

## **An Act to Promote Financial Stability and Asset Development (S 1839/H 1858)**

### **FACT SHEET**

The Pathways to Financial Stability and Asset Development Act is based on recommendations issued by the Massachusetts Asset Development Commission in its report, *Asset Development: Removing Barriers, Building Futures* (June 2009), and is intended to remove state-imposed barriers to asset development for low-income Massachusetts residents who receive support through the Department of Transitional Assistance (DTA). The bill would provide low-income working and unemployed adults expanded access to the education and training necessary to obtain living wage jobs and build financial stability. The proposed policy changes represent a modest investment by the Commonwealth with the high return of maintaining and growing a globally competitive skilled workforce and equipping people with the skills to become financially secure and less likely to require future government assistance.

### **THE LEGISLATION**

- Requires the Department of Transitional Assistance (DTA) to provide counseling to help Transitional Assistance for Families with Dependent Children (TAFDC) recipients access education and training at little or no cost and encourage clients to obtain the vocational educational training needed to obtain living wage jobs that will enable them to support their families without the need for cash assistance.
- Doubles the amount of time that education and training can be used to fulfill the work requirement for TAFDC recipients.
- Removes asset limits for the TAFDC and EAEDC (Emergency Aid to Elders, Disabled and Children) programs to allow recipients to increase their asset base and to simplify administration.
- Increases the TAFDC work expense deduction, which is intended to cover work-related costs such as transportation, clothing, and payroll deductions, to \$250 from \$90, its level since 1988.
- As with federal student financial aid, does not count state educational grants and state or private work study assistance as income when calculating TAFDC and EAEDC benefit amounts.
- Allows TAFDC and EAEDC recipients to save up to \$10,000 received from personal injury settlements or other third-party sources in an Individual Asset Account to be used for debt reduction, job training, transportation, housing and other expenditures consistent with asset development.

### **THE FACTS**

- **1.4 million adults in Massachusetts lack the post-secondary education and/or training necessary to secure a job that pays enough to support a family.**<sup>1</sup>
- **The percent of TAFDC recipients in Massachusetts participating in basic education and post-secondary education has declined from 18 to 15 percent from 2002 through 2006.**<sup>2</sup> The Act to Promote Pathways to Financial Security and Asset Development requires that TAFDC recipients be notified of their rights to seek education and training and extends the time period for which education and training can count towards work requirements. This will allow for more families to access the education and training they need to become economically independent.
- **Earners in lowest 20% income level need to use 63% of their income to pay for community college costs in Massachusetts,** according to The National Center for Public Policy and Higher Education, which gave Massachusetts an “F” in affordability of higher education and training.<sup>3</sup>
- Nationally, only 13 percent of non-traditional students (ages 25 or older) earned an associate’s degree or higher in six years compared to 30 percent of 18-24 year-olds.<sup>4</sup> In order to increase graduation rates, low-income working adults need additional supports, such as academic and personal support services, case management, and occupational and career counseling.

## THE SOLUTION

Support the Act to Promote Pathways to Financial Security & Asset Development, which establishes DTA guidelines that promote educational advancement for TAFDC and EAEDC recipients, removes asset limits and increases work expense deductions for TAFDC and EAEDC recipients. This bill will contribute to the long-term health of the Massachusetts economy by filling in-demand jobs, reducing tax dollars spent on public supports, adding new taxpayers, and growing the state's skilled workforce. This bill would also help our lowest income residents develop assets and attain financial stability and gainful employment.

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### Sources:

<sup>1</sup> American Community Survey, 2005. Population Reference Bureau analysis.

<sup>2</sup> Erika Kates, *Low-Income Women's Access to Higher Education? A Case Study of Welfare Recipients in Boston* (Boston, Mass.: Center for Women in Politics & Public Policy, John W. McCormack Graduate School of Policy Studies, University of Massachusetts Boston, 2007)

<sup>3</sup> The National Center for Public Policy and Higher Education. *Measuring Up, 2008*. Available at <http://measuringup2008.highereducation.org>

<sup>4</sup> Mary M. Lassen, *Massachusetts Community Colleges, The Potential for Improving College Attainment* (Boston, Mass.: The Boston Foundation, 2007).