

### **AB (167) Bass CalWORKs Savings Act**

#### **Empowering the most vulnerable Californians to save**

For families making the difficult transition from welfare to work, developing assets is critical to achieving true economic independence. In order to prevent a complete backslide to public assistance, low income working families must begin to develop their own safety nets through personal saving for use in the event of an unexpected income shock due to illness or temporary unemployment. As personal saving is essential to achieving self-sufficiency – the stated goal of the CalWORKs program – saving should be encouraged, not penalized, by welfare policy and social service agencies.

To qualify for public assistance under CalWORKs, impoverished families must demonstrate they are both income and asset poor. Under current law, low-income families will not qualify for assistance if they have savings or other assets – excluding a home and specific vehicle allotment – exceeding the “asset limit” of \$2,000 in California. Although asset limits were created to preserve AFDC benefits for those truly in need, the work requirements and time limits that define the TANF program today effectively deter anyone with alternative means from applying for assistance. In this respect, it appears that asset limits have become outdated, unnecessary, and potentially harmful.

#### **Asset tests unnecessary to preserve welfare for the needy**

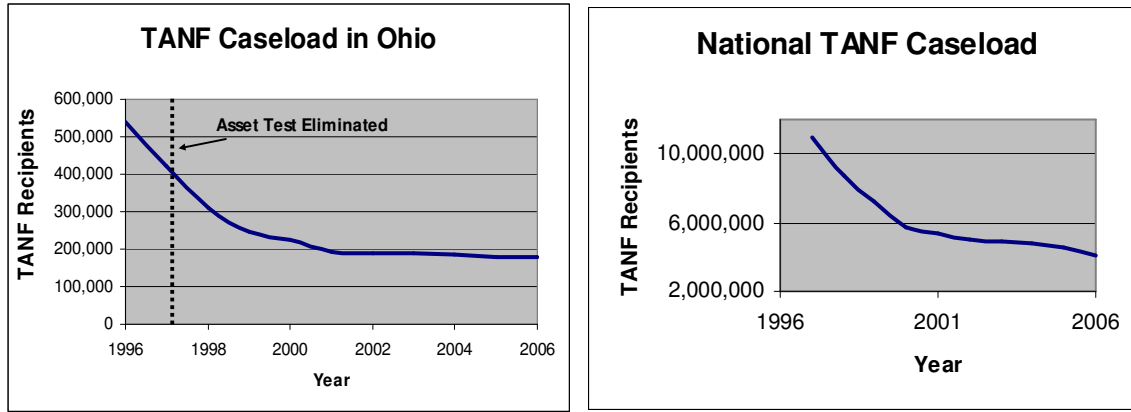
The structural components of the TANF program, as administered by CalWORKs, have proven to be immensely effective in preserving cash assistance for those in need. Federally mandated and state enforced time limits and work requirements effectively deter anyone from applying for assistance without having exhausted all other resources. These structural realities, coupled with the social stigma associated with receiving public assistance, prevent anyone with financial resources from considering public assistance. Recent qualitative research (O’Brien, 2006) identifies the trend among low-income individuals to “spend down” all financial resources before applying for assistance, and administrative data across the country (Virginia, New Hampshire, Oregon), demonstrates that very few TANF applicants are denied assistance due to excess resources – less than 1,200 out of more than 60,000 applicants in Virginia.

#### **States that eliminate asset tests see no increase in caseload**

After examining the small number of denials made for exceeding the relatively generous resource limits the state had in place, Virginia decided to do away with asset limits entirely for their TANF program, in December 2003 (Golden, 2005). Because only an administrative change was needed, this decision was made by the Department of Social Services with the goal of streamlining the eligibility process and cutting down on administrative costs – saving the state an estimated \$400,000 annually. To date, the state of Virginia has reported no “horror stories” of individuals with significant assets scamming the TANF program.



Ohio, too, eliminated the asset limit for TANF eligibility in 1997 and has not experienced any spike in the rolls or reported fraud. As illustrated below, despite eliminating the asset limit for TANF eligibility, Ohio witnessed a tremendous decline in the number of families receiving TANF, mirroring the national trend over the past decade. Eliminating the asset limit appears to have had little to no effect on the number of people qualifying for assistance.



### **Asset limits increase client hassle and government expense**

In order to qualify for assistance, TANF applicants provide detailed financial statements to establish they possess no assets. Caseworkers, in turn, must spend time and resources verifying the (lack of) asset holdings of every CalWORKs applicant multiple times a year. This cumbersome process is almost entirely unproductive – as discussed above, it is exceedingly rare for an individual with significant assets to be applying for welfare in the first place.

### **Asset limits are incompatible with goals of economic security and self-sufficiency**

The stated goal of California's Department of Social Services "is to serve... in ways that... encourage personal responsibility, and foster independence." Yet, by inhibiting low-income families from accumulating and maintaining assets, the State of California is preventing families from achieving self-sufficiency. In order to be economically secure, families must build their own safety nets through precautionary savings, so as to prevent future income shocks from forcing them back onto public assistance. CalWORKs currently penalizes saving by withdrawing assistance. Without basic savings or other assets, California's low-income families are not only susceptible to inevitable income shocks, but are likewise ill-equipped to provide their children with opportunities for higher education, pay for family medical expenses, or achieve retirement security. So long as asset limits prevent families from receiving much needed assistance while building and maintaining assets, achieving true economic self-sufficiency – and ending the need for government assistance – is nearly impossible.

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