President Obama's Asset Limit Proposal:
Supporting Families and Promoting Improved Coordination

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Many public benefit programs are means-tested: they require participants to have both income and assets[1] below specific levels to qualify. The purpose is to ensure programs direct public resources to individuals and families most in need. However, there is growing recognition that asset limits can discourage savings and prevent families from making investments – such as the purchase of reliable cars – that can help them escape poverty. Moreover, asset limits vary across programs and by state, creating confusion for potential recipients and adding administrative complexity.

In his Fiscal Year (FY) 2011 budget, President Obama proposed raising asset limits to no less than $10,000 for all federally funded means-tested programs serving low-income adults and their families. This proposal would simplify program rules and allow low-income families to remain eligible for critical programs that help them make ends meet, even if they have a modest amount of savings or assets.

Establishing a reasonable, consistent and clear asset limit floor for public assistance programs can encourage savings, offer low-income families an opportunity for financial security, and is an important step toward improving coordination across programs. Congress should act as soon as possible to implement the President's proposal.

[1] Asset limits generally apply to liquid assets, such as self-reported cash on hand, savings or checking accounts. Depending on the state and program, asset limits may also apply to cars, retirement accounts, and other, less typical assets, such as pre-paid burial arrangements. The value of an owner-occupied home is typically excluded in determining asset eligibility.

The President's Proposal

The President's FY 2011 budget includes a legislative proposal to establish a "national asset limit floor of $10,000 for working age, non-disabled individuals." This proposal specifically excludes Supplemental Security Income (SSI), Medicaid and Medicare, but applies to the remaining federally funded programs, including state-administered programs.[2] Programs that would be covered include:

- Supplemental Nutrition Assistance Program (SNAP; formerly food stamps)
- Temporary Assistance for Needy Families (TANF) cash assistance
- Low-Income Home Energy Assistance Program (LIHEAP)

Under current law, there is little consistency in eligibility rules across federal and state programs. The federal government sets asset rules for housing assistance, the Earned Income Tax Credit and SSI, while states set limits for TANF, the Children's Health Insurance Program (CHIP), Medicaid and LIHEAP. SNAP has a national asset limit, but states have the ability to modify it for some or all participants.

Asset limits for the safety net programs likely impacted by the President's proposal vary widely, from $1,000 to about $15,000, with most limits around $2,000 to $3,000. These asset limits are summarized in Table 1 below.

[2] Health and Human Services, Administration of Children & Families Fiscal Year 2011. "Congressional Justification: Executive Summary." Page 4. http://www.acf.hhs.gov/programs/olab/budget/2011/ExecutiveSummaryandAP.pdf

Table 1: Asset Limits in Programs Likely Impacted by President's Proposal

Program Name	Level of Government Decision	Asset Limit
Supplemental Nutrition Assistance Program (SNAP)	Federal, but states have the option to modify or waive the asset limit entirely	Federal limit is $2,000 ($3,000 if elderly or disabled household member); however, 26 states have eliminated asset limits for nearly all recipients through broad based categorical eligibility. Four have done so for households with children, and many of the remainder have raised asset limits or modified them for a smaller population.[3]
Temporary Assistance for Needy Families (TANF)	State	Ranges from $1,000 to $15,000; most state limits are around $2,000-$3,000; five states have entirely eliminated TANF asset test.[4]
Child care subsidies	State	Only a few states impose an asset limit on child care assistance.
Low-Income Home Energy Assistance Program (LIHEAP)	State	11 states have an asset test; ranges from $1,500 to $15,500.[5]

To ensure that families do not become ineligible for assistance programs when they receive a lump sum tax refund, the President's proposal also excludes all refundable tax credits from consideration under means-tested programs for a 12-month period.[6] Language implementing this provision – but only until December 31, 2010 – was included in both the House and Senate versions of the "extenders" bill considered in the spring of 2010. However, this bill has not cleared the Senate.

[3] "Broad-Based Categorical Eligibility." USDA Food and Nutrition Service. Updated 13 May 2010. http://www.fns.usda.gov/snap/rules/Memo/2010/051310.pdf
[4] According to CFED's Assets Scorecard for 2009-2010, Louisiana, Ohio and Virginia had eliminated their asset limits entirely. http://scorecard.cfed.org/downloads/pdfs/policy_briefs/LiftingAssetLimits.pdf. Since the publishing of this report, Alabama and Maryland have also eliminated their asset limits for TANF.
[5] "LIHEAP Heating Assistance Eligibility: Assets Test." U.S. Department of Health & Human Services, Administration of Children & Families. http://liheap.ncat.org/tables/FY2009/assets.htm
[6] Budget of the United States Government, Fiscal Year 2011.

The Supplemental Nutrition Assistance Program (SNAP)

The largest assistance program impacted by the President's proposal is the Supplemental Nutrition Assistance Program (SNAP). SNAP provides vital nutrition assistance to struggling families while reducing the severity and extent of poverty and supporting employment. As of March 2010, SNAP served 40.2 million individuals in 18.5 million households.[7]

In addition to an income test, SNAP has asset limits that are set by the federal government. Currently, asset limits for SNAP are $2,000 per household or $3,000 if the household contains an elderly or disabled individual. However, many states effectively raise or eliminate the asset test for some or all recipients by using "categorical eligibility."[8] As Table 1 illustrates, as of May 2010, 26 states used broad based categorical eligibility to eliminate asset limits in SNAP for nearly all recipients. Four had done so for families, and most other states have raised or modified asset limits through other forms of categorical eligibility.

Because SNAP reaches a higher share of low-income households than most benefit programs – and because it is an entitlement, meaning everyone who qualifies is guaranteed benefits – setting a $10,000 asset limit floor would have a greater impact on SNAP receipt than on any other program. One analysis, using data from the 2005 Study of Income and Program Participation (SIPP), found that increasing the asset limit to $10,000 would increase the number of individuals eligible for SNAP by as much as 12 percent.[9]

A National Asset Limit Floor Is Good Public Policy

A national asset limit floor of $10,000 for these programs would allow families to accumulate a modest amount of savings and still qualify for assistance. The importance of creating savings cannot be understated, particularly for families struggling to do so. Even small amounts of savings can help families withstand a crisis such as job loss or a health emergency. Savings can also prevent a small problem, such as a broken car, from becoming a big one.[10]

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[7] "Supplemental Nutrition Assistance Program: Number of Persons Participating." USDA Food and Nutrition Service. Updated 1 June 2010. http://www.fns.usda.gov/pd/29SNAPcurrPP.htm

[8] Categorical eligibility allows the state to make households automatically eligible for SNAP benefits when they receive a TANF -funded benefit. In the past, states mostly limited this to families receiving cash assistance, but in recent years, states have broadened their use of expanded categorical eligibility to include non-cash benefits. See "Broad-Based Categorical Eligibility," 2010; and "Supplemental Nutrition Assistance Program: State Options Report." USDA, Food and Nutrition Service. Eighth Edition, June 2009. http://www.fns.usda.gov/snap/rules/Memo/Support/State_Options/8-State_Options.pdf

[9] Mark Merlis, unpublished analysis of 2005 SIPP data. Merlis calculates that 34.6 million individuals would have been eligible for SNAP in 2005 with a $10,000 asset limit, versus 30.9 million under current law. This probably represents an upper bound on the effects of the policy change, as it does not account for the increase in categorical eligibility in recent years.

[10] McKernan, Signe-Mary, Caroline Ratcliffe, and Katie Vinopal, "Do Assets Help Families Cope

A recent paper by the Economic Mobility Project finds that a family of four needs more than $5,000 to cover expenses for three months living at the poverty level.[11] Yet most current asset limits would prevent families with this amount of savings from accessing benefits. Even a $10,000 asset limit is modest: in real terms, $10,000 is less than one year of in-state tuition and room and board for students at public universities (the cost on average is over $13,000 a year).[12] And, at 20 percent of a home's value, $10,000 likely would not cover the down payment and closing costs to buy a new home in most major metropolitan areas of the U.S.

Savings create a financial buffer for unexpected expenses and a foundation for economic mobility. The Pew Economic Mobility Project also found that children, whose parents have low incomes but high savings levels, are more likely to experience upward economic mobility than children with low-income, low-saving parents.[13] A national asset limit floor is an important step toward ensuring that public benefits are reasonable, consistent and clear, and efficiently administered.

- **An asset limit floor simplifies the eligibility requirements for state programs.**

A national asset limit floor represents an innovative approach to coordinating and simplifying rules across programs. Families seeking assistance are often overwhelmed by the maze of programs with different eligibility criteria, which is made more confusing by the variation in policy rules across states and in some instances, localities. The asset limit floor proposal will make it easier for eligible families to navigate the complex web of program eligibility rules and access needed help.

Asset eligibility limits impose burdens on both applicants and program administrators.[14] These limits require potentially eligible people to have more appointments with program administrators to gather detailed information about typically small amounts of savings and assets. This process is time-consuming for program administrators, and costly for financially strapped states.

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with Adverse Events?" Urban Institute, 2009.

[11] Lopez-Fernandini, Alejandra. 'Unrestricted Savings: Their Roles in Household Economic Security and the Case for Policy Action,' New America Foundation, 2010.
http://assets.newamerica.net/sites/newamerica.net/files/policydocs/UnrestrictedSavingsWorkingPaper.pdf

[12] The College Board, 'Trends in College Pricing,' 2006.
http://www.collegeboard.com/prod_downloads/press/cost06/trends_college_pricing_06.pdf

[13] Reid Cramer, Rourke O'Brien, Daniel Cooper, and Maria Luengo-Prado, 'A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings,' Economic Mobility Project, 2009.
http://www.economicmobility.org/assets/pdfs/EMP_Savings_Report.pdf

[14] The Retirement Security Project "Protecting Low-Income Families Savings: How Retirement Accounts Are Treated in Means-Tested Programs And Steps to Remove Barriers to Retirement Saving." Center on Budget and Policy Priorities. 2005. http://www.cbpp.org/files/6-21-05socsec.pdf

Because average savings for low-income households are quite low, asset limits fail to reduce caseloads on asset grounds. For this reason, Maryland stopped applying an asset limit to its TANF program in 2010. State data shows that less than 0.15 percent of applicants denied cash assistance during 2007, 2008 and 2009 were denied as a result of "failing" the asset test.[15] Maryland's state agency concluded that it was spending more money enforcing the asset limit than the cost of benefits for the families denied assistance as a result.[16]

- **Low asset limits run counter to a professed purpose of public assistance and work support programs – the promotion of self-sufficiency. Reducing asset limits or eliminating them entirely has the potential to increase incentives to save.**

Asset limits incentivize precisely the wrong savings behavior for those at the bottom of the income spectrum. Specifically, needy families who have assets slightly above the limits may spend down assets to qualify for assistance. They are required to hit rock bottom before they receive support. Once they reach this point, families must keep their asset accumulation below set asset limits to continue receiving help.[17] Assets provide a buffer that enables families to be financially secure, even during times of economic hardship. Thus, policies that discourage families from developing assets may decrease the economic security of struggling families. [18]

Some assets, such as automobiles, provide an immediate means of gaining further economic security. Individuals who are unable to purchase and keep a reliable car to transport them to and from work are less likely to retain that work. Nonetheless, states and programs vary in their allowance of cars under asset limits. Some states exempt all family vehicles, some exempt one vehicle and others set a limit on the equity of the vehicle.[19] Studies have found that asset limits on vehicles discourage car ownership.[20] One study, using state variation in asset limits for TANF, found that the probability of car ownership increased 20 percent for low-educated single mothers in states that allowed TANF recipients to own a car compared to states with a $1,500 vehicle limit.[21]

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[15] "New State Policy Encourages Saving" Welfare Advocates and Maryland Cash Campaign. 2010.

[16] Rand, Dory, "Reforming State Rules on Asset Limits: How to Remove Barriers to Saving and Asset Accumulation in Public Benefit Programs" *Clearninghouse Review,* March-April, 2007.

[17] Parrish, Leslie. "To Save or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-Income Americans to Save and Build Assets," New America Foundation, 2005. http://www.newamerica.net/files/nafmigration/archive/Doc_File_2411_1.pdf

[18] Chen, Henry and Robert Lerman, "Do Asset Limits in Public Programs Affect the Accumulation of Wealth?" Urban Institute, 2005. http://www.urban.org/publications/311223.html

[19] Cramer, Reid, Rourke O'Brien, Daniel Cooper, and Maria Luengo-Prado, 'A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings,' Economic Mobility Project, 2009. http://www.economicmobility.org/assets/pdfs/EMP_Savings_Report.pdf.

[20] Cramer et al. 2009.

[21] Sullivan, James X., "Welfare Reform, Saving, and Vehicle Ownership: Do Asset Limits and Vehicle Exemptions Matter?" 2005. http://www.nd.edu/~jsulliv4/vehicles.pdf

It is difficult to isolate the effect of asset limits on savings behavior because the different assistance programs vary so greatly. In some instances, this is true even for particular programs by state. A 2008 study released by the New America Foundation shows that TANF recipients in Maryland and Virginia had roughly the same savings perceptions, attitudes and reported behaviors, though Virginia's recipients were not subject to an asset limit and those in Maryland were.[22] This could reflect general confusion about program qualifications as well as the real fear of being prevented from receiving the benefits that help to support their families. These issues could be addressed with a more uniform asset floor as well as a campaign to educate those who are potentially eligible for assistance.

Conclusion

A national asset limit floor for means-tested programs would improve program access by allowing families with modest savings and other assets to access needed support. It would promote economic security and self-sufficiency for low-income families by removing disincentives to save and build assets. It is also an exciting approach to cross-program coordination that could result in streamlined rules and better access to key benefits.

We urge Congress to consider the asset proposal and move quickly to see that it is enacted. We also encourage the Administration and Congress to work together to create additional opportunities for cross-program coordination to promote mobility and economic success.

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[22] O'Brien, Rourke. 2008. "Ineligible to Save? Asset Limits and the Saving Behavior of Welfare Recipients." *Journal of Community Practice, 16*(2), 183-199.

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