END OF THE 2019 LEGISLATIVE SESSION WEBINAR

A BRIEFING ON ASSET-BUILDING RELATED LEGISLATION
Agenda

- Welcome
- 2019-2020 Enacted State Budget
- Financial Empowerment Funding
- Consumer Protections
- Government Owed Child Support Debt
- Q&A
2 Year Bills

- **AB 24 (Burke): Targeted Child Tax Credit:** This bill would establish a targeted child tax credit for families with children with incomes below half of the supplemental poverty level.

- **AB 376 (Stone): Student Loan Borrower’s Bill of Rights:** This bill would establish the Student Borrower Bill of Rights which will ensure that student borrowers are given reliable information, quality customer service, and meaningful access to repayment and forgiveness programs.

- **AB 683 (Carrillo) Medi-Cal Asset Limits:** This bill would require the department to disregard specified assets and resources, such as motor vehicles and life insurance policies, in determining the Medi-Cal eligibility for an applicant and would prohibit the department from using an asset and resource test to make a Medi-Cal eligibility determination for an applicant enrolled in the Medicare Shared Savings Program.

- **AB 1593 (Gomez-Reyes) CalEITC Expansion:** This will would expand CalEITC to Individual Tax Identification Number (ITIN) filers.

- **SB 144 (Mitchell): Criminal Justice Fines and Fees:** This bill would end the assessment and collection of administrative fees imposed against people in the criminal justice system.
2019-2020 Enacted State Budget

Alissa Anderson, Senior Policy Analyst, California Budget and Policy Center
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Financial Empowerment Funding

Joanna Cortez Hernandez,
Client Services Director,
Mission Asset Fund

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SB 455 - CA Financial Empowerment Fund

- Signed into law by Governor Gavin Newsom on October 2\textsuperscript{nd}, 2019
- CA Senate Bill 455 creates a $4M fund to support a statewide network of nonprofits delivering effective financial education and empowerment tools.
- MAF sponsored SB 455 to help people who are struggling against systemic barriers to improve their financial lives.
The CA Financial Empowerment Fund will:

• Issue grants of up to $100,000 (up to one $1,000,000 per fiscal year) to nonprofits working to improve the financial lives of **unbanked and underserved Californians**.

• Codify **high standards** for the design and delivery of **effective** financial empowerment tools.

• Require nonprofits to design and deliver **effective** programs that impact the following three areas: **improve credit, increase savings, and lower debt**.
WHY IT MATTERS?

The CA Financial Empowerment Fund is:

• Actively engaging the State of California in the financial empowerment field.

• Instituting clear, high standards for the design and delivery of effective financial empowerment tools.

• Providing consumers in the state with more resources to support them in their financial journeys.
MAF is committed to continuing our work in the financial empowerment field by keeping an eye toward bigger systems change. We will:

• Continue to engage with the California Department of Business Oversight (DBO) about the implementation of SB 455.

• Have ongoing conversations with others in the field about what it means to design and deliver effective financial empowerment tools.

• Carry on with paying close attention to the needs of our communities, especially as they are informed by bigger policy issues like immigration, and using that to adapt our programs and services accordingly.
THANK YOU!
Consumer Protections

Marisabel Torres, Director of California Policy, Center for Responsible Lending

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AB 539 (Limón)- Fair Access to Credit

This bill now caps interest rates of loans of $2,500 or more but less than $10,000 at 36% plus the Federal Funds Rate.
Consumer Protections

Ted Mermin, Executive Director, Center for Law and Economic Justice, UC Berkeley and Leads the California Low-Income Consumer Coalition

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SB 616 (Wieckowski) – Protection Against Harsh Debt Collection Practices

This bill exempts the last $1,724 in a person’s bank account from a debt collector’s bank levy.
Government Owed Child Support Debt

Ronnell Hampton, M.A.,
Founder, Growing Greatness

www.growinggreatnessnow.com
1975 federal law steeped in anti-blackness requires single parents enrolling in welfare to sign over child support payments to the government.

- **Parent Applies for Welfare**: (1) designate non-custodial parent, (2) help establish a child support order, and (3) relinquish their child support payments to the government.

- **Parent Receives Welfare**: Child support is collected and distributed: $50 goes to custodial parent, 50% to the federal government, and the remaining 50% is split between the state and counties.

- **Parent Leaves Welfare**: Debt will continue growing for non-custodial parent. ~60% of payments retained by government are from families no longer on public assistance. Interest is still collected.
If a parent cannot make a payment, families are harmed as consequences quickly set in:

- Wages are garnished
- Taxes are intercepted
- Driver’s licenses are suspended
- Passports are suspended
- Charged ten percent compound interest
- Incarcerated
The Findings: Payback Problem
1. Requiring parents to pay back public assistance deprives low-income children of valuable resources.
2. Charging high interest rates grows the debt to levels that low-income parents cannot repay.

3. Requiring parents to pay back public assistance disproportionately impacts families of color.
4. Requiring parents to pay back public assistance pushes parents to exit the formal economy.

“I thought everything was going to be okay when I started working but I feel like it’s getting worse.”

Erika, Los Angeles
5. Penalties for nonpayment can trap low-income parents in a cycle of joblessness and incarceration

- Driver’s and professional licenses can be suspended after 30 days, one of the most stringent policies in the country
- Parents can be held in contempt of court and incarcerated for failure to pay. Counties across California issued more than 6,300 contempt orders for failure to pay child support
In addition to lost financial resources, requiring parents to pay back public assistance deprives children of meaningful emotional and psychological support. Research shows that mothers and children are often unaware how much fathers contribute as they see only a portion of each payment. This misunderstanding can create family conflict.

As a result, public assistance payback drives nonresident fathers to have significantly less contact with children, be less engaged with them in daily activities, and provide less frequent in-kind support.
Over 60 percent of people who owed child support debt had recent net incomes below $10,000 a year. One-quarter had no recent, reported income.

Ultimately, the Urban Institute concluded that less than five percent of California’s public child support debt was owed by people with all three characteristics that make it collectible:

1. They have a net income above $15,000
2. They have held the debt for less than two and a half years
3. They currently live in California
Senate Bill 337 (Skinner)
Addressing the Payback Problem

Description
● Increases passthrough rate to $100 for one child, and $200 for two or more children
● Prohibits child support received from being considered as income when determining CalWORKs eligibility
● Allows agencies to waive debt deemed uncollectible

Colorado Example: After implementing the same policy, Colorado saw a 63% increase in child support payments.
Assembly Bill 1092  (Jones-Sawyer)
Eliminating High Interest Rates on Child Support Debt

**Description:** Reduces interest rate of child support debt owed to the government from 10% to 0
Thank you!
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