ACKNOWLEDGEMENTS

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The staff of Alameda County Social Services and the Los Angeles County Department of Public Services provided us access to the TANF asset data used in the report. Five CalWORKs caseworkers, managers, and appeals officers responded to our interview questions on the asset verification process. Their contributions informed and enriched the findings of this study.

The contents of this publication are solely the responsibility of the authors and do not reflect the views of the Howard University Center on Race and Wealth, its collaborators, or the Ford Foundation.
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California’s Temporary Assistance for Needy Families (TANF) program, known as California Work Opportunity and Responsibility to Kids (CalWORKs), offers cash assistance and services to disadvantaged families in the state of California. Under the CalWORKs asset test guidelines, eligible recipients may have no more than $2,000 in cash, bank accounts, and other financial resources ($3,000 if 60 years or older), and a motor vehicle with an equity value of no more than $4,650 ($9,500 as of January 2014).

CalWORKs asset tests:
- create a disincentive to save (Chen and Lerman, 2005; Covington and Edwards, 2013; Sprague and Black, 2012);
- incentivize some public assistance households to pursue alternative financial institutions which, in turn, exacerbates an already strained financial state (Covington and Edwards, 2013); and
- create an inefficient allocation of government administrative funds, because few applicants own assets of any magnitude (Parrish, 2005).

States that have eliminated asset limits report that the administrative cost savings outweigh any real or potential increases in caseload (Sprague and Black, 2012; Hawaii Department of Health and Human Services, 2013; CFED, 2012). In addition, the liberalization of asset testing policies has been found to foster positive longer term impacts on its target population’s accumulation of financial assets (Nam, 2008).

This study assesses the quantitative and qualitative cost effectiveness of the asset test component of the CalWORKs program. Specifically, it quantifies the overall administrative cost that the State of California incurs due to asset test regulations; estimates the cost savings potential resulting from elimination of the CalWORKs asset test requirements; and presents qualitative findings of the asset testing intake and oversight processes.

1. EXECUTIVE SUMMARY

Key findings of the study are as follows:
- The State of California spends an estimated $6,400,815.98 per year on cash and vehicle-asset test verification.
- From April 2012 to March 2013, the $6.4 million allocated to asset testing involved the verification of only 1,034,074 CalWORKs cases.
- During the initial intake application process, only 2 percent of the intake cases exceeded the cash asset limit and only .001 percent exceeded the vehicle asset limit.
- Of the reevaluated cases, only 1 percent was discontinued after asset test verification.
- After analyzing state-level TANF data, we predict that asset accumulation due to the elimination of asset testing guidelines will lead to a reduction in the CalWORKs caseload within the first year by an estimated 5 percent. This will result in a reduction of 26,145 cases and $163,286,694.83 in cost savings to the State of California.
- Freeing up case manager and worker time by removing asset test verification allows better monitoring and more oversight of CalWORKs applicants and recipients in terms of their current economic status and progress under the program.
Overall, the study found that removing CalWORKs’ asset test verification requirements would:

- decrease CalWORKs’ applications and caseload by 5 percent, resulting in a cost savings of $163,286,694.83;
- reduce unnecessary administrative costs by $6,400,815.98; and
- allow better monitoring and oversight of the CalWORKs caseload.

In short, the $6.4 million administrative cost of the CalWORKs asset testing program along with the estimated $163.3 million savings due to the reduction in caseload creates an overall cost savings of $169,687,510.80 for the State of California. Therefore, the benefits of eliminating asset testing guidelines far outweigh the cost of verifying cases that have exceeded cash and vehicle asset limits. Even if we consider the counter-argument that removal of asset verification regulations may increase the CalWORKs caseload by 2 percent, we estimate that removal of asset testing will have a net savings of about $97.9 million after one year. Thus, the CalWORKs asset test verification process is not cost effective, and not justifiable.
2. INTRODUCTION

CalWORKs (California Work Opportunity and Responsibility to Kids) is California’s Temporary Assistance for Needy Families (TANF) program that offers cash assistance and services to disadvantaged families in the state of California. Program recipients use the financial benefits to help cover the cost of housing, utilities, and other necessary living expenses. Admittance to the CalWORKs program requires families and caretakers to meet specified age, residency, citizenship, immigration status, income, and asset tests eligibility requirements (California Department of Social Services, 2014). The CalWORKs asset test component places eligibility restrictions on cash savings and assessed vehicle values. According to the Los Angeles County Department of Public Social Services (2014), eligible recipients may have no more than $2,000 in cash, bank accounts, and other financial resources ($3,000 if 60 years or older), and a motor vehicle with an equity value of no more than $4,650 ($9,500 as of January 2014).

Since 1996, many states have embraced the idea of economic mobility and self-sufficiency through the elimination of state TANF asset test programs. To date, 8 states have eliminated TANF asset limits; 37 states (including the District of Columbia) have eliminated Supplemental Nutrition Assistance Program (SNAP) asset limits; 24 states have eliminated Medicaid asset limits entirely; 3 states have substantially increased asset limits in their Medicaid or TANF programs; and 37 states have excluded important asset categories from asset limit tests in one or both Medicaid and TANF programs (Hawaii Department of Health and Human Services, 2013). Over the past 18 years, states have discovered that the elimination of asset test programs does not incentivize additional families to seek TANF funding (Mullany, 2012; Parrish, 2005). While the purpose of asset testing is to ensure that the benefits offered by the state are administered to those truly in need, data for such state programs prove that elimination of asset tests does not increase state TANF caseload (CFED, 2014).

Elimination of the asset test programs does not incentivize additional families to seek TANF funding

Conversely, researchers have found that asset test programs do incur administrative costs to states’ budgets (Sprague, 2013; Hawaii Department of Health and Human Services, 2013). Recent research and findings regarding cost inefficiencies associated with asset testing provide the foundation for this study.

This study assesses the quantitative and qualitative cost effectiveness of the asset testing component of the CalWORKs program. Specifically, it quantifies the overall administrative cost that the State of California incurs due to asset test regulations; estimates the cost savings potential resulting from elimination of the CalWORKs asset test requirements; and presents qualitative findings of the asset testing intake and oversight processes.

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1 Data used in this report was subject to the $4650 asset limit that was in effect until January 2014.
3. ABOUT TANF AND ASSET TESTING

The passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) fundamentally changed the income assistance program for poor families. The bill transferred primary responsibility of the income assistance program from the federal government to each state by replacing the Aid to Families with Dependent Children (AFDC) with TANF. The purpose of the TANF program is to assist needy families by encouraging self-sufficiency among recipients. To this end, states have the flexibility to design and implement their own TANF/public assistance programs to help poor families through guidelines provided by their government.

3.1 THE COST OF TANF ASSET TESTING – CASH ASSETS

The decision of some TANF households to remain unbanked or under-banked and avoid mainstream financial institutions is rooted in their fear of asset-based tests. Previous research has shown that some households believe having a bank account will eliminate their chances of receiving public benefits (Covington and Edwards, 2013). This, in turn, forces some households to become more financially disadvantaged by using alternative financial institutions like cash checkers and payday lenders that are known to charge high fees and high interest rates. Such alternative financial services cause borrowers to enter into a debt trap that further exacerbates their already strained financial state (Covington and Edwards, 2013).

Studies have shown that asset-based test guidelines create a disincentive to save (Chen and Lerman, 2005; Covington and Edwards, 2013; Sprague and Black, 2012). Chen and Lerman (2005) found that, sometimes, a one-dollar increase in any form of savings or assets by a family could result in the loss of thousands of dollars per year in public assistance benefits. Using the life-cycle model, Hubbard, Skinner, and Zeldes (1995) explained how social insurance programs with asset-based means testing, such as Medicaid, AFDC (now TANF), and food stamps can discourage households with low-expected-lifetime-incomes to save. They argued that events related to an earnings downturn or large medical expenses may cause households to seek TANF support which in turn creates an implicit tax rate of 100 percent on savings and wealth. Therefore, the message received by low-income families who receive public assistance benefits or who may be future TANF recipients is that it is not beneficial to save.

Asset-based tests have direct and indirect effects on TANF recipients’ savings behaviors that ultimately affect their future financial stability. Parrish (2005) identified three reasons why asset tests do more harm than good: one, they are inefficient because few applicants own assets of any magnitude; two, they are counterproductive to helping people achieve economic security; and three, instead of simply considering income, the programs impose asset limits on the most financially destitute. In addition, Parrish also highlighted that public asset building subsidies that benefit middle and upper class citizens do not have any asset-based tests, only income limitations like tax deductibility contributions to IRAs.

Zhan, Sherraden, and Schreiner (2004) examined the saving behaviors of TANF recipients in an incentivized savings program for the poor under the American Dream Demonstration (ADD) program. Through the ADD program, recipients were offered savings incentives such as matches, financial education, and monthly savings goals. Zhan et al. (2004) found that TANF recipients have the willingness to save if provided access and incentives that may possibly accumulate assets. Increasing the willingness to save for TANF recipients, in the long run, would reduce the cost of state TANF programs as recipients become more self-reliant.
Nam (2008) analyzed the impact of liberalized asset limits on asset accumulation by applying two distinct measures: (1) the generosity of asset limit policies and (2) the time lapse since the adoption of the policies. She found that the longer a generous asset limit policy was in place, the more likely the target population’s level of financial asset accumulation would increase. Thus, the increase in asset accumulation among actual and potential TANF recipients due to liberalized asset limit policies could reduce the TANF caseload and thereby reduce the cost of TANF programs.

3.2 THE COST OF TANF ASSET TESTING – VEHICLE ASSETS

Employment is a critical element in moving TANF recipients towards self-sufficiency. In line with traditional thinking, Kim (2000) found that TANF participants are severely restricted from employment opportunities due to low educational attainment, number of children, and disability. However, studies by Baum (2009), Raphael and Rice (2000), Gurley and Bruce (2005), and Hildebrandt and Stevens (2009) recognized the importance of vehicular assets to employment and earnings opportunities for TANF recipients. Similarly, Raphael and Rice (2000) found large positive effects of car ownership on employment and number of hours worked for low-skilled workers. Gurley and Bruce (2005), in line with previous research, found that car access increases the possibility of TANF recipients being employed and leaving TANF. Car access also leads to more hours of work for TANF recipients while enabling them to find better paying jobs. In fact, it appears that access to a vehicle increases hourly wages between $0.72 and $2.12 and work hours by nearly nine hours per week. The results of the Gurley and Bruce study showed that car access is important to the labor market success of low-income households, especially TANF recipients. Using the National Longitudinal Survey of Youth data, Baum (2009) also found that vehicle ownership increases employment. Baum examined vehicle ownership and quality to identify the causal effects of vehicles on employment, discovering that the effects increase the probability of employment by 34.7 percent for urban residents and 36.5 percent for rural residents. Additionally, he found that vehicle ownership had a 50 percent positive effect on work hours. The importance of vehicle ownership to employment supports the assertion that asset-based tests should be excluded from TANF programs (Baum 2009).

3.3 THE ADMINISTRATIVE COST OF TANF ASSET TESTING

Most asset test rules and exceptions are complex, making the applicant evaluation process time consuming and strenuous for both caseworkers and applicants. Such complexities also can create inefficiencies and errors in the administration of the program. Sprague and Black (2012) examined the influence of asset limits on program administration by surveying and interviewing social services administrators from a select group of states. Their findings show that most applicants for TANF and SNAP already have limited assets so that eliminating asset limits greatly simplifies program administration without significantly increasing the caseload. Sprague and Black’s (2012) results also show that TANF recipients generally have a minute amount of countable assets. They found that in the 2011 fiscal year, less than one percent (0.96 percent) of total denials in California were the result of excess asset limits. Furthermore, prior to the elimination of asset tests in Illinois, over a three-year period, only 24 families stopped receiving TANF due to excess assets. Since California has a larger population and a larger number of TANF recipients, it is expected that more families will be removed from TANF rolls in California than were removed in Illinois. Nevertheless, the argument remains the same: eliminating asset tests reduces administrative
burdens, allows agencies to eradicate unnecessary paperwork, and frees up caseworkers' time for other case management duties.

Eliminating asset tests have saved states both administrative time and costs. Evidence from states that have eliminated asset limits suggest that the administrative cost savings far outweigh any real or potential increases in caseload. For example, interviews with Colorado administrators found that “eliminating the asset test” would save caseworkers ten to 15 minutes per case interaction or up to 90 minutes for the five or six interactions that typically occur between a client and a caseworker in the first 45 days (Sprague and Black, 2012). In addition, Virginia estimated that it spent roughly $127,200 in benefits for 40 additional families prior to eliminating the TANF asset test, but this expense was offset by $323,050 in administrative savings. Iowa, prior to eliminating SNAP asset tests and increasing the gross income limit to 160 percent of the federal poverty line, similarly found that the direct state costs, including the state share of additional staff and administrative costs, would total $702,202. The additional SNAP benefit that included revenue from increased state employment was expected to amount to $12.3 million (Sprague and Black, 2012).

Another administrative cost savings, discovered by Nam (2008), is the reduction in the number of TANF recipients due to the liberalization of state asset limit policies. Nam (2008) accounted for the lapse in time needed for TANF recipients and potential recipients to learn about and adapt to new asset limit policy changes. She found that “the longer a liberalized policy change has been in effect, the greater the probability that a TANF recipient had saved financial assets” (p. 144). Additionally, liberalized asset test policies increased TANF recipients' financial asset accumulation. Nam (2008) also found that an increase in asset accumulation among current and potential TANF recipients allows families to move out of poverty thereby reducing the total number of TANF recipients. Since a reduction in the number of TANF recipients and applications can lead to a reduction in the total cost of TANF programs, it is beneficial for the government to eliminate asset test policies.
4. SURVEY OF STATES THAT ELIMINATED TANF ASSET-BASED TESTING

Eight states have eliminated asset limits for TANF, including Ohio, Virginia, Hawaii, Louisiana, Alabama, Maryland, Illinois, and Colorado. Reduction in administrative costs was among the primary reasons for this action in many of the states.

Ohio
Ohio was the first state to eliminate asset-based tests for TANF through legislation in 1997; this set a precedent for other states (CFED, 2012). Reasons for eliminating the asset-based tests included: allowing caseworkers to focus on helping people find employment and maintain their connection to the labor force; understanding that workers need cars and savings to obtain and retain jobs and advance in the labor market; and knowing that it is the state’s responsibility to support work efforts through policies such as work requirements, earned income benefits, and car ownership. After the elimination of asset limits, Ohio did not experience an increase in administrative caseload (Hawaii Department of Health and Human Services, 2013). According to CFED (2012), the State of Ohio TANF caseload remains at a record low (less than 25 percent of the 1992 peak levels).

Alabama and Louisiana
In 2009, both Alabama and Louisiana eliminated asset tests. Alabama eliminated the test through legislation, while Louisiana used administrative rules to eliminate its TANF asset tests. For both states, between 2007 and 2008, less than 1 percent of TANF applicants were denied because of excess assets (CFED, 2012). There has been minimal change in Louisiana’s TANF caseload since the policy change. More time is needed to determine the impact of the legislation in Alabama. However, Alabama officials concluded that it was in the best interest of the program to eliminate asset limits after comparing the estimated cost of asset test elimination to the administrative savings (Hawaii Department of Health and Human Services, 2013).

Maryland, Colorado, Illinois, and Hawaii
Since 2010, four additional states have eliminated asset-based testing in their TANF programs. Maryland eliminated asset tests via administrative rules in 2010, with Colorado following suit through legislation in 2011. In 2013, Hawaii and Illinois became the latest states to remove asset tests via legislation. Research by the Illinois Department of Health and Human Services (IDHS) found that very few applicants were ineligible due to asset tests although the evaluation process of each applicant’s resources was costly and time-consuming. In 2012, the IDHS found that of the 192,000 individual TANF eligibility reviews conducted, only eight cases had family assets exceeding [the limit of] $3,000, while administering the tests cost taxpayers nearly a million dollars annually (Sprague and Black, 2012).
5. DATA AND METHODOLOGY

5.1 DATA
To estimate the administrative costs associated with asset testing, we used state and county level data on acceptance, denial, and discontinued caseload from CalWORKs’ data tables for April 2012 to March 2013. Additional salary and vehicle asset data received from the Los Angeles County Department of Public Social Services (LADPSS) and Alameda County Social Services helped to enhance this database. We interviewed five CalWORKs caseworkers, managers, and appeals officers to gain further insight into the asset testing process and to gauge the amount of time allocated to the asset verification process.\(^2\)

To estimate the impact of the elimination of TANF asset test requirements on TANF family caseload, we used state-level annual average monthly caseload data from the U.S Department of Health and Human Services (HHS) for 1997 to 2014. To control for state-level changes in the economy, we used state annual unemployment data from 1997 to 2014, retrieved from the U.S. Bureau of Labor Statistics.

5.2 METHODOLOGY
To calculate the total administrative cost of asset testing during intake and continuation of cases, we first calculated the administrative cost of asset testing by deriving caseworkers’ average salary based on the time needed during the initial intake process and the continuation of cases to verify cash and vehicle asset limits. We then applied the administrative cost of asset testing to the total CalWORKs caseload database to obtain the total administrative cost of asset testing during intake and continuation of cases.\(^3\)

To determine whether the elimination of asset testing reduced the state level caseload, we conducted time series regression analysis. This approach is adapted from a study by Nam (2008) in which she found that long-term liberalized policy changes create a greater probability that a likely TANF recipient had saved financial assets. We predict that an increase in financial assets will decrease the need for TANF funding and create an additional cost savings to the state. To test this hypothesis and to control for other exogenous variables that may affect the change in the TANF caseload over time, we performed a time series regression analysis for all states that eliminated asset test guidelines.\(^4\) For each state that eliminated asset guidelines, we estimated the following model:

\[
State_{\text{Caseload}} = \beta_0 + \beta_1 State_{\text{UE}} + \beta_2 State_{\text{EofAT}} + \varepsilon
\]

where \(State_{\text{Caseload}}\) is the annual average monthly caseload for the years 1997 to 2014; \(State_{\text{UE}}\) is the annual unemployment rate for 1997 to 2014; and \(State_{\text{EofAT}}\) is a dummy variable that equals one for every year after the asset test guidelines were eliminated and a zero otherwise.

Virginia’s time series results are of particular importance for this study. Its 2003 asset testing elimination data provides sufficient time lapse both before and after elimination of asset test guidelines to draw predictive conclusions about the long-term effect of asset test elimination than data for the other states.

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\(^2\) A copy of the interview questions administered to the CalWORKs personnel can be found in Appendix A.

\(^3\) See Appendix B for additional information regarding methodology.

\(^4\) For detailed results from the analysis, please see Appendix D.
6. QUANTITATIVE FINDINGS AND ANALYSIS

6.1 ADMINISTRATIVE COSTS OF CALWORKS ASSET VERIFICATION

California spent roughly $6.4 million on asset testing to find that only 1% of cases exceeded asset limits.

After applying the method discussed above, we found that the State of California spends an estimated $6,400,815.98 in administrative cost per year on cash and vehicle-asset test verification. This calculation includes the administrative cost involved in verifying assets during both the intake process and the continuation of caseload process. According to CalWORKs, regulated asset test verification must be performed every year after the initial intake process. Hence, it was important to include not only the time allocated to asset verification during the initial intake process, but also time allocation during the continuation of caseload process. The continued caseload also may contain the cases that have passed the approval process. Therefore, to avoid double counting, we removed an estimated 44,796 approved new cases from the average monthly continuation caseload.

Table 1 shows that the roughly $6.4 million allocated to asset tests involved the verification of 1,034,074 CalWORKs cases during the study period of April 2012 to March 2013. This included 555,980 new cases undergoing the initial intake process and a yearly average of 478,094 cases undergoing continued oversight (excluding an average of newly approved cases). During the initial intake process, we found that 2 percent of the cases exceeded asset limits. However, only .001 percent of the intake cases specifically exceeded the vehicle asset limit.5 Of the 478,094 cases that were reevaluated during the study period, only 1 percent was discontinued due to excess asset limits.

6.2 COST SAVINGS DUE TO ELIMINATION OF ASSET TESTS

Eliminating asset tests ultimately supports the goal of the TANF program to help low-income families move towards self-sufficiency. Analysis of the annual average of monthly TANF caseload data by state from the U.S. Department of Health and Human Services (HHS) confirms this conclusion. According to HHS average monthly caseload data from 1997 to 2014, states that eliminated TANF asset testing experienced an average decline of 46,771 cases over this 17-year period. States that did not eliminate TANF asset testing experienced an average decline of 46,771 cases over this 17-year period.

Table 1

<table>
<thead>
<tr>
<th>CalWORKs Intake and Continued Caseload (April 2012 - March 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalWORKs Caseload</td>
</tr>
<tr>
<td>Total Intake cases</td>
</tr>
<tr>
<td>Continued caseload excluding new applications</td>
</tr>
<tr>
<td>Total Caseload</td>
</tr>
</tbody>
</table>

Source: CalWORKs data - http://www.cdss.ca.gov/research/PG281.html

5 This percent estimate was derived using LADPSS vehicle denial data from April 2012 to March 2013. It is the ratio of the Los Angeles CalWORKs vehicle denial data and the Los Angeles CalWORKs Caseload data for the period April 2012 to March 2013.
After calculating the percentage change between these averages, we found that states that eliminated asset testing guidelines experienced a 66 percent decline in average monthly caseload between 1997 and 2014 compared to states that did not eliminate asset testing guidelines.

To determine the effect of time on asset test elimination, we conducted both descriptive analysis and time series regression analysis for all states that eliminated asset test guidelines, using HHS annual average monthly caseload data.

States that eliminated asset testing guidelines experienced a 66 percent decline in average monthly caseload compared to states that did not eliminate asset testing guidelines.

### Descriptive Analysis

Table 2 shows the calculated average monthly TANF caseload before and after the elimination of TANF asset test guidelines from 1997 to 2014. The results show that most states that eliminated TANF asset testing experienced a decline in their caseload. Louisiana and Illinois experienced the largest declines of 176 percent and 201 percent, respectively. Alabama and Colorado both experienced an increase in their average TANF caseload after eliminating asset testing. Alabama’s negligible 1 percent increase in average caseload between 2009 and 2014 (217 cases) may be attributable to the lagged effects of an unemployment rate that peaked to 9.6 percent in 2010, just one year after the state eliminated its asset test guidelines. For Colorado, the 3 percent (417 cases) increase in the TANF caseload may be in part due to the influx of cases beginning in late 2009 from the Colorado Refugee Services Program (CRSP). According to the Colorado Department of Health Services (CDHS 2013), the CRSP began using TANF funds to assist eligible refugees due to

<table>
<thead>
<tr>
<th>Asset Test Elimination Year</th>
<th>Before the Elimination of Asset Testing*</th>
<th>After the Elimination of Asset Testing**</th>
<th>Difference in Caseloads</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia</td>
<td>36,177</td>
<td>25,163</td>
<td>-11,013</td>
<td>-44%</td>
</tr>
<tr>
<td>Alabama</td>
<td>20,000</td>
<td>20,217</td>
<td>217</td>
<td>1%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>24,948</td>
<td>9,036</td>
<td>-15,912</td>
<td>-176%</td>
</tr>
<tr>
<td>Maryland</td>
<td>28,270</td>
<td>23,345</td>
<td>-4,925</td>
<td>-21%</td>
</tr>
<tr>
<td>Colorado</td>
<td>14,119</td>
<td>14,536</td>
<td>417</td>
<td>3%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>10,824</td>
<td>9,019</td>
<td>-1,804</td>
<td>-20%</td>
</tr>
<tr>
<td>Illinois</td>
<td>61,755</td>
<td>20,535</td>
<td>-41,220</td>
<td>-201%</td>
</tr>
</tbody>
</table>

*Ohio was not included in Table 2 because the state eliminated the asset test guidelines during the same year that our analysis began. However, we did find that from 1997 to 2014 Ohio experienced a 55 percent decline in yearly average caseload.
the phasing out of the Refugee Cash Assistance Program (CDHS, 2013).

While a reduction in caseload after the removal of asset tests is evident for almost all states, there is still the possibility that other policies, administrative changes, and changes in the overall economy might have contributed to this decline. For example, changes in other state policies that influence consumer behavior, increases in minimum wage, access to public transportation and jobs, and/or lagged economic effects also may have occurred at the same time as the elimination of asset test limits. Population changes due to migration also can affect the number of TANF recipients. Moreover, families may decide to leave the TANF program due to a change in family structure, changes in Earned Income Tax Credit policies, and growth in income. However, other explanations for the reduction in the TANF caseload become less important given the results for Hawaii and Illinois. After using only two years (2013 and 2014) to calculate the post asset test elimination average for Hawaii and Illinois, we found that Hawaii’s average caseload dropped by 1,804 and Illinois’ dropped by 41,220 cases.

Regression Analysis
Our regression results suggest that elimination of asset test guidelines decreased the number of TANF cases in almost all states. However, given the statistically significant relationship between the elimination of asset tests and caseload variables for Virginia and Louisiana, we can say with certainty that the number of TANF cases fell in these states because of the elimination of asset test regulations. Specifically, the results indicate that elimination of TANF asset testing guidelines decreased the Virginia caseload by 18,520 and the Louisiana caseload by 21,449.

Additionally, analysis of the regression results indicates that there is a significant relationship between the state unemployment rate and TANF caseload for Virginia. For this state, a 1 percent increase in the unemployment rate will increase the TANF caseload by 4,356.

Analysis of Findings – CalWORKs Cost Savings due to the Elimination of Asset Testing
Nam (2008) used household data from the Panel Study of Income Dynamics (PSID) collected in 1994 and 2001 and state-level data to investigate whether the liberalization of asset tests encourage financial asset accumulation among the target population of likely TANF recipients. Her results suggest that a higher countable asset limit does not significantly increase the target population’s probability of saving financial assets. However, when time (the number of years elapsed from the adoption of new limit) is controlled for, Nam’s (2008) estimates show that the longer a liberalized policy change is in effect, the greater the probability that a likely TANF recipient will save financial assets. Therefore, if the CalWORKs asset testing requirements were eliminated, there would likely be a reduction in average number of new cases overtime which would lead to an overall reduction in the average monthly caseload.

Table 3 shows the estimated CalWORKs’ caseload cost savings due to elimination of asset testing. Since Hawaii and Illinois are the most recent states to eliminate asset test guidelines (post the 2007-2009 Great Recession), we computed a 2013-2014 percentage change formula using HHS average monthly caseload data for these two states. We

"Eliminating CalWORKs’ asset test would reduce the caseload by 5% and save the State more than $163 million."

For detailed results from the analysis, please see Appendix D.
Table 3

<table>
<thead>
<tr>
<th>Estimated CalWORKs Caseload Cost Savings due to The Elimination of Asset Testing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Continued Caseload per Month (including new approved intake applicants)</td>
</tr>
<tr>
<td>Estimated Decline in CalWORKs Caseload of 5% due to Removal of Asset Testing</td>
</tr>
<tr>
<td>CalWORKs Case Grant - Yearly Average 2013¹</td>
</tr>
<tr>
<td>Cost Saving due to the Elimination of Asset Testing</td>
</tr>
</tbody>
</table>

¹Source: California Department of Social Services, Public Assistance Facts and Figures. Available at file://C:/Users/LaTanyaR/Dropbox/TANF/paper/average%20monthly%20benefits.pdf

found that one year after the asset test guidelines were lifted in both states, Illinois experienced a 4 percent decline in yearly average caseload, while Hawaii’s annual average caseload declined by 6 percent. From Illinois and Hawaii’s 2013 to 2014 percentage change calculations, we estimated that if asset testing were eliminated in the state of California, the CalWORKs caseload would decline by an estimated 5 percent in the first year.³ This 5 percent decline in caseload would result in a reduction of 26,145 cases and a cost savings of $163,286,694.83.

6.3 NET EFFECT

Based on the above quantitative findings, the CalWORKs asset test verification is not cost effective since the $6.4 million administrative costs substantially outweigh the product of verifying cases that have exceeded cash and vehicle asset limits. Our findings show that the elimination of the asset test requirements in the CalWORKs program will lead to an estimated 5 percent decrease in average annual caseload and a cost savings of $163,286,694.83.

Conversely, we also can consider the counter-argument that the removal of the administrative requirements may increase the existing caseload by 2 percent (presented in Table 1). In considering this, we must account for our findings in Section 6.2 that asset test elimination may encourage lagged financial asset accumulation and reduce the caseload by an estimated 5 percent. Therefore, considering this counter-argument, the net effect of elimination of the CalWORKs asset test regulations would be a 3 percent decline in caseload resulting in an overall $97,972,069.18 cost-saving to the state.

³ This estimate is the average of the Illinois (4%) and Hawaii (6%) caseload declines that occurred immediately after the asset test guidelines were removed.
7. QUALITATIVE FINDINGS

The purpose of the qualitative analysis is to gain further insight into the processes involved in asset test verification. Overall, we found that the findings from the interviews support the quantitative findings. In general, both CalWORKs caseworkers and managers reported that only small portions of their caseload are denied because of vehicle and/or cash asset testing violation.

By removing asset test verification, case managers and workers can offer better oversight and monitoring of CalWORKs’ applicants and recipients.

The interview results show that if all proper documents are available to conduct the asset test, the cash and vehicle verification process can take on average 15 minutes per case. The case managers and workers also explained that the time allocated to asset verification could increase if the information provided by the applicant and/or recipient is not current, accurate, or is difficult to find. The caseworker and case manager then may spend additional time assisting the CalWORKs recipient in obtaining the appropriate information. According to the interview results, assisting CalWORKs clients in obtaining the appropriate verification documents, prior to the verification process, can take from one to ten hours per-month per-case in administrative time. Once the verification process is complete and the application is accepted, the interviewees also note that there is no additional oversight in asset test verification until the approved application comes up for its yearly renewal.

The interview results also revealed that if the CalWORKs case managers and workers were not allocating their time to the asset testing verification process, they would have more time to dedicate to other duties required of their position. The asset verification time could be allocated to clearing reports and system alerts, reviewing cases for unreported income, reviewing previous cases to determine if any changes occurred with clients’ employment status, and adhering to other verification requirements needed during the intake and renewal processes. Overall, the interview results revealed that freeing up case manager and worker time by removing asset test verification would allow better monitoring and more oversight of CalWORKs’ applicants and recipients in terms of their current economic status and progress under the program.

In addition to interviews of CalWORKs caseworkers and managers, we also conducted two interviews with CalWORKs appeals officers. The findings were similar to the caseworker and manager findings. However, during the appeals process, the appeals officer does not assist the CalWORKs applicant in obtaining missing information for asset test verification, so the burden of proof is solely on the applicant and/or current recipient. The asset test caseload for an appeals officer is very small, with generally about 10 cases per year involving asset-test verification appeals. This response is in accordance with the findings that asset verification denials and discontinuation is a small portion of the overall CalWORKs application and caseload process. The appeals officer reported that the administrative cost to hear an asset test appeals case is between $2,000 and $3,000 per case. Therefore, of the 10 asset test verification appeal cases, the additional cost is between $20,000 and $30,000 per year. This additional amount is not included in the $6.4 million estimated CalWORKs’ administrative costs to verify cash and vehicle assets.
8. CONCLUSION

After assessing the administrative cost of the CalWORKs asset test verification process, we found that the State of California spent roughly $6.4 million between April 2012 and March 2013 to discover violations of only .001 percent among vehicle asset test applications, 2 percent among cash asset test applications, and 1 percent during the cash asset testing continued caseload. We also found that cash and vehicle asset verification by the State of California is a misallocation of time that only returns at most a 1 to 2 percent denial or discontinued rate of CalWORKs cases. Moreover, we discovered that eliminating CalWORKs asset testing would reduce the caseload by an estimated 5 percent leading to a cost savings of about $163.3 million. Additionally, based on caseworker and manager interviews, removing CalWORKs’ asset test verification allows more time to monitor and oversee the current economic status and progress of CalWORKs applicants and recipients. Review of cash and vehicle asset denial and discontinued data further show that the elimination of the CalWORKs asset test process will not significantly increase overall caseload. Therefore, based on quantitative and qualitative research, and consistent with previous findings on asset test verification, the CalWORKs asset test verification process is not cost effective. The additional savings in administrative cost and overall cost savings of the elimination of asset testing ($169.7 million) could be reallocated to enhance applicant and recipient oversight and provide assistance in promoting economic mobility and self-sufficiency among CalWORKs recipients and other disadvantaged California residents.
REFERENCES


APPENDIX A - INTERVIEW QUESTIONS

Caseworker, Case Manager and Appeals’ Office Interview Questions

Position Title: ___________________________ Name: ___________________________
Contact Number: ___________________________ Email: ___________________________
Organization/Department: ___________________________

1. Are you responsible for of the intake of case management of CalWORKs?

2. What is your caseload per month?

3. On average what is the range of time per case that it takes to determine if a person is eligible to receive TANF (for caseworker) or to continue to receive TANF (for case manager)?

4. How many cases do you deny (for caseworker) or discontinue (for case manager) per month due to excess liquid assets?

5. How much time is allocated toward verifying the liquid assets per case? per month?

6. How do you verify the value of liquid assets?

7. What type of difficulties have you faced in attempting to determine the accurate value of an asset?

8. Is the ability to save money ever an issue that comes up when working with applicants or recipients especially as it relates to the asset test?

9. In your experience, do applicants have more or less of the exact amount of the $2000 asset limit?

10. How much time is allocated toward verifying vehicle assets? per case? per month?

11. How many cases do you deny (for caseworker) or discontinue (for case manager) per month and per year due to excess vehicle assets?

12. How much time, on monthly bases, do you spend assisting clients with obtaining verification?

13. What other work requirements would you focus on if you did not have to be involved in the asset verification process?

14. How much continued oversight is required to ensure that the TANF recipient is following the asset test rules?

15. Are there other administrative costs or resources that are utilized and necessary for reviewing assets? If so, what are they?

16. Based upon your experience what are the top three reasons that a person has failed to keep and maintain employment?

Survey Questions for the CalWORKs Appeals Office

1. How many request for hearings, per year, were made by potential recipients, who were denied due to the liquid and/or vehicle asset test verification?

2. What is the hearing process? Who usually oversees the hearing process for appeals?
APPENDIX B - DETAILED METHODOLOGY FOR ASSESSING THE ADMINISTRATIVE COSTS OF ASSET TESTING

After obtaining primary data and secondary data, we were able to develop an administrative cost methodology similar to the Illinois Asset test study. (See the research by Mullany (2012) for further information on the Illinois study.)

To determine the administrative costs of CalWORKs asset testing between April 2012 and May 2013, we first derived the average salary per minute \( S_m \) by dividing the average CalWORKs' caseworkers’ salary (S) by the total standard working minutes (time) for the 2013 work year.

\[
S_m = \frac{\text{salary}}{\text{time}} \quad \text{Equation 1}
\]

After calculating the average salary per minute \( S_m \), we calculated the cost of asset testing per intake \( (t/m)_{\text{intake}} \) by multiplying average salary per minute \( S_m \) by the average time it takes to verify whether an application does or does not exceed the asset test limits \( t_{\text{intake}} \).\(^9\) Next, we derived cost of asset testing per continued case \( (t/m)_{\text{cont}} \) by multiplying average salary per minute case manager \( S_m \) by average time it takes to verify whether a continued case does or does not exceed the asset test limits \( t_{\text{cont}} \).\(^10\)

\[
(t/m)_{\text{intake}} = S_m \cdot t_{\text{intake}} \quad \text{Equation 2}
\]

\[
(t/m)_{\text{cont}} = S_m \cdot t_{\text{cont}} \quad \text{Equation 3}
\]

After calculating the cost of asset testing per intake \( (t/m)_{\text{intake}} \) and continuation \( (t/m)_{\text{cont}} \), we then applied the cost estimates to the total CalWORKs caseload for the same time period of April 2012 to May of 2013 to derive the asset testing administrative cost of intake and continuation of cases (Admin$).

\[
\text{Admin } \$ = (t/m)_{\text{intake}} \cdot \text{total cases} \quad \text{Equation 4}
\]

\[
\text{Admin } \$ = (t/m)_{\text{cont}} \cdot \text{total cases} \quad \text{Equation 5}
\]

---

\(^9\) The average time it takes to verify whether an application does or does not exceed the asset test limits was taken from our qualitative data findings.

\(^{10}\) An estimated average of administrative time for denial and discontinued cases was provided through our primary survey results.
APPENDIX C - DEFINITIONS

**Administrative Cost:** “costs necessary for the proper administration of the TANF program or separate State programs. It includes the costs for general administration, eligibility determination, and program coordination, including indirect (or overhead) costs” (U.S. Department of Health and Human Services, 2013).

**CalWORKs (California Work Opportunity and Responsibility to Kids):** California’s TANF Program; a time-limited program that provides financial assistance to eligible needy families with (or expecting) children to help pay for housing, food, medical care, clothing, utilities, and other necessary expenses (LADPSS).

**Discontinued Cases:** an originally approved CalWORKs case discontinued, after review by a case manager for exceeding the CalWORKs’ liquid and/or vehicle asset limitations.

**Liberalized Assets:** Recognizing the disincentives of asset limits, both federal and state governments began to liberalize AFDC/TANF asset tests in the early 1990s. The Family Support Act of 1988 allowed states to request a waiver from the federal government to raise asset limits. State governments accordingly increased their asset limits in AFDC/TANF during the 1990s (Corporation for Enterprise Development 2002; Savner and Greenberg 1995; Urban Institute 2005). As of 2000, 43 states had relaxed their rules on countable asset limits to some degree and all states had raised vehicle asset limits.

**Liquid Assets:** assets that the owner can easily convert into cash, losing little to no monetary value (for example, savings accounts, checking accounts, certificate of deposits, money market accounts, or secured credit cards). The CalWORKs asset test evaluates the amount of liquid assets a family can maintain and remain eligible to receive benefits under the program.

**Unbanked:** a person who does not use banks or banking institutions in any capacity (Investopedia.com).

**Underbanked:** an individual or business that heavily relies on checks and cash as a means of funding rather than bank related products such as credit cards or loans (Investopedia.com).
APPENDIX D - TIME SERIES REGRESSION RESULTS

To control for other exogenous factors that may have affected the change in TANF caseload, we conducted a time series regression analysis of all eight states that eliminated asset test guidelines. We gathered the data utilized in this model from two main sources—the U.S. Department of Health and Human Services (HHS) and U.S. Bureau of Labor Statistics (BLS). Yearly average monthly TANF caseload data by state for the years 1997 to 2014 (State_Caseload,) was collected from HHS. To control for state-level changes in the economy, we used the state annual unemployment rate for the years 1997 to 2014 (State_UE,) which we gathered from the U.S. Bureau of Labor Statistics. The last variable, state elimination of asset test guidelines (State_EofAT,) (collected from HHS) was a dichotomous variable, assigned a value of one for every year after the asset test guidelines were eliminated and a zero otherwise. Therefore, for each state that eliminated asset test guidelines, we estimated the following model:

\[ \text{State}_\text{Caseload}_t = \beta_0 + \beta_1 \text{State}_\text{UE}_t + \beta_2 \text{State}_\text{EofAT}_t + \varepsilon \]

Analysis of the regression results suggests that elimination of asset test guidelines decreased the number of TANF cases in almost all states. However, given the statistically significant relationship between the elimination of asset tests and caseload variables for Virginia and Louisiana, we can say with certainty that the number of TANF cases fell in these states because of the elimination of asset test regulations. The results show that caseload fell by 18,520 in Virginia and 21,449 in Louisiana after elimination of their TANF asset tests. (See Table 4.) Virginia’s time series results are of particular importance because the time lapse before and after elimination of asset test guidelines allows for more predictive analysis. Virginia also displays a higher adjusted R-Square (0.49) than Louisiana (0.32) which indicates that the independent variables (State_UE and State_EofAT,) explain more of the variation in the size of the caseload in Virginia than in Louisiana.

Additionally, the regression results indicate that there is a significant relationship between the state unemployment rate and the Virginia TANF caseload; a one percent increase in the state unemployment rate will increase the caseload by 4,356.

Table 4 - Regression Results for the Virginia and Louisiana TANF caseload model

<table>
<thead>
<tr>
<th></th>
<th>Virginia State - Level Results</th>
<th>Louisiana State - Level Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(dependent variable - Virginia TANF yearly average family caseload)</td>
<td>(dependent variable - Louisiana TANF yearly average family caseload)</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>22456.33</td>
<td>5356.227</td>
</tr>
<tr>
<td>State_EofAT – Virginia</td>
<td>-18519.9</td>
<td>4390.854</td>
</tr>
<tr>
<td>State_UE – Virginia</td>
<td>4355.61</td>
<td>1412.369</td>
</tr>
<tr>
<td>Adj. R-Sq.</td>
<td>0.494</td>
<td></td>
</tr>
</tbody>
</table>

APPENDIX D - TIME SERIES REGRESSION RESULTS

Table 4 - Regression Results for the Virginia and Louisiana TANF caseload model
Table 5 presents the regression results for the six states for which State_EofAT was not a significant predictor of caseload. For the Ohio model, we excluded State_EofAT because Ohio eliminated its asset test guidelines in 1997, making the elimination of asset test variable non-applicable for the purposes of this paper. Additionally, since Hawaii and Illinois removed the TANF asset test guidelines in 2013, there was not adequate post data to derive conclusive results from the State_EofAT variable, though the results suggest a negative relationship between the elimination of asset tests and caseload.

The results for Colorado and Alabama suggest a positive relationship between elimination of asset tests and caseload. The same models also suggest a negative relationship between the unemployment rate and caseload, implying that an increase in the unemployment rate will decrease caseload. We believe the results for Colorado and Alabama are counterintuitive and that as stated previously in this paper, additional variables should be explored for these two models to improve predictability of caseload changes.

Table 5 - Regression Results for the States of Ohio, Illinois, Hawaii, Alabama and Colorado TANF caseload model

<table>
<thead>
<tr>
<th>State</th>
<th>Model Results</th>
<th>(dependent variable - TANF yearly average family caseloads)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio</td>
<td>B</td>
<td>Std. Error</td>
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<tr>
<td>(Constant)</td>
<td>107513.6</td>
<td>18068.19</td>
</tr>
<tr>
<td>State_UE - Ohio</td>
<td>-2495.881</td>
<td>2793.123</td>
</tr>
<tr>
<td>Illinois</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>153395.9</td>
<td>37636.74</td>
</tr>
<tr>
<td>State_EofAT - Illinois</td>
<td>-21482.01</td>
<td>35249.72</td>
</tr>
<tr>
<td>State_UE - Illinois</td>
<td>-14098.62</td>
<td>5515.095</td>
</tr>
<tr>
<td>Hawaii</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>6314.493</td>
<td>3471.486</td>
</tr>
<tr>
<td>State_EofAT - Hawaii</td>
<td>-1639.713</td>
<td>3097.539</td>
</tr>
<tr>
<td>State_UE - Hawaii</td>
<td>976.332</td>
<td>717.646</td>
</tr>
<tr>
<td>Maryland</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>27368.870</td>
<td>9985.307</td>
</tr>
<tr>
<td>State_EofAT - Colorado</td>
<td>-5449.694</td>
<td>7146.152</td>
</tr>
<tr>
<td>State_UE - Maryland</td>
<td>206.610</td>
<td>2227.690</td>
</tr>
<tr>
<td>Alabama</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>20293.58</td>
<td>2982.387</td>
</tr>
<tr>
<td>State_EofAT - Alabama</td>
<td>632.491</td>
<td>2686.415</td>
</tr>
<tr>
<td>State_UE - Alabama</td>
<td>-66.505</td>
<td>653.96</td>
</tr>
<tr>
<td>Colorado</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>19368.2</td>
<td>3402.488</td>
</tr>
<tr>
<td>State_EofAT - Colorado</td>
<td>2553.467</td>
<td>3004.631</td>
</tr>
<tr>
<td>State_UE - Colorado</td>
<td>-1066.522</td>
<td>640.517</td>
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</table>
NOTES
ABOUT THE HOWARD UNIVERSITY CENTER ON RACE AND WEALTH

The Howard University Center on Race and Wealth seeks to enrich the dialogue and research on asset building, wealth accumulation, and racial wealth disparities. As a resource grantee of the Ford Foundation Building Economic Security over a Lifetime initiative, the Center’s goal is to provide ongoing technical assistance and research support to the Initiative’s state and regional asset building coalition grantees in developing and promoting policies to reduce the wealth gap and build assets among low-income persons and in communities of color.

ABOUT CALIFORNIANS FOR SHARED PROSPERITY

Californians for Shared Prosperity is a coalition dedicated to increasing opportunities for financial security and prosperity for all Californians who work hard in pursuit of their dreams. Californians for Shared Prosperity mobilizes low-wage California families to stand up as champions of public policies and practices that give everyone access to quality financial products and services, and to quality higher education – proven tools to build prosperity.

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