

# Discussion Papers

## Former Welfare Families Continue to Leave the Food Stamp Program

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Assessing  
the New  
Federalism

*An Urban Institute  
Program to Assess  
Changing Social  
Policies*

## Assessing the New Federalism

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Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia. Publications and database are available free of charge on the Urban Institute's Web site: <http://www.urban.org>.

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## **Abstract**

In the early stages of welfare reform, a variety of studies found that many families who left welfare also left the Food Stamp Program (FSP) even though most were still eligible for benefits. This paper examines more recent data to determine whether this trend continues or whether at least some part of this unexpected trend was due to initial misunderstandings about eligibility in an era of major reforms in our welfare system. Our results show that families leaving welfare continued leaving the FSP at about the same rate in 1999 as two years earlier. For example, only half of families who left welfare and had with incomes below 50 percent of the federal poverty level continued participating in the FSP. We also show that more families reported leaving the FSP because of administrative issues in 1999 than in 1997. Families with poverty-level incomes that left welfare and the Food Stamp Program were more likely to have moved in the previous year and to have owned a car than families that left welfare but remained in the FSP. Our results raise continued concerns that structural reforms are needed to make it easier for the working poor to access these benefits. Recent federal changes in the FSP will allow states to move in that direction.

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## **Introduction**

In the early stages of welfare reform, a variety of studies documented that many families that left welfare also left the Food Stamp Program (FSP) even though they were still eligible for benefits (see, for example, Zedlewski and Brauner, 1999, Wilde et al., 2000). State studies of welfare leavers also documented low rates of food stamp receipt among those that left the welfare program (see Acs and Loprest, 2000, for a recent summary of these studies).<sup>1</sup>

Some speculated that former welfare families' frequent departure from the Food Stamp Program could be a temporary phenomenon. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) represented a major shift in government welfare policy, and some confusion about continued eligibility for food stamps among low-income families was perhaps understandable. The advocacy community and some states began outreach programs to inform families that, even though they had left the Temporary Assistance for Needy Families (TANF) program, they could still be eligible for food stamps. Others argued that the historically low food stamp participation rates among working poor families could imply continued low participation among welfare leavers unless certain aspects of the program were changed. Families with jobs find it more difficult to stay attached to the program because continued eligibility requires (often frequent) recertification, and the program places strict limits on financial assets and the allowable fair market value of an automobile owned by the family.

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<sup>1</sup> The Economic Research Service has funded several state studies of food stamp leavers that should add to our understanding when results become available.

This paper uses the National Survey of America's Families (NSAF) to examine whether food stamp participation changed among former welfare recipients between 1997, a year very early in the process of welfare reform, and 1999, a year representing a time when welfare reform had evolved more fully. While it may be premature to use this time period to determine whether outreach efforts in some states began paying off, it should at least reveal whether some of the initial behavior observed occurred as a result of significant confusion among low-income families as rules regarding welfare eligibility were changing dramatically. Each NSAF survey asked families whether they had participated in welfare and the Food Stamp Program during the previous two years and, if so, whether they were still participating in these programs. These data allow us to compare families that said that they recently left one or both of these programs with those that stayed.

Our results show that the majority of families with children that left welfare also left the FSP between 1997 and 1999, mirroring the trend observed in the early stages of welfare reform between 1995 and 1997. Only a minority of families that left welfare reported incomes high enough that they clearly no longer qualified for food stamps benefits. Participation rates for very low-income families (below 50 percent of the poverty level) that left welfare were particularly troubling—only half continued to receive food stamps. Our 1999 results also show a significant increase in the share of families that reported that they left the FSP because of administrative problems and a decline in the percentage that left because of employment compared with 1997. Finally, we found that families that reported incomes below the poverty level and did not continue their food stamps were significantly more likely to own a car and to have moved in the previous 12 months than families that stayed in the program.

Our results lead to questions about whether food stamps currently provide an effective income support for families trying to move to self-sufficiency. Food stamps, along with the Earned Income Tax Credit (EITC), are "work supports" designed to help those with low-paying jobs support themselves and their families until they move up the economic ladder. Yet the majority of the working poor are not taking advantage of the significant income supplement offered through the Food Stamp Program. Legislation passed by Congress in October 2000, which allows states to increase the allowable fair market value of a car owned by an otherwise eligible family and new administrative options that allow states to reduce reporting requirements for food stamp recipients, may help to alleviate participation barriers. It will be important to watch how these potential changes unfold in the states and whether participation rates increase as a result.

In this paper we first briefly describe the data used in this study and the characteristics of families who reported leaving the FSP in 1999 and 1997. Then we highlight the current earnings and estimated incomes of families that left the FSP by their welfare status and compare results for both years of data. The remainder of the paper focuses on FSP participation for families that left welfare. We report the reasons families gave for leaving the FSP and then compare the characteristics of families with incomes below the poverty level that left welfare and the FSP with those that left welfare but stayed on food stamps. The final section summarizes our results and discusses the implications for policy.

## **Data**

We use data from the 1997 and 1999 National Survey of America's Families (NSAF, rounds 1 and 2) to explore changes in FSP participation patterns over time and

observe characteristics of various subpopulations within each survey year. Both NSAF rounds compile similar information about the social and economic well-being of approximately 44,000 randomly selected, noninstitutionalized, civilian adults under age 65, their spouses or partners, and any children in their household. A dual-frame survey approach, combining random-digit dialing (RDD) with some in-person interviews, lets NSAF include homes without telephones (non-phone homes comprise approximately 4 percent of the total). Results are nationally representative, but the survey oversamples low-income families (those living below 200 percent of the federal poverty level) in 13 states (Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin).<sup>2</sup>

NSAF includes specific questions about respondents' participation in social programs, income over the current and previous year, work force status, health care services, living arrangements, and additional demographic characteristics. Responses from one most knowledgeable adult (MKA) per household let us determine a family's pattern of food stamp receipt over two years prior to each survey date (a period of 1995–1997 for round 1 and 1997–1999 for round 2). In our analysis, we define a “family” as the MKA, her/his spouse or partner, and all children living in the home.

We restrict our study population to households where an MKA reports FSP participation at some point within 2 years prior to the survey date and has at least one child under age 18. The unweighted sample consists of 5,228 families in 1997 and 2,947 in 1999. Of the 5,228 families in our round 1 sample, 1,890 left the FSP sometime between January 1, 1995, and the MKA's interview date in late 1997; 3,319 still received

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<sup>2</sup> See Dean Brick et al. (1999) for a complete description of survey methods and data reliability.

food stamps as of the interview date.<sup>3</sup> In round 2, 1,290 families left the FSP at some point between 1997 and 1999, while 1,657 households remained on food stamps.

NSAF Food Stamp Participation Compared with Other Data Sources.<sup>4</sup> Food stamp caseloads for families with children estimated by both the 1997 and 1999 NSAF correspond well with the Food Stamp Quality Control (QC) Administrative data and, in fact, come closer to administrative totals than the March 1997 and 1999 Current Population Survey (CPS). Nationally, 1999 NSAF's estimate of food stamp units as a percentage of total families with children in calendar year 1998 was about the same as the administrative data, and both were higher than the equivalent CPS estimate (see figure 1). The 1997 NSAF estimate for calendar year 1996 fell short of the QC figure by 0.2 million units and was above the CPS estimate by 0.5 million units (approximately 2 percentage points).

### **Characteristics of Families That Left Food Stamps: 1999 and 1997**

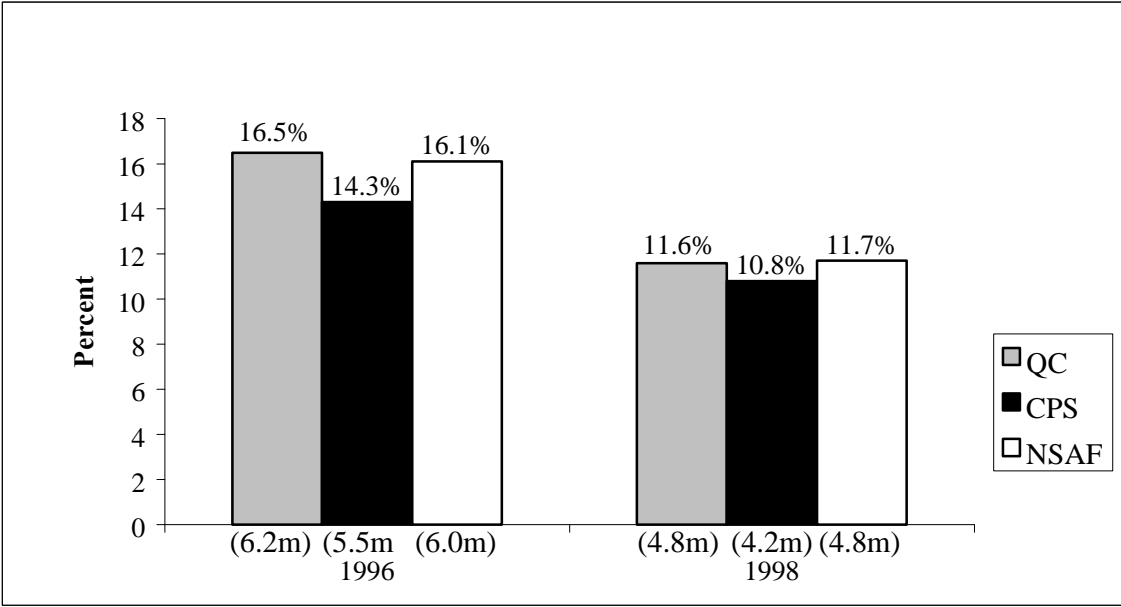
Families with children that left the FSP during the 1997–1999 period look remarkably similar to those that left two years earlier (table 1). Compared with families that continued to receive food stamps in 1999, families that left the program were more likely to be white (56 percent vs. 40 percent), married (40 percent vs. 22 percent), and

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<sup>3</sup> We are missing the food stamp status for 19 families in 1997.

<sup>4</sup> As noted in Zedlewski and Brauner (1999), demographic characteristics of food stamp recipients reported by the 1997 NSAF looked similar to data available from other sources except for some differences in marital status and monthly earnings. Basically, NSAF captures more unmarried partners than other data sets and respondents are more likely to report some earnings in an average month.

**Figure 1**  
**U.S. Food Stamp Caseload As a Percentage of All Families with Children**  
**(millions of families)**



Sources: QC-Food Stamp Quality Control Data for 1996 and 1998;  
 CPS-1997 and 1999 Current Population Surveys reflecting income in 1996 and 1998;  
 NSAF-1997 and 1999 National Survey of America's Families reflecting income in 1996 and 1998.

**Table 1**  
**Characteristics of Families with Children**  
**That Left the Food Stamp Program Compared with Those That Stayed<sup>a</sup>**

Characteristic		1997		1999	
		Families that left (%)	Families currently receiving (%)	Families that left (%)	Families currently receiving (%)
<b>RACE/ETHNICITY</b>	White	53.3 <sup>^^</sup>	41.3	56.1 <sup>^^</sup>	40.3
	Hispanic	21.4	22.9	18.5	19.3 <sup>**</sup>
	Other	25.3	35.8	25.4 <sup>^^</sup>	40.4
<b>FAMILY STATUS</b>	Married	45.0 <sup>^^</sup>	24.9	40.5 <sup>^^</sup>	21.5 <sup>*</sup>
	Single	29.0 <sup>^^</sup>	47.0	33.5 <sup>^^</sup>	54.8
	Single + Others	27.0	28.2	26.1	23.7
<b>AFDC/TANF STATUS</b>	Currently On	04.9 <sup>^^</sup>	48.1	3.7 <sup>^^</sup>	38.1 <sup>**</sup>
	Left <sup>b</sup>	33.2 <sup>^^</sup>	11.4	30.7 <sup>^^</sup>	11.7
	Never On <sup>c</sup>	58.8 <sup>^^</sup>	38.3	65.3 <sup>**^^</sup>	50.2 <sup>**</sup>
<b>FAMILY EMPLOYMENT</b>	1+ Full Time	51.0 <sup>^^</sup>	19.0	49.6 <sup>^^</sup>	23.9 <sup>**</sup>
	1+ Part Time	33.2 <sup>^^</sup>	25.7	34.9 <sup>^</sup>	29.6
	Not Employed	15.8 <sup>^^</sup>	55.3	15.6 <sup>^^</sup>	46.5 <sup>**</sup>
<b>CURRENT MONTHLY FAMILY EARNINGS RELATIVE TO POVERTY</b>	Below-50%	22.2 <sup>^^</sup>	67.7	24.7 <sup>^^</sup>	58.3 <sup>**</sup>
	50<100	28.8 <sup>^^</sup>	21.0	22.8 <sup>**</sup>	24.1
	100<130	16.2 <sup>^^</sup>	4.6	18.2 <sup>^^</sup>	8.3 <sup>**</sup>
	130+	31.7 <sup>^^</sup>	6.2	34.4 <sup>^^</sup>	9.4 <sup>**</sup>
<b>ESTIMATED CURRENT MONTHLY INCOME RELATIVE TO POVERTY<sup>e,f</sup></b>	Below 50%	17.4 <sup>^^</sup>	53.0	19.9 <sup>^^</sup>	43.2 <sup>**</sup>
	50<100	28.3	30.3	22.6 <sup>^^</sup>	33.0
	100<130	16.4 <sup>^^</sup>	7.3	17.6 <sup>^^</sup>	11.3 <sup>**</sup>
	130+	36.5 <sup>^^</sup>	8.6	39.9 <sup>^^</sup>	12.6 <sup>**</sup>
<b>Total (millions)<sup>d</sup></b>		2,234	3,982	1,846	2,528

Source: The Urban Institute, results from the 1997 and 1999 Survey of America's Families.

Notes:

\*\* Indicates significant difference from 1997 at 95 percent confidence level.

\* Indicates significant difference from 1997 at 90 percent confidence level.

<sup>^^</sup> Indicates significant difference from families currently receiving in 1999 or 1997 at 95 percent confidence level.

<sup>^</sup> Indicates significant difference from families currently receiving in 1999 or 1997 at 90 percent confidence level.

<sup>a</sup>Sample includes all families with children that reported some use of food stamps since January 1995 of January 1997 (for rounds 1 and 2 respectively).

<sup>b</sup>Family received some AFDC/TANF benefits since January 1, 1995, or January 1, 1997 (depending on survey year) but was not receiving at the time of interview.

<sup>c</sup>Family did not receive AFDC/TANF benefits since January 1, 1995, or January 1, 1997 (depending on survey year).

<sup>d</sup>Excludes 0.021 million families that did not provide current food stamp status in 1997 and .007 million families in 1999.

<sup>e</sup>Estimated monthly income includes current earnings of parents and partners plus income from Supplemental Security, child support, pensions, and assets received during previous year (adjusted to reflect monthly values and current dollars).

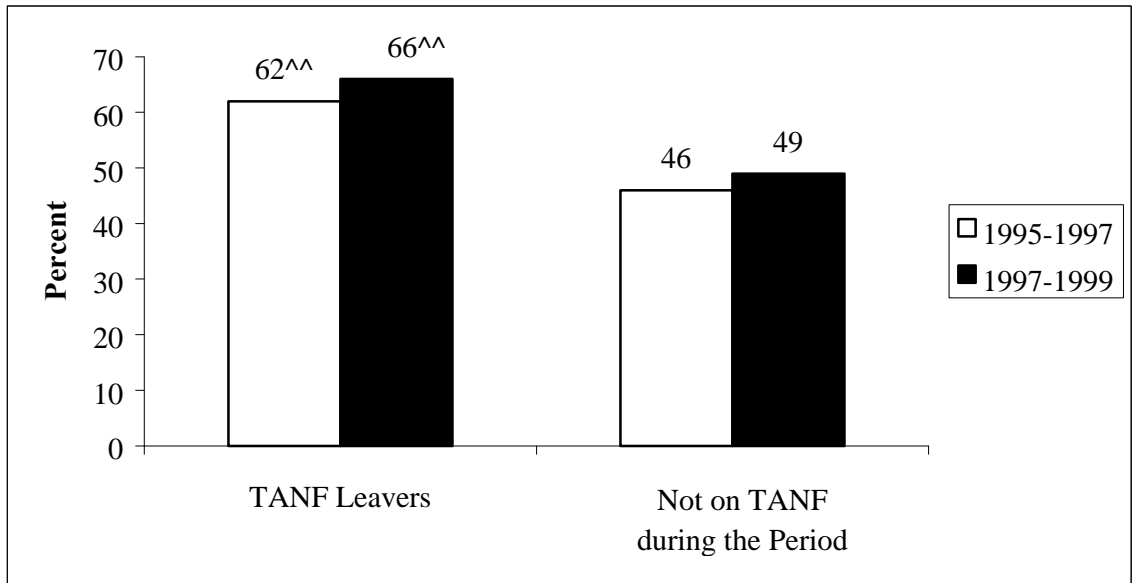
<sup>f</sup> Differs from results in Zedlewski and Brauner (1999) because income from TANF was inadvertently omitted in the earlier report.

have at least one adult working (84 percent vs. 54 percent). Thirty-one percent of those that left the FSP had also left the TANF program, compared with about 12 percent of families that remained on food stamps. As one would expect, families that left the FSP had higher earnings and incomes than those who stayed. For example, about 20 percent of families that left the program had incomes below 50 percent of the poverty level, compared with 43 percent of families that remained. These differences between food stamp "stayer" and "leaver" groups were statistically significant.

With one exception, these characteristics are not substantially different from those we reported from the 1997 NSAF. The percentage of families that participated in welfare in the two years prior to the surveys (whether on food stamps then or not) declined between 1997 and 1999. The considerable decline in families that had been on TANF and food stamps was expected, given the steep declines in welfare participation in the United States over the period.

Similar to results from the 1997 NSAF, families that had been on TANF during the 1997–1999 period left the Food Stamp Program at significantly higher rates than families that had not been on TANF (figure 2). Two-thirds of families that left welfare also left the FSP, compared with about half of families with children that had not been on TANF. While the percentage of former TANF recipients who also left the FSP was higher in 1999 than in 1997, this difference is not statistically significant. The rate of exit for families with children that had been independent of TANF in the prior two years remained about the same between 1997 and 1999.

**Figure 2**  
**Percentage of Families with Children That Left the Food Stamp Program:**  
**1995-1997 v. 1997-1999**



Source: The Urban Institute, based on the 1997 and 1999 National Survey of America's Families.

Note: Differences between years are not significant.

<sup>^^</sup> Indicates significant difference from families never on welfare over 1997-1999 at 95 percent confidence level.

<sup>a</sup>Sample includes all families with children who reported some use of food stamps since January 1995 or January 1997 (for rounds 1 and 2 respectively).

<sup>b</sup>Family received some AFDC/TANF benefits since January 1, 1995 or January 1, 1997 (depending on survey year), but was not receiving at the time of interview.

## **To What Extent Are Families That Left the FSP No Longer Eligible?**

The relatively high exit rate among families that left welfare compared with those that were not on welfare could simply mean that former welfare families were better off financially. That is, they may no longer have been eligible for benefits or have been eligible for such a small benefit that it was not worth the time to continue enrollment. Below we review the program's current benefit rules and then examine participation for families that left welfare in this context.

Who Can Get Benefits and How Much? Food stamp benefit rules are complex. Generally, families with incomes below 130 percent of the federal poverty level (\$14,150 for a family of three in 2000) can receive some food stamp assistance. The benefit level depends on a family's income and expenses, and income net of allowable expenses cannot exceed 100 percent of the federal poverty level.

The complexities of the benefit calculation provide some insight into the difficulties that working families with children face in gaining access to this program. Table 2 shows monthly benefits for a single-parent family with two children with income from earnings totaling 0, 50, 100, and 130 percent of the federal poverty level. Two benefits are shown for each prototypical family: one assumes the maximum deduction for child care costs and the other assumes no deduction for child care costs.

A family with no other income could receive \$335 per month in food stamps, the maximum allotment for a family of three.<sup>5</sup> For families *with some other income*, the benefit is the maximum allotment less 30 percent of the family's net income (income less

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<sup>5</sup> Calculations use fiscal year 2000 maximum benefits (in effect October 1, 1999 through September 30, 2000) and incomes relative to the poverty guidelines (\$14,150).

**Table 2**  
**Annual Food Stamp Benefit for a Single-Parent Family with Two Children, 2000**

Child Care Cost Deduction	Income Relative to the Federal Poverty Level			
	0	50%	100%	130%
Maximum	\$335	\$335	\$203	\$118
None	\$335	\$237	98	14

Note: Assumes family not on TANF, all income is from earnings, and no excess shelter costs.

a standard deduction, 20 percent of earnings, out-of-pocket dependent care costs up to \$175 per month for a dependent over age two and \$200 per month for a dependent under age two, and, in cases where housing costs exceed 50 percent of income less deductions, the "excess" housing cost but not to exceed \$275 per month.)

As shown in table 2, a family with two children and earnings at 50 percent of the poverty level in 2000 (\$590 per month) can receive significant benefits. If they incur the maximum in child care costs (\$375 per month), their food stamp benefit would be \$335 per month (57 percent of their earned income). If they instead had free child care (either through a state program or family care), their benefit would be \$237, an income supplement of 40 percent of their monthly earnings. The incentive to participate diminishes as earnings increase and depends heavily on deductions from income. For example, a single-parent family with two children and earnings at the poverty level (this would require full-time work at \$7.08 per hour) can receive \$205 per month in food stamps with the full dependent care cost deduction and effectively increase their income by 17 percent. This same family without a dependent care deduction would receive \$98 per month, an increment of 8 percent of earned income.

Since remaining certified for food stamps requires substantial effort, the "cost" of participating increases as income increases or deductions decrease; participation rates will naturally decline as the benefit diminishes. Families must apply for food stamps at the welfare office and need to return to the welfare office every three months in many states to remain certified if they have earnings.<sup>6</sup> And, as mentioned above, families not on welfare must limit their "liquid" assets to \$2,000. In 1999, the fair market value of a

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<sup>6</sup> From 1998 Quality Control data; certification periods depend on sources of income and vary across the states.

car in excess of \$4,650 counted towards a family's maximum allowable assets.<sup>7</sup> These asset tests could be another deterrent to participation, particularly among working families that need a car to travel to work. In addition, the Food Stamp Program asset tests are not consistent with those used for TANF eligibility in most states. Twenty-five states now allow TANF families to own at least one car of any value and 11 states significantly increased the allowable value above \$4,650.<sup>8</sup> Allowable asset limits in the Food Stamp Program have been frozen since 1977. The new option discussed below that allows states to increase the allowable value of a vehicle (or even eliminate the vehicle test) beginning in 2001 represents the first significant change in the treatment of assets in over 23 years.

One important aspect of the Food Stamp Program has been changing in recent years. Traditionally, food stamps were issued in the form of booklets of coupons. About 75 percent of benefits are now issued through an Electronic Benefit Transfer (EBT) system where participants use an ATM card at approved grocery stores to purchase food. As of October 2000, 34 states plus the District of Columbia had fully implemented EBT systems, and the remaining states were in the process of implementation.<sup>9</sup>

Participation Rates for Welfare Leavers. To examine the question of food stamp eligibility, we show the percentage of families that left the FSP by welfare status, earnings, and estimated current income levels (table 3).<sup>10</sup> As would be expected, the

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<sup>7</sup> This value currently corresponds generally to a basic vehicle at least six years old with relatively high mileage.

<sup>8</sup> See Rowe (2000) table L9.

<sup>9</sup> Data on Electronic Benefits Transfer from the U.S. Department of Agriculture, Food and Nutrition Service, <http://www.fns.usda.gov/fsp/menu/apps/facts.htm>.

<sup>10</sup> The NSAF, like many household surveys focused on estimating poverty, asked a full battery of questions about income received in the prior year and few questions about current income (including earnings). We estimated total income as current monthly earnings plus other relatively stable sources of income (child support, Supplemental Security Income, Social Security, pensions, and asset income) received during the prior year (adjusted to 1999 monthly values). To the extent that families began receiving new sources of

**Table 3**  
**Percentage That Left the Food Stamp Program by Current Earnings**  
**and Estimated Income Relative to the Poverty Level<sup>a</sup>**

Monthly Earnings Relative to the Poverty Level	<u>Welfare Leavers</u>		<u>Not on Welfare<sup>b</sup></u>	
	1997	1999	1997	1999
Below 50%	48^^	49^^	22	32**
50<100	56^	56^	45	41
100<130	70	80^^	69	63
130+	87^^	83	75	78
Estimated Monthly Income Relative to the Poverty Level <sup>c</sup>	<u>Welfare Leavers</u>		<u>Not on Welfare<sup>b</sup></u>	
	1997	1999	1997	1999
Below 50%	46^^	49^^	22	31**
50<100	58^^	55^^	41	38
100<130	73	70	65	57
130+	88^^	84	74	77
All	62^^	66^^	46	49

Source: The Urban Institute, based on the 1997 and 1999 National Survey of America's Families.

\*\* Indicates significant difference from 1997 at 95 percent level.

\* Indicates significant difference from 1997 at 90 percent level.

^^ Indicates significant difference from families never on welfare over 1997-1999 at 95 percent confidence level.

^ Indicates significant difference from families never on welfare over 1997-1999 at 90 percent confidence level.

<sup>a</sup> Excludes a few families that received welfare at time of survey and reported leaving the FSP.

<sup>b</sup> Families that received no AFDC/TANF benefits since either January 1995 (for the 1997 survey) or January 1997 (for the 1999 survey).

<sup>c</sup> Estimated monthly income includes current earning of parents and partners plus income from Supplemental Security, child support, pensions, and assets received during previous year (adjusted to reflect monthly values and current dollars).

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income only in 1999, these will be underestimates of family income. The difference is unlikely to be large, however, because adding supplementary income sources to current earnings did not change the distribution of income very much. (Families that left food stamps rely mostly on what they earn.)

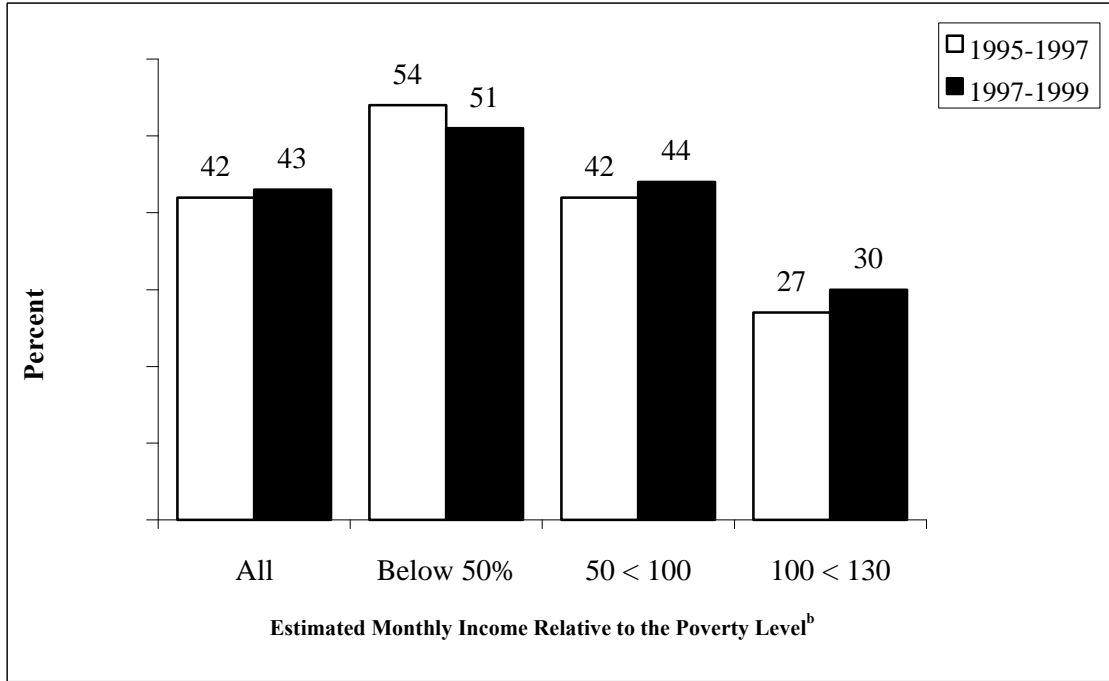
probability of leaving the program increases as earnings and incomes increase for both the former welfare group and the group that had not been on welfare in the previous two years.

The percentage of families leaving the FSP in 1999 was similar to that found in 1997 across earnings and income levels. Families that left welfare were significantly more likely to leave the FSP than nonwelfare families at earnings and income levels below 100 percent of the poverty level. For example, the probability of leaving the FSP in 1999 was 49 percent for former welfare families with incomes below 50 percent of the poverty level compared with 31 percent for nonwelfare families. In contrast, the probability of leaving the FSP for former welfare families in the top income group (130 percent of the poverty level and above) was 84 percent, compared with 77 percent for nonwelfare families, a difference not statistically significant.

One significant change between the 1997 and 1999 results was an increase in the percentage of nonwelfare families with very low earnings and incomes (below 50 percent of the poverty level) that left the FSP. One-third of families in the very low-earnings group left the FSP in 1999, compared with 22 percent in 1997, and 31 percent of those with very low incomes left in 1999, compared with 22 percent in 1997.

Figure 3 highlights the FSP participation rates for families that had been on welfare and had estimated incomes below 130 percent of the poverty level. The 1999 participation rate for this group was 43 percent, about the same as that found in 1997. The distribution of participation rates for former welfare families did not differ significantly from the 1997 participation rates in any of the income categories. As we found in 1997, families that left welfare and reported incomes below 50 percent of the poverty level had surprisingly low rates of FSP participation. Only half participated in

**Figure 3**  
**Food Stamp Participation Rates for Former Welfare Families**  
**with Incomes below 130% of the Poverty Level<sup>a</sup>**



Source: The Urban Institute, based on the 1997 and 1999 National Survey of America's Families.

Note: Differences are not significant at 90 percent level or higher.

<sup>a</sup> Sample includes families that received some AFDC/TANF benefits since January 1995 or January 1997 (depending on survey year) but were not receiving benefits when interviewed.

<sup>b</sup> Estimated monthly income includes current earnings of parents and partners plus income from Supplemental Security, child support, pensions, and assets received during previous year (adjusted to reflect monthly values and current dollars).

the program, even though, as explained earlier, potential benefits in this income range are significant. (From \$234 to \$335 per month, depending on child care expenses and no excess shelter costs.)

### **Why Did Families Say They Left the Food Stamp Program?**

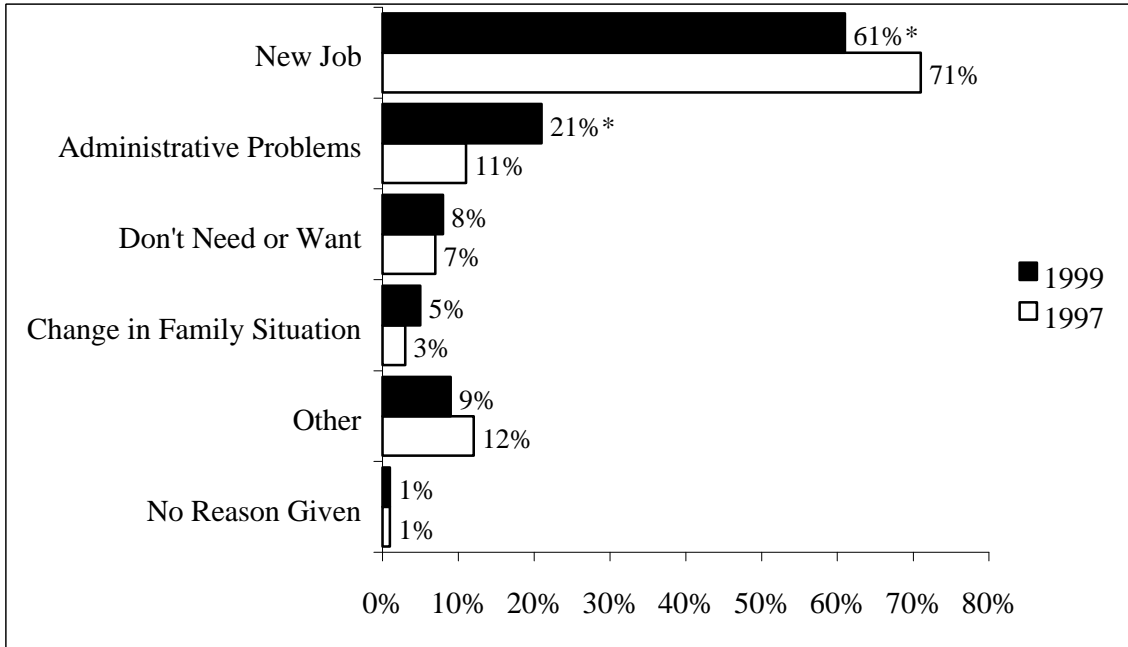
The NSAF asked families that left the FSP why they left in 1997 and 1999. Figure 4 shows the reasons reported by all former welfare families that left the FSP, and figure 5 shows the reasons reported by families with incomes below 100 percent of the poverty level — those most likely to be eligible for significant benefits. As in 1997, the majority of former welfare families reported leaving the FSP in 1999 for a new job or increased earnings (figure 4). However, a significantly smaller share of families gave this reason in 1999 than in 1997 (61 percent vs. 71 percent). A significantly greater share of families reported leaving the FSP because of administrative problems or hassles in 1999 than in 1997 (21 percent vs. 11 percent).<sup>11</sup>

Families with estimated incomes below the poverty level were almost twice as likely to report administrative reasons for leaving in 1999 compared with 1997 (30 percent compared with 17 percent, as shown in figure 5). Moreover, relatively more families with incomes below the poverty level reported administrative reasons than all families that left the FSP in both 1999 and 1997, although the difference was much greater in 1999 (figure 5 compared with figure 4). Thirty percent of former welfare families with incomes below 100 percent of the poverty level reported leaving because of administrative reasons in 1999, compared with 21 percent in 1997.

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<sup>11</sup> Administrative reasons for the FSP include responses such as "too frustrating," "too much hassle," "didn't follow program rules," "end of time limit," and "administrative mix-up."

**Figure 4**  
**All Former Welfare Families That Left the Food Stamp Program:**  
**Self-Reported Reasons for Leaving, 1997 v. 1999<sup>a,b</sup>**



Source: The Urban Institute, based on the 1997 and 1999 National Survey of America's Families.

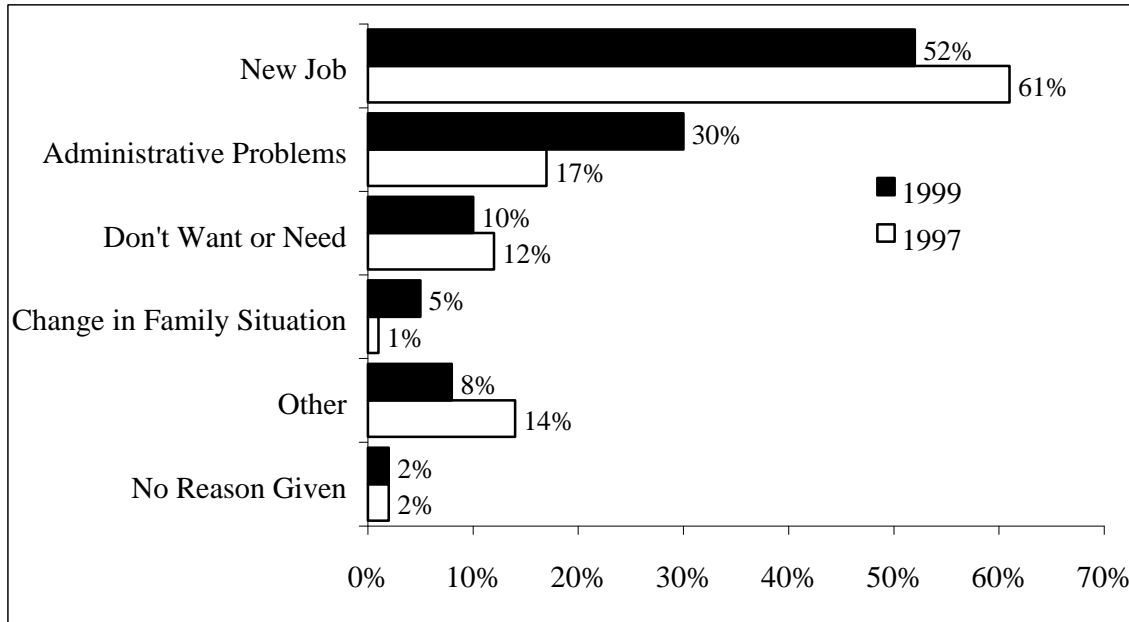
\*\* Indicates significant difference from 1997 at 95 percent level.

\* Indicates significant difference from 1997 at 90 percent level.

<sup>a</sup> Sample includes all families with children that reported some use of food stamps since either January 1995 (1997 survey) or January 1997 (1999 survey), but were no longer receiving food stamps at the time of their interview.

<sup>b</sup> Numbers may add up to more than 100% for each group because leavers could give multiple reasons for leaving.

**Figure 5**  
**Former Welfare Families with Income below 100% of the Poverty Level That Left the Food Stamp Program: Self-Reported Reasons for Leaving, 1997 v. 1999<sup>a,b</sup>**



Source: The Urban Institute, based on the 1997 and 1999 National Survey of America's Families.

Note: Differences are not significant at 90 percent level or higher.

<sup>a</sup> Sample includes all families with children that reported some use of food stamps since either January 1995 (1997 survey) or January 1997 (1999 survey), but were no longer receiving food stamps at the time of their interview.

<sup>b</sup> Numbers may add up to more than 100% for each group because leavers could give multiple reasons for leaving.

## What Are the Characteristics of Families That Left?

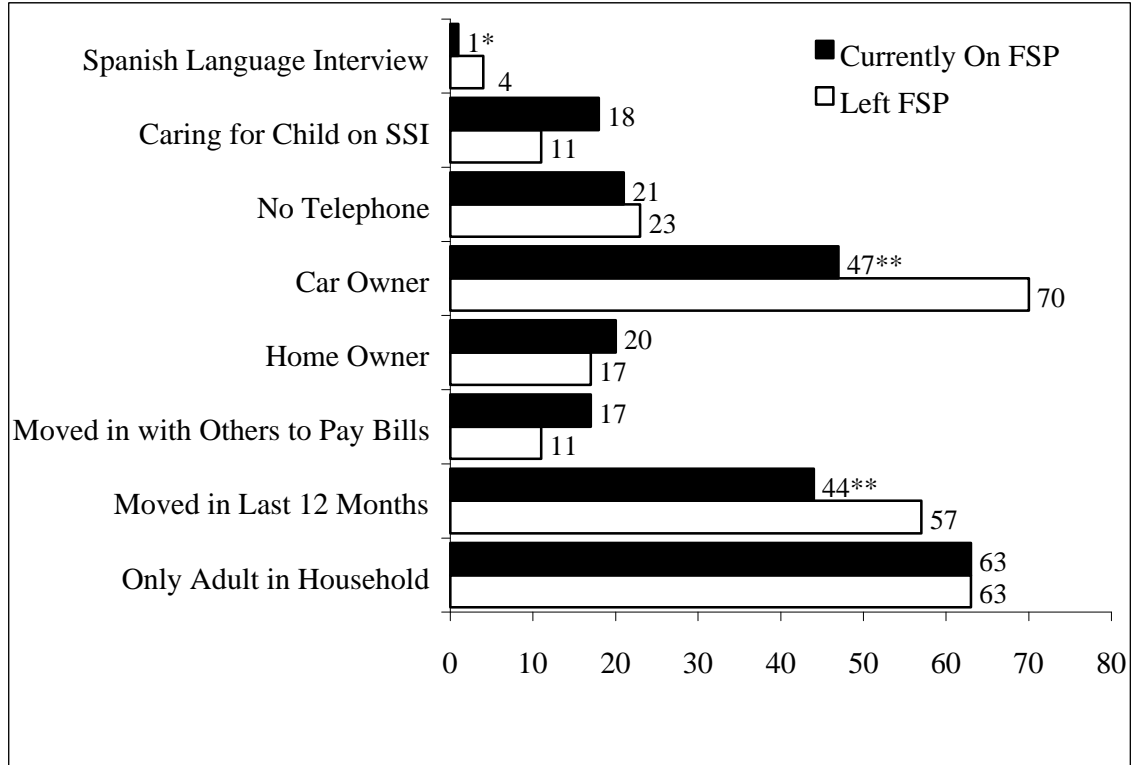
These results suggest that former welfare families found it somewhat more difficult to remain connected to the Food Stamp Program in 1999 than in 1997. The question that arises is whether families that left welfare *and* the FSP differ in other ways from those that stayed on food stamps. It is possible, for example, that families that leave welfare are more likely to have assets that prevent their eligibility despite their apparently low incomes. It is also possible that certain characteristics of families are more likely to be associated with barriers to FSP participation. For example, those with limited education, very poor health, or language difficulties might be more likely to say that administrative hassles kept them from participating.

We examined the differences in family and adult characteristics for former welfare families that left the FSP and those that stayed on the program in 1999. We focused our analysis on families with incomes below the poverty level that fall more clearly into an income eligibility range that would potentially yield a significant food stamp benefit. The most significant differences between former welfare families that left the FSP and those that stayed were car ownership and having moved in the previous year (figure 6). Seventy percent of the families that left food stamps owned a car compared with 47 percent of those that stayed. We do not know whether this indicates that some families became ineligible because of value of their car. However, this result held up even after controlling for income, indicating that car ownership was not a proxy for higher income levels.<sup>12</sup> Fifty-seven percent of those that left the FSP had moved in the last year, compared with 44 percent of those that stayed on food stamps. While the NSAF did not ask families how far they moved, this result makes sense. An in-state

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<sup>12</sup> That is, we ran regressions that predicted leaving the FSP, given income level and car ownership.

**Figure 6**  
**Characteristics of Welfare Leaver Families with Income below 100% of the Poverty Level That Left the Food Stamp Program Compared with Those Who Stayed in 1999<sup>a</sup>**



Source: The Urban Institute, results from the 1997 and 1999 National Survey of America's Families.

\*\* Indicates significant difference from leavers at 95 percent level.

\* Indicates significant difference from leavers at 90 percent level.

<sup>a</sup> Estimated monthly income at or below 100% of the 1999 poverty level.

move requires that the recipient requests that the caseworker transfer the case to another district, and an out-of-state move requires an application in a new welfare office.<sup>13</sup>

There were no statistically significant differences between the characteristics of adults in former welfare families that left food stamps and those that stayed (figure 7). However, the differences across the set of characteristic suggest that adults in families that left the FSP were somewhat more able than those who stayed. For example, these families were more likely to have an MKA (most knowledgeable adult<sup>14</sup>) or spouse/partner working full-time (26 vs. 17 percent). The MKAs in families that left the FSP also were less likely to have dropped out of high school than those that stayed on food stamps (31 percent compared with 43 percent), and fewer reported very poor health.<sup>15</sup>

In families where there was a spouse or partner (63 percent of families in *both* groups as shown in figure 6), a low level of education was associated with leaving food stamps (almost half of the spouse/partners in families that left food stamps had not completed high school, compared to 41 percent of those that remained on food stamps). In contrast, the spouses or partners in former welfare families that left food stamps had better health status than spouses/partners who remained.

## Summary and Implications

Our results show that the exodus of former welfare families from the food stamp rolls continued into 1999. Only about one-third of families that left welfare in the

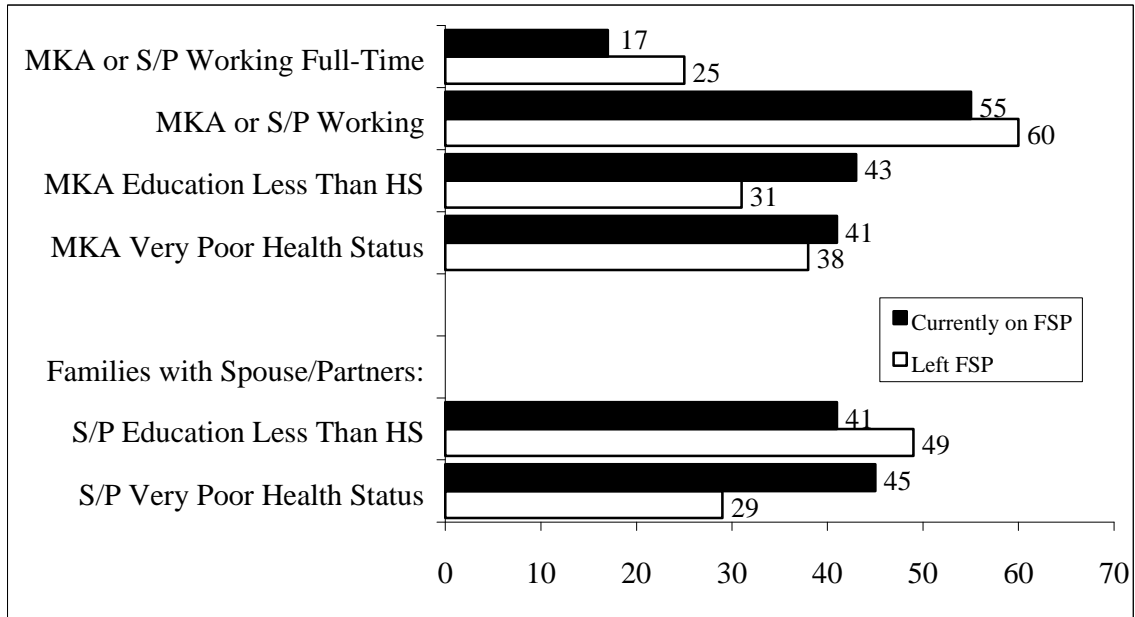
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<sup>13</sup> The NSAF did ask families that moved whether they moved from another state in the previous twelve months. Most of these families (about 80 percent) reported in-state moves.

<sup>14</sup>As noted earlier, the NSAF always interviewed the adult most knowledgeable about the children in the family, usually the mother (if there were children in the family).

<sup>15</sup> This measure of health indicates whether the adult scored in the bottom 10 percentile on a five-point mental health scale or whether they reported that their health limited work.

**Figure 7**  
**Families That Left Welfare and Are Below 100% of the Poverty Level:**  
**Food Stamps Leavers v. Currently on Food Stamps<sup>a</sup>**



Source: The Urban Institute, results from the 1997 and 1999 National Survey of America's Families.

\*\* Indicates significant difference from leavers at 95 percent level.

\* Indicates significant difference from leavers at 90 percent level.

<sup>a</sup> Estimated monthly income at or below 100% of the 1999 poverty level.

previous two years (and remained off welfare) reported receiving food stamps in the 1999 survey. Families that left welfare were more likely to leave the FSP than families with children that had not been on welfare, especially at low income levels. For example, about half of families with earnings and estimated incomes less than 50 percent of the poverty level left the FSP, compared to one-third of their nonwelfare counterparts in the same income group. However, significantly more nonwelfare families with very low incomes left the FSP in 1999 than in 1997.

Former welfare families were more likely to report leaving the FSP for administrative reasons in 1999 compared with 1997. Finally, former welfare families with incomes below the poverty level that left the FSP were more likely to own a car and to have moved in the previous year than those who stayed on the program. These are two factors that could be associated with increased difficulty of maintaining eligibility.

Our results suggest that food stamps were not providing an effective transition benefit for many families moving from welfare into the labor force in 1999. Some combination of the stringent assets tests used in the FSP and the difficulty of maintaining certification for very mobile, low-income families may contribute to low levels of participation among former welfare families. Recent legislation that allows states to increase the value of the car owned by food stamp enrollees may help families leaving welfare to maintain eligibility.<sup>16</sup> States can adopt a vehicle test that matches one used in another program serving low-income families in their state, including eliminating the vehicle test. Since this will make it easier for states to administer the program, and all of the additional cost falls on the federal government, there are significant incentives for

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<sup>16</sup> See H.R. 5426, The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2001. Amendments related to alternative vehicle allowances take effect on

states to eliminate the test. However, states will need to educate low-income families about this change in the rules to encourage increased participation.

New FSP regulations should also make it easier for some welfare leavers to continue their food stamps.<sup>17</sup> States can now provide a guaranteed three-month period of benefits to families leaving welfare for work, and they now have the option of allowing participants to reestablish their eligibility semi-annually. These changes allow states to slightly relax their oversight of FSP error rates for working families and reduce reporting hassles for participants.<sup>18</sup> For example, the new regulations allow food stamp agencies to freeze a household's benefits for six months at a time. The state will not be held liable if a family fails to report changes that subsequently make them ineligible for benefits.<sup>19</sup>

Recent studies have pointed out a number of administrative practices that seem to affect families' participation. One study that conducted 24 site visits of local food stamp offices in eight states between September 1998 and February 1999 reported a number of practices in several of the offices that potentially created barriers to FSP participation (USDA, 2001). Some offices that required job search before allowing TANF enrollment failed to tell families about the possibility of immediate FSP eligibility; some issued food stamp sanctions along with sanctions for noncompliance in TANF without providing opportunities for conciliation; some were increasing their focus on income verification for families with earnings, placing increased burdens on clients and caseworkers; and some offices lacked coordination between TANF and food stamp certification and change

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July 1, 2001. The legislation allows states to set their own limits on the allowable fair market value of a vehicle owned by the family.

<sup>17</sup> Regulations allowing six-month certification were issued November 21, 2000, and became effective immediately. Regulations issued July 14, 1999, allowed states to adopt waivers for quarterly and status reporting. (See Rosenbaum, 2000).

<sup>18</sup> See the Center for Budget and Policy Priorities (2000) for a discussion of the new state option.

<sup>19</sup> Families are required to notify the state agency if their current income exceeds 130 percent of the poverty level.

reporting processes. Another study that focused on four sites emphasized the common practice of automatically cutting families off food stamps when they failed to appear for TANF eligibility redetermination (Quint and Widom, 2001). This study suggests that the failure of caseworkers to discuss the availability of post-TANF benefits in their interactions with recipients may explain the high rates of recipients' failure to try to maintain certification for food stamp eligibility.

Outreach and education are also needed to ensure that low income families that leave welfare know about their continued eligibility for food stamps and about changes in program rules. The federal government offers states matching funds for FSP outreach activities; nine states applied for these funds in 1999.<sup>20</sup> States can also use their TANF maintenance of effort (MOE) monies for this purpose. States also could implement administrative changes to make the eligibility and recertification processes easier for working poor families. Changes could include extending office hours to Saturdays and outstationing eligibility workers at other local social service offices. Clearly, more needs to be done to ensure that families leaving welfare take advantage of these benefits to ease their transition to self-sufficiency.

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<sup>20</sup> These states are: Arizona, Connecticut, Kentucky, Massachusetts, New Hampshire, New York, Tennessee, Vermont, and Washington. See the Welfare Information Network (1999).

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