

September 22, 2011

The Honorable Geoff Davis
The Honorable Lloyd Doggett
Subcommittee on Human Resources
House Committee on Ways and Means
1101 Longworth House Office Building
Washington, D.C. 20515

RE: Letter of Record: promote asset limit reform in the TANF program to encourage work, access to financial services and financial independence among working poor families

Dear Chairman Davis and Ranking Member Doggett,

The Center for Public Policy Priorities thanks you for holding the September 8 hearing on the reauthorization of the Temporary Assistance for Needy Families (TANF) block grant. We agree with the subcommittee that essential reforms are needed to ensure the program is responsive to the needs of low-income families, particularly during recessionary times when formerly middle class families may need assistance, and provides opportunities to help TANF recipients get out of poverty and on the road to financial independence.

We urge the Committee to take an important step toward this goal by eliminating asset limits for TANF recipients. Asset limits force struggling families to choose between meeting their basic needs and saving for the future, which creates an impediment to achieving financial independence undermining the core goal of the TANF block grant. The original intent behind asset limits was to ensure that only those most in need received benefits. However, the federal ceiling for asset limits has not increased since 1996 and still remains at \$2,000. In Texas, our asset limit is only \$1,000 and the fair market value of any vehicle valued above \$4,650 is counted toward that limit. This vehicle standard has not been updated since 1977. The vehicle asset limit forces parents to choose between owning a reliable car and providing for their children, which creates an impediment to work, further undermining the primary goal of TANF.

By restricting TANF recipients to minimal savings, asset limits prevent recipients from saving or accumulating the kind of assets—such as higher education or retirement—that can help families get out of poverty and weather temporary financial crises such as the loss of a job during an economic recession.

Studies have clearly proven that **both** income and assets are keys to economic security. We recommend Congress:

- **Eliminate the asset limit test (including vehicle asset limits) in TANF.** Enforcing asset limits is counterproductive by discouraging savings. Eliminating the asset test provides the most administrative savings—saving significant staff time and providing a better allocation of resources towards helping recipients find work.
- **If Congress cannot raise the asset test, it should raise it to \$10,000 and retain state flexibility to set higher limits.** While raising the asset limit will not have the same type of administrative savings we seek, it will remove the disincentive to saving. A higher test should also follow the lead of SNAP and exclude all retirement accounts and college education investment accounts such as 529s and Coverdells. We also recommend excluding Savings Bonds.

Thank you for focusing on strategies to provide maximum economic opportunity to enable struggling families to achieve financial independence.

Sincerely,



Celia Cole, Senior Policy Analyst

Cc: The Honorable Dave Camp, Chairman, Ways and Means Committee
The Honorable Sander Levin, Ranking Member, Ways and Means Committee

