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The majority of families with children that left welfare also left the Food Stamp Program between 1997 and 1999.

Former Welfare Families and the Food Stamp Program: The Exodus Continues

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with the assistance of Amelia Gruber

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.¹ Some speculated that former welfare families' departure from the FSP could be a temporary phenomenon. The 1996 federal reforms represented a major shift in welfare policy, so some confusion about continued eligibility for food stamps among low-income families was perhaps understandable. Others argued that the historically low FSP participation rates among working poor families could signal low participation among welfare leavers unless the program were made more accessible. The data from the second round of the National Survey of America's Families (NSAF) can help clarify whether FSP participation changed among former welfare recipients between 1997, a year very early in the process of welfare reform, and 1999, when welfare reform had evolved more fully.

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 small share of families that left welfare reported incomes high enough that they clearly no longer qualified for food stamps. Participation rates for very low income families (below 50 percent of the federal poverty level [FPL]) that left

welfare were particularly troubling—only half continued to receive food stamps. In 1999, a significantly larger share of families reported that they left the FSP for administrative reasons and a smaller share left because they had increased earnings than in 1997. Finally, we found that families with incomes below the poverty level that did not continue receiving food stamps were significantly more likely to own a car and to have moved in the past year.

These results raise questions about whether food stamps provide an effective income support for families trying to become self-sufficient. Food stamps can help those with low-paying jobs support themselves and their families as they move up the economic ladder, yet most of the working poor do not take advantage of these benefits. Legislation passed by Congress in October 2000 permits states to increase the allowable fair market value of a car owned by an otherwise eligible family. In addition, administrative reforms give states new options to reduce reporting requirements for food stamp recipients. Both changes to the FSP could help alleviate participation barriers.

Our analysis is based on a comparison of families with children under age 18 that reported Food Stamp Program participation at some point within two years prior to the 1997 and 1999 NSAF surveys.² The unweighted samples consisted of 5,228 families in 1997 and 2,947 in 1999. We

This brief is drawn from results from Sheila Zedlewski 2001, "Former Welfare Families Continue to Leave the Food Stamp Program," the Urban Institute *Assessing the New Federalism* Discussion Paper 01-05. The findings were presented at the Association for Public Policy and Management annual meeting in Seattle, WA, November 2000.

report characteristics of the family and of the adults in the family as reported by the adult most knowledgeable about the children, usually the mother.

Food Stamp Leavers: 1999 and 1997

Families with children that left the Food Stamp Program during the 1997–1999 period closely resembled those that left two years earlier. Compared with families that continued to receive food stamps in 1999, families that left the program were significantly more likely to be white (56 percent vs. 40 percent), to be married (40 percent vs. 22 percent), and to have at least one adult working (84 percent vs. 54 percent). Thirty-one percent of those that left the FSP had also left the Temporary Assistance for Needy Families (TANF) program, compared with 12 percent of families that continued to receive food stamps. As one would expect, families that left the FSP had higher earnings and incomes than those that stayed. For example, about 80 percent of families that left the FSP had incomes above 50 percent of the poverty level, com-

pared with 57 percent of families that remained.

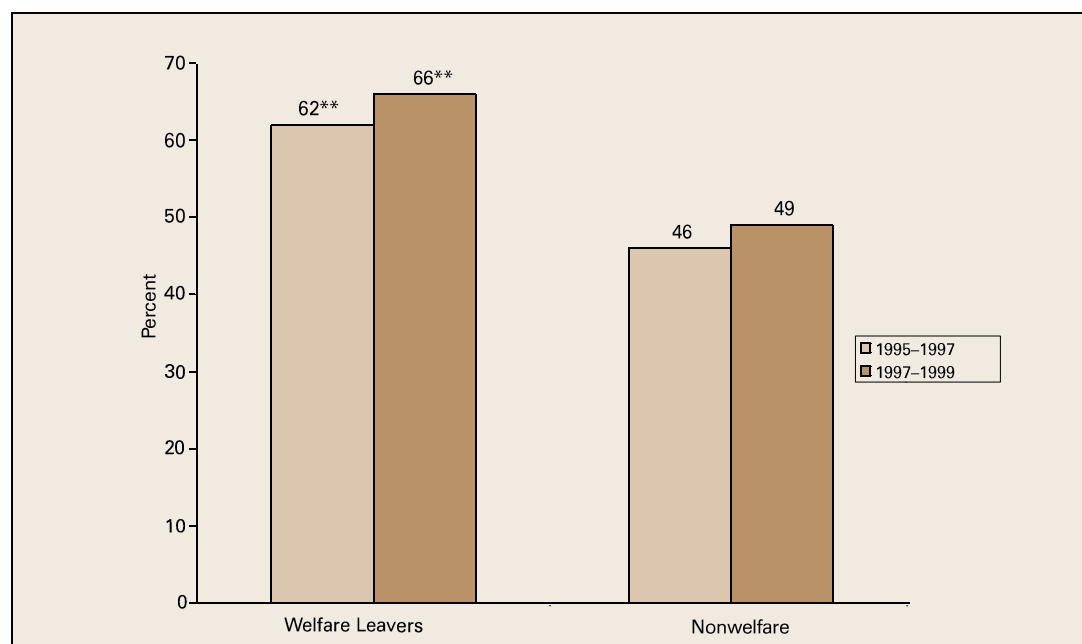
Similar to results from the 1997 NSAF, families that had been on TANF during the 1997–1999 period left the FSP at significantly higher rates than families that had not been on TANF (figure 1). Two-thirds of families that left welfare also left the FSP, compared with about half of families with children who had not been on TANF. Both former welfare and nonwelfare families left the FSP in the 1997–1999 period at about the same rates as in the 1995–1997 period.

To What Extent Are Families That Left No Longer Eligible for Benefits?

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 were eligible for such a small benefit that it was not worth the time to continue enrollment. Because continued food stamp

Participation rates for very low income families that left welfare were particularly troubling—only half continued to receive food stamps.

FIGURE 1. Percent of Families with Children That Left Food Stamps; 1995–1997 vs. 1997–1999



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

** Indicates significant difference from families never on welfare at the 95 percent confidence level.

enrollment requires substantial effort to remain certified, participation rates decline as the benefit declines. Families must apply for food stamps at the welfare office and, if they have earnings, must return every three months in many states to remain certified.

Generally, families with incomes below 130 percent of the FPL are eligible for food stamps, which are typically issued through an electronic benefit transfer (EBT) card.³ Benefits depend on current family income less deductions and can provide a substantial income supplement. For example, a single mother with two children and earnings equal to 50 percent of the poverty level in 2001 (\$610 per month) and no other income could receive from \$235 to \$341 per month, depending on her child care cost deductions. The same family with earnings at the poverty level could receive monthly benefits worth \$89 to \$201. Eligibility also requires that families have no more than \$2,000 in financial assets and a car with a fair market value of \$4,650 or less.

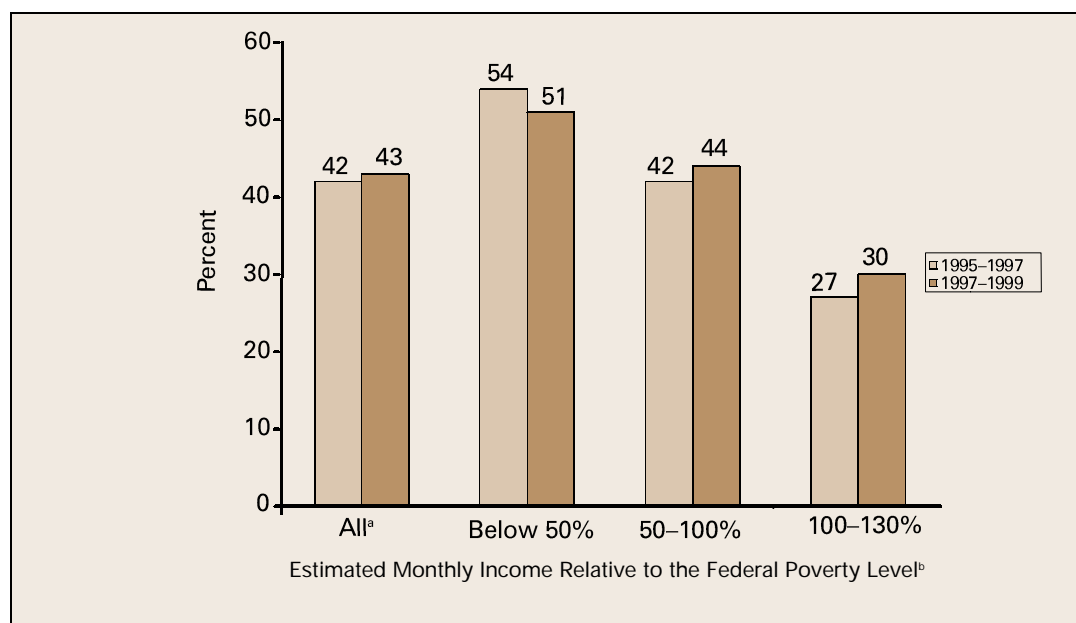
As expected, the NSAF data show that the probability of leaving the FSP increased as income increased for both the

former welfare group and the group that had not been on welfare in the previous two years. Moreover, the percentage of families leaving the FSP in 1999 was similar to the percentage in 1997 across income levels. Families that left welfare were significantly more likely to leave the program than were nonwelfare families at income levels below 100 percent of the poverty level. For example, among families with incomes below 50 percent of the poverty level, 49 percent of former welfare families left the FSP, compared with 31 percent of nonwelfare families during the 1997–1999 period. In contrast, 84 percent of former welfare families in the top income group (130 percent of the FPL and above) left the FSP, compared with 77 percent of nonwelfare families, a difference that is not statistically significant.

Figure 2 highlights Food Stamp Program participation rates for families that left welfare and had a current estimated income below the food stamp eligibility cutoff.⁴ About 4 in 10 income-eligible families participated in 1999, about the same as in 1997. In 1999, participation rates for former welfare families did not differ significantly from the 1997 participation rates in

Because continued food stamp enrollment requires substantial effort to remain certified, participation rates decline as the benefit declines.

FIGURE 2. Food Stamp Participation Rates for Former Welfare Families with Incomes below 130% of the Federal Poverty Level



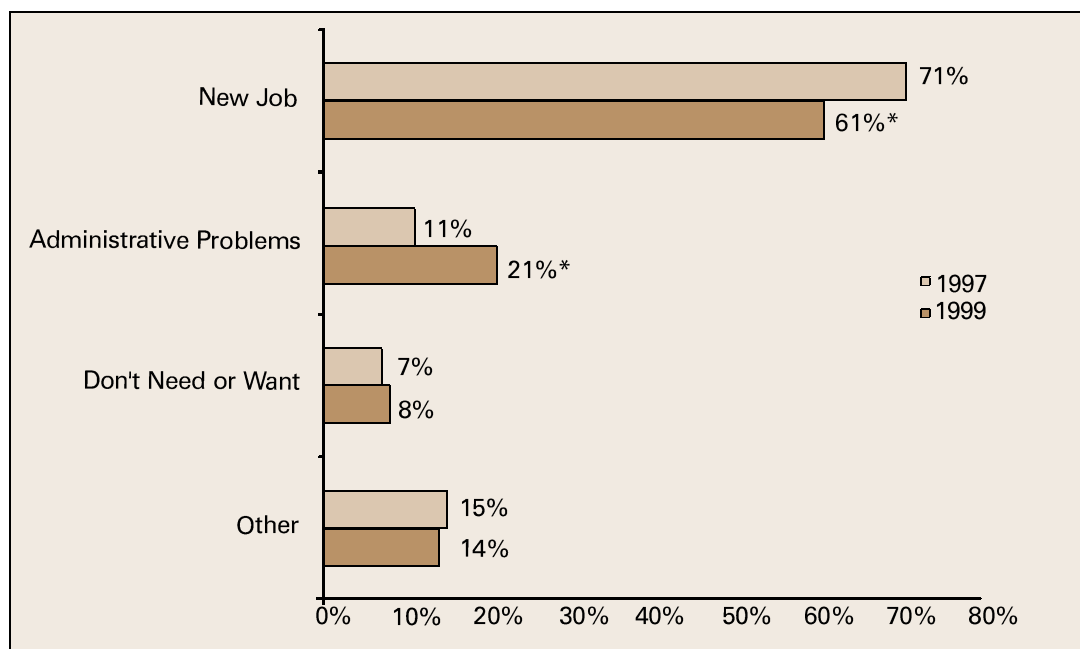
Source: The Urban Institute, based on the 1997 and 1999 National Survey of America's Families.

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

a. Includes only former welfare families that are eligible for food stamps on the basis of their income.

b. See text for definition of income.

FIGURE 3. All Former Welfare Families That Left Food Stamps: Self-Reported Reasons for Leaving, 1997 vs. 1999



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

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

any of the income categories. As we found in 1997, families that left welfare with current incomes below 50 percent of the poverty level have surprisingly low rates of participation in the FSP. Only half participated in the program, even though potential benefits for families in this income range are significant.

Why Did Families Say They Left Food Stamps?

As in 1997, the majority of former welfare families reported leaving the FSP in 1999 because of a new job or increased earnings (figure 3). However, significantly fewer families gave this reason in 1999 than in 1997 (61 percent vs. 71 percent). Significantly more families reported leaving the program because of administrative problems or hassles in 1999 than in 1997 (21 percent vs. 11 percent).⁵ Moreover, additional analysis showed that families with incomes below the poverty level were almost twice as likely to report administrative reasons for leaving in 1999 compared with 1997 (30 percent vs. 17 percent). Contrary to hopes that more welfare leavers would continue to collect food stamp benefits, families found it more dif-

ficult to remain connected to the FSP in 1999 than in 1997.

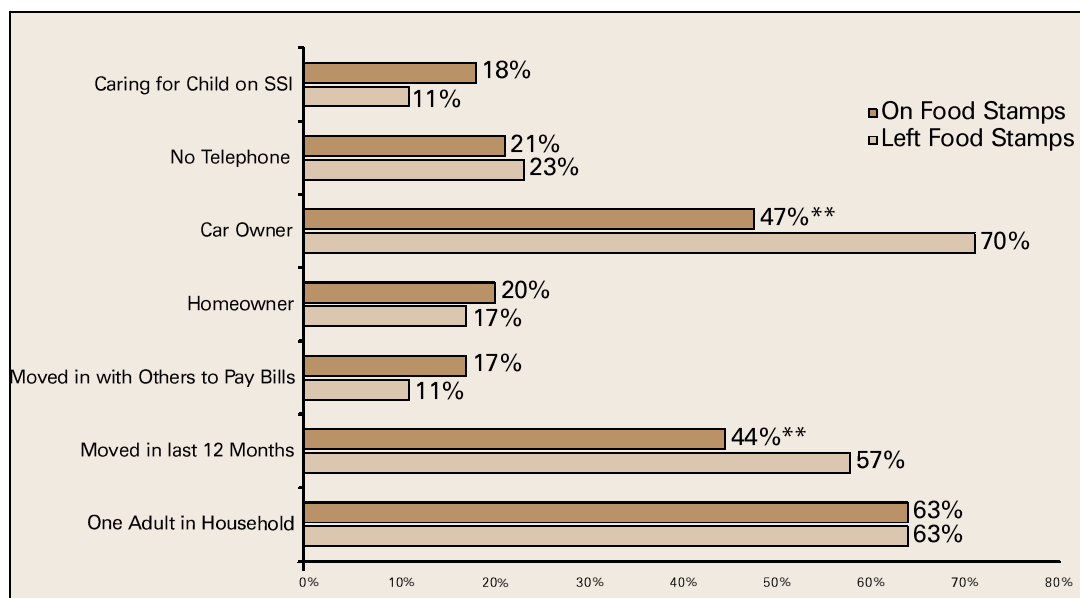
What Are the Characteristics of Families That Left?

Do families that left welfare *and* the FSP differ in other ways from those that continued to receive food stamps? For example, are they more likely to have assets that limit their eligibility, or personal barriers such as low education, very poor health, or language difficulties that could lower participation? We examine these questions by focusing on families with incomes below the poverty level because they fall more clearly into an income range that would potentially make them eligible for a significant food stamp benefit.

The only significant differences between former welfare families that left the FSP and those that stayed were car ownership and having moved in the last 12 months (figure 4). Seventy percent of families that left the FSP 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 the value of their car. However,

Families found it more difficult to remain connected to the Food Stamp Program in 1999 than in 1997.

FIGURE 4. Characteristics of Welfare Leaver Families with Estimated Income below 100% of the Poverty Level, by Current Food Stamp Status^a



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

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

a. See text for definition of income.

this result was still valid after controlling for income, indicating that car ownership was not a proxy for higher income levels.⁶ Fifty-seven percent of those that left the FSP had moved in the past year, compared with 44 percent of those that stayed on the program. Disruption in benefits as a result of an in-state move can occur if the recipient does not request that his or her caseworker transfer the case to the welfare office in the new county of residence, and an out-of-state move requires an application in a new welfare office.⁷

Adults in former welfare families that left the FSP were not significantly different from those that stayed (figure 5). However, the differences across the set of characteristics suggest that those who left the FSP were somewhat more able than those who stayed. For example, adults in these families were more likely to be working full time (26 vs. 17 percent). The respondents who left the program also were less likely to have dropped out of high school than those who stayed (31 percent vs. 43 percent), and fewer reported very poor health.⁸

Policy Implications

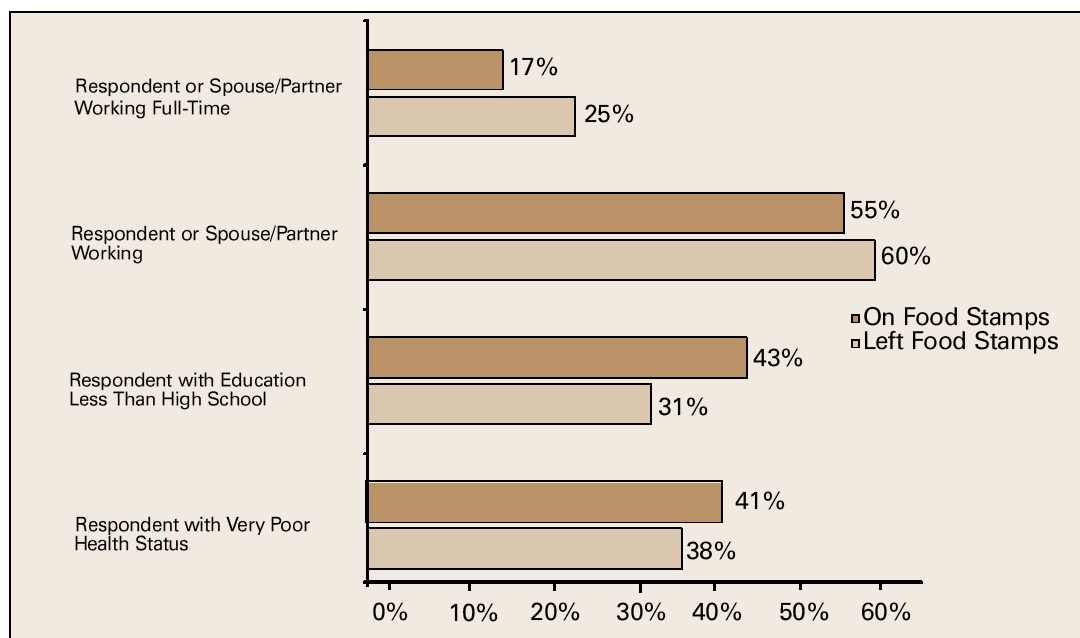
Our results show that the exodus of former welfare families from the Food Stamp

Program rolls continued into 1999. Families that left welfare were more likely to leave the FSP than were families with children that had not been on welfare, especially at low income levels. Despite the significant income supplement offered by food stamps, only about half of former welfare families with estimated incomes less than 50 percent of the poverty level received food stamps. Former welfare families were more likely to report leaving the FSP for administrative reasons in 1999 than in 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 past year than those that 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 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 allowable value of the car owned by food stamp enrollees or even

The only significant differences between former welfare families that left [the program] and those that stayed were car ownership and having moved in the last 12 months.

FIGURE 5. *Characteristics of Adults in Families That Left Welfare with Estimated Income below 100% of the Federal Poverty Level: Food Stamps Leavers vs. Currently on Food Stamps,^a by Current Food Stamp Status*



Source: The Urban Institute, results from the 1997 and 1999 National Survey of America's Families.
a. See text for definition of income.

New regulations will allow states to make it easier for families with earnings to continue their benefits.

eliminate the vehicle test may help families leaving welfare to maintain eligibility.⁹ This will make it easier for states to administer the program and to coordinate the vehicle test with other low-income assistance programs. Because all of the additional cost will fall on the federal government, there are significant incentives for states to increase the limit or eliminate the test.

New regulations will allow states to make it easier for families with earnings to continue their benefits. States can guarantee a three-month period of benefits for families leaving welfare for work, and they can establish eligibility for up to six months.¹⁰ The changes allow states to slightly relax their oversight of FSP error rates for working families and reduce reporting hassles for participants. For example, states can freeze a household's benefits and eliminate families' reporting requirements for six months at a time and states will not be held liable if a family fails to report changes that would make them ineligible for benefits during that period.

It is also likely that program participation would increase if states changed certain administrative practices. Recent stud-

ies have pointed out a number of practices that potentially create barriers to participation.¹¹ Food stamp sanctions with limited opportunity for conciliation, limited information about food stamp eligibility, the lack of coordination between TANF and food stamp certification, and the common practice of automatically canceling food stamps when families fail to appear for TANF recertification were all cited in some of the offices included in these studies (see endnote 11). Other administrative changes that would make the application and recertification process easier for the working poor would include extending welfare office hours beyond the normal workday and stationing eligibility workers at other local social service offices.

Outreach and education are critical for increasing FSP participation. The federal government offers states matching funds for outreach activities; nine states applied for these funds in 1999. States can also use their TANF maintenance-of-effort monies for this purpose. States need to reach out to families that left welfare to inform them of their potential eligibility for food stamps; some states already have implemented new procedures to check back with welfare leavers. To ensure that new policies effec-

tively increase program participation, families will also need to be informed about changes in the Food Stamp Program as states adopt new limits on the value of vehicles and longer certification periods.

Endnotes

1. See, for example, Zedlewski and Brauner (1999), Wilde et al. (2000), and Acs and Loprest (2000).
2. See Dean Brick et al. (1999) for a complete description of the NSAF survey methods and data reliability.
3. About 75 percent of food stamps currently are issued through an EBT system. As of October 2000, 34 states plus the District of Columbia had fully implemented EBT. All states must have EBT systems fully operational by 2002.
4. The NSAF, like many household surveys focused on estimating poverty, asked a full battery of questions about income received in the previous year. We estimated total current income as average monthly current earnings plus other relatively stable sources of income (child support, Supplemental Security Income, Social Security, pensions, and asset income) received during the previous year, adjusted to reflect 1999 monthly values. To the extent that families began receiving new sources of 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 much. (Families that left the FSP rely mostly on what they earn.)
5. Administrative reasons for leaving Food Stamps include responses such as "too frustrating," "too much hassle," "didn't follow program rules," "end of time limit," and "administrative mix-up."
6. That is, we ran regressions that predicted leaving the FSP, given income level and car ownership.
7. The NSAF asked families that moved whether they moved from another state; about 80 percent of former welfare families reported in-state moves.
8. This measure of health indicates whether the adult scored in the bottom 10th percentile on a five-point mental health scale or reported that his or her health limited work options.
9. See H.R. 5426, Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2001. The legislation allows states to set their own limits on the allowable fair market value of a vehicle owned by the family, and new allowances take effect on July 1, 2001.
10. 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.)
11. See USDA (2001) and Quint and Widom (2001).

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This series presents findings from the 1997 and 1999 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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