Family Income and Wealth Building

In an era marked by growing economic inequality, we must work to expand income- and wealth-building opportunities. Advancing legislation and investing in programs that broaden financial stability for all families can help ensure we are building resilient communities of opportunity. We must empower individuals, non-profit organizations, and government agencies with supportive policies and the innovative, integrated tools necessary to address poverty, build wealth, and comprehensively increase financial stability. Doing so will require improving the accessibility of good-paying work and affordable financial services, creating new chances to build credit and wealth, and refining income supports and tax credits to form a more inclusive modern economy.

Credit and Savings

Expanding financial stability requires a multi-pronged approach that incorporates building credit and savings alongside the focus on increasing income. This positions low- and moderate-income households for success by increasing their ability to save for emergencies and long-term financial goals, establish or repair credit history, and access affordable lending products. Current estimates by the Federal Reserve indicate that nearly 40 percent of Americans cannot withstand an emergency expense of $400 or more. This lack of savings is especially problematic in vulnerable, underbanked communities, where individuals often turn to predatory financial products for assistance. These high-cost products can deplete income gains, often trapping borrowers in debt cycles that lower credit scores and make it even more difficult to access traditional banking.

LISC supports:

Ensuring Affordable Access to Banking and Financial Products

Access to affordable banking services is essential to strengthening financial stability and resilience. However, in 2021, nearly 1 in 5 households were unbanked or underbanked, a fact that disproportionally impacts families with low incomes, particularly Native American, Black, and Hispanic families. Full participation in the modern banking system remains out of reach for many due to excessive fees. Banks collected an estimated $15.7 billion in overdraft and non-sufficient-funds fees in 2019 alone. Vulnerable populations disproportionally bear these fees, with median account balances of less than $350 and just 9 percent of consumers accounting for nearly 80 percent of all overdraft revenue. Particularly harmful are compounding costs that freeze out many low-income consumers from the financial industry, leaving them with large debts and involuntarily closed bank accounts when they cannot repay.

While several banks have taken steps to rein in their excessive banking fees, we know that we can and must do more to safeguard all consumers. LISC strongly supports the efforts of the Consumer Financial Protection Bureau to do so through enhanced regulatory oversight. We also urge Congress to build on this momentum and pass the Stop Overdraft Profiteering Act to adopt comprehensive banking safeguards. LISC also endorses the Biden Administration's efforts to curtail other forms of excessive "junk fees" that harm consumers and supports future legislative efforts to reign in fees tied to entertainment, travel, and utility services.

Increasing Protections Against Predatory Lending

Payday lending is an industry rife with predatory practices that target vulnerable populations and trap them in a debt cycle. Frequently, payday lenders position themselves in neighborhoods underserved by traditional financial institutions and target individuals who are underbanked, have low incomes, and lack savings or access to affordable lines of credit. Despite some states' best efforts, the payday industry is not effectively regulated at the state or federal levels. The average annual percentage rate (APR) paid by a borrower is 391 percent, and some payday lenders charge an interest rate of up to 1,000 percent.

The loans' high interest rates and usage fees, along with their lump-sum repayment model, are designed to make it difficult for borrowers to pay off the debt, allowing payday lenders to earn exorbitant profits on interest and fees—removing $8 billion in annual household income nationwide and exacerbating racial wealth inequalities. Research by Pew Charitable Trusts indicates that Black Americans are two times more likely than people of any other race and three times more likely than whites to take out a payday loan.

The Veterans and Consumers Fair Credit Act offers an opportunity to regulate the industry by expanding the proven consumer protections enacted under the Military Lending Act. Passing this critical legislation would safeguard all Americans against predatory practices by capping APR at 36 percent and preventing hidden fees and loopholes while protecting access to affordable credit lines. LISC also strongly supports efforts to regulate the growing industry of "buy now, pay later" (BNPL) financial products. For too long, the BNPL model of installment payments has circumvented interest caps and other federal credit laws, which results in a lack of transparency that harms consumers; for instance, the industry's ambiguous approval, repayment, and fee structures can create unanticipated, negative impacts on consumer credit. Regulation of these products is particularly important to fostering more equitable access to affordable credit, considering that BNPL products are more likely to result in delinquency and be used by consumers of color and low-wage earners.

Building Stronger Credit Histories

Strong credit history is crucial to developing financial stability. Yet many low-income individuals have negative or little to no credit history and a low credit score or none at all, which leads to a range of difficulties in accessing capital, securing housing and critical utilities, and even obtaining employment. These are foundational issues, making it vital to ensure that consumer credit reports are accurate; otherwise, we risk allowing errors to continue to shortchange socioeconomic opportunity. In many cases, the current structure of our credit reporting system, which relies on private consumer reporting agencies (CRAs), exacerbates credit challenges faced by communities historically underserved by traditional finance. For example, analysis of errors found on credit reports have been found to disproportionally impact consumers of color and are extremely difficult to dispute.

For too long we have deferred to the private sector to correct these errors, and in doing so have left countless Americans without recourse in fixing credit report errors. In just the last three years, the Consumer Financial Protection Bureau (CFPB) Consumer Complaint Database has received nearly 1.4 million complaints related to credit reporting, which exceeds the number of complaints in the second most common category, debt collection, by more than 1.2 million. Of these complaints, 99 percent are due to incorrect information in reports, and the vast majority are a result of the data being attributed to the wrong individual.

LISC urges Congress to pass the Comprehensive CREDIT Act to enhance federal oversight of CRAs and empower consumers to safeguard their credit reports. The legislation would help to address longstanding disparities associated with inaccurate credit reports through improved data-matching requirements, increased consumer knowledge, and regulation of the dispute and appeal process for those impacted by errors. It would also, importantly, require CRAs to provide timely, direct information to consumers themselves. LISC also supports efforts to lessen any potential bias within CRA algorithms used to determine creditworthiness by increasing public transparency of models utilized.

Supporting Matched-Savings Accounts

Federal investments that incentivize savings and increase household economic assets have substantial positive effects on increasing liquid assets, reducing material hardships, and reducing the use of predatory financial services for beneficiaries. Evaluations of the economic impacts of participation in the now-retired U.S.

Department of Health and Human Services (HHS) Assets for Independence (AFI) and other matched-savings programs that support asset acquisition have demonstrated the power of investing in individual development accounts (IDAs) for families with low incomes. The research indicates that these programs are the most successful savings incentive tool— resulting in large, positive impacts on savings, resiliency in the face of economic shocks, and homeownership. There are also lessons to be learned from successful IDA programs operating at the state and local levels as evidenced by Oregon's IDA Initiative, which is helping working families to strengthen financial capability, build assets, increase incomes, and meet emergency-savings goals.

LISC supports Prosperity Now's Promise Accounts proposal, which would establish a new federal matched-savings program, informed by IDA best practices that would incentivize savings and help build assets for families with low incomes. As outlined in Prosperity Now's Promise Accounts: Matched Savings to Help Families Get Ahead, the accounts can reduce economic inequality and address the racial wealth divide by expanding wealth-building opportunities. In addition, LISC encourages Congress to consider opportunities where proposed matched-savings programs could also be leveraged to expand credit-building opportunities for participants. Research on LISC's Twin Accounts, a tool designed to help families build credit and save money at the same time, demonstrates that credit-building opportunities can be successfully integrated with matched-saving accounts and provide participants with dual benefits.

Increasing Funding for the Family Self-Sufficiency Program

The Family Self-Sufficiency (FSS) program of the U.S. Department of Housing and Urban Development (HUD) is the federal government's most extensive asset-building program for low–income people and serves over 60,000 families living in federally subsidized housing. FSS is a voluntary program that pays for FSS coordinators, who help families living in public housing, tenants in Section 8 Project-Based Rental Assistance (PBRA) properties, and those with Housing Choice Vouchers (HCVs) achieve their employment and asset-building goals. Participants build savings by having a portion of increases in their earned income saved in an escrow account for their goals, which often include attending college, purchasing a home, or starting a small business. FSS combines individual coaching with a rent-based savings mechanism to put families on a pathway to self-sufficiency.

The program was started in 1990 for public housing and HCV residents and was authorized in 2018 to include families living in Section 8 PBRA properties. It has demonstrated results, with a 2017 report finding that participating families gained more than $10,000 in increased income over five years, at a net cost to the government of only $276 per participant. FSS currently serves only a small fraction of the 2.2 million households that are eligible. LISC supports the modernization of the FSS program to increase program utilization through flexible regulations, capacity-building technical assistance, and addressing benefit cliffs to ensure beneficiaries can fully benefit from participation. We also urge Congress to increase the FSS program's appropriation so it can serve more HUD-assisted residents.

Creating a Federal Baby Bond Program

To shrink the racial wealth divide, we need innovative federal approaches that foster equitable access to economic resources and opportunities to build wealth. The uneven accumulation of wealth in the U.S. results largely from policies that historically benefitted white families while discriminating against Black, Indigenous, and people of color (BIPOC) families. Indeed, recent research demonstrates that intergenerational transfers of wealth account for 26 percent of the racial wealth gap. The national adoption of "baby bonds"— establishing a federally funded savings account for every child — would foster a more inclusive economy by intentionally directing resources that can break patterns of generational poverty, providing young adults with a more equitable financial start.

LISC supports the American Opportunity Accounts Act, which would create a federal baby bonds program that builds successes at the local and state levels. Specifically, the legislation would create and seed an interest-bearing savings account of $1,000 for every child at birth. The accounts would receive additional annual payments based on household income to ensure an equitable distribution of resources. Account holders would gain access at age 18 to help pay for education, homeownership, and other eligible expenses that are demonstrated to support economic mobility and the acquisition of wealth.

Establishing a National Financial Inclusion Strategy

The adoption of a national, interagency financial inclusion strategy is essential to advancing comprehensive approaches to shared prosperity. The current financial system falls short in many ways of serving low-income and BIPOC communities, undermining efforts to build financial resilience. To expand equitable access to financial services and economic opportunity, we need intentional federal coordination and planning. LISC joins the Aspen Institute, alongside 114 other public- and private-sector organizations, in urging the federal government to enact a U.S. national financial inclusion strategy that works to improve financial outcomes, lessen inequality, and improve access to income-support systems.

Increasing Incomes and Access to Income Supports

For millions of families, securing financial stability relies upon securing employment with livable wages as well as a robust system of income supports, otherwise known as public benefits. This can be attributed in part to the stagnation of minimum wages and a lack of career advancement opportunities, which leave many households, even those headed by full-time workers, financially vulnerable. The evidence is clear that income supports such as the Supplemental Nutritional Assistance Program (SNAP), public health insurance, the earned income tax credit (EITC), and other related programs reduce the number of families living in poverty and contribute to financial stability. Indeed, certain income supports like the EITC increase employment participation and are critical components of economic mobility work. Despite these positive effects, many income-support programs have yet to be utilized in a way that maximizes their potential.

To strengthen household incomes, LISC supports:

Increasing the Federal Minimum Wage

The federal minimum wage is a key tool in promoting the financial stability of individuals and families who earn hourly wages. Despite this, it has been more than 13 years since the federal minimum wage was last updated (the longest period without an increase since its establishment) in July 2009, to $7.25 per hour. Adjusted for inflation this represents a 27.4 percent decline in value over this same period, despite significant gains in worker productivity. This reality, combined with the rising costs of housing, child care, and other life necessities, has contributed to significant drops in real household incomes, widening inequality, and has left 42 percent of U.S. households unable to meet basic needs.

Passage of the Raise the Wage Act would address this outstanding need to strengthen household incomes by gradually increasing the federal minimum wage from $7.25 to $15 per hour over a five-year period. The legislation would increase wages for nearly 32 million Americans, or 21 percent of the workforce. By increasing the minimum wage, we will also be investing in closing longstanding racial disparities, as nearly a third of all Black workers and more than a quarter of all Latino workers would experience wage increases.

Expanding and Improving the Earned Income Tax Credit and Child Tax Credit

The earned income tax credit (EITC) is a refundable tax credit for low- to moderate-income working people. The amount of credit benefit depends on a recipient's income and number of children. The EITC boosts income and work effort among low-income parents, making it a proven tool in the reduction of poverty. Likewise the partially refundable child tax credit (CTC) for working people with dependent children lifts some three million people out of poverty each year.

LISC welcomed the tax credit provisions in the American Rescue Plan Act (ARPA) that expanded the EITC and CTC for the 2021 tax year and made the CTC fully refundable for the first time. These temporary expansions not only fostered a more inclusive tax system, but also reduced child poverty by nearly 30 percent while increasing incomes for the most economically vulnerable families.

LISC urges Congress to build on these expansions' demonstrated economic and social benefits. We join the Center for American Progress in advocating for a permanent expansion of the EITC and CTC that mirrors the ARPA provisions. We believe the following changes would support a more equitable tax system:

- increase the EITC for families with children to provide more resources to pay for child care, health care, and other needs;
- significantly expand the EITC for workers without children and seniors by making the credit available for people starting at age 19 up to age 67; and
- increase the CTC, adjust it for inflation, and allow families in Puerto Rico to claim the credit.

Strengthening the Supplemental Nutritional Assistance Program

The Supplemental Nutritional Assistance Program (SNAP) is our nation's most important anti-hunger program, providing food assistance to low-wage working families, people with disabilities, low-income seniors, and many more. With over 42 million Americans relying on SNAP to meet their basic nutritional needs, the program plays a vital role in reducing food insecurity and ensuring that vulnerable populations have access to healthy and nutritious food. However, due to the SNAP program's administrative complexity, work requirements, and benefit levels, particularly in an era of increasing inflation and food costs, it often falls short in meeting the needs of families, excluding many that are in need. Recent research points to the success of temporary changes made during the COVID-19 pandemic in promoting food security, particularly for households with children.

LISC supports efforts to preserve flexibility for states and counties to ensure these entities are able to deliver SNAP programs that meet local needs. For example, able-bodied adults without dependents (ABAWD) can generally receive SNAP for only three months in a 36-month period, but states can receive permission to waive the time limit in areas that have an unemployment rate above 10 percent or that lack sufficient jobs. In December 2019, the U.S. Department of Agriculture (USDA) published a final rule that would sharply restrict approval of these waivers, and in addition limit states' ability to carry over unused ABAWD discretionary exemptions from year to year. LISC believes the rule was ill conceived, makes it harder for states to address the needs of populations in poverty, and should be withdrawn.

Through reauthorization of the Farm Bill—a comprehensive piece of legislation that includes provisions related to agriculture, conservation, rural development, and nutrition programs, including SNAP—Congress has an opportunity to ensure that more families have access to the food they need to thrive, while also investing in equitable health outcomes and supporting local economies. As outlined by the Bipartisan Policy Center, updates to SNAP are overdue and must be tailored to ensure alignment with employment and training programs in order to increase earnings without presenting sharp eligibility cliffs for SNAP participants. LISC urges Congress to leverage reauthorization to modernize the SNAP program and address systemic issues that currently limit the effectiveness of SNAP, including inadequate benefit levels, restrictive eligibility requirements, and undue administrative burdens.

Removing Asset Limits for Benefits Eligibility

Fostering more equitable asset-building opportunities requires investments in programs that drive asset accumulation but also, critically, ensuring that social safety net programs do not disincentivize participant gains. Asset limits place restrictions on the amount of savings and other assets a person or family can have and still qualify for income-support programs. While intended to direct resources toward the neediest households, in practice these limits often serve as a barrier to accessing critical support for those working towards economic self-sufficiency. Participants are often impacted by outdated asset limits that are particularly harmful given the income volatility and job insecurity experienced by many low-income families.

LISC supports efforts to remove asset limits to ensure those who receive income supports are better positioned to save and access economic opportunity rather than being penalized. Removing asset limits would not only promote greater financial security for low-income households but also increase access to important benefits and services, reduce administrative costs and complexity, and promote economic mobility. To accomplish this, LISC urges Congress to pass the Allowing Steady Savings by Eliminating Tests (ASSET) Act.

Workforce Development

Investments in workforce development help ensure that individuals have access to pathways of opportunity that can lead to financial stability for themselves, their families, and their communities. Workforce programming helps to match workers with employers by providing the education, skills, and job-readiness preparation necessary to succeed in the twenty-first-century economy. Apprenticeships are especially critical to closing the opportunity and wage gap by assisting in the development of a diverse and highly skilled, competitive workforce. We know that structural changes in the U.S. economy have made a high school diploma a less valuable credential for most well-paying jobs. This has important implications for closing the racial wealth gap and for those facing intergenerational poverty, whose path to the middle class may have been aided by a high school diploma in the past.

LISC supports:

Strengthening the Workforce Innovation and Opportunity Act

The Workforce Innovation and Opportunity Act (WIOA), enacted in 2014 with strong bipartisan support, made essential strides in modernizing workforce development legislation. The U.S. Department of Labor (DOL) utilizes WIOA to fund a range of federal, state, and local efforts to link training and education to the labor market. However, these efforts are shortchanged by declining investments in adult education grants and state career and technical-education grants. To better prepare Americans for career success, we need to ensure that the WIOA program is reauthorized and allocated additional funding while updates are made to improve states' planning, outcomes measurements, and standards for Eligible Training Provider Lists.

We must also bolster the ability of WIOA to invest in critical wraparound services and incentivize partnerships with community-based organizations focused on increasing access to inclusive opportunity within our workforce systems. There is a need for expanded federal support of capacity-building initiatives focused on community-based organizations providing culturally and linguistically accessible workforce programming. These types of bridge-building programs also support broader connectivity among local non-profits, industry, and workforce systems by drawing on a wealth of experience and research that demonstrates the ability of integrated services to help individuals reach their career goals. In turn, this type of innovative programming promotes greater inclusivity for populations that are often beyond the reach of traditional providers and supports more equitable access to career development opportunities.

LISC encourages Congress to consider how reauthorization provides an opportunity to provide incentives and additional resources for workforce boards to partner with community-based organizations, in order to ensure WIOA resources are better connected to historically underserved communities. We also support the inclusion in any reauthorization legislation of the Community-Based Workforce Development Act, which would create a new federal grant program to assist in establishing public-private partnerships that leverage the strengths of community-based organizations.

LISC also supports the Supporting Jobs through Evidence and Innovation Act, which would create a critically needed Workforce Development Innovation Fund at the U.S. Department of Labor. This fund would provide additional WIOA resources focused on evidence-based workforce development programs and foster innovation, accelerating the development and scaling of highly effective approaches. By enabling a wide range of entities to participate, including community-based non-profit organizations, and reserving a small percentage of resources for technical assistance, the bipartisan legislation offers a data-informed approach to supporting workforce innovations.

Funding the SNAP Employment and Training Program at Robust Levels

The SNAP Employment and Training (SNAP E&T) program helps participants in the Supplemental Nutrition Assistance Program (SNAP) gain skills, training, or work experience to increase their ability to obtain regular employment that leads to financial stability. The SNAP E&T program is an important resource that helps states build meaningful partnerships with postsecondary education institutions, occupational skills training programs, and community-based organizations to address the needs of people facing multiple barriers to employment. LISC strongly supports increased funding for SNAP E&T and greater resources for SNAP E&T Data and Technical Assistance Grants to scale efforts that help states and community-based organizations leverage SNAP E&T to improve employment outcomes and financial stability. We urge Congress to incorporate the bipartisan RESET for America's Future Act in any Farm Bill reauthorization as it would afford states new resources to prioritize effective, innovative, and performance-driven activities that foster economic mobility.

Expanding Career Pathways through Bridge Programming, Apprenticeships, and Community Colleges

Community-based organizations (CBOs) are an integral but often overlooked component of our workforce development system. CBOs are trusted local community organizations that are known for their history of providing quality services convenient to where people live and seek employment services. These organizations, alongside community colleges, serve populations that are largely from low-wealth communities, and provide critical employment support that expands equitable access to living-wage career pathways. CBOs are particularly well positioned to provide integrated or bundled services through proven models, such as LISC's Financial Opportunity Center® (FOC) and Bridges to Career Opportunities ® (BCO) programs, that result in improved employment and financial outcomes for participants. Community colleges are also the education sector's most important provider of skills-based training and offer comprehensive work-based training opportunities. We can do more to leverage the strengths of community-based organizations and community colleges in reaching underserved populations and furthering connections to pre-apprenticeship and Registered Apprenticeship programs. These changes would further the impact of WIOA while helping individuals to gain the skills and education necessary to succeed in today's economy.

To this end, LISC proposes:

1. **Supporting bridge programming.** Bridge programs such as LISC's BCO help to address longstanding service gaps in our traditional workforce system by providing foundational skills training to participants within low-wealth communities. By providing integrated services at community-based organizations—trusted, culturally competent, and linguistically accessible partners—these programs promote economic mobility and help individuals overcome barriers to employment. Bridge programming is an evidence-based approach that connects underemployed or unemployed individuals, particularly those in communities of color and rural communities, to well-paying jobs.

   An equitable workforce system also requires new and additional federal resources to support community-based organizations and enable them to collaborate more closely with regional, state, and local workforce organizations as well as employers, in order to expand the ability of historically underserved populations to prepare for and enter the workforce. LISC urges Congress and the Department of Labor to consider funding BCO and similar programming through new or existing funding streams, for example through innovations within current DOL programs, continued support for the Economic Development Administration's Good Jobs Challenge, and reauthorization of the Social Innovation Fund.

2. **Robustly funding the Department of Labor's Reentry Employment Opportunities (REO) program.** The REO program provides critical support to individuals who have been involved with the criminal justice system by helping them gain access to employment and training opportunities. The REO program supports the delivery of comprehensive workforce development programming through community-based and intermediary organizations offering a range of services, such as job-readiness training, education and skills development, mentoring, and support services. These services are key to helping justice-involved individuals to overcome barriers to employment and successfully transition back into the workforce.

   The REO program is an important part of DOL's efforts to promote economic opportunity and reduce recidivism by providing individuals with the skills and resources they need to succeed in the labor market. By preparing and resourcing individuals to secure well-paying jobs, the program increases earning potential and provides a path to economic stability. LISC strongly supports efforts to expand appropriations for the program.

3. **Passing the American Apprenticeship Act.** This bipartisan legislation would expand equitable access to Registered Apprenticeship and critical pre-apprenticeship opportunities. By providing new resources to states on a competitive basis, the bill would incentivize states to develop innovative and effective strategies to diversify, market, and scale Registered Apprenticeship and pre-apprenticeship programs through the Department of Labor. This would provide additional tuition-assistance resources for eligible participants and increase their earnings while supporting small businesses in retaining talent. LISC also encourages Congress to provide more robust funding to expand the ability of DOL to support pre-apprenticeship programs under the Employment and Training Administration (ETA).

4. **Increasing funding dedicated to community colleges under Title I of WIOA.** A national Community College Pathway program could be integrated within existing national competitive grants of DOL's ETA. The program would build upon community colleges' existing infrastructure, align with industry needs, and yield a higher return on secondary education for those participating by coupling a high school diploma with certified college-coursework skills. These skills could be bolstered by relevant, paid work experience through apprenticeships. Students would earn a buildable credential that makes them immediately valuable for middle-skill work while leaving the door open for higher education. Given the evidence supporting both pathway and early-college programming, it's clear that additional WIOA investments in community colleges can help achieve a more equitable workforce system.

5. **Passing the Community College to Career Fund in Higher Education Act.** This bill builds on the Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV), providing additional resources to support career and technical education. The bill would fund efforts by community and technical colleges to match skilled workers with employers, in collaboration with local industries, workforce boards, and other stakeholders. Specifically, the Act would support increased apprenticeships and credentialing programs that have a demonstrated impact in promoting economic mobility.

Advancing Digital Skilling

Embedding digital skilling within workforce development programs is critical for increasing career opportunities, closing skill gaps, and promoting more equitable economic outcomes. Recent research by the National Skills Coalition indicates that 92 percent of jobs in the United States require digital skills and that a third of workers lack these foundational skills.

Digital skilling can also provide individuals with the opportunity for flexible or remote work, which can be especially beneficial for individuals who may face transportation or child care barriers. At the same time these efforts can help to ensure that employers have access to a diverse pool of qualified candidates. LISC urges Congress to consider opportunities to increase access to digital skills training and to promote greater integration between workforce development and digital inclusion efforts, including but not limited to the Digital Equity Act Programs of the National Telecommunications and Information Administration.

Financial Coaching

Strengthening the ability of all families to manage their finances and marshal their resources is very important to helping them achieve financial stability. The provision of one-on-one financial coaching tailored to the individual's needs and goals is a promising tool that, according to an evaluation by the Consumer Financial Protection Bureau (CFPB), can help participants improve their financial behaviors, build savings and manage debt, and reduce financial stress. These programs can also increase banking and public-benefit participation and promote access to responsible lending products. Moreover, workforce development efforts are enhanced when financial coaching is incorporated, yielding higher job-placement and retention rates, and higher average earnings. Research has demonstrated that financial stress reduces employment retention and that financial capability programs can reduce financial stress, thereby increasing employment longevity.

To expand the availability of these services, LISC supports:

Connecting Financial Coaching to WIOA

The Workforce Innovation and Opportunity Act (WIOA) is well known for the critical federal support it provides for workforce development programs through American Job Centers and other organizations. Congress recognized in WIOA the importance of workers' financial capability, making specific references to the role of financial literacy and allowing for WIOA expenditures to cover related program costs. Despite this, many WIOA programs have yet to integrate financial coaching in their program designs.

LISC encourages Congress to consider how reauthorization of WIOA could be utilized to expand support for evidence-based approaches to workforce development, highlighting the critical role of financial coaches in helping people overcome barriers to long-term employment—like lack of child care and transportation—and expanding community-based partnerships with a track record of measurable improvements. The financial-capability goals of WIOA would be better served by fully funding the program and:

- incentivizing more providers to adopt replicable workforce programming models that incorporate financial coaching directly or in partnership with community-based organizations,
- requiring a percentage of WIOA funds to support wraparound services including financial coaching, and
- tracking key financial health indicators within federal workforce programs, including such indicators as net income, savings, credit scores, and net worth.

Using the CFPB Penalty Fund to Support Financial Coaching

The Consumer Financial Protection Bureau (CFPB) is authorized by statute to utilize the Civil Penalty Fund, a pool of monies collected as fines from companies that violate federal consumer financial law, to support consumer education and financial literacy programs. Despite this authorization and an estimated $481.8 million in available resources, CFPB investments directly supporting these activities have been severely limited. Given the evidence supporting financial coaching, and the lack of federal investments supporting financial capability services broadly, the CFPB's Civil Penalty Fund offers a unique opportunity to fund these critical services.

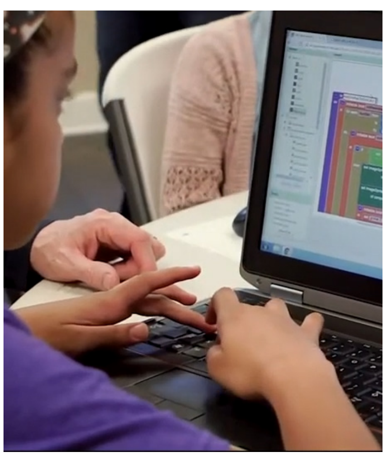
As outlined by the Credit Builders Alliance and endorsed by 234 organizations, this can be done by setting aside a small percentage of the fund to contract with non-profits and community development financial institutions (CDFIs) that have a proven record of delivering financial coaching services. The CFPB has done so successfully in the past and can do so again. It's time for the CFPB to invest in the non-profit infrastructure that empowers consumers and to use the resources at its disposal to scale financial capability programs.

Increasing Federal Funding for VITA Sites

Volunteer Income Tax Assistance (VITA) is an initiative of the Internal Revenue Service (IRS) that ensures low- and moderate-income households have access to high-quality tax preparation services. As a free tax preparation service, VITA contributes to financial capability by expanding access to tax filing and refunds for low-income families. Importantly, VITA offers an alternative to paid, mostly unregulated, and at times predatory tax preparation services that can erode financial returns and make mistakes at a higher rate than VITA volunteers.

We know that for many low-income families, receiving their earned income tax credit (EITC) is an essential source of income. In 2018 alone, VITA helped tax filers access $1.9 billion in tax refunds, including $646 million in EITC. These returns have positive economic benefits on state and local economies and increase workforce participation. However, over 20 percent of eligible workers are not filing taxes to claim their EITC, leaving billions of earned returns each year going unclaimed. The disparity in uptake impacts families with the lowest incomes, who often face challenges in finding accessible and free tax services. VITA provides resources to address this issue and expand financial capability more broadly.

The VITA Permanence Act, codified into law in 2019, is the result of vigorous advocacy by financial capability groups and ensures VITA's long-term availability. However, without adequate funding, the positive impact of the program's permanence is shortchanged. We urge Congress to provide no less than $45 million annually in VITA program appropriations. By increasing funding for VITA, we can ensure that the program's benefits reach more families and communities in need.



Digital Inclusion

Access to high-speed, reliable internet expands a family's opportunities to build income and wealth. One Brookings Institution study found that each percentage-point increase in broadband penetration in a state is projected to increase employment by 0.2 to 0.3 percent per year. Yet up to 42 million Americans still lack access to these services, left behind in an interconnected world that increasingly relies on high-speed connectivity to successfully participate in online education, work, and financial management. The digital divide disproportionally impacts low-income and rural areas, and particularly communities of color, as broadband internet availability (defined by the Federal Communication Commission as meeting a certain speed threshold) is significantly lower in majority-African American and majority-Native American counties.

Obstacles to achieving digital equity are rooted in structural inequities such as a lack of access to affordable, reliable internet service; lack of access to a functioning, connected computer or other appropriate device; and gaps in digital literacy and capability. Addressing these barriers requires the expansion and equitable implementation of federal and local policies that support digital inclusion efforts. Specifically, LISC's proposals to narrow the digital divide focus on the four-legged table of affordable, reliable high-speed broadband service; reliable device ownership, digital skills; and increased digital capability.

LISC supports:

Increasing the Affordability of Internet Access and Related Devices

Historically, policies aimed at addressing the digital divide focus solely on the expansion of broadband infrastructure and, in doing so, overlook a critical issue: many Americans simply cannot afford the service or the devices needed to use it. A recent analysis of households earning less than $30,000 a year found that 44 percent do not have broadband services, and 46 percent do not have a computer or tablet. In contrast, these are nearly universally adopted by households earning more than $100,000. Overall, nearly 20 percent of families who do not have broadband attribute this to a prohibitively expensive monthly cost.

The pandemic highlighted the social and economic costs of the digital divide, resulting in congressional action to enhance affordability. LISC strongly supported the bipartisan Infrastructure Investment and Jobs Act's establishment of the Affordable Connectivity Program (ACP) at the Federal Communications Commission (FCC). The ACP is a long-term initiative to help families afford high-quality broadband service that replaces the FCC's Emergency Broadband Benefit (EBB) program.

Recent evidence shows that the ACP is working to close the affordability gap, with more than 15 million of the estimated 48 million qualified households enrolled. With additional outreach resources, the benefit can reach more families in need. LISC advocated for and provided public comments on the FCC's recent investments in the Affordable Connectivity Outreach Grant Program and the "Your Home, Your Internet" pilot program, calling for increased interagency coordination and public-private partnerships to advance equitable ACP uptake. LISC urges Congress to extend and appropriate an additional $30 billion in funding for the ACP for at least five years to head off abrupt funding cliffs that threaten to disconnect families with low incomes.

One of the most impactful actions that can be taken to foster digital inclusion is to ensure that all residents of federally assisted housing have access to high-quality, affordable broadband. Passage of the Home Internet Accessibility Act would help gather critical information on all federally assisted housing that cannot support broadband service and develop an action plan for retrofitting properties unable to do so. LISC also supports updating federal affordable rental housing policies to allow internet services as eligible costs for federally assisted tenants and for owners who provide internet, computer centers, and related services. We urge Congress to pass the Broadband Justice Act, which would update allowance definitions at the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of the Treasury, and the U.S. Department of Agriculture (USDA) so that they include broadband, thus expanding access to affordable broadband for millions of families.

We also endorse an update of the Federal Communications Commission's Lifeline program to help low-income households overcome the cost of broadband adoption. Originally designed to provide low-income Americans with affordable telephone access, the Lifeline program has been adapted to include wireless and smartphone internet access but not a wireline (fixed) broadband connection. We support the following improvements to address the digital divide:

1. **Pass legislation that allows the Lifeline program to broaden the definition of eligible carriers to include not just telephone companies but also national broadband providers.** This would help low-income households access high-speed internet on computers and tablets more suitable for work, school, and other uses than smartphones.
2. **Enhance coordination of the Lifeline program to facilitate automatic enrollment across other forms of income support, such as the Supplemental Nutritional Assistance Program (SNAP).** This can ensure that all eligible families receive financial assistance, while reducing administrative burdens.
3. **Pass the Promoting Access to Broadband Act, which would help increase awareness and enrollment in Lifeline for low-income households.**
4. **Retool the Lifeline program to provide the computer equipment necessary to overcome technological disparities faced by low-income households.**

Investing in Community-Based Digital Training and Support

Achieving digital equity also necessitates robust support of digital literacy efforts. The need for digital skills to access opportunities in an increasingly digitalized U.S. economy has been noted for years. For too long, we have not prioritized investment in the tools needed to address the digital literacy gap. However, the enactment of the bipartisan Infrastructure Investment and Jobs Act provides a historic opportunity to close the digital divide through a multi-pronged approach that supports community-based efforts. Robust investment in digital literacy efforts can ensure widespread availability of education and training, providing participants with the range of digital skills needed to succeed. Community-based digital education and training can help the disconnected find jobs, develop new skills, and access affordable financial services.

LISC supports:

1. **Passage of the Digital Equity Foundation Act.** The legislation would create a non-profit foundation at the U.S. Department of Commerce, mirroring those at the National Institutes of Health, to leverage public and private resources that can be used to advance digital equity, inclusion, and literacy efforts across the nation.
2. **Equitable deployment of digital equity resources.** The Infrastructure Investment and Jobs Act established two new grant programs administered by the National Telecommunications and Information Administration (NTIA), a State Digital Equity Capacity Building Grant Program to bolster states' ability to develop and implement digital equity plans and a Digital Equity Competitive Grant Program to allow NTIA to directly support digital inclusion and skill-building activities through public-private partnerships, including those with non-profits. These resources provide an opportunity to scale the critical work of digital navigators, who act as connectors and coaches at community organizations to help people address home connectivity, learn digital skills, and find resources related to digital inclusion. LISC looks forward to working with the NTIA on these programs and will continue to advocate for the equitable distribution and deployment of these funds to reduce historical, institutional, and structural barriers to technology use and promote community-based solutions.