Charles D. Baker
Governor

Karyn Polito
Lieutenant Governor

Marylou Sudders
Secretary

Jeff McCue
Commissioner

Report on Economic Independence Accounts

December 2018

Massachusetts Department of Transitional Assistance

DEPARTMENT OF TRANSITIONAL ASSISTANCE
REPORT ON ECONOMIC INDEPENDENCE ACCOUNTS

DECEMBER 2018

OVERVIEW

Section 2 of Chapter 18 of the Massachusetts General Laws requires the Department of Transitional Assistance (DTA) to annually report on the status of Economic Independence Accounts, established pursuant to section 16 of Chapter 118.

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.

ECONOMIC INDEPENDENCE ACCOUNTS

Passed in 2014, *An Act to Foster Economic Independence*, which was signed into law as Chapter 158 of the Acts of 2014, incorporated significant reforms to the state's Transitional Aid to Families with Dependent Children (TAFDC) program. These reforms focused on bolstering the department's efforts to support clients on their path towards self-sufficiency and strengthen its program integrity capabilities.

The law required DTA to establish Economic Independence Accounts (EIAs) for TAFDC clients. The accounts, as described in statute, are modeled after similar asset-building accounts, namely Individual Development Accounts (IDAs) and Individual Asset Accounts (IAAs). These types of accounts allow TAFDC recipients to accumulate assets beyond the TAFDC asset limit. Allowing TAFDC clients to accumulate assets beyond the now $5000 asset limit will help clients transition off state assistance and make them less likely to need to return to benefits.

Currently, there are at least six providers of IDAs in Massachusetts, which are available to all low-income families, not just those receiving economic assistance through DTA. Per state regulation, the Department will continue to treat any approved asset accumulation accounts, such as IDAs, that a client may be participating in as noncountable assets.

Rather than pursue the establishment of administratively burdensome Economic Independence Accounts, the Department recommends continuing to review and revise existing policies to better incentivize employment and economic mobility, enhance opportunities for all DTA clients to participate in meaningful employment activities, and provide key employment supports, such as child care and transportation, to enable consistent and focused participation in training and education opportunities that can support clients on their path out of poverty.

Research and Analysis

The agency's 2017 *Report on Economic Independence Accounts* provided a review of the research and analysis conducted as DTA considered options to implement this provision. The report looked at the functionality of the proposed accounts and comparable models of asset-development accounts, existing research about the efficacy of these accounts, and the experiences of other states attempting to achieve the same goal.

The report also discussed DTA's prior experience with IAAs, which the department worked to establish in 2016. These accounts were discontinued due to a low participation rate and the significant administrative burden associated with managing them.

Ultimately, based on the department's analysis and prior experience with similar accounts, the report concluded that the establishment of asset-development accounts for TAFDC clients was complicated and administering the accounts was not an optimal approach to achieving the intended goal.

However, DTA recognizes the importance of income and asset retention for clients to assist with the transition off assistance and to prevent a return to public assistance. In the final fiscal year 2019 (FY19) budget, three significant reforms to the TAFDC program were included that now allow recipients to maintain income and build assets: 1) an increase to the asset limit; 2) a six month 100% earnings disregard; and 3) the elimination of a grant disparity that impacted work program required clients.

FY19 TAFDC REFORMS

Governor Baker signed the FY19 general appropriations bill into law in July 2018. With the support of the legislature, the final version of the budget included three work incentive reforms to the TAFDC program. The package of reforms included increasing the TAFDC asset limit from $2,500 to $5,000, creating a 100% earned income disregard period of six months for working TAFDC recipients, and eliminated a 2.75% disparity in grant amounts for work program exempt and work program required clients.

DTA believes that these reforms are a critical and positive step towards accomplishing the goals of EIA accounts. These reforms incentivize work and leave clients with greater economic stability when they leave TAFDC by allowing clients to maintain benefits while taking on more hours, accepting a raise or promotion, and being allowed to accumulate more assets.

As of November 2018, DTA has fully implemented these reforms. Economic assistance caseworkers across the Commonwealth are working directly with TAFDC clients who are employed or moving towards employment to make sure they are informed about these changes and that they are considering how best to utilize the new opportunity as a springboard to economic stability. These approaches empower TAFDC clients by allowing them to retain their earnings and build assets to help them set and achieve personally meaningful goals on their path to economic stability.

Lessons from Other States

As of 2016, eight states across the country have eliminated asset limits for TANF clients and three additional states have an asset limit of $10,000. These states have taken these steps to remove the administrative burden of measuring and verifying assets while allowing TANF recipients to become economically mobile. Coupled with financial coaching, these approaches put the decision making in the hands of TANF recipients, providing them with both the resources and the skills to plan for life after public benefits. Similarly, many states have eliminated the value of vehicles, or at least the first vehicle, from their asset test for TANF recipients. Well established policy research, as well as the experience in other states, has shown that removing the asset test on vehicles increases the likelihood that families will own a more reliable vehicle, which is critical to maintaining employment and meeting the health, nutritional, and educational needs of their children.

Other Massachusetts Efforts to Disrupt Poverty by Building Income & Assets

In addition to the TAFDC reforms, 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 partnering with the Massachusetts Rehabilitation Commission (MRC) to engage clients with disabilities in meaningful employment related opportunities. DTA is also working to modernize our Employment Services Program contracts to link services and payment structures to meaningful employment related outcomes. Finally, the Department has undertaken a significant culture change effort to transform client interactions at the front door to focus on family stability, child-wellbeing, employment goal setting, and planning for transitioning off benefits.