CALIFORNIA
BUDGET PROJECT

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UPDATING CALIFORNIA'S FOOD STAMPS AND CALWORKS VEHICLE RULE

California's food stamps and CalWORKs vehicle asset policy prevents many poor families who depend on reliable cars to get to and from work from receiving benefits. To be eligible for CalWORKs and food stamps, applicants must prove that their incomes and assets are below a certain level. The federal welfare reform law gave states the flexibility to decide whether and how to use vehicle ownership when determining eligibility for cash assistance.[1] Many states have recognized the importance of reliable transportation for working parents and have set realistic vehicle policies; forty states have vehicle policies more generous than California's.

Last year, Congress passed a law giving states the option of using the same vehicle rule for food stamps as they use for their cash assistance programs. California still uses an outdated vehicle rule for determining eligibility for both CalWORKs and food stamps. According to state estimates, exempting one vehicle from consideration in the assets test would have little or no impact on the state's General Fund.

CALIFORNIA'S VEHICLE LIMIT IS OUTDATED

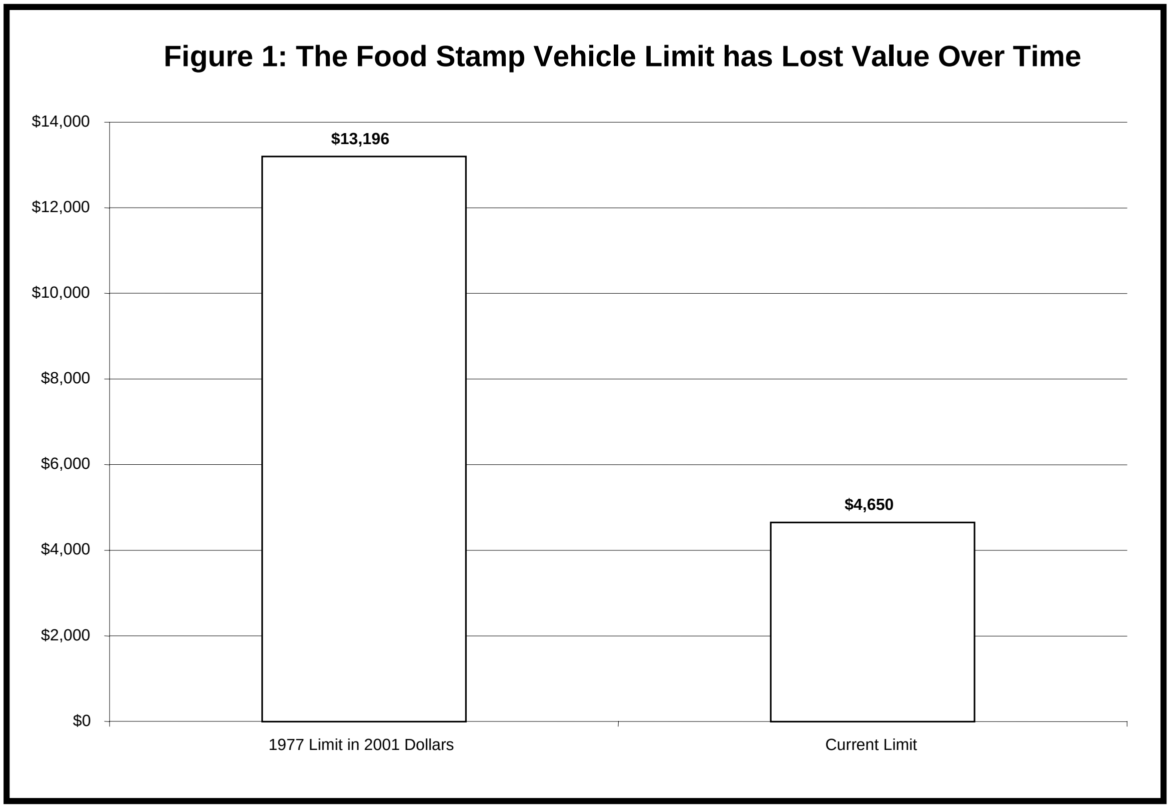
The vehicle limit has a far more restrictive effect on working poor families today than when it was first established. In the 23 years since the food stamp vehicle limit was originally set at $4,500, it has been increased only $150 — about 3 percent — while the Consumer Price Index for cars has nearly tripled.[2] For the vehicle limit to have the same value today that the $4,500 limit had in 1977, it would need to be set at $13,196. The asset limit was originally designed to allow families to have a reliable car to get to and from work.

Under current vehicle rules, CalWORKs and food stamp eligibility determinations are generally based on a vehicle's fair market value, not on the equity a household has in the vehicle.[3] A vehicle can disqualify a household from receiving food stamps even if the household has little equity in it, and thus would receive little money from selling the vehicle.

VEHICLE LIMIT IS INCONSISTENT WITH WELFARE-TO-WORK OBJECTIVES

Reliable transportation is essential for individuals to find and retain steady employment. The Legislative Analyst's Office (LAO) recognizes that "in areas with poor public transportation systems, reliable vehicles often are a critical component in the transition from welfare to work….Allowing CalWORKs families to keep or invest in a reliable vehicle may therefore help more recipients become self-sufficient for the long term."[4] Working poor families in rural areas

[1] CalWORKs is California's Temporary Assistance to Needy Families (TANF) cash assistance program.
[2] The CPI-U for used cars and trucks has risen 193 percent from 1977 to 2001 (January and February average).
[3] The equity value of a vehicle is the fair market value less what a family still owes.
[4] Legislative Analyst's Office, *Analysis of the Budget Bill, 2001-02,* p. C-211.



are likely to be especially affected by the current vehicle limit, in part, because of the lack of public transportation in many rural communities.[5] In addition, many of California's urban workers are unable to afford to live near their jobs and often rely on cars to get to work.[6]

California's treatment of vehicles can turn a temporary setback into a longer-term one when a low income working parent loses her or his job. The relatively low limit on the value of a vehicle a family may own can become a barrier that prevents the family from receiving cash assistance and food stamps. If unemployed households sell their cars to become eligible for CalWORKs and food stamps, they will likely encounter greater difficulty returning to the workforce because not having a car can make it difficult, if not impossible, to search for a job, commute to work, and get children to child care. Research has shown that having a reliable car is linked to success in the workforce. One study found that welfare recipients who owned vehicles were much more likely to be employed, leading the author to conclude that, "Owning an automobile is instrumental to employment."[7]

MOST OTHER STATES HAVE UPDATED VEHICLE RULES

Most states recognize that strict limits on the value of vehicles that low income families may own can be counter-productive. Forty states have established vehicle policies for cash assistance that are more generous than California's current rules. Twenty-four states exempt at

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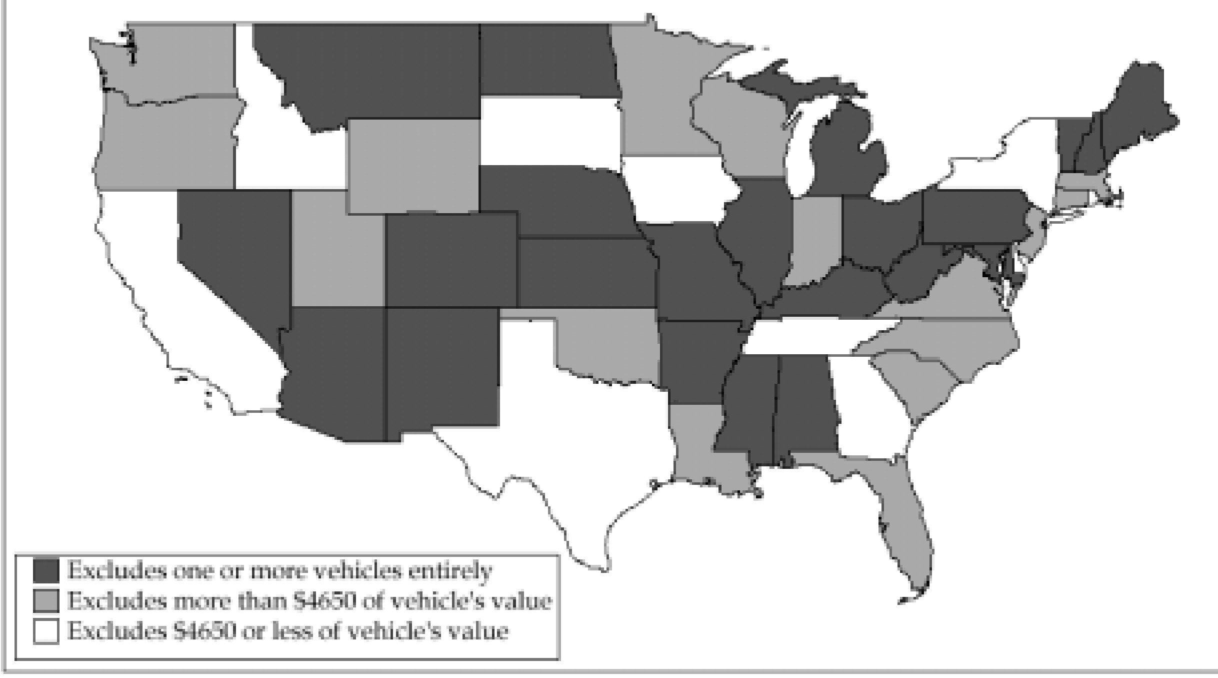
[5] See, for instance, George Rucker, *Status Report on Public Transportation in Rural America, 1994*, US Department of Transportation, Federal Transit Administration (1994), http://www.fta.dot.gov/library/program/rurlstat/rurlstat.html

[6] See, for instance, California Budget Project, *Locked Out: California's Affordable Housing Crisis* (May 2000), p. 31.

[7] Paul Ong, "Work and Automobile Ownership Among Welfare Recipients," *Social Work Research*, Volume 20, Number 4 (December 1996), pp. 255-262.

least one vehicle entirely.[8] California has one of the strictest limits despite the fact that Californians rely on cars to get to work just as much as, if not more than, people in other states.[9] Moreover, transportation assistance provided by county welfare departments does not make up the difference for CalWORKs recipients without cars; only one in five welfare-to-work enrollees (20.5 percent) receive transportation subsidies.[10]

Figure 2: All But Nine States Have Vehicle Limits Higher than California's



AN UPDATED VEHICLE RULE WOULD HAVE MINIMAL IMPACT ON GENERAL FUND

The costs of implementing a more realistic vehicle asset policy will mainly be absorbed by federal funding sources. Increased state costs will be partially offset by savings associated with administering a simpler policy; state Department of Social Services (DSS) estimates indicate that exempting one vehicle would have a minimal net impact on the state General Fund and would perhaps result in savings.[11] This is in large part because (1) the state already meets its TANF spending requirement and (2) food stamp benefits are 100 percent federally funded.[12] DSS estimates indicate that exempting a vehicle could result in 10,000 more low income families

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[8] Twenty-three states exempt at least one vehicle, and one state (Ohio) has no asset limit. *Asset Limits*, State Policy Documentation Project (November 1999), downloaded from http://www.spdp.org/tanf/financial/asset.pdf

[9] Californians use cars to get to work as much as people in other states and have slightly longer commute times. US Department of the Census, *Travel to Work Characteristics for the United States by State: 1990 Census*, downloaded from http://www.census.gov/population/socdemo/journey/state.txt

[10] California Department of Social Services, WTW 25 and 25A (October to December 2000).

[11] We note that to the extent the state uses its federal TANF block grant to cover these costs, these funds will not be available for other programs and services. California has historically underspent its annual TANF block grant.

[12] The fact that the state meets its maintenance of effort (MOE) spending requirement means that increased grant costs can be funded out of California's TANF block grant. This estimate includes increased state costs for the California Food Assistance Program (CFAP).

receiving CalWORKs and food stamps. Moreover, this could bring over $10 million in new federal food stamp benefits to Californians with little, if any, impact on the General Fund.

Total cost estimates by the DSS of exempting one vehicle per family have varied considerably over the past year. This year the DSS estimates that the cost associated with more families being eligible to receive food stamps and CalWORKs will be about $35 million, significantly higher than last year's estimate.[13] The DSS has also estimated administrative savings ranging from $2 million to $6.5 million using a variety of assumptions.[14]

The above estimates suggest that the net impact of exempting one vehicle per family would be approximately $30 million. However, new federal rules require California to begin exempting many of these same vehicles.[15] The DSS estimates that the cost of implementing the new federal rules will be the same as exempting one vehicle per family.[16] Thus the additional cost of exempting vehicles not covered by the federal rules will likely be small and perhaps negligible.

The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low and middle income Californians. Publication of this paper was supported by grants from the David and Lucile Packard and William and Flora Hewlett Foundations in support of CBP's Welfare Reform Policy Monitoring Project. Support for the California Budget Project is provided by foundation grants and individual donations and subscriptions. David Carroll wrote this paper. Visit the CBP web site at www.cbp.org.

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[13] Legislative Analyst's Office, *Analysis of the Budget Bill, 2001-02*, p. C-212.

[14] Assembly Budget Committee, *Agenda: Assembly Budget Subcommittee No. 1 on Health and Human Services* (May 17, 2000); conversation with DSS staff (April 6, 2001).

[15] By June, the state must begin exempting all vehicles with less than $1,500 in equity value for families applying for or receiving food stamps or CalWORKs.

[16] See, for instance, Assembly Budget Committee, *Agenda: Assembly Budget Subcommittee No. 1 on Health and Human Services* (April 25, 2001). The cost estimates are the same because the DSS lacks adequate data to differentiate between the two policies when estimating costs. Thus, the DSS estimated the cost of implementing the new regulations by estimating the cost of exempting one vehicle per family.