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Report on Economic Independence Accounts

December 2020

DEPARTMENT OF TRANSITIONAL ASSISTANCE
REPORT ON ECONOMIC INDEPENDENCE ACCOUNTS

DECEMBER 2020

OVERVIEW

The Department of Transitional Assistance (DTA) is required to report to the Legislature annually on the development of Economic Independence Accounts. This savings program is intended to allow families receiving Transitional Aid to Families with Dependent Children (TAFDC) to accumulate assets without risking the loss of eligibility for assistance. G.L. c. 18, § 2(B)(q) and c. 118, §16.

DEPARTMENT OF TRANSITIONAL ASSISTANCE MISSION

DTA's mission is to assist and empower low-income individuals and families to meet their basic needs, improve their quality of life, and achieve long-term economic self-sufficiency. DTA offers a comprehensive system of programs and supports to help individuals and families achieve greater economic self-sufficiency, including food and nutritional assistance, economic assistance, and employment supports.

DTA serves one out of every eight people in the Commonwealth including working families, children, elders, and people with disabilities.

LEGISLATIVE REQUIREMENTS

In 2014, *An Act to Foster Economic Independence* was signed into law, Chapter 158 of the Acts of 2014, incorporating significant reforms to the state's TAFDC program. These reforms bolstered DTA's efforts to support the economic mobility of families while also strengthening agency program integrity capabilities.

The law requires DTA to develop a savings program (i.e., Economic Independence Accounts (EIAs)) for TAFDC clients. The accounts were to be modeled after similar asset-building accounts such as Individual Development Accounts (IDAs) and Individual Asset Accounts (IAAs). The EIAs would allow TAFDC recipients to accumulate assets beyond the program's asset limit of $5,000.

ECONOMIC INDEPENDENCE ACCOUNTS IN MASSACHUSETTS

DTA has carefully considered its options in attempting to develop an EIA program. In addition to reviewing models of asset-development accounts and analyzing research about their efficacy, the Department has reached out to non-profits and government entities with experience with these types of savings programs for guidance.

DTA has prior experience with administering this type of savings program. In the mid 2000s, a pilot was established with the United Way and discontinued due to a low client participation rate along with the significant administrative burdens.

Currently, there are at least six providers of IDAs in Massachusetts, which are available to all low-income families, including those receiving economic assistance through DTA.

Under current regulations, the Department treats these and any other approved asset accumulation accounts (e.g. Section 529 Plan accounts) as noncountable assets for TAFDC program eligibility purposes.

CONCLUSION AND RECOMMENDATION

DTA recognizes not only the critical importance of asset retention for clients to achieve economic mobility, but also the need for improving career pathways and job opportunities for clients. Over the past three years, DTA has made significant changes to business practices to better partner with families as they set and achieve personally meaningful goals on their path to employment and economic security.

The FY2019 and FY2020 state budgets included reforms to the TAFDC program designed to encourage asset building and promote work:

- Increasing the TAFDC asset limit from $2,500 to $5,000;
- Eliminating the value of the first vehicle in determining eligibility;
- Creating a 100% earned income disregard period of six months for working TAFDC participants; and
- Eliminating a 2.75% disparity in grant amounts for work program exempt and work program required clients.

As a result, the Department has seen more families working, families working more hours for higher wages, and an increase in the average amount of assets per family.

DTA is engaged in numerous initiatives to allow clients greater access to education and training opportunities that can lead to a career pathway and a self-sustaining wage. DTA is a key partner in both the state's implementation of the federal Workforce Innovation and Opportunity Act (WIOA) and the Governor's Learn to Earn Initiative to address "cliff effects" for public benefit recipients. DTA is also partnering with the Massachusetts Rehabilitation Commission (MRC) to engage clients with disabilities in meaningful employment related opportunities. In FY2020, DTA modernized our Employment Services Program contracts to link services and payment structures to meaningful employment related outcomes. Finally, the Department continues to make a cultural shift to transform client interactions, both in person and virtual, to focus on family stability, child well-being, employment goal setting, and planning for transitioning off benefits.

Rather than pursue the establishment of administratively burdensome Economic Independence Accounts, the Department continues to treat outside approved savings programs (such as IDAs and IAAs) as non-countable assets for TAFDC eligibility purposes and continuing its revision of TAFDC policies to better incentivize employment and economic mobility. DTA believes that the creation of EIAs would duplicate already existing vehicles for savings and would not meaningfully advance the policy goal of facilitating DTA clients transition to self-sufficiency.

DTA continues to support policy reforms and employment partnerships will help the Commonwealth better accomplish the goals intended by the establishment of EIA accounts. The Department is committed to enhancing opportunities for all DTA clients to participate in meaningful employment activities, build their assets, and find a path out of poverty for their families.