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expanding economic opportunity

June 6, 2012

The Honorable Sam Johnson
The Honorable Xavier Becerra
The Honorable Geoff Davis
The Honorable Lloyd Doggett
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

RE: Letter of Record: promote asset limit reform in the Supplemental Security Income program to enable work for people with disabilities

Dear Chairman Johnson, Chairman Davis, Ranking Member Becerra and Ranking Member Doggett,

The Corporation for Enterprise Development (CFED) thanks you for holding the September 23 hearing on Work Incentives in Social Security Disability programs. CFED is a national nonpartisan nonprofit organization dedicated to expanding economic opportunities for all Americans. CFED believes that Congress and the Administration should provide American households pathways to financial security and self-reliance through programs and policies, and the community of people with disabilities is no exception.

We agree with the committee that work participation rates among people with disabilities is far too low, and more should be done to help this segment of the United States that can work and save to contribute to their communities and ultimately increase their financial self-reliance. Those that can work should be able to work and save money in a financial account to improve their financial self-reliance without fear of losing benefits or medical coverage above a minimal safety net.

The Social Security Administration (SSA) recognizes the value in having Social Security disability program recipients working to improve their economic security. Programs such as Ticket to Work, Work Incentives Planning and Assistance (WIPA), and the Plan to Achieve Self-Support (PASS) program are a few of the programs the SSA uses to encourage disability beneficiaries to return to work. These programs provide beneficiaries with continued benefits and medical coverage while working or pursuing an employment goal, a critical and popular incentive, however, does not address the widespread issue of poverty within the disability community.

The Supplemental Security Income (SSI) program provides cash-assistance to more than eight million Americans, over seven million being people with disabilities. Like many federal benefit programs, the SSI program includes an income and asset test. The asset limits for this program discourages recipients to open bank accounts, work and save. Individuals cannot hold more than $2,000 in total assets and couples no more than $3,000. These limits have not been adjusted for more than two decades (since January 1, 1989).

These limits are detrimental and punish those considering opening bank accounts and finding work:

- **The asset test punishes individuals with disabilities who are currently working but saving for a future time when they may be unable to work.** If their medical condition or disability worsens in the future, they will be penalized for their efforts and unable to enroll in SSI.

- **The asset test also hinders recipients' economic mobility.** While many of the work incentive programs allow recipients to increase their income, it does nothing to incent savings. Recipients are discouraged from setting aside any of their earned income for pursuing education, building a retirement nest egg, or saving for an emergency or a down payment on a home. The PASS program is too complex to solve this problem.

- **Discourages families from saving for their other children.** A high number of SSI enrollees are children. Due to SSI's deeming rules, parents of children who receive SSI cannot have more than $2,000 in savings ($3,000 in two parent households). The SSA counts the parent's assets over $2,000 as part of the child's $2,000 asset limit. Not only does this limit hurt the child receiving SSI, but it hurts everyone living in the household because the parent cannot save on behalf of any additional children.

  For example, when CFED tried to open children's savings accounts for a specific Boys and Girls Club or school, the family would turn down the free bank account for fear they would jeopardize their SSI and Medicaid benefits. We have heard that asset tests are one reason that Maine's Next Gen program has only a 38% take up rate. The Alfond Foundation provides $500 for every newborn in the state of Maine for a 529 account. It's tragic that families fear opening college accounts for children will put their current survival at risk.

Given the high levels of asset-poverty (insufficient savings to cover 3-6 months of expenses without a steady income) within the disability community, CFED advocates for and promotes policies that improve the financial stability of people with disabilities. Lawmakers should create policies that enable and encourage savings.

We recommend the following reforms which are contained in the SSI Saver's Act (H.R. 2103):

* **Raise asset limits to $5,000/$7,500 for individuals/couples and index the limit to inflation:** Allowing SSI recipients to have a slightly higher level of savings provides them with a buffer against one-time emergencies; without this modest buffer they are vulnerable to predatory lenders, deeper poverty, hunger, and potential homelessness, and will ultimately require greater government assistance. It would also encourage households receiving SSI to open savings accounts and participate in the financial mainstream. Some states already recognize the value of raising the asset test of their programs: Colorado and Delaware increased the asset limits of their TANF programs to $15,000 and $10,000 respectively. Five states (AL, LA, MD, OH and VA), eliminated asset tests in TANF completely. Indexing the SSI asset limits preserves a modest level of personal savings.

* **Exclude retirement accounts, education savings accounts and savings bonds from the asset test:** Exempting retirement accounts from the asset limit will allow SSI recipients the chance to accumulate modest savings and ultimately be less dependent on government support for survival during retirement. Excluding special savings accounts such as 529s and Coverdell ESAs will allow recipients to save for their education, which will improve their earning potential over their lifetimes and thus their financial stability. The trend of excluding savings vehicles in federal benefit programs is growing. Dozens of states exempted certain types of accounts such as retirement, health savings education savings accounts or individual development accounts from the asset test of their TANF and/or Medicaid programs. Senator Saxby Chambliss (R-GA) led efforts in 2008 to reform the asset test in the SNAP program by excluding retirement accounts and education savings accounts and indexing the limit to inflation. Excluding savings bonds enables individuals with disabilities to receive gifts from families and personal investments in a safe and accessible vehicle now able to be purchased on tax forms.

Thank you, Chairman Johnson, Chairman Davis, Ranking Member Becerra and Ranking Member Doggett, for working to increase the workforce participation rates of and the financial stability for people with disabilities. To truly take advantage of any work incentive programs, asset tests must be reformed to allow recipients to save and plan for the future. Both income and assets are key to one's economic security.

Sincerely,

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