

# AB 1809 (López) CalWORKs Asset Test Removal

## BILL SUMMARY

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AB 1809 CalWORKs Asset Test Modernization, reforms the asset limit for the California Works Opportunity and Responsibility to Kids (CalWORKs) program by removing barriers to financial security and upward mobility. This bill gives families a meaningful and more realistic financial foundation needed for survival within CalWORKs and better ensures economic mobility after they leave CalWORKs.

## BACKGROUND

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The stated goal of the CalWORKs program is to assist families in achieving economic self-sufficiency through work, thus creating social and fiscal responsibility. Currently, families receiving CalWORKs assistance find their upward mobility restricted by an asset limit, which prohibits them from having more than \$2,250 in property value (ie. savings and cash on hand excluding some retirement and higher education savings) and vehicles with an equity value of more than \$9,500. When a family hits this threshold amount, they are forced to spend down savings to remain eligible or lose CalWORKs assistance. Because CalWORKs grants are small, the reality is that many families will not reach the \$2,250 asset threshold. For example, the maximum grant per month for a family of 3 people is \$704, which is below half of the federal poverty level; on average, CalWORKs grants are \$497 a month.<sup>1</sup>

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<sup>1</sup> CalWORKs Annual Summary, California Department of Social Services, May 2015.

However, there are some families that do manage or want to accrue some savings; only to be penalized for it.

Families that are cut off of CalWORKs because of the asset limit are vulnerable to financial shocks and emergencies that can lead to deeper poverty and they are less prepared for our modern economy with its steep housing costs. The key to success in helping families provide more stability for their children, prevent homelessness, and alleviate their stress is to allow them to save more. “Personal savings and assets are precisely the kinds of resources that allow people to move off of public benefit programs,” said the Corporation for Enterprise Development (CFED).<sup>2</sup>

Eight states have completely eliminated their TANF asset tests and have seen very minimal or no increase in TANF cases. For example, Hawaii and Illinois eliminated their asset tests in 2013 and have experienced a subsequent decrease in caseloads.<sup>3</sup>

Along with the asset limit, there are a whole host of rules that families have to meet to receive CalWORKs. Work requirements and income limits would still continue to apply in the program.

## PROBLEM

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The asset limit forces families with modest savings who are working their way off of public assistance to stop saving, and punishes families that do save any amount over \$2,250. On rare occasions, some families lose their

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<sup>2</sup> Resource Guide: Lifting Asset Limits in Public Benefit Program Corporation for Enterprise Developments.

<sup>3</sup> Ibid.

benefits if they accrue savings beyond \$2,250. And yet, the current \$2,250 threshold is not enough for a family to survive outside of the CalWORKs program for more than one or two months. Common financial wisdom dictates that families have six months' worth of savings to weather emergencies and other financial challenges that might come their way. Research shows that 71% of high-saving low-income families experience social mobility in their lifetime.<sup>4</sup>

Most significantly, the CalWORKs asset limit policy consumes substantial County administrative resources because caseworkers must verify assets for all applicants and recipients to find that only 1% of total cases exceed the asset limit.<sup>5</sup> Time spent reviewing cases for assets is time workers can't spend helping prevent homelessness and supporting work readiness.

## SOLUTION

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Eliminate the CalWORKs asset test to allow families to preserve the few resources they do have, to allow them to establish modest savings that will help them gain greater financial stability, and to free up staff resources at the County level.

## FISCAL IMPACT

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AB 1809 is a cost effective way to streamline the CalWORKs application process and achieve an estimated \$6.4 million in administrative savings. California could save millions more, if similar to other states who have recently eliminated the TANF asset test and sub-

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<sup>4</sup> Cramer, Reid, Rourke O'Brien, Daniel Cooper & Maria Luengo-Prado. 2009. "A Penny Saved is Mobility Earned: Advancing Economic Mobility Through Savings."

<sup>5</sup> Brown-Robertson, LaTanya and Otabor, Charlotte, *The Cost of Asset Testing for the CalWORKs Program*, 2015

sequently realized a decrease in cases. These administrative savings can then result in improved case-worker ratios for families fleeing domestic violence, trying to find housing or seeking employment.

## CONTACT

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## SUPPORT

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EARN (Sponsor)  
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2Gen Equity  
Alameda County Social Services Agency  
Asset Building Strategies  
Brighter Beginnings  
California Alternative Payment Program Association  
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California Reinvestment Coalition  
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Capital Region Assets & Opportunity Network  
Community Financial Resources Corporation for Enterprise Development  
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Individual - Valencia Brown  
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LIFT-Los Angeles  
MidPen Housing  
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National Council of Raza  
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Opportunity Fund  
Treasure Island Homeless Development Initiative  
United Ways of California  
United Way of the Bay Area  
Urban Strategies Council

## OPPOSITION

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Individual