



Asset Limits: Impact and Policy

Ezra Levin, Corporation for Enterprise Development (CFED)
Social Security Advisory Board, Public Forum, July 12th, 2016

On the Agenda

- 1. About CFED**
- 2. Economic Volatility of Low-Income Americans**
- 3. Impact of Asset Limits**
- 4. Tension Between State and Federal Asset Limits**

About CFED

CFED (Corporation for Enterprise Development) empowers individuals and families to build and preserve assets by advancing policies and strategies that help them go to college, buy a home, start a business, and save for now and for the future.

We combine the vision of a think tank with real-world experience to:



Identify Good Ideas: CFED's research finds ideas with potential for making the economy work for everyone, particularly those on the margins.



Develop Partnerships: CFED works in partnership with diverse organizations across the country to promote lasting change.

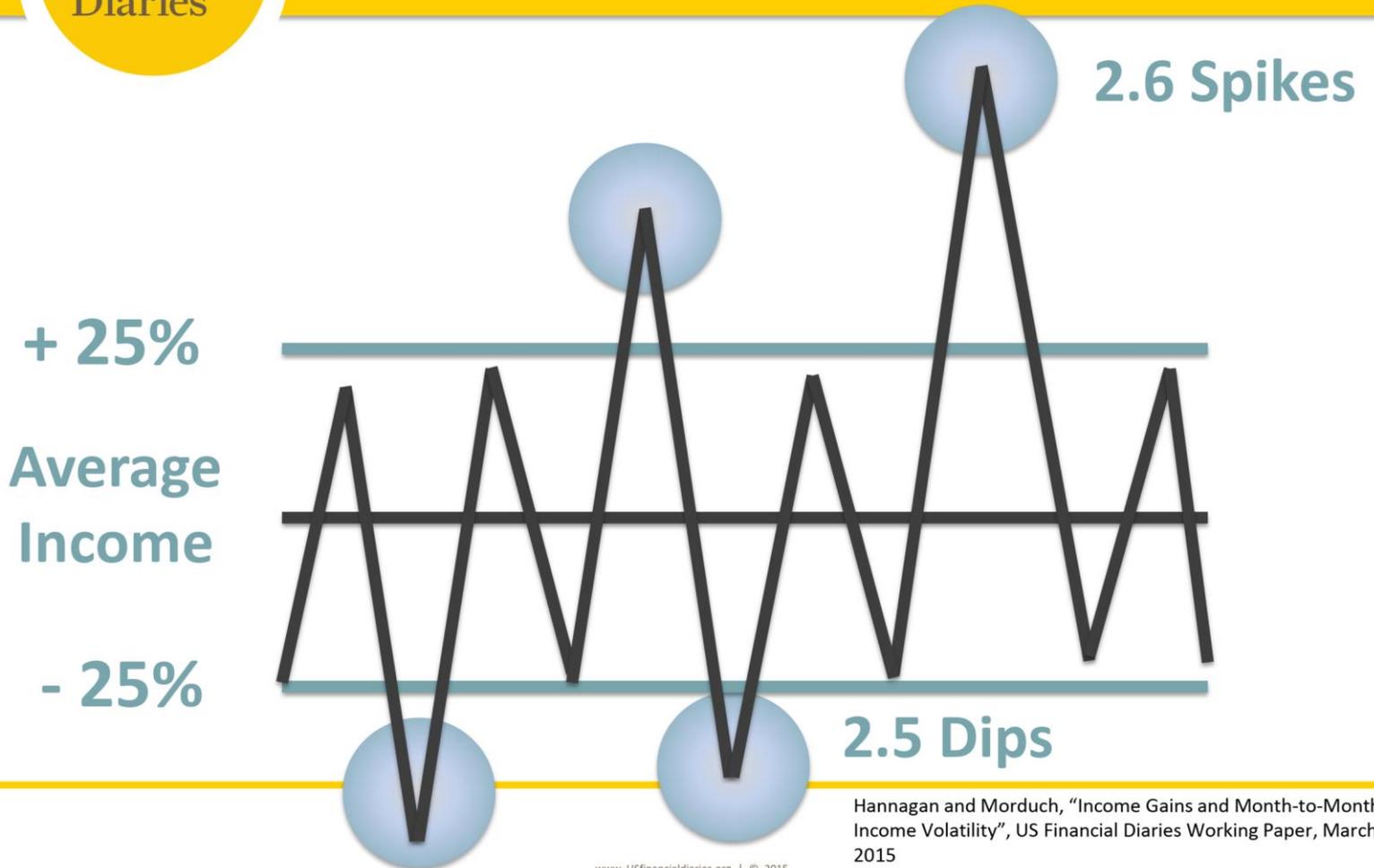


Bring Ideas to Scale: CFED brings together community practice, public policy and private markets to achieve the greatest economic impact.

Economic Volatility

U.S.
Financial
Diaries

Income Spikes and Dips



Hannagan and Morduch, "Income Gains and Month-to-Month Income Volatility", US Financial Diaries Working Paper, March 2015

Impact of Asset Limits

1. On People
2. On Government
3. On Caseloads



“Asset Limits, SNAP Participation and Financial Stability”



“Do Limits on Family Assets Affect Participation in, Costs of TANF?”

Impact on People



Source: CFED Assets and Opportunity Scorecard (2016)

Impact on People



Impact on Government



- **States that change their asset limits from low (\$2,500 or less) to moderate (\$3,000 to \$9,000) or eliminate them see a decrease in their administrative costs.** In particular, among states with moderate asset limits and an exemption for at least one vehicle, administrative expenditures were about 2 percent lower than those in states with low thresholds.



The resources needed to implement asset tests to determine and recertify program eligibility can lead to **higher administrative costs**. The results of this study further suggest that **asset limits may be increasing program administrative costs by increasing churn**. The increased cost of program churn can

Impact on Caseloads

Article

Shelter From the Storm: TANF, Assets, and the Great Recession

SAGE Open
January-March 2015: 1–6
© The Author(s) 2015
DOI: 10.1177/2158244015572487
sagepub.com


Leah Hamilton¹, Ben Alexander-Eitzman¹, and Whitney Royal¹

Abstract

A growing body of literature suggests that asset limits in public assistance are associated with low savings rates among low-income families. Several states have begun eliminating or significantly increasing asset limits in an attempt to address potential disincentives. The primary concern for other states, however, appears to be the possibility that caseloads would increase to unsustainable levels, especially in times of economic recession. Five states that eliminated or increased asset limits during the Great Recession were analyzed for changes in caseload size after the rule change. **Results suggest that there is no significant relationship between asset limits and caseload size.**

Impact on Caseloads



- **Raising or eliminating asset limits does not affect the number of monthly applicants.** After controlling for a state's unemployment, population, and other characteristics,⁴ the level of the asset limit does not affect the number of applications a state receives. Conversely, an increase in unemployment is correlated with a
- **Among the seven states that removed their TANF asset limits between 2000 and 2014, there were no statistically significant increases in the number of TANF recipients.**² Louisiana saw the number of recipients

Impact on Caseloads



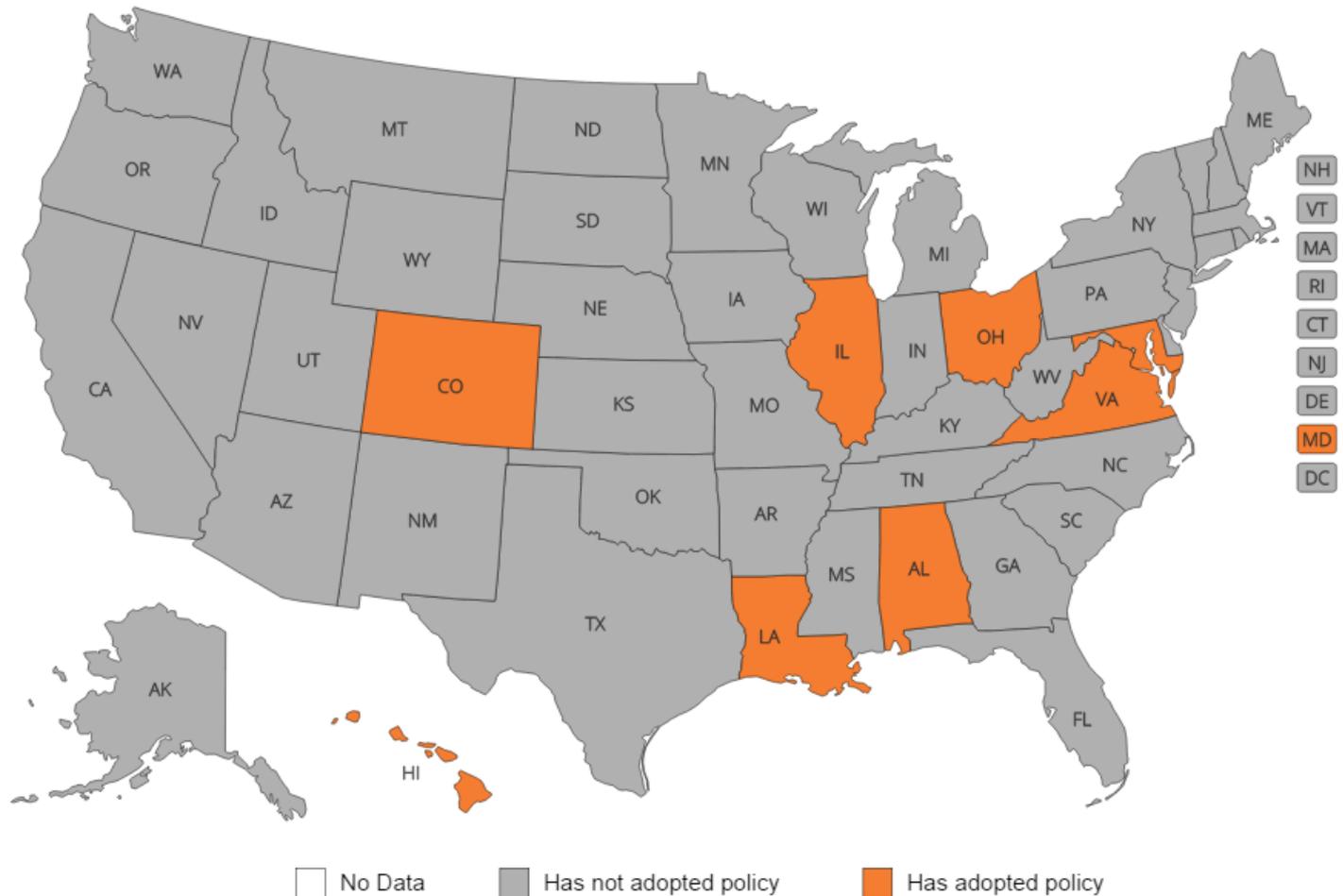
What is the effect of SNAP asset limits on SNAP eligibility? We find that asset tests in place in 2011 across all states reduced the number of eligible SNAP households (referred to as “units”) by 3 percent

Summary

- Bad for People
- Costly for Government
- Minimal Impact on Caseloads

TANF Asset Limits

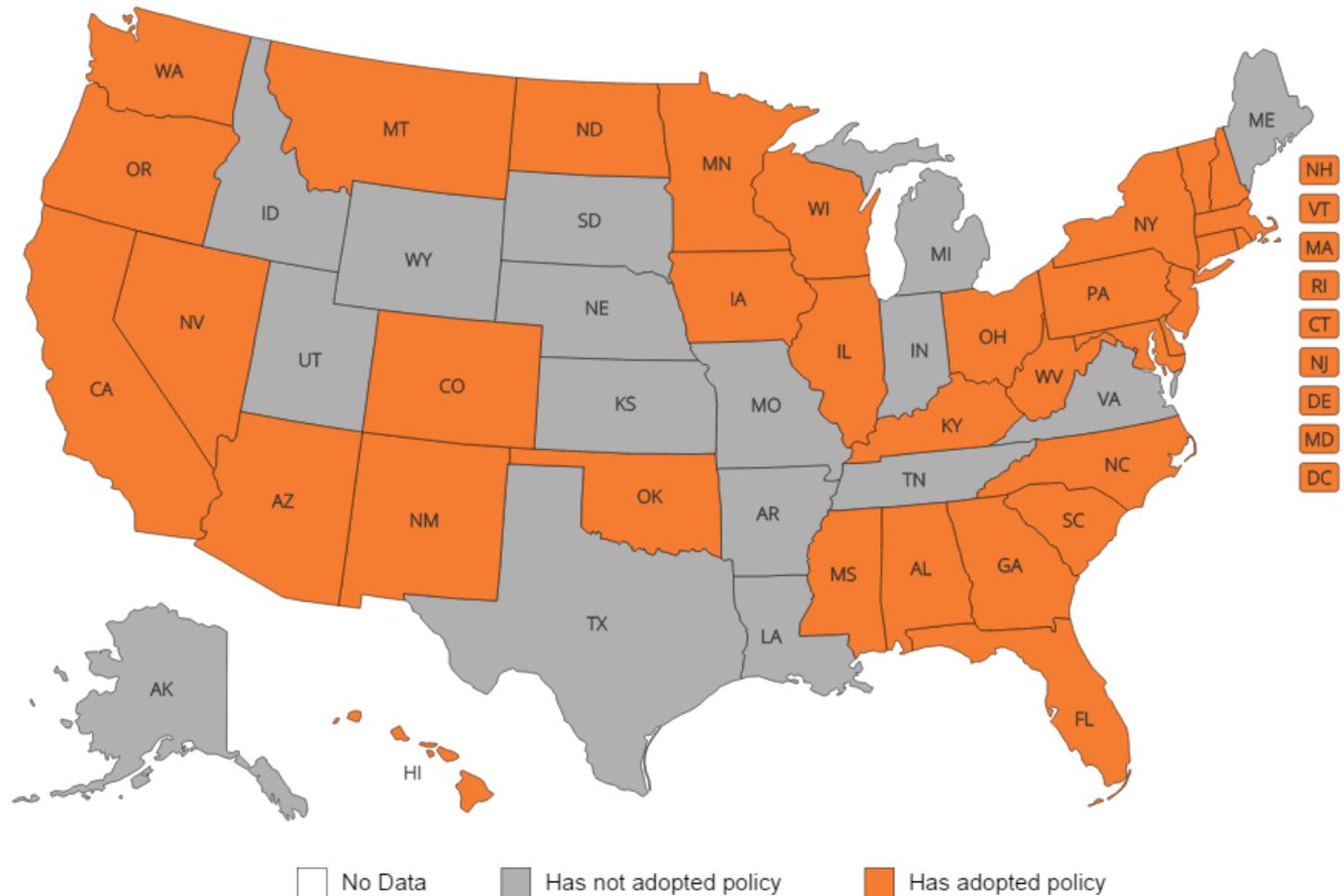
8 States Have Eliminated Asset Test in TANF



Source: CFED Assets and Opportunity Scorecard (2016)

SNAP Asset Limits

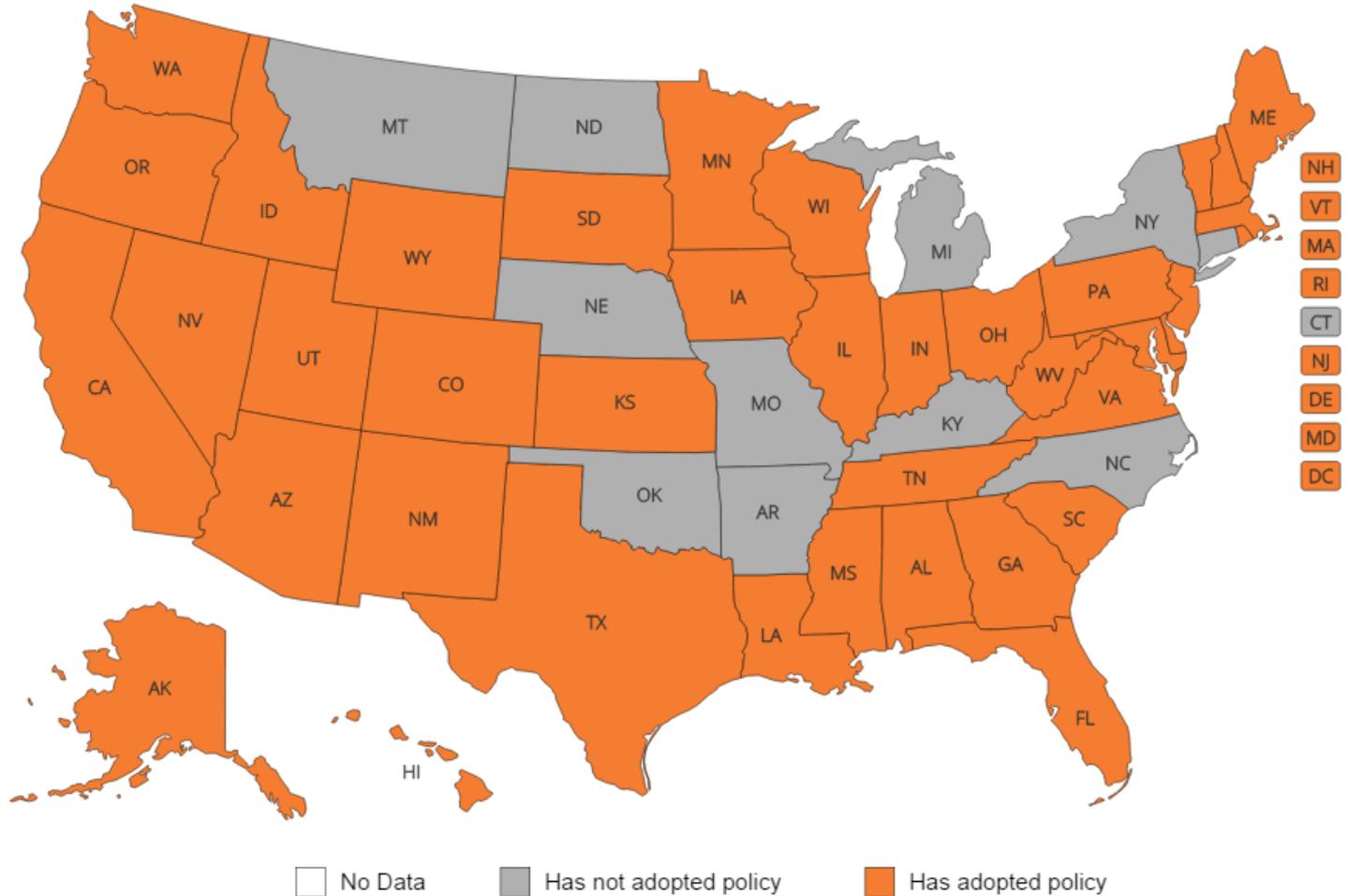
34 States & D.C. Have Eliminated Asset Test in SNAP



Source: CFED Assets and Opportunity Scorecard (2016)

LIHEAP Asset Limits

39 States & D.C. Have Eliminated Asset Test in LIHEAP



Source: CFED Assets and Opportunity Scorecard (2016)

SSI Asset Limits



□ No Data

■ Has not adopted policy

■ Has adopted policy

Big takeaways

1. Asset limits create perverse incentives for work, savings, and financial security
2. Asset limits increase government administrative costs
3. Raising asset limits has modest or no impact on caseloads
4. Federally-imposed asset limits undermine state policies