INTRODUCTION

In this report, we use a longitudinal microsimulation model known as MATH STEWARD (Micro Analysis of Transfers to Households/Simulation of Trends in Employment, Welfare, and Related Dynamics)[1] to explore how state welfare reform and economic changes between 1992 and 1998 might have affected the Food Stamp Program (FSP). We also simulate how an economic recession might affect food stamp outcomes in the near future.

Our major conclusions are the following:

- For the nation as a whole, our preferred model of program participation and labor supply was able to simulate slightly over half of the reductions in FSP caseloads and costs between December 1992 and December 1998.
- Of the simulated reductions in food stamp caseloads and costs, about one-third could be attributed to changes in state welfare and child care policies, and about two-thirds could be attributed to changes in state unemployment rates.
- Of all the welfare reform policies introduced by states, strict time limits on Temporary Assistance to Needy Families (TANF) grants were most strongly associated with simulated reductions in FSP participation and costs.
- Lower unemployment rates contributed the most to reductions in simulated food stamp participation in states with the largest declines in unemployment and in states with relatively generous TANF programs.
- In a future recession similar to the 1990-1992 recession, food stamp caseloads are simulated to increase by about 11 percent, and simulated food stamp costs are simulated to increase by about 13 percent.

The report has five chapters. In Chapter I, we summarize major developments during the 1990s, including an economic expansion and changes in welfare and food stamp policies. We also describe recent efforts to determine the underlying causes of declines in welfare and food stamp caseloads during the 1990s. In Chapter II, we justify the use of microsimulation to

investigate the effects of unemployment rate changes on food stamp caseloads, and we also describe major features of the MATH STEWARD model. In Chapter III, we describe the simulated consequences of state welfare reform on FSP participation and costs and on the characteristics of FSP recipients. In Chapter IV, we describe the extent to which changes in unemployment rates were responsible for simulated changes in food stamp outcomes between 1992 and 1998. In Chapter V, we describe the simulated consequences of a future recession on food stamp outcomes. Appendix A describes sensitivity analyses involving different versions of the MATH STEWARD model; Appendix B describes the behavioral equations used in these alternative versions of the model; and Appendix C provides some additional evidence on food stamp participation trend during the 1990s.

[1]MATH is a registered name of Mathematica Policy Research, Inc.