unattainable.

Potential Requests, Opportunities, and Challenges shows that opportunities for developing assets most likely exist in all *Making Connections* sites. The job development programs described in *Connecting Families to Jobs* are medium- to long-term undertakings. This guide offers asset-building strategies that can be exploited immediately on behalf of families in *Making Connections* neighborhoods. Tax credit, savings, and financial literacy programs already exist in or near some neighborhoods, and where they don't, they are often easily developed. Together, they can provide an important set of strategic opportunities for sites and site teams.

However, the challenges that poor families face in building wealth should not be underestimated. The working poor often live where there is little competition for their consumer dollar. Basic goods cost more, and people in the neighborhoods often are poorly served by banks and other primary lending institutions (such as credit unions), so they are more vulnerable to expensive secondary financial institutions—check-cashing companies and pawn shops.

Promising Approaches and Resources describes six strategies for promoting asset development and for supplementing the low wages typical of jobs available to residents in *Making Connections* neighborhoods; it also provides examples of each strategy in practice:

A. Individual Development Accounts (IDAs) explains an ideal vehicle for assisting the poor in their efforts to save. IDAs are savings accounts matched by public and private sources for investments, such as home and business ownership. They can function as the backbone for family asset building.

B. Microenterprise Development outlines the ways loans and support services can help low-income people start their own businesses. Microenterprise, in the United States, developed out of international experiences with small capital investments that allow women to form microbusinesses that contribute to their families' economic and social well-being.

C. Financial Literacy describes programs that help families learn how to manage their finances and make wise economic choices. Learning more about money- and asset-management skills is often necessary if families are to move toward goals of home and business ownership and saving for education and retirement.

D. Financial Incentives outlines the ways families can achieve self-sufficiency and make work pay. Incentives help because most of the jobs available to low-skilled workers are low paying and offer few benefits. Possibilities include earnings supplements, job guarantees, child support incentives, child care support, health benefits, and "earned income disregards," which reduce the amount by which public assistance benefits are decreased because of earned income.

E. Federal and State Earned Income Tax Credits (EITCs) explains the ways programs provide cash to low-income people through tax refunds. EITCs are among the most useful tools available to site teams for increasing the effective income of the working poor and promoting their ability to save. Ten states supplement the federal EITC with a state credit aimed at supplementing the incomes of the working poor.

F. Unemployment Insurance (UI) explains programs that can provide a cushion for families during periods of involuntary unemployment. Workers who are new to the labor market often experience periods of underemployment or joblessness. Taking full advantage of unemployment benefits can help these and other people who are between jobs.

The **Resources** section provides a list of organizations, people, and reference materials for additional information about each topic area.

introduction

All families need adequate wages with which to support themselves, but earnings alone are not enough to raise many people out of poverty. Poor families need ways to accumulate savings to help them cope with economic downturns and unexpected demands on their earnings. Without the primary tools of wealth accumulation—home ownership and interest income from investments—poor families are forced to live from paycheck to paycheck, with no way to move up the economic ladder. In 1995 only 22 percent of poor households—those with incomes below 80 percent of the area median income—were homeowners, compared with the overall national rate of about 66 percent.[1]

The United States has one of the lowest personal savings rates among industrialized nations, but the lack of savings is particularly acute among moderate and lower income households. And no wonder: How can a four-person family earning wages of only $12,000 to $15,000 per year be expected to have money left after paying rent and utilities and buying food and household supplies? Yet without savings, one medical emergency or job layoff can throw the entire family's financial well-being into jeopardy.

Despite formidable obstacles, many working-poor families do manage to save. Some start small savings accounts and eventually buy their own homes or businesses. *The Federal Reserve Board Bulletin* reported that, in 1995, 17 percent of American families earning between $10,000 and $25,000 owned certificates of deposit, 20 percent had retirement accounts, 25 percent had life insurance, and 11 percent had savings bonds.[2] At least some of these families are able to accumulate wealth, and often that group can start the climb out of poverty. In addition to economic benefits, building savings enhances a family's self-esteem, and it leads to larger personal, social, and community benefits.

But there are far fewer of these families than there could be, largely because few supports are available to help families learn financial management techniques, and even fewer structured opportunities exist to help people build financial assets.

Many workers stuck in low-wage jobs with no benefits and limited advancement opportunities are unable to escape a life of poverty. Moreover, with no expectation that their family's economic circumstances will improve, many workers face a disincentive to stay in the labor market. To make work a more realistic means of supporting families and a more attractive option than welfare, many families need ways to supplement their wages to help them accumulate savings and achieve discernible financial gains.

This guide presents asset-building strategies that *Making Connections* sites might want to explore for families in their target neighborhoods. The term "assets" in this guide refers to cash accumulated through savings or wage supplements rather than the talents and in-kind resources that families possess. While these latter types of "assets" exist in every community and will be uncovered in *Making Connections* neighborhoods, this guide focuses on ways to increase the monetary assets that families in poor neighborhoods have. Moreover, the most frequently used means of accumulating assets, through the purchase of a home, is discussed in greater detail in a companion guide entitled "Meeting the Housing Needs of Families."

All of the strategies in this guide have a common purpose: to enhance income security through asset development strategies and supplements that are tied to participation in the labor force. Such supplements are intended to make wages work, and make work pay.

[1]Jacob, Katy, Sharyl Hudson, and Malcolm Bush. *Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families.* Chicago: Woodstock Institute, January 2000.

[2]Kennickel, A. B., M. Starr-McCluer, and A. E. Sander. "Family Finances in the US: Recent Evidence from the Survey of Consumer Finances," *Federal Reserve Board Bulletin*, January 1997.

potential requests, opportunities, and challenges

A. WHAT ISSUES MIGHT NEIGHBORHOOD RESIDENTS AND LEADERS RAISE ABOUT BUILDING FAMILY ASSETS?

The most obvious question from neighborhood leaders is, "How can we help families save money and build assets when they can barely keep their refrigerators stocked?" Recognizing the difficulty of the task, site teams might want to point to some of the ways low-income families can budget their earnings and save even very small amounts of money on a regular basis. Eventually that money can add up to several thousand dollars. Examples are found in the *Promising Approaches and Resources* section of this guide.

Site teams should resist the temptation to submit to the argument that asset development is beyond the reach of many poor families. Although pervasive, this belief is paternalistic, and it closes the door prematurely on many families who actually can save money.

Neighborhood leaders also sometimes complain that they are running out of patience, waiting for better paying jobs that never materialize. They ask, "What can you do that will help us supplement our wages so we can support our families now, instead of telling us that economic development is a long-term process?" This question is understandable, given that many of the residents of *Making Connections* neighborhoods have been on the periphery of economic development efforts for years. They inevitably have a healthy skepticism when it comes to promises of better days ahead. Site teams might point out some of the asset-building strategies, such as fuller use of the earned income tax credit (EITC) or creation of individual development accounts (IDAs), described in the next section of this guide, that can be employed fairly quickly to provide some early "wins."

HOW do we get STARTED?

WHAT IS THE STATE'S welfare reform agenda? Does it allow room for developing income security and asset development programs?

WHAT ARE THE RULES governing the state's use of TANF (Temporary Assistance for Needy Families) funds? Do they provide any levers for income security and asset development programs?

WHAT ARE THE TIME limits for recipients' transition to work? Do they afford opportunities to provide supports and services to people entering the labor market?

DOES THE STATE offer an EITC that supplements the federal credit? Is there an EITC outreach program?

ARE ANY organizations promoting the use of IDAs? Does state law provide incentives for their use?

B. WHAT ARE THE TRENDS AND OPPORTUNITIES ON WHICH SITES CAN BUILD?

Tax credits, IDAs, and financial literacy programs already exist in many *Making Connections* sites, and they can be developed for others. Some communities are taking advantage of the fact that EITC money can be used to start an IDA. The low-income family deposits its tax credit into its IDA, avoiding the need to take savings out of the family's weekly earnings.

Another opportunity can be found in the recent welfare reform legislation that allows TANF (Temporary Assistance for Needy Families) funds to be used in ways that support asset development. For example, funds provided to TANF recipients can be used to match IDA savings. So if the Jones family puts $150 into an IDA, TANF money can double that amount with another $150 contribution. And some states allow using TANF funds to support income supplements and other cash and noncash incentives. If a particular state has a surplus of TANF funds—as many do—there might be opportunities to leverage some of these funds to help neighborhood residents begin to build an asset base.

C. WHAT CHALLENGES MIGHT SITES FACE?

The challenges that poor families face in building wealth should not be underestimated. The working poor often live in neighborhoods where a lack of competition for their consumer dollar means that basic goods cost more and that they are poorly served by banks and other primary lending institutions (such as credit unions), making them vulnerable to expensive secondary financial institutions and services offered by check-cashing companies and pawn shops. And the working poor often have jobs without health insurance or other benefits that provide a buffer against unplanned expenditures; this hampers their ability to accumulate savings. In short, saving is a real challenge for the families living in *Making Connections* neighborhoods.

Consider the following specific obstacles:

+ A large percentage of poor families do not have checking or savings accounts, the basic financial tools needed to build wealth. Many families instead use check-cashing outlets or currency exchanges, which are more expensive than banks. A 1997 study found that the annual cost of using check-cashing outlets in Illinois was anywhere from 24 to 305 percent higher than similar services from a bank (Jacob et al., 2000, p. 4).

+ Deposit accounts available to low-income households earn lower interest than do those with higher balances, and often they earn no interest at all.

+ Predatory lending practices are not uncommon in low-income neighborhoods. Many residents cannot secure credit cards, home mortgages, auto financing, or home equity or consumer loans because of income or credit history constraints, so they are prime targets for unscrupulous lenders. These lenders are known to take advantage of uninformed persons by charging excessive fees or rates, or by pushing borrowers into multiple refinancings. Many low-income people are pressured into loans they do not need and cannot afford or that are more costly than conventional loans available to higher income people.

+ Acquiring assets like homes and businesses runs into the reality that these are neighborhoods in which banks and other lending institutions are reluctant to invest, that long-standing employers are abandoning, and where developers are hesitant to build new homes or improve existing housing stock.

+ Public benefits programs, such as welfare, have traditionally punished recipients for attempting to accumulate assets. Caps for public assistance recipients limit eligibility to families who have savings under a predetermined amount—a crucial wealth-building barrier for low-income families.

promising approaches and resources

The most promising approaches being used to help low-income families develop an asset base include the following strategies:

A. Individual development accounts (IDAs) are savings accounts for particular investments, such as the purchase of a home, that are matched by public and private sources.

B. Microenterprise development provides loans and support services to low-income clients who want to start their own businesses.

C. Financial literacy programs help families learn how to manage their finances and make wise economic choices.

D. Financial incentives help families achieve self-sufficiency and include earnings supplements, job guarantees, reductions in the amount by which public assistance benefits are reduced because of earned income ("earned income disregards"), child support incentives, child care support, and health benefits.

E. Earned income tax credits (EITCs) provide cash directly to the working poor through tax refunds.

F. Unemployment insurance (UI) provides a cushion for families during periods of involuntary unemployment.

Each strategy is described below, and examples of their successful implementation are presented. The one asset development strategy not included in this guide—home ownership—is discussed in another Resource Guide, *Meeting the Housing Needs of Families.*

A. INDIVIDUAL DEVELOPMENT ACCOUNTS

IDAs are a primary vehicle for building wealth among moderate- and low-income families. IDAs are savings accounts that are matched by public and private sources (in much the same way that an employer might match contributions to a retirement account, for example) and restricted to investments in home ownership, education, job training, or business formation. Of course, the practical challenges here are to identify a source for the match and to find a way for families on the edge of poverty to devote a significant percentage of their earnings to savings rather than to subsistence.

what do STATES do with IDAs?

The following are examples of some state IDA activities:

- Pennsylvania has appropriated $1.25 million for two years to support Family Savings Accounts. Administered through the state Department of Community and Economic Development, the funds support IDA programs run by nonprofit agencies across the state. Over 1000 participants are enrolled in IDAs, saving for education, home ownership, microenterprise, retirement, or any work-related activity such as job training or child care. Education IDAs can be for the account holder, or his or her child, or other family member.
- Oregon runs a state-subsidized employment program for TANF recipients that requires employers of participants to contribute $1 per hour worked by the employee to a special savings account. The accounts can be used for higher education or job training for the employee or a member of his/her family.
- North Carolina is funding an IDA program for home ownership using Community Development Block Grant funds and other state funds.

SOURCE: Center for Social Development, Washington University at St. Louis.

Michael Sherraden, an early IDA proponent, describes individual development accounts as "special savings accounts that are designed to help people build assets for increased self-sufficiency and long-term economic security. Account holders receive matching funds as they save for purposes such as buying a first home, going to college, or starting a small business."

SOURCE: Sherraden et al. *Start Up Evaluation Report: Downpayment on the American Dream Policy Demonstration*, Center for Social Development, Washington University, 1999, p. 3.

IDAs are based on the premise that asset building is necessary if people are to escape poverty. They are administered by a range of organizations, including community action agencies, credit unions and other community development institutions, service providers, and housing groups. (The *Resources* section of this guide lists several leading examples.) More than half of all states allow IDA programs or pilots as part of their welfare reform strategies, and some states directly fund IDAs either through TANF or state general funds. These savings programs are often tied to employment programs that require participants to save a portion of their subsidized earnings. Savings can be used only for specified purposes. Otherwise, participants lose their matching funds. Dollar matches range from 1:1 all the way up to 7:1, but most are either 1:1 or 2:1, and many have limits on the amount that can be matched.

There are now more than 200 IDA programs operating in the United States. Ten foundations are funding a demonstration and evaluation of IDAs, the Downpayment on the American Dream Policy Demonstration. The hope is that if these programs do in fact act as successful incentives for lower income people to save, the federal government will heavily supplement the role of foundations.

Site teams should look for existing IDA programs or try to help organizations establish them. An important first step is to do an inventory of the neighborhood's existing asset base and potential

some STATES allow TANF funds as match

State	Matching Rate
Illinois	1:1 match
Indiana	3:1 match, up to $300 maximum per year
Iowa	25% match, up to $12,500 in savings
Kentucky	2:1 match, up to $1500 per year in savings
Maine	2:1 match, up to $2000 per year in savings
Minnesota	2:1 match, up to $6000 per year in savings
New York	Legislation pending, 3:1 match available in private programs
Tennessee	2:1 match available in 16 counties
Vermont	2:1 match
Washington	2:1 match, up to $4000 maximum match

SOURCE: State Policy Documentation Project. *Individual Development Accounts: Overview*, Center on Budget and Policy Priorities, 1999. Because state programs are constantly changing, updated information can be found at www.gwbweb.wustl.edu/users/csd.

base of participants. It is also important to identify likely program administrators and match partners and to examine ways to leverage public support for training and technical assistance. Finally, new legislation pending in congress would provide tax credits to individuals for investments in IDAs operated by financial institutions and other nonprofit organizations. Site teams should be alert to the emergence of such opportunities in their areas.

B. MICROENTERPRISE DEVELOPMENT

The microenterprise concept is a variation of business development strategies that target low-income groups.

local currency: BUILDING assets with MORE THAN MONEY

Ithaca, New York, is home to the best known "local currency" exchange program in the country. It illustrates what a community can do when there's more time and ingenuity than money. Roughly, here's how it works: Participants use currency called the Ithaca HOUR, which has been set at a rate of $10—the local average hourly wage. HOUR notes, in various denominations, buy plumbing, carpentry, electrical work, roofing, nursing, chiropractic sevices, child care, car and bike repair, food, eyeglasses, firewood, and so on. Even Ithaca's credit union accepts them for mortgage and loan fees. Some landlords accept them for rent. Ithaca's program has a website that provides brief accounts of how residents use local currancy as a substitute for—or more often, as a supplement to—cash.

Consider these examples: Dan sells deli goods, and his HOURs have bought baby supplies, Christmas presents, vegetables, chiropractic care, and more. He and his wife gave HOURs as a wedding present. Margaret has received HOURs as rent payment, for flea control, and for making phone calls. Ramsey has sold bagels for HOURs at the Ithaca Bakery and used them to buy landscaping, meals, printing, air conditioning consulting, eco-goods, eyeglasses, insulating window shades, and groceries.

There is a greater inherent value in the local currency: The "money" spent in the community stays there. Community-based entrepreneurs and locally owned businesses become stronger and they turn increasingly to other local suppliers, who in turn have an incentive to spend their new income within the community. There also are environmental benefits: By supporting local growers, artisans, and producers, a community relies less on goods made elsewhere, thereby saving money on costly and wasteful shipping and packaging.

For more information about Ithaca HOURs, or to order a $25 video and starter kit called *Creating Community Economics with Local Currency:*

Contact:
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www.lightlink.com/ithacahours

matching TANF dollars for SAVINGS

The St. Louis Regional Jobs Initiative is partnering with several groups—including the Missouri Department of Social Services (DSS)—to launch an IDA program to support former TANF recipients interested in saving toward one of three goals: buying a house, starting a business, or going to college. The program offers a 1:1 match, so every dollar saved is matched by a dollar, up to $2000—as long as the participant complies with the terms of the program. Missouri's DSS will provide core funding for the matching grants. The IDA program includes a mentoring component and is based on the premise that the financial training and savings incentives will encourage participants to stay on the job, pursue further career development opportunities, and improve their financial situations. The St. Louis Regional Jobs Initiative is seeking to develop new components of the program and to make it available to other groups.

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It has traditionally been aimed at low-income women who want to start their own businesses. Recently, it has been embraced as a strategy for reaching some welfare-to-work objectives. A primary focus has been on providing access to capital, typically in the form of very small loans. However, microenterprise programs also provide training, technical assistance, and support services to microentrepreneurs. Programs often include peer-lending components, which tend to minimize default rates and encourage a sense of partnership. The businesses are often home based, which affords a degree of flexibility in balancing family and work.

Microenterprise in the United States developed out of international experiences that showed that small capital investments can allow women to form microbusinesses that contribute to their families' economic and social well-being. The early domestic successes of microenterprise are often credited with having a strong pool of participants from which to draw. However, with the harder-to-employ populations now making the transition from public assistance, cost-effective self-employment strategies are less realistic. Microenterprise is included here as an asset-building strategy because of its potential as a supplemental source of family income and its ability to generate labor market participation on a scale and at a cost that are competitive with other job creation approaches. Many microenterprise training providers also manage microcredit loan funds and are part of a broader network of financial institutions focused on community economic development.

As a rule, microenterprise advocates assign much more importance to such programs than do neighborhood economic development practitioners, many of whom believe that microenterprise offers limited benefits relative to its cost. One response is to focus on microenterprise as an asset-building versus an economic development strategy. Another possible response is for the businesses that microenterprise programs create to employ low-skilled workers. These workers are then groomed to enter the formal labor market. The drawback is that microenterprise organizations tend to struggle during the transition from nonprofit training provider to business operator. This variation of microenterprise rarely constitutes an effective job creation strategy in terms of scale or quality.

Another strategy, bartering, helps people reduce their cash outlays for goods and services. As a complement to other asset-building strategies, two variations of bartering programs—Time Dollars and "local currency"—help families save cash and build tangible assets. Rather than using precious cash, families can use their time as currency for many goods and services—and put more of their income into savings. Local currency programs are ones in which participants produce their own currency and exchange it among each other. A young mother, for example, might babysit for a neighbor and earn local currency notes which she can use in turn to buy diapers at the corner market. In a Time Dollar exchange program, one earns credit toward a purchase in a Time Dollar store or an exchange for services, but no currency is generated. For every hour of volunteer work, one earns credit that can be exchanged for goods or services.

Bartering programs have the advantage of promoting informal ties among their participants, thus creating social cohesion and connectedness. And bartering programs can be initiated by community groups (although they are not without expense).

C. FINANCIAL LITERACY

Financial literacy is the knowledge of personal money management concepts and skills needed in today's economy. It includes the ability to balance a checkbook, manage a credit card account, prepare a monthly budget, buy insurance, take out a loan, and invest savings, however small. Many low-income families do not know how to perform these basic but vital financial tasks. As a result, they can make poor financial choices, pay more than they should for financial services, fall into debt, or damage their credit records. Residents in *Making Connections* neighborhoods are already burdened by low wages, unemployment, and capital and credit shortages; the inability to handle scarce resources effectively and to avoid heavy debt only compounds their economic troubles.

Financial literacy training seeks to help people understand the concepts of saving, earning interest, and budgeting and to provide them with the skills to manage credit and loans and to work with financial institutions. Financial literacy is increasingly seen as a necessary—although far from sufficient—

money management in a SHELTER for the HOMELESS

An example of a service organization providing financial literacy training can be found in a Chicago homeless shelter serving recovering substance abusers. The shelter offers an in-house, eight-week money management program to its clients. The shelter started the training when staff members discovered that, as soon as clients got permanent addresses or jobs, they were hounded by past creditors, putting them at risk of homelessness again. Trained volunteers run the program, which focuses on basic banking skills and credit repair. Most of the shelter's clients have never had bank accounts, and they desperately need this information.

SOURCE: Jacob et al. *Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families*, Woodstock Institute, 2000.

condition for reducing poverty in low-income neighborhoods. It is a tool for ensuring that the knowledge and ability to build assets effectively and to avoid being exploited or cheated by aggressively marketed financial products is not the sole province of a privileged few.

Many asset development programs include financial literacy components that can help improve a family's ability to manage finances and make wise economic choices. Training programs can be tied to basic skills training in literacy and mathematics. The National Foundation for Credit Counseling (NFCC) is a network of 1450 nonprofit agencies that provide free or low-cost money management education, as well as budget, credit, and debt counseling for families.

The largest providers of financial literacy programs are educational institutions, working through the U.S. Department of Agriculture's Cooperative State Research, Education, and Extension Service (CSREES), which is perhaps best known for providing education and training in rural and agricultural areas. As the nation's economy has become less tied to farm life, CSREES has expanded into many areas, including consumer credit. Consumer-credit-counseling agencies and many employers also offer education in this area.

While these programs are valuable, they reach only a fraction of their possible audiences. For example, only about one-quarter of all states have programs that cover key financial literacy topics. Although some banks and other financial institutions offer programs, their contribution is minuscule, given their considerable resources and the number of families that could benefit from such programs. Community groups, social service agencies, and organizations offering IDAs, although still small in number, are increasingly sponsoring financial literacy efforts.

CSREES financial literacy ACROSS THE NATION

The Cooperative State Research, Education, and Extension Service is a program in 103 land grant universities in the United States that has begun to offer financial literacy programs to young people and people with limited resources. The focus is on promoting comprehensive financial planning and personal financial management skills.

The University of Maryland Cooperative Extension offers financial education through workplace programs like the one at the National Security Agency, where 250 employees were reached in 1998. Some county extension offices provide financial management training, including one that worked with 57 clients making the transition from welfare to work. Participants attended a 40-hour class on life skills that had a component on money management. Maryland's Cooperative Extension also trains staff in other agencies to provide financial counseling to clients. In 1998, 89 money management counselors and 23 accredited financial counselors received certification.

The University of Illinois Cooperative Extension uses a financial literacy curriculum called All My Money to help low-income and low-literacy audiences learn about financial management. In addition, pamphlets are distributed on specific issues: how to maintain credit cards, how to purchase homeowner's insurance, and how to shop for home equity loans.

The University of California Cooperative Extension trains approximately 9000 adults and 23,000 children each year. Program leaders use a series of publications and videos to teach financial literacy to their students.

SOURCE: Jacob et al. *Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families.* Woodstock Institute, 2000.

Sites and site teams should be aware that, for every good nonprofit agency providing financial literacy training, there are dozens of commercial, “debt-consolidators” or “credit repair companies”. They advertise on the sides of buses, on television, and on radio, and they often mislead their customers or charge exorbitant fees for services that consumers can get on their own. For example, many promise to provide a new credit identity or erase negative information on a credit report—both impossible feats. Neighborhood leaders should look for NFCC-accredited agencies and avoid most others.

D. FINANCIAL INCENTIVES

Financial incentives are designed to help families achieve self-sufficiency and economic independence (as opposed to simply moving them off welfare rolls and into jobs). They respond to a challenge at the core of welfare reform: Can we make job holding an affordable way of enabling more poor families to raise their children well? Financial incentives encompass different mechanisms, all geared to this challenge: earning supplements; job guarantees; earned income disregards, which reduce the amount by which public benefits are decreased because of

financial INCENTIVES and supplements RAISE INCOME and REDUCE COSTS

The New York State Child Assistance Program (CAP) began as a voluntary alternative to AFDC. CAP tested the effects of a set of economic incentives on the decisions and behaviors of poor dependent parents. CAP benefits were reduced by just ten cents per dollar for the first several hundred dollars of earnings, and 67 cents thereafter. This favorable earnings disregard was coupled with a base grant that was about one-third lower than New York’s base AFDC grant—providing a strong reward for working.

Child support incentives strongly motivated participants to establish paternity and cooperate with child support enforcement. CAP also had several features designed to reinforce its central objectives, including a cashout of food stamp benefits and no restriction on savings. CAP deliberately projected a “nonwelfare” image: Its offices look more like business offices than social service agencies, so clients can see CAP participation as a step toward independence. CAP also included a strong case management component designed to help clients overcome obstacles to self-sufficiency.

Five-year data for the first three participating counties show impressive results. CAP produced more work and smaller cash grants: Household earnings were 20 percent higher than in control groups, and public assistance payments were on average $2030 lower for the CAP group. Administrative costs were lower, too: Overall savings to the state amounted to $2366 per family, and five-year savings for the three counties was $50 million. The participants showed net financial gains and reported high satisfaction.

SOURCE: Laracy, Michael C. *Making Wages Work: Demonstrating the Role of Financial Incentives and Income Supplements as a Welfare-to-Work Strategy*. Annie E. Casey Foundation, 1998.

earned income; child support incentives; child care support; and health benefits. Here are just a few examples of how these mechanisms might work:

+ Earned income disregards allow participants to collect welfare benefits until their income reaches a specified amount above the poverty line. In Minnesota, for example, benefits are permitted until a participant's income is 40 percent above the poverty line.

+ Simplification of public assistance rules and procedures allows the combining of various supplements (for example, merging TANF and Food Stamps into a single cash benefit program).

+ Child care subsidies are enhanced or extended, and procedures are simplified, so that families are not required to make advance day care payments.

+ Subsidies for other expenses associated with leaving welfare for employment (transportation, health care) can reduce the economic disincentive to work.

Many of these programs also include intensive case management and counseling to help participants make informed decisions and to promote changes in attitudes about low-wage work. (Indeed, these services are considered integral to the success of financial-incentive initiatives). Most such programs depend on favorable state policies, so site teams must consider whether and to what degree they are permitted by their states. However, this should not prevent sites from carefully investigating these initiatives when formulating local strategies. New research findings (highlighted in the *Resources* section's list of contacts and references) indicate that financial-incentive programs really can stimulate work, reduce poverty, and enhance family well-being. Strategies for supplementing incomes and building assets are often usefully combined.

E. FEDERAL AND STATE EARNED INCOME TAX CREDITS

State and federal EITCs provide direct cash to the working poor through refunds. Complementing welfare reform, EITCs provide poor families, including single parents, with an incentive to work. As the credit phases in, its value for very-low-income workers increases with work effort and earnings.

The federal tax credit was established in 1975 to offset Social Security and Medicare payroll taxes paid by working-poor families and to strengthen work incentives. Since then, it has been expanded several times to further offset the effects of federal taxes on low-income families and to assist welfare recipients who are joining the workforce and others attempting to support families on low wages.

The federal EITC is a refundable credit that is administered through the income tax: A family receives the full amount of its credit even if the credit amount is greater than its income tax liability. The amount by which the credit exceeds taxes owed is paid as a refund. If a family has no income tax, it receives the entire EITC as a refund.

The effectiveness of the federal EITC, both in supporting work and in alleviating poverty, has been confirmed by recent studies. The EITC now lifts more than four million people—including two million children—out of poverty each year (Johnson and Lazere, 1998). It is the nation's most effective antipoverty program for working families. In addition, the credit has contributed to a significant increase in labor force participation among single mothers. Bruce Meyer and Dan T. Rosenbaum, economists at Northwestern University, have calculated that the EITC accounted for about 60 percent of the increase in annual employment of single mothers between 1984 and 1996 (Meyer and Rosenbaum, 1998).

making work PAY: it's about MORE THAN MONEY

When evaluating programs that make work pay for low-income families, researchers and policymakers have traditionally focused on labor force participation by adults, on financial costs and benefits to taxpayers, and on other economic outcomes. Less frequently studied have been the effects of such programs on poor children—a somewhat ironic omission because, in policy debates about poverty, children are the one constituency virtually all Americans want to help. Few antipoverty programs have examined their effects on children as rigorously as has New Hope, a recently concluded demonstration project in Milwaukee, Wisconsin. The program offered a flexible package of earnings supplements and services to help low-income families succeed in the world of work. The Manpower Demonstration Research Corporation (MDRC) evaluated the project and found not just encouraging increases in employment and earnings among program participants, but it reported significant effects on the children—specifically boys—of participating families.

"New Hope produced substantial positive impacts on the behavior and classroom skills of boys, which held up across different age groups and were consistent across different measures," wrote the authors of MDRC's *New Hope for People With Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare* (Bos et al., 1999). "This is encouraging, because academic failure and problem behavior are predictors of later school failure, dropping out, and delinquency. These risks are high for boys in low-income families and promising policy alternatives to improve child outcomes are scarce."

New Hope parents were more likely than the control group to enroll preadolescent children in structured out-of-school activities—lessons, organized sports, youth groups. Researchers speculate that high-quality child care and after-school programs contributed to New Hope's dramatic influence on boys. A survey of teachers, who were unaware of the program being evaluated or of which children were in experimental- or control-group families, found that "boys whose parents were in New Hope had better academic performance, stronger study skills, higher levels of social competence, and fewer behavior problems than control group boys." When children themselves were surveyed about their educational and occupational aspirations, the boys in New Hope families "expected to attend and finish college in greater numbers and were more likely to aspire to professional and managerial occupations with high social prestige than boys in the control group."

SOURCE: Rust. "New Hope for Low-Income Workers." *ADVOCASEY*, Vol. 1, No. 2, Summer 1999.

The maximum EITC benefit in 1998 was $3756 for families with two or more children. (Childless workers also are eligible, but the maximum credit for an individual or couple is only $341.) The actual EITC benefit that an eligible family receives depends on family income. For families with very low earnings, the EITC increases as earnings rise. For example, in 1998, families with two or more

HOW DOES the EITC WORK?

Consider the hypothetical Jones family: Ms. Jones and her two children. Ms. Jones works 35 hours a week, 50 weeks a year, at the minimum wage of $5.15 an hour at a dry cleaners. Without the earned income tax credit, Ms. Jones's income is about $9000, considerably below the $12,931 poverty level for a family of three. With the credit, the family income rises to $12,756, which is very close to the poverty line. Ms. Jones may take her $3756 credit either in biweekly installments with her paychecks or as a lump sum payment when she files her tax return. What's more, because Ms. Jones lives in New York—one of the ten states with a state tax credit—she receives an additional 20 percent credit from the state, or another $1800, bringing her total income to $14,500.

SOURCE: Coe et al. *Does Work Pay? A Summary of the Work Incentives Under TANF*, Urban Institute, 1998. Available at http://newfederalism.urban.org/html/anf28.html. The research is summarized in the Summer 1999 issue of *ADVOCASEY.*

children received a credit equal to 40 cents for each dollar earned up to $9390, for a maximum benefit of $3756. Families continue to be eligible for the maximum credit until their income reaches $12,260. Above this, the credit phases down to zero at an income of $30,095. Some 19 million U.S. families and individuals receive the federal EITC each year, most of them in tax refunds. Some participants can elect to receive a portion of the credit throughout the year with each paycheck.

The ease of claiming EITCs makes it all the more critical for *Making Connections* site teams to determine whether low-income wage earners in their areas actually take advantage of the tax credit. Many nonprofit organizations have developed aggressive EITC outreach campaigns, some of which are highlighted in the *Resources* section at the end of this guide. EITC outreach can and should be carried out in conjunction with tax preparation and other financial planning services for the working poor. (However, site teams should be alert to the importance of free tax preparation and the hazards posed by paid tax preparers.) EITCs can serve as an asset development strategy, and they can be combined with larger portfolios that include IDAs and other savings vehicles. But note that, like IDAs, EITCs are most successful as asset-building strategies when they are linked to financial literacy programs that help families to manage their income and savings more efficiently.

Increased use of EITCs enhances economic development as more capital is circulated within neighborhoods. Site teams can readily identify existing EITC outreach efforts or establish them if they do not exist, and they should be alert to opportunities to combine EITC outreach with community-building objectives. Site teams also should be aware that, although the federal EITC is available everywhere, only ten states offer EITC supplements to the federal credit. *(See Figure One, page 21.)* Kansas, Maryland, Massachusetts, Minnesota, New York, Wisconsin, and Vermont offer refundable credits; Iowa, Oregon, and Rhode Island offer nonrefundable credits. This means the credit is available only to the extent that it offsets a family's income tax. Thus, it provides little or no benefit to families with below-poverty earnings, because those families are too poor to owe any income taxes. Proposals for EITC programs in states that do not have such credits could be strong candidates for the site teams' legislative objectives.

state EARNED INCOME tax CREDITS

FIGURE ONE

State	Percentage of Federal Credit	Refundable Credit
Kansas	10%	Yes
Maryland[1]	12.5% in 2000	Yes
	15% in 2001	Yes
	50%	No
Massachusetts	10%	Yes
Minnesota[2]	About 25%	Yes
New York	20%	Yes
Vermont	25%	Yes
Wisconsin	4%, one child	No
	14%, two children	
	43%, three children	
Iowa	6.5%	Yes
Oregon	5%	Yes
Rhode Island[3]	27%	Yes

NOTES:

[1]A Maryland taxpayer may claim either the refundable credit or the larger nonrefundable credit, but not both credits.

[2]Minnesota's credit for families with children, unlike the other credits shown here, is not expressly structured as a percentage of the federal credit. Depending on income level, the credit can range from 20 percent to 42 percent of the federal credit; the average state credit is about 25 percent of the federal credit.

[3]Rhode Island's credit is phasing down to 25 percent of the federal credit over five years as part of an overall reduction in the state income tax.

SOURCE: Johnson and Lazere. *Rising Number of States Offer Earned Income Tax Credits.* Center on Budget and Policy Priorities, 1998, p. 12.

F. UNEMPLOYMENT INSURANCE

Short-term and part-time jobs are a common and important entry point into the labor market for low-skilled workers. What's more, the typical path to full employment is often circuitous. Few people making the transition from welfare to work stay with their very first job, whether it's full time or not. As a result, even workers who move productively along the employment path can experience periods of underemployment and joblessness. State unemployment insurance (UI) laws have not changed to accommodate the proliferation of the kinds of jobs residents of *Making Connections* are likely to take. This restricts the UI eligibility of the working poor

MARYLAND: an emphasis on REFUNDABILITY

Maryland's refundable EITC, enacted in 1998, is unique in that it complements a previously existing nonrefundable EITC. For families whose incomes are slightly above the poverty line, the nonrefundable credit is an important source if they owe income taxes, but it offers little or no benefit to the poorest of the poor. In late 1996, advocates from the Maryland Catholic Conference and the Homeless Persons Representation Project began discussing how to correct this lack of refundability. The existing nonrefundable credit is set at 50 percent of the federal credit, higher than any other state EITC, and the cost to the state treasury of making it refundable was judged prohibitive. On the other hand, repealing the existing credit and replacing it with a smaller, refundable credit would result in a tax increase for many moderate-income taxpayers. The solution was to seek a smaller, refundable credit, equal to 15 percent or 20 percent of the federal EITC that taxpayers could choose as an alternative to the larger, nonrefundable credit.

Opposition in 1998 came from the state's comptroller, who expressed concern about complexity and the potential for fraud. But the fact that Maryland already had a nonrefundable credit helped to mute those concerns, and one key legislator pointed out during a hearing that the EITC was less susceptible to fraud than are other parts of the tax system.

The Maryland General Assembly passed the EITC bill toward the end of the 1998 legislative session, and the governor signed it. The final boost for the credit came in the form of a higher-than-expected revenue estimate, which allowed the state to enact several tax cuts. To moderate the fiscal cost of the credit, legislators chose to start it at 10 percent of the federal EITC for tax year 1998, raising it to 12.5 percent for 1999 and 2000, and to 15 percent for 2001 and thereafter. Legislators also agreed to language specifying that the credit should be increased more rapidly if state revenue growth remained strong.

SOURCE: Johnson and Lazere. *Rising Number of States Offer Earned Income Tax Credits*, Center on Budget and Policy Priorities, 1998, Appendix.

because part-time work or short-term stints at jobs do not permit them to accumulate enough working hours to meet UI requirements. The result is that many people who are denied UI benefits return to the welfare system or continue living in poverty as they move from one part-time or short-term, low-wage job to another. Unemployment benefits could be very helpful in buffering the worst financial dips along the path to full employment and could help families maintain long-term asset-building efforts despite brief periods of unemployment.

This potential suggests that site teams should be especially alert to opportunities for influencing state policies regarding unemployment benefits. In addition, site teams should be aware that several organizations are working to make UI policies more consistent with the realities of the low-wage labor market and more supportive of the diversity of pathways toward self-sufficiency.

At the very least, site teams should make sure that UI information—who is eligible, what it pays, how to apply for it—is available to low-income residents in *Making Connections* neighborhoods.

recent state unemployment INSURANCE EXPANSIONS

Several states have expanded or are in the process of expanding their unemployment insurance statutes:

+ Maryland, Massachusetts, Vermont, and Washington have considered legislation that would provide unemployment benefits to workers who take leave from their jobs to care for a newborn or newly-adopted child under the terms of the Family and Medical Leave Act of 1993.
+ California, Connecticut, Maine, New Hampshire, North Carolina, and New York have expanded unemployment laws to provide benefits to individuals who leave work because of domestic violence.
+ North Carolina enacted a law providing that an "undue family hardship"—including situations where an individual refuses a work shift change that would interfere with his or her ability to care for a minor child or to care for a disabled or aged parent—constitutes "good cause" for leaving work and makes one eligible for unemployment insurance.
+ Massachusetts, New Hampshire, Texas, and Washington introduced legislation to allow part-time workers to meet their states' work search requirements without necessarily having to be available for full-time work.
+ At least 13 states provide allowances that increase the UI benefit level for individuals with dependent children or elders. Connecticut, for example, increased its allowance from $10 to $15 per dependent and removed the cap on the total allowance permitted so that it may now add up to 100 percent of the individual's weekly benefit check.
+ With TANF funding, Washington State has created a pilot program serving former welfare recipients who collect UI. The program, Re-Employ Washington Workers, provides intensive reemployment services on a strictly voluntary basis to UI claimants who are parents and whose family income is less than 175 percent of the federal poverty level. Participants may receive sliding-scale child care subsidies during a job search, short-term job training, and other services designed to help them find new work and prevent them from returning to public assistance.

SOURCE: National Employment Law Project. *UI State Legislative Highlights, 1996-1999*, National Employment Law Project, 1999.

resources: people, organizations, and references

The people, organizations, and reference materials listed below can be useful resources for *Making Connections* site teams and community leaders as they think about asset development strategies. The resources are listed according to the categories of the *Promising Approaches and Resources* section of this guide.

General Information About Asset Development Strategies

PEOPLE AND ORGANIZATIONS

The **Center for Law and Social Policy** (CLASP) is an excellent source of information on issues related to family economic security, including welfare reform, education and training, and job creation. Together with the **Center on Budget and Policy Priorities,** it has an extensive database of state TANF policies. CLASP is developing strategies for states to redirect the savings derived from reduced welfare caseloads that support working poor and other low-income families.

Contacts:
Alan Houseman, Executive Director
Mark Greenberg, Senior Staff Attorney, Family Policy
Steven Savner, Senior Staff Attorney, Family Policy
Center for Law and Social Policy
1616 P Street, NW, Suite 150
Washington, DC 20036
202-328-5140
202-328-5195 (fax)
www.clasp.org

The **Welfare Information Network** is an online information and policy clearinghouse devoted to welfare reform and workforce development issues. It is well organized and provides good links to policy, advocacy, and practitioner groups, as well as technical assistance resources and promising state and local initiatives.

Contacts:
Barry Van Lare and Cheryl Hayes, Executive Directors
Welfare Information Network
Finance Project
1000 Vermont Avenue, NW, Suite 600
Washington, DC 20005
202-628-5790
202-628-4206 (fax)
www.welfareinfo.org

REFERENCES

Greenberg, Mark. *Welfare-to-Work Grants and Other TANF-Related Provisions in the Balanced Budget Act of 1997*. Washington, D.C.: Center for Law and Social Policy, 1997. Provides an overview of welfare-to-work grants under TANF and raises key issues related to vocational education, minimum wage, and other provisions.

Kennickel, A. B., M. Starr-McCluer, and A. E. Sander. "Family Finances in the US: Recent Evidence from the Survey of Consumer Finances," *Federal Reserve Board Bulletin*, January 1997.

Shapiro, Isaac, and Robert Greenstein. *Making Work Pay: The Unfinished Agenda*. Washington, D.C.: Center for Budget and Policy Priorities, 1993. Examines various strategies for ensuring family-supporting incomes in the low-wage labor market, including EITC, minimum-wage strategies, asset development, and supports for health and child care.

Individual Development Accounts

PEOPLE AND ORGANIZATIONS

The **Center for Social Development** (CSD) focuses on asset building for families and individuals. It pioneered much of the work on IDAs and USAs and is conducting a national IDA evaluation. Refer to "Key Questions in Asset Building Research" on its website as a primer.

Contact:
Michael Sherraden, Director
Center for Social Development
School of Social Work, Washington University
One Brookings Drive, Campus Box 1196
St. Louis, MO 63130
314-935-7433
314-935-8661 (fax)
www.gwbweb.wustl.edu/users/csd

The **Community Action Project of Tulsa County** is linking EITC benefits and IDA strategies.

Contact:
Steven Dow, Executive Director
Community Action Project of Tulsa County
717 S. Houston
Tulsa, OK 74127
918-382-3200
918-382-3213 (fax)

The **Corporation for Enterprise Development** (CFED) has led in the creation of IDA policy, practice, and demonstrations. CFED's website has additional information: www.cfed.idanetwork.org.

Contacts:
Ray Boshara, Policy Director
Colleen Dailey, Program Manager
Corporation for Enterprise Development
777 N. Capitol Street, NE, Suite 410
Washington, DC 20002
202-408-9788
202-408-9793 (fax)
www.cfed.org

The **East-West Gateway Coordinating Council** provides a forum for cooperative problem solving and the development of regional policy for the city of St. Louis, Missouri; Franklin, Jefferson, St. Charles, and St. Louis counties, Missouri; and Madison, Monroe, and St. Clair counties, Illinois. The council launched the St. Louis Regional Jobs Initiative, which has an IDA program.

Contact:
Gena Gunn, Program Coordinator
East-West Gateway Coordinating Council
10 Stadium Plaza
St. Louis, MO 63102
314-421-4220
314-231-6120 (fax)
www.ewgateway.org
gena.gunn@ewgateway.org

The **Women's Self-Employment Project** (WSEP) is a leader in microenterprise technical and financial assistance for women. Its IDA work includes a partnership with the Chicago Housing Authority.

Contact:
Connie Evans, President
Women's Self-Employment Project
20 N. Clark Street, Suite 400
Chicago, IL 60602
312-606-8255
312-606-9215 (fax)
bus-svc@wsep.com

REFERENCES

Boshara, Ray, et al. *Building Assets for Stronger Families, Better Neighborhoods and Realizing the American Dream*. Washington, D.C.: Corporation for Enterprise Development, 1998. Examines the effect of asset building on children, families, and neighborhoods.

Flacke, Tim, et al. *Individual Development Account Program Design Handbook*. Washington, D.C.: Corporation for Enterprise Development, 1999. A step-by-step guide to designing IDA programs. Also refer to the IDA Learning Network, at www.idanetwork.org.

Ganzglass, Evelyn, and Andrea Kane. *Building Assets and Economic Independence Through Individual Development Accounts.* Washington, D.C.: National Governors' Association, January 31, 1997.

Sherraden, Michael. *Assets and the Poor: A New American Welfare Policy*. Armonk, N.Y.: M.E. Sharpe, 1991. One of the framing documents for asset development approaches, including IDAs.

Sherraden, Michael, Deborah Page-Adams, and Lissa Johnson. *Start Up Evaluation Report: Downpayment on the American Dream Policy Demonstration.* St. Louis: Center for Social Development, Washington University, January 1999. Available at http://gwbweb.wustl.edu/users/csd/add/addreport.html.

State Policy Documentation Project. *Individual Development Accounts: Overview.* Washington, D.C.: Center on Budget and Policy Priorities, December 1999.

Microenterprise Development

PEOPLE AND ORGANIZATIONS

Since 1992, the **Aspen Institute** has administered the Self-Employment Learning Project, one of the earliest assessments of domestic microenterprise programs. It recently began an effort to develop performance measures for microenterprise.

Contact:
Peggy Clark, Director
Economic Opportunities Program
Aspen Institute
1333 New Hampshire Avenue, NW, Suite 1070
Washington, DC 20036
202-736-5800
202-467-0790 (fax)
www.aspeninst.org

The **Association for Enterprise Opportunity** (AEO), the trade association for domestic microenterprise programs, is a good source of general information.

Contact:
Mary McVay, Interim Executive Director
Association for Enterprise Opportunity
1601 N. Kent Street, Suite 1101
Arlington, VA 22209
703-841-7760
703-841-7748 (fax)
www.microenterpriseworks.org

The **Ithaca Hours** project is a good example of the Time Dollars concept at work. The website offers information about setting up programs. A starter kit is available separately for $25; the cost with companion video is $40.

Contact:
Paul Glover
Ithaca Health Fund
PO Box 362
Ithaca, NY 14851
607-387-8344
www.ithacahours.org

The **Time Dollar Institute,** established by Edgar Cahn in 1995, assists in the design and operation of programs that use Time Dollars, local, tax-exempt currency, as an alternative to conventional currencies for promoting the exchange of goods and services in cash-poor communities.

Contact:
Edgar Cahn, President
Time Dollar Institute
PO Box 42519
Washington, DC 20015
202-686-5200
202-537-5033 (fax)
www.timedollar.org

The **Women's Housing and Economic Development Corporation** (WHEDCO) is dedicated to the economic advancement of low-income women and their families through the integration of workforce development, microenterprise training, social ventures, housing, and family support services. WHEDCO's small business development approach links financial and support services for community-based entrepreneurs with basic skills training for welfare recipients in the food industries.

Contacts:
Nancy Biberman, President
Women's Housing and Economic
Development Corporation
70 W. 36th Street, Suite 702
New York, NY 10018
212-255-9325
212-255-8722 (fax)
www.whedco.org

Urban Horizons Economic Development Center
50 E. 168th Street
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718-839-1103
718-839-1170 (fax)

REFERENCES

Aspen Institute. *The Practice of Microenterprise in the U.S.: Strategies, Costs, and Effectiveness.* Washington, D.C.: Aspen Institute, 1996. Examines seven long-standing microenterprise programs in the areas of credit, training, and technical assistance.

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Levere, Andrea. *Economic Development Through Microenterprise.* Washington, D.C.: Corporation for Enterprise Development, 1996. A useful guide to designing and implementing microenterprise programs.

Williams, Marva. *Accessing Markets and Fortifying Entrepreneurship: Sectoral Approaches to Microenterprise Development.* Chicago: Woodstock Institute, 2000. Sectoral networks, a fairly recent innovation in microenterprise development in the United States, aid establishment of formal and informal alliances between companies that produce similar products or services. Microenterprises can benefit from shared staff and space, joint bidding on large projects, flexible manufacturing processes, and joint marketing and advertising.

Financial Literacy

PEOPLE AND ORGANIZATIONS

Judy Alamprese, of **Abt Associates,** is a nationally recognized specialist on adult and family literacy and related topics and can provide information about promising approaches.

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Abt Associates Inc.
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301-718-3168
301-652-3618 (fax)
judy-alamprese@abtassoc.com

The **Cooperative Extension Service** offers numerous financial planning resources. It is affiliated with the land grant university system, which includes 1890 institutions (historically Black colleges and universities), 1994 institutions (Native American and Tribal Colleges), and Hispanic serving institutions. The Cooperative Extension Service has offices in most U.S. countries and major cities.

Contact:
Cooperative State Research, Education,
and Extension Service
U.S. Department of Agriculture
CSREES/CTDE
1400 Independence Avenue, SW
Washington, DC 20250
202-720-6133
202-690-0289 (fax)
www.reeusda.gov

The **National Center for Family Literacy** is the leading source of information about family literacy practice and policy.

Contact:
Sharon Darling, President
National Center for Family Literacy
325 W. Main Street, Suite 200
Louisville, KY 40202
502-584-1133
502-584-0172 (fax)
www.famlit.org

The **National Endowment for Financial Education** (NEFE) is committed to educating citizens about personal finance. Its publicatons include easy-to-read guides and handbooks related to personal finance and management.

Contact:
William Anthes, President & CEO
National Endowment for Financial Education
5299 DTC Boulevard, Suite 1300
Englewood, CO 80111
303-741-6333
303-220-0838 (fax)
www.nefe.org

Woodstock Institute is a 27-year-old Chicago-based nonprofit that works nationally and locally to promote reinvestment and economic development in lower-income and minority communities. The institute's primary work includes analysis, design, and evaluation of reinvestment and economic development programs that benefit modest-income urban and rural communities and their residents.

Contact:
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Woodstock Institute
407 S. Dearborn, Suite 550
Chicago, IL 60605
312-427-8070
312-427-4007 (fax)
www.woodstockinst.org

REFERENCES

Flacke, Tim, Brian Grossman et al. *Individual Development Account Program Design Handbook.* Washington, D.C.: Corporation for Enterprise Development, 1999. The *Handbook's* section on "Financial Skills Building," discusses financial management and IDAs. Training methodologies and resources also are provided.

Jacob, Katy, Sharyl Hudson, and Malcolm Bush. *Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families.* Chicago: Woodstock Institute, January 2000. A new report from Woodstock Institute shows how low-income people are exploited by segments of the financial service sector and that many families lack the tools to avoid exploitative products and marketing. The report makes recommendations for providing more adequate training.

National Center for Family Literacy. *Outcomes and Measures in Family Literacy Program.* Louisville: National Center for Family Literacy, 1996. Provides information for planning and evaluating family literacy programs.

National Endowment for Financial Education. *Spending and Saving Smart: A Practical Guide for Developing a Comfortable Relationship With Your Cash.* Denver: National Endowment for Financial Education, 1998. A workbook designed to build personal financial management skills. Includes exercises for determining financial priorities, budgeting, and saving.

Financial Incentives

PEOPLE AND ORGANIZATIONS

Manpower Demonstration Research Corporation (MDRC) is engaged in a range of projects on welfare reform and the working poor, including an evaluation of financial incentives. Its evaluation work on financial incentive programs in Milwaukee, Minnesota, and Canada is particularly useful. Its ReWORKing Welfare project provides how-to guides and technical assistance to states and counties. It has a well-organized website.

Contact:
Fred Doolittle, Vice President
Manpower Demonstration Research Corporation
16 E. 34th Street, 19th Floor
New York, NY 10016
212-532-3200
212-684-0832 (fax)
www.mdrc.org

New Hope's efforts to make work pay focus on income supplements (e.g., transitional jobs, wage supplements, EITCs, health benefits), and coaching and referrals. Program goals include explicit anti-poverty strategies and labor market attachment and retention for unemployed and underemployed people.

Contact:
Julie Kerksick, Executive Director
New Hope Project
100 W. Mitchell Street
Milwaukee, WI 53204
414-267-6022
414-267-6023 (fax)
www.lafollette.wisc.edu/newhope/nh_info.htm

Wider Opportunities for Women (WOW) developed the Self-Sufficiency Standard as an alternative to the federal standard using income needs based on family type, geography, food, shelter, transportation, health care, etc. WOW recommends such standards be used as targets for job training programs.

Contact:
Kimberly Pate, Deputy Director of National Projects
Wider Opportunities for Women
815 15th Street, NW, Suite 916
Washington, DC 20005
202-638-3143
202-638-4885 (fax)
www.w-o-w.org

REFERENCES

Acs, Gregory, et al. *Does Work Pay? An Analysis of the Work Incentives Under TANF.* Washington, D.C.: The Urban Institute, Occasional Paper No. 13, July 1998. Examines the choices states have made to structure financial incentives to encourage work and the impact of various approaches on family self-sufficiency.

Bos, Hans, et al. *New Hope for People with Low Incomes: Two-Year Results of a Program to Reduce Poverty and Reform Welfare.* New York: Manpower Demonstration Research Corporation, 1999. Available at www.mdrc.org/Reports99/NewHope4-99/NH-ExecSum4-8-99.html.

Brown, Rebecca, et al. *Incentives and Supports for the Employment of Welfare Recipients.* Washington, D.C.: National Governors' Association, 1997. Examines state and local incentives to employers and welfare recipients to encourage firms to hire welfare recipients and promote labor market retention.

Laracy, Michael C. *Making Wages Work: Demonstrating the Role of Financial Incentives and Income Supplements as a Welfare-to-Work Strategy.* Baltimore, Md.: Annie E. Casey Foundation, 1998. Examines four demonstration projects using economic incentives as a strategy to supplement the low-income levels of people moving off welfare and to encourage people to opt for work over public assistance. Provides contact information.

Rust, Bill. "New Hope for Low-Income Workers: Improving Economic and Child Outcomes in Milwaukee," *ADVOCASEY*, Vol. 1, No. 2, Summer 1999. Available from www.aecf.org/publications/advocasey/summer99/index.htm.

Wider Opportunities for Women. *Six Strategies for Self-Sufficiency: Great Ideas for Using State Policy to Get Families Out of Poverty.* Washington, D.C.: Wider Opportunities for Women, 1996. Includes sections on the self-sufficiency standard (mentioned above), as well as high-wage employment and non-traditional employment for women.

Federal and State Earned Income Tax Credits

PEOPLE AND ORGANIZATIONS

The Tax Counseling Project of the **Center for Law and Human Services** provides free, confidential tax preparation and counseling to over 8000 families in 21 locations in the state of Illinois. The Tax Outreach Project provides specialized tax and planning information to low-income working families and individuals, including identified groups, such as welfare-to-work recipients and home-based child care providers.

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Tax Counseling Project
Center for Law and Human Services
20 E. Jackson Street, Suite 400
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312-341-1666
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dmarzahl@centerforlaw.org

The Earned Income Tax Credit Campaign of the **Center on Budget and Policy Priorities** (CBPP) enlists the cooperation of state and local governments, community organizations, employers, schools, and others to promote the use of the EITC among low-income families. Its manual, *A Hand Up*, provides information on how states can establish and finance EITC programs. CBPP is also one of the leading institutions examining the impacts of welfare reform and issues affecting low-income people and policy changes needed in unemployment insurance programs.

Contacts:
Donna Cohen Ross, Director of Outreach
John Wancheck, EIC Campaign Coordinator
Nicholas Johnson, Policy Analyst
Center on Budget and Policy Priorities
820 First Street, NE, Suite 510
Washington, DC 20002
202-408-1080
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www.cbpp.org

REFERENCES

Coe, Norma B., Gregory Acs, Robert I. Lerman, and Keith Watson. *Does Work Pay? A Summary of the Work Incentives Under TANF. Washington*, D.C.: Urban Institute, 1998. Available at http://newfederalism.urban.org/html/anf28.html. A summary of the research is presented in the Summer 1999 issue of *ADVOCASEY*, available from www.aecf.org/publications/summer99/index.htm.

Johnson, Nicholas, and Ed Lazere. *Rising Number of States Offer Earned Income Tax Credits.* Washington, D.C.: Center on Budget and Policy Priorities, 1998. Available at www.cbpp.org/9-14-98sfp.htm.

Meyer, Bruce D., and Dan T. Rosenbaum. *Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers*. Evanston, Ill.: Northwestern University, Institute for Policy Research, 1998. Ordering information available at www.nwu.edu/IPR/publications/index.html.

Smeeding, Timothy M. et. al. *The Economic Impact of the Earned Income Tax Credit (EITC)*. Syracuse, N.Y.: Syracuse University, n.d. This study examined a sample of tax filers who took advantage of the EITC and assessed their expenditures and savings patterns to determine the benefits of the EITC to families.

Spalter, Karen. *Promotion of the Earned Income Tax Credit*. Washington, D.C.: Welfare Information Network, 3, No. 2, April 1999. This paper offers lists of publications, model programs, and contact information related to EITC outreach and policy, at www.welfareinfo.org/PromotionEITC.htm.

Unemployment Insurance

PEOPLE AND ORGANIZATIONS

The **Institute for Women's Policy Research** (IWPR) is a public policy research organization dedicated to informing and stimulating the debate on public policy issues of critical importance to women and their families. IWPR focuses on issues of poverty and welfare, employment and earnings, work and family issues, the economic and social aspects of health care and domestic violence, and women's civic and political participation.

Contact:
Heidi Hartmann, Director and President
Institute for Women's Policy Research
1707 L Street, NW, #750
Washington, DC 20036
202-785-5100
202-833-4362 (fax)
www.iwpr.org

National Employment Law Project (NELP) is the major policy and law organization addressing issues in the area of unemployment insurance. NELP also specializes in welfare and workforce development programs, family leave, contingent and immigrant work, and the broad range of other employment laws and policies affecting the working poor.

Contact:

Maurice Emsellem, Public Policy Director
National Employment Law Project
55 John Street
New York, NY 10038
212-285-3044, ext. 106
212-285-3044 (fax)
www.nelp.org

The **National Governors' Association** (NGA) is examining opportunities to aid the working poor to promote employment retention, rapid reemployment, and career advancement. The Center for Best Practices also works on related issues such as workforce development, economic development, education, early care and education, health, and youth development.

Contact:

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National Governors' Association
444 N. Capitol Street
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202-624-5394
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REFERENCES

Institute for Women's Policy Research. *Unemployment Insurance Benefits Recipiency Rates with Special Attention to the Barriers Faced by Women and Part-Time Workers.* Washington, D.C.: Institute for Women's Policy Research, 1995. Documents that women and part-time workers seeking unemployment insurance are more likely to be denied benefits on the basis of the length of employment and earnings levels.

National Employment Law Project. *Unemployment Insurance: State Legislative Highlights* (1996-1999). New York: National Employment Law Project, 1999. Available from www.nelp.org/pub6.htm.

Vroman, Wayne. "Effects of Welfare Reform on Unemployment Insurance." New Federalism Issues and Options for States, Series A, No. A-22, May 1998. This paper examines issues related to unemployment insurance and the eligibility challenges faced by former welfare recipients transitioning into the labor market.

resource GUIDES

As part of the *Making Connections* Technical Assistance/ Resource Center, the following Resource Guides are scheduled to be produced before the end of 2001:

Economic Opportunities for Families

+ Connecting Families to Jobs
+ Building Family Assets

Enhancing Social Networks

+ Family Support
+ Residents Engaged in Strengthening Families and Neighborhoods

Building High-Quality Services and Supports

+ Building More Effective Community Schools
+ Community Safety and Justice
+ Child Care for Communities
+ Meeting the Housing Needs of Families
+ Community Partnerships to Support Families
+ Improving Health Care for Children and Families
+ Developing Community Responses to Domestic Violence

Techniques for Advancing a Family Strengthening Agenda in Neighborhoods

+ Using Strategic Communication to Support Families and Neighborhoods
+ Connecting Families to Computers and On-Line Networks
+ Outcomes-Based Accountability

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