



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

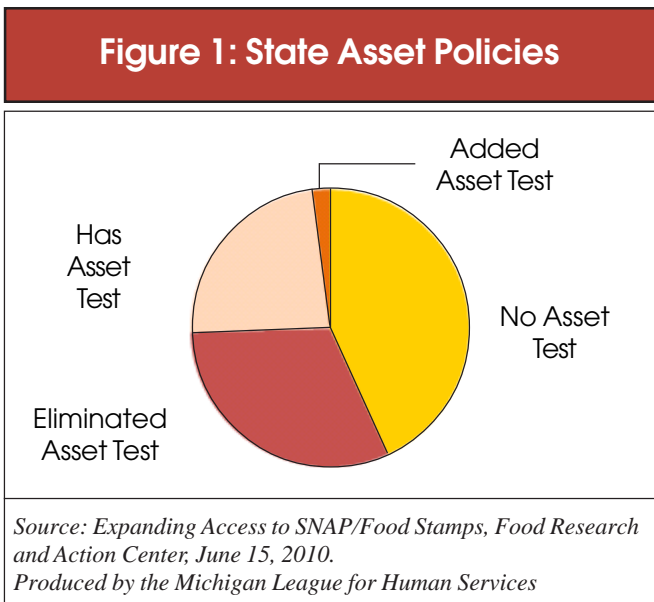
by **Melissa Smith**  
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The Department of Human Services implemented an asset test for food assistance beginning Oct. 1, 2011, amidst a slew of other changes that will impact those in need. If Michigan imposes any asset limits on food assistance, it 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. Since 2008, 16 states have removed their asset test for food assistance, bringing the number of states that means-test their food assistance program to 13. In fact, 38 states have eliminated their food assistance asset limits since 1996 and Michigan is the ONLY state that has reinstated an asset test.<sup>1</sup>

### Asset Poverty

Though Michigan's poverty rate is 14 percent, nearly 20 percent of Michiganders are asset poor.<sup>2</sup> Asset poverty continually exceeds the poverty rate.

Asset poverty is the lack of economic resources available to support a household in the absence of income.<sup>3</sup> In Michigan, more than 46 percent of African American households and approximately 30 percent of women are asset poor. More than half of those living in poverty in the state do not have enough assets to sustain

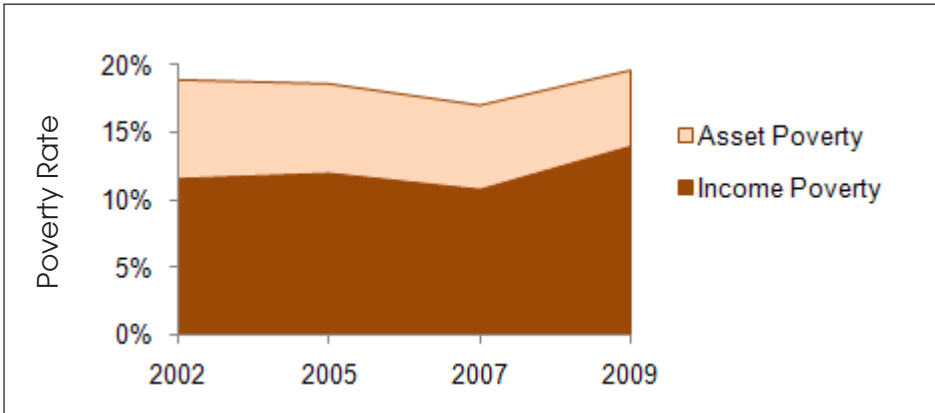


**What is Asset Poverty?**  
A household is considered asset poor if they do not have sufficient assets to live at the federal poverty level for three months without income.

them for three months should the unexpected happen.<sup>4</sup> It is estimated that one-third of American households have no financial assets at all. Even many middle-income households do not have sufficient financial assets to maintain their standard of living for more than a month without income.<sup>5</sup>

<sup>1</sup> *Lifting Asset Limits In Public Benefit Programs*, Asset and Opportunity Scorecard 2011, Center for Enterprise Development.  
<sup>2</sup> CFED 2009-2010 Assets and Opportunity Scorecard—Asset Poverty Profile: Michigan based on the Survey of Income and Program Participation. (2004 Panel, Wave 6). Washington, DC: U.S. Department of Commerce, Census Bureau. Calculations by Beacon Economics.  
<sup>3</sup> *Helping Working Families Achieve Financial Security: A Report of the Michigan Asset Building Coalition, 2nd Edition*. Community Economic Development Association of Michigan. 2010.  
<sup>4</sup> Thomas M. Shapiro, Melvin L. Oliver, and Tatjana Meschede, *The Asset Security and Opportunity Index*, Institute on Assets and Social Policy, Research and Policy Brief, November 2009.  
<sup>5</sup> Mark R. Ruark, *Asset Building over the Life Course*, A Report in the Series Poor Finances: Assets and Low-Income Households, Center for Social Development, Washington University of Saint Louis, November 2008.

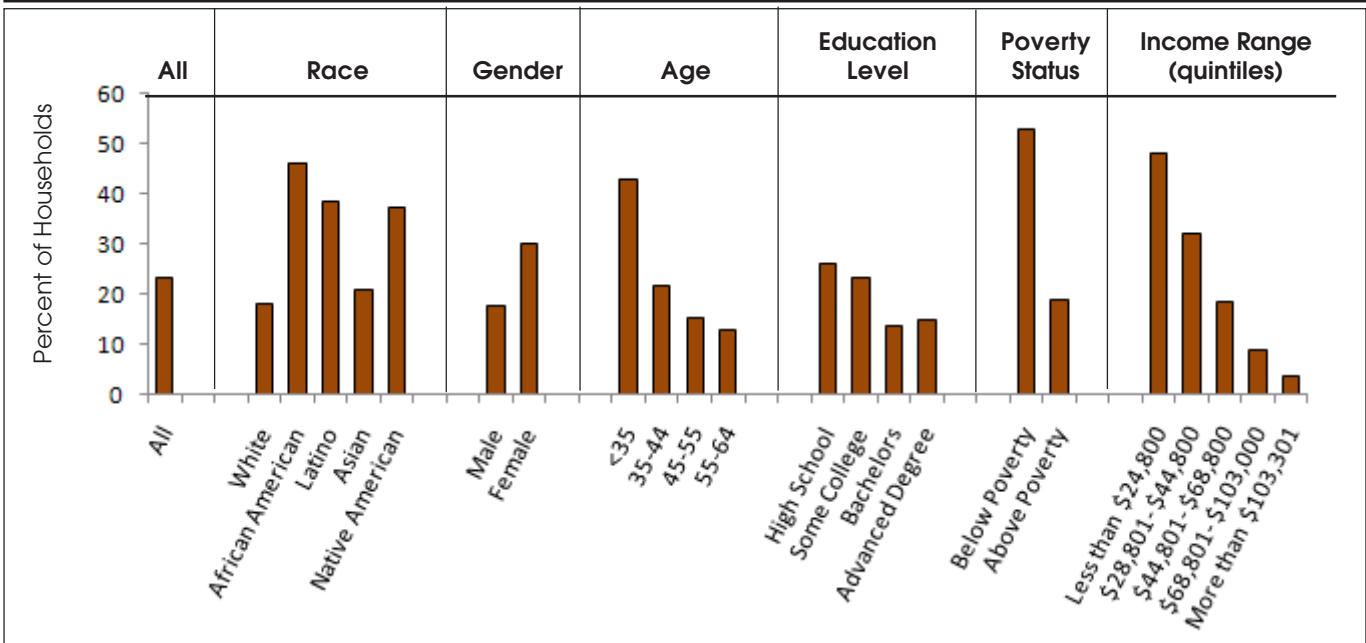
**Figure 2: Income and Asset Poverty in Michigan  
2002 – 2009**



Source: Poverty Rates from American Community Survey, 1-year estimates, U.S. Census Bureau; Asset Poverty Rates from Corporation for Enterprise Development Assets & Opportunity Reports.  
Produced by the Michigan League for Human Services

Assets are different than income. Income is the flow of financial resources that people receive, most of which is spent on consumption. Assets are resources accumulated over time, that help provide for future consumption and provide security against unexpected economic events.<sup>6</sup> The benefits of assets extend to economic growth as well. Savings are a way to balance the fluctuation of household financial resources to maintain long-term consumption stability.<sup>7</sup> Households can use assets to save for retirement, purchase homes, access better

**Figure 3: Asset Poverty in Michigan**

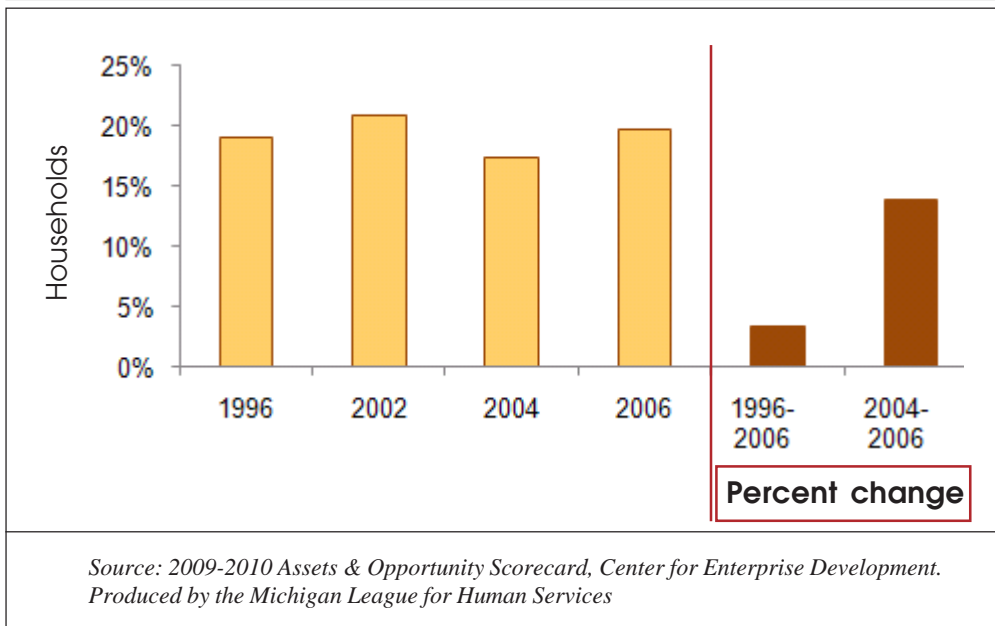


Source: CFED 2009-2010 Assets and Opportunity Scorecard - Asset Poverty Profile: Michigan  
Produced by the Michigan League for Human Services

<sup>6</sup> Caroline Ratcliffe, Henry Chen, et al. *Assessing Asset Data on Low-Income Households: Current availability and options for improvement*. A Report in the Series: Poor Finances: Assets and Low-Income Households. The Urban Institute, September 2007.

<sup>7</sup> Yunju Nam, Jin Huang and Michael Sherraden. *Assets, Poverty, and Public Policy: Challenges in Definition and Measurement*. A Report in the Series Poor Finances: Assets and Low-Income Households, Center for Social Development, Washington University in Saint Louis, December 2008.

**Figure 4: Changes in Asset Poverty in Michigan**



time in their childhood. Assets play a key role in reducing the negative effects of poverty on individuals and children, and can help break this cycle.<sup>10</sup> Twenty percent of those in the lowest quintile of income will experience a disruptive economic event at some point in their life. These events, such as a change in health status, job loss, changes in living arrangements, etc., can be a major setback if the family does not have liquid assets that can help protect them. Research shows that low-income people with savings are less likely to have

jobs, further their education, open a small business or purchase health insurance, thus reducing or eliminating the need for public assistance in the future. Without a financial cushion, many families cannot sustain themselves in the event of illness, a job loss or some other negative economic event. When a household is asset poor, they are often only one disaster away from being plunged into poverty.<sup>8</sup>

### Assets Keep People Out of Poverty

Most low-income families are not in perpetual poverty; rather they will cycle in and out of poverty over the course of their lifetime.<sup>9</sup> In fact, 37 percent of all children live in poverty at some point during their childhood. The incidence of poverty is much higher for African American children; 77 percent of African American children will experience poverty at some

involuntary job loss, health-related work limitations, a parent leaving the family or general economic deprivation.<sup>11</sup>

News stories of late have painted a picture of well-to-do individuals getting food assistance when they have hundreds of thousands of dollars in the bank. While there are no data available on the asset holdings of food assistance recipients in Michigan, the Family Independence Program does have an asset test for recipients that can be used to derive some idea of what kind of assets food assistance applicants might have. In fact, relatively few FIP applicants have assets in excess of the limit, as will likely be the case for FAP applicants.

However, it is likely that food assistance applicants will have more assets than FIP families. With the

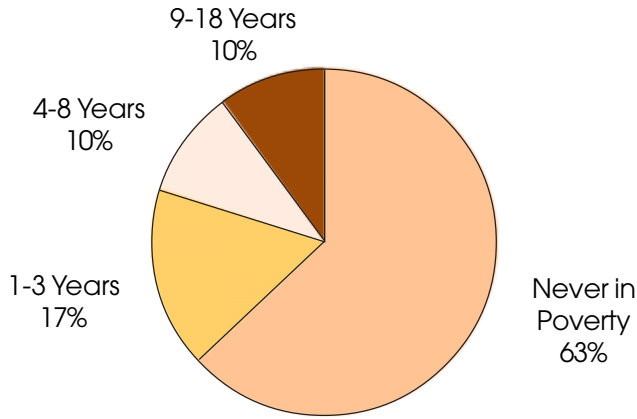
<sup>8</sup> Mark R. Ruark, *Asset Building over the Life Course*, A Report in the Series Poor Finances: Assets and Low-Income Households, Center for Social Development, Washington University of Saint Louis, November 2008.

<sup>9</sup> Caroline Ratcliffe and Signe-Mary McKernan. *Childhood Poverty Persistence: Facts and Consequences*. Washington D.C.: The Urban Institute. Brief 14. June 2010.

<sup>10</sup> Mark R. Ruark, *Asset Building over the Life Course*, A Report in the Series Poor Finances: Assets and Low-Income Households, Center for Social Development, Washington University of Saint Louis, November 2008.

<sup>11</sup> Gregory Mills and Joe Amick. *Can Savings Overcome Income Instability?* Washington D.C.: The Urban Institute, Brief 18, October 2010.

**Figure 5: Distribution of Children by Amount of Years Spent in Poverty**

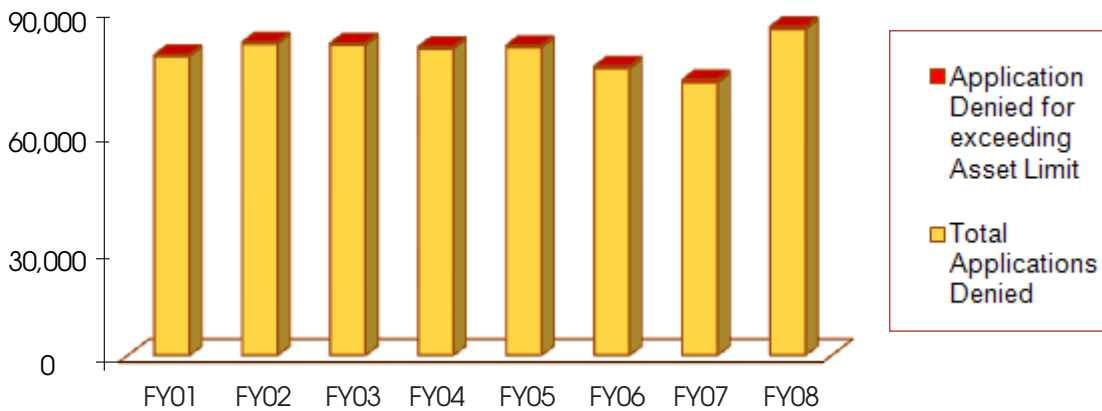


Source: Caroline Ratcliffe and Signe-Mary McKernan. *Childhood Poverty Persistence: Facts and Consequences*. Washington D.C.: The Urban Institute. Brief 14. June 2010.  
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recent economic downturn, many individuals and families are finding themselves needing food assistance for the first time—families who owned a house, were solidly middle class and employed in a stable job with good wages. They may have spent years putting aside some money for savings, but this policy will require them to spend that money before they can receive any help.

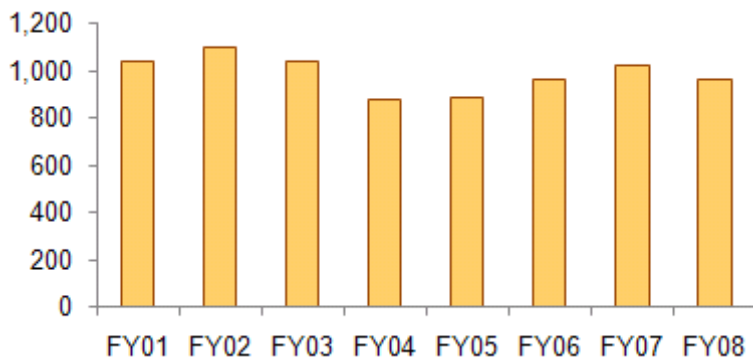
If Michigan truly wants to reduce the number of people using government assistance, the focus should be on helping families maintain and grow assets so they can become self-sufficient. Any policy that puts limits on a family’s assets gives the message that building assets is bad and ends up having a punitive effect on the families who have managed to create a financial cushion. 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.

**Figure 6: FIP Applications Denied for Exceeding Asset Limit, DHS**



Source: DHS Annual Reports, Program Statistics, FY 2008—Pub-170.  
Produced by the Michigan League for Human Services

**Figure 7: Number of FIP Cases that Had to Deplete Their Assets to Get Benefits**



Source: DHS Annual Reports, Program Statistics, FY 2008—Pub-170.  
Produced by the Michigan League for Human Services

Government assistance programs provide a temporary safety net for families and individuals who do not have other means to sustain themselves through difficult times. Middle-class families are more likely to weather economic crises, though uncomfortably, with a family and/or financial safety net. More than 185,000 Michiganders moved in with families or friends in 2009 due to economic hardship.<sup>14</sup> More than half of Americans aged 18-24 are living with their parents due to the lack of employment opportunities and the increasing costs of education.<sup>15</sup> Families have to drain their savings, sell

their houses or pull down on their 401ks to make it through these difficult times. Those that do not have access to these resources have to turn to the government for assistance.

### Food Hardship

The need for food assistance has risen exponentially and food hardship is a serious problem in Michigan.

Michigan is ranked as having the 21st highest food hardship rate in the nation and two of Michigan's congressional districts are in the top 15 highest congressional districts nationally for food hardship rates.<sup>16</sup> With one in every 10 Michigander unemployed and foreclosure rates fifth highest in the nation, there are many in Michigan who need help buying food.<sup>17</sup>

### Asset Development Should Be Encouraged

Asset limits for cash assistance programs are disproportionately unfair to low-income people and fly in the face of government policies that encourage the development of assets. The federal government plans to spend \$473 billion in FY 2012 on tax credits for asset building through IRAs, 401Ks, tax-preferred education accounts and College Savings Plans, Medical Savings Accounts, Tax Exemptions, home mortgage interest tax deductions, tax breaks for contributions to a retirement account and Tax Subsidies.<sup>12</sup> Almost all of these asset incentives are targeted towards middle- and upper-class households. Fully 90 percent of tax exemptions go to families earning more than \$50,000 a year.<sup>13</sup>

### What is Food Hardship?

The food hardship rate measures the times over the past year where households indicate that they did not have enough money to buy food.

<sup>12</sup> Reid Cramer and Rachel Black, *The Assets Report 2011: An Assessment of Federal Policies and Proposals to Promote Asset-Building Opportunities*. New America Foundation, June 2011.

<sup>13</sup> Caroline Ratcliffe, Henry Chen, et al. *Assessing Asset Data on Low-Income Households: Current availability and options for improvement*. A Report in the Series: Poor Finances: Assets and Low-Income Households. The Urban Institute, September 2007.

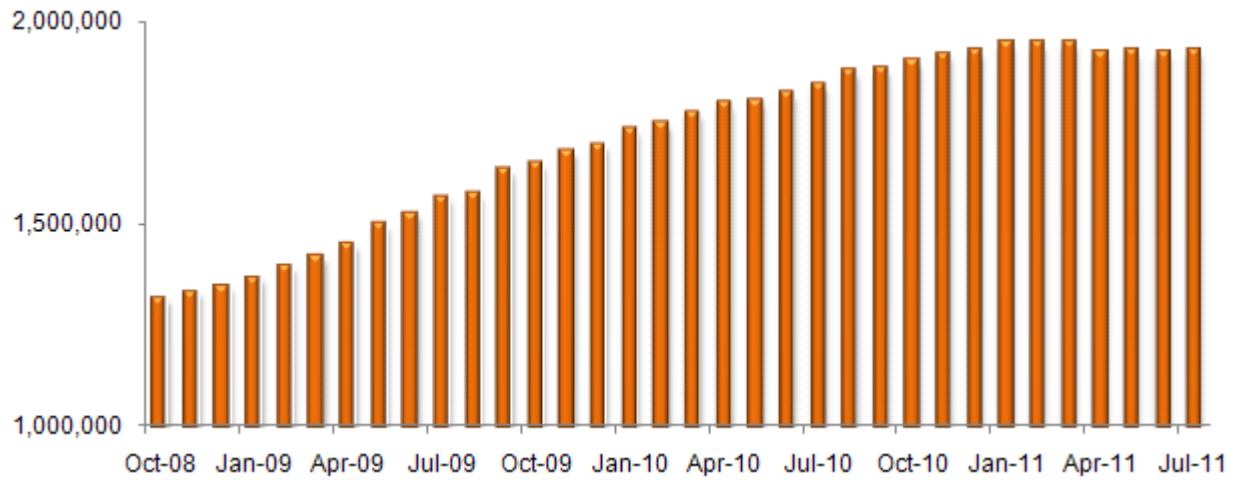
<sup>14</sup> *Doubled Up People by State—State of Homelessness 2011*, National Alliance to End Homelessness, January 10, 2011.

<sup>15</sup> Vanessa Right, Michelle Chau, et al. *A Profile of Disconnected Young Adults in 2010*, National Center for Children in Poverty, Dec. 2010.

<sup>16</sup> *Food Hardship in America—2010: Data for the Nation, States, 100 MSAs, and Every Congressional District*, Food Research and Action Center, March 2011

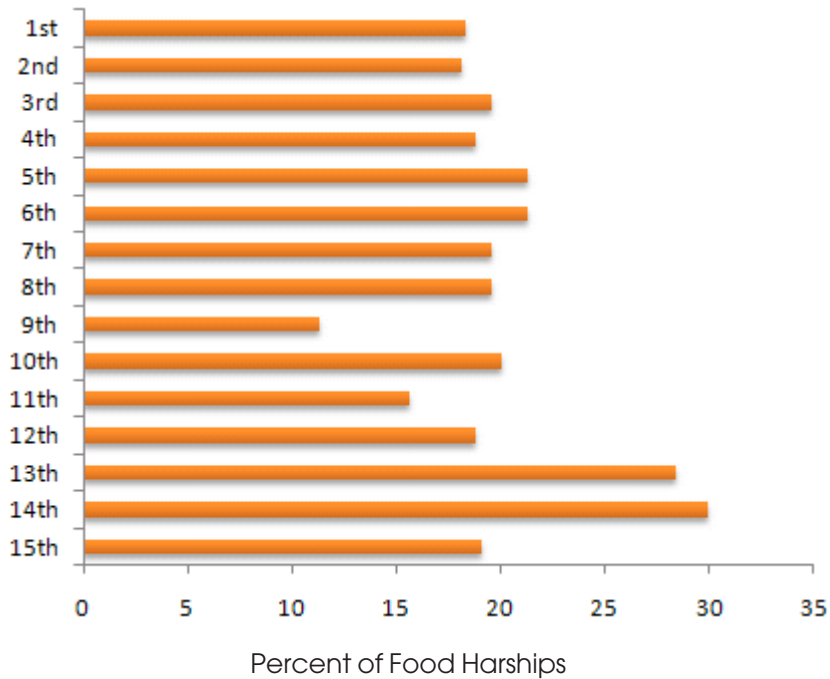
<sup>17</sup> Bureau of Labor Statistics, U.S. Department of Labor, State Unemployment Rates; Luis Aguilar, *Feds Aim to Revive Michigan's Foreclosed Homes*. The Detroit News. August 12, 2011.

**Figure 8: Increase in Food Assistance Program Recipients, FY09-FY11**



Source: Michigan Department of Human Services Trend Report  
 Note: Chart does not start at zero.  
 Produced by the Michigan League for Human Services

**Figure 9: Michigan Food Hardship Rate by Congressional District**



Source: Food Hardship in America - 2010: Data for the Nation, States, 100 MSAs, and Every Congressional District, Food Research and Action Center, March 2011  
 Produced by the Michigan League for Human Services

Even before the recession, half of all American children were likely to live in a household that received food assistance and half of American adults will receive food assistance benefits at some point in their life between the ages of 20 and 65 years old. In April 2011, one in every seven Americans were receiving food assistance benefits, nearly double the number of recipients in April 2008. Approximately one in every five people in Michigan received food assistance in 2010.<sup>18</sup>

Food assistance benefits are going to the right people—93 percent of food assistance benefits go to households with incomes below the federal poverty level. Also, 73 percent of food assistance benefits go to households with children and 8 percent go to households with elderly persons.<sup>19</sup> Only 6 percent of the state Food Assistance Program caseload is recipients in nonelderly, nondisabled, childless households.<sup>20</sup>

It is important to note that there are already tough restrictions in place. Households that are childless, nonelderly and nondisabled cannot receive food assistance for longer than three months during a three-year period if they are not actively participating in work, employment training or community service at least 80 hours a month. If they are currently employed, they will lose their benefits if they voluntarily quit or are fired for misconduct or absenteeism. They will also be disqualified if they do not accept a bona-fide offer of employment while receiving benefits.<sup>21</sup> The American Recovery and Reinvestment Act temporarily removed the time limit normally imposed on this population, but the policy expired in October of 2010.

Food assistance is not a windfall. Income limits are very strict—ensuring that only the neediest get the benefit. The food assistance grant is small as well. Two-thirds of participants receive less than half of the

**Figure 10: Food Assistance Program Income Limits and Maximum Benefits**

Household Size	Monthly Gross Income Limit (130% of Poverty Guidelines)	Maximum Monthly Benefit
1	\$1,174	\$200
2	\$1,579	\$367
3	\$1,984	\$526
4	\$2,389	\$668
5	\$2,794	\$793
6	\$3,200	\$952

*Source: Supplemental Nutrition Assistance. U.S. Department of Agriculture Food and Nutrition Services  
Produced by the Michigan League for Human Services*

<sup>18</sup> Calculated from Michigan Census Statistics & Demographic Data and Michigan Department of Human Resources Annual Report of Key Statistics.

<sup>19</sup> *A Review of Strategies to Bolster SNAP's Role in Improving Nutrition as well as Food Security*. Food Research and Action Network. June 2011

<sup>20</sup> *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2009*. Nutrition Assistance Program Report Series, The Office of Research and Analysis, U.S. Department of Agriculture Food and Nutrition Service, Report No. SNAP-10-CHAR, October 2010.

<sup>21</sup> Michigan Department of Human Services

maximum monthly allotment. The average FAP benefit per case is approximately \$4.50 a day.<sup>22</sup> Even at the maximum level, FAP benefits are only \$5.80 per person per day.

Abuse of the system is rare. The Department of Human Services reports 5,000 prosecutions a year for fraud in all assistance programs; that is less than one in 500 participants. Nationwide, 50,178 recipients were disqualified from the Food Assistance Program in 2009 for fraud—out of 33.5 million recipients—one-tenth of one percent of the entire food assistance population.

### **Food Assistance Helps Drive the Economy**

Any policy that seeks to discourage Michiganders from receiving food assistance is not only detrimental to the household in need, but can have a noticeable negative impact on economic growth. Food assistance is a necessary stabilizer for families and plays an important role in keeping our economy afloat. The 2011 Department of Human Services Program Descriptions Manual calculates that for every \$5 spent in local FAP benefits, the actual value to local communities is \$9.20 and the U.S. Department of Agriculture estimates that

every \$1 spent in food assistance generates \$1.79 in economic growth. Food assistance benefits put money directly into the local economy. Almost 80 percent of food assistance dollars are redeemed within two weeks and 97 percent within a month.<sup>23</sup> Food assistance provides benefits to retail, agriculture and food production businesses in addition to FAP recipients. For economic recovery, consumer spending must continue, limiting any cash assistance program goes in the wrong direction.

Government assistance is a temporary safety net for those that are suffering during hard times and should be used to help people rebound after they experience economic hardship. If the true goal of government aid is to help families get off of cash assistance, then asset development should be applauded, not punished. Any policy that, in effect, discourages a person from achieving self-sufficiency 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.

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<sup>22</sup> *Green Book Report of Key Program Statistics*. Department of Human Services, State of Michigan, July 2011.

<sup>23</sup> Dottie Rosenbaum, *House-Passed Proposal to Block-Grant and Cut SNAP (Food Stamps) Rests on False Claims About Program Growth: Recent Increases in SNAP Spending Largely Reflect the Recession; Program Does Not Contribute to Nation's Long-Term Budget Problems*, Center on Budget and Policy Priorities, June 7, 2011.