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Strengthening our Economic Future

Collaborative Policy Initiative Builds Consensus Around Bold Policy Proposals
by Lane Summerhays, Chair, United Way Financial Stability Council

Just over one year ago, United Way of Salt Lake, in partnership with United Way of Northern Utah and United Way of Utah County, released a report entitled, "Living on the Edge: Utahns' Perspectives on Bankruptcy and Financial Instability." The report shed light on the complexity of financial problems that often lead to bankruptcy, as well as the extent to which Utah households, particularly middle-income households, are experiencing a growing sense of financial insecurity. The report found five key areas which contribute significantly to the financial instability of Utah families: a) stagnant and/or declining median wages; b) the high cost of housing; c) rapidly increasing health care and health insurance costs; 4) inadequate financial education and financial literacy; and 5) the lack of household savings (especially for emergencies, higher education, and retirement).



The extent to which these challenges impact families, our economy, and our future is so significant, that a broad group of community leaders committed to spend six months exploring potential solutions that could have broad reach and deep impact. In April of 2007, 130 business, civic and community leaders convened by United Way began a process of developing bold strategies to achieve:

- A strong middle class with income sufficient to meet basic needs.
- Affordable health care and housing for every Utahn.
- Opportunity and incentive to save and form assets for all families.
- Consistent and comprehensive financial education for all.

Income

Median household income, when adjusted for inflation (CPI), has declined since 1980. Middle-class families are finding it especially difficult to afford basic needs such as housing, health care, investments for retirement and college savings. Economic mobility among low- and middle-income families appears to be declining. These trends may pose significant threats to our future economic and social stability. The causes, long-term impact, and potential remedies of this problem require continued study and high-level attention. However, immediate action can be taken to improve academic achievement, college readiness, and attainment of post-secondary education. We must reverse the trend of declining college enrollment and strive to motivate and prepare every student in Utah for post-secondary education – and then assure that each student has the opportunity to secure that education regardless of their personal financial situation. Educational initiatives such as this must also be coupled with continued efforts to develop, retain and attract high wage jobs to our state.

Financial Education

While there are many existing sources of financial education and an abundance of programs, curricula and resources, there are many powerful barriers that prevent people from obtaining and/or utilizing existing information to form strong financial habits. To address these challenges, we must find ways to embed simple and consistent financial education messages and tools in schools, churches, workplaces, community organizations and families. To do this we should build on and connect existing successful models by developing clear, consistent and

simple messaging in multiple languages – and provide access to those models through a “one-stop” shop that is tied to a broad and effective social marketing campaign. We should build on existing models of financial education in the public school system in grades K-12 and link that education to education delivered in churches, workplaces and any other appropriate location. In addition, we should carefully examine the consumer impact of predatory lending and high risk credit and explore strategies for curtailing practices that prey on the financially vulnerable.

Savings and Assets

Across the country, one-quarter of Caucasian children and one-half of non-Caucasian children grow up in households without any significant savings or resources available for investment. Half of all adults nearing retirement age have \$10,000 or less in an employer-based or individual retirement savings account). As a result, a projected 40 percent of today’s baby boomers are likely to depend almost entirely on Social Security’s poverty-level benefit after age 70. United Way’s Financial Stability Council recommends supporting strategies that help all Utahns invest in education, retirement, homeownership and other productive assets by creating and supporting default saving and investing behaviors for individuals and families. These “default” savings strategies should include both the establishment of Children’s Savings Accounts (CSAs), expanded access to automatic, professionally administered 401(k) plans, and modification or elimination of asset tests in public assistance programs.

Housing

The growing gap between income and housing costs hurts everything from the availability of crucial components of the workforce to the performance of children in school. If this trend continues, Utah’s strong economic position and its long-term economic vitality will be lost. To address this problem we must significantly increase private, local, state and federal resources for affordable housing development. At the state level, we should establish one or more permanent and ongoing funding sources that generate at least \$20 million/year and can be leveraged to secure sufficient resources to invest in a wide range of affordable housing needs. In addition, we must also work to strengthen local government commitment to supporting the development of affordable housing and give preference for new resources to local governments and/or developers that proactively implement affordable housing plans.

Health Care

Utah’s health system faces significant and urgent challenges. Record numbers of Utahns are without health coverage and the cost of health insurance premiums for those individuals, families and businesses that do have health coverage is skyrocketing. In the past 10 years, median household incomes in Utah grew by 15 percent, while family health insurance premiums grew by 109 percent. If this continues, the cost of health insurance premiums will exceed household income within 20 years. Many businesses simply cannot afford to offer insurance anymore. The percentage of private businesses that offer health insurance in Utah has declined from 57.4 percent in 1998 to 44.1 percent in 2005. Utah is now in the top 10 states for businesses that are dropping health benefits.

Meaningful reform of our health care system will take several years to implement and must address the challenges of costs, access and quality together. Building on the work of the Financial Stability Council, legislative leaders Representative David Clark and Senator Sheldon Killpack have teamed up with Governor Huntsman to propose a conservative, market-driven framework for reform that will enhance individual responsibility and consumer choice while improving overall quality and access. To establish the foundations for a multi-year systemic reform effort, we must begin by providing consumers with better cost and quality information, promoting healthy behaviors, and maximizing enrollment in existing programs. Then, we must

develop a plan to realign incentives within our system to allow for greater competition, individual responsibility, and consumer choice.

Going Forward

The goal of the Financial Stability Council was to stimulate dialogue and build consensus around visionary ideas that have the potential for broad reach and deep impact among the citizens of Utah. As the 2008 Legislature begins, state policy makers will have the opportunity to make meaningful progress in each of the five areas. Senator Hillyard is sponsoring legislation to expand the Regent's Scholarship program to all qualifying high-school graduates. Senator Pat Jones is sponsoring legislation to expand financial education opportunities in grades K-12. Congress will be considering legislation to make Children's Savings Accounts a reality. Governor Huntsman has recommended additional funding for affordable housing development, and as described above, Utah is poised to make significant progress in reforming our health care system.

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