ASSET FUNDERS NETWORK | Grantmakers Advancing Economic Equity

Policy Opportunities and Funder Recommendations

CREATING EQUITABLE FINANCIAL SECURITY FOR YOUTH AND YOUNG ADULTS: THREE PRIORITY OBJECTIVES

All youth and young adults are in a unique time in their life where they need to be focused on learning and training for their own personal aspirations and contributions, for their physical and mental health, and for their long-term financial security. And yet, our existing systems, services and institutions do not sufficiently focus on young people's intertwining needs. Our country needs to decide that as a matter of economic and racial equity, and frankly, morality, that investing in youth and young adults is a priority for long-term equitable economic policy and a truly healthy democracy.

The first two sections of this brief articulated our understanding of the core four conditions that young people need—braided together—to experience financial well-being and to be on track for economic success, and the extent to which these conditions are not being met for young adults from non-wealthy families today. Given that analysis, we have identified **three priority objectives** for policy solutions and high impact philanthropic investment approach that require attention and leadership:

Objective 1: Young people have the resources needed to provide a **foundation of stability.** This can be achieved through increasing non-labor income, especially during this pivotal time of life, as well as wages from earned income.

Objective 2: Young people have **accessible, affordable opportunities that would launch career pathways.** This can be achieved through debt free post-secondary education as well as career training grounded in work-based learning.

Objective 3: Young people have consistent **navigation/coaching support** to manage their critical life decisions, such as financial coaching, college/career advising, and other forms of life-stage relevant navigation support.

The Policy Opportunities and Funder Opportunities sections will provide an overview of the high priority policies and philanthropic approaches that can respond to the current, urgent need, while also creating the long-term environment to position young adults for durable financial security in their lifetime.

POLICY OPPORTUNITIES

Fundamentally solving for the barriers to financial security facing today's young people will require committed, large scale policy action on all three of our identified objectives. Unsurprisingly but importantly, there is not one policy that can solve the complex set of challenges. Rather, there are a constellation of policies that ***all need to be prioritized*** to make real progress. Philanthropy can support these policy priorities through investing in program pilots to provide design insights and case-making research, funding organizations leading advocacy and movement building (especially those led by young leaders) and making tactical human capital investments in government to spur action taking (for example, by funding a staff position embedded in government to lead a particular initiative).

PROVIDING A FOUNDATION OF STABILITY

PROVIDE PREDICTABLE NON-LABOR INCOME SUPPORT

From guaranteed income pilots to Covid-19 stimulus payments, to the (now expired) expansion of the federal Child Tax Credit, providing predictable nonlabor income is an increasingly used policy tool in the U.S. as an effective way to stabilize a household's finances. Opportunities to scale up such approaches to support a broader swath of young adults in the U.S. include:

- **Restore and make permanent the expanded Child Tax Credit (CTC)**

The American Rescue Plan Act (March 2021) expanded the breadth and generosity of the existing CTC. For each child aged five or under, the credit increased by $1,600, with an additional increase of $1,000 for children between 6 and 17 years of age. The Credit was made fully refundable, meaning it was made available in full to parents regardless of their overall tax obligations. Finally, it temporarily delivered payments monthly, rather than annually at tax time, in an effort to help families with children make ends meet month-to-month. Even given the positive impact, the expanded CTC was not renewed when it expired.

- **Restore and expand the Earned Income Tax Credit**

The federal Earned Income Tax Credit (EITC) is one of the most effective anti-poverty programs in the United States. The tax credit could have a greater impact for young adults by increasing the value of the credit and by expanding eligibility and benefits to include childless workers and younger workers. The temporary expansion of the EITC, as part of the American Rescue Plan of 2021, provided income support to an additional 17 million low-pay workers, including young workers ages 19 - 24 years old. Workers within this age group are twice as likely to be underemployed compared to other age groups–making income support such as the EITC especially critical to young adults. A permanent and further expansion of the EITC that includes part-time and full-time students under the age of 24 should help reduce the high poverty rate experienced by this group and keep students from ending their higher education prematurely.[43]

- **Consider broader guaranteed non-labor market income solutions for young adults**

In the past years, there have been numerous large- and small-scale pilots testing different models for guaranteed nonlabor income. While most have been privately funded, there have been more policy solutions emerging from the successes and lessons of the pilots:

- The Santa Fe Mayors for Guaranteed Income pilot provides $400 in monthly income to 100 young parents enrolled in a certificate or degree program at the Santa Fe Community College (SFCC).
- Guaranteed income pilots targeting youth and young adults are being rolled out across the country. The Los Angeles County Department of Public Social Services recently launched a three-year basic income pilot that will provide $1,000 a month to 300 residents between the ages of 18 and 24 years old. Recipients will be randomly selected and must be enrolled in the General Relief Opportunities for Work (GROW) program, an employment and training services program. This guaranteed income pilot sets out to expand the career and educational opportunities of youth who have experienced significant life challenges such as houselessness.[44]

One unresolved, but critical, issue for the future success of such initiatives is around benefits cliffs—a sudden decrease or disqualification of public assistance benefits when a family's pay increases past eligibility threshold—and the choice it presents families between career advancement and potential decreases in needed support.[45] Benefits that are disregarded as income help families receive the full scale of benefits for which they would otherwise be eligible and improve financial stability and security.[46]

BOOST EARNINGS FROM LABOR INCOME

- **Raise the federal minimum wage**

Neither the federal minimum wage of $7.25 per hour nor many higher state minimum wages translate into a living wage for young adults. The situation is more extreme for workers earning sub-minimum wages, including tipped workers and some disabled workers. Workers under the age of 25 made up around 66 percent of those paid the federal minimum wage or less in 2019. [47] States are demonstrating that raising minimum wages— including for tipped workers—to at least $15 per hour benefits workers has little impact on the number of jobs.[48]

DEBT-FREE CAREER ONRAMPS

SUPPORT AFFORDABLE, DEBT-FREE POST SECONDARY EDUCATION OPPORTUNITIES

Reducing tuition and fees–along with providing basic needs support for students-through increased public funding is the best way to reduce student loan borrowing. Policy opportunities to do so include:

- **Guarantee all students 2-4 years of low cost or tuition-free public higher education through federal or state policies.** To increase college enrollment and reduce students' need to borrow, higher education could be subsidized or made entirely free. Some states have already enacted policies that provide tuition-free attendance at community and four-year colleges. Tennessee's TN Reconnect program[49] enables eligible adults to attend a community or technical college tuition-free for up to two years and the New Mexico Opportunity Scholarship Act covers full tuition[50] and fees at in-state public colleges for nearly all New Mexicans. Residents of New York State making under $125,000 per year qualify to attend State University of New York (SUNY) and City University of New York (CUNY) tuition-free.[51] Research on these policies show that program design is key, as some increase enrollment and reduce student debt default.[52]

- **Expand funding, eligibility, and allowable uses for Federal Pell Grants.** During the 2019-2020 academic year, the maximum Pell grant award only made up 28% of average costs (tuition, fees, room and board) at public universities. [53] Clearly, there is a need to increase grant awards for existing eligible students. Given the high costs of higher education and the increasing affordability challenge for middle-income households, there is an additional need to revisit criteria for eligibility. A bipartisan proposal by The Bipartisan Policy Center details the benefits of a $90 billion expansion.[54] Related, there appears to be bipartisan interest, in allowing Pell grants to be used for short-term career pathway programs to increase their affordability.[55]

- **Supplement federal financial aid grants for LMI students.** States can build on federal grants to increase access to higher education and reduce debt with multiple policies. Eligibility is often targeted to students also eligible for Pell Grants. Additionally, some states provide financial aid for students who are not eligible for federal aid, including those that are undocumented. Setting limits to how much tuition can increase depending on economic indicators such as inflation and median income growth would also control higher education costs for students.

- **Cancel at least $30,000 of federal student loan debt per borrower.** While higher education can raise earnings overtime for young adults, student debt can make it harder to have financial stability. Proposals to forgive student debt would increase wealth in both absolute and relative terms (especially for Black borrowers) and pull many student borrowers out of having negative net worth. Aspen FSP has encouraged federal policymakers to cancel at least $30,000 per borrower.[56]

- **Support basic needs for young adults in postsecondary education.** Data from both before and during the pandemic suggest that a lack of resources for basic needs–food, housing, transportation, health care, and for parents, child care—are a major barrier to young adults seeing through their postsecondary educational plans. Pandemic-era data suggest that financial hardship and precarious access to basic needs are a key barrier to keeping young adults enrolled and successful in higher education programs. Basic needs support alongside the elimination of tuition and fees will provide the best environment for success for young people.

Fulfillment of basic needs are critical for academic success

"During my parents' time as students one of my first memories is when the University would occasionally deliver a box of food and other supplies like toiletries to our doorstep. Although it was a relatively simple package, it made the biggest difference in our family. One night in particular, I recall my parents arguing over how we would pay for food, and my father reminded me that my sisters were complaining about the lack of soap in the bathroom. While trying to figure out their plan to continue, late (past 10 pm) on a rainy night, a woman appeared at our doorstep with a box of food and toiletries that she felt she needed to deliver that night. It was just what my family needed.

I spent many years in higher education advocacy, knowing that fighting for and providing additional support for student parents could save lives and make a huge difference in communities that need it the most and are fighting their hardest.

Basic needs support must be expanded and revolutionized to ensure that those who need it the most have access while students are looking to make it through academically, especially for those with families to support them as they navigate their educational journey."

MICHAEL WIAFE
YOUNG LEADER AND YOUTH ADVOCATE
CALIFORNIA

Some new programs in New York, NY are piloting housing and other basic needs assistance targeted at students enrolled in postsecondary education to see how that support stabilizes the students and allows for more successful educational attainment.[57] Also of note, in 2022, New Mexico is the first state in the country to pass a law to provide a permanent fund for child care that will make child care more accessible and affordable and increase the wages of providers.[58] This increase in access and affordability will provide relief for students pursuing postsecondary education and other career-focused training.

INVEST IN CAREER PATHWAYS GROUNDED IN WORK-BASED LEARNING

With a combination of cost, institutional disruptions, and degree inflation pushing the job market benefits of traditional higher education further out of reach for many young adults, it is especially important to provide multiple on-ramps to career-oriented, remunerative training opportunities.

- **Expand apprenticeships, including pre- and youth apprenticeships** The federal apprenticeship system, long confined to certain technical and craft fields, represents an under-utilized policy tool. Federal Apprenticeship Programs provide training and job opportunities at the federal level and across multiple sectors including healthcare, financial services, transportation, hospitality, and construction. There are currently around 120,000 apprentices across 40 registered apprenticeship (RA) programs.[59] Youth apprenticeships integrate academics and paid on-the-job training through high school and beyond, while pre-apprenticeships offer on-ramps for opportunity youth. Formal state-level frameworks for work-based learning and youth apprenticeship (as Wisconsin, North Carolina, Maryland and Washington have articulated through state law, regulations or agency guidance) nurture partnerships between industry and schools. And in states like California and North Carolina, state appropriations fund postsecondary coursework for youth apprentices.[60] Training providers in Pennsylvania leverage AmeriCorps funding to combine pre-apprenticeship training with national service as a way to contextualize skills developed through work-based learning activities in the information technology, green infrastructure and environmental sectors.[61] Importantly, income from apprenticeships can potentially jeopardize benefits the household receives, increasing the importance of reforming the asset limit burdens described earlier in the paper.

- **Involve young people in the co-design of career programs and systems.** USDOL strongly encourages, but does not require, state and local workforce boards to establish youth committees including stakeholders from various sectors to inform the planning and delivery of federally funded workforce development programs, but youth and young adults themselves have historically been excluded from these formations. Authentically engaging the voices of young people requires intention, support and financial compensation for the young person's time and expertise. In Hartford, Connecticut, the city government and local workforce boards have worked with philanthropy and community-based organizations to engage young leaders in designing and managing contracts and funding.[62] In Los Angeles, young leaders have successfully worked with adult advocates to break down barriers between the child welfare and workforce systems, leading to expanded local funding, efficiencies in program design, and a state-level waiver that expands access to federally funded workforce services to young people who have experienced foster care, the justice system or homelessness without requiring that they first disconnect from school.

- **Reauthorize, reinvent, and more significantly resource existing, foundational legislation to support career pathways for young people.** The Workforce Innovation and Opportunity Act (WIOA) and the National Apprenticeship Act need to be scaled to meet the current (and growing) youth income and employment challenges. In particular, WIOA must modernize their vision focusing on research-backed effective strategies to connect youth to school and work. Strategies could include: (1) co-creating programming with young people to prioritize their voice, foster empowerment, and agency; and (2) adapting lessons from other disciplines like trauma-informed care, research in adolescent brain development, and a restorative justice framework.[63]

CONNECT YOUNG ADULTS WITH THE RESOURCES THEY NEED TO MAKE CONFIDENT EDUCATIONAL, CAREER, AND FINANCIAL DECISIONS

REQUIRE STANDALONE PERSONAL FINANCE COURSES IN HIGH SCHOOL—OR EMBED FINANCIAL CAPABILITY DEVELOPMENT INTO WORKFORCE OR POST-SECONDARY EDUCATION —MODELED AFTER SUCCESSFUL COURSES ALREADY EXISTING IN THE U.S.

- Nearly a third of all U.S. high schools required a standalone personal finance course in AY 2021 - 2022. Research has shown that access to these courses result in better financial outcomes for students. Personal finance courses have helped increase credit scores, shift borrowers to lower interest options, and reduce payday borrowing.[64]

- Personal finance courses, and frankly any kind of financial coaching or counseling, need to be culturally and generationally relevant, centering racial equity, current realities, and the strengths of young people.[65]

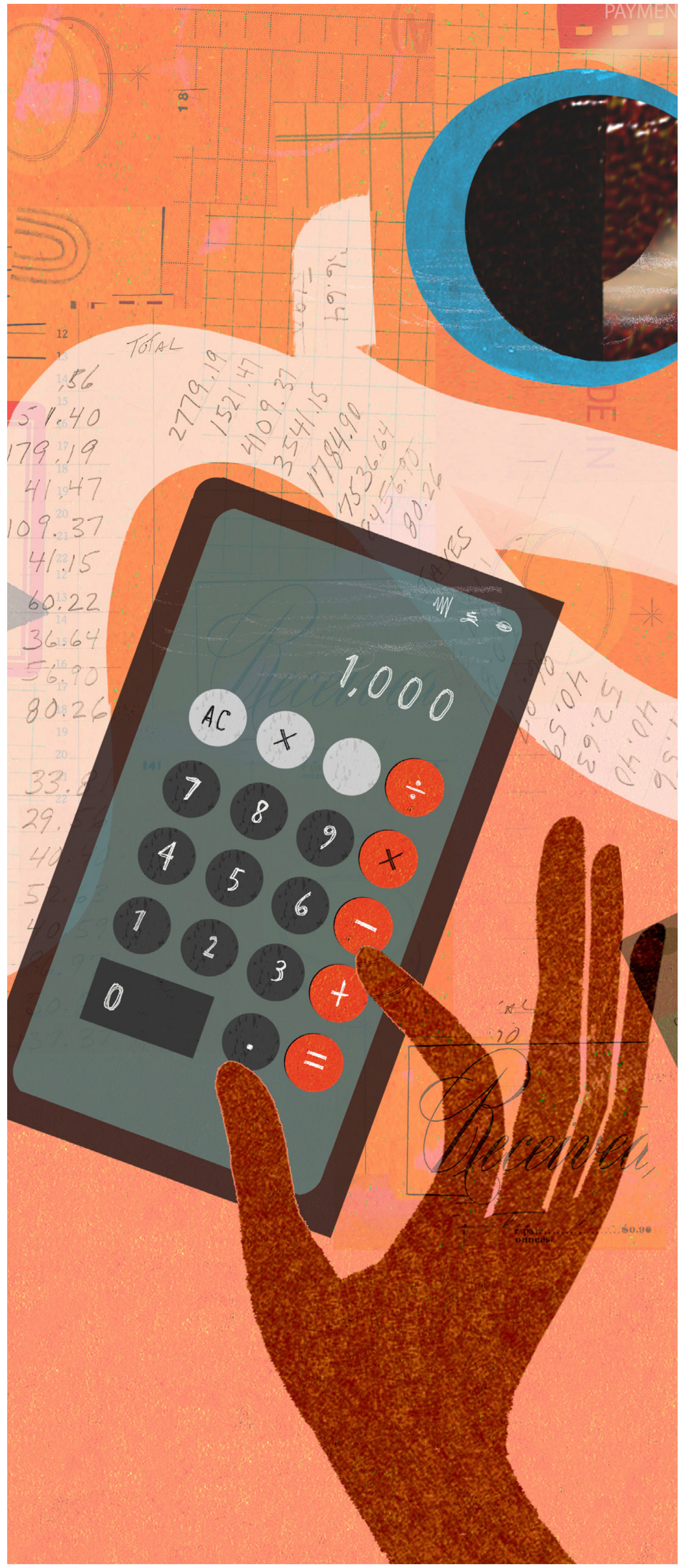
- Financial capability development could also be embedded more successfully into workforce and postsecondary education. While financial literacy is one of the 14 program elements for the WIOA youth program, it could be more consistently and effectively implemented by engaging practitioners in the design and practice in addition to building in-house capacities. Organizations like MyPath have successful models that build a range of financial capability programs into youth employment programs. Additionally, YouthBuild USA's 2022 toolkits highlight effective practices from YouthBuild sites across the country including integrating trauma-informed care and social-emotional learning into financial capability education and using peer-led facilitation.[66]

INVEST IN RELATIONSHIP-BASED STRATEGIES LIKE MENTORING THAT SUPPORT POST-SECONDARY TRANSITION, REENGAGEMENT, AND CAREER ADVANCEMENT.

- The City University of New York system's CUNY Accelerated Study in Associates program (ASAP) integrates financial support and special class scheduling with comprehensive and personalized academic and career advice that delivers far more personal attention from advisors than community college students typically receive. It doubled three-year community college graduation rates in its original iteration and has shown effects of similar magnitude when replicated in Ohio.[67] Evidence suggests that other targeted, intensive support programs improve community college outcomes.[68]

- In 2015, the federal Social Innovation Fund supported the implementation of JFF's Back on Track framework through the Opportunity Works project–which focuses heavily on supportive relationships, but not formal mentoring for three years in seven cities. An impact evaluation covering three sites found large, consistent positive effects on participants' postsecondary enrollment and increased connection with education or employment one year after program entry, with even stronger postsecondary results for young men of color.[69] As a robust framework that is well codified but more adaptable than a specific program model, Back on Track offers a lever for change that policymakers could readily scale across variable settings.[70]

- Another successful example of the positive impact of navigation support is the Year Up program, a training program for young adults aged 18-24 that provides training, internships, and wrap-around supports–including intensive mentoring and counseling. A recent evaluation found persistent positive benefits of the Year Up model for seven years following program participation around workforce connections, earnings, and other positive financial outcomes.[71]



FUNDER RECOMMENDATIONS

To be clear, the undermining issues surrounding young adults' financial security result from deep and multiple system challenges and breakdowns. We must fix those system issues. And yet, young people are struggling in consequential and inequitable ways and need help now—an entire generation is at risk, and we have an obligation and opportunity to course correct, even while we work on systems change. But what does that practically mean based on the existing evidence and insights, the current related investments and where there is strategic opportunity?

A key takeaway from this brief is that young people need a long-term, whole-of-society, committed approach that prioritizes providing a floor of stability and opportunity equitably for all youth and young adults. While philanthropy cannot provide all of these needs directly, they are well suited to take leadership by continuing to support existing work and introducing what works in new communities-investing in (1) pilots and practice paired with learning (2) initiatives that are resourced sufficiently for partners across sectors to work together and (3) human capital, technology and other infrastructure investments that allow government to innovate and pay attention to important societal and system needs. Additionally, the sector should invest in organizing, narrative work to inform public opinion, and advocacy using their social capital and influential networks to socialize and normalize the expectations of a more equitable country for youth and young adults. Below is guidance about how to adopt an approach that will lead to the most strategic actions and funding towards financial security for young people.

KEY GRANTMAKING CONSIDERATIONS:

ENSURE IN PARTNERSHIP MODELS THAT THERE IS GENUINE CO-CREATION WITH YOUNG PEOPLE AND OPPORTUNITY TO REFINE DESIGNS OVER TIME WITH THEIR PARTICIPATION AND LEADERSHIP.

Young people know and understand their needs, their problems, and what solutions would work best for them. While they may not have the same technical experience as government or nonprofit service providers, policy makers, or higher education administrators, they bring a necessary expertise in what it means to be a young person now, in the current context, and what will work in their own lives. That knowledge sharing, exercise of their own agency, and commitment to solutions for them and their generation is critical to successful change.

PRIORITIZE INVESTMENTS THAT ADDRESS STABILITY NEEDS.

Necessary to focusing on training, education, and other opportunity pathways are the deeply related issues of needing time and money. **For young adults, time and money are the biggest impediments to building a path that could bring financial well-being and security.** In a most ideal situation - that would result in a growing a stable economy for the U.S. -, all young people–regardless of access to private wealth—would have the freedom and resources to engage in rigorous, meaningful training and education activities by receiving sufficient nonlabor income to cover their basic needs. The main element missing is reliable income which is foundational to fully engaging in development opportunities.

FOCUS INVESTMENTS ON PRACTICE AND POLICY THAT PROVIDE THE MOST SIMPLIFIED AND RELIABLE SUPPORT.

Supports for youth and young adults need to be available in ways that are predictable and reliable. For example, a young person should not need to have a tax advisor or advanced tax preparation knowledge to access tax credits designed to support them. The policy and program design should be responsive to the changing needs of young adults and provide the level of living support that allow them to thrive.

PRIORITIZE FUNDING PRACTICE AND POLICY MODELS THAT ARE BRAIDING TOGETHER PROVEN SOLUTIONS TO DELIVER THE FOUNDATIONS OF FINANCIAL WELL-BEING.

For decades, many public and private sector institutions have invested in financial stability, financial capability, opportunity pathways, and navigation support resulting in a unique understanding, deep expertise, and diverse networks to combine toward youth and young adult financial well-being. And yet, a challenge to seeing substantive positive impact for young people is that rarely are all four necessary components being experienced by them at the same time. Philanthropy should try and fill in gaps and / or increase availability of solutions across the pillars and support opportunities that provide more integrated access points.

CONSIDER THE NECESSARY "PRE-WORK" TO MAP YOUR CURRENT INVESTMENTS

Philanthropy can put this brief into action by considering how the four interlocking conditions that all young people need to achieve financial security relates to their current grantees and networks—

- Where do high impact and high-capacity partners already exist?
- Are these partners already youth-serving organizations and do they prioritize youth leadership in development, design, and implementation of programs and work?
- What are the gaps in the braiding of financial stability, opportunity pathways, and navigation support?

This pre-work will allow the philanthropy to more strategically build on existing networks and deepen the impact by ensuring all supports are present and sufficient for young adults.

KEY ASSESSMENT QUESTIONS FOR INVESTMENT OPPORTUNITIES

Based on the priorities and approaches identified and the grantmaking considerations described, below are a sequence of assessment questions for funders to use to evaluate investment opportunities.

1. **Start with financial stability and specifically income** - Where do nonlabor income programs already exist or are emerging that a funder can leverage and layer resources into? This is the most costly component of the framework and the most essential.

2. **Leverage existing networks and investments - ** Using the map of current grantees described above as a guide, does the funder have existing partner networks where income programs are operating? Identifying partners within the existing networks that are resourced to provide services within the framework foundations will allow for a quicker and less costly start-up.

3. **Engage in strategic matchmaking and assess the gaps -** Where nonlabor income programs exist and an organization providing supports exists, assess the capacity of partners to deliver services from the support areas and identify where gaps exist and the investment needed to build capacity.

4. **Determine if there is a good model and what components are the highest and best use for foundation funds -** Finally, determine if all the right partners are available, committed, and properly resourced – including is there a local champion, are the groups connected to national partners? Do they have a research / policy partner and translator of their work? Can the investment provide key help to young people now and also give needed insights for replication, scaling, engaging public funders, and systems change?

Additional questions to consider can be found in AFN's funder primer, *On the Road to Racial and Economic Justice: Essential Questions for Addressing Racial Bias in Asset-Building Philanthropy.* This brief was designed to support funder efforts to advance racial equity and invest in the financial security for youth and young adults. Racial bias in philanthropy is often insidious, disguised as race-neutral. White-centered networks and views around risk and evaluation routinely disadvantage communities of color. Already under resourced and burdened by complicated grant and reporting processes, nonprofit leaders of color must constantly prove "capacity," equal to or exceeding that of long-established, White-led organizations, which often leads to denied funding and staff burnout. As the byproduct of the racialized systems and conditions that make philanthropy possible, foundations have a unique responsibility to engage directly in corrective processes. By adopting race-conscious approaches across all aspects of their work, funders can nurture racial equity at its roots. Additional funder resources are available on *AFN's Realizing Economic Justice platform.*

INVESTING IN ADVOCACY

Funding related research, evaluation, policy, and advocacy towards genuine systems change cannot be forgotten in an investment strategy for youth and young adult financial security. The policies identified earlier in the brief need refinement, additional evidence, campaigns, and leadership to be fully realized. Organizations and movements led by young people can be invested in at the national, regional, and local levels. Unfortunately, we cannot only "fund our way" out of this urgent national problem. We need philanthropy's voice, leadership, and influence to see real change and progress for young people across sectors.

CALL TO ACTION

It cannot be overstated how consequential the years between ages 16 and 25 are in a person's life. Young people who come from the range of resources private wealth encompasses can focus on themselves and their development with relative ease and success.

That is how the current system is designed. They have funds to cover their basic living needs (for example: housing, food, transportation, healthcare, dependent care). They have resources to fund their education or training. They have the luxury that their stress is primarily related to performance in their classes versus making sure they or their family can pay their rent. It simply is a different experience and for no fair reason.

This dynamic leads us to a critical existential question – do we think that is okay? Do we really want to substantively attack poverty and inequity?

Do we believe that all young people have the potential and promise to contribute to our communities, and do we want them to have the opportunity to fully realize it? If the answer is that the current system and outcomes are not okay, then we need to invest holistically, sufficiently, and with enthusiasm in the conditions for young adult financial well-being and ensure all young people have access to all of them in a seamless, simple, and effective way. Practically, the solutions are known and ready for the taking - what is needed is leadership and collaboration across philanthropy to invest courageously in youth and young adults.