

## ASSET BUILDING PROGRAM

# STATE ASSET LIMIT REFORMS AND IMPLICATIONS FOR FEDERAL POLICY

## Executive Summary

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OCTOBER 2012

Widespread hardship inflicted by the Great Recession has underscored the financial vulnerability of many families and the need for accessible resources that can help them meet their needs until they are back on their feet. Yet current policies convey conflicting messages about the value of saving. While higher income households are offered incentives to save through the tax code, many low-income families are actively discouraged from saving through policies that require them to choose between spending down their existing savings or foregoing the immediate assistance they need.

Specifically, nearly every means-tested public assistance program employs an asset test, which is a limit on the amount of savings and other resources a family can own and remain eligible for benefits. Though asset tests vary widely across programs and states, the limits typically hover around just \$2000, thus requiring families to remain in both income and asset poverty to receive benefits. To prove that their assets don't exceed these limits, applicants often have to provide a burdensome amount of documentation, ranging from car titles to tax returns and funeral plans.

Previous research has found that asset tests negatively affect low-income families' financial security in at least two distinct ways. First, asset tests compel some households to remain outside of the financial mainstream, such as by not holding a bank account. Second, asset tests prevent families from accumulating or maintaining the necessary resources

to weather an income shock or unanticipated expense. In the long term, these effects impede families from advancing economically and reducing their need for public benefits over the course of their lifetime. Moreover, because most applicants to public assistance programs have little savings, asset tests impose needless barriers to both benefits access and efficient processing of applications.

Aggregating data from surveys, interviews, and public reports, this research contributes to the existing literature on asset limits by identifying some of the impacts of both implementing and reforming asset limits on the administration of two key programs: the Supplemental Nutrition Assistance Program (SNAP/Food Stamps) and Temporary Assistance for Needy Families (TANF, formerly AFDC). While many states have chosen to eliminate their SNAP asset tests in recent years, recent developments

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signal we are entering a period of retrenchment, making this an important moment for examining the effects of asset tests on program administration. What follows are some key findings and considerations for states weighing reforms to their own asset limit policies.

## Key Findings

### The Percentage of Applicants and Participants Denied because of Excess Assets was Very Low in Every State that Collected that Data

Both statistics and anecdotal data from state administrators confirmed that very few applicants to SNAP or TANF had assets remotely approaching their respective limits. For TANF in particular, because of the extremely low income limits and strict work requirements, denials based on assets typically accounted for significantly less than one percent of total denials. Consequently, administrators reported that eliminating the asset tests had a minimal impact on the caseload.

### Lifting Asset Tests Resulted in Greater Administrative Efficiency, Streamlined Eligibility Evaluations, and Administrative Savings

Verifying assets can be a particularly burdensome part of the eligibility assessment because of the complex rules and exemptions and associated documentation requirements. Almost across the board, administrators reported that eliminating asset tests simplified the eligibility determination process and allowed caseworkers to devote more time to other case management duties. Some states provided more precise quantitative data about forecasted cost savings and reduced interview times. For example, Colorado estimated that eliminating its TANF asset test would result in a savings of up to ninety minutes per case over the first forty-five days.

### Lack of Policy Coordination among Programs Can Undermine the Benefit of Liberalizing an Asset Limit in One Program Alone

The overlap in caseload between SNAP and TANF is significant. Yet most states that have eliminated their SNAP asset tests still have low TANF asset limits. Consequently, the practical impact of lifting the SNAP asset test for a family that also receives TANF is negligible, since the household will nevertheless have to provide proof of their resources, which will in turn need to be verified by eligibility workers. In California, for example, although there is no SNAP asset test for the vast majority of applicants, over twenty percent of participants also receive TANF and will thus be subject to its \$2000 asset limit. Add Medicaid to the equation and the inconsistency and potential for misunderstanding become even greater; as an Ohio administrator explained, despite the absence of an asset test for either SNAP or TANF, some applicants still came to apply for those programs expecting to face an asset limit, largely because of the enduring Medicaid asset test.

### Problems with Implementation Can Undermine Benefits of Policy Change

While lifting asset tests simplified the application process, issues with implementation, rooted in the inconsistent policies among programs, produced mixed results for agencies and participants. In particular, administrators reported that outdated application forms and inadequately trained eligibility workers sometimes conveyed inaccurate information about their states' asset limits to potential participants. For example, although combined benefit applications have generally streamlined benefits access for families most in need, at least twenty-two states that have eliminated their SNAP asset test still ask SNAP applicants for asset information on their combined forms. This practice could have a chilling effect on applicants solely applying for SNAP and perpetuate a misperception of the eligibility criteria.

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## Considerations for Future Action

### Key Motivations for States in Implementing Asset Limit Reform were Cost and Program Integrity

In response to increased need and dwindling resources, many states prioritized policies that could increase efficiency in eligibility determinations and case management, such as lifting asset tests and implementing simplified reporting. Additionally, some states eliminated their asset tests to improve payment accuracy. Ohio, for instance, was facing federal sanctions of over \$3 million due to its low payment accuracy for SNAP. Having to verify assets, administrators explained, resulted in a significant number of payment errors. Consequently, a consultant hired by the state found that one option to increase payment accuracy would be eliminating the SNAP asset test. In the years since the change, Ohio's error rate has fallen significantly.

### Some States' Decisions to Eliminate Their Asset Tests were Rooted in the Recognition that Asset Limits Pose a Barrier to Long-Term Self-Sufficiency

Several state administrators reported that their changes to asset test policies were motivated by the recognition that asset limits counter the long-term goals of public assistance programs. In particular, administrators noted that asset limits were in tension with Individual Development Accounts for TANF recipients; that vehicle ownership was

often essential to finding and maintaining employment; and that requiring public assistance recipients to maintain low levels of assets could result in greater financial vulnerability and dependence on benefits over the course of a lifetime.

### State Agencies Face a Variety of Political and Resource Barriers in Seeking to Lift Asset Tests in Their Programs

Many states reported that public concerns about program integrity, often reflected by the legislature, were a significant impediment to any new efforts to eliminate asset tests. As a result of the Recession, SNAP participation has grown significantly in recent years, prompting renewed concerns about waste, fraud and abuse. This trend has placed additional pressure on program administrators and heightened attention to states' asset limit policies, particularly in the wake of reports about two anomalous lottery winners who continued to receive benefits. In other states, the short-term costs of implementing a policy change, such as reprogramming technology systems and retraining staff, were a notable deterrent in an era of major budget cuts.

For a more thorough discussion of the findings, along with a review of asset test history and current policies, please [click here](#) to download a copy of the full report.



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