SB2319 / HB2262: Eliminating the TANF Asset Test

Frequently Asked Questions

What is TANF?

The Temporary Assistance for Needy Families (TANF) program provides cash assistance to extremely poor children and their families. It is intended to cover all of a family's non-food expenses, including rent, utilities, clothing, gas, and other essentials. The monthly TANF grant for a family of 3 is $432, enough to support the family at 1/4 of the Federal Poverty Level. TANF benefits are received by the 1/3 of workers who do not qualify for unemployment compensation (because they work part-time, not long enough, or for other reasons), families headed by parents with significant and often multiple barriers to employment, and parents whose eligibility for unemployment compensation has expired.

What is an Asset Test?

When the Personal Responsibility and Work Opportunity Act created the Temporary Assistance for Needy Families (TANF) in 1996, the new federal assistance program emphasized moving low-income families from welfare to work and promoting self-sufficiency. States were given the power to set eligibility standards, including creating an asset test. However, the asset test is counterproductive to goals of the program because it bars families from receiving cash assistance if they have savings above a meager amount. Forcing families to impoverish themselves to qualify for cash assistance or preventing families from building emergency savings makes it that much harder for them to build a financially secure future and withstand future setbacks.

What is the Asset Limit on TANF in Illinois?

People seeking TANF assistance in Illinois cannot own more than $2,000 in non-exempt assets at any one point in time ($2,000 for one person, $3,000 for two people, and $50 for each additional person). This asset limit prevents families from building emergency savings, which could pay for unexpected expenses like medical bills, car repairs, or childcare. TANF is meant to provide families with help when they need it most and move people out of poverty, but the Illinois asset test undercuts the goals of the program by essentially encouraging people to stop saving and accumulating the assets that would help them get back on their feet.

What Does the Asset Test Look Like in Other States?

Six states have eliminated the asset limit on TANF; including Ohio, Virginia, Alabama, Louisiana, Maryland, and Colorado. The asset limits in other states range from $1,000 to $15,000 (and in some states is indexed to inflation).

How Does the Asset Test Impact Families Ability to Build Savings?

The existence of the asset test is a deterrent for families to save. Its punitive nature leads many recipients to believe that any form of savings will discredit their need for assistance. Research shows that recipients believe that even a small amount of emergency savings will make them appear less in need of benefits. Low-income families who do not qualify for TANF also suffer because they are forced to spend down the few assets they have in order to qualify for needed assistance in tough economic times. This sets up a dynamic that makes it more difficult for families facing a temporary setback to get back on their feet and be financially independent.

Can Low-income Families Really Save?

Low-income families can and do save. When given the mechanisms to do so, low-income families often save at a higher rate than wealthy households. With an increase in the number of community based programs offering asset building services, the opportunities for families to save are increasing.

How Would Eliminating the Asset Test Impact the State?
The asset tests aren't just a burden on families. Asset tests incur unnecessary administrative costs to state agencies that handle the disbursement of TANF benefits. The Illinois Department of Human Services (IDHS) must evaluate and determine whether each case they consider qualifies for benefits based on asset limits and other factors. Valuable staff time and salaries could be used more productively toward benefits to help low-income people. Illinois has already eliminated the asset test on SNAP & Medicaid. By eliminating the asset test on TANF, IDHS can create a more streamlined application process.

How Would Illinois Benefit from Removing the Asset Test?
States benefited from eliminating their asset tests in several key ways:

- Caseworkers had more time and attention for other case management duties
- Greater administrative efficiency resulted in cost savings
- Greater streamlining simplified the process for both families and the agency

How Much Would Eliminating the Asset Test Cost the State?
Evidence from states that have eliminated asset limits suggests that the administrative cost savings outweigh any real or potential increases in caseload. Enforcing and regulating asset tests costs Illinois time and money that could be better spent helping families find work or overcome other barriers to self-sufficiency. Eliminating asset tests could potentially save our state money, especially in today's economic downturn where IDHS is understaffed and faced with a tight budget. Removing asset tests may allow a few additional families to qualify for benefits, but the number of otherwise eligible people who have significant assets is so small that the increased money spent on assistance is less than the amount saved in administrative costs.

In Ohio and Virginia, the "early adopters" of TANF asset limit elimination, caseloads decreased in the years following the change.[1] Virginia estimated savings of approximately $323,050 in administrative staff time.[2] Similarly, in Louisiana, where the asset test in TANF was eliminated in January 2009, there has not been a significant increase in caseload.

Why Should Illinois Eliminate Asset Limits Rather than Increase the Limit?
Elimination of asset limits is the only way to reduce the administrative cost of implementing asset rules. Abolishing asset limits also sends a clear message that saving and building assets are encouraged. From a cost perspective, raising asset limits is less desirable than eliminating the limits altogether, as there would still be administrative costs involved with individualized eligibility determinations and verification and there would still be a harmful stigma on savings among TANF recipients.

Don't we need asset limits to prevent abuse?
No. Asset limits have already been eliminated in Illinois on SNAP & Medicaid. The strict work requirements and time limits that define the TANF program today deter anyone with alternative means from applying for assistance. TANF recipients are required to participate in work-related activities for 30 hours per week (20 hours if they are the sole caretaker of a child under six). Their TANF grant is suspended for three months if they do not cooperate with their work assignment and is terminated if they refuse employment. Given these built in deterrents, asset limits have become outdated, unnecessary, and are potentially harmful.

For Additional Questions, Contact:
Lucy Mullany, Heartland Alliance, lmullany@heartlandalliance.org, 312-498-8614

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[1] Leslie Parrish, To Save, or Not to Save? Reforming Asset Limits in Public Assistance Programs to Encourage Low-income Americans to Save and Build Assets, (Washington, DC: New America Foundation, 2005), p.9.

[2] Virginia Department of Planning and Budget, Economic Impact Analysis, Code of Virginia, Volume 22, Section 40-295-50 (2003)