



How Have Asset Policies for Cash Welfare and Food Stamps Changed Since the 1990s?

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Cash welfare and food stamps are means tested: assets and income must fall below set limits for families to qualify. While this ensures that benefits go to the neediest families, asset limits may also discourage asset building. States can exempt all assets (unrestricted assets), or they can exempt assets held for a specific purpose, such as education, a home, or a business (restricted assets); a car; or an individual development account (IDA).

Since 1992, states have increasingly supported IDAs and have allowed specific classes of assets (figure 1). States allowing IDAs went from none in 1992 to 26 in 2003. Similarly, states exempting restricted assets in their welfare programs went from none in 1992 to 30 in 2003.

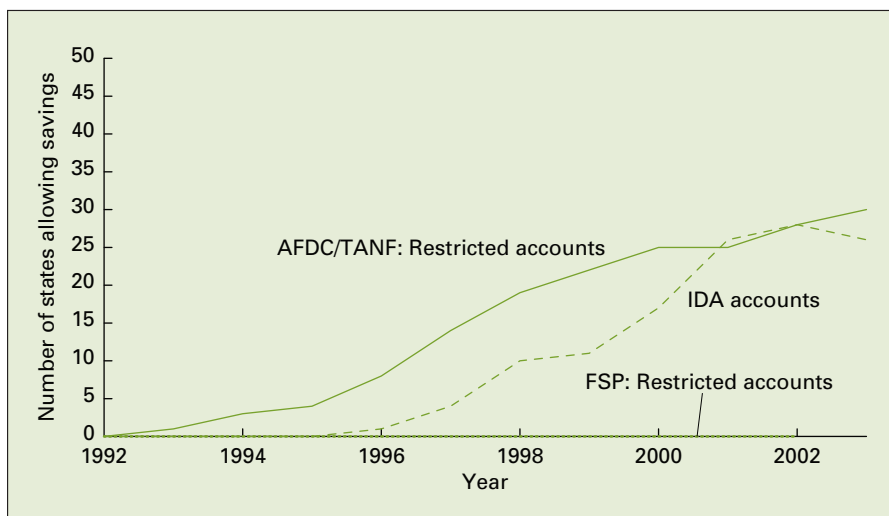
Prior to 2002, the Food Stamp Program provided no exemptions for restricted accounts. But the 2002 Farm Bill provides states the option of exempting restricted assets, if doing so aligns their food stamp policy with their welfare or Medicaid policies.

In 1992, federal policy for cash welfare allowed families to exempt \$1,500 in vehicle value from the asset limit. By 2003, 29 states allowed exemption for at least one vehicle. Only 3 states exempted the entire value of a vehicle from Food Stamp eligibility during the late 1990s, but by 2003, 34 did.

The growth in allowances for restricted assets contrasts with the erosion in limits on assets not set aside for a particular purpose. Average TANF unrestricted asset limits rose in real terms from \$1,138 in 1993 to \$2,779 in 1998 but have since been eroded by inflation, falling to \$2,592 in 2003. The Food Stamp asset limit has eroded in real terms from \$2,398 in 1991 to \$1,895 in 2003.¹

It remains unclear how much disregarding certain assets from eligibility determinations will affect decisions to save. People tend to save toward specific goals, so increasing allowances for specific assets, especially those most sought by individuals, might work to increase savings even if real declines in unrestricted asset limits do the opposite. Research underway at the Urban Institute will attempt to examine the net impact of these combined changes.

FIGURE 1. States Allowing Families to Save Assets for Specific Purposes, 1992–2003



Sources: Calculations based on data from the Urban Institute's Welfare Rules Database, and the Center for Social Development's and Corporation for Enterprise Development's information on IDA programs.

Notes: Restricted accounts allow withdrawals for a limited set of activities, such as higher education and home ownership. State-supported IDA programs provide matched savings accounts designed to help low-income people save for similar specific purposes.

Note

1. All values measured in year 2000 dollars.