

Public Assistance Asset Limits: A Barrier to Savings and Ideas for Reform

**Statewide Conference on Financial Literacy and Asset-
Building, Durham, NC October 9, 2007**

**Carol Wayman, Senior Legislative Director
CFED**

CFED

- CFED works to expand economic opportunity by helping more people save and invest, own homes, succeed as entrepreneurs, contribute to and benefit from the economy.
- CFED's special expertise is to connect public policy, private markets, and community practice to bring effective approaches for building wealth and financial security to scale at the local, state and national levels.

Presentation Outline

- **Assets in means-tested safety net programs**
- **Types of IDAs**
- **Treatment of Assets and IDAs in federal programs**
 - TANF
 - Medicaid/SCHIP
 - Food Stamps
 - SSI
 - Housing programs
- **What North Carolina can do**

Assets in Means-Tested Safety Net Programs

- **Tension between creating opportunities for low-income people to accumulate assets in the way that higher-income people can *and* carefully targeting scarce resources**
- **Concerns about allowing people with assets to receive safety net benefits**
 - could take scarce resources away from the neediest people (when there is no entitlement)
 - could increase program costs (when there is an entitlement)
 - could undermine public support
- **Different federal programs take different approaches to**
 - What counts as an asset
 - What limit applies
 - Degree of state flexibility

Types of IDAs:

The IDA Exclusion!

I. TANF

- Fully or partially funded with federal TANF funds, state maintenance-of-effort (MOE) funds, or Welfare-to-Work funds
- Meet TANF statutory criteria, including
 - participants are needy families with children
 - savings used only for postsecondary educational expenses, to purchase a home, or to start a business

2. AFIA

- Funded and authorized under the Assets for Independence Act

Types of IDAs (continued)

3. Non-TANF, Non-AFIA (i.e. all other IDAs)

- Funded with state, local, or private funds
- Funded with federal funds other than AFIA, TANF, or Welfare-to-Work
- Funded with federal TANF funds, state maintenance-of-effort (MOE) funds, or Welfare-to-Work funds, but do not meet TANF statutory criteria (for example: a TANF-funded IDA program that allows IDA funds to be used for car purchases)

TANF and AFIA IDAs Must be Disregarded

- By law, all individual contributions, matching contributions, and interest accumulating in a TANF or AFIA IDA may not be considered when determining eligibility or benefit levels in any federal program that considers an individual's financial circumstances.
- IDA program staff could provide participants with a letter to show to caseworkers explaining that the IDA must be disregarded and providing the legal basis. (A model letter is available from the Center on Budget and Policy Priorities.)

Non-TANF, Non-AFIA IDAs

- No special disregard
- Treatment depends on the rules of each federal benefit program and, in some programs, on state rules

TANF

- Consider TANF from the perspective of a potential recipient of cash assistance or other benefits rather than TANF as a funding stream
- Nearly 5 million individuals receive cash assistance and at least 1 million more receive other TANF-funded benefits and services
- IDAs are not considered “assistance” and therefore do not count against a family’s five year federal time limit, even if the IDA is TANF-funded; but if an IDA participant also receives TANF cash assistance, the clock runs

TANF: Assets Policies

- Asset policy and vehicle policy is set by state
- Asset limits vary; most are in the \$2,000 to \$3,000 range
- States can eliminate the asset limit entirely, but only Ohio & VA has
- Roughly half the states entirely disregard the value of at least one vehicle; the other states generally disregard the value of a vehicle up to a certain limit
- Non-TANF, non-AFIA IDAs are counted toward the state's asset limit unless explicitly exempt
- 401(k)s and IRAs are counted unless explicitly exempt

Food Stamps

- **More than 23 million recipients**
- **Rules are set federally; states/counties administer the program**
- **In some areas, including asset rules, states have flexibility within federal parameters**

Food Stamps: Asset Policy and IDAs

- **Assets affect eligibility but not benefit levels**
- **Overall asset limit:**
 - \$2,000 generally
 - \$3,000 if at least one household member is disabled or age 60 or older
- **Specific federal rules about what counts as an asset**
 - individual contributions to non-TANF, non-AFIA IDAs generally count
 - matching contributions generally do not count (depends on whether they are accessible)
 - 401(k)s are exempt, but IRAs count
 - Vehicles possibly

Food Stamps: Asset Policy and IDAs (cont.)

- States have flexibility to liberalize vehicle rules, which has the effect of liberalizing the overall asset limit
- If all members of a household receive TANF/MOE cash assistance and/or SSI, all household assets are disregarded
- If an individual receives certain TANF- or MOE-funded services as defined by the state, including (but not limited to) cash assistance, a state must disregard the individual's assets

Food Stamps: Asset Policy and IDAs (cont.)

- **2002 Farm Bill provided new flexibility, but..**
 - A state may exclude most assets that the state excludes either in its TANF cash assistance or its Medicaid program for families with children
 - Cash and “amounts in any account in a financial institution that are readily available to the household” may not be excluded
 - Until final regulations are issued, states may determine which assets are considered “readily available” Final regulations never issued and states reluctant to act

Proposed Federal Policy: Reform Asset Limits for Food Stamps; Encourage Saving

- Asset limits of \$2,000 affect 26 million families – Strong “don’t save” message: penalties, taxes
- Confusing: Funds in pension or 401(k)-exempt; IRA or 529 - not exempt.
- President Bush requested exemptions for retirement & education accounts.
- S. 591 would index asset limits to inflation and exempt all retirement and college accounts. Identical to provisions that passed in the House’s Farm Bill

Medicaid and SCHIP

■ Medicaid

- Covers roughly 50 million people
- States must comply with certain federal requirements but have flexibility within those parameters, including flexibility on asset rules

■ SCHIP

- Funds may be used to expand Medicaid or create a separate program
- Covers roughly 5 million children
- States have flexibility over income and asset rules

Medicaid: Asset Policy and IDAs

- States have significant discretion over where to set the asset limit and what counts against it; the asset test can be dropped entirely
- Asset rules often vary by eligibility category (i.e., children, families with children, elderly or disabled people, etc.)
- 45 states have entirely waived the asset test for children
- 22 states have entirely waived the asset test for families with children

Medicaid: Asset Policy and IDAs (continued)

- Many states exclude the value of a vehicle
- States may count non-TANF, non-AFIA IDAs but have discretion to disregard them (states also may count the accounts containing non-TANF non-AFIA IDA matching contributions but are very unlikely to do so)
- None of the 28 states that still impose an asset test for families explicitly disregards IDAs, but states can

SCHIP: Asset Policy

- Complete state flexibility over limit and what counts; asset test can be waived entirely
- No state except Idaho, Oregon, and Texas applies an asset test for children

States with Medicaid Assets Test for Children

- Colorado
- Idaho
- Montana
- Texas
- Utah (for kids 6-19)

States with an Asset Test for SCHIP

- Oregon
- Texas

States Without A Medicaid Asset Test for Families with Children

- Alabama
- Arizona
- Connecticut
- Delaware
- District of Columbia
- Illinois
- Kansas
- Louisiana
- Massachusetts
- Mississippi
- Missouri
- New Jersey
- New Mexico
- North Dakota
- Ohio
- Oklahoma
- Pennsylvania
- Rhode Island
- South Carolina
- Wisconsin
- Wyoming

SSI

- Provides cash benefits for low-income individuals who are aged, blind, or disabled
- SSI asset rules are set by federal law and regulations; there is no state flexibility
- Some states provide supplemental SSI benefits to SSI recipients and individuals who don't meet the very low income threshold for federal benefits; these programs follow SSI income and asset rules if they are federally administered
- No need to become an expert on disability benefits (or Medicaid), just need to work with one and recognize key issues

SSI: Asset Policy

- **Asset limit**
 - \$2,000 for individuals
 - \$3,000 for couples
- **Assets affect eligibility but not benefit levels**
- **Some assets are not counted, including**
 - Home
 - One vehicle if used for work, medical care, or if modified
 - Inaccessible resources (like defined benefit retirement plans)

SSI: IDAs

- **Generally, individual contributions to non-TANF, non-AFIA IDAs are counted as assets**
- **Generally, matching contributions to non-TANF, non-AFIA IDAs are not counted as assets if the participant does not have access to the funds**
- **However, individual contributions to non-TANF, non-AFIA IDAs are not counted as assets if they are approved by SSA as a “plan for achieving self-sufficiency” (PASS)**
 - PASS plans are meant to further a work goal; they sometimes involve an IDA
 - The initial term of PASS plans is 18 months, but the term may be extended to 48 months or more
 - To be approved as part of a PASS plan, an IDA may not be used to save for home purchase or repair (TANF and AFIA IDAs are the only way an SSI recipient can save for a home and still retain SSI benefits; the potential is limited, however, because TANF and AFIA IDAs require earnings)
 - No earnings required

Low-Income Housing Programs: Asset Policy and IDAs

- Asset policy is set federally; no state flexibility
- Public housing, Section 8 vouchers, HOME program, and Low-Income Housing Tax Credit have no asset test
- HUD offers the Family Self-Sufficiency program in which increased rental payments resulting from earnings increases are placed in an escrow account that may be used for any purpose upon program completion
- Interest earned on assets counts as income and affects eligibility and subsidy amount
- If a family has net assets exceeding \$5,000 a percentage of the value is counted as income if that amount exceeds interest earned (HUD regulations do not specify whether IDAs count; generally assets count only if accessible)

Summary

- **Non-TANF, non-AFIA IDAs**

- In TANF and Medicaid, whether to count these IDAs against asset limits is up to the state
- In food stamps, this type of IDAs generally is counted, but new food stamp options enable states to exempt these IDAs

- **Vehicles**

- Whether to count vehicles against asset limits for food stamps, TANF, and Medicaid is up to the state in all three programs

Can IDA Assets Be Counted in Eligibility Determinations?

	TANF	Food Stamps	Medicaid and SCHIP	SSI	Housing Assistance
TANF IDA	No	No	No	No	No
AFIA IDA	No	No	No	No	No
Non-TANF, Non-AFIA IDA	State discretion	The basic federal rule calls for these IDAs to be counted, but states have new options that should allow them to disregard these IDAs	State discretion	Yes, unless the IDA is limited to use for a PASS and approved by SSA	No

What can North Carolina Do?

Program	Limits	What states can do
TANF	\$2,000–\$3,000 in most states	<ul style="list-style-type: none">■ Eliminate limits entirely as Ohio and Virginia have done■ Substantially increase limits so they do not effect most recipients■ Exclude classes of assets, such as individual development, retirement, or college savings accounts
Food Stamps	\$2,000 (\$3,000 if disabled or elderly household member) set by federal government	<ul style="list-style-type: none">■ Define what counts as assets and which assets count as “readily available”■ Determine Food Stamps applicants and recipients “categorically eligible” if they also receive any assistance through TANF■ Exclude assets not counted by the state’s TANF or Medicaid program
Medicaid	\$1,000–\$6,000 in states that have limits	<ul style="list-style-type: none">■ Eliminate limits entirely as more than 20 states have done■ Substantially increase limits so they do not effect most recipients■ Exclude classes of assets, such as individual development, retirement, or college savings accounts

North Carolina Action

- 1) Increase asset limits
- 2) Index asset limits to inflation
- 3) Exclude illiquid assets
- 4) Exclude some liquid holdings such as defined contribution retirement accounts (401k, IRAs, HSAs, education), IDAs and vehicles for employment purposes
- Exempt EITC refunds for at least a year

What Can You Do?

- www.cfed.org/go/scorecard
- www.dataplace.org
- Sign up for CFED Policy Updates, latest on legislation and Action Alerts, www.cfed/go/advocacy
- Attend the 2008 Assets Learning Conference, September 11-13, 2008 in Washington, DC
- Carol Wayman, CFED Senior Legislative Director
cwayman@cfed.org (202) 207 0125

Resources

- *2002 Federal IDA Briefing Book — How IDAs Affect Eligibility for Federal Programs*, Corporation for Enterprise Development and Center on Budget and Policy Priorities, October 2002:
<http://www.cbpp.org/10-29-02wel.pdf>
- Detail on state TANF asset policies is available through the Urban Institute's Welfare Rules Database:
<http://newfederalism.urban.org/wrd>
- Detail on states that have conformed food stamp income and resource rules to TANF and Medicaid rules:
http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/conformance_options.htm
- *States Vehicle Asset Policies in the Food Stamp Program*, Center on Budget and Policy Priorities, revised January 2004:
<http://www.cbpp.org/7-30-01fa.htm>
- *Preserving Recent Progress on Health Coverage for Children and Families: New Tensions Emerge — A 50-State Update on Eligibility, Enrollment, Renewal, and Cost-Sharing Practices in Medicaid and SCHIP*, Center on Budget and Policy Priorities, July 2003:
<http://www.cbpp.org/7-30-03health.pdf>