



Bucking the Trend: Michigan to Add an Asset Test for Food Benefits

EXECUTIVE SUMMARY

by **Melissa Smith**
Senior Policy Analyst

The Department of Human Services implemented a \$5,000 asset limit for food assistance benefits beginning Oct. 1, 2011, amidst a slew of other changes that will impact those in need. If Michigan imposes any asset limits on food assistance, it would be one of only a minority of states to do so. The trend nationally is to eliminate asset tests to help families get back on their feet during this economic downturn and 38 states do not have any asset limits for food assistance.

Asset limit policies are punitive to the vast majority of beneficiaries who do not abuse the system but desperately need food assistance. They are also counterproductive to the goals of reducing cash assistance caseloads and helping Michiganders who have been affected by the economic downturn to achieve self-sufficiency. If Michigan truly wants to reduce the number of people using government assistance, the focus should be on helping families maintain and grow assets so they can become self-sufficient. Requiring households to spend down the little savings they have will make it difficult for them to re-establish themselves when the economy recovers and employment opportunities expand.

The need for food assistance in Michigan has skyrocketed since the beginning of the recession. This is not the time to put more obstacles in the way of people accessing food. Almost 2 million Michiganders receive food assistance a month and one-in-seven lack food security. Much of the recent growth is due to recently unemployed people needing benefits for the

first time and many of these families have assets and newer vehicles.

Limiting food assistance not only impacts those trying to feed their families, it also will have an effect on economic growth. Food assistance is an economic driver for the retail, agricultural and food production businesses. The U.S. Department of Agriculture estimates that for every \$1 spent of food assistance, \$1.79 of economic activity is generated in the state. This policy has the potential to cause Michigan to lose hundreds of millions of dollars in federal food stamp allocations and will actually cost the state money to implement.

If the state truly wishes to help families become economically secure and get off of government assistance, then the state should encourage, not punish, asset building. Any policy that, in effect, discourages a person from achieving economic security is counterproductive. Assets are one of the surest paths out of poverty and Michigan should be dedicated to strengthening as many of these paths as possible for the low-income people in the state.