

Recent Trends in Food Stamp Participation: Have New Policies Made a Difference?

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Food stamp participation rates increased significantly between 1997 and 2002, but only for families with some welfare experience.

Food stamp caseloads increased by 26 percent over the three years ending October 2003. Over 9 million families received food stamp benefits in October 2003 compared with 7 million in October 2000. The recent increase in the number of families receiving food stamps represents a stunning reversal of the 40 percent caseload decline that occurred between 1994 and 2000 (figure 1).

The dramatic swings in the food stamp caseload have occurred at least partly in response to economic forces. The 1994–2000 period represented a time of unprecedented economic expansion. The economy slowed after 2000 and officially entered a recession in March 2001. While the recession was shallow and only lasted eight months, new jobs have been scarce.

However, the food stamp caseload swings far exceeded the expected response to economic changes. The national unemployment rate slowly declined from 6.1 percent in 1994 to a low of 4.0 percent in 2000 and rose to 6.0 percent by the end of 2002. It hovered around 6 percent during 2003. Recent estimates would predict that the 2 percentage point swing in the unemployment rate would lead to a 4.6 percentage point increase in the caseload, explaining only a small share of the actual increase.¹

During these dramatic caseload swings, Food Stamp Program (FSP) rules also changed. The 1996 federal welfare reforms ushered in new restrictions in food stamp eligibility for legal immigrants and able-bodied adults and some benefit reduc-

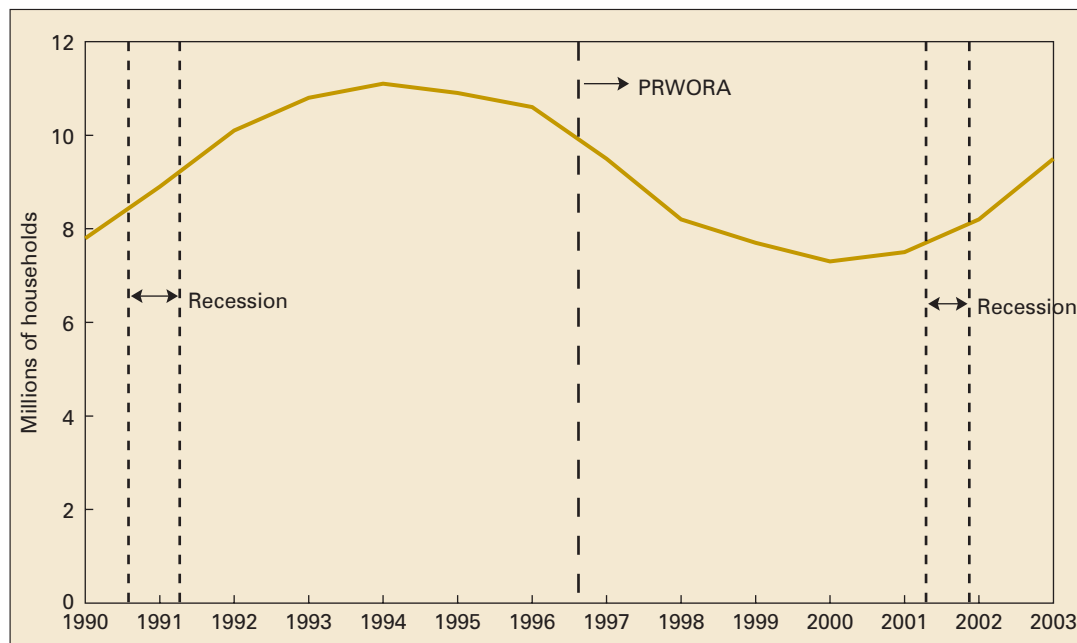
tions. Congress subsequently reversed many FSP changes through legislation enacted during 2000–2002, and the federal government gave states new opportunities to expand access to food stamps. Many states also revamped their administrative procedures during this time to make it easier for families leaving welfare to keep their food stamp benefits.

This brief uses data from the 1997, 1999, and 2002 rounds of the National Survey of America's Families (NSAF) to explore changes in food stamp program participation among poor families with children. The NSAF covers a large portion of the period the FSP rules and economy were in flux. We focus on the relationship between food stamp program participation and recent cash welfare participation because many new program rules and administrative procedures focused on families that left welfare for work.

According to our results, food stamp participation rates were substantially higher in 2002 than in both 1999 and 1997 for poor recent welfare leavers (those on cash assistance sometime in the past two years with monthly incomes below the federal poverty level, or FPL). Participation rates also were higher in 2002 for extremely poor past welfare leavers (families that had some welfare experience in their adult lives, but not recently, with monthly incomes below 50 percent of FPL). In contrast, participation rates for poor families with children and no welfare experience did not change from 1997 to 2002. Thus, the change in program rules had a positive

This brief was updated in June 2004 to reflect more recent food stamp participation estimates.

FIGURE 1. Food Stamp Caseloads



Source: U.S. Department of Agriculture (<http://www.fns.usda.gov/pd/fsfyhh.htm>).

Notes: Recessions occurred July 1990–March 1991 and March 2001–November 2001 (<http://www.nber.org/cycles.html>). PRWORA, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, passed August 1996.

effect, but only for poor families with some connection to welfare.

The results also highlight the continued low levels of program participation for families outside the cash welfare system. In all three NSAF survey years, only about one-quarter of extremely poor families with children and no welfare experience reported receiving food stamps. These families, representing two-thirds of all families with children in this income category, show a strong avoidance of government assistance programs. It remains to be seen whether food stamp policies implemented after 2002 and new outreach efforts will encourage more of these families to take advantage of food stamps.

The Food Stamp Program: 1997–2001

The Food Stamp Program entitles all low-income American citizens to a benefit that covers the cost of a minimally nutritional diet. But the implementation of this entitlement is complex. Rules defining benefit eligibility and benefit levels were designed to limit abuse and ensure that only qualified families receive benefits. Some rules actually discourage program participation

because families often misunderstand them or prefer to avoid them. Recent legislation simplified these rules.² States also changed administrative procedures to make it easier for families that leave welfare to stay on food stamps.

Eligibility

Assistance is generally available to families with incomes below 130 percent of FPL and very few assets. Families are expected to devote 30 percent of their net income (gross income minus an array of deductions) to food, and their food stamp benefit is calculated as the gap between the required share of their income and the maximum benefit, which is approximately 30 percent of the poverty threshold. For example, a single parent with two young children and no other income could qualify for \$370 per month in food stamps in 2004; she could receive the same benefit if she worked full time at a low wage and received deductions for child care and housing expenses. Most food stamp benefits are now paid through an Electronic Benefit Transfer card, an ATM-like card used to make food purchases at grocery stores by deducting the purchase amount from the recipient's monthly food stamp benefit amount.

Families must also pass an assets test to be eligible for benefits. In general, families without an elderly member cannot have liquid assets above \$2,000. Liquid assets exclude the value of a family's residence, personal property, earned income tax credit payments, life insurance, pension assets (outside of Keogh plans and IRAs), and assets in individual development accounts. Until 2001, the value of vehicles over \$4,650 was also counted against the general assets test.

Participation

Despite the potential value of food stamps, many eligible families do not enroll in the program, and participation rates have dropped significantly in recent years. For example, government estimates show that 54 percent of eligible households participated in food stamps during 1999–2001 (the latest data available), down from 70 percent in 1994 (USDA 2003).

The substantial drop in food stamp participation in the 1990s drew considerable research attention. Studies showed that the decline in food stamp caseloads could not be explained fully by a decrease in the number of families eligible for benefits; some of the decline occurred because more eligible families were not taking up benefits (Wilde et al. 2000). Other studies documented the role that the 1996 welfare reforms played in reducing program participation (Zedlewski and Brauner 1999; Zedlewski and Gruber 2001; GAO 1999). A large share of families that left welfare also left the FSP even though they were still eligible.

Recent Legislation

The Food Stamp Program has undergone significant legislative and regulatory changes since the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was enacted in 1996. Some changes were designed to reverse aspects of the 1996 legislation, and others aimed to increase states' flexibility in program administration. PRWORA cut food stamp benefits and deductions and restricted eligibility for immigrants and able-bodied adults, but also gave states more flexibility to run this federally funded program. States could run separate "Simplified Food Stamp Programs" for welfare recipients and use sanctions to reinforce their new

Temporary Assistance for Needy Families (TANF) program rules and/or their employment and training requirements in the food stamp program.³ The emphasis on state flexibility was a major shift away from the fixed, federal rules that had characterized the program since its inception in 1964.

The new rules that particularly affected families with children expanded immigrant eligibility, restored benefit levels, simplified paperwork requirements, and liberalized car ownership restrictions:

- **Immigrant eligibility:** In 1997, states could purchase food stamps for immigrants no longer eligible for federal benefits; 1998 legislation reinstated eligibility to elderly, disabled, and child immigrants living in the U.S. when PRWORA passed.⁴
- **Benefit levels:** The 2001 Agriculture Appropriations Act undid reductions in the housing and standard deductions originally passed during welfare reform in 1996.
- **Paperwork requirements:**⁵ In 1999, the Clinton administration offered states new options for clients to report changes in their circumstances during recertification. States could require families with earnings to file reports either every three months or only when a change occurred, such as a new job, a change in pay, or a change in hours.⁶ The new regulations also specified that states only had to require families to complete face-to-face interviews once a year. The federal government further eased reporting requirements in late 2000 by allowing states to use semiannual reporting for families with earnings.
- **Vehicle restrictions:** The 2000 federal regulations also allowed states to apply the vehicle tests used in their TANF programs to qualify families for food stamps as long as the rule was not more restrictive than the federal, fair market value test of \$4,650.⁷ This flexibility was broadened in 2001, allowing states to use any method for valuing vehicles from another low-income support program in place of regular food stamp rules for all applicants.

The Food Stamp Program has undergone significant legislative and regulatory changes since 1996.

States have embraced many of the new options, potentially affecting FSP participation during 1999–2002. Almost all states had adopted one or more options or waivers to simplify families' reporting requirements by October 2001 (GAO 2002, 2). By February 2002, 35 states had liberalized their vehicle tests, and most of these states allow families to own at least one car and retain benefit eligibility (Dean and Hornig 2002).⁸

Many states also began implementing outreach programs, at least on a pilot basis.⁹ The federal government began encouraging states to conduct outreach beginning in 1999 by providing materials to advertise the program, setting up a national hotline, and, more recently, completing an online eligibility calculator. Finally, and perhaps most important to families leaving welfare, many states have improved their administrative procedures so that food stamp cases are not closed automatically when families leave welfare, and welfare families receive more information about their eligibility. In 1999 the U.S. General Accounting Office issued a study that recommended that the federal government promulgate regulations requiring states to improve regulations and procedures.¹⁰ A survey of 50 states found that 39 had implemented changes to improve program accessibility by the end of fiscal year 1999 as a result of the 1996 welfare reforms (Bell et al. 2002).

Data and Methods

Our analysis uses the NSAF to examine income and food stamp program participation by families' welfare program status between 1997 and 2002. We include only families with children. We focus on the connection between cash welfare (TANF) and food stamp participation because many of the FSP rules were changed to increase participation among working poor families, especially to help former welfare recipients succeed.

Our results examine self-reported, current and recent food stamp participation in each survey year by welfare status and current monthly income.¹¹ The NSAF also asks about current welfare status for the family and, for families not currently receiving

welfare, whether they ever have received benefits. Using responses to questions about welfare history we divide families into four categories: families currently on welfare ("current"), families not currently on welfare that had left welfare since January of two years before the survey ("recent"), families not currently or recently on welfare that reported some welfare receipt in the respondents' adult lives ("past"), and families that reported no welfare experience ("never").

We use a broad measure of current income that combines current earnings of the respondent and her spouse or partner, current welfare, and other sources of income (including disability benefits, child support, income from assets) received in the past year by the respondent, her spouse or partner, and other family members (all income was adjusted to monthly, current-year values).¹²

Changes in Participation among Families with Children: 1997–2002

Food stamp participation rates increased significantly between 1997 and 2002, but only for families with some welfare experience. The change for extremely poor recent welfare leavers was particularly strong, increasing from 49.6 percent in 1999 to 63.5 percent in 2002 (table 1).¹³ Participation for families with past welfare experience increased from 41.8 percent in 1999 to 47.8 percent in 2002. Participation rates for extremely poor families also were higher in 2002 than in 1997 but again only for families with welfare experience. In contrast, participation rates for families currently on welfare in this income group declined.¹⁴

Participation rates for families with incomes between 50 and 100 percent of FPL also increased dramatically for recent welfare leavers (table 2). Over half of families in this category reported receiving food stamps in 2002, compared with about one in three recent leavers in the 1999 survey and about two in five in the 1997 survey. Rates for those with past welfare experience were higher in 1999 than in 1997, but remained about the same between 1999 and 2002.

In stark contrast to the changes in participation rates for families with welfare

Food Stamp Program participation rates among families without welfare experience—the largest share of poor families with children—have not budged.

TABLE 1. Food Stamp Program Participation among Families with Children and Current Monthly Income below 50 Percent of FPL (percent)

	2002	1999	1997
Cash welfare status^a			
On welfare	87.4* ^	94.0	92.6
Recent welfare leaver	63.5* ^	49.6	46.5
Past welfare experience	47.8* ^	41.8	38.4
No welfare experience	27.2	27.6	25.6
All	41.8 ^	44.0 ^	49.1
Distribution of families			
On welfare	15.4	21.2	29.7
Recent welfare leaver	7.4	9.6	9.1
Past welfare experience	12.3	10.8	13.8
No welfare experience	64.9	58.4	47.4
Number of families (thousands)	3,317.1	3,097.2	4,139.9

Source: Author calculations from the 1997, 1999, and 2002 National Survey of America's Families.

Notes: Income includes current earnings of spouses, partners, plus TANF income (if currently on), SSI, government insurance (Social Security, Workers Compensation, Veterans), pensions, and child support of all family members received in prior year adjusted to monthly values and indexed to CPI. Includes all families with children including immigrants (who may be ineligible) and 42 families with asset income above \$60/year.

a. Recent welfare leavers left cash assistance after January 2000; past welfare experience families received cash assistance sometime in their adult lives before January 2000.

* Significantly different from the 1999 participation rate at the $p < .10$ level.

^ Significantly different from the 1997 participation rate at the $p < .10$ level.

TABLE 2. Food Stamp Program Participation among Families with Children and Current Monthly Income between 50 and 100 Percent of FPL (percent)

	2002	1999	1997
Cash welfare status^a			
On welfare	81.8 ^	83.1 ^	91.4
Recent welfare leaver	51.8* ^	33.4	39.8
Past welfare experience	33.4 ^	35.3 ^	25.6
No welfare experience	15.9	14.8	15.9
All	26.5 ^	26.1 ^	29.7
Distribution of families			
On welfare	9.2	10.1	13.1
Recent welfare leaver	5.9	7.6	10.4
Past welfare experience	13.9	14.5	15.1
No welfare experience	71.0	67.8	61.4
Number of families (thousands)	3,803.0	3,840.1	4,481.2

Source: Author calculations from the 1997, 1999, and 2002 National Survey of America's Families.

Notes: Income includes current earnings of spouses, partners, plus TANF income (if currently on), SSI, government insurance (Social Security, Workers Compensation, Veterans), pensions, and child support of all family members received in prior year adjusted to monthly values and indexed to CPI. Includes all families with children including immigrants (who may be ineligible) and 42 families with asset income above \$60/year.

a. Recent welfare leavers left cash assistance after January 2000; past welfare experience families received cash assistance sometime in their adult lives before January 2000.

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^ Significantly different from the 1997 participation rate at the $p < .10$ level.

experience, participation rates for poor families with children and no welfare experience remained flat over the 1997–2002 period. Among families without welfare experience, only about one in four with monthly income below 50 percent of FPL and about one in seven with income between 50 and 100 percent of FPL participated in the FSP throughout the period. And families with no welfare experience represent the largest share of families in both income categories (tables 1 and 2). While some families may be ineligible (for example, those that include ineligible immigrants or have assets above the allowable maximums), the results clearly demonstrate that poor families with children that have remained outside the cash welfare system generally do not receive food stamps.¹⁵

Did the Changing Program or Other Factors Increase Participation?

Participation rates for families with welfare experience could have increased because either more families with the same characteristics chose to participate or families' characteristics changed in ways that would increase participation. We examined changes in characteristics that might affect participation including a change in family income (a decline would tend to increase participation); a change in the share of families with noncitizen immigrants (immigrants are less likely to participate); a change in the share living with non-spouse/partner adults (indicating more potential earners and a lower probability of participating), and a change in the share of families with current earners (who historically have lower participation rates than nonearners).

None of these factors explains the increased participation rates for families with welfare experience.¹⁶ For example, average incomes declined significantly from 1999 to 2002 only for extremely poor families currently on welfare and without welfare experience—

the two groups that did not increase their food stamp participation. A larger share of extremely poor recent welfare leavers lived with other adults in 2002 than in 1999, but this group increased their participation in food stamps. Most income and welfare status categories saw no significant changes in the shares living with immigrants across time, and the few observed changes contradicted the hypothesized effect. Finally, there were no significant changes in the share of extremely poor families with earnings regardless of welfare status between 1999 and 2002. The increased FSP participation among families with welfare experience cannot be explained by families working less and having more time to go to the welfare office.

Conclusions and Implications

New rules and procedures substantially increased food stamp participation among families with welfare experience, especially among extremely poor families. Program rules and administrative procedures were changed to promote greater participation, and the characteristics of families with welfare experience did not change in ways that explain increased participation rates. States put more effort into informing welfare recipients that they could retain their food stamps when they leave welfare, and states were more likely to keep the food stamp case open when a family left welfare. New program rules adopted in many states made it easier for former welfare recipients to retain their eligibility. Income reporting was simplified and, in most states, families could own a car and not lose their benefit eligibility.

The other half of the story is that FSP participation rates among families without welfare experience—the largest share of poor families with children—have not budged. It is obviously easier to communicate with families that come into the welfare office than with those outside it.

States should intensify outreach efforts to increase knowledge among nonparticipating families through grocery stores, community centers, and schools. The culture at food stamp offices also needs to change from one that primarily focuses on preventing food stamp fraud to one that encourages families to use this nutrition assistance as a work support.

The 2002 Farm Bill rules also may increase participation beyond the results reported here if states take advantage of new program options. For example, the Farm Bill allowed states to use the semiannual reporting requirement for all nonelderly families (not just families with earnings) and to adopt simplified income and resource tests that use definitions more like those in TANF and Medicaid. The 2002 Farm Bill also gave states the option to increase the transitional food stamp benefit for families leaving welfare from three months to five. In addition, the Bill revamped federal oversight of states' food stamp error rates by limiting sanctions to states with serious, persistent problems. This change was designed to encourage states to ease onerous reporting requirements that limit participation.

Some families seem to avoid government assistance. Only about one-quarter of extremely poor families with children and no welfare experience participate in food stamps. It is too soon to know whether the new rules will encourage a greater share of these families to take advantage of this support. Success may require a more drastic overhaul of the program, one that eliminates all stigma, allows participating families to have a reasonable amount of assets, and offers families substantially easier access to benefits.

Notes

1. Recent studies estimate that a 1 percentage point increase in the unemployment rate leads to a 2.3 percent increase in food stamp caseloads after one year (Ziliak, Gunderson, and Figlio 2003).

2. The 2002 Farm Bill enacted further changes to FSP rules. However, these rules were not implemented in time to affect the participation of families represented in the 2002 NSAF.
3. States also were given waiver authority to change their administrative procedures in 1992 (U.S. House of Representatives 2000, 868); some states tested many of the simplified reporting options as waivers.
4. The 2002 Farm Bill restored benefits to all legal immigrant children and disabled people, and those in the country at least five years.
5. See Rosenbaum (2000) for a summary of federal actions in this area through 2000.
6. Standard food stamp policy requires families to report changes of income greater than \$25 per month and to submit monthly status reports even if nothing has changed.
7. This statement vastly oversimplifies these rules. The FSP has rules covering multiple vehicles and the federal test of \$4,650 applies to all vehicles in the family. Also, the fair market value in excess of \$4,650 counts against the \$2,000 asset test, so families with no money in the bank can have a car with a value of \$6,650 and still qualify for food stamps (Dean and Horng 2002).
8. By 2004, only four states (Georgia, Idaho, Iowa, and Mississippi) retained the federal vehicle test (Dean and Horng 2004).
9. For example, only nine states had approved outreach programs in 1999 compared with 24 states in early 2003. The federal government also awarded grants to some local areas in 2001 to experiment with new outreach procedures.
10. However, this does not imply that the system works perfectly. Fossett, Gais, and Thompson (2002) questioned the effectiveness of state efforts to reach working families based on case studies conducted during 2001 and early 2002.
11. These point-in-time participation rates are lower than average annual or ever-on participation rates that are usually reported in the official participation statistics because more families are eligible and participate sometime during a year than at a single point.
12. The NSAF includes some current income information about the respondent and her spouse or partner and all types of income received by all family members in the prior year. It is possible that families began receiving additional forms of income between the prior year and the time of their interviews, or conversely, that they stopped receiving an income source received in the prior year. Hopefully, these errors are small and will cancel each other out. The FSP counts the income of all household members. Our intent was to include as much income as possible to avoid miscategorizing families as poor (and potentially eligible for food stamps).
13. The terms welfare and TANF are used interchangeably in this brief to indicate receipt of cash welfare assistance.
14. Families eligible for TANF may not be eligible for food stamps if they include noncitizen immigrants in 2002 (and the state did not have a buy-in policy) or, in some states, when there is a mismatch between sanction and asset rules of the two programs. The NSAF participation rates for families on TANF are in line with those shown in the administrative data (DHHS 2002, table 10.12).
15. For example, 42 families with incomes below 50 percent of FPL and 49 families with income between 50 and 100 percent of FPL out of samples of 2,252 and 2,690, respectively, reported annual asset income exceeding \$60. This amount would disqualify them from receiving food stamps in most states. Also, 12 percent of poor 2002 NSAF families that had not received welfare since 2000 reported that they had applied for food stamps in the past two years, indicating some level of food stamp interest.
16. See Zedlewski and Rader (forthcoming) for detailed results showing these comparisons across time.

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This series presents findings from the 1997, 1999, and 2002 rounds of the National Survey of America's Families (NSAF). Information on more than 100,000 people was gathered in each round from more than 42,000 households with and without telephones that are representative of the nation as a whole and of 13 selected states (Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin). As in all surveys, the data are subject to sampling variability and other sources of error. Additional information on the NSAF can be obtained at <http://newfederalism.urban.org>.

The NSAF is part of *Assessing the New Federalism*, a multiyear project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, the project studies child and family well-being.

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