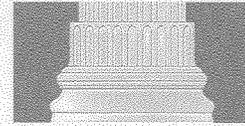


1000 SOUTH WASHINGTON AVENUE, SUITE 101  
LANSING, MICHIGAN 48910-1647

[www.cedam.info](http://www.cedam.info)

VOICE 517.485.3588

FAX 517.485.3043



## ASSET BUILDING POLICY PROJECT

October 11, 2011

TO: State Representative Kenneth Kurtz  
CC: Members of the House Committee on Families, Children and Seniors

RE: The \$5,000 asset limit proposed in House Bill 5033

Dear Representative Kurtz:

I am writing in opposition of House Bill 5033, a bill that would implement an asset test of \$5,000 for the Food Assistance Program (FAP) administered by Michigan's Department of Human Services (DHS). Instead of creating opportunities to save and achieve financial security, asset limits force families to forfeit their long-term savings and economic self-sufficiency in order to receive vital short-term assistance. In addition to prolonging the financial insecurity of Michigan families, asset limits like the one proposed in this legislation unnecessarily increase the administrative cost to the state in both time and money that could otherwise go to improving efficiency in service.

I am the director of the Asset Building Policy Project (ABPP) at the Community Economic Development Association of Michigan (CEDAM), a nonprofit organization representing roughly 300 organizations and individuals committed to rebuilding our neighborhoods and revitalizing communities throughout Michigan. We are a voluntary trade association of community development corporations, community action agencies and other nonprofits that provide affordable housing, entrepreneurship training and asset building opportunities that strengthen communities and economically empower families. CEDAM coordinates the ABPP, the Michigan Foreclosure Task Force, the Michigan Rural Network and the Michigan EITC Coalition and our members are active in both urban and rural communities serving families in every county in our state.

The ABPP at CEDAM works to decrease asset poverty<sup>1</sup> in Michigan by helping families achieve sustainable financial security through saving and building assets. Through the work of CEDAM members, we know first-hand that few people have ever spent their way out of poverty. Those Michigan families that have escaped the generational cycle of poverty have done so through savings and investing in long-term financial assets and goals. Safety net policies like FAP should help families overcome temporary difficult economic times and encourage sustainable economic self-reliance - asset tests do the opposite.

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.

Twenty-nine states (Michigan had been 30 until the new DHS rules took effect on October 1, 2011) have eliminated asset limits<sup>2</sup> 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 recognition has also led to a growing number of states and communities supporting other asset building policies and strategies that address asset poverty, a lack of liquid savings necessary to live at the poverty line for three months without any income, and economically empower individuals and families.<sup>3</sup>

<sup>1</sup> Asset Poverty 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.

<sup>2</sup> Food Research & Action Center ([http://www.frac.org/pdf/map\\_eliminating\\_asset\\_test.pdf](http://www.frac.org/pdf/map_eliminating_asset_test.pdf)), September 30, 2011

<sup>3</sup> For more on this movement, see [www.cfecoalition.org](http://www.cfecoalition.org)

An asset limit of \$5,000 would force a family of four to live in asset poverty in order to receive any FAP benefit. This not only sends the wrong message - that having assets and savings is a bad thing - it hinders the ability to achieve financial security for the future. This is not a message Michigan should send, or a financial position we should encourage if the purpose of DHS and its programs and policies is to instill financial self-sufficiency and economic independence.

Putting aside the above arguments, asset limits are also an issue of government efficiency and the responsible use of taxpayer dollars. The asset test proposed in HB 5033 will have a negative impact on Michigan's General Fund General Purpose budget. While the cost of the FAP benefits is entirely covered with federal funds, the cost of administering the program is split 50/50 between the state and the federal government. This change requires caseworkers to verify the assets of roughly 2 million recipients. Considering DHS's estimated number of total cases that will be closed<sup>4</sup>, this policy is costly, time consuming and inefficient considering the relatively small impact on case closure.

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 their current economic and insecurity. That is why, on behalf of CEDAM, our members and the families they serve, I 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.

As you and members of the Michigan House of Representatives consider House Bill 5033 and other issues related family self-sufficiency and economic security, I encourage you to consider how policies like asset limits create unintended barriers to financial empowerment and independence. Please do not hesitate to contact me if you have any questions or require any additional information.

Sincerely,



Ross H. Yednock  
Director, Asset Building Policy Project

---

<sup>4</sup> DHS released a document on September 28, 2011 stating that 15,000 (out of roughly 2 million) FAP cases will be closed. This is equal to 0.0075%.