

Weekly Policy Update 6-1-07

Dear FESS Partner:

Please read on for more information on the Supreme Court ruling on pay discrimination, a new state law in OK requiring financial literacy in school, a new brief addressing the necessary changes to higher education tax credits, and an article focused on an effective program for disconnected youth.

ON THE HILL ...

Congress to Face Appropriations Bills Next

When Congress returns to Washington next week, the House will turn to enacting the 12 annual appropriations bills needed to fund government operations for the new fiscal year that begins October 1. The bill fund the departments of Labor, Health and Human Services and Education traditionally has been one of the toughest appropriations measures for Congress to pass. For the last decade or so, it has been one of the final spending bills to pass each year - if it passed at all. In 2006, neither the House nor the Senate passed a standing alone Labor-HHS-Education spending bill. Instead, it was included in a yearlong continuing resolution. Now, Democratic leaders are talking about possibly making the measure one of the first spending bills they pass. Senator Tom Harkin (D, IA), chairman of the relevant appropriations subcommittee, said: "It's always been last. We want to show we have different priorities."

Democrats Vow Legislation to Respond to Supreme Court Ruling on Pay Discrimination
Democrats have vowed to introduce legislation next week responding to a Supreme Court decision that workers cannot sue under an employment discrimination law for wage discrimination that happened years earlier.

The Court ruled on Tuesday in a 5-4 decision in the Ledbetter v. Goodyear case that Lily Ledbetter, a Goodyear employee from 1979 to 1998, could not claim that she was paid less because of her gender in violation of Title VII of the Civil Rights Act of 1964. Democratic Senators Ted Kennedy (MA), Tom Harkin (IA), Hillary Rodham Clinton (NY) and Mikulski (MD) said on Wednesday that they plan to introduce a bill next week to protect workers' rights to challenge discrimination that becomes apparent only over a long period of time. Rep. George Miller (D., CA), chairman of the House Education and Labor Committee, also weighed in, saying: "This ruling will force Congress to clarify the law's intention that the ongoing effects of discriminatory decisions are just as unacceptable as the decisions themselves." For the complete story go to nytimes.com or http://www.nytimes.com/2007/05/30/washington/30scotus.html?_r=1&th&emc=th&oref=slogin

http://e2ma.net/go/611032858/507772/17010685/goto:http://www.nytimes.com/2007/05/30/washington/30scotus.html?_r=1&th&emc=th&oref=slogin

"The Automatic IRA Act" to Promote Savings for Retirement

Legislation to require employers to use the power of automatic payroll deduction to fund individual's Individual Retirement Accounts (IRAs) was introduced in the House and Senate recently. The Automatic IRA Act of 2007

[http://www.cfed.org/imageManager/documents/SWFA/Auto-IRA-](http://www.cfed.org/imageManager/documents/SWFA/Auto-IRA-Chicago_Tribune_Article.pdf)

[Chicago Tribune Article.pdf](http://www.cfed.org/imageManager/documents/SWFA/Auto-IRA-Chicago_Tribune_Article.pdf) (S. 1141 & H.R. 2167) requires employers who do not

provide qualified retirement plans to assist their employees to save for retirement. The legislation, introduced by Senators Jeff Bingaman (D-NM) and Gordon Smith (R-OR), and Representatives Richard Neal (D-MA) and Phil English (R-PA), applies to every employer who has been in business for more than two years and has more than ten employees. Employers not currently providing their employees with a qualified retirement plan would receive a temporary tax credit to establish automatic IRAs. This tax credit of \$25 per enrolled employee would be capped at \$250. Employers would be prohibited from matching the individual's savings.

Report on Trade Adjustment Assistance (TAA) Program Demonstrates Barriers for Workers

A report prepared for House Ways and Means Committee Chairman Charles Rangel (D, NY) by the Government Accountability Office (GAO) concluded that the Trade Adjustment Assistance (TAA) program administered by the Department of Labor to aide manufacturing workers displaced by free trade is being hampered by strict eligibility criteria, confusing paperwork, time limits and other problems. The program provides benefits and services to workers, including money for job retraining, wage insurance and help with health care coverage. The GAO report found that eligibility constraints imposed by the Labor Department, along with high costs for health insurance and strict rules about wage insurance, are preventing many workers from taking advantage of the benefits.

States also are struggling to help workers seeing re-employment because of strict federal rules governing use of TAA funds. The full report may be found at <http://www.gao.gov/new.items/d07702.pdf>. Chairman Rangel said he plans to introduce a bill to deal with the program's shortcomings. The program is up for reauthorization this year.

IN THE ADMINISTRATION ...The Wall Street Journal reported today that the White House is bracing for a long summer of veto fights as it tries to rein in Democratic-backed spending and force what could be a larger budget deal in the fall. White House Budget Director Rob Portman suggested that four spending bills expected to be approved by the House Appropriations Committee next week could be vetoed unless substantial changes are made. In a related effort, Mr. Portman is reported to have told federal agencies to keep tabs on "earmarks" and to report back to him on where the earmarks appear. Portman did not rule out a veto of the child health insurance legislation if new tax provisions are included to pay for additional spending on the program.

IN THE STATES ...

Massachusetts: Governor: Make Community Colleges Free

Gov. Deval Patrick plans to unveil a proposal to make Massachusetts' community colleges, among the priciest in the nation, free to all high school graduates in the state by the year 2015. The plan also would provide preschool for all children and extend the school day and year.

But Patrick's ambitious plan includes neither price tags nor funding proposals as the state struggles financially. Instead, it calls for a commission that would be charged with transforming the plan into reality. For more information, please visit:

http://www.boston.com/news/local/massachusetts/articles/2007/06/01/patrick_seeks_free_two_year_state_colleges/

OK: Financial Literacy Bill Becomes Law State Rep. Ann Coody's battle to increase the financial literacy of Oklahoma high school graduates has culminated in victory. House Bill 1476, which creates the Passport to Financial Literacy Act, was signed into law today by Gov. Brad Henry. The bill, authored by Coody and state Sen. Clark Jolley (R-Edmond), requires financial literacy instruction for all Oklahoma secondary school students to help them avoid money problems in their adult years. House Bill 1476 allows individual school districts to decide whether the components of personal financial literacy instruction will be incorporated into one or more existing courses of study or into a separate new course. Under the new law, students can be instructed in the elements of personal financial literacy anytime through grades seven through twelve. House Bill 1476 will go into effect on July 1 and will be implemented in state schools beginning in the 2008-2009 school year.

MN: Passage of Strongest Legal Protections Against Predatory Lending

May 14 Minn. Gov. Tim Pawlenty signed a Minnesota bill that provides the strongest protections against predatory lending in the country. The legislation was drafted by a working group assembled by state Attorney General Lori Swanson, including an ACORN representative, and was supported by a coalition that included Legal Service Advocacy Project, AARP, AFL-CIO, SEIU, faith groups, and others. Together with a companion bill passed last month, the legislation will require mortgage brokers to act in customers' best interests and will prohibit lenders from issuing mortgages that borrowers have no ability to repay. The laws ban prepayment penalties on subprime loans and place a 5 percent cap on the points and fees charged, including kickbacks from the lender to the broker, referred to as "yield spread premiums." Read the summary of Minnesota's new anti-predatory lending <http://acorn.org/index.php?id=11078>

FROM THE INTEREST GROUPS ...

Senate Finance Committee Will Soon Consider Whether to Address the Issue of Students Shut Out of Higher Education Tax Credits

As early as next week, the Senate Finance Committee is expected to vote on legislation restructuring the higher education tax credits. The Center for Budget and Policy Priorities has developed a brief that describes the current federal tax code that includes two tax credits that offset tuition costs for students enrolled in higher education: the Hope Credit, worth up to \$1,650, and the Lifetime Learning Credit, worth up to \$2,000. While a key rationale for these tax benefits is to enable students to attend college who could not otherwise afford to do so, nearly 4 million prospective college students - or more than a fifth of all high-school-age children nationwide - cannot expect to receive any help from the credits because their families' incomes are too low. The higher education tax credits are "nonrefundable," which means they can only benefit those with incomes high enough to generate sufficient federal income tax liability. As a result, students from low-income families generally do not qualify for them. In contrast, if a tax credit is "refundable," taxpayers can receive a tax refund for the amount by which the credit exceeds their income tax liability. Please visit the full brief at: <http://www.cbpp.org/6-1-07tax.htm>

Report Finds Widening Energy Gap

The consulting firm of Fisher, Sheehan and Colton has released its 2006 Home Energy Affordability Gap series, building upon a collection of data it has been producing since 2003. The latest report provides tables that quantify the gap between "affordable" and "actual" home energy bills, in order to estimate the "home energy affordability gap" on a county-by-county basis for the entire country. Using 2002 energy prices, FSC found in its initial Home Energy Affordability Gap analysis that the annual "affordability gap" reached roughly \$18.2 billion and that energy assistance provided through the federally funded Low Income Home Energy Assistance Program covered just a fraction of that gap. The firm used 2005 energy prices in its 2006 Home Energy Affordability Gap analysis. FSC found that the shortfall between actual home energy bills and affordable home energy bills had risen to \$23.2 billion, an increase of 27 percent in just four years. Please read more at: <http://www.homeenergyaffordabilitygap.com/>

"Part-Time Student Assistance Act" Still Needs Legislative Supporters

On April 27, Rep. Rush Holt (D-NJ) introduced the "Part-time Student Assistance Act (H.R. 2017)", which would allow students to exempt more of their income from student aid calculations, provide more on-campus child care, allow for year-round Pell grants, and create a part-time assistance pilot program to develop comprehensive programming aimed at enrolling and graduating part-time students. Despite your earlier action on this bill, nearly 90 percent of the representatives have yet to sign on as cosponsors. In light of the increasing number of nontraditional and parenting students, legislation must create programs that help these students enter college, stay in college, and earn a degree. The American Association of University Women (AAUW) offers a way to strongly urge your representative to support increased access to higher education for working and parenting students. Just visit their Action Center and follow the instructions to send a message to your representative:

<http://capwiz.com/aauw/issues/alert/?alertid=9823751>

<http://capwiz.com/aauw/utr/1/LZLXHFCXG/OSSJHFIDCP/1222735976>

OECD Sees Inequality as Threat to U.S. Economy

Rising inequality threatens to undermine U.S. free-market policies, the Organization for Economic Cooperation and Development said today in a review of the U.S. economy. The OECD groups 30 member countries http://www.oecd.org/document/58/0,2340,en_2649_201185_1889402_1_1_1_1,00.html share a commitment to democratic government and the market economy. In its report http://www.oecd.org/document/51/0,2340,en_2649_201185_38626675_1_1_1_100.html the Paris-based group praised U.S. advances in overall productivity and prosperity. But it warned that policies "that have made the economy more open, flexible and dynamic - thereby boosting productivity and overall prosperity - may have increased inequality. If unaddressed, concerns about inequality have the potential for eroding support for such policies." It also raised concerns about slowing growth of the labor force and the costs of Social Security and Medicare, and highlighted shortfalls in the U.S. educational system as a key risk to the nation's economy. The OECD report took a shot at Congress's latest attempt to deal with the problem, calling the increase in the minimum wage "a poor means to address inequality and poverty." "Even though the effects of recent legislation are likely to be limited, such a measure helps many workers who are not poor, fails to help many who are poor, and risks job losses. The Earned Income Tax Credit should be raised, because it reduces poverty more effectively than the minimum wage and delivers more favorable employment outcomes."

IN THE NEWS MEDIA ... First, an article from the Western region in Utah where our state partner, Voices for Utah Children was a speaker at the state's Business and Labor Committee hearing on "bolder" solutions for asset-development among low-income families. Next, an article about the problems among disconnected youth. Featured is a program in New York City, Vocational Foundation Inc., that combines the group's current program combines job training, job placement and continued counseling for two years to try to ensure that graduates remain employed.

Help sought for Utahns living on the edge

Date: Friday, May 18, 2007

Source: Deseret Morning News (Salt Lake City)

Author: Brice Wallace

Several organizations have implemented programs to help low- to moderate-income Utah families save money, but some told a legislative committee Wednesday that more can be done.

The Business and Labor Interim Committee heard about financial literacy programs, individual development accounts and other programs, but Tom Love, vice chairman of the United Way of Salt Lake board of directors, called for more "bold and far-reaching solutions."

Sarah Wilhelm, fiscal analysis director for Voices for Utah Children, said about 450,000 families in Utah are "really struggling to make ends meet" because income levels have stagnated while costs for mortgages, health care and transportation have risen.

"So what we're seeing is, for families of low and moderate income, there's just many more families sort of teetering on the economic edge," Wilhelm said. "Their wages have not kept up with what it takes to support themselves and their families, so they're just finding themselves much more unstable, unable to deal with the next crisis that might come down, whereas in the past they may have had some tools in their tool belt to help them deal with crises. They're getting further and further stretched, so that they're having a harder time."

One idea broached Wednesday was a state version of the federal earned income tax credit. Allison Rowland, who will replace Wilhelm at Voices for Utah Children, said low-income working families would benefit, including schoolteachers, firefighters, police officers -- whom she called important elements of society "who may need a little help to get started."

Rowland said research has shown that recipients tend to spend their credits "essentially bettering their financial viability for the future" by paying for tuition, school supplies for children, transportation for work and outstanding bills.

"The idea here is that paying off these bills, getting out of debt can be an important contribution to establishing a family's financial stability," she said.

Love said three Utah United Way organizations' campaigns -- titled "Utah Saves" and "Earn It, Keep It, Save It" -- try to increase use of the federal earned income tax credit.

More than 13,000 Utah households got help with their taxes this year, and more than \$21 million in new EITC benefits came to Utah during the last tax season, "strengthening both the family income of struggling families and bringing a significant boost to our economy," he said.

Nearly 4,000 Utahns are in "Utah Saves," saving a half-million dollars every month, he said.

But 130 people on a Financial Stability Council are working to develop proposals to address issues of income, financial education, asset accumulation, affordable housing and health care.

"It is our hope that these proposals will be integrated, have broad reach and deep impact," Love said. He added that by August, the council hopes to have proposals "that will have the potential to help all Utahns have the income, financial education, savings mechanisms and incentives to significantly strengthen our middle class while creating opportunity and hope for low-income working families."

Martha Wunderli, coordinator of the Utah Individual Development Account Network, said that "asset-building program" for low-income Utahns allows a 3-to-1 match (totaling \$6,000) that people can use to "bridge the gap and move out into the mainstream." She said she wants better awareness about IDAs.

IDAs are matched savings accounts designed to help people establish a pattern of regular savings and eventually buy a first home, start a small business or obtain education. Among the elements of the program are required personal finance and money management training workshops.

Sheldon Woods, president of the Utah Association of Financial Services, also pushed the idea of financial literacy, noting the success of the Junior Achievement program teaching young people about money and economic principles.

"As financial institutions in the state of Utah, we are committed to solving the problem," said Woods, who also is president and chief executive officer of Pitney Bowes Bank and a member of the Utah Bankers Association executive committee.

"We can build more and more affordable housing. That won't solve the problem. The solution needs to be within the education component, helping consumers understand the budgeting principles and making wise decisions, having the tools necessary to make the best decisions for their individual circumstances, and then providing choice and competition within the marketplace for them to be able to do that."

Finding a New Path To the World of Work

Date: Sunday, May 27, 2007
Source: The New York Times
Author: JOSEPH P. FRIED

SOCIAL scientists call them 'disconnected' young people – older teenagers and people in their early 20s who are not in school, not employed and not seeking work.

Nearly 170,000 New York City residents ages 16 to 24 were said to be in this category in a report in 2005 by a leading social services group, the Community Service Society of New York.

Tens of thousands of other people in this age group are not in school and not working but do continue to seek jobs, only to be repeatedly rejected. Social science and labor experts differ on whether they, too, should be considered disconnected, given that they are still in the labor market.

Earl O'Brien, 21, a high school dropout from Brooklyn, spent two years in the ranks of the rejected. Despite the disagreement among the experts over what he should be called, Mr. O'Brien clearly felt disconnected from the mainstream. 'Everyone I knew was getting somewhere,' he said recently. 'I felt discouraged and disappointed.'

Then there are the others who are not in school and do work, but only in minimum-wage jobs, sometimes with long spells of unemployment in between. Such people are marginally connected to the work force, the experts say. Tamara Parson, 21, from the Bronx, was in this situation for three years and, the experts' nuances aside, 'I felt I was not with the working world,' she said.

Ms. Parson, who similarly lacks a high school diploma, and Mr. O'Brien described their dead-end days in recent interviews at the Manhattan headquarters of an organization that since March has been offering them a new path. This nonprofit group, Vocational Foundation Inc., has been helping young New York City residents move into the world of work since it was established in 1936.

The group initially provided employment assistance to males 16 to 25. By the mid-1940s the group's free services had been extended to young women, who in recent years have been about 60 percent of the clients.

The age range of those served has also varied over the years, and is now 17 to 21.

The group's current program combines job training, job placement and continued counseling for two years to try to ensure that graduates remain employed. Two 17-week training cycles are held annually, starting in September and March, with about 150 people enrolled in each. They are prepared for jobs as bank tellers, computer technologists, security guards, administrative assistants in medical offices (the track Ms. Parson is on) or general office workers (Mr. O'Brien's track).

The course also includes instruction in material on the test for the high school equivalency diploma; 89 percent of the clients in one recent cycle did not have a school or equivalency diploma.

The proportion of clients completing the cycles has varied in the last few years, from 65 percent to 82 percent, said Hector Batista, the foundation's chief executive. About 85 percent of recent graduates have been placed in jobs, at an average starting wage of \$9 an hour, his group says, and about 60 percent of recent graduates are still at work, for the same or another employer, two years after graduation.

The Community Service Society said that disconnected young people were at risk because they were more likely 'to engage in activities that are destructive to themselves and their communities.'

It acknowledged that its definition might be overly broad because it included all stay-at-home mothers, even those with degrees and stable circumstances, but said that this was offset by other elements in the definition.

Some Vocational Foundation clients were not considered in the disconnected or marginalized ranks but seemed headed for them. They include Christian Ruiz, 17, of Brooklyn, who began the current cycle shortly after dropping out of high school.

'I was cutting, playing hooky,' he said. 'I didn't have motivation.' But as he was quitting school, a counselor there told him about the foundation, where he is on the computer technology track.

Ms. Parson said a newspaper advertisement for the foundation prompted her to seek its help.

After her senior year in high school, she recalled, she still lacked 15 credits needed for a diploma, and she decided to leave school, 'where I felt I'd be too old for the crowd.' She hoped to earn an equivalency diploma but never did.

Mr. O'Brien said that he had dropped out in the 11th grade and that his only work in the two years since was the occasional low-paying job as a drummer with a rock group. He learned about the foundation from a recruitment card he received in the mail. Getting an office job 'would help for now,' he said, but his ultimate goal is to become a music producer.

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