

Assembly Bill No. 2466

CHAPTER 781

An act to amend Section 11322.6 of, and to add Section 11155.6 to, the Welfare and Institutions Code, relating to CalWORKs, and making an appropriation therefor.

[Approved by Governor September 29, 2006. Filed with
Secretary of State September 29, 2006.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2466, Daucher. CalWORKs eligibility: welfare-to-work activities and excluded assets.

Existing federal law provides for allocation of federal funds through the federal Temporary Assistance for Needy Families (TANF) block grant program to eligible states, with California's version of this program being known as the California Work Opportunity and Responsibility to Kids (CalWORKs) program.

Under the CalWORKs program, each county provides cash assistance and other benefits to qualified low-income families and individuals who meet specified eligibility criteria, including limitations on income and assets generally applicable to public assistance programs.

Under existing law, with certain exceptions, every individual, as a condition of eligibility for aid under the CalWORKs program, is required to participate in welfare-to-work activities. Under existing law, these activities in which a recipient may engage include, among others, job search and job readiness assistance, as described.

This bill would include financial management education within the definition of job search and job readiness assistance.

Existing law exempts from consideration when determining public assistance program eligibility the principal and interest in an individual development account, which is a savings account established in accordance with federal law that may only be used for specified purposes.

This bill would similarly exclude the principal and interest in a 401(k) plan, a 403(b) plan, an IRA, a 457 plan, a 529 college savings plan, or a Coverdell ESA, as these terms are defined in the bill, from consideration as property only when determining eligibility and the amount of CalWORKs assistance for CalWORKs recipients, and not for new program applicants.

Because state funds are continuously appropriated to pay for a share of county aid grant costs, this bill would, by expanding the potential pool of CalWORKs recipients, make an appropriation. In addition, because each county is required to administer the CalWORKs program, by giving

counties new responsibilities, this bill would create a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 11155.6 is added to the Welfare and Institutions Code, to read:

11155.6. (a) (1) The principal and interest in a 401(k) plan, 403(b) plan, IRA, 457 plan, 529 college savings plan, or Coverdell ESA, shall be excluded from as property when redetermining eligibility and the amount of assistance for recipients of CalWORKS benefits.

(2) The principal and interest in a 401(k) plan, 403(b) plan, IRA, 457 plan, 529 plan college savings plan, or Coverdell ESA, shall not be excluded from consideration as property when determining eligibility and the amount of assistance only with respect to an applicant for benefits who is not a recipient of CalWORKS benefits.

(b) For purposes of this section, the following terms have the following meanings:

(1) “401(k) plan” means a deferred compensation plan that satisfies the requirements of Section 401(k) of the Internal Revenue Code.

(2) “403(b) plan” means a qualified annuity plan that satisfies the requirements of Section 403(b) of the Internal Revenue Code.

(3) “IRA” means an individual retirement account that satisfies the requirements of Section 408 of the Internal Revenue Code.

(4) “457 plan” means a deferred compensation plan that satisfies the requirements of Section 457 of the Internal Revenue Code.

(5) “529 college savings plan” means a qualified tuition program that satisfies the requirements of Section 529 of the Internal Revenue Code.

(6) “Coverdell ESA” means an education savings account that satisfies the requirements of Section 530 of the Internal Revenue Code.

SEC. 2. Section 11322.6 of the Welfare and Institutions Code is amended to read:

11322.6. The welfare-to-work plan developed by the county welfare department and the participant pursuant to this article shall provide for welfare-to-work activities. Welfare-to-work activities may include, but are not limited to, any of the following:

(a) Unsubsidized employment.

(b) Subsidized private sector employment.

(c) Subsidized public sector employment.

(d) Work experience, which means public or private sector work that shall help provide basic job skills, enhance existing job skills in a position related to the participant's experience, or provide a needed community service that will lead to employment. Unpaid work experience shall be limited to 12 months, unless the county welfare department and the recipient agree to extend this period by an amendment to the welfare-to-work plan. The county welfare department shall review the work experience assignment as appropriate and make revisions as necessary to ensure that it continues to be consistent with the participant's plan and effective in preparing the participant to attain employment.

(e) On-the-job training.

(f) (1) Grant-based on-the-job training, which means public or private sector employment or on-the-job training in which the recipient's cash grant, or a portion thereof, or the aid grant savings resulting from employment, or both, is diverted to the employer as a wage subsidy to partially or wholly offset the payment of wages to the participant, so long as the total amount diverted does not exceed the family's maximum aid payment. A county shall not assign a participant to grant-based on-the-job training unless and until the participant has voluntarily agreed to participate in grant-based on-the-job training by executing a voluntary consent form, which shall be developed by the department.

(2) Grant-based on-the-job training shall include community service positions pursuant to Section 11322.9.

(3) Any portion of a wage from employment that is funded by the diversion of a recipient's cash grant, or the grant savings from employment pursuant to this subdivision, or both, shall not be exempt under Section 11451.5 from the calculation of the income of the family for purposes of subdivision (a) of Section 11450.

(g) Supported work or transitional employment, which means forms of grant-based on-the-job training in which the recipient's cash grant, or a portion thereof, or the aid grant savings from employment, is diverted to an intermediary service provider, to partially or wholly offset the payment of wages to the participant.

(h) Workstudy.

(i) Self-employment.

(j) Community service.

(k) Adult basic education, which shall include reading, writing, arithmetic, high school proficiency, or general educational development certificate of instruction, and English-as-a-second-language. Participants under this subdivision shall be referred to appropriate service providers that include, but are not limited to, educational programs operated by school districts or county offices of education that have contracted with the Superintendent of Public Instruction to provide services to participants pursuant to Section 33117.5 of the Education Code.

(l) Job skills training directly related to employment.

(m) Vocational education and training, including, but not limited to, college and community college education, adult education, regional occupational centers, and regional occupational programs.

(n) Job search and job readiness assistance, which means providing the recipient with training to learn job seeking and interviewing skills, to understand employer expectations, and learn skills designed to enhance an individual's capacity to move toward self-sufficiency, including financial management education.

(o) Education directly related to employment.

(p) Satisfactory progress in secondary school or in a course of study leading to a certificate of general educational development, in the case of a recipient who has not completed secondary school or received such a certificate.

(q) Mental health, substance abuse, and domestic violence services, described in Sections 11325.7 and 11325.8, and Article 7.5 (commencing with Section 11495), that are necessary to obtain and retain employment.

(r) Other activities necessary to assist an individual in obtaining unsubsidized employment.

Assignment to an educational activity identified in subdivisions (k), (m), (o), and (p) is limited to those situations in which the education is needed to become employed.

SEC. 3. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

AMENDED IN ASSEMBLY APRIL 10, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 167

Introduced by Assembly Member Bass

January 22, 2007

An act to repeal Sections *11155*, 11155.1, 11155.2, *11155.6*, 11257.5, and 11260 of, and to repeal and add Section 11257 of, the Welfare and Institutions Code, relating to CalWORKs, ~~and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 167, as amended, Bass. CalWORKs eligibility: asset limits.

Existing federal law provides for allocation of federal funds through the federal Temporary Assistance for Needy Families (TANF) block grant program to eligible states, with California's version of this program being known as the California Work Opportunity and Responsibility to Kids (CalWORKs) program.

Existing law provides for the CalWORKs program, under which each county provides cash assistance and other benefits to qualified low-income families and individuals who meet specified eligibility criteria.

Existing law continually appropriates money from the General Fund to pay for a share of aid grant costs under the CalWORKs program.

Existing law imposes limits on the amount of income and personal and real property an individual or family may possess in order to be eligible for aid under the CalWORKs program.

This bill would prohibit eligibility for CalWORKs aid from being conditioned on the limitation of an individual's or a family's assets, as defined, and would delete existing asset limitations. ~~By expanding~~

~~CalWORKs eligibility, this bill would make an appropriation. Additionally, by increasing the duties of counties administering the CalWORKs program, the bill would impose a state-mandated local program. The bill would declare that no appropriation would be made for purposes of the bill pursuant to the provision continuously appropriating funds for the CalWORKs program.~~

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: $\frac{2}{3}$ -majority. Appropriation: ~~yes-no~~. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) In 1996, Congress passed the Personal Responsibility and
- 4 Work Opportunity Reconciliation Act (PRWORA), known as
- 5 welfare reform, which created the Temporary Assistance to Needy
- 6 Families (TANF) program. TANF gives states power to design
- 7 their own programs, including establishing asset limits. The
- 8 California Work Opportunity and Responsibility to Kids
- 9 (CalWORKs) is California’s program implementing federal welfare
- 10 reform provisions.
- 11 (b) The structural components of the TANF program, as
- 12 administered by CalWORKs, have proven to be immensely
- 13 effective in preserving cash assistance for those in need. Federally
- 14 mandated and state-enforced time limits and work requirements
- 15 effectively deter anyone from applying for assistance without
- 16 having exhausted all other resources. These structural realities,
- 17 coupled with the social stigma associated with receiving public
- 18 assistance, prevent anyone with financial resources from
- 19 considering public assistance.
- 20 (c) In California, to qualify for public assistance under
- 21 CalWORKs, impoverished ~~family~~ families must demonstrate that
- 22 they are both income- and asset-poor. Under current law, a

1 low-income family will not qualify for assistance if the family has
2 savings or other assets, excluding a home and specific vehicle
3 allotment, exceeding the asset limit of \$2,000.

4 (d) Asset limits seek to ensure that public assistance programs
5 provide benefits only to those with too few resources to support
6 themselves. However, asset limits can dissuade low-income
7 families from saving because, in doing so, they risk losing their
8 benefits. For families making the difficult transition from welfare
9 to work, developing assets is critical to achieving true economic
10 independence. In order to prevent a complete backslide to public
11 assistance, low-income working families must begin to develop
12 their own safety net through personal saving for use in the event
13 of an unexpected income shock due to illness or temporary
14 unemployment. As personal saving is essential to achieving
15 self-sufficiency, which is the stated goal of the CalWORKs
16 program, saving should be encouraged by welfare policy and social
17 service agencies, rather than penalized.

18 (e) To be economically secure, families need both income and
19 assets. Regular income helps families pay for their daily living
20 expenses. In contrast, families need assets to weather financial
21 hardships and get ahead. Assets provide a safety net for coping
22 with unanticipated expenses and emergencies, such as
23 unemployment, accidents, and illnesses, that could otherwise cause
24 significant financial hardship. Assets also help families build
25 wealth and plan for the future by, for example, saving for retirement
26 or investing in their children's education.

27 (f) Several studies have documented the negative effect of asset
28 limits on wealth accumulation among low-income households in
29 a variety of public assistance programs. One study found that 49
30 percent of public assistance recipients indicated that they would
31 save more if the government did not cut their benefits because of
32 their savings.

33 (g) Many states are actively trying to stimulate savings by TANF
34 recipients and other low-income people by addressing asset tests.
35 The states of Ohio and Virginia have eliminated the asset test
36 altogether. The state of Virginia decided to eliminate asset limits
37 for their TANF program, in December 2003, by administrative
38 action, with the goal of streamlining the eligibility process and
39 cutting down on administrative costs. This decision has saved the
40 state an estimated \$400,000 annually, and to date, the state of

1 Virginia has reported no “horror stories” of individuals with
2 significant assets scamming the TANF program. In addition, in
3 1997, the state of Ohio eliminated its asset limit and has not
4 experienced any spike in the rolls or reported fraud.

5 *SEC. 2. Section 11155 of the Welfare and Institutions Code is*
6 *repealed.*

7 ~~11155. (a) Notwithstanding Section 11257, in addition to the~~
8 ~~personal property or resources permitted by other provisions of~~
9 ~~this part, and to the extent permitted by federal law, an applicant~~
10 ~~or recipient for aid under this chapter including an applicant or~~
11 ~~recipient under Chapter 2 (commencing with Section 11200) may~~
12 ~~retain countable resources in an amount equal to the amount~~
13 ~~permitted under federal law for qualification for food stamps.~~

14 ~~(b) The county shall determine the value of exempt personal~~
15 ~~property other than motor vehicles in conformance with methods~~
16 ~~established under the Food Stamp Program.~~

17 ~~(e) (1) The value of licensed vehicles shall be the greater of the~~
18 ~~fair market value as provided in paragraph (3) or the equity value,~~
19 ~~as provided in paragraph (5), unless an exemption as provided in~~
20 ~~paragraph (2) applies.~~

21 ~~(2) The entire value of any licensed vehicle shall be exempt if~~
22 ~~any of the following apply:~~

- 23 ~~(A) It is used primarily for income-producing purposes.~~
- 24 ~~(B) It annually produces income that is consistent with its fair~~
25 ~~market value, even if used on a seasonal basis.~~
- 26 ~~(C) It is necessary for long distance travel, other than daily~~
27 ~~commuting, that is essential for the employment of a family~~
28 ~~member.~~
- 29 ~~(D) It is used as the family’s residence.~~
- 30 ~~(E) It is necessary to transport a physically disabled family~~
31 ~~member, including an excluded disabled family member, regardless~~
32 ~~of the purpose of the transportation.~~
- 33 ~~(F) It would be exempted under any of subparagraphs (A) to~~
34 ~~(D), inclusive, but the vehicle is not in use because of temporary~~
35 ~~unemployment.~~
- 36 ~~(G) It is used to carry fuel for heating for home use, when the~~
37 ~~transported fuel or water is the primary source of fuel or water for~~
38 ~~the family.~~
- 39 ~~(H) The equity value of the vehicle is one thousand five hundred~~
40 ~~one dollars (\$1,501) or less.~~

1 ~~(3) Each licensed vehicle that is not exempted under paragraph~~
2 ~~(2) shall be individually evaluated for fair market value, and any~~
3 ~~portion of the value that exceeds four thousand six hundred fifty~~
4 ~~dollars (\$4,650) shall be attributed in full market value toward the~~
5 ~~family's resource level, regardless of any encumbrances on the~~
6 ~~vehicle, the amount of the family's investment in the vehicle, and~~
7 ~~whether the vehicle is used to transport family members to and~~
8 ~~from employment.~~

9 ~~(4) Any licensed vehicle that is evaluated for fair market value~~
10 ~~shall also be evaluated for its equity value, except for the following:~~

11 ~~(A) One licensed vehicle per adult family member, regardless~~
12 ~~of the use of the vehicle.~~

13 ~~(B) Any licensed vehicle, other than those to which~~
14 ~~subparagraph (A) applies, that is driven by a family member under~~
15 ~~18 years of age to commute to, and return from his or her place of~~
16 ~~employment or place of training or education that is preparatory~~
17 ~~to employment, or to seek employment. This subparagraph applies~~
18 ~~only to vehicles used during a temporary period of unemployment.~~

19 ~~(5) For purposes of this section, the equity value of a licensed~~
20 ~~vehicle is the fair market value less encumbrances.~~

21 ~~(d) The value of any unlicensed vehicle shall be the fair market~~
22 ~~value less encumbrances, unless an exemption applies under~~
23 ~~paragraph (2).~~

24 ~~SEC. 2.~~

25 *SEC. 3.* Section 11155.1 of the Welfare and Institutions Code
26 is repealed.

27 ~~SEC. 3.~~

28 *SEC. 4.* Section 11155.2 of the Welfare and Institutions Code
29 is repealed.

30 *SEC. 5.* *Section 11155.6 of the Welfare and Institutions Code*
31 *is repealed.*

32 ~~11155.6. (a) (1) The principal and interest in a 401(k) plan,~~
33 ~~403(b) plan, IRA, 457 plan, 529 college savings plan, or Coverdell~~
34 ~~ESA, shall be excluded from as property when redetermining~~
35 ~~eligibility and the amount of assistance for recipients of~~
36 ~~CalWORKs benefits.~~

37 ~~(2) The principal and interest in a 401(k) plan, 403(b) plan, IRA,~~
38 ~~457 plan, 529 plan college savings plan, or Coverdell ESA, shall~~
39 ~~not be excluded from consideration as property when determining~~

1 eligibility and the amount of assistance only with respect to an
2 applicant for benefits who is not a recipient of CalWORKs benefits.

3 (b) For purposes of this section, the following terms have the
4 following meanings:

5 (1) “401(k) plan” means a deferred compensation plan that
6 satisfies the requirements of Section 401(k) of the Internal Revenue
7 Code.

8 (2) “403(b) plan” means a qualified annuity plan that satisfies
9 the requirements of Section 403(b) of the Internal Revenue Code.

10 (3) “IRA” means an individual retirement account that satisfies
11 the requirements of Section 408 of the Internal Revenue Code.

12 (4) “457 plan” means a deferred compensation plan that satisfies
13 the requirements of Section 457 of the Internal Revenue Code.

14 (5) “529 college savings plan” means a qualified tuition program
15 that satisfies the requirements of Section 529 of the Internal
16 Revenue Code.

17 (6) “Coverdell ESA” means an education savings account that
18 satisfies the requirements of Section 530 of the Internal Revenue
19 Code.

20 ~~SEC. 4.~~

21 *SEC. 6.* Section 11257 of the Welfare and Institutions Code,
22 as amended by Section 1 of Chapter 569 of the Statutes of 1984,
23 is repealed.

24 ~~SEC. 5.~~

25 *SEC. 7.* Section 11257 of the Welfare and Institutions Code,
26 as amended by Section 28 of Chapter 1022 of the Statutes of 2002,
27 is repealed.

28 ~~SEC. 6.~~

29 *SEC. 8.* Section 11257 is added to the Welfare and Institutions
30 Code, to read:

31 11257. (a) Notwithstanding any other provision of law, in
32 order to encourage personal savings as a bridge from government
33 dependency to self-sufficiency, and to create an incentive to saving,
34 there shall be no limitation on the assets of an individual or a family
35 as a condition of eligibility for aid under this chapter, to the extent
36 permitted under federal law.

37 (b) For the purposes of this section, the term “assets” includes
38 investments that appreciate over time, including, but not limited
39 to, investments that can be converted into cash, such as savings,
40 equities, 401(k) accounts, and individual retirement accounts.

1 Assets also include personal or real property that holds monetary
2 value, such as a house, an automobile, or a small business.

3 ~~SEC. 7.~~

4 *SEC. 9.* Section 11257.5 of the Welfare and Institutions Code
5 is repealed.

6 ~~SEC. 8.~~

7 *SEC. 10.* Section 11260 of the Welfare and Institutions Code
8 is repealed.

9 *SEC. 11.* *No appropriation pursuant to Section 15200 of the*
10 *Welfare and Institutions Code shall be made for the purposes of*
11 *this act.*

12 ~~SEC. 9.~~

13 *SEC. 12.* If the Commission on State Mandates determines that
14 this act contains costs mandated by the state, reimbursement to
15 local agencies and school districts for those costs shall be made
16 pursuant to Part 7 (commencing with Section 17500) of Division
17 4 of Title 2 of the Government Code.

Dear Senator Alquist,

As a concerned Californian, I write to ask your support for AB 167, a bill that would repeal the asset limit for CalWORKs eligibility. The asset limit has become an impediment for low-income families to save and build assets. Forced to spend down what little they may have to meet the \$2,000 asset limit, low-income families are further pulled into a cycle of dependence and instability.

The unintended consequence of the \$2,000 asset limit keeps poor families poor. With little or no assets to speak of, families face an even harder time getting up on their feet.

It's time to repeal this policy and help low-income families move out of poverty for good.

Public Assistance Savings Exclusions (PASE)

Rewarding Work, Promoting Independence, and Encouraging Sustained Self-Sufficiency

Overview

To qualify for major public assistance programs like CalWORKs, Food Stamps, and Medicaid, families must be both low-income and asset-poor. "Asset limits" make sense at first glance. The public pocketbook is not limitless and public aid should be directed to those who are truly desperate. However, asset limits can also put low-income families in a precarious position, causing them to deplete – and keep depleted – the part of a family's financial portfolio that is critical for promoting independence and keeping recipients from returning to public aid.

Poor People Can (and Do) Help Themselves

Findings from the privately-funded American Dream Demonstration, which offered matched savings accounts and financial education for low-income individuals saving for a home, education, or small business, found that program participants responded positively to savings incentives. Subsequent studies, such as one that allowed low-income tax filers to save a portion of their tax refund, demonstrate that people of all income levels can save if the appropriate products and incentives are in place so that it makes sense for them to do so.

Government Programs Send a Mixed Message

Asset limits send a mixed message to those on public aid and contribute toward continued dependency. Though savings are key to sustained self-sufficiency, the state penalizes recipients who save by imposing asset limits on CalWORKs and other assistance programs. In so doing, the state prevents recipients from becoming independent and discourages financial responsibility.

California has set its CalWORKs asset limit at \$2,000, which means that applicants must have no more than \$2,000 in countable assets to be eligible for benefits. While traditional supports for retirement and education, such as company-sponsored pensions and publicly-funded grants and scholarships are not taken into consideration for eligibility purposes; applicants and recipients who budget wisely and take the initiative to save on their own—through 401(k)s, IRAs, 529 college savings plans, and other restricted accounts—are penalized.

The Next Step in Welfare Reform: PASE

Certain assets—such as a home—are already excluded from asset tests so recipients do not have to liquidate long-term assets just to receive short-term assistance. The same logic can be used for excluding savings held in restricted retirement and education accounts.

Take retirement savings as an example. Currently, employer-sponsored 401(k) plans and IRAs count toward the asset limits in CalWORKs. These retirement accounts may need to be spent down before someone can qualify for welfare. This hurts recipients in the short-run, and punishes work, because recipients lose earned money to penalties. Over the long run this policy jeopardizes welfare recipients' privately generated retirement savings and makes it more likely they will need to return to public assistance in old age.

In line with excluding retirement accounts, contributions to 529s and other restricted education savings plans should also be excluded from eligibility consideration. Investing in higher education is one of the best ways to move recipients towards self-sufficiency and ensure that the next generation has better economic opportunities.

Other States

Several states offer savings incentives to low-income people. The next step is to exclude restricted education and retirement accounts from public aid asset limits, so that responsible savers are not rewarded in some programs and penalized in others. Pennsylvania now excludes all education savings accounts, including 529 plans, from eligibility consideration in its TANF program. Other states, such as Ohio and Virginia, have eliminated their asset limits entirely, which allows their recipients to save for education, retirement, and other purposes while allowing the state to incur lower administrative costs. California could follow these states' lead.

For more information, contact: Anne Stuhldreher. New America Foundation
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NEW AMERICA FOUNDATION

ASSET BUILDING PROGRAM

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

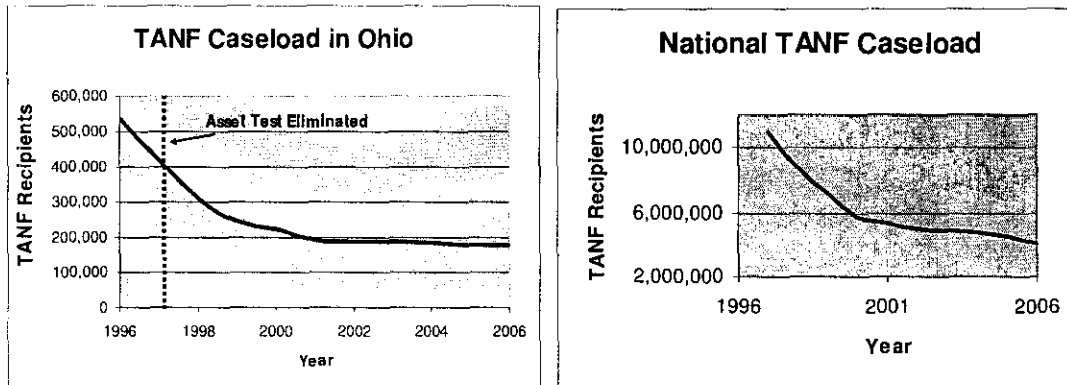
The structural components of the TANF program, as administered by CalWORKs, have proven to be immensely effective in preserving cash assistance for those in need. Federally mandated and state enforced time limits and work requirements effectively deter anyone from applying for assistance without having 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.

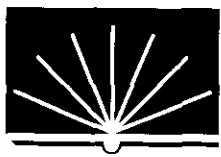
For more information, contact:

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SHRIVER CENTER

Taking action to end poverty

Sargent Shriver National Center on Poverty Law

March 23, 2007

Assembly Member Jim Beall
Human Services Committee
State Capitol, Room 4206
Sacramento, CA 95814
FAX: 916.319.2189

RE: SUPPORT for Assembly Bill 167 (Bass)

Dear Assembly Member Beall:

On behalf of the Sargent Shriver National Center on Poverty Law, I write to express my strongest support for AB 167, the CalWORKs Savings Act, which repeals the asset limit on CalWORKs applicants and recipients and encourages low-income families to build savings for their own personal safety nets.

The Shriver Center is a national law and policy center that takes action to end poverty through policy development, communications, and impact litigation. Our Community Investment Unit promotes policies that strengthen families and communities through building, owning, and protecting personal and financial assets. We believe that asset limits in assistance programs are unnecessary and counterproductive barriers to moving up the ladder of financial security and independence. In fact, we recently published a paper on asset limit reform in the March-April issue of the Clearinghouse Review. We believe that California should join the growing number of states that are reforming antiquated asset limit policies.

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 net through personal saving. These savings can be used to buffer an unexpected income shock due to illness, temporary unemployment, or divorce. CalWORKs current \$2,000 asset limit inhibits applicants and recipients from accumulating and maintaining assets and penalizes those who *do* save with a loss of benefits.

The Shriver Center believes AB 167 removes the disincentive for individuals on CalWORKs to exercise fiscal responsibility and encourages them to save and plan for the future. Consistent with the stated goals of the CalWORKs program, AB 167 assists families in achieving economic self-sufficiency and responsibility through work.

Sincerely,

Dory Rand
Supervising Attorney, Community Investment
312.368.2007
doryrand@povertylaw.org

DATE

Assembly Member Jim Beall
Human Services Committee
State Capitol, Room 4206
Sacramento, CA 95814
FAX: 916.319.2189

RE: SUPPORT for Assembly Bill 167 (Bass)

Dear Majority Leader Bass:

On behalf of [YOUR ORGANIZATION], I write to express my support for AB 167 the CalWORKs Savings Act, which repeals the asset limit on CalWORKs applicants and recipients to encourage low-income families to build savings and their own personal safety nets.

[BRIEF DESCRIPTION OF YOUR ORGANIZATION]

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 net through personal saving for use in the event of an unexpected income shock due to illness or temporary unemployment.

At present, applicants and recipients of the CalWORKs find their progress restricted by an asset limit which restricts families to no more than \$2,000 in savings. By inhibiting low-income families from accumulating and maintaining assets, California is preventing families from achieving self-sufficiency. The asset limit forces individuals who are working their way off of public assistance to hide their savings, or to not save at all. The asset limit penalizes those who *do* save with a loss of benefits. Without savings, these families are unable to establish their own personal safety net, and are therefore vulnerable to income shocks that will lead them to backslide to government assistance. The asset limit in the CalWORKs program prevents families from achieving true economic independence through work

[My Organization] believes AB 167 the CalWORKs Savings Act removes the disincentive for individuals on CalWORKs to exercise fiscal responsibility and encourages them to save and plan for the future. AB 167 assists families in achieving economic self-sufficiency through work, creates social and fiscal responsibility and restores the stated goal of the CalWORKs program.

Thank you for introducing this important measure. We are pleased to support AB 167 and look forward to working with you to advance this sensible savings initiative that promotes responsibility and fosters independence.

Sincerely,
Name
Title
Organization

No More Mixed Messages: Reforming Asset Limits to Facilitate Savings and Asset Building

Leslie Parrish, New America Foundation
CSD State Policy Conference
April 21, 2005

The Mixed Message

Asset Building programs for low-income families in direct conflict with asset limits

Asset Tests are:

- Inefficient
- Counter-productive to economic security and opportunity
- Inequitable

Programs with Asset Tests

Program	Level of Govt Setting Asset Test
TANF	State
Medicaid	State
SCHIP	State
Food Stamps	Federal, with some state flexibility
SSI	Federal
Financial Aid	Federal

only Oregon + Texas have asset limits

Treatment of Assets, by Type

Home	Always excluded
Financial Aid	Always excluded
Car	At least a portion of car value excluded but varies by program and state
IDAs	TANF and AFIA funded IDAs always excluded; if states have flexibility they can exclude other IDAs

Treatment of Assets, by Type

College Savings (529s)	Counts as an asset, if states have flexibility they can exclude
Retirement Savings	Defined benefit plans (pensions) always excluded, Defined contribution plans (401ks) excluded in Food Stamp program, IRAs not excluded (if states have flexibility they can exclude) Student financial aid excludes all parental retirement assets

Reform Principles

Changes to asset rules:

- should remain consistent with or enhance the underlying goal for public assistance programs—to help those in need
- should minimize the threats to a family's longer-term economic security
- should not be guided by a "worst case scenario" but instead by what's best for the majority of recipients

Categorically Exclude Assets

- Retirement savings in 401(k)s/IRAs
- Savings for college (529s)
- At least one car per household
- Allow families to keep EITC refunds for at least a year

Other Reforms

- Raise asset limits and then index them to inflation (Food Stamps, 1985; SSI, 1989)
- Greater clarity on the rules among caseworkers and recipients
- Ensure new asset building legislation takes asset limits into account

Proposed Reforms

- Raise asset limits or eliminate asset tests altogether
- Categorically exclude a particular asset (as a home is always excluded now)
- Upon creating new asset building products, exclude them from consideration (IDA tax credit, KIDS Accounts)

Eliminate Asset Test

- Especially appropriate in programs where recipients have lots of hoops to jump through already (ie: TANF)
- Decrease administrative complexity (and reduce costs?)

*Old - \$1mil less
cost when
medicaid asset
limit gone*

More Information

- To Save or Not To Save issue brief from the New America Foundation
- Issue Brief on Retirement Savings and Asset Limits forthcoming from Brookings
- Other resources at www.AssetBuilding.org

Leslie Parrish

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