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# **Developing a State-Level Asset Policy Campaign: California Experience**

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# New America Foundation

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- A national nonprofit, nonpartisan policy institute, based in Sacramento and in Washington DC.
- The Asset Building Program develops and advances a range of policy proposals that aim to broaden the middle class and to help people permanently exit poverty.
- Recognize that it is at the state level, in our nation's "laboratory of democracy" where the most innovative policies are often enacted.



# Discussion Topics

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- California Overview
- CA Asset Building Legislation
- Case for asset limit reform & UVRA
- Challenges & Opportunities
- Lessons Learned



# Why California?

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- In California, 25 percent of households do not have enough savings to survive at the poverty level for 3 months if their income were interrupted. Higher than the national average of 22 percent.
- California (ranked 39th) has the 11th worst “asset poverty” rate in the nation and more than twice the state’s official poverty rate of 11 percent.
- In fact, 15 percent of California households have zero or negative net worth. Higher than the national average of 14 percent.





# Why California?

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- Six million California employees, 43% of the state's workforce, work at a job that does not offer a pension or retirement savings plan to supplement Social Security.
- 25 percent of Californians are unbanked, meaning they do not have a basic savings or checking account.
- The Center for Enterprise Development (CFED), in its 2009 *Assets and Opportunities Scorecard*, gave California an unimpressive grade of "C."





# CA Asset Building Policy Signed into Law

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- **AB 1078 Asset Limit Reform (2007)**
  - Expanded savings exclusions to CalWORK applicants
- **AB 848 EITC Work Notification (2007)**
  - Required employers to inform employees of EITC
- **AB 2439 Savings Exclusions (2006)**
  - Allowed financial education to count as an allowable CalWORKs work activity and permitted recipients to save in restricted savings accounts without jeopardizing benefits
- **AB 2466 (Klehs) Split-Refund (2006)**
  - Amended the state income tax form to make it easier for tax filers to split their refund in a checking or savings account



# Why Asset Limit Reform?

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- State has authority to reform asset rules
- Asset limits send the wrong message, discourage saving
- Reforming asset limits encourages saving, promotes self-sufficiency, reduces dependence on welfare
- Abolishing asset limits reduces administrative burden
- Illinois, Virginia, & Ohio have eliminated the TANF asset test.



# Why Asset Limit Reform in CA?

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- Families on TANF find their progress restricted by an asset limit.
- In California, CalWORKs families are confined to not more than \$2,000 in savings (excluding restricted savings) and one car (worth no more than \$4,650).
- California is tied with Texas and Idaho in having the most restrictive asset test for vehicles of any state in the country. Twelve states exclude all vehicles owned by the household;
- Another 15 exclude at least one vehicle per household. California continues to employ an overly restrictive vehicle asset test—one that undermines a worker's ability to gain and maintain employment, thereby encouraging continued reliance on public assistance.



# Assembly Bill 1058 (Beall)

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- Encourages savings by reforming the asset test in CalWORKs
- Eliminates the \$2,000 asset test for CalWORKs recipients to encourage them to save their way out of poverty.
- Raises the limit for CalWORKs applicants to prevent new families from spending down their personal savings for temporary assistance
- Eliminates the \$4,650 vehicle asset test
- Increase efficiency by reducing paperwork and staff hours spent tracking down assets



# Why Promote Retirement Savings?

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- Six million Californians, roughly 43 percent of the state's workforce, go to work at a job that does not offer them a pension or a retirement savings plan to supplement Social Security.
- Nationally, more than 75 million Americans and 10 million California workers do not participate in an employer-sponsored retirement plan.
- As a result, approximately 40 percent of today's baby boomers rely on Social Security benefits for more than 90 percent of their retirement income.
- Social Security payments alone, which average to \$1,081 per month in California, will not be enough to sustain Californians in their retirement.



# What's a UVRA?

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- A voluntary, portable retirement savings account for private sector workers not covered by a retirement savings plan on the job.
- Promotes expanded retirement security for all workers
- Makes it easier for workers to save while providing smaller employers a basic retirement plan to offer their employees.
- Financed entirely through accountholder fees
- Many states, including Illinois, Maryland, Michigan, New Hampshire, Pennsylvania, Vermont, and Washington have proposed or are considering legislation to create various forms of voluntary retirement accounts



# Assembly Bill 125 (De Leon)

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- Creates the CA Employees Savings Program (CalESP)
- Authorizes CalPERS to administer the Program
- Provides retirement savings accounts to CA workers without access to a workplace retirement plan
- The accounts, structured as IRAs, would be owned by the worker and are portable
- Authorizes CalPERS to offer SIMPLE IRAs, that allow employers to match employees' contributions.
- Accounts are voluntary for both employees and businesses, employers'
- Program financed through accountholder fees.

# Challenges

**With challenges come opportunities:**

- State Budget Deficit
- General Awareness
- General Opposition
- Policy Design





# Opportunities

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## **On the road to building savings:**

- Launched a Bipartisan Effort
- Built Broad Base of Support
- Generated Media Coverage
- Raised the Profile of the Issue
- Positioned Proposals for Success in 2010





# Key Lessons Learned

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- Do your homework.
- Prepare cost-benefit analysis
- Know what's up in other states & share
- Provide political cover by generating broad based support from other advocates
- Publish articles & do presentations
- Show how the proposed asset policy is consistent with other state policy goals.

# What's Next?

## Next Steps:

- Reintroduce AB legislation
- Keep making a case for AB policies
- Continue negotiations with the administration and legislature
- Continue to work with our statewide partners to grow existing coalition
- Reach out to media outlets
- Continue to raise awareness through statewide regional policy briefings





# Resources

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New America Foundation

The Brookings Institution

The Retirement Security Project

Sargent Shriver National Center on Poverty Law

Center on Budget and Policy Priorities

Urban Institute

CFED



# Thank you!

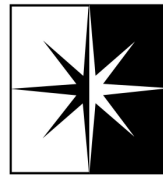
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