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110TH CONGRESS
1ST SESSION

H. R. 3172

To exclude certain assets in determining eligibility under the food stamp program, the temporary assistance for needy families (TANF) program, the Supplemental Security Income (SSI) program, and the State children's health insurance program (SCHIP).

IN THE HOUSE OF REPRESENTATIVES

JULY 25, 2007

Mr. CONYERS (for himself, Mr. ELLISON, Mr. THOMPSON of Mississippi, Mrs. CHRISTENSEN, Ms. NORTON, Ms. WOOLSEY, Mr. SERRANO, Mr. GRIJALVA, Mr. WEXLER, Ms. LEE, and Mr. RUSH) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Agriculture and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To exclude certain assets in determining eligibility under the food stamp program, the temporary assistance for needy families (TANF) program, the Supplemental Security Income (SSI) program, and the State children's health insurance program (SCHIP).

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; FINDINGS.

(a) SHORT TITLE.—This Act may be cited as the "Freedom To Save Act of 2007".

(b) FINDINGS.—Congress finds the following:

(1) Under current law applicable to the food stamp program, a household may not have assets that exceed $2,000 (or $3,000 in the case of a household that includes an elderly or disabled member). The program is federally funded, but States can modify or eliminate assets through categorical eligibility (automatic benefits through qualifications for other assistance programs). Benefit levels can be reduced by unearned income, which arise from interest on past savings accounts, retirement accounts, or educational accounts. States count the amount that exceeds the fair market value of $4,650 of a household vehicle, unless they follow TANF rules. States have the discretion to exclude some assets that are excluded in TANF or Medicaid.

(2) For low-income families who may need to rely on government assistance in the face of an emergency, saving is actively discouraged by asset limit policies, especially in formal financial institutions. Recent qualitative research indicates that asset limits serve to discourage low-income families from saving, especially in formal financial institu-

tions. These men and women realize that saving is penalized in the current welfare system and if they choose to save, their benefits will be reduced or eliminated.

(3) Without a safety net of personal savings, it is more difficult for low-income families to graduate from government assistance and achieve true self-sufficiency—the goal of the 1996 welfare reform. Forcing individuals to ‘‘spend down’’ personal savings in order to qualify for assistance leaves families vulnerable to temporary income shocks due to emergency or temporary unemployment. Precautionary savings will reduce overall dependence on public assistance.

(4)(A) SSI is federally administered with asset limits of $2,000 for individuals and $3,000 for couples. Assets may be reduced by unearned income from interest on past savings accounts or other assets. One household vehicle is excluded from the asset tests, but the value of any other vehicles is counted as assets.

(B) Individuals with disabilities who receive SSI benefits and are able to work for short periods of time are penalized for saving any money they earn with a complete loss of benefits.

(5) TANF is a cash assistance block grant program whose policies are set by individual States. The 1996 welfare reform law gave states the discretion to set asset limits for TANF, or waive the limit entirely. Today, States' asset limits vary from $1,000 to no limit, with most set from $1,000 to $3,000. A number of States have reformed their asset limits:

(A) Virginia and Ohio have already eliminated the asset limit for TANF. To date, Virginia reports administrative savings due to streamlining the eligibility process and has experienced no increase in fraud.

(B) 16 States have liberalized the financial asset limit for TANF to allow assets of more than $2,000. 29 States have liberalized their vehicle allowances by either eliminating the value of at least one vehicle, or by raising the allowable value of a household vehicle.

(6)(A) Within broad Federal guidelines for the SCHIP program, each State determines the design of its program, eligibility groups, benefit packages, payment levels for coverage, and administrative and operating procedures. States have substantial flexibility in setting asset criteria in public health insurance plans for children under Medicaid and the State Children's Health Insurance Program (SCHIP).

(B) 49 States waive asset tests altogether; 2 states (Oregon and Texas) have asset limits in their separate SCHIP programs.

(C) Parents applying for public health insurance face more restrictive eligibility criteria than children. 19 States have waived the asset test for parents; 6 states continue to limit assets to $1,000 per household; and 26 States have asset limits that range from $2,000 to $30,000.

(7) The personal savings rate was negative in 2005 and 2006 according to the Department of Commerce, meaning that spending outstripped disposable income for the first time since the Great Depression.

(8) Asset limits are inefficient and, in some programs, entirely unnecessary. According to the Federal Reserve, most poor and near-poor families hold little to no wealth: in 2004, 17 percent of all households had zero or negative net worth, while 29.6 percent had a net worth of less than $10,000. Few families who meet the low income eligibility thresholds that govern eligibility for major income

support programs have any significant asset holdings. For people with disabilities, 38 percent live on less than $15,000 annually, and that 58 percent are asset poor.

(9) A consistent segment of the American population remains outside the financial mainstream where they rely on costly check cashing and lending institutions: 11 percent of households do not have a checking account and 9 percent do not have a transaction account of any kind. 54 percent of people with disabilities have no savings accounts, and 69 percent have no checking accounts. Low-income families who rely on public assistance are less likely to use a formal financial institution, in part out of fear that any account balance will be penalized by a reduction in benefits.

(10) According to the Center for Social Development, the presence of savings and even small asset holdings by a household is associated with a range of positive outcomes, including increased economic stability, educational attainment and performance, and health and psychological well-being.

(11) Increasing the number of households that save and the amounts that they save will allow more

Americans to achieve greater control, security, independence, and choice in their lives.

SEC. 2. MODIFICATION OF ASSET TEST UNDER FOOD STAMP PROGRAM.

(a) FINANCIAL RESOURCES.—Section 5(g) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)) is amended—

(1) by striking ‘‘(g)(1) The Secretary’’ and inserting the following:

‘‘(g) ALLOWABLE FINANCIAL RESOURCES.—

‘‘(1) TOTAL AMOUNT.—

‘‘(A) IN GENERAL.—The Secretary’’;

(2) in subparagraph (A) (as designated by paragraph (1)—

(A) by striking ‘‘$2,000’’ and inserting ‘‘$6,000 (as adjusted in accordance with subparagraph (B))’’; and

(B) by striking ‘‘$3,000’’ and inserting ‘‘$8,000 (as adjusted in accordance with subparagraph (B))’’ ; and

(3) by adding at the end the following:

‘‘(B) ADJUSTMENT FOR INFLATION.—

‘‘(i) IN GENERAL.—Beginning on October 1, 2007, and each October 1 thereafter, the amounts in subparagraph (A) shall be adjusted to the nearest $100 increment to reflect changes for the 12-month period ending the preceding June in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.

"(ii) REQUIREMENT.—Each adjustment under clause (I) shall be based on the unrounded amount for the prior 12-month period.".

(b) DEFINITION REQUIRED.—Section 5(g)(6)(B)(iii) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(6)(B)(iii)) is amended by inserting "(as defined by the Secretary)" after "available".

(c) EXCLUSION OF RETIREMENT ACCOUNTS FROM COUNTABLE FINANCIAL RESOURCES.—

(1) IN GENERAL.—Section 5(g)(2)(B)(v) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(2)(B)(v)) is amended by striking "or retirement account (including an individual account)" and inserting "account".

(2) MANDATORY AND DISCRETIONARY EXCLUSIONS.—Section 5(g) of the Food Stamp Act of

1977 (7 U.S.C. 2014(g)) is amended by adding at the end the following:

"(7) EXCLUSION OF RETIREMENT ACCOUNTS FROM COUNTABLE FINANCIAL RESOURCES.—

"(A) MANDATORY EXCLUSIONS.—The Secretary shall exclude from financial resources under this subsection the value of any funds in a plan, contract, or account, described in sections 401(a), 403(a), 403(b), 408, 408A, 457(b), and 501(c)(18) of the Internal Revenue Code of 1986 and the value of funds in a Federal Thrift Savings Plan account as provided in section 8439 of title 5, United States Code.

"(B) DISCRETIONARY EXCLUSIONS.—The Secretary may exclude from financial resources under this subsection the value of any other retirement plans, contracts, or accounts (as determined by the Secretary through regulation).".

(d) EXCLUSION OF EDUCATION ACCOUNTS FROM COUNTABLE FINANCIAL RESOURCES.—Section 5(g) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)) (as amended by section 3) is amended by adding at the end the following:

"(8) EXCLUSION OF EDUCATION ACCOUNTS FROM COUNTABLE FINANCIAL RESOURCES.—

"(A) MANDATORY EXCLUSIONS.—The Secretary shall exclude from financial resources under this subsection the value of any funds in a qualified tuition program described in section 529 of the Internal Revenue Code of 1986 or in a Coverdell education savings account under section 530 of that Code.

"(B) DISCRETIONARY EXCLUSIONS.—The Secretary may exclude from financial resources under this subsection the value of any other education programs, contracts, or accounts (as determined by the Secretary through regulation).".

(e) EXCLUSION OF VEHICLES FROM COUNTABLE FINANCIAL RESOURCES.—Section 5(g)(2)(B)(iv) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(2)(B)(iv)) is amended to read as follows:

"(iv) subject to subparagraphs (B) and (C), any licensed vehicle that is not used for household transportation or to obtain or continue employment.".

SEC. 3. PROHIBITION ON USE OF ASSET TEST UNDER THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) PROGRAM.

(a) PROHIBITION.—Section 408(a) of the Social Security Act (42 U.S.C. 608(a)) is amended by adding at the end the following:

"(12) PROHIBITION ON IMPOSITION OF ASSET TEST.—A State to which a grant is made under section 403 shall not consider the level or types of assets or resources of an individual or family in determining the eligibility of the individual or family for, or the amount or types of assistance to provide to the individual or family under the State program funded under this part.".

(b) PENALTY.—Section 409(a) of such Act (42 U.S.C. 609(a)) is amended by adding at the end the following:

"(16) PENALTY FOR IMPOSITION OF ASSET TEST.—

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 in a fiscal year has violated section 408(a)(12) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not less than 1 percent and not more than 5 percent of the State family assistance grant.

"(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of noncompliance.".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 1, 2008.

SEC. 4. ELIMINATION OF ASSET TEST FOR DISABLED PERSONS UNDER THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM.

(a) IN GENERAL.—Section 1611(a) of the Social Security Act (42 U.S.C. 1382(a)) is amended in each of paragraphs (1)(B) and (2)(B) by inserting "in the case of an individual who is aged or blind," before "whose".

(b) CONFORMING AMENDMENTS.—

(1) Section 1602 of such Act (42 U.S.C. 1381a) is amended by inserting "(in the case of an individual who is aged or blind)" before "resources".

(2) Section 1621(a) of such Act (42 U.S.C. 1382j(a)) is amended by striking "an individual" and inserting "a blind or disabled individual".

(3) Section 1631(b)(3) of such Act (42 U.S.C. 1383(b)(3)) is amended by inserting ‘‘(as in effect before the effective date of section 4 of the Freedom to Save Act of 2007)’’ after ‘‘section 1611(a)’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits for months beginning on or after July 1, 2008.

SEC. 5. ELIMINATION OF ASSET TEST UNDER STATE CHILDREN’S HEALTH INSURANCE PROGRAM (SCHIP).

Section 2102(b) of the Social Security Act (42 U.S.C. 1397bb(b)) is amended—

(1) in paragraph (1)(A), by striking ‘‘income and resources (including any standards relating to spenddowns and disposition of resources)’’ and inserting ‘‘and income’’; and

(2) in paragraph (1)(B)—

(A) by striking ‘‘and’’ at the end of clause (i);

(B) by striking the period at the end of clause (ii) and inserting ‘‘, and’’; and

(C) by adding at the end the following new clause:

"(iii) may not deny eligibility, or vary the amount of benefits under this title, based on assets or resources.".

SEC. 6. EFFECTIVE DATE.

Except as otherwise provided in this Act, the amendments made by this Act shall apply to assistance furnished on or after July 1, 2008.

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