7521 Main Street, Suite 103
Omaha, Nebraska 68127

(402) 597-3100 P
(402) 597-2705 F

www.voicesforchildren.com

March 2, 2017

To: Chairman Riepe and Members of the Health and Human Services Committee
From: Kaitlin Reece, Policy Coordinator for Economic Stability and Health
Re: Support for LB 224-Change asset limitation provisions relating to public assistance

All families need access to savings in order to weather life's emergencies and ensure their long-term financial security. Current asset limits encourage families to spend down of resources, and create unnecessary paperwork and administrative burden on caseworkers who spend significant time and resources verifying the few assets most families applying for assistance have. In 2014, a review of U.S. Department of Health and Human Services data found that only 10% of families receiving TANF benefits had cash resources with an average amount of $219. Similarly, households receiving SNAP had only $446.[1] This administrative burden only grows as families churn in and out of the program.

Voices for Children supports LB 224 because it encourages savings and long-term economic independence while streamlining the administration of several programs, which is especially important with the move to a common application under ACCESS Nebraska in recent years.

There is a significant body of evidence suggesting that in order to truly improve a family's financial well-being, we need to consider assets in addition to income. A comprehensive review of the research on assets by the Department of Health and Human Services found that assets have a positive impact on both child well-being and a family's physical and mental health.[2] While we have many policies in place to help wealthier families build assets – like deductions for mortgage interest and retirement savings – we have very few policies that do the same for lower income families and in fact create additional policy barriers to savings through things like asset limits.

Our current program rules for safety net programs like Aid to Dependent Children (ADC) and Supplemental Nutrition Assistance Program (SNAP) send the wrong message to families struggling to make ends meet. Under current state law, asset limits incentivize families to liquidate savings necessary for long-term financial security in order to receive assistance in cases of temporary hardship. These limits thus deter families from building long-term savings for things like retirement or college.

In January, Governor Ricketts signed new child care subsidy regulations that eliminated asset limits in that program. However, current asset limits in Nebraska

[1] "Eliminating Asset Limits: Creating Savings for Families and State Governments." CLASP. October 17, 2016.
[2] Lerman and McKernan (2008) The Effects of Holding Assets on Social and Economic Outcomes of Families: A Review of Theories and Evidence

are a patchwork of policies, making it confusing for clients and caseworkers who administer the program. What's more, the different asset limits for each program ($4,000 in ADC, $25,000 in SNAP and no asset limit in child care) leave open greater potential for caseworker error. LB 224 would align all three major safety net programs in Nebraska to reduce confusion and administrative inefficiency.

Proposals like LB 224 encourage families to become part of the financial mainstream and have the potential to decrease families' participation in alternate lending institutions such as payday loans. An Urban Institute study found that following the elimination of asset limits, low-income families with a bank account increased by 5% while the number of families with at least $500 in their account increased by 8%.[3] We also know that an active bank account is a key component for families to build credit, save for the future, and have access to fair, reasonable credit options.

Recent research from the New America Foundation has found improved administrative efficiency in public programs in states where asset tests have been eliminated. For example, in Oklahoma and Illinois, the elimination of asset limits saved the states $1 million in administrative costs.[4] Colorado found that eliminating the asset test there saved caseworkers on average 90 minutes per case, time that was previously spent verifying assets.[5] The same research also found that the benefits of this efficiency can be limited if policies are not aligned across programs since many states, including Nebraska, use a common application form.[6]

LB 224 has the potential to significantly reduce the paperwork required to apply for our public benefit programs and make our public programs more efficient while keeping current income limits for the program in place. We urge the committee to advance this bill. Thank you.

Sincerely,

Kaitlin Reece

Kaitlin Reece, Policy Coordinator

---

[3] Ibid.

[4] "To Save, or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-Income Americans to Save and Build Assets." 2013. New American Foundation.

[5] "State Asset Limit Reforms and Implications for Federal Policy." New American Foundation. 2012.

[6] New America Foundation (2012), *State Asset Limit Reforms and Implications for Federal Policy*