



Declining Food Stamp Program Participation: A Concern for the Rural South?

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The United States experienced impressive declines in public assistance program participation during the latter half of the 1990s. The number of people receiving federal cash public assistance, initially under the Aid to Families with Dependant Children (AFDC) program and then under Temporary Assistance to Needy Families (TANF) block grants, declined by 46 percent nationally between 1995 and 1999 (see Figure 1). A smaller, but still substantial decline of 32 percent occurred in Food Stamp Program (FSP) participation for the same period. The rate of decline in individuals on AFDC/TANF was greater in the South than the nation as a whole, while FSP participation declined at a lower rate in the South than nationally.

Food stamps are the remaining major entitlement program in the social safety net. National declines, as well as those in the rural South, deserve close scrutiny. FSP caseload declines may be due to changing eligibility restrictions, economic gains among poor and near-poor families otherwise unaffected by new eligibility restrictions, or declining program participation among still-eligible and needy families. Early evidence, reviewed in Dion and Pavetti [1] and Wilde et al. [6], suggests that caseload declines are linked to all three sources. However, declining participation among families whose incomes are below the program gross eligibility cutoff of 130 percent of the poverty line should be of particular concern from the standpoint of food security.

This policy brief reports the results from a project examining the shifting roles of FSP and cash public assistance benefits in the well-being of poor and near-poor single female-headed families with children (SFHFwC) [a], and how departures from TANF have affected FSP departures of SFHFwC.

The research focuses on SFHFwC because they contain most of the nation's children living in poverty and receive the overwhelming majority of TANF funds. In addition, while SFHFwC are affected by changes in eligibility for public cash assistance, they are relatively unaffected by changes in FSP eligibility requirements. Particular attention is also paid to the rural South because of the high rates of poverty in the region.

This special food assistance policy series has been funded in part by the Economic Research Service and the Farm Foundation, in partnership with the Southern Rural Development Center.

The key results reported in the briefing paper are:

■ Nationally, between 1992 and 1998, poor and near-poor SFHFwC showed large declines in rates of TANF and FSP participation. In the non-metropolitan South, the rates of decline in TANF and FSP participation were higher than for the nation as a whole.

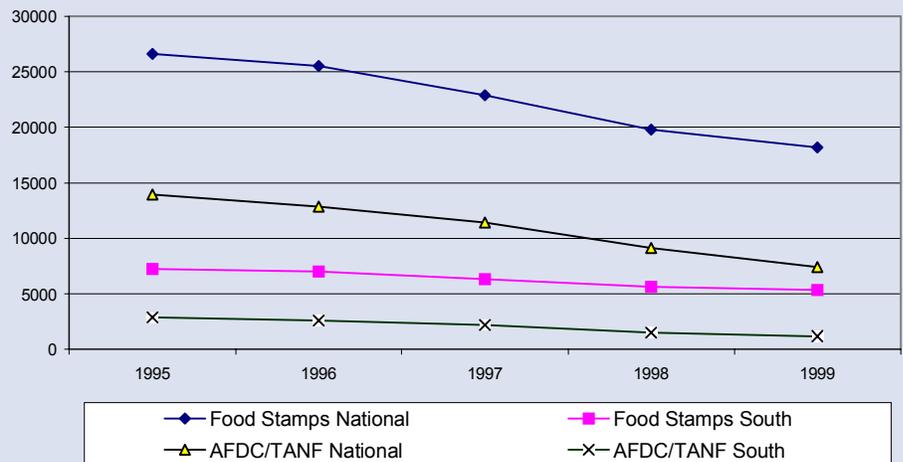
■ Reliance of the nation's poor and near-poor SFHFwC on earned income increased between 1992 and 1998. In the non-metropolitan South, poor and near-poor SFHFwC continue to earn more income and receive fewer TANF payments than similar families in the nation as a whole. But SFHFwC in the non-metropolitan South receive about the same amount from FSP payments as SFHFwC in the nation as a whole.

■ SFHFwC that leave the TANF program are much more likely to leave the FSP also, even if they are still eligible to receive FSP benefits.

■ When differences in incomes and other factors are accounted for, SFHFwC in the rural South are no more likely to leave the FSP than families in the rest of the country.

These results are further developed in the remainder of this policy brief. We first provide an overview of recent welfare reform measures that created the TANF program and modified eligibility for the FSP. An analysis of changes in income and assistance to poor and near-poor families

Figure 1: Individuals on TANF/AFDC and Food Stamps (000s)



Sources: Department of Health and Human Services (www.acf.dhhs.gov), 2000. United States Department of Agriculture (www.fns.usda.gov), 2000.

between 1992 and 1998 is then presented, followed by an examination of how widespread exits from the TANF program have influenced exits from the FSP. The brief concludes with a discussion of policy implications.

Public cash assistance and Food Stamp Program reforms

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) represents the most important change in United States social welfare policy in recent decades. PRWORA replaced federal matching funds for public cash-assistance payments under the AFDC program with state-specific cash assistance programs funded by federal TANF block grants. TANF requires able-bodied single heads of families to perform community service within two months of receiving assistance, to work within two years, and sets five-year cumulative limits on receipt of

TANF. States are given clear mandates to move recipients off welfare and into the workforce and are penalized with grant reductions for failing to meet specific targets. States are also given autonomy to set more stringent eligibility requirements than those mandated under TANF (see Gallagher et al. [2] for a review of state guidelines). PRWORA also re-authorized the federally funded Food Stamp Program through 2002, but imposed additional eligibility restrictions. Most notably, able-bodied adults aged 18 to 50 with no dependents are limited to three months of program participation in a 36-month period unless working or in a work-training program. The primary recipient group of TANF benefits, SFHFwC, was largely unaffected by additional FSP eligibility restrictions. But SFHFwC show a reduced rate of participation in the FSP program following the introduction of the TANF program [5].

Changes in income and assistance to poor and near-poor SFHFwC

We further explore changes that occurred in TANF and FSP program participation and components of poor and near-poor SFHFwC incomes using Current Population Survey data from the 1992 pre-reform and 1998 post-reform periods [b]. As Figure 2 shows, welfare participation among poor and near-poor SFHFwC declined 20 percentage points for the nation as a whole between 1992 under AFDC and 1998 under TANF. In the non-metropolitan South, the 1992 rate of AFDC participation was far below the national rate. Lower participation in the South stemmed in part from low benefit levels in many Southern states. Even with this low initial rate of participation, welfare participation in the non-metropolitan South decreased by 23 percentage points between 1992 and 1998. This decline was three percentage points *more* than the national average.

The national decline in FSP participation between 1992 and 1998 was smaller (14 compared to 20 percentage points) than the decline in AFDC/TANF participation. In the non-metropolitan South, despite lower initial rates of FSP participation in 1992, the FSP participation rate declined by two percentage points *more* than the national average. The decline in FSP participation among families likely to still be eligible for program benefits indicates potential problems in program coverage

and family food security.

To better understand the changing role of food stamps and welfare benefits in household budgets of poor and near-poor families, we examined the composition of total family incomes, including the value of non-cash receipts from public assistance programs [c]. Total per-capita incomes of poor and near-poor SFHFwC grew nationally by only 1.3 percent between 1992 and 1998 (see Figure 3). However, the composition of incomes changed dramatically over the period. Average per-capita earnings, money earned while working, grew by 42 percent. The proportion of total income from earnings increased correspondingly from 36 percent in 1992 to 51 percent in 1998. AFDC/TANF payments as a

percentage of total incomes declined from 22 percent in 1992 to 10 percent in 1998. FSP benefits declined from 14 to 10 percent of total incomes over the same period.

In the non-metropolitan South, the average income of poor and near-poor SFHFwC was \$338 lower than the national average in 1992 (Figure 3). By 1998, this gap was virtually eliminated, with only a \$60 difference in per-capita incomes between Southern non-metropolitan poor and near-poor SFHFwC and their national counterparts. Interestingly, the reduction in the income gap was not caused by more rapid growth in earned income in the non-metropolitan South. Poor and near-poor SFHFwC in the non-metropolitan South have always relied more on earned sources of

Figure 2: Participation in Public Assistance Programs Among Poor and Near-Poor SFHFwC, 1992 and 1998

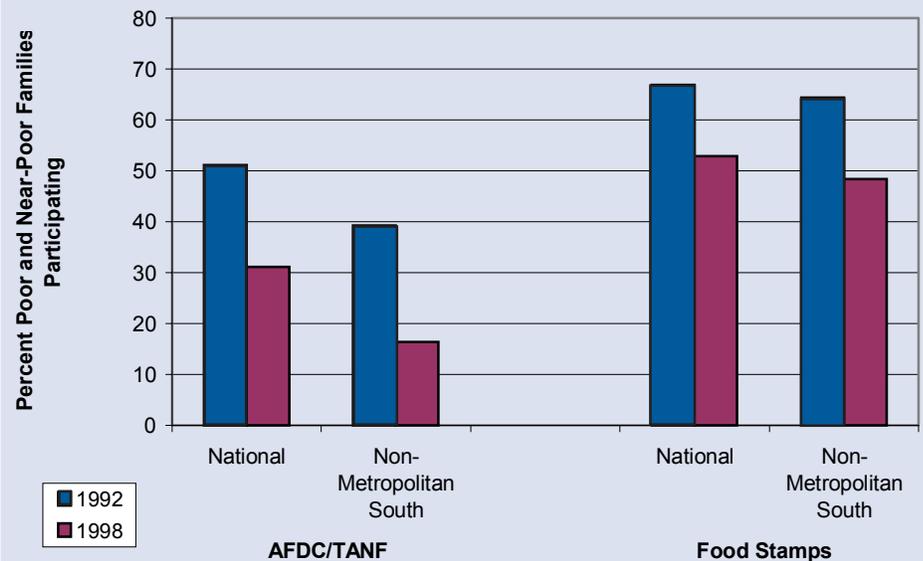
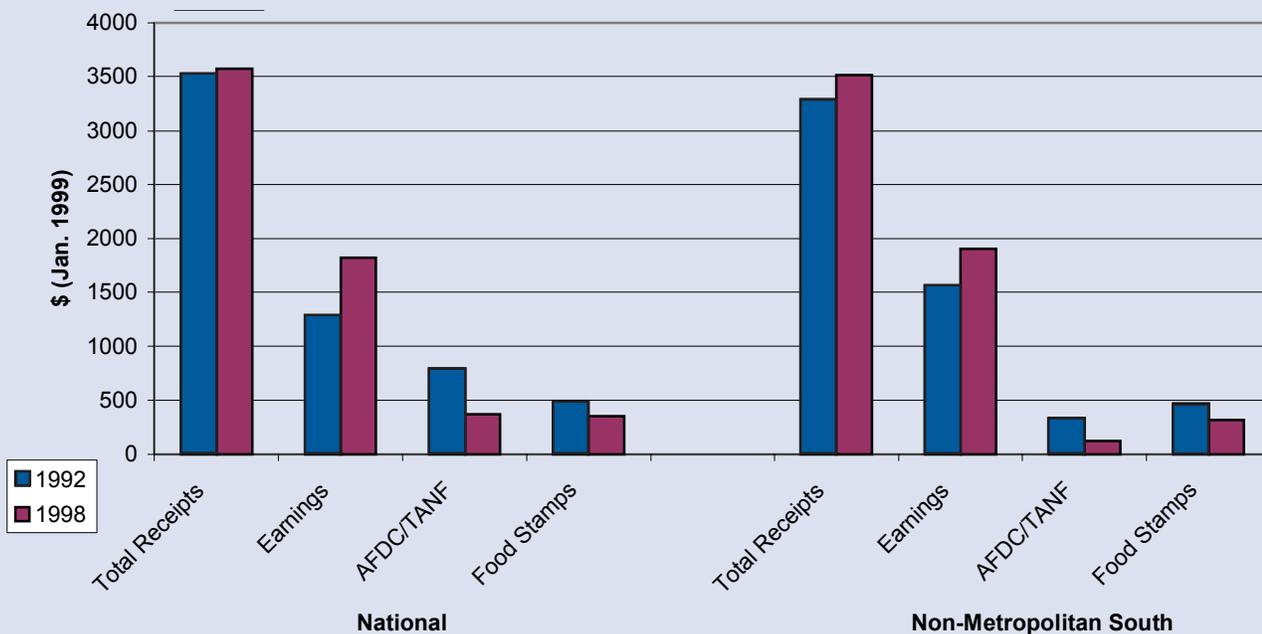


Figure 3: Composition of Poor and Near-Poor SFHFwC Per-Capita Income, National and Non-Metropolitan South



income; in 1992 they earned \$280 more per-capita than the national average. During the 1990s, poor and near-poor SFHFwC in other parts of the country began to rely more heavily on earned sources of income than they had in the past. By 1998, average earned income for poor and near-poor SFHFwC in the non-metropolitan South was only \$80 above the national average. This shift caused the income composition of poor and near-poor SFHFwC in the rest of the country to become more like that seen in the non-metropolitan South, with higher dependence on earned sources of incomes and relatively less dependence on public assistance.

The gap in poor and near-poor SFHFwC total incomes between the non-metropolitan South and the rest of the country narrowed

because of much smaller reductions in AFDC/TANF benefits in the non-metropolitan South. Average per-capita AFDC/TANF benefits declined by only \$113 in the non-metropolitan South compared to \$323 for the nation. Smaller decreases in AFDC/TANF receipts in the non-metropolitan South stem from much lower initial average program benefits in 1992 compared to the national average. FSP benefits did not show a similar trend, as they declined by \$150 in the non-metropolitan South compared to \$139 for the nation between 1992 and 1998.

While TANF payments represent a much smaller share of incomes of poor and near-poor SFHFwC in the non-metropolitan South than for the nation as a whole (4 percent versus 10

percent in 1998), FSP benefits comprise roughly 10 percent of incomes across the two areas. Thus, FSP benefits represent the major source of public assistance for poor and near-poor SFHFwC in the non-metropolitan South, but a relatively smaller component of public assistance in the nation as a whole. This finding suggests that further reductions in TANF participation are likely to have a smaller direct impact on the incomes of poor and near-poor SFHFwC in the non-metropolitan South. But declines in FSP participation may have a relatively strong effect on well-being in the non-metropolitan South because of the relatively high dependence of poor and near-poor SFHFwC on the FSP as a source of public assistance.



What is causing Food Stamp Program exits?

Having documented declines in FSP caseloads and in program participation among seemingly still eligible poor and near-poor SFHFwC, the causes of FSP exit are now examined. Specifically, we report results from a statistical model that estimates the probability of departure from the FSP using panel data from adjacent years of the 1997 to 1999 Current Population Surveys [d]. The initial incomes of families, changes in family incomes, whether the family was initially on TANF, if the family left TANF, state rates of TANF caseload declines, key characteristics of the family and the head of the family household, area unemployment rates, and regional indicators are included as explanatory variables in the model. The results indicate:

- FSP departures are, in part, a response to improved family economic conditions. Most families experienced increased earnings and these increased earnings are associated with exits from the

FSP. However, the impact of increased earnings on the probability of FSP departure is rather small. For example, a \$1,000 increase in family earnings between the first and second years of the CPS survey results in only a 0.9 percentage point increase in the probability of leaving the FSP.

- TANF and FSP participation are strongly linked. After controlling for concurrent changes in earnings and other factors, TANF departure strongly influences the decision to exit the FSP. Leaving TANF in the second year of the survey results in a large 47.6 percentage point increase in the probability of not receiving FSP benefits in the second year of the survey.

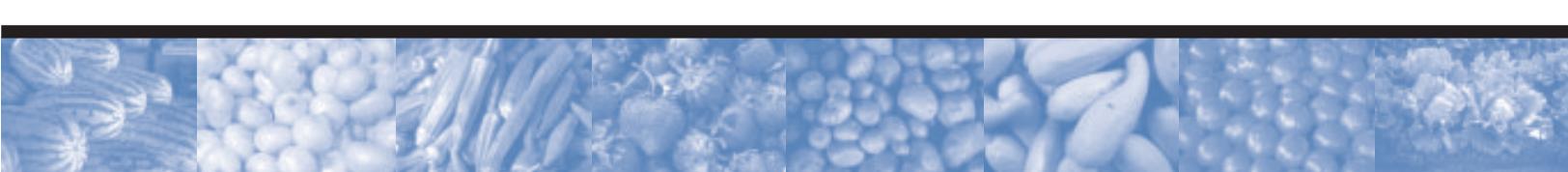
- Families in states that aggressively pursue welfare reform efforts are more likely to remain in the FSP even when they leave TANF. A one percentage point increase in state TANF caseload declines over the previous three years decreases the probability of leaving the FSP when leaving TANF by 0.7 percentage points.

STUDY FINDINGS

- Age, race and ethnicity of the family head show no significant association with exits from the FSP. But SFHFwC with more children are less likely to leave the FSP, all other factors held equal.

- Families in non-metropolitan areas, and particularly those in the non-metropolitan South, are no more likely to leave the FSP than other households after controlling for changes in earnings, family characteristics and other factors.

The last finding does not suggest that departure of families from the FSP is not a concern in the rural South. Indeed, given the significant influence TANF program departure has on FSP participation and the prevalence of low-income families in the region, the need for food assistance in the rural South remains relatively high. But this result does suggest that the determinants of FSP departure in the rural South do not differ from those in other regions.



Conclusions

The major conclusion drawn from this research is that large declines in TANF caseloads have contributed to concurrent declines in FSP participation. This finding supports suspicions that TANF reform measures may indirectly foster FSP exits among families that are still eligible for food assistance. During the 1996 to 1998 period, 9.7 percent of U.S. households did not have access to enough food to meet basic needs [4]. The incidence of food insecurity is undoubtedly higher for SFHFwC, given the high prevalence of poverty for this family type. SFHFwC also have become more vulnerable to loss of income during economic downturns because of increases in workforce participation and earnings and decreased reliance on public assistance documented in the study. At a minimum, the economic well-being of SFHFwC needs to be closely monitored as work and lifetime eligibility requirements associated with welfare reform measures become binding, and when general economic conditions become less favorable.

On a positive note, the results suggest that FSP participation has not been disproportionately curtailed in states that have aggressively cut TANF caseloads, many of which are in the South. High rates of state TANF caseload declines countervail the influence that leaving TANF has on family FSP exits. This effect might occur because states that

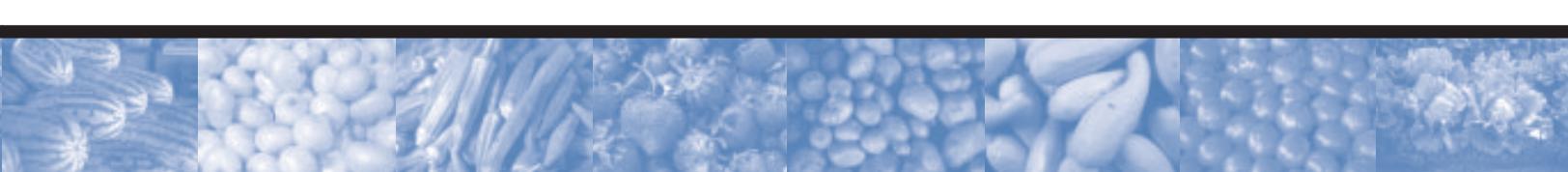
“The incidence of food insecurity is undoubtedly higher for single female-headed families with children, given the high prevalence of poverty for this family type.”

have aggressively trimmed their TANF roles have removed more families with lower levels of economic well-being that are still strongly dependent on the FSP. Alternatively, states with high caseload declines may provide those leaving TANF with better information on their eligibility for continued FSP benefits.

In contrast to the rest of the country, poor and near-poor SFHFwC in the non-metropolitan South receive most of their public assistance benefits from the FSP, leaving them especially vulnerable to barriers to FSP program participation. SFHFwC in the rural South are also more likely to have low earnings levels and other characteristics that promote relatively strong dependence on food assistance. However, after controlling for these characteristics, living in the non-metropolitan South does not independently change the probability of exiting the FSP. It is also worth noting that aggregate comparisons between the rural South and the nation mask considerable diversity within the region. For example, non-metropolitan counties in Northern Virginia and the Mississippi Delta are worlds apart in terms of both community characteristics and the assets

available to assist poor and near-poor families. This diversity of local characteristics and assets cannot be identified with a nationally representative survey like the Current Population Survey. Further research, with more geographically detailed data, is needed to understand how family relationships to public assistance programs differ within the rural South.

Further research is also needed to identify why still-eligible families leave the FSP after leaving TANF. For example, if families do not receive complete information on FSP eligibility in the face of TANF program benefit loss, additional resources to support local caseworker counseling may be warranted. If, on the other hand, FSP exit is in response to cumbersome procedures to retain certification for FSP benefits when TANF benefits are lost, efforts to further streamline procedures for continued program participation might be warranted. Finally, it is worth noting that families in the FSP are increasingly reliant on earned income and workforce participation. Given decreasing political support for public assistance programs, additional efforts may be warranted to educate political leaders and the general population that many FSP recipients in the post-reform era are working, but remain below or near the poverty line. In this context, the FSP plays an important role in safeguarding the well-being of working single mothers and their families.



Endnotes

[a] Near-poor families are defined by annual incomes below 125 percent of the poverty line. These families, therefore, meet gross eligibility guidelines for FSP eligibility.

[b] The remainder of the paper uses data from the Annual Demographic files of the Current Population Survey (CPS). The CPS is a nationally representative survey of U.S. families. Data on incomes are from family earned and unearned incomes, other receipts and transfers and the imputed value of in kind transfers in the previous calendar year of the 1993 and 1999 CPS surveys.

[c] Family total incomes are composed of earnings (wage and self-employment income, including farming), AFDC/TANF payments, the imputed value of Food Stamps, Medicaid, and federal housing subsidy programs, and other income (e.g., unemployment insurance payments, social security, supplemental social security, etc.).

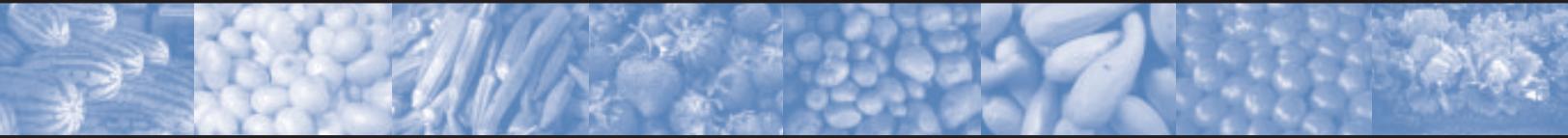
[d] The model was estimated using a dataset created from the rotating panel component of the 1997 to 1999 Current Population Surveys. Half of the households in the March Annual Demographic files of the CPS are re-surveyed the following year (with the other half having been initially surveyed in the previous year). For details on model specification and results, please see Mills, et. al. [3]

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Authors' Note: Financial support for this research was provided by USDA/ Mississippi State University Southern Rural Development Center Agreement No. 43-3AEM-8-8044 and National Research Initiative Competitive Grants Program Award No. 9901274.



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Published by
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<http://ext.msstate.edu/srdc>

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