



Michigan League FOR Human Services

## **Testimony on House Bills 5032 and 5033 House Families, Children and Seniors Committee**

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Good morning, Chairman Kurtz and members of the committee. I am Melissa Smith, Senior Policy Analyst for the Michigan League for Human Services. Thank you for the opportunity to speak with you today.

The Michigan League for Human Services agrees that we want to end reliance on government assistance. However, asset limit policies are counterproductive to this goal. If Michigan truly wants to support people moving into economically stable lives, the focus should be on helping and encouraging families to maintain and grow assets. 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.

Therefore, the Michigan League for Human Services is opposed to the implementation of a \$5,000 asset limit for food assistance. If Michigan imposes any asset limits on food assistance, it would be going against the national trend of eliminating asset tests to help families get back on their feet during this economic downturn. Twenty-nine states do not have any asset limits for food assistance.

We certainly agree that food assistance benefits should only go to those who need them and that lottery winners should not receive benefits. However, there is no reason to paint such a broad stroke. Food assistance cases have been skyrocketing since the beginning of the recession. Michigan has led the nation in unemployment, years before employment declined in other states. In 2009, there were 10 unemployed people for every job opening. Even now, there are more than 4 unemployed people for every open job in Michigan.

Many of those receiving food assistance benefits are recently unemployed and relying on government help for the first time in their lives. These people own houses and newer vehicles, and may even have been able to build at least some

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assets over the years. Now is not the time to put more obstacles in the way of Michigianians needing assistance. HB5032 (Zorn), which would allow for information sharing between the lottery and DHS, is a great start at creating good policy designed to specifically address the problem at hand without subjecting everyone to unnecessary and punitive policies.

We need to be prudent in the use of our tax dollars. Implementing an asset limit for food assistance will cost Michigan money. While the federal government funds 100% of the food assistance benefit, administrative costs of the food assistance program are shared with the state, approximately fifty-fifty. Caseworkers already manage an average of 900 cases each, and with more than 2 million people on food assistance in Michigan, the additional work of verifying assets seems unfathomable and could increase the workload of DHS caseworkers tenfold. Overburdened staff could also affect error rates and other important outcomes on which the state is audited. The more administrative hurdles we erect, the more the state will pay. Last time that Michigan made a major policy change to their food assistance program, a federal audit was triggered and Michigan was fined \$65 million for not meeting program requirements.

The incidence of abuse in the food assistance program is minimal. DHS reports 5,000 prosecutions a year for fraud in ALL assistance programs; that is less than one in 500 participants—about the same odds as catching a ball at a Major League Baseball game. Nationwide, 50,178 of 33.5 million recipients were disqualified from the Food Stamp Program in 2009 for abuse, less than one-tenth of one percent. Errors in the management of food assistance benefits are more likely to be due to mistakes made by government administrators. Overpayment of Food Assistance benefits was due to agency error in 46.6% of cases nationally and 54.3% of cases in Michigan in 2009.

A sensible approach to being good stewards of our tax dollars would be to study how many food assistance applicants and recipients actually have assets and if the cost of implementing an asset test is worthwhile. DHS won't even have the technical infrastructure to test assets until at least January 2012.

If the state truly wishes to reduce the food assistance caseload and help families become economically secure, then it should encourage, not punish, asset building. Any policy that, in effect, discourages anyone from achieving economic stability is counterproductive to families struggling to reach the American dream. Assets are one of the surest paths to economic stability and Michigan should be dedicated to strengthening as many of these paths as possible for the people in this state.