March 5, 2019

Honorable Melissa Hurtado
Chair, Human Services Committee
California State Senate
State Capitol, Room 2054 Sacramento, CA 95814

RE: Urge Support for SB 268 (Wiener) – Ending CalWORKs Asset Test

Dear Senator Hurtado,

On behalf of the Western Center on Law and Poverty, Prosperity Now, EARN, the California Association of Food Banks and the California Coalition of Welfare Rights Advocates, we are writing as sponsors in support of Senate Bill 268, introduced by Senator Wiener. This bill will improve access achieve financial security for low-income Californians who turn to the California Work Opportunity and Responsibility to Kids (CalWORKs) program for help.

The CalWORKs Asset Test Undermines a Primary Policy Goal of the Program
One of the primary goals of the CalWORKs program is to move families out of poverty and towards self-sufficiency. Currently, families with total assets exceeding $2,250 or with a vehicle assessed at more than $9,500 cannot qualify for CalWORKs, California's Temporary Aid to Needy Families (TANF) Program. These limits undermine the purported purpose of the program.

The asset test proves to be a barrier to families trying to prevent entrenched poverty when they fall on hard times because it makes them chose between disposing of their savings or foregoing needed cash assistance. The cost associated with a slight increase in CalWORKs caseloads as a result of removing the asset test would be negligible and may even turn into savings because families with modest savings are more successful at securing and retaining employment, remaining stably housed and, ultimately, leaving the public benefit caseload permanently.

Many modern safety net programs were designed to limit assets and discourage asset building. Decades of research have shown that these types of policies are difficult to administer, limit economic mobility and undermine family stability by preventing families from building emergency savings while not on aid.

The CalWORKs Asset Test is Administratively Burdensome
Removing the CalWORKs asset test will have administrative efficiencies too. Studies by Pew Charitable Trust,[1] the Center for Law and Social Policy (CLASP),[2] and Appalachian State University[3] demonstrate that relaxed asset limits do not affect the number of monthly TANF applicants. Further, states that increase their asset limits see a decrease in their TANF administrative costs. According to the Pew Study, 6 out of 7 states that eliminated TANF asset limits altogether actually noticed a decline in caseloads before and after the threshold changes. We can assume this means a) that the number of TANF applicants has more to do with unemployment and economic well-being than the design of the TANF program and b) that allowing families to build wealth makes them less likely to need TANF long-term.

Thirty-eight percent of households in California are living in liquid asset poverty – they do not have enough liquid assets ($6,275) to subsist at the poverty level for three months given a disruption in income. This essentially means that any disruption of income can cause households to cycle on and off CalWORKs, which in turn leads to greater administrative costs for the state. Supporting families in their savings goals should be a priority for the state and asset limits create perverse incentives that discourage savings and financial independence. Studies show that low asset limits are associated with lower savings rates for all low-income families, not just those receiving CalWORKs. As California law currently stands, saving even $2,251 would render a family ineligible for assistance and essentially incapable of weathering the smallest financial setback.

Red States like Alabama and Louisiana, that have eliminated asset limits report that the administrative cost savings outweigh any real or potential increases in caseload.[4] This is because very few, (0.1%) of applicants for public assistance, are found to exceed the vehicle asset limit, but caseworkers must verify the assets owned by all applicants.[5] This is why removing the requirement would be expected to save the state significant administrative time, allowing caseworkers to redirect their time to helping families secure employment, prevent homelessness and attain financial independence.[6] While removing the asset limit in CalWORKs would be expected to result in a slight increase in CalWORKs caseloads, they would be negligible and may even turn into savings because families with automobiles are more successful at securing and retaining employment.[7]

SB 268 Will Create Safety Net Program Alignment
While CalWORKs retains a prequalifying asset rule, California's Medi-Cal program does not have an asset test for families with children and CalFresh has no asset test for families within incomes under

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[1] "Do Limits on Family Assets Affect Participation on TANF?" http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/07/do-limits-on-family-assets-affect-participation-in-costs-of-tanf

[2] "Eliminating Asset Limits Creates Savings for Families and State Governments"http://www.clasp.org/resources-and-publications/publication-1/Eliminating-Asset-Limits-Creating-Savings-for-Families-and-State-Governments.pdf

[3] Summary of Report on TANF Asset Tests: http://journals.sagepub.com/doi/abs/10.1177/2158244015572487

[4] Sprague & Black, 2012; Hawaii Department of Health and Human Services, 2013; CFED, 2012

[5] The Cost Effectiveness of CalWORKs Asset Test Program," LaTanya Brown-Robertson and Charlotte Otabor, 2015. and "State Asset Limit Reforms and Implications for Federal Policy," Aleta Sprague, *New American Foundation* https://www.newamerica.org/asset-building/policy-papers/state-asset-limit-reforms-and-implications-for-federal-policy/

[6] *Ibid*

[7] Measuring the Role of Transportation in Facilitating Welfare-to-Work Transition: Evidence from CA http://www.uctc.net/papers/583.pdf

200% of poverty. So removing the CalWORKs Asset Test would also align program rules. As a result, SB 268 would create administrative efficiencies by allowing county social services agencies to forgo the burden of assessing an asset test and simplifying the public benefit programs of California to the extent permitted by federal law. After years of cuts to the administrative funding for the CalWORKs program, and the compounded changes to eligibility rules enacted by recent budget decisions, program administrators are seeking these types of win-win efficiencies so that they can direct much-needed resources to helping families get back to work.

Current CalWORKs Policy Sends Mixed Messages to Low-Income Communities
What's more, the CalWORKs asset test sends a message to low-income communities that runs counter to the work that California has been doing to encourage savings. Just this year, California launched the CalSavers program, which allows workers without an employer-sponsored retirement savings program to save through the portable program. And California's cities have been leading the country in establishing college savings programs. Public benefit asset tests send confusing messages to low-income communities who, on the one hand, are being encouraged to save, but on the other hand have learned that savings have to be spent down before a person is allowed to receive help with health care or CalWORKs cash aid, eviction assistance, child care or educational supports. Current law carves out certain savings programs from counting under the rule, but this kind of nuanced policies are difficult to communicate to whole communities of people.

Please Support SB 268 – Urge 'Aye' Vote
In conclusion, ending the CalWORKs asset limits will have substantial benefits for California families and the economy. Ultimately, it is in the state's best interest to allow households to move off public benefits more quickly and achieve self-sufficiency. For these reasons, we urge you to support SB 268.

Sincerely,

Jessica Bartholow
Western Center on Law and Policy

Kevin Aslanian
Coalition of California Welfare Rights Organizations

Holden Weisman
Prosperity Now

Andrew Cheyne
California Association of Food Banks

Leigh Phillips
EARN

cc: Office of the Honorable Scott Wiener, California State Senate
Members of the Human Services Committee, California State Senate