



ASSET BUILDING POLICY PROJECT

The Impact of Asset Limits for Michigan's Food Assistance Program: House Bill 5033 will Hurt Michigan's Families and Michigan Taxpayers

- 1) On October 1, 2011, the Michigan Department of Human Services (DHS) implemented an asset limit of \$5,000 for recipients of Food Assistance Program (FAP), also known as the Supplemental Nutrition Assistance Program. House Bill 5033 (Rep. Agema) would codify that policy in statute.
- 2) The **Community Economic Development Association (CEDAM) opposes HB 5033** and asks that the DHS reverse this policy.
- 3) CEDAM seeks to end reliance on government assistance by addressing the root cause of generational poverty – Asset Poverty.
- 4) Asset Poverty is a lack of liquid assets or savings necessary for a person or family to live above the poverty line for three months without any income. In 2011 the asset poverty threshold for a family of four is \$5587.50 in savings. Limiting a FAP recipient to \$5,000 in assets forces a family to remain asset poor. Asset limit are counterproductive to a family's economic independence.
- 5) **Few people have ever spent their way out of poverty. The true path to a family's long-term economic independence is through savings and asset building.** Michigan families that have escaped the generational cycle of poverty have done so through savings and investing in long-term financial assets and goals.
- 6) **Safety net policies are designed to help families temporarily as they go through difficult economic times, while also encouraging them to become financially self-reliant. Through asset building, families are able to create their own safety net so they do not need to rely on government assistance.**
- 7) **Rather than encourage self-sufficiency, assets limits discourage savings among recipients** or force recently un- and underemployed families to deplete their emergency savings for temporary assistance. This can both perpetuate and create new generations of Michigan families and children living paycheck to paycheck or in poverty and result in families spending a longer time receiving government assistance.
- 8) Twenty-nine states (Michigan made 30 until October 1, 2011) have eliminated asset limits¹ because of the growing recognition that while income and income supports like FAP will help a family get by during tough financial times, only assets and savings will help families get ahead and build lasting economic security. This is why other states and communities have adopted comprehensive asset building strategies to economically empower individuals and families.²
- 9) **Asset limits will cost all Michigan taxpayers money at a time we need to be prudent in the use of our tax dollars.** While the federal government funds 100% of the FAP benefit, administrative costs of the food assistance program are split with the state, fifty-fifty. The additional work of verifying assets for all FAP recipients (2 million plus) will significantly increase labor costs at a time when overburdened DHS caseworkers already manage an average of 900 cases.
- 10) The cost to the state to implement asset limits far exceeds the need for one. DHS has estimated only 11,000 (less than 0.5%) of the more than 2 million FAP cases will be closed as a result of the \$5,000 asset limit. While there is no similar estimate on the administrative costs to state of this policy change, it is recognized that the **new asset limit will both: cost Michigan more money and decrease federal assistance to Michigan families.**
- 11) History proves changes in policy also affect error rates and other important outcomes on which the state is evaluated. A federal audit was triggered the last time Michigan made a major FAP policy changes resulting in \$65 million in fines.
- 12) It often takes years to realize the positive return on investment in state spending on social services and human capital, but that is not the case here. **Eliminating asset limits would have an immediate and positive impact on both the state budget and the roughly 2 million Michigan residents who rely on the FAP program to help them get through current economic times.**
- 13) **On behalf of CEDAM, our members and the families they serve, we ask that you vote NO on House Bill 5033. It is a step backward for Michigan families, children and seniors and a step we should not take.**

¹ Food Research & Action Center (http://www.frac.org/pdf/map_eliminating_asset_test.pdf), September 30, 2011

² For more on this movement, see www.cfecoalition.org