The 2008 Arkansas Assets & Opportunity Scorecard




September 2008

Financial Security | Homeownership | Education

Southern Good Faith Fund

Building communities. Changing lives.

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Southern Good Faith Fund, a 501(c)(3) non-profit organization, is an affiliate of Southern Bancorp, Inc. and is committed to increasing incomes and assets of low-income and low-skilled residents in rural communities. Visit us on the Web at **www.southerngff.org**

Funding and research for the Scorecard was provided by the Corporation for Enterprise Development (CFED), a non-profit organization that believes expanding economic opportunity to include all people will bring greater social equity, alleviate poverty, and lead to a more sustainable economy. As a leader in economic development for more than two decades, CFED collaborates with diverse partners at the national, regional, state and local levels. Website: **www.cfed.org**

expanding economic opportunity

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Executive Summary

Education, a home, a small business, and a "nest egg" for the future represent key assets in achieving family economic security. Earning steady income through a regular paycheck helps pay bills and meet immediate financial needs, but building assets helps construct a foundation for a more secure, stable long-term future. For many families, a single, catastrophic event—a major illness with costly medical bills, losing one's job with no immediate prospects for alternate employment—can shatter an already fragile financial situation, especially in uncertain economic times.

The *2008 Arkansas Assets & Opportunity Scorecard* presents a variety of data to help paint a comprehensive picture of how well Arkansans are doing in building assets in three major categories. Financial security—household net worth and access to mainstream financial services, to name two examples—homeownership, and education represent the kinds of attainable assets that families can accumulate to construct a more secure economic future.

This *Scorecard* offers suggestions on how state policy in Arkansas can better equip individuals and families, especially those with lower incomes, to improve their assets. Arkansas, like other states with high poverty rates, should focus more attention on asset building as part of a larger strategy to improve the social and economic conditions of our state.

In several respects—funding for Individual Development Accounts (IDAs) and initiating incentives for families to save for college, for example—Arkansas offers a positive example for other states to follow. In other areas—access to homeownership in a relatively affordable housing market and college completion—Arkansas still lags well behind other states, both regionally and nationally.

On some key measures of financial security, Arkansas has demonstrated improvement in recent years. The state's median household net worth, while still relatively low, showed the seventh-highest increase nationally. Additionally, while too many Arkansas households are still asset poor, meaning they do not have sufficient net worth to make ends meet at the poverty level for three months, Arkansas experienced the nation's second-largest decline in asset poverty.

These positive developments in financial security are tempered by the state's nationally high use of federal income tax services that drain instead of build assets. Arkansas has the nation's fourth-highest percentage of low-income returns prepared by a paid preparer, when such returns could have been prepared at no cost to the taxpayers. Arkansas also has the nation's seventh-highest percentage of low-income tax returns receiving the federal Earned Income Tax Credit (EITC) in which the taxpayer requests a high-cost Refund Anticipation Loan (RAL) or a Refund Anticipation Check (RAF). Potentially millions of dollars that could build assets are essentially forfeited. A detailed chart on page 12 of this report highlights the scope of this problem.

Arkansas' record is less positive in the areas of homeownership and education. Our state has some of the nation's most affordable housing, but a mediocre actual homeownership rate and a pronounced gap between the richest and poorest households in owning homes. Arkansas performs least impressively in education, with the state scoring near or at the bottom nationally in a range of measures. Improving college completion rates is perhaps the biggest asset building challenge facing the state.

As an earlier edition of this report, the *2005 Arkansas Assets & Opportunity Scorecard*, noted, the primary responsibility for asset building rests with individuals and families. However, the public sector, in particular the policies pursued by government, contributes significantly. The federal home mortgage interest deduction has helped millions of families achieve homeownership, while the federal EITC has moved millions of families out of poverty while rewarding work. State policy can offer the same sort of innovation and opportunities to build assets.

Most of the research was compiled by the Corporation for Enterprise Development (CFED), a national non-profit organization with a mission of expanding economic opportunity, and is adapted from CFED's *2007-2008 Assets & Opportunity Scorecard*. Other data was gathered by Southern Good Faith Fund's Public Policy program. Data for each measurement is gathered from the most recently available sources, which means newer data in some measurements compared with others. Arkansas' data outcomes are compared specifically with six neighboring states—Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and Texas—to provide a regional perspective. Arkansas' national ranking is also provided. In each case, the best possible national

National Rankings in Key Scorecard Data Measurements

	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.
Financial security							
Median household net worth	36	43	49	32	35	40	45
Change in median household net worth (1996-2004)	7	43	49	30	20	37	25
Asset poverty	25	41	45	19	16	33	43
Change in asset poverty (1996-2004). The higher the ranking, the better the outcome; states with the best rankings showed a decrease in asset poverty; states with worse rankings showed no decrease or an increase in asset poverty.	2	30	49	25	24	33	35
Households with zero or negative net worth	20	45	41	19	9	23	34
Percentage of low income federal income tax returns pre-pared by a paid preparer	48	41	51	36	38	37	31
Percentage of low-income returns receiving the federal EITC and requesting a RAL or a RAC	45	49	51	33	39	43	42
Homeownership							
Home affordability	10	17	11	3	1	16	4
Homeownership rate	37	19	2	22	17	20	44
Change in homeownership rate (2000-2005)	30	5	12	45	31	25	21
Ratio of wealthiest 20% of households owning homes to poorest 20% owning homes	23	26	9	25	17	20	30
Education							
Percentage of population older than 25 with associate's degree as the highest degree	48	50	26	46	33	49	43
Percentage of heads of households with at least four years of college	50	47	49	36	41	43	28
Change in percentage of heads of households with at least four years of college (1997-2004)	22	48	46	41	36	8	31
Ratio of wealthiest 20% of households with bachelor's degrees to poorest 20% with bachelor's degrees	43	48	45	31	38	50	40

Key Measures of Asset Building in Arkansas

The following lists summarize the most significant data measurements in the areas of financial security, homeownership, and education. Additional data measurements are listed in the main text of the *Scorecard*.

Financial Security

- Arkansas has a median household net worth of $53,100, ranking No. 36 out of 51 nationally. The state's performance in this measurement improved appreciably between 1996 and 2004; the state's median household net worth (assets less liabilities) increased by 125 percent, representing the seventh-highest increase nationally.
- 21.4 percent of Arkansas households are asset poor—meaning they do not have sufficient net worth to make ends meet at the poverty level for three months. Arkansas ranks No. 25 nationally. Arkansas also has made progress in this area. Between 1996 and 2004, asset poverty in Arkansas declined by 9.7 percent—the second largest decline nationally. Only Delaware showed a larger decline in asset poverty.
- 13.9 percent of Arkansas households have zero or negative net worth. Arkansas ranks No. 20 nationally.
- 64.8 percent of low-income federal income tax returns in Arkansas are prepared by a paid preparer—the second-highest rate regionally and the fourth-highest nationally (see chart on page 12).
- 58.5 percent of income tax returns in Arkansas that receive the federal Earned Income Tax Credit receive a high-cost RAL or a RAC—the second-highest rate regionally and the seventh-highest nationally (see chart on page 12).
- Arkansas has 129 payday lending stores, a 46 percent decline from 237 in March 2008 when Arkansas Attorney General Dustin McDaniel initiated a crackdown on payday lenders based on two Arkansas Supreme Court rulings which indicated payday lending violates the Arkansas Constitution's interest rate cap of 17 percent annual percentage rate on consumer loans. The debt trap inherent in the payday lending model represents a substantial barrier to asset building.

Arkansas' performance in these key financial security measures indicates promising progress in increasing household net worth, reducing asset poverty, and curbing predatory payday lending. These positive developments are unfortunately tempered by the state's nationally high levels of low-income taxpayer use of federal income tax services that drain instead of build assets. Specific remedies to this glaring exception are suggested more thoroughly in the policy recommendation section which follows.

Homeownership

- Arkansas has a home value ratio—housing affordability relative to wages—of 2.61. Arkansas ranks No. 10 nationally.
- Arkansas has an overall homeownership rate of 69.2 percent. Arkansas ranks No. 37 nationally. Arkansas' homeownership rate remained about the same between 2000 and 2005. While homes are more affordable in Arkansas than in many states, the state's actual rate of homeownership is much lower—indicating that access to affordable housing is an issue
- The homeownership rate for the poorest one-fifth of Arkansas' families is 44.4 percent, compared with a homeownership rate of 91 percent for the wealthiest one-fifth of Arkansas' families. Arkansas ranks No. 23 nationally.

An example of the often stark disconnect between the potential and the actual is Arkansas' high national ranking in home affordability compared with a significantly lower national ranking in actual homeownership. Arkansas' homeownership gap between the richest and poorest households is also high relative to home affordability. These statistics highlight the need to better leverage a positive housing environment into actual housing opportunity.

Education

- Just 5.51 percent of Arkansans older than 25 have an associate's degree as their highest degree. Arkansas ranks No. 48 nationally.
- Similarly, only 18.6 percent of heads of households in Arkansas have at least four years of college. Arkansas ranks No. 50 nationally; only West Virginia fares worse in this measurement.
- 6.2 percent of heads of households from the poorest one-fifth of Arkansas households have at least four years of college, compared with 42.3 percent for the wealthiest one-fifth of households. Arkansas ranks No. 43 nationally.

Unfortunately, Arkansas' performance in education measures is uniformly negative—particularly in the key measurement of attaining at least four years of college. The opening paragraphs of this *Scorecard* state an observation worth reiterating here: Improving college completion rates is perhaps the biggest asset building challenge facing the state.

To address some of the challenges identified above, and also build on Arkansas' promising outcomes in other areas, the *Scorecard* makes the following recommendations to provide greater opportunities for Arkansans to build assets in the areas of financial security, homeownership, and education.

Policy Recommendations

Financial Security

- **Earmark state funding for Volunteer Income Tax Preparation (VITA) outreach and site operation.** This would be a cost-effective investment given the state's fourth-highest in the nation percentage of low-income taxpayers who use paid preparation services, and the underutilization of the federal EITC among potentially eligible taxpayers in Arkansas. These taxpayers qualify for free assistance through VITA that would enable them to save money and take better advantage of the federal EITC to help build assets. Additionally, VITA sites can more deliberately steer clients to asset building opportunities that the state currently provides, such as IDAs and the Aspiring Scholars Matching Grant program.
- **Maintain the increased Individual Development Account program funding authorized under Act 1289 of 2007 of $1.7 million a year.** This represented the first increase in state IDA funding since the program was created in 1999, and the increase has already more than doubled the number of IDA providers statewide and significantly expanded the number of Arkansans across the state who have access to IDAs. IDAs are a proven product for helping families buy a home and pay for college.
- **Continue enforcement of the attorney general's March 2008 directive that payday lenders cease operations in Arkansas.**

Homeownership

Establish and provide revenue for a state housing trust fund. Arkansas is one of just 12 states without a state housing trust fund. State housing trust funds are distinct funds established by state governments that receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable housing, including homeownership. A housing trust fund is a vehicle that could leverage Arkansas' relatively affordable housing environment into greater access to actual homeownership opportunities and other affordable housing opportunities.

Education

- **Increase funding for the Aspiring Scholars Matching Grant Program to $300,000 per year over the next biennium.** Aspiring Scholars is the state's 529 college savings plan match for lower- and middle-income families created in 2007. Like every state, Arkansas has a 529 college savings plan, named for the section of the Internal Revenue Service Code under which these plans are authorized. Arkansas' plan is named the GIFT Plan. The exceptionally high demand for Aspiring Scholars demonstrated in its first year of authorization, coupled with the state's continued near-bottom rankings in higher education attainment, merit an increase in program funding.
- **Increase funding for the Workforce Improvement Grant (WIG) program, the state's only need-based financial aid program that targets adult students.**
- **Extend need-based state financial aid to young adults who have been out of high school for more than a year but are younger than 24.** There is very little state need-based financial aid for young adults ages 19 through 23.
- **Increase individual grant award amount and income eligibility for the GO! Opportunities Grant Program.** Because GO! Opportunities Grants can be combined with other forms of state and federal student financial aid, increasing the scholarship dollar amount or increasing the base adjusted gross income limit could significantly increase access to higher education in Arkansas.

Financial Security

Financial security is the most basic kind of asset. It spans income, net worth and savings, and access to adequate and reasonably priced financial services, which provide the tools and incentives to earn, save, invest, and maintain assets that have been built.

Measures of Arkansans' Financial Security

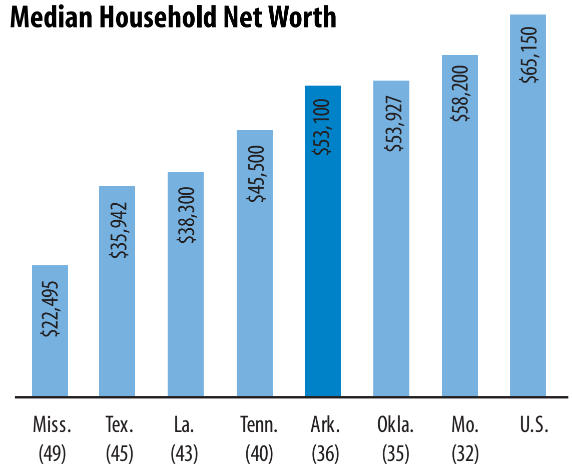
On some key measures of financial security, Arkansas has demonstrated improvement in recent years. The state's median household net worth, while still relatively low, showed the seventh-highest increase nationally. Additionally, while too many Arkansas households are still asset poor, meaning they do not have sufficient net worth to make ends meet at the poverty level for three months, Arkansas experienced the nation's second-largest decline in asset poverty.

These positive developments in financial security are tempered by the state's nationally high use of federal income tax services that drain instead of build assets.

Median Household Net Worth

Household net worth provides a basic indication of the level of relative family wealth in a given geographic area. There are a number of factors included in the definition of net worth; the basic definition is assets minus liabilities.[1] For this measure, data is presented at the median rather than the mean. Means (averages) are very sensitive to outlying values; a few households with very large net worth will increase the average, for example.

Median Household Net Worth



SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census. Survey of Income and Program Participation [Electronic data tape]. (2004).

Arkansas' median household net worth of $53,100 ranks in the lower half of the 50 states, but is the third-highest in the seven-state region. Moreover, an analysis of trends in household net worth shows that on both a regional and a national basis, Arkansas

Change in Median Net Worth of Households

	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.
1996	$23,596	$35,398	$34,175	$42,780	$33,800	$36,236	$24,506
2002	$43,467	$45,958	$26,500	$48,687	$39,400	$49,190	$34,500
2004	$53,100	$38,300	$22,495	$58,200	$53,927	$45,500	$35,942
Percent Change 1996-2004	125%	8.2%	-34.2%	36%	59.5%	25.6%	46.7%
Rank	7	43	49	30	20	37	25

SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census. Survey of Income and Program Participation [Electronic data tape]. (1994, 1995, 2002, 2004). Washington, D.C.

has shown significant improvement in this measurement. Between 1996 and 2004, Arkansas' household net worth increased by 125 percent—far outpacing any neighboring state and netting a No. 7 rank nationally in change of household net worth.

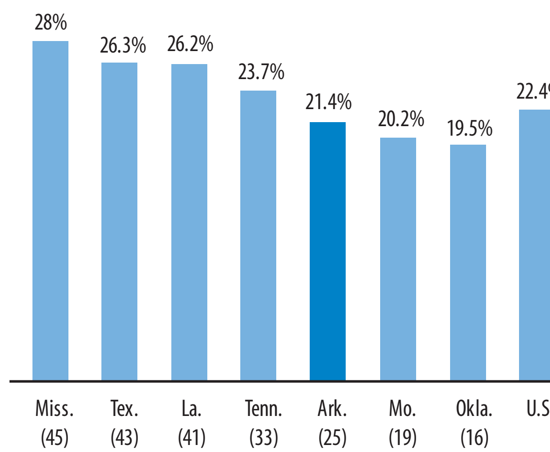
Asset Poverty

While Arkansas experienced a positive trend in overall median household net worth, this measurement does not tell the whole story. A stark indicator of the challenges families face in building financial security is asset poverty. Households that are asset poor lack sufficient net worth as defined in the previous section to make ends meet at the poverty level for three months should their sources of income be eliminated.

Asset poverty expands the notion of poverty to include a minimum threshold of wealth needed for both security and mobility. Three months is a rather conservative cushion for a family that loses its income. A family of three in these circumstances would need at least $3,767 in net worth to stay out of asset poverty. Asset poverty exceeds income poverty in all 50 states and the District of Columbia. In Arkansas, about a fifth (21.4 percent) of households are asset poor, which ranks No. 25 nationally.

As with household net worth, however, asset poverty in Arkansas is less dire than a decade ago. Measuring the change in asset poverty shows how well residents in a state are moving closer to, or farther away from, financial self-sufficiency and security. A trends analysis shows that between 1996 and 2004, asset poverty in Arkansas declined by 9.7 percent—the second largest decline nationally, far outpacing any other neighboring state. Only Delaware showed a larger decline in asset poverty. The fact that more than a fifth of Arkansas households are asset poor indicates that there are still families who struggle even to get by, much less get ahead at any point. A decline in asset poverty during the eight-year period represents a positive outcome.

Asset Poverty



SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census. Survey of Income and Program Participation [Electronic data tape]. (2004).

Change in Asset Poverty

	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.
1996	31%	25.9%	19.4%	21.3%	20.8%	22.9%	25.5%
2002	25.8%	23.6%	25.8%	22.4%	27.6%	25.7%	28.8%
2004	21.38%	26.18%	27.98%	20.17%	19.53%	23.66%	26.31%
Absolute Change 1996-2004	-9.7%	0.3%	8.6%	-1.1%	-1.3%	0.8%*	0.8%*
Rank	2	30	49	25	24	33	35

SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census. Survey of Income and Program Participation [Electronic data tape]. (1994, 1995, 2002, 2004). Washington, D.C.

*Note: Number of decimal places are limited for presentation purposes. State ranks are based on full number. Two states might therefore have different ranks even though the measures here appear the same.

Who Are the Asset Poor? A Closer Look

A demographic breakdown of asset poverty in Arkansas, neighboring states and the United States overall reveals that families with higher education and who own homes are much less likely to be asset poor. In Arkansas as well as many other states in the region, significantly higher proportions of renters than homeowners are asset poor. While just 6.34 percent of homeowners in Arkansas are asset poor, nearly six in 10 renters (57.7 percent) are classified as asset poor.

The gap is not as pronounced in higher educational attainment, but there is still a clear trend; in Arkansas, 31.7 percent of households in which the head of household has a high school diploma or less are asset poor, compared with 16.3 percent of households in which the head of household has a bachelor's degree.

Later sections of this report take a deeper look at education and homeownership, and how attainment in both areas can be a crucial element in building assets. Certainly, there is not a direct, universal, or guaranteed cause-and-effect linkage between higher education/homeownership and absence of asset poverty. But data clearly indicates that college graduates and homeowners are more likely not to be asset poor. Thus, many of the policy recommendations in this report focus on helping more Arkansans become homeowners and go to college.

Asset Poverty Based on Homeownership Status and Educational Attainment

Each state's national rank among the 50 states and the District of Columbia for the measurement is in parentheses:

	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.	U.S.
Homeownership status								
Own home	6.34% (39)	6.87% (44)	7.72% (49)	5.78% (32)	5.93% (35)	6.32% (38)	5.85% (33)	16%
Renter	57.7% (44)	60.8% (50)	62.2% (51)	54.8% (28)	57.5% (43)	57.2% (42)	58.1% (45)	39%
Education								
High school or less	31.7% (37)	32.6% (41)	32.5% (40)	25.2% (11)	29.1% (29)	28.4% (25)	35.2% (47)	39%
Some college	26.1% (35)	27.7% (48)	25.2% (40)	22.7% (24)	27% (46)	24.2% (34)	25.7% (44)	30.8%
Bachelor's degree	16.3% (40)	17.9% (48)	15.8% (35)	15.2% (30)	14.1% (19)	15% (27)	15.3% (31)	8.2%
Advanced degree	8.7% (39)*	9% (43)	10% (48)	9.9% (47)	7.9% (26)	8.1% (28)	8.7% (38)*	8.2%

SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Census Bureau, American Community Survey, 2004.

*Note: Number of decimal places are limited for presentation purposes. State ranks are based on full number. Two states might therefore have different ranks even though the measures here appear the same.

Zero Net Worth

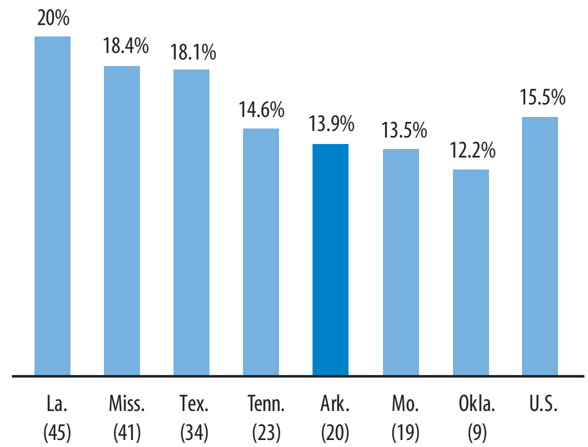
One way to examine the depth or intensity of asset poverty is zero or negative net worth. Families who meet this definition owe more than they own. In Arkansas, 13.9 percent of households have zero or negative net worth—ranking No. 20 nationwide.

Other Financial Security Measures

In five other selected measures of financial security, Arkansas fares relatively well in two (percentage of households with non-interest-bearing bank accounts and median credit card debt per borrower) but less well in three (percentage of households with interest-bearing bank accounts, consumer bankruptcy rate and median installment debt).[2] Arkansas fared particularly poorly in its consumer bankruptcy rate of 10.8 per 1,000 people (No. 47 nationally and No. 5 regionally) and percentage of households with interest-bearing bank accounts (No. 46 nationally and No. 6 regionally).[3]

The state's low ranking in interest-bearing bank accounts (which include interest-bearing checking accounts, savings accounts, and money market accounts) is troubling, because these accounts are one of the most basic asset accumulation tools. Similarly troubling is the state's relatively high consumer bankruptcy rate. Bankruptcy is an indicator of how wealth is being eroded. Bankruptcy results when a household's expenses far exceed its income.

Households with zero or negative net worth



SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census. Survey of Income and Program Participation [Electronic data tape]. (2004).

While many of the measures in this report focus on households that have little or no wealth, bankruptcies capture the plight faced by families that were self-sufficient—who had secure jobs, homes and/or savings—until their debt became overwhelming.

It should be noted that while Arkansas ranks No. 1 nationally in the percentage of households with non-interest-bearing bank accounts, this still leaves more than half of households in our state without the most basic type of checking account. Research shows that at every level of income, "unbanked" households are worse off financially than their "banked" counterparts. Households without such basic transaction accounts are 43 percentage points less likely to have positive net worth, 13 percentage points less likely to have a home, and 8 percentage points less likely to own a vehicle. [4]

Southern Bancorp through its community banks in Arkansas and Mississippi is working to develop products designed to serve the basic financial service needs of low-income Arkansans—ranging from daily financial transaction products to loan and savings products including home mortgages, non-predatory alternatives to payday loans, and stored value cards. Southern Good Faith Fund is a nonprofit affiliate of Southern Bancorp.

Additional Financial Security Measures

Each state's national rank among the 50 states and the District of Columbia for the measurement is in parentheses.

Data Measure	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.
Percentage of households with non-interest-bearing bank accounts	47.4% (1)	28.7% (38)	33.1% (22)	39.7% (6)	36% (13)	30% (34)	31.5% (25)
Percentage of households with interest-bearing bank accounts	43.1% (46)	43.2% (45)	28.9% (49)	59.9% (27)	46.8% (43)	52.2% (38)	46.8% (42)
Consumer bankruptcy rate (per 1,000 people)	10.8 (47)	8 (32)*	8 (33)*	9 (41)	10.8 (48)	11 (49)	5.1 (15)
Median credit card debt, per borrower	$1,313 (7)	$1,285 (5)	$1,098 (1)	$1,538 (17)	$1,364 (9)	$1,424 (11)	$1,611 (23)
Median installment debt, per borrower	$15,123 (41)	$14,708 (34)	$14,035 (26)	$13,614 (11)	$13,828 (17)	$13,761 (14)	$15,137 (42)

SOURCES: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census. *Survey of Income and Program Participation* [Electronic data tape] (2004); American Bankruptcy Institute, *Annual U.S. Bankruptcy Filings by State, 2000-2006*; TransUnion. Trend Analysis Data. Q4, 2006.

*Note: Number of decimal places are limited for presentation purposes. State ranks are based on full number. Two states might therefore have different ranks even though the measures here appear the same.

Payday Lending

Arkansas is making significant progress in another area related to financial security. The *2005 Arkansas Assets & Opportunity Scorecard* presented detailed statistics regarding payday lending and its detrimental impact on Arkansans' financial security. Since the earlier edition of this reported was published in December 2005, actions by the Arkansas attorney general and two decisions by the Arkansas Supreme Court have significantly changed the policy landscape on this issue.

Attorney General Dustin McDaniel on March 11, 2008, ordered payday lenders licensed and regulated by the state to stop making loans and forgive all outstanding loans, based on two consecutive Arkansas Supreme Court decisions that made clear that a 1999 state law pushed through the Legislature by the payday lenders was not a shield against the state constitution's 17 percent annual interest usury cap. Of the 156 payday lenders initially targeted by the attorney general's actions, as of September 2008, 108 stopped making loans. The lenders that stopped making loans generally were those locally owned and operated. The remaining 48, including Advance America, the nation's largest payday lender, have continued making loans. The attorney general has indicated he will pursue legal action if necessary to compel payday lenders to comply with his directive, and also has indicated that the 81 payday lenders which, until recently, operated outside state regulation will also be targeted.

In another positive development, the Arkansas State Board of Collection Agencies on August 27, 2008, voted to regulate those 81 payday lenders. The board's pro-consumer action means that pending ultimate resolution of the payday lending issue in Arkansas, all remaining payday lenders in the state will be subject to the board's regulations. Regulations include limiting payday loans to $400 per borrower, holding no more than one check from one customer at a time, and making loans only in cash. Many of these 81 payday lenders routinely made loans of $900 or more per customer and were not audited by the state for their payday loan activity.

Arkansans Against Abusive Payday Lending (AAAPL), a coalition of 40 organizations including Southern Good Faith Fund, has helped keep the issue of ending abusive payday lending visible and viable in the public eye. AAAPL in preparation for the 2009 legislative session, and in consultation with the attorney general's office, will determine whether legislation is necessary to prevent payday lenders from exploiting any loopholes that might allow them to circumvent the attorney general's pro-consumer actions. Additionally, in response to the clear demand for non-predatory alternatives to payday loans, Southern Bancorp has begun developing a program that will provide small, short-term, affordable loans for working families.

Asset Building and Income Tax Filing

Arkansas does not perform so well on another financial security measure. The federal Earned Income Tax Credit is a refundable federal income tax credit designed to offset Social Security payroll taxes and income taxes paid by lower-income workers. When the EITC is greater than the amount of taxes owed, the taxpayer receives a refund from the IRS. The process by which EITC-eligible taxpayers file their annual federal income tax return plays a key role in how much of the refund can be used for asset building.

These refund checks are frequently the largest lump-sum, discretionary funds that those taxpayers receive all year. The potential for these funds to further long-term asset development is significant—especially since the Internal Revenue Service in 2006 began allowing refunds to be divided among multiple bank accounts. Under this scenario, a lower-income taxpayer could "split" refund proceeds among a checking account for immediate needs and a savings account to build assets for a future. However, the use by lower-income taxpayers of paid tax preparers in general, and Refund Anticipation Loans in particular, in many cases thwarts the potential asset-building potential offered by these refunds.

Ironically, these taxpayers need pay no additional cost to secure their refunds. Low-income taxpayers are almost universally eligible for free income tax preparation services through the IRS' Volunteer Income Tax Assistance program. IRS-certified volunteer tax preparers file all returns electronically, speeding up the refund process and determining whether participants qualify for the federal EITC. Taxpayers with annual incomes of $40,000 or less are eligible for VITA services.

However, the most recently available detailed individual income tax return summary data from the IRS indicates that almost two-thirds of low-income tax returns from Arkansans (64.8 percent) are prepared by a paid preparer. This rate of paid preparation is the second-highest in the region and the fourth-highest in the nation. Commercial tax preparers charge an average of $160 per return; this represents about 8 percent of the average EITC refund of $2,113 for families with children.[5] Every one of these returns is classified by the IRS as low-income because the returns fall below the EITC earnings threshold, and thus would qualify for free income tax preparation through VITA.

Moreover, Arkansas had the nation's seventh-highest percentage (58.5 percent) nationally of EITC returns receiving a Refund Anticipation Loan or Refund Anticipation Check. RALs, secured by the taxpayer's expected refund, are generally marketed by paid tax preparers and can carry equivalent annual percentage rates of more than 500 percent, a June 2008 report by the U.S. Government Accountability Office found. The GAO report also questioned whether RAL consumers actually understand the loan terms.[6] RALs in 2005 cost consumers more than $1 billion in fees, $600 million of which came from EITC recipients.[7]

Almost two-thirds of low-income tax returns from Arkansans are prepared by a paid preparer. This rate of paid preparation is the fourth-highest in the nation.

Low-income Tax Preparation DataLow-income Tax Preparation Data

	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.	U.S.
Number of low-income returns*	725,763	1,095,730	765,277	1,515,172	904,641	1,599,869	5,704,103	74,562,886
Percentage of low income returns that received the EITC	38.7%	44.3%	48.4%	29.1%	34.3%	34.7%	39.1%	29.6%
Percentage of low income returns prepared by a paid preparer	64.8%	61.8%	65.5%	57.5%	59.2%	58.7%	57.5%	57.6%
Percentage of low income returns with a RAL or a RAC	29.8%	35.1%	39.9%	19.6%	24.6%	27.9%	29.9%	20.4%
Percentage of returns receiving the EITC with a RAL or a RAC	58.5%	62.9%	66.5%	46.8%	50.2%	56%	56%	46.7%
Percentage of low income returns prepared by a volunteer	2.6%	2.1%	1.6%	2.6%	2.9%	2.1%	2.4%	2.5%

SOURCE: Internal Revenue Service 2005 Individual Tax Return Data.

*Note: Low-income returns are defined as those with adjusted gross income under the Earned Income Tax Credit limit for each year—for 2005, $35,263 ($37,263 Married Filing Jointly) with 2 or more qualifying children; $31,030 ($33,030 Married Filing Jointly) with 1 qualifying child; or $11,750 ($13,750 Married Filing Jointly) with no qualifying children.

Low-income Arkansas taxpayers could save money and build assets by using volunteer tax preparation services, such as those offered through VITA. As the summary data shows, however, a tiny percentage of low-income returns (just 2.6 percent) were prepared by a volunteer. A key reason why more low-income taxpayers do not use VITA services is because they are unaware that the service exists. A recent report prepared for the National Community Tax Coalition found that VITA sites represent a vital link to the hardest-to-serve tax-payers, including EITC-eligible families, limited English proficient taxpayers, and workers who hold multiple jobs. [8]

As mentioned above, all 725,763 Arkansas returns classified as low-income in 2005 were classified as such because the reported income met EITC income requirements. Of those 725,763 returns, 280,854 (38.7 percent) actually received the EITC. Therefore, based on income alone, potentially another 444,909 returns could qualify for the EITC; however, there are factors other than income that determine EITC eligibility, notably the number of children in the household. It is impossible to accurately predict precisely how many of these 444,909 low-income Arkansas returns would meet all EITC eligibility requirements.

However, the potential benefits are significant. Even if just 10 percent (44,491) of the 444,909 low-income returns qualified for the EITC and each return received the average EITC per filer in Arkansas ($2,016 in 2005, according to an April 2008 report by Arkansas Advocates for Children and Families), the collective financial benefit would be $89.7 million—a tremendous boon to family asset building.

Policy Recommendations

The following policy recommendations are designed to address the challenges outlined above and help more Arkansans build greater financial security:

- **Maintain the state's recent increase in funding for Individual Development Accounts.** IDAs are one of the most successful and cost-effective vehicles for helping families save and build assets. Arkansas is one of

18 states with a state-supported IDA program. IDAs are matched savings accounts designed to help low-income individuals and families establish a pattern of regular savings for the purchase of one of three allowable assets. For every $1 saved a match of $3 is made to purchase a home or make improvements on an existing home; start or expand a business; or pay for higher education.

The *2005 Arkansas Assets & Opportunity Scorecard* recommended that the state's funding of IDAs be at least doubled from the $550,000 appropriation the program had received since its 1999 inception. The Arkansas General Assembly in its 2007 regular session approved Act 1289, which more than tripled the state's TANF funding of IDAs funding to $1.7 million annually for the next two budget years (July 1, 2007, to June 30, 2009). Subsequently, the number of TANF-funded IDA providers has more than doubled, from four to nine. The number of counties in which IDAs are available has increased to 57 of the state's 75 counties.

Given Arkansas' significant increase in IDA funding in 2007, this report recommends maintaining the current $1.7 million annual appropriation in each of the next two budget years (July 1, 2009, to June 30, 2011). The demonstrated benefits of the IDA program are outlined in a publication issued in October 2006 by Southern Good Faith Fund. This publication, *Arkansas' Individual Development Account (IDA) Program: Survey Shows Broad Impact*, is available online at:
http://www.southerngff.org/_pdf/pub_pp/pp_v28_9_06.pdf

- **Earmark state funding for VITA/EITC outreach and VITA site operation.** This would be a cost-effective investment given the state's relatively high percentage of low-income taxpayers who use paid preparation services, and the underutilization of the federal EITC among potentially eligible taxpayers in Arkansas. These taxpayers qualify for free assistance through VITA that would enable them to save money and take better advantage of the federal EITC to help build assets. Additionally, VITA sites can more deliberately steer clients to asset building opportunities that the state currently provides, such as IDAs. Delaware, a smaller state than Arkansas, funds a statewide EITC outreach campaign at an annual cost of $56,000; Illinois, a larger state, funds statewide EITC outreach and 20 tax preparation sites at an annual cost of $390,000.[9] Minnesota funds statewide tax preparation sites operated by nonprofit organizations and the state Department of Revenue; the program was allocated $75,000 in 2007 and 2008, and will be allocated $100,000 starting in 2009.[10] Arkansas should consider funding statewide outreach and tax-site operations, given its relatively high percentage of low-income taxpayers who pay to have returns prepared when they would otherwise qualify for VITA assistance—and potentially could qualify for the EITC.

Attorney General McDaniel's pro-consumer efforts have reduced the number of payday lending outlets operating in Arkansas by an impressive 46 percent (from 237 to 129).

- **Continue enforcement of the attorney general's directive that payday lenders cease operations in Arkansas.** Attorney General McDaniel's pro-consumer efforts have reduced the number of payday lending outlets operating in Arkansas by an impressive 46 percent (from 237 to 129). The attorney general has indicated he will pursue legal action if necessary to compel payday lenders to comply with his directive. The attorney general noted when he initiated his directive in March 2008 that finishing the job may take some time—but ultimately consumers will benefit.

Homeownership

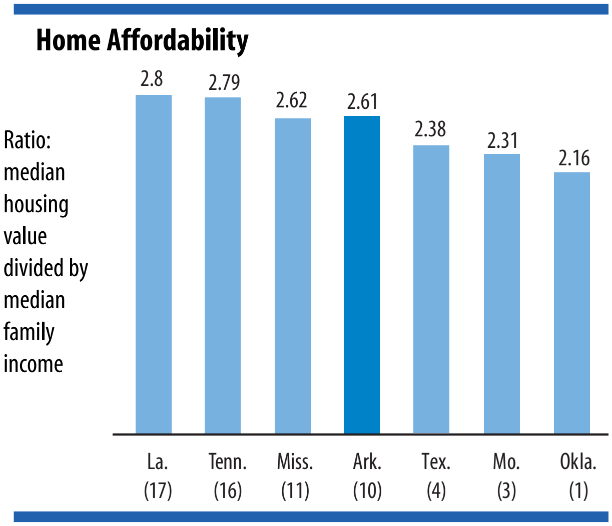
Homeownership is another key foundation for asset building. The family home is not only the chief asset of many American households; it is a foundation from which other key assets are built, such as equity and other forms of financial security.

Measures of Arkansans' Homeownership

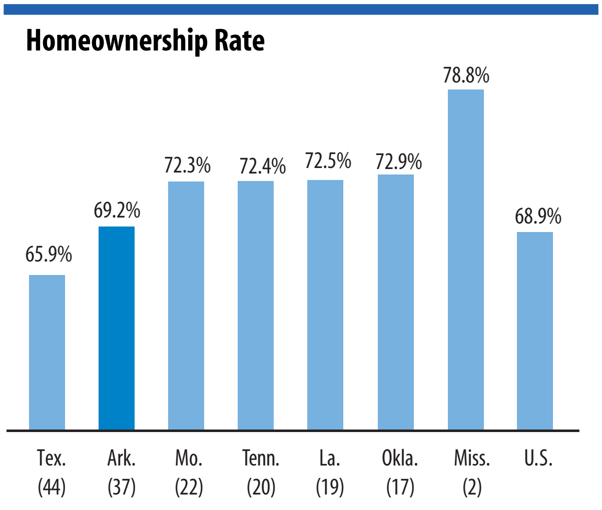
Arkansas has some of the nation's most affordable housing, but a mediocre actual homeownership rate and a pronounced gap between the richest and poorest households in owning homes. These statistics highlight the need to better leverage a positive housing environment into actual housing opportunities.

Home Affordability

Home value ratios are a basic measure of housing affordability. The higher the ratio of housing value to income, the less accessible homeownership becomes. The home value measurement for each state is the median housing value divided by median family income. Arkansas, with a home value rating of 2.61, has the fourth most affordable homes in the region, with a national ranking of No. 10. In areas where housing values are high relative to wages, many prospective homeowners are priced out of the market. However, high housing values can create wealth for those who already own.



SOURCES: The *2007-2008 Assets & Opportunity Scorecard*, CFED. Median housing values: U.S. Department of Commerce, Bureau of the Census. Survey of Income and Program Participation [Electronic data tape]. (2004). Median family income: U.S. Census Bureau, Current Population Survey, 2004 to 2006 Annual Social and Economic Supplements. Retrieved November, 2006.



SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Census Bureau, Housing and Household Economic Statistics Division, Housing Vacancies and Annual Statistics: 2005. Washington, D.C.: 2006.

Homeownership Rate

Home affordability is an abstract concept compared with the actual rate at which families own homes. In Arkansas, there is a measurable disconnect between the two. While Arkansas has the 10th most affordable homes in the nation, its actual homeownership rate is much lower—ranking No. 37 nationally, and next to last regionally.

A trends analysis of homeownership in Arkansas between 2000 and 2005 shows that the state's homeownership rate stayed basically the same, increasing by just 0.3 percent. Regionally, only Oklahoma (a 0.2 percent increase in homeownership) and Missouri (a 1.9 percent decrease in homeownership) fared worse.

Change in Homeownership Rate

	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.
2000	68.9%	68.1%	75.2%	74.2%	72.7%	70.9%	63.8%
2003	69.6%	67.5%	73.4%	74%	69.1%	70.8%	64.5%
2005	69.2%	72.5%	78.8%	72.3%	72.9%	72.4%	65.9%
Percent Change, 2000-2005	0.3%	4.4%	3.6%	-1.9%	0.2%	1.5%	2.1%
Rank	30	5	12	45	31	25	21

SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Census Bureau, Housing and Household Economic Statistics Division, Housing Vacancies and Annual Statistics: 2000, 2003, 2005.

Like most states, in Arkansas there is a significant gap in homeownership based on income. Among the wealthiest 20 percent of Arkansas households, 91 percent are homeowners; among the poorest 20 percent, just 44.4 percent own homes.[11] This means that for every Arkansas household in the lowest 20 percent of earners who are homeowners, two households in the highest fifth own homes. Regionally, Arkansas fares better than about half the states and worse than the other half in this measurement, and ranked No. 23 nationally.

The Financial Security section of this report highlighted the relationship between homeownership and asset poverty. To reiterate: while just 6.34 percent of homeowners in Arkansas are asset poor, nearly six in 10 renters (57.7 percent) are classified as asset poor. Arkansas' percentage of renters who are asset poor is the eighth-highest in the nation.

Homeownership by Income

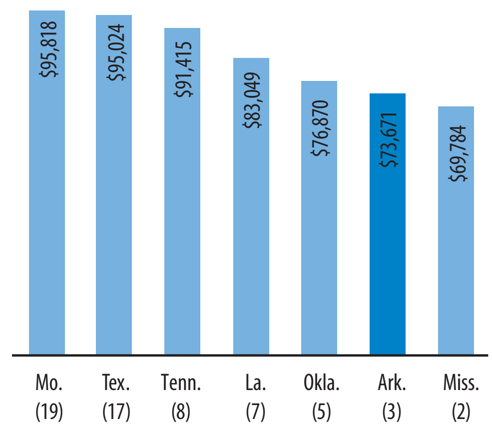
State	Top fifth	Bottom fifth	Ratio	National rank
Mississippi	90.4%	47.8 %	1.89	9
Oklahoma	90.1 %	44.6 %	2.02	17
Tennessee	91.5 %	44.9%	2.04	20
Arkansas	**91 %**	**44.4%**	**2.05**	**23**
Missouri	93%	43.6%	2.13	25
Louisiana	90.8%	42.5%	2.14	26
Texas	90.3%	41.2 %	2.19	30

SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Census Bureau, American Community Survey, 2004.

Median Mortgage Debt

Indebtedness can make households particularly vulnerable in times of economic hardship or in the event of job loss. Overly high levels of mortgage debt are financial burdens that can overextend a household's budget and worsen periods of financial instability. Arkansas does fare well in this measurement; the state's $73,671 median mortgage debt is the third-lowest in the nation. This suggests that for Arkansans who are homeowners, the level of debt they incur to own a home is relatively low; however, this is not unexpected given the state's relatively affordable home prices and demonstrates that a positive housing environment doesn't necessarily translate into actual homeownership.

Median mortgage debt



SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from TransUnion. Trend Analysis Data. Q4, 2006

Policy Recommendation

Establish a statewide housing trust fund. Arkansas has the basic foundation of affordable housing to foster a higher homeownership rate. A common and successful vehicle for increasing homeownership rates is a statewide housing trust fund to support these activities.

Many of these activities, particularly homebuyer education and counseling, will help the state in responding to the current problems in the housing market. Southern Good Faith Fund will soon be releasing a report that looks at the housing market and the mortgage foreclosure problem in greater detail including additional possible policy responses.

Housing trust funds provide funding for a variety of activities that expand access to affordable housing, including homebuyer education and counseling, down payment assistance, home construction and rehabilitation, and more. Housing trust funds typically leverage other existing affordable housing funding. Arkansas is one of just 12 states without a statewide housing trust fund. Regionally, the majority of states—Louisiana, Missouri, Oklahoma, and Texas—have housing trust funds. Arkansas, Mississippi, and Tennessee do not.

In addition to the 38 states with statewide housing trust funds, there are numerous city and county housing trust funds; including those, there are a total of approximately 600 housing trust funds in the United States, contributing a collective $1.6 billion annually for affordable housing.[12]

Immediately leveraged funds are not the only collateral benefit of housing trust funds. There are community and state economic benefits as well in the form of increased jobs, earned income, and local and state tax revenues.

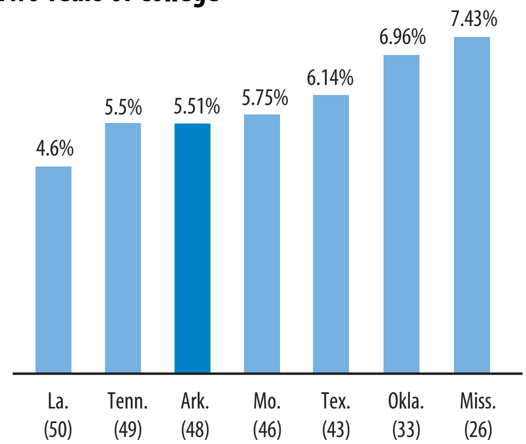
Education

Educational attainment, particularly a college degree, produces the knowledge and income that are needed to build other assets. The relationship between education and income is strong. A recent study by the College Board, an association of 5,400 colleges and other educational organizations with a mission of connecting students to college opportunity and success, measured how higher education can significantly increase an individual's lifetime earning power.

The report estimates that a typical associate's degree recipient can expect to earn about 28 percent more over a 40-year working life than the typical high school graduate earns over the same period. That adds an estimated $354,000 in income over the associate's degree recipient's working life. For a bachelor's degree recipient, the typical earnings premium over a high school graduate is 62 percent—adding an estimated $787,650 in income over the degree recipient's working life. More specifically, the median annual earnings premium over a high school diploma is $9,100 for an associate's degree recipient and $19,400 for a bachelor's degree recipient. [13]

Besides income, educational attainment also has a direct impact on asset building, as the Financial Security section of this report described. To reiterate: 31.7 percent of households in which the head of household has a high school diploma or less are asset poor, compared with 16.3 percent of households in which the head of household has a bachelor's degree.

Two Years of College



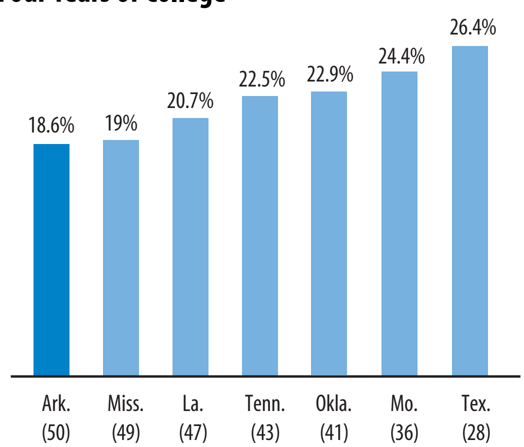
SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census, Current Population Survey data tapes from 2003, 2004, and 2005.

Measures of Arkansans' Educational Attainment

Unfortunately, Arkansans are generally not in a position to reap the benefits of higher educational attainment. Historically, Arkansas has ranked low nationally in college degree completion, and the data outlined in this report indicates that this trend continues. In Arkansas, 5.51 percent of the population older than 25 has an associate's degree as their highest degree; this is the fourth-lowest percentage nationally (No. 48) and the third-lowest percentage regionally.

Arkansas fares even worse in its percentage of heads of household with at least four years of college—18.6 percent, ranking No. 50 nationally and dead last regionally. Nationally, only West Virginia fares worse. This lack of attainment has direct and negative consequences on assets. Data from the Federal Reserve System's most recently completed Survey of Consumer Finances indicates that, in 2004, families in which the head of household had a college degree had more than three times the net worth at the median as families whose head of household had only some college.[14]

Four Years of College



SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census, Current Population Survey data tapes from 2003, 2004, and 2005.

Change in Percentage of Heads of Households with at Least Four Years of College

	Ark.	La.	Miss.	Mo.	Okla.	Tenn.	Tex.
1997-1999	15.6%	21.2%	18.8%	23.5%	21.1%	18%	24%
2000-2002	17.8%	21.4%	20.7%	25.6%	22.3%	23.3%	25.1%
2002-2004	18.6%	20.7%	19%	24.4%	22.9%	22.5%	26.4%
Percent Change, 1997-2004	3%	-0.4%	0.3%	0.9%	1.8%	4.5%	2.3%
Rank	22	48	46	41	36	8	31

SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census, Current Population Survey data tapes from 1998-2005.

Arkansas has shown some improvement in the percentage of heads of households with at least four years of college, which increased by 3 percent between 1997 and 2004. Among the seven states in the region, Arkansas' increase was the second-highest (with a national rank of No. 22), after Tennessee, which increased by 4.5 percent and corresponded to a national rank of No. 8. However, because Arkansas' base-level attainment was so much lower than other states, this increase did little to move the state out of the bottom rungs of the attainment scale.

As with homeownership, Arkansas shows a significant gap in educational attainment based on income. Among the wealthiest one-fifth of Arkansas households, 42.3 percent have a bachelor's degree, compared with just 6.2 percent for the poorest fifth.[15] This means that for every household in the lowest 20 percent with a bachelor's degree, nearly seven households in the highest one-fifth have a bachelor's degree. Arkansas has the eighth-largest disparity nationally, lower than three other states in the region—and another five nationally.

Cost as a Barrier to College Attainment

In Arkansas, for the 20 percent of the population with the lowest income, net college costs—which equal tuition, room, and board, minus financial aid—even at a community college represent 44 percent of average annual income. For this population, public four-year college net costs exceed half of average annual income, and private four-year college net costs exceed average annual income. The 20 percent of households in Arkansas with the next to lowest income do not fare much better: community colleges and four-year public colleges cost between 24 percent and 29 percent of average annual income respectively, and four-year private colleges cost more than 60 percent. Unfortunately, only the wealthiest 20 percent of families can comfortably afford college net costs.[16]

Bachelor's Degrees by Income

State	Top fifth	Bottom fifth	Ratio	National rank
Missouri	50.3%	8.4 %	6	31
Oklahoma	48.1%	7.4 %	6.48	38
Texas	56.8 %	8.6%	6.63	40
Arkansas	42.3 %	6.2%	6.81	43
Mississippi	43.2%	6%	7.23	45
Louisiana	44.9%	6.1%	7.37	48
Tennessee	49.8%	6.1%	8.23	50

SOURCE: The *2007-2008 Assets & Opportunity Scorecard*, CFED, from U.S. Department of Commerce, Bureau of the Census, 2004 American Community Survey.

Not only are prices high for many Arkansas families, but they are getting higher. The College Board's most recent *Trends in College Pricing* report, published in October 2007, states that the gathered data "confirm the widespread perception that published college prices are rising more rapidly than the prices of other goods and services." [17]

Four-year public college costs in Arkansas increased by 5.1 percent in 2007-08 compared with the prior year; for two-year public college costs, the increase was 3.2 percent. The Consumer Price Index for all goods and services increased by 2.8 percent between September 2006 and September 2007, the first full months of the respective academic years compared in the report.[18]

Recently, Arkansas has initiated significant policy changes to increase access to need-based aid and otherwise increase the attainment of college credentials among low-income residents. But greater access to financial aid is clearly needed.

Four-year college costs in Arkansas increased by 5.1 percent in 2007-08 compared with the prior year; for two–year public college costs, the increase was 3.2 percent. The Consumer Price Index for all goods and services increased by 2.8 percent during the same period.

Policy Recommendations

- **Increase funding for the Aspiring Scholars Matching Grant program to $300,000 per year over the next biennium.** This program, created as a pilot initiative under Act 597 of 2007, matches the contributions lower- and middle-income families make into their GIFT Plan accounts. The GIFT Plan is Arkansas' 529 college savings plan. In 2008, applications to receive the match far exceeded expectations; Aspiring Scholars approved over 470 applications to receive the match for 2008 contributions, with $47,225 in retroactive 2007 matches awarded. If each accountholder saves enough in his or her account to receive the maximum $500 state match, the program will, in its first year, utilize the entire $250,000 two-year allocation. Given this high demand, and that the current funding source for the program most likely cannot sustain even the current level of participation for many more years, additional funding will be needed. The current funding source for Aspiring Scholars is money the state collects from administration of the GIFT Plan.

- **Increase funding for the Workforce Improvement Grant program.** WIG targets adult students 24 and older with unmet financial aid need who are not served by either of the state's two primary need-based financial aid programs—the GO! Opportunities Grant Program and the Arkansas Academic Challenge Scholarship. Both the GO! Opportunities Grant and the Arkansas Academic Challenge target only traditional students – those transitioning from high school to college within a year of high school graduation. Over the next two fiscal years (2008 and 2009) WIG will be funded at $3.7 million annually. This program is not funded adequately, especially given that the adult student population at Arkansas two-year colleges in recent years has grown more than twice as fast as the population of younger students. The $3.7 million annual funding for WIG is a fraction of the annual funding for Arkansas Academic Challenge ($30.2 million a year in both fiscal years) or the GO! Opportunities Grant Program ($7.2 million in fiscal 2008 and $11.2 million in fiscal 2009).[19] Arkansas Academic Challenge has both merit-based and need-based components. The adjusted gross income limit is $65,000 a year for a family with one child. For each additional child, a family is allowed another $5,000 in annual income, or, for each additional child also attending college, an additional $10,000 in annual income, to qualify for the program. Merit-based criteria for Arkansas Academic Challenge, including ACT composite score and grade point average in high school core curriculum courses, vary depending on whether a student wants to enroll at a two-year college or a four-year institution. Complete eligibility criteria are available at **www.adhe.edu/challenge/index.html**

- **Extend need-based financial aid to young adults who have been out of high school for more than a year but are younger than 24.** Because WIG only reaches adults 24 and older, and the state's other two primary need-based aid programs reach young adults recently out of high school, there is a critical gap in need-based financial aid eligibility. Consequently, there is very little need-based financial aid for young adults ages 19 through 23. Extending access to need-based financial aid could be accomplished by lowering the age eligibility for WIG, extending the post-high school graduation eligibility period for the GO! Opportunities Grant Program, or creating an entirely new program.
- **Increase the individual grant award amount and income eligibility for the GO! Opportunities Grant Program.** This program, created under Act 1030 of 2007, effective with the 2007-08 school year provides need-based scholarships of up to $1,000 per year for students in lower income-families. The adjusted gross income limit is $25,000 a year for a family with one child; for each additional child, a family is allowed an additional $5,000 in income to qualify for the program. GO! Opportunities could be enhanced by increasing the scholarship dollar amount or increasing the base adjusted gross income limit. The state Department of Higher Education is already taking steps to raise awareness among low-income families about the availability of GO! Opportunities Grants, a positive strategy to increase use of this aid program. Because GO! Opportunities Grants can be combined with other forms of state and federal student financial aid, the proposed enhancements would significantly further increase access to higher education in Arkansas.

Conclusion

The outcomes and analysis presented in the *Scorecard* demonstrate the challenges Arkansans face in building and maintaining assets. Positive developments such as rising household net worth, declining asset poverty, and thwarting predatory payday lending are offset by nationally high use of federal income tax services that drain instead of build low-income taxpayers' assets. Arkansas has among the most affordable homes in the nation, but only a mediocre homeownership rate that has shown little improvement in recent years, and a pronounced homeownership gap between the highest and lowest earning households.

Undoubtedly, Arkansas has the farthest to go in education, with two-year and four-year college attainment at the bottom or almost bottom nationally, and one of the nation's largest bachelor's degree attainment gaps between the highest and lowest earning households. Improving college completion rates is perhaps the biggest asset building challenge facing the state, and it is a challenge for which long-term success or failure will have far-reaching consequences.

The *Scorecard's* policy recommendations are designed to address Arkansas' weaknesses, whenever possible building upon Arkansas' strengths—with pragmatic proposals including a statewide housing trust fund, state funding to promote use of free income tax assistance services, and increased funding for programs such as the Aspiring Scholars Matching Grant Program to increase access to college.

Innovative policy initiatives discussed in the *Scorecard* offer tools to help realize a better-educated, more financially secure Arkansas, where homes are both affordable and readily attainable. The promise offered by asset building stands to benefit not only individual Arkansans, but communities across the state, and ultimately the state as a whole.

Endnotes

1. Net worth equals the sum of assets attributable to any individual age 15 years and above in the household less any liabilities. Assets included in this measure are interest-earning assets, stocks and mutual fund shares, real estate (own home, rental property, vacation homes, and land holdings), own business or profession, mortgages held by sellers, and motor vehicles. Liabilities covered include debts secured by any asset, credit card or store bills, banks loans, and other unsecured debts.

2. Installment debt is debt paid in installments, such as car loans or student loans. This measurement does not include mortgage debt.

3. While the percentages of Arkansans with non-interest-bearing checking accounts (47. 4 percent) and interest-bearing checking accounts (43.1 percent) are similar, the significantly different national rankings (No. 1 for non-interest-bearing, compared with No. 46 for interest-bearing) result from significantly different ranges of data. The range of data for non-interest-bearing goes from a low of 17.6 percent (Georgia) to a high of 47.4 percent (Arkansas). In contrast, the range of data for interest-bearing goes from a low of 22.4 percent (West Virginia) to a high of 78.9 percent (Iowa).

4. Carney, Stacie and Gale, William, *Asset Accumulation Among Low-Income Households,* February 2000, accessed at **http://www.brookings.edu/views/papers/gale/19991130.pdf**

5. Average tax preparation cost per return of $160 from Center for Economic Progress, *Making the Case for Community VITA Funding*, prepared for the National Community Tax Coalition, November 2007; average EITC refund of $2,113 for families with children from Federal Reserve Bank of Chicago, "How do EITC recipients spend their refunds?" published in second quarter 2008 issue of *Economic Perspectives*.

6. General Accounting Office report GAO-08-800R, *Refund Anticipation Loans*, submitted to Congressman John Lewis, Chairman, Subcommittee on Oversight, Committee on Ways and Means, U.S. House of Representatives, June 5, 2008.

7. Wu, Chi Chi, and Fox, Jean Ann, "One Step Forward, One Step Back: Progress Seen in Efforts Against High-Cost Refund Anticipation Loans, but Even More Abusive Products Introduced," National Consumer Law Center and Consumer Federation of America, published February 2007.

8. Center for Economic Progress, *Making the Case for Community VITA Funding*, prepared for the National Community Tax Coalition, published November 2007.

9. Torian, Sarah, "State and Local Support for Earned Income Tax Credit (EITC) Campaigns," prepared for the Annie E. Casey Foundation, published March 2006. According to the latest U.S. Census Bureau estimates, Delaware's population is 864,764, compared with 2.8 million for Arkansas and 12.8 million for Illinois.

10. Minnesota laws: 2007 Regular Session (Chapter 148, H.F. No. 548) and 2008 Regular Session (Chapter 366, H.F. No. 3149), accessed at **http://www.leg.state.mn.us/leg/legis.asp**

11. In Arkansas, the richest 20 percent earn a median annual income of $109,442. The poorest 20 percent earn a median annual income of $8,286.

12. Center for Community Change, *Housing Trust Fund Progress Report 2007*, published April 2007.

13. Baum, Sandy, and Ma, Jennifer. *Education Pays: The Benefits of Higher Education for Individuals and*

Society, the College Board, published September 2007. Earnings premiums are based on expected median lifetime earnings for each educational attainment level, for full-time, round-year workers ages 25 and older, calculated by the authors using 2006 U.S. Census Bureau income data. The median is the mid-point of a range of data; in other words, half of the values are lower than the median and half of the values are higher than the median. The median income figures cited here are national; obviously, median income levels in a state like Arkansas would be lower. State-specific figures linking median income with different levels of educational attainment were not included in the College Board report. Arkansas' median income in recent years has been about three-quarters of the national median income. Using this formula, the earnings premium in Arkansas over a high school diploma would be $6,825 for an associate's degree and $14,550 for a bachelor's degree.

14. Federal Reserve Board, *2004 Survey of Consumer Finances*, published February 2006.

15. In Arkansas, the richest 20 percent earn a median annual income of $109,442. The poorest 20 percent earn a median annual income of $8,286.

16. The National Center for Public Policy and Higher Education, *Measuring Up 2006: The State Report Card on Higher Education*, Arkansas. See page 9 of **http://measuringup.highereducation.org/_docs/2006/statereports/AR06.pdf**

17. *Trends in College Pricing 2007* available online at **http://www.collegeboard.com/prod_downloads/about/news_info/trends/trends_pricing_07.pdf**

18. U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, U.S. City Average, All Items, 12 Months Percent Change, September 2006 to September 2007. Calculated using online calculator at **http://www.bls.gov/data/home.htm**

19. Act 1229 of 2007, the appropriation law for the Arkansas Department of Higher Education for fiscal 2008 (July 1, 2007 to June 30, 2008) and fiscal 2009 (July 1, 2008, to June 30, 2009). Note that the GO! Opportunities Grant Program was enacted into law as the Higher Education Opportunities Grant Program; the name was subsequently changed. Available online at **ftp://www.arkleg.state.ar.us/acts/2007/public/Act1229.pdf**

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