PRESS-TELEGRAM

A common sense fix for California's welfare system

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April 18, 2022

Perhaps apocryphally, Albert Einstein is reputed to have defined insanity as doing the same thing over and over again while expecting different results. That summarizes California's approach to fighting poverty well.

The state has long had one of the nation's most generous social safety net. On a combined basis, federal, state, and local governments will spend close to $150 billion on anti-poverty programs this year – which is more than $21,000 for every poor Californian. And that doesn't count the nearly $8 billion that the state plans to spend combatting homelessness or the $9 billion it will spend to subsidize low-income housing. Yet, the state continues to have the nation's highest poverty rate (using the Census Bureau's alternative measure which accounts for both non-cash benefits and the cost of living), as well as nearly half of the national unhoused homeless population.

Of course, you can't spend more than $165 billion without doing something to reduce poverty. And by many measures the state does succeed in making sure that people have food, shelter, and other basic necessities of life. But California is far less successful when it comes to helping people get out of poverty altogether. It really shouldn't take an Einstein to figure out that California is doing something wrong.

Significantly, California's welfare program often gets the incentives wrong by penalizing exactly the sort of responsible behavior that would help people get out of poverty. Thus, while helping poor Californians meet their immediate material needs, the welfare system's labyrinthian rules and regulations can discourage work, savings, marriage, and child support.

For instance, it should be self-evident that a person is unlikely to spend their way out of poverty. But even a small amount of savings can make a critical difference, for instance, enabling the payment of a car repair or health care bill, and preventing such unexpected expenses from forcing a family into a cycle of debt and poverty. Similarly, an asset like a new car can help someone look for work. Or a savings account could be used to help pay for a child's education expenses, start a business, or find a better place to live.

Over the longer term, savings are even more critical. For example, studies show that single mothers with savings are significantly more likely to keep their families out of poverty than other single mothers, even after correcting for a variety of social and economic factors. Other studies show that families with assets have greater household stability, are more involved in their community, demonstrate greater long-term thinking and planning, and provide increased opportunity for their children. Clearly, the ability to save and accumulate assets offers a wide array of benefits.

Yet arbitrary asset limits for programs like CalWorks encourage consumption while discouraging thrift and savings. As Sheryl Lane, the former Director of Public Policy for Saverlife, which promotes savings and financial literacy for low-income Californians, warns, “Asset limits send the wrong message by penalizing families for saving and it forces families that want to become self-sufficient to spend their savings to remain eligible for CalWORKs assistance.”

Those limits don’t even justify themselves by saving the taxpayers money. California spends more than $6.4 million annually on asset testing and verification, but has found only one percent of cases exceed asset limits, most of those by insignificant amounts.

In recent years, California has taken steps to reduce its use of asset testing for welfare programs. For instance, the state eliminated asset limits for CalFresh in 2015. And, in the 2019–2020 legislative session, the legislature increased the exempt value for vehicles under CalWORKs. However, there is more that can be done.

State Sen. Sidney Kamlager, D-Los Angeles, has introduced legislation, Senate Bill 996, that would eliminate asset testing altogether for CalWORKs. The legislation also would encourage work and family formation by repealing CalWORKs’ 100-hour rule, which disqualifies applicants if the primary earner in a family worked more than 100 hours in the month prior to applying for CalWORKs.

In a less partisan time, this is the sort of modest welfare reform that should draw support from both sides of the aisle. It expands eligibility for those truly in need, while also encouraging recipients to take the sort of steps that will not only get them off welfare but out of poverty altogether. Liberal, conservative, or libertarian, that’s an outcome that should satisfy everyone.

One might call it a solution worthy of Einstein.

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