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United Way
of Southeastern Pennsylvania

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March 15, 2012

The Honorable Gene DiGirolamo
49 East Wing
PO Box 202018
Harrisburg, PA 17120-2018

The Honorable Mark Cohen
127 Irvis Office Building
PO Box 202202
Harrisburg, PA 17120-2202

RE: Opposition to Asset Test on Food Stamp Recipients

Dear Representatives DiGirolamo and Cohen:

Thank you for the opportunity to provide written testimony to the House Human Services Committee regarding the Department of Public Welfare's proposal to impose an asset test for the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps.

United Way of Southeastern Pennsylvania focuses on impacting three key areas in the lives of individuals in our community: ensuring quality education for children and youth, providing support and training to increase financial stability for families, and making sure seniors have access to the services they need to stay safe and healthy in their homes. We also support those individuals who are already in the community's "safety net" and rely on social services to get back on their feet in times of crisis.

United Way believes that everyone deserves to have a job that allows them to provide for their family and save for their future. We arm workers with the financial knowledge they need to help them build assets and savings that will provide long-term support for their family's future and allow them to contribute back to our economy and community.

United Way opposes any asset test on food stamp recipients because we believe asset tests will hurt working families by discouraging savings and asset building efforts that lead to self-sufficiency.

Asset Building Leads to Self-Sufficiency

Saving money is one of the surest paths from poverty to self-sufficiency. United Way supports successful programs such as the Earned Income Tax Credit (EITC) campaign and Individual Development Accounts (IDAs) program to help people in our community build and grow their savings.

EITC is a tax benefit for low-income working individuals and families. It reduces the annual tax burden for low-income working families and is one of the nation's largest and most effective anti-poverty programs. Last year, families with children with an income less than $49,078 and those without children who earn less than $18,740 were eligible to receive up to $5,751 per year based on their family's size

and income. However, many people do not know they are eligible for this credit. In Philadelphia alone, an estimated 39,000 eligible households do not file EITC claims, leaving approximately $66.3 million in unclaimed credits.

Last year, United Way and our partners helped over 17,000 individuals in Southeastern Pennsylvania access free tax preparation services. Through these services, over $10 million in EITC was returned back into the hands of working families and individuals. United Way encourages those people who receive tax credits to use their funds to build their savings. Many people put their EITC into savings accounts or bonds for their children. Others opt to deposit their savings into IDAs.

IDAs are matched savings accounts that help people with modest means save toward the purchase of a lifelong asset, such as a post-secondary degree or a home. Research continually shows that higher education offers a wide-range of benefits for individuals, including higher earnings, lower likelihood of unemployment, improvements in health, and greater civic engagement.[1] A report from the Georgetown University Center of Education and the Workforce predicts that by 2018, 63% of all jobs will require at least some post-secondary education.[2]

According to the Corporation for Enterprise Development (CFED), homeownership is viewed as the primary means through which low-income households build wealth. Just like education, homeownership is linked to an array of positive benefits in health, employment stability, and children's educational performance.[3]

Through our IDA program, United Way matches two dollars for every dollar a participant saves toward the purchase of their first home and three dollars for every dollar saved toward tuition costs at a post-secondary institution. Participants also complete hours of financial education to learn about budgeting and credit repair and receive additional training before the purchase of their asset, such as academic advising or first-time homebuyer education.

Since its inception in 2002, United Way's IDA program has helped over 280 individuals save over $300,000 toward the purchase of their first home or enrollment in post-secondary education. Many of our IDA participants are receiving food stamps and other public benefits while they build their savings and assets.

Through United Way's asset building programs, we are not just helping people save money toward the purchase of an asset. Rather, we are helping to create a shift in attitude and behavior around savings. These programs encourage and reward savings, which ultimately leads to self-sufficiency.

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[1] Long, Bridget Terry. "Grading Higher Education: Giving Consumers the Information They Ne." (2010): 1-40. Web. 18 May 2011. http://www.brookings.edu/~/media/Files/rc/papers/2010/12_thp_cap/12_higher_ed_long.pdf

[2] Carnevale, Anthony, Nicole Smith, and Jeff Strohl. "Executive Summary." *Help Wanted: Projectio Education Requirements Through 2018* (2010): 1-12. Web. 20 May 2011.

[3] Rademacher, Ida, Kasey Wiedrich, Signe-Mary McKernan, Caroline Ratcliffe, and Megan Gallagher. "Weathering the Storm: Have IDAs Helped Low-Income Homebuyers Avoid Foreclosure?." (2010): 1-20. Web. 18 May 2011. http://www.urban.org/uploadedpdf/412064_weathering_the_storm.pdf

For these reasons, United Way opposes any asset test on food stamp recipients. An asset test would shift behavior away from saving and force families to drain their savings before receiving help, which is counterproductive in helping them move off government assistance and towards self-sufficiency.

If an asset test on food stamps recipients must be implemented, United Way strongly recommends that at least five years worth of EITC savings be excluded from counting towards a person's total assets, regardless of whether or not they were receiving SNAP when they received their tax return. The current language, which only excludes one year's worth of EITC savings if the household was receiving SNAP at the time it received EITC, has the unintended consequence of discouraging asset building and encouraging people to use their savings on smaller items instead of larger assets, like education or a home. By exempting all EITC savings from counting as assets, more low-income individuals and families will be able to save for these larger assets that will help lead them toward self-sufficiency.

I appreciate your consideration on this issue.

Thank you,

Jill Michal
President and CEO