

## **Report to the Governor and Legislature**

# **Strategies to Increase Access to Bank Accounts, Financial Education and Money Management Skills for Public Assistance Recipients**

*ESSB 5921, section 13 (1)*

**December 2011**

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# Strategies to Increase Access to Bank Accounts, Financial Education and Money Management Skills for Public Assistance Recipients

REPORT TO THE GOVERNOR AND LEGISLATURE

## EXECUTIVE SUMMARY

Engrossed Substitute Senate Bill (ESSB) 5921 was signed into law by Governor Gregoire on June 14, 2011. The bill requires the Department of Social and Health Services (DSHS), in consultation with its electronic benefits transaction (EBT) card contractor and interested persons and organizations, to develop strategies to increase opportunities for public assistance recipients to maintain bank accounts, increase financial education and management skills that will help minimize recipients costs associated with banking fees and automated teller machine (ATM) transaction fees.

The Department hosted a meeting on November 1, 2011 with representatives from JP Morgan Chase, Community Based Organizations (CBOs), financial institutions and other local partners to evaluate existing resources and develop strategies for addressing financial literacy. This group will continue to collaborate with the goal of increasing access to financial education and management resources for low income households and recipients of public assistance. An initial list of strategies to achieve this goal includes:

- Enhance financial literacy screening and assessment tools.
- Develop and deliver training for all Community Service Division staff on the importance of financial education and marketing of resources available in local areas.
- Utilize the Department of Financial Institutions Financial Education Calendar located at <http://dfi.wa.gov/financial-education/calendar.htm> as well as the Financial Education Clearinghouse located at <http://dfi.wa.gov/financial-education> for DSHS staff and partner agencies to access real time resources for families and individuals.
- Partner with non-profit Community-based organizations to refer public assistance recipients to financial education training they currently provide.
- Improve Department and Local Planning Area partnerships with the Washington Asset Building Coalition and local area Asset Building Coalitions (ABC's).
- Collaborate with for-profit financial institutions that offer incentives to opening bank accounts, offer low-cost checking and/or savings accounts, restrict over-expenditures and waivers to monthly banking fees and ATM surcharges or transaction fees.
- Collaborate with CBOs and financial institutions to sponsor payments for non-profit organizations to provide financial education courses across Washington State.
- Develop an outreach education plan for profit and non-profit financial institutions to develop an educational campaign on poverty-based decision-making.

## BACKGROUND

Governor Gregoire and the Legislature, through SB 6272 (Chapter 3, Laws of 2008) directed the Washington Financial Literacy Work Group to address the status of financial education in Washington. The legislation required the Director of Financial Institutions to form an interagency workgroup to identify current state funded efforts to support financial literacy, assess whether there are opportunities to create a centralized location of information regarding these existing state efforts, and to identify whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services. The legislation also required a report of the findings to the Governor and Legislature by December 1, 2008. The group completed these tasks and provided additional data and analysis to address the overall financial education needs of Washingtonians. Details of the Work Group (recordings of meetings, interim reports, subcommittee reports, etc.) can be found at the Web site: <http://dfi.wa.gov/work-group/>.

The Financial Literacy Work Group recommended that *“the Legislature shall require that all Washington State agencies provide financial education to the people they employ and serve. Agencies will be directed to integrate financial education and coaching into existing state services for targeted populations”*. The report further describes this recommendation by stating:

- “The people they serve” is defined as everyone— consumers, businesses, etc.
- Each State Agency will provide access to financial education and determine internally what to offer, when, how to fund it and how to increase outreach annually.
- Requiring financial education outreach from all state agencies as part of their normal course of business will result in reaching more Washington residents in a more cost-effective and timely manner. Examples include:
  - Requiring that financial education be integrated into existing programs such as WorkFirst that already provide skills training to their clients.
  - Staff and recipients should be educated on how much personal savings recipients can accumulate without losing TANF assistance.
- State agencies will encourage non-profits — both current and future contracts--to provide financial education where appropriate.

The Work Group did not define specific curriculum to be used, but stated that they would like agencies to use existing curriculum – many of which are offered free of charge. To ensure financial education, immediate initial offerings could be as simple as including referrals/links to the state’s central financial education clearinghouse for additional information until a formal plan for financial education outreach is established within the agency.

Washington State began WorkFirst, the work program component of the Temporary Assistance for Needy Families (TANF) program, in August 1997. Now in its 13<sup>th</sup> year of operation, the program provides cash grants, medical assistance, welfare-to-work services, and work supports (including subsidized childcare through the Working Connections Child Care program) to eligible low-income families. The goal of WorkFirst is to help low-income families build a pathway that can lead them out of poverty and toward economic security. All WorkFirst participants receive a Comprehensive Evaluation (CE) to learn more about an individual's strengths, readiness and ability to succeed in the work place. There are a series of evaluations designed to help parents achieve better and quicker engagement in employment-related activities that lead to self-sufficiency.

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In response to the recommendations of the Financial Literacy Work Group and recognizing that financial literacy is an essential element in achieving financial stability, self-sufficiency, and long-term financial well-being, the Comprehensive Evaluation for WorkFirst participants was updated in 2008 to include financial literacy questions and referrals to services available within the community (WAC 388-310-0700). Additionally, while not countable toward federal participation and not required as a WorkFirst activity, participants may volunteer to participate in activities such as money management training or any other type of credit counseling service.

The Department will build on the changes implemented as a result of SB 6272 as it implements the requirements of ESSB 5921. After ESSB 5921 was signed into law by Governor Gregoire in June 2011, the Department began work to meet the requirements within the legislation to consult with its EBT card contractor, interested persons and organizations to develop strategies to increase opportunities for public assistance recipients to maintain bank accounts, increase financial education and management skills that will help minimize recipients costs associated with banking fees and automated teller machine (ATM) transaction fees.

### **IMPLEMENTATION OF ESSB 5921**

The Department conducted research on providing and funding financial literacy for low income adults and youth. A strategy brief written by the Finance Project in 2005 identified that positive impacts of financial education training for low-income adults relies on three (3) key guiding principles:

- **Choosing programs that incorporate relevant information and practical examples applicable to the participant**

Programs geared to low-income adults may include information on banking basic and managing money, setting individual goals, creating spending plans, borrowing money, debt management, and understanding credit reports.

- **Choosing appropriate program training providers**

Community-based organizations, employers, and financial institutions are among the types of organizations that have designed and delivered financial education and management courses. Each brings different strengths to serving specific populations.

- **Choosing a model that encourages participants to complete the program**

Participants are more likely to remain engaged and complete training if the program addresses the specific needs of the participants.

With these principles in mind, The Department hosted a meeting on November 1, 2011 with representatives from JP Morgan Chase, Community Based Organizations (CBOs), financial institutions and other local partners to evaluate existing resources and develop strategies for addressing financial literacy. The group explored existing partnerships and resources such as:

- Financial Education classes offered that provide easy access and locations, childcare during the classes, free transportation, and commitment from the participant.
- Incentives for building assets through a low-cost checking and/or savings accounts offered through financial institutions that restrict over-expenditures and imposing of banking fees should be made available.

The group identified many resources available in local communities to offer training consistent with the three guiding principles described above. Various financial education classes are provided through Community-based organizations, financial institutions, and Employment Security job search workshops. However, many DSHS clients are single adults with young children. They may experience difficulty in accessing these classes due to transportation or childcare barriers.

To encourage participation, services must be targeted to the individual goals of each participant. The Department must make a deliberate effort to educate clients and providers that participation in financial education, basics of banking and financial management are allowable activities for those participating in the WorkFirst program. After training, one-on-one follow up with a qualified financial advisor should be available to help participants manage challenges to meeting their financial and self-sufficiency goals.

In an effort to expand education opportunities that create positive long-term impacts, the group identified that financial literacy education must also reach out to and capture the attention of youth between the ages of 16-24 years old residing in low-income households. Youth have different learning styles and training should be interactive and hands-on. Connecting youth to appropriate and engaging financial management training will help them to start building assets and meet their future career goals.

Eight strategies to achieve the goals in ESSB 5921 for public assistance recipients to maintain bank accounts, increase financial education and management skills and increase financial literacy were identified. These goals not only meet the requirements outlined in the Legislation but are consistent with recommendations in the WorkFirst Redesign to improve assessments, referrals and engagement in activities that help a family move along a pathway of self-sufficiency. The strategies include:

1. Enhance financial literacy screening and assessment tools and identify the appropriate time to provide information and referrals.
2. Develop and deliver training for all Community Service Division staff on the importance of financial education and marketing of resources available in local areas.
3. Utilize the Department of Financial Institutions Financial Education Calendar located at <http://dfi.wa.gov/financial-education/calendar.htm> as well as the Financial Education Clearinghouse located at <http://dfi.wa.gov/financial-education> for DSHS staff and partner agencies to access real time resources for families and individuals.
4. Partner with non-profit Community-based organizations to refer public assistance recipients to financial education training they currently provide. Trainings should include:
  - a. Banking basics and money management
  - b. Setting future financial goals
  - c. Creating spending plans
  - d. Investing in insurance

- e. Debt management and understanding credit reports
  - f. Youth asset building programs
5. Improve Department and Local Planning Area partnerships with the Washington Asset Building Coalition and local area Asset Building Coalitions (ABC's).
  6. Collaborate with for-profit financial institutions that offer incentives to opening bank accounts, offer low-cost checking and/or savings accounts that restrict over-expenditures and waivers to monthly banking fees and ATM surcharges or transaction fees.
  7. Collaborate with CBOs and financial institutions to sponsor payments for non-profit organizations to provide financial education courses across Washington State.
  8. Develop an outreach education plan for profit and non-profit financial institutions to that incorporates principles of poverty-based decision-making.

This group will continue to meet to develop a plan and timeline for implementing these eight strategies within available resources by December 31, 2011.

## **CONCLUSION**

Financial literacy and access to banking resources are essential elements in achieving financial stability, self-sufficiency, and long-term financial well-being. For a variety of reasons many public assistance recipients may lack the basic financial knowledge necessary to save for the future and manage money challenges. Financial literacy can provide families with tools to a smoother transition from benefit-based to wage-based income, and keep them from unknowingly entering into financially devastating credit arrangements. The Department is committed to improving partnerships with financial institutions, Asset Building Coalitions and local Community Based Organizations to help public assistance recipients achieve financial success.