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ASSETS & OPPORTUNITY SCORECARD

POLICY BRIEF: LIFTING ASSET LIMITS IN PUBLIC BENEFIT PROGRAMS

OVERVIEW

Many public benefit programs – such as cash welfare and Medicaid – limit eligibility to those with few or no assets. If individuals or families have assets exceeding the state's limit, they must "spend down" longer-term savings in order to receive what is often short-term public assistance. These asset limits, which were originally created to ensure that public resources did not go to "asset-rich" individuals, are a relic of entitlement policies that in some cases no longer exist. Cash welfare programs, for example, now focus on quickly moving individuals and families to self-sufficiency, rather than allowing them to receive benefits indefinitely. Personal savings and assets are precisely the kinds of resources that allow people to move off public benefit programs. Yet, asset limits can discourage anyone considering or receiving public benefits from saving for the future.

WHAT STATES CAN DO

States determine many key policies related to families receiving benefits. States have discretion in setting or eliminating asset limits for Temporary Assistance to Needy Families (TANF), Medicaid, the Children's Health Insurance Program (CHIP)[1] and the Supplemental Nutrition Assistance Program (SNAP, formerly known as Food Stamps).[2]

Program	Asset Limits	What States Can Do
TANF	$2,000-$3,000 in most states	■ Eliminate limits entirely, as five states have done ■ Substantially increase limits so they do not affect most recipients ■ Exclude classes of assets, such as individual development, retirement or college savings accounts
Family Medicaid[3]	$1,000-$30,000 in states that have limits	■ Eliminate limits entirely, as 24 states have done and all states must do by 2014 ■ Substantially increase limits so they do not affect most recipients ■ Exclude classes of assets, such as individual development, retirement or college savings accounts
SNAP	$2,000 ($3,000 if disabled or elderly household member) - $25,000 in states that have limits	■ Eliminate limits entirely, as 37 states have done ■ Substantially increase limits so they do not affect most recipients[4]

1 Only Missouri and Texas have asset limits in their Children's Health Insurance Program; the limit in Texas is $10,000 and the limit in Missouri is $250,000.

2 Stacy Dean, *2002 Federal IDA Briefing Book: How IDAs Affect Eligibility for Federal Programs: The SNAP Program* (Washington, DC: CFED and the Center on Budget and Policy Priorities, 2002).

3 Family Medicaid serves both children and their parents.

4 Federal law already exempts many important classes of assets in the SNAP program, including retirement accounts and education savings accounts.

ELEMENTS OF A STRONG POLICY

The best option: Based on extensive research by many national and state organizations,[5] CFED considers a state's asset limit policy strong if it has eliminated asset limits in TANF, Medicaid and SNAP.

Incremental improvements: The existence of an asset limit, no matter how high, sends a signal to program applicants and participants that they should not save or build assets. However, if a state has not yet eliminated asset limits entirely, it can take several intermediate steps to mitigate the disincentive to save.

- States can increase asset limits and/or index them to inflation, thereby reducing the likelihood that participants or applicants will reach the limit.
- States can exempt certain classes of assets from their asset tests in the TANF and Medicaid programs. While most programs exclude some "illiquid" assets, such as a home or defined benefit pension, many other liquid holdings, such as defined contribution retirement accounts (e.g., 401(k)s), health savings accounts, education savings accounts (529s and Coverdells) or individual development accounts, often count against the asset limits. States should exempt these types of assets. In addition, vehicles, which are vital for many to find and maintain employment, should be exempted.[6] States should also exempt Earned Income Tax Credit refunds for at least a year to provide a buffer for emergencies and unexpected expenses.[7]

WHAT STATES HAVE DONE

Twenty-four states have eliminated Family Medicaid asset limits, five states have eliminated TANF asset limits and 37 states have eliminated SNAP asset limits. Three states have substantially increased the asset limits in their Medicaid or TANF programs, and 37 states have excluded important categories of assets from these limits in one or both programs.

Evidence from states that have eliminated asset limits suggests that the administrative cost savings outweigh any real or potential increases in caseload. For instance, eliminating Medicaid asset limits in Oklahoma resulted in administrative cost savings of close to $1 million.[8] In Ohio and Virginia, the "early adopters" of TANF asset limit elimination, caseloads decreased in the years following the change.[9] Similarly, in Louisiana, where the asset test in TANF was eliminated in 2009, there has not been a significant increase in caseload. A number of states, such as Oregon, that raised or eliminated their vehicle asset tests found that doing so had a negligible effect on caseload.[10]

5 CFED, the Center on Budget and Policy Priorities, the Center for Law and Social Policy, the New America Foundation, the Urban Institute and the Sargent Shriver National Center on Poverty Law and others have all examined this issue.

6 If eliminating all vehicles as assets is not feasible, then states could consider eliminating at least one vehicle for each working member of a household.

7 Leslie Parrish, *To Save, or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-income Americans to Save and Build Assets* (Washington, DC: New America Foundation, 2005).

8 Ibid., 7.

9 Ibid., 7.

10 TANF Caseload Reduction Report (Salem: Oregon Department of Human Services, 2010).

For more information on this policy measure, Lifting Asset Limits in Public Benefit Programs, and more, go to http://scorecard.cfed.org.

In the *Assets & Opportunity Scorecard*, the 50 states and the District of Columbia were rated on their policies to eliminate asset limits. The ratings were based on the criterion described above.