



Welfare Reform Update

September 2003

UPDATING CALIFORNIA'S FOOD STAMP VEHICLE POLICY

California's food stamp vehicle policy prevents many poor families that depend on reliable cars to get to and from work from receiving benefits. To be eligible for food stamps, applicants must demonstrate that their income and assets are below a certain level.¹ Currently, motor vehicles are counted toward the food stamp asset limit to the extent a vehicle's fair market value exceeds \$4,650.² This low vehicle limit can prevent low-income working families with reliable vehicles from qualifying for food stamps.

Recent federal legislation and regulations have given states significant leeway to design a less restrictive food stamp vehicle rule, and 43 states and the District of Columbia have changed their policies as a result.³ AB 231 (Steinberg) makes use of this flexibility by substituting less restrictive vehicle asset provisions in determining food stamp eligibility.⁴ This change would exclude vehicles from counting as assets for the purpose of determining food stamp eligibility.⁵ According to state Department of Social Services (DSS) estimates, an additional 13,300 families would qualify for food stamps at a modest cost to the state's General Fund.

CALIFORNIA'S VEHICLE LIMIT IS OUTDATED

The vehicle limit was originally designed to allow families to have a reliable car to find and retain employment. However, the vehicle limit has a far more restrictive effect on low-income working families today than when it was established in 1977. In the 26 years since the food stamp vehicle limit was set at \$4,500, it has been increased only \$150 – about 3 percent – while the Consumer Price Index for used cars has nearly tripled.⁶ 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 \$12,192 in 2003.

VEHICLE LIMIT IS INCONSISTENT WITH THE NEEDS OF WORKING FAMILIES

Reliable transportation is essential for individuals to find and retain steady employment.⁷ Working poor families in rural areas are likely to be especially affected by the current vehicle limit, partly because of the lack of public transportation in many rural communities.⁸ 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.⁹

NEARLY ALL STATES HAVE UPDATED THEIR FOOD STAMP VEHICLE RULES

Most states have embraced the new federal food stamp flexibility, recognizing that strict limits on the value of vehicles that low-income working families may own can be counter-productive:

- Thirty-five states and the District of Columbia exclude the value of one or more vehicles from the food stamp asset test. In fact, 21 states and the District of Columbia exclude the value of all vehicles.

- An additional eight states exclude more than \$4,650 of a vehicle's value.
- Only seven states, including California, continue to apply current federal rules.¹⁰

California has maintained the strict vehicle limit despite the fact that Californians rely on cars to get to work just as much as, if not more than, people in other states.¹¹

AN UPDATED VEHICLE POLICY WOULD HAVE MINIMAL IMPACT ON GENERAL FUND

The federal government would absorb most of the costs of updating the state's food stamp vehicle policy – a change that would increase the number of food stamp recipients and bring more than \$34 million in new federal food stamp benefits to California.¹² The DSS estimates that updating the vehicle rule would add 13,300 families including more than 34,000 persons to the food stamp program at an annual General Fund cost of \$900,000.¹³ The DSS also estimates that 100 families with more than 250 persons would be added to the California Food Assistance Program (CFAP), which serves legal immigrants, resulting in negligible General Fund costs.¹⁴ In sum, Californians would receive about \$34 million in additional federal food stamp benefits per year for an annual state General Fund investment of less than \$1 million.

CONCLUSION

Working families should not have to forgo a reliable vehicle in order to qualify for food stamps. Updating the vehicle rule would allow more federal food stamp benefits to flow to California families in need, particularly as the state struggles with a sluggish economy and continued layoffs in the aftermath of the 2001 recession.

Scott Graves prepared this Update. 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 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 Update was supported by grants from the David and Lucile Packard and William and Flora Hewlett Foundations. General operating support for the California Budget Project is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP web site at www.cbp.org.

ENDNOTES

¹ The asset limit is \$2,000 for most households.

² Some vehicles are not counted as assets. Federal regulations require a vehicle to be excluded as an asset if the household has less than \$1,500 equity in it or if the vehicle is used for a specified purpose, including to transport a physically handicapped household member or to generate income for the household (such as a taxi cab).

³ For an overview of these changes, see Center on Budget and Policy Priorities, *States Vehicle Asset Policies in the Food Stamp Program* (August 13, 2003).

⁴ The federal Agriculture Appropriations Act of 2001 allows states to substitute vehicle rules from an alternative state program when doing so would result in fewer vehicle-related assets counting toward the food stamp household resource limit. The alternative state program must 1) be funded with federal Temporary Assistance for Needy Families (TANF) block grant funds or TANF-related state maintenance of effort (MOE) funds and 2) meet the federal definition of “assistance,” which includes supportive services such as transportation and child care provided to families without employment. According to a proposed federal rule, states electing this option must apply “the substituted TANF vehicle rules to all food stamp households in the State, whether or not they receive or are eligible to receive TANF assistance of any kind.” See *Federal Register*, vol. 68, no. 168 (August 29, 2003).

⁵ AB 231 does not specify the alternative state program to which the food stamp vehicle rules would be aligned. However, eligible TANF-related programs to which food stamp rules could be aligned, including Stage 2 child care, do not contain vehicle asset provisions. Thus, vehicles would be excluded from consideration as assets for the purpose of determining food stamp eligibility under AB 231.

⁶ The CPI-U for used cars and trucks increased by 170.9 percent between 1977 and the first half of 2003.

⁷ Evelyn Blumenberg and Marcy Waller, *The Long Journey to Work: A Federal Transportation Policy for Working Families* (The Brookings Institution Series on Transportation Reform, July 2003).

⁸ American Public Transportation Association, *The Benefits of Public Transportation: Mobility for America’s Small Urban and Rural Communities* (no date), downloaded from <http://www.apta.com/research/info/online/documents/rural.pdf> on August 28, 2003.

⁹ See California Budget Project, *Locked Out 2002: California’s Affordable Housing Crisis Continues* (October 2002), p. 21.

¹⁰ Center on Budget and Policy Priorities, *States Vehicle Asset Policies in the Food Stamp Program* (August 13, 2003), pp. 3-7.

¹¹ Californians use cars to get to work as much as people in other states and have one of the highest mean commute times. US Census Bureau, “Journey to Work: 2000” (Census 2000 Summary File 3 [SF 3] – Sample Data, Table QT-P23), downloaded from <http://factfinder.census.gov/servlet/BasicFactsServlet> on September 2, 2003.

¹² CBP calculation based on DSS and US Food and Nutrition Service data.

¹³ There are an average of 2.6 persons per food stamp household in California, according to state data for April-June 2003.

¹⁴ CFAP provides state-funded food assistance to legal immigrants who are ineligible for federal food stamps due to their immigration status.