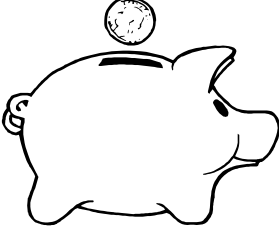



# The New York Asset Building Report Card

How New York Ranks Among the 50 States in  
Individual Asset Development

	Financial Assets
	Homeownership
	Small Business
	Banking
	Health Coverage

*The Public Policy and Education Fund of  
New York – May 2003*

***The New York Asset Building Report Card: How New York Ranks Among the 50 States in Individual Asset Development*** is a publication of the Public Policy and Education Fund of New York. Funding for this report was provided by the Nathan Cummings Foundation.

May 2003

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# The New York Asset Building Report Card

## Introduction: Why Assets Matter

Most discussions of economic well-being in America focus on income. But income tells only part of the story. Economic security is only achievable when families save and build assets. The historical role of asset building in America, and the centrality of asset development in enabling families to move from poverty to the middle-class, is well described in a paper published by the Asset Development Institute

The importance of policies that help people build assets has long been recognized. These policies have helped many make it to the middle class. As far back as the 1800s, the Homestead Act gave pioneers a stake and a start in ownership of western lands. After World War II, the GI Bill enabled a generation to gain an education, own a home, and start a business. Today, tax laws help many become homeowners, retain more earnings to put aside for savings, and build a nest egg for retirement security. When we possess assets, the future holds promise; there is reason to hope and strive for a better life.

Asset-based policies address the common needs and aspirations of Americans. They promote and reward initiative and personal responsibility. In the short-term, they help people meet essential needs such as money for food, rent, and utilities. But they also focus on the keys to personal growth and success over the long term. At their core, asset-based policies enable people to gain well-paying jobs, acquire the skills they required to get better ones, buy a home, start a business or new career, weather change and crisis in their lives, and live comfortably in retirement. Among the assets critical to economic well-being are:

All Americans benefit when each of us has asset-building opportunities. Those who already have a foothold on the ladder of opportunity have more protection against slipping and the means to move up. Those who experience setbacks have more resources to sustain themselves and start anew. Businesses have better equipped and well-trained workers. We become more productive citizens who can shoulder the responsibilities of family, community, and government. And the prospect of a promising future becomes a reality for all.<sup>1</sup>

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<sup>1</sup> From *Extending Opportunity to All Families: The Promise of Asset Building Policies*, a publication of the Asset Development Institute at the Center on Hunger and Poverty at the Heller Graduate School, Brandeis University.

Research supports the importance of asset building to many aspects of economic and social well-being. According to Michael Sherraden, the Director of the Center for Social Development at Washington University in St. Louis<sup>2</sup>, those benefits include:

- Greater investments in education
- Better consumption decisions
- Improved health
- Greater sense of personal control
- Improved attendance records at school and work
- Better financial planning
- Lower rates of domestic violence
- Decrease in social isolation
- Lower pregnancy rates
- Improved financial status of offspring.

According to Sherraden, asset accumulation is more important than income assistance in terms of helping the poor become self-sufficient. “While income transfers have helped to ease hardship, they have not enabled families to develop”<sup>3</sup>. Yadama and Sherraden claim that income assistance policies overlook many variables that should point policymakers in the direction of designing programs to promote asset accumulation<sup>4</sup>.

The effects of income on attitudes and behaviors are not as strong as the effects of savings. Social policy in Western welfare states is dominated by the provision of income, either as ‘social insurance’ or means tested transfer. If savings provide equal or stronger effects on attitudes and behaviors – and at the same time, economic development of households – then perhaps more social policy should promote asset accumulation.

The federal government, through its tax policy, favors asset accumulation. By allowing the deductibility of mortgage interest and property taxes the federal government significantly lowers the cost of owning a home. Renters, who are more likely to be low-income, are not able to receive these benefits (even though a portion of their rent covers property taxes and almost certainly covers mortgage interest).

Federal tax policy also favors accumulating assets for retirement through the tax-favored treatment of various kinds of retirement accounts. Tax policy allows investors to

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<sup>2</sup> Sherraden, M. (1999). “Key Questions in Asset Building Research,” St. Louis: Center for Social Development. Washington University.

<sup>3</sup> Sherraden, M. (2000). “Asset Building Policy and Programs for the Poor.” Policy Report. St. Louis, MO: Washington University, Center for Social Development.

<sup>4</sup> Yadama, G. and Sherraden, M. (1996). “Effects of assets on attitudes and behaviors: Advance test of a social policy proposal.” *Social Work Research*, 20, 1,3-12.

deduct the cost of interest used to borrow for investments and allows businesses to deduct the cost of purchasing assets over time (depreciation).

Federal policy should be tailored to encourage asset building among low-income people. The Asset Development Institute lists twenty policy solutions to promote economic well-being and asset development<sup>5</sup>. The policies include wage and income supports, education and job training programs and programs designed specifically to help savings, including:

1. Provide to people who enter the workplace with fewer skills and with little or no prior experience, **soft skills training** to help them adjust to the workplace and balance work and family responsibilities, and **job retention support** to help people secure their foothold on a ladder of opportunity at work.
2. Allow people relying on cash assistance who are preparing to enter the workplace to pursue **post-secondary education** or other **hard skills training** necessary for employment in high demand fields with good wages and benefits, while still providing them assistance and without jeopardizing their eligibility for future cash in case of need.
3. For those already employed, especially many low skilled, low wage workers, support lifelong learning to gain skills adapted to the demands of a changing workplace and continued employment in “good jobs.” Provide opportunities for career advancement through incentives for **on-the-job-training** and incentives for related **off-the-job educational opportunities**, possibly by means of **Individual Training Accounts (ITAs)** adapted to meet the needs of those without the required resources.
4. Make effective use of available federal monies and provide state support to enable lower income families to gain a financial stake through matched savings accounts, such as **Individual Development Accounts, (IDAs)**. This can be done in conjunction with training in financial literacy.
5. Facilitate participation in the **Family Self-Sufficiency program** by residents of federally supported public housing and recipients of Section 8 tenant assistance. This program enables participants to attain basic economic self-sufficiency through increased work while allowing them to save more of their increased earnings a special escrow account instead of paying spending them on rent.
6. Facilitate home ownership for those who succeed in the Family Self-Sufficiency program, and others reliant on Section 8, through the **Section 8 home ownership program**.
7. Improve the **rent escrow program** for residents of state-supported public housing to allow participants to accumulate a financial nest egg for use in further asset-building in diverse ways and to gain financial literacy skills.

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<sup>5</sup> Twenty Ways to Promote Economic Well-Being for All: Helping Lower Income People Build Assets, a publication of the Asset Development Institute at the Center on Hunger and Poverty at the Heller Graduate School, Brandeis University.

8. Create **training in financial literacy** programs for people transitioning from welfare cash assistance to work and credit their participation as a work-related activity, to help them to succeed as members of the workforce.
9. **Relax or remove asset tests** for income support programs to allow low-income households to receive temporary assistance without greatly depleting the savings that can lead to long-term economic security.
10. Encourage participation by low- and moderate-income families in federal- and state-**supported education savings plans**, through direct support and links to IDAs and other financial asset-building programs.

## New York Asset Report Card

In 2002, the Corporation for Enterprise Development released the *State Asset Development Report Card: Benchmarking asset development in fighting poverty*<sup>6</sup>. The extensive report includes three indices: asset outcomes; asset policy and tax policy. The current report, *The New York Asset Building Report Card: How New York Ranks Among the 50 States in Individual Asset Development*, uses data from one of those indices, on asset outcomes.

The asset outcomes index ranks the 50 states on 30 variables, placed into six categories: financial assets; homeownership capital; human capital; business capital; bank access; and asset protection. This report includes data on the five categories related directly to finances – all but human capital.

The data in the Corporation for Enterprise Development study is taken from a wide variety of public sources for the most recent year available. The tables on the following five pages, all taken from the *State Asset Development Report Card*, include data on how New York ranks among the 50 states on 23 measures of asset development.

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<sup>6</sup> *State Asset Development Report Card: Benchmarking asset development in fighting poverty*, the Corporation for Enterprise Development, 2002.

## New York Financial Asset Report Card

- Do families have enough assets to weather a lay-off?
- Are families saving enough to purchase a home, pay for college, or start a business?

Measure	Where NY Ranks	Description
Overall asset poverty	50	32% of New York households do not have enough assets to live at the poverty level for three months without any income.
Asset poverty by race	27	White-headed households are more than 3 times more likely than non-white households to have enough assets to live at the poverty level for three months without any other income.
Asset poverty by gender	15	Male-headed-households are 40% more likely than female-headed households to have enough assets to live at the poverty level for three months without any other income.
Households with zero net worth	50	24% of New York households have zero or negative net worth.
Mean net worth	29	The average net worth of all assets in New York households was \$103,177 in 1996 dollars.
Asset equality by race	22	White-headed households in New York have more than 4 times the net worth of non-white-headed households.
Asset equality by gender	23	Male-headed households in New York have 1.4 times the net worth of female-headed households

### Conclusion:

- **New Yorkers have less financial security than residents of any other state in the nation.**
- **New Yorkers have fewer savings for their families' futures – to purchase a home, pay for college or start a small business – than the residents of any other state.**

Despite the high average income of New Yorkers (New York ranks #5 in per-capita income), one-out-of-three New Yorkers do not have enough savings to live for three months above the poverty level. A lay-off or medical emergency that results in a loss of income will almost immediately push these New Yorkers into poverty.<sup>7</sup>

One-out-of-four New York households have zero net worth or negative net worth, meaning that their liabilities exceed all their assets (financial, real estate, cars, etc).

<sup>7</sup> New York is the only state in the country to rank in the top ten in per capita income and in the poverty rate. .

The situation on both measures is much worse for households headed by African-Americans, Hispanics or other racial-minorities. Women-headed households lag behind households headed by men.

## New York Home Ownership Asset Report Card

- Nationally, home ownership accounts for 44% of net worth. How well are New York families doing at building home equity?

Measure	Where NY Ranks	Description
Homeownership rate	50	A little more than half of New York households, 53%, own their own homes.
Median value of home	45	The value of the homes New Yorkers own is \$77,000, less than in 44 other states.
Homeownership by income	49	The richest 20% of households in New York are three times as likely to own a home as the poorest 20%.
Homeownership by race	43	White-headed households in New York are 2.4 times more likely to own a home than households headed by a person of color.
Homeownership by gender	48	Male-headed households in New York are 1.3 times more likely to own a home than households headed by a woman.

### Conclusion:

- **New Yorkers are less likely to own a home than residents of any other state.**
- **The value of homes owned by New Yorkers is less than in almost any other state.**
- **Home equity in New York is much more unevenly distributed than in almost every other state, with low-income New Yorkers, people of color and women much less likely to own a home.**

Homeownership is the leading source of savings for most Americans. Building home equity allows a family to establish credit and have equity to allow borrowing. Home ownership receives preferential tax treatment through deductibility of mortgage interest and property taxes, favorable treatment not available to renters. However, New Yorkers lag well behind the rest of the nation in both the rate of home ownership and in the equity of the homes that are owned.

## New York Small Business Capital Report Card

- Owning a small business is a traditional route into the middle class for a large number of households, including immigrants. In the past decade, New York has seen a surge in immigration, and particularly in immigrants of color.

Measure	Where NY Ranks	Description
Small business ownership rate	32	11% of New York's workforce own the business at which they work.
Private loans to small business	13	The total value of loans made to small business (under \$1 million per worker) was \$1.372 billion in 1999.
Minority entrepreneurship rate	18	Minorities own businesses at only 12% the rate that whites own businesses in New York.
Women's business ownership rate	19	4% of women own their own business.
Business ownership value by race	43	The average minority-owned business in New York had sales and receipts of \$437,171 in 1997.
Business ownership value by gender	14	The average women-owned business in New York had sales and receipts of \$15,100,000 in 1997.

### Conclusion:

- **Somewhat fewer New Yorkers own their own business than the national average.**
- **While minorities in New York are somewhat more likely to own their own business than minorities in other states, the value of those businesses is much smaller than the value of minority businesses in other states.**

New York women are somewhat more likely to own a small business than women in other states and the value of those businesses is also greater than women-owned businesses in many other states.

However women and minorities are much less likely to own their own businesses than men and than whites.

## New York Bank Access Report Card

- The US Office of the Comptroller found that 78% of people with a banking relationship have savings, compared with 30% of the “unbanked.” Access to financial products is a key to accumulating assets.

Measure	Where NY Ranks	Description
Households with checking accounts	29	23% of New York households have non-interest bearing checking accounts.
Households with savings accounts.	33	59% of New York households have interest bearing checking, savings or money market accounts. .

### Conclusion:

- **New Yorkers are somewhat less likely to have checking, savings or money-market accounts than the residents of other states.**

Since New Yorkers are less likely to have a banking relationship, they are likely to pay more for ordinary financial transactions and they are more likely to have to pay exorbitant fees for ordinary transactions, such as cashing a paycheck. They are also less likely to be able to access credit.

## New York Asset Protection Report Card

- Financial costs are the second leading cause of personal bankruptcy in the United States. For an uninsured individual, a medical disaster can become a financial disaster.

Measure	Where NY Ranks	Description
Employer provided health insurance	39	Only 52% of New Yorkers under 65 have employer provided health coverage.
Uninsured low-income children	21	17% of New York children in families at or below 200% of the poverty line do not have health coverage.
Uninsured low-income parents	27	33% of parents in families at or below 200% of the poverty line do not have health coverage.

### Conclusion:

- **New Yorkers are less likely to have employer provided health coverage than workers in most other states.**
- **A significant proportion of low-income New Yorkers, both children and adults, lack health coverage.**

More than four million New Yorkers are uninsured at some time during a year, exposing themselves to the risk of high medical costs. Since medical costs are one of the leading causes of bankruptcy, the lack of health coverage can rob them of whatever assets have been accumulated.

## Discussion

**While there are some asset outcomes on which New York State ranks close to or above the national average, New York is among the worst states in the nation on vital measures of asset development.** New York ranks 50<sup>th</sup> among the states in asset poverty: one-out-of-three (32%) New York households do not have enough savings to live at the federal poverty level for three months without any income<sup>8</sup>. New York also ranks 50<sup>th</sup> in the number of households with zero net worth; one-out-of-four (24%) of New York households have no assets or have liabilities that are as great or greater than their assets. These families are literally living from paycheck to paycheck, with no reserves at all. A lay-off or a medical emergency that prevents a breadwinner from working would throw the family almost immediately into poverty. An unexpected financial burden creates an immediate crisis.

The lack of assets among so many families also reverberates throughout New York's economy, particularly in tough economic times. A family with assets can draw down those reserves and continue to meet financial obligations – car payments, a mortgage – as well as meet daily needs. Without such reserves, businesses and creditors also suffer and the family may be forced to turn to government support programs.

**Homeownership:** Chief among the reasons that New Yorkers have failed to accumulate assets is that the state ranks 50<sup>th</sup> among the states in homeownership, with only half (53%) of the states households owning a home. While the large number of renters in New York City is an obvious reason for that, other data indicates that this is both a statewide problem and a reflection of the state's extreme income disparities. New York homeownership is widely skewed by income, more so than in all but one other state. The richest 20% of New Yorkers are three times as likely to own a home as the poorest 20%. This is consistent with other data on New York. As noted above, New York is the only state in the nation to rank in the top ten in per capita income and poverty rate. You might think from these data – low rates of homeownership and widely skewed income distribution – that the average value of homes in New York would be high, particularly given the high real estate costs in many New York City neighborhoods and in the City's suburbs. However, New York ranks 45<sup>th</sup> in the median value of homes, which is likely to be a reflection of more widespread ownership of low-value homes in upstate New York, much of which remains in a severe economic slump.

Homeownership in New York is also highly skewed by race and gender. New York ranks 43<sup>rd</sup> among the states in the relative value of homes owned by whites as compared with people of color and 48<sup>th</sup> in the relative value of homes in male-headed households vs. female headed households.

**Small Business Capital:** Owning a small business is a traditional route out of poverty, particularly for immigrants. New York ranks below the national average – 32<sup>nd</sup> – on the rate of small business ownership. As might be expected from a small business sector punctuated by immigrant-initiated enterprise, New York is doing better than the national average – 18<sup>th</sup> – in the minority entrepreneurship rate, but lags far behind the national average – 43<sup>rd</sup> – in the value of those businesses.

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<sup>8</sup> FPL for a family of four in New York, as of January 1, 2003, is \$18,450. For an individual it is \$9,030.

**Banking:** family that hopes to engage fully in the financial world, to save responsibly or borrow for education or to meet an emergency, must have a banking relationship. But many New York households are “unbanked”. The state ranks 33<sup>rd</sup> among the 50 states in the proportion of households who have an interest bearing account; 59% of New York households have such an account. New York ranks 29<sup>th</sup> in a measure of households with a non-interest bearing checking account.

**Health Coverage:** New York also lags behind the nation on a key measure of protecting those assets families do have: health coverage. Only half (52%) of employed New Yorkers have employer provided health coverage, giving New York a rank of 39. Three million New Yorkers under the age of 65 (17%) lack health coverage, a proportion that is above the national average of 16%.<sup>9</sup>

**Conclusion:** There were only a handful of measures where New York does somewhat better than national average, with a state rank of less than 20: the incidence and value of women owned businesses, the value of private loans to small businesses, asset poverty among women-headed households, minority entrepreneurship. **However, New York did not rank in the top ten on a single measure.** Clearly, when it comes to building assets, despite the state’s great wealth, New Yorkers are in trouble.

## Recommendations

While the Corporation for Enterprise Development report gives New York an F on assets outcome, it gives New York an A on assets policy. New York has done more than other states to encourage asset development. Still the enormous gulf between policy and results remains. As the report says: “Yet, together, these policies are not operating to a scale and lack the necessary scope to address the large challenges of asset poverty and inequality<sup>10</sup>.”

CED recommends a focus on several policy areas in which the state ranks poorly. CED ranks New York very poorly on equal spending among the state’s school districts. Inequities in New York’s school funding formula have become a central issue in New York. A suit brought by the Campaign for Fiscal Equity, which was heard by the Court of Appeals on May 8<sup>th</sup>, will hopefully force the State to provide equitable funding to students in low-income districts. Many organizations, including the Public Policy and Education Fund of New York, are active in efforts to force the state to provide more equitable funding to New York schools.

CED also points out that New York ranks 42<sup>nd</sup> in the amount it spends on providing customized job training programs that enable individuals to do more highly skilled, high paying jobs. New York should increase its investment in such programs.

There are two other areas where CED notes New York policy is lacking: asset limits which are a barrier to Medicaid enrollment and the lack of a state policy to encourage Individual Development Accounts (IDAs). We discuss these at greater length below.

**Eliminate the Medicaid Asset Limits:** Low-income people who choose to accumulate assets and, as a result, lose Medicaid coverage, face a “Catch 22.” Nearly half of all

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<sup>9</sup> United Hospital Fund, August 2002.

<sup>10</sup> *State asset development report card*, p. 63, Corporation for Enterprise Development, 2002.

bankruptcies are a result of medical debt. Low-income people who are ineligible for Medicaid coverage because they choose to save even a little money may find themselves deeply in debt, or even bankrupt, if they are faced with a medical crisis.

This policy makes no sense: rather than denying low-income people health coverage when they try to save money, government should provide health coverage to low-income families, allowing them to save money and lift themselves from poverty.

New York no longer imposes an asset limit on eligibility for health coverage under Family Health Plus, a program that provides health coverage for low-income adults or under Child Health Plus, which provides subsidized health coverage to children in low-and-moderate income families. However, ironically, New York continues to impose an asset limit for Medicaid, which covers the poorest adults, those who earn less than the federal poverty level. The New York Medicaid asset limits are very restrictive. A couple may not have more than \$3,000 in savings and an individual may not have more than \$2,000 in savings. However, under New York law individuals who do not qualify for Medicaid because of asset limits are eligible for Family Health Plus. As a result, the Medicaid asset limits do not legally disqualify a person from health coverage in New York. However, since applicants for Medicaid and Family Health Plus are asked about their assets, the continued presence of the asset limits almost certainly discourages low-income families from applying for Medicaid, and as a result, continues to put their physical and financial health in jeopardy. The New York State Legislature should correct this by immediately removing the assets limits for people on Medicaid<sup>11</sup>.

**Provide State funding for Individual Development Accounts:** Individual Development Accounts (IDAs) are matched savings accounts that are designed to help low-income persons save for the purchase of a first home, start a small business or obtain post-secondary education and /or job training. This matched savings program is complemented by the provision of such educational training services as financial literacy, home ownership counseling, small business development services and academic and financial aid counseling. This type of asset development program is essential in assisting low-income people in obtaining the assets that will allow them to enjoy greater economic security over the course of their lives.

The federal government, through the creation of the Assets for Independence Act, has acknowledged the importance of asset building for low and moderate-income individuals. The Assets for Independence funding stream provides non-profit groups and states with grant funding to match the savings of program participants to achieve greater long- term economic security by purchasing assets. Congress is currently working on the passage of the Savings for Working Families Act that would provide substantially more funding for asset development through the creation of tax credits.

New York is unfortunately lagging the rest of the nation in providing funding for these new and innovative asset development programs. New York State law currently allows

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<sup>11</sup> The Medicaid asset test is also adding to the administrative costs of local governments in New York, who are responsible for processing Medicaid applications. Local government staff must go to the considerable effort of verifying assets that are declared by Medicaid applicants. Once the level of assets is determined, the only result of this effort is directing the person to either the Medicaid or Family Health Plus programs, which have similar costs to local and state government.

TANF participants to save in an IDA without those savings being deemed assets in determining eligibility for state and federal means tested programs. The state does not however, provide any funding to match the savings of program participants. There are currently 21 states that are operating state supported IDA programs. In the northeast, Connecticut, New Jersey, Pennsylvania and Vermont have all used state general fund monies to provide matching funds for IDA programs.

In spite of the state's lack of financial support for IDAs, New York has at least twenty IDA programs that are funded by the Assets for Independence Act, foundation grants and grants from financial institutions. The Governor and the Legislature should allocate state general funds for the match and administration of these programs. By providing a general fund allocation the state could greatly expand the number of IDA programs currently operating throughout the state.

## Conclusion

Assets matter. As the Asset Development Institute states:

In order to be truly fair, all Americans should have access to asset-building opportunities; each of us should have the prospect of a rewarding, financially secure future, if we aspire and strive for it. Extending the reach of asset-building will bring more families into the economic mainstream, and will also enable minorities, women, and others who have been left off the path toward a better opportunity to share in the "American dream."<sup>12</sup>

As we detail in this report, New York is way behind the rest of the nation in helping people build assets so they can share in the American dream. In a state as rich as New York, we have both the resources to promote asset building and the understanding that our communities would be a lot richer if we enabled every New York family to build assets to reach their dreams.

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<sup>12</sup> From *Extending Opportunity to All Families: The Promise of Asset Building Policies*, a publication of the Asset Development Institute at the Center on Hunger and Poverty at the Heller Graduate School, Brandeis University.