



E-FAN-02-008

March 2002

Explaining Recent Trends in Food Stamp Program Caseloads

Final Report

Robert Kornfeld, Abt Associates Inc.

ERS contact: Parke Wilde

Abstract

This report provides the results of a study on the effects of changes in the economy and recent policy changes on trends in food stamp caseloads during 1987-99 and seeks to account for the sharp decline in caseloads after 1994. The study analyzed food stamp receipt among different types of households, such as single- and multiple-adult households with children and adults and elderly persons living separately. The study found that the economy and recent policy changes affected different types of households in different ways. The economy had an especially strong effect on caseloads from multiple-adult households with children and on adults living separately. The economy explains at least 20 percent of the food stamp caseload decline between 1994 and 1999. Changes in several measures of specific components of Temporary Assistance for Needy Families (TANF) account for another 21 percent. Restricted eligibility for noncitizens and adults without dependents could account for perhaps 10 percent. While most of the findings appear robust, some findings should be viewed with caution. The estimated effects of TANF are sensitive to the inclusion of additional controls for other factors that may also influence caseloads. Furthermore, some estimated effects of TANF policies appear to persist among households that do not include children, even though this program principally serves households with children.

This report was prepared by Abt Associates Inc., under a cooperative assistance agreement from the Economic Research Service. The views expressed are those of the author and not necessarily those of ERS or USDA.

Abstract

This report analyzes the possible effects of the economy and recent policy changes on trends in food stamp caseloads from 1987-1999, and seeks to account for the sharp decline in caseloads after 1994. The report studies food stamp receipt among different types of households – such as single- and multiple-adult households with children, and adults and elderly persons living separately –because recent policy changes probably had different impacts on different types of households. The proportion of the population receiving food stamps is estimated for each type of household and for each state and year from 1987 to 1999, using administrative data on food stamp participants and population data from the Current Population Survey. This report analyzes the relationship between these measures of caseloads and measures of economic trends and policy changes, taking advantage of the “natural experiment” provided by variation in policy changes across states and over time.

The main findings, which are estimated using minimal controls for other potential determinants of food stamp receipt, confirm that different types of households were affected in different ways by the economy and policy changes. The economy has an especially strong effect on caseloads from multiple adult households with children and adults living separately. Shorter recertification periods also reduce food stamp caseloads from these two types of households, which include many working poor food stamp participants. TANF sanctions reduce caseloads from households with children, and Electronic Benefits Transfer (EBT) systems increase caseloads. The main findings indicate that the economy explains at least 19 percent of the total caseload decline from 1994 to 1999, FSP reporting requirements explain another 8 percent of the decline, and several measures of specific components of TANF plans together account for another 21 percent of the decline. Restricted eligibility for non-citizens and adults without dependents could account for perhaps 10 percent of the decline. These main findings should, however, be viewed with caution because the estimated effects of TANF are sensitive to the inclusion of additional controls for other factors that may also influence caseloads, and because some of the estimated effects of TANF policies persist among households that do not include children. These findings show that it is not easy to separate the effects of policy changes and other factors on caseloads trends in the late 1990s. The results nevertheless indicate the recent policy changes may account for some of the recent food stamp caseload decline.

Acknowledgments

This report could not have been completed without the assistance of many people. Foremost is Parke Wilde of the Economic Research Service of the USDA. Parke supervised this project with considerable patience and provided numerous helpful analytic insights as well as many valuable comments about earlier drafts. Additional helpful advice was provided by Margaret Andrews, Craig Gundersen, Laura Tiehen, and Mark Nord of ERS; and Theodore Macaluso of the Food and Nutrition Service of the USDA. Nancy Burstein of Abt Associates, Inc. also provided helpful advice and edited and greatly improved the final version of the report. USDA provided the administrative data used in this report, and the staff of the Council of Economic Advisers provided useful data from their previous study of AFDC and TANF caseloads.

Contents

Executive Summary	i
1: Introduction	1-1
1.1: The Food Stamp Program: Eligibility and Benefits.....	1-2
1.2: Recent Trends in Food Stamp Caseloads	1-4
1.3: Organization of this Report	1-6
2: The Policy Context	2-1
2.1: AFDC and TANF	2-1
2.2: Non-citizens.....	2-4
2.3: Able-Bodied Adults without Dependents	2-5
2.4: Food Stamp Program Administration	2-6
2.5: Other Policy Changes	2-8
2.6: Conclusion	2-10
3: Trends in Food Stamp Caseloads, 1987-1999	3-1
3.1: FSP Caseload Trends by Type of Household	3-2
3.2: Households with Non-citizens	3-5
3.3 Single Adults with Children.....	3-11
3.4: Multiple Adults with Children.....	3-13
3.5: Adults Living Separately	3-15
3.6: Other Types of Households	3-17
3.7: Summary.....	3-18
4: Recent Research on Food Stamp and TANF Receipt	4-1
4.1: Studies of the Determinants of Food Stamp Receipt	4-1
4.2: Studies of AFDC and TANF Receipt Using Panel Data.....	4-8
4.3: Other Recent Research.....	4-9
4.4: Conclusion.....	4-11
5: Estimating the Effects of Policies and the Economy on FSP Caseloads	5-1
5.1: Basic Model of FSP Caseloads	5-1
5.2: Measuring Changes in State AFDC/TANF Policies	5-6
5.3: Alternative Models and Policy Measures	5-11
5.4: Summary and Key Issues	5-16
6: The Effects of Economic Trends and Policy Changes on FSP Caseloads	6-1
6.1: Main Findings	6-2
6.2: Alternative Models of FSP Caseloads	6-7
6.3 Summary of the Effects of the Economy and Specific Policies on FSP Caseloads from Different Types of Households	6-14

6.4: Results Based on Other Measures of Policies	6-18
6.5: Some Conclusions	6-19
7. Explaining Recent Declines in FSP Caseloads.....	7-1
7.1: Estimating the Effects of Policies and the Economy on Caseload Decline	7-1
7.2: Main Findings	7-3
7.3: Results Based on Other Models	7-7
7.4: PRWORA's Rules for Non-citizens and ABAWDs	7-9
7.5: Conclusions	7-12

Tables and Figures

Figure ES-1: FSP Participants by Type of Household, 1994.....	v
Table ES-1: Summary of Trends in the Number of FSP Participants.....	v
Table ES-2: Proportion of the 1994-99 Decline in FSP Caseloads Explained by Economic Trends and Policy Changes	xiii
Figure 1-1: Food Stamp Program Participants, 1980-1999.....	1-4
Figure 3-1: FSP Participants by Type of Household, 1994	3-4
Table 3-1: Summary of Trends in the Number of FSP Participants.....	3-4
Table 3-2: Summary of Population Trends, by Type of Household	3-5
Figure 3-2: Non-citizen Food Stamp Participants, 1987-1999.....	3-6
Figure 3-3: Percentage of FSP Participants in Households with Non-citizen Participants, by Household Type, 1994	3-7
Table 3-3: Trends in the Number of Food Stamp Participants in Households with and without Non-citizens	3-9
Figure 3-4: Food Stamp Participants, 1987-1999: Single Adults with Children, Households without Non-citizens	3-12
Table 3-4: FSP Participants in Households with Single Adults with Children, Households without Non-citizens	3-12
Figure 3-5: Food Stamp Participants, 1987-1999: Multiple Adults with Children, Households without Non-citizens	3-14
Table 3-5: FSP Participants in Households with Multiple Adults with Children.....	3-14
Figure 3-6: Food Stamp Participants, 1987-1999: Adults Living Separately, Households without Non-citizens	3-16
Table 3-6: FSP Participants in Households with Adults Living Separately.....	3-16
Figure 3-7: Food Stamp Participants, 1987-1999: Other Types of Households	3-18
Table 4-1: Some Studies of Food Stamp Program Caseloads.....	4-2
Table 5-1: Measures of FSP Caseloads	5-1

Table 5-2: Means of Important Measures of Policy Changes, Economic Trends, and Other Variables	5-7
Table 6-1: Estimated Effects of Economic Trends and Policy Changes on FSP Caseloads: Main Findings.....	6-24
Table 6-2: Effects of Economic Trends and Policy Changes on FSP Caseloads, Estimated Using Additional Economic Controls	6-25
Table 6-3: Effects of Economic Trends and Policy Changes on FSP Caseloads, Estimated Using Additional Controls for Economic, Demographic, and Political Trends	6-26
Table 6-4: Effects of Economic Trends and Policy Changes on FSP Caseloads, Estimated Using All Additional Controls and State Time Trends	6-27
Table 6-5: Effects of Economic Trends and Policy Changes on FSP Caseloads, Estimated Using All Additional Controls, State Time Trends, and Lagged Caseloads	6-28
Table 6-6: Effects of Economic Trends and Policy Changes on FSP Caseloads, Estimated Using An Alternative Measure of Caseloads Based on the Population of Relevant Age	6-29
Table 6-7: Effects of Economic Trends and Policy Changes on FSP Caseloads, Estimated Using All Additional Controls, State Time Trends, Lagged Caseloads, and an Alternative Measure of Caseloads Based on the Population of Relevant Age	6-30
Table 6-8: Effects of Economic Trends and Policy Changes on FSP Caseloads, Estimated Using An Alternative Measure of Caseloads Equal to the Number of Participants in Households without Non-citizens	6-31
Table 7-1: Proportion of the 1996-1999 Decline in FSP Caseloads Explained by Economic Trends and Policy Changes	7-4
Table 7-2: Proportion of the 1994-1999 Decline in FSP Caseloads Explained by Economic Trends and Policy Changes	7-6
Table 7-3: Proportion of the 1994-1999 Decline in FSP Caseloads Explained by Economic Trends and Policy Changes, Using Alternative Models.....	7-8

Executive Summary

The recent, rapid decline in the number of participants in the Food Stamp Program (FSP) has led to renewed interest in understanding what causes these caseloads to rise and fall. Both the strong U.S. economy and numerous policy changes played some role in reducing caseloads, but the relative importance of economic trends and each policy change is unclear. In the debate over the reauthorization of PRWORA, understanding the reasons for this decline in caseloads is potentially important for designing policies to improve program accessibility, a key issue because the number of eligible non-participants appears to have increased from 1994-1999 (USDA, 2001). Explaining trends in food stamp caseloads is challenging, however, in part because the FSP serves so many different types of households that were affected in different ways by recent policy changes.

This report analyzes how policy changes and economic factors may have affected food stamp caseloads from different types of households from 1987-1999. The types of households consist of:

- single adults with at least one child;
- multiple adults with at least one child;
- one or more adults living separately, without children or elderly persons;
- one or more elderly persons living separately, without children or adults;
- elderly persons living with adults or children; and
- child-only units (child food stamp recipients with ineligible guardians).

This report differs from other recent studies in that it uses administrative data on FSP participants in these types of households to analyze the proportion of the population that uses food stamps. The FSP Quality Control (QC) Data, an annual administrative database with information on about 50,000 FSP households, are used to estimate the number of participants in each type of household and by year and state. The Current Population Survey (CPS), a large survey of households, provides estimates of the population in specific households by year and by state.

Recent Policy Changes

A wide range of recent policy changes may have affected recent trends in FSP caseloads. Because the FSP provides benefits for so many different types of households, changes in virtually any public assistance program for low-income persons could also affect food stamp receipt. The potential effects of each these policy changes are likely to vary considerably across different types of households.

AFDC and TANF: The Personal Responsibility and Work Opportunity and Reconciliation Act of 1996 (PRWORA) replaced the Aid to Families with Dependent Children (AFDC) program with Temporary Assistance for Needy Families (TANF), which places greater emphasis on increasing earnings and reducing welfare dependence. The rules of TANF include the following:¹

- States must achieve minimum rates of participation in work and work-related activities.
- All states must impose a 5-year lifetime time limit on federal cash assistance, and may impose time limits on cash assistance that are less than 5 years. These time limits may trigger benefit termination, benefit reduction, or work requirements.
- States must impose at least partial sanctions for noncompliance with program requirements, and may impose full family sanctions. Sanctions under AFDC were typically milder.
- Under comparable disqualification, TANF sanctions directly reduce food stamp benefits, and several states have declared the entire household ineligible for food stamps when one member is in violation of TANF work requirements.²
- States may implement family caps that either eliminate or reduce additional TANF benefits for children who were conceived while the mother was receiving TANF.
- States may increase the level of earnings that is disregarded for the purpose of benefit determination, and allow families to keep more of their earnings.

During the years before PRWORA, states were also given waivers to change policies, and several states experimented with stronger work requirements, sanctions, and other program innovations.

The new rules of PRWORA and TANF were expected to reduce food stamp receipt as well as TANF receipt among households with adults and children. TANF may have encouraged families with children to increase their earned income by enough to make them ineligible for food stamps as well as TANF. Under comparable disqualification, some families lost food stamp benefits directly as a result of TANF sanctions. Other families that lost TANF benefits because of sanctions, time limits, or difficult work requirements may have left the FSP because they decided that the stigma and reporting burdens of welfare are worth bearing to receive both TANF and food stamps, but not food stamps alone. Some TANF leavers may not have been aware that they remained eligible for food stamps.

For other reasons, however, the ultimate effect of TANF on FSP caseloads may have been limited. Families that left TANF because of sanctions, time limits, and modest increases in earnings often still

¹ Early summaries of the rules of TANF can be found in Crouse (1999) and Gallagher et al (1998).

² GAO (2000)

qualified for food stamps. A study of AFDC and TANF leavers based on the National Survey of America's Families (Loprest, 2001) found that 29-31 percent of former AFDC/TANF recipients continued to receive food stamps. Some adults with disabilities may have left TANF for a combination of food stamps and Supplemental Security Income (SSI), the federal program for low-income persons with disabilities (Karoly, Klerman, and Rogowski, 2001). With the strong economy, many families were able to find jobs and leave TANF quickly, before the new rules had any effects.

Non-citizens and adults without dependents: PRWORA introduced new rules that reduced food stamp receipt for at least some persons in these two groups. PRWORA disqualified many non-citizens from the FSP. PRWORA also imposed a work requirement on able-bodied adults without dependents (ABAWDs), who are childless, non-disabled FSP participants between the ages of 18 and 49. Individuals subject to, but not meeting, the work requirement can receive food stamp benefits for only three months in a 36-month period.

Administrative features of the FSP: Reporting requirements encouraged by the Quality Control system may also have contributed to the recent caseload decline (Greenstein and Guyer, 2001). Some states tried to reduce error rates by requiring more information from participant households and by shortening recertification periods. Some working households may have responded to these additional reporting requirements by leaving the FSP. At the same time, the introduction of electronic benefits transfer (EBT) cards in the 1990s may have increased participation. EBT systems can make food stamps easier to use and reduce stigma, although some may be uncomfortable with the technology.

The EITC and the minimum wage: By increasing employment and probably earnings of low-income households, these policy changes may have hastened the departure from the FSP of some households, including eligible households eager to leave the program because of its stigma or reporting requirements.

Public health insurance: Expanded Medicaid eligibility, Transitional Medical Assistance (TMA) for families leaving welfare for work, and S-CHIP, a program that sought to insure children in working poor families, all could have increased or reduced food stamp receipt. By encouraging work, these programs could have encouraged some families to reduce reliance on both AFDC/TANF and food stamps. Expanded eligibility for public health insurance could have also increased food stamp receipt because some families may have learned about their eligibility for food stamps while enrolling in these health insurance programs.

The SSI program: The Supplemental Security Income (SSI) program may also have affected food stamp usage. In part because of changes in program rules, the number of child and adult recipients of SSI grew rapidly from 1982 to 1995. PRWORA reversed this trend and restricted eligibility for the program by narrowing the criteria for eligibility and by denying eligibility to many non-citizens. Increases in SSI receipt before PRWORA could have led to increases in food stamp receipt because some may have learned about food stamps through SSI. Similarly, declines in SSI receipt after PRWORA may have reduced food stamp receipt. The SSI program could also have limited the effect of TANF provisions on food stamp caseloads because some TANF recipients with disabilities may have chosen to escape the requirements of TANF by using a combination of food stamps and SSI.

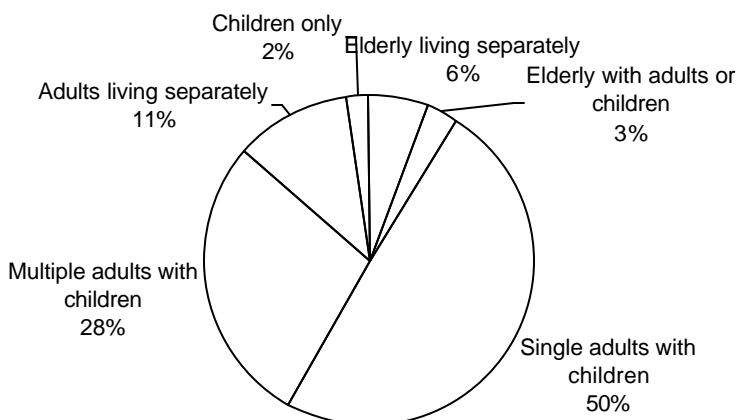
Recent Caseload Trends

FSP participants include persons from several types of households (Figure ES-1). In 1994, the year in which the number of FSP participants peaked in the 1990s, about half of FSP participants³ were in households that consisted of a single adult and at least one child. Another 28 percent of participants were in households that consisted of more than one adult and one or more children. Two percent of participants were children in “child-only” units that consisted of child participants and guardians who were not certified to receive food stamps. Another three percent of participants lived in households in which an elderly person resided with either children or adults or both. Adults living separately, without children or elderly persons present, accounted for another 11 percent of participants. Six percent of FSP participants were elderly persons living without adults or children.

The numbers of FSP participants in each of these major types of households have displayed unique trends (Table ES-1). These varied trends, and the wide range of policies that could have affected each of these groups of food stamp recipients, underscore the need to conduct separate analyses of the determinants of trends in caseloads from different households. For several groups, the annual rate of decline in the number of participants was far more rapid from 1996-1999 than from 1994-1996, even though the economy was steadily improving throughout this period. This especially rapid decline after 1996 suggests (but does not by itself prove) that PRWORA and TANF could have played a role in reducing FSP receipt.

³ Throughout this report, “FSP participants” are those reported as certified to receive benefits in the QC administrative data. These persons are members of the “food stamp unit.” Food stamp households include members of the unit and possibly additional persons who are ineligible for food stamps. In this report, food stamp households are classified into the categories in Figure ES-1 based on the number and ages of participants.

Figure ES-1: FSP Participants by Type of Household, 1994



**Table ES-1
Summary of Trends in the Number of FSP Participants**

Type of Household	Percentage change in the number of FSP participants			Percentage of the 1996-99 change in the total number of participants
	1989-94	1994-96	1996-99	
All FSP Households	47.8%	-7.5%	-30.0%	100.0%
Single adults with children	51.9%	-6.2%	-30.6%	50.9%
Multiple adults with children	42.8%	-13.5%	-39.2%	34.7%
Adults living separately	58.5%	-2.6%	-29.4%	11.6%
Elderly living separately	27.5%	-1.1%	-8.3%	1.7%
Elderly living with adults or children	8.9%	-14.2%	-24.4%	2.2%
Children only	147.9%	6.9%	14.7%	-1.3%

Source: FSP-QC data

Households are classified as consisting of single- and multiple-adult households with children, adults or elderly living separately, elderly living with others, or children only based on the participants in the household. The last column is equal to the change in the number of participants in each category divided by the change in the total number of participants.

The non-citizen rules of PRWORA can account for a limited share of the aggregate FSP caseload decline after 1996. Only about 7 percent of FSP participants were non-citizens in the years just before PRWORA. From 1996 to 1999, the number of food stamp participants who were non-citizens fell by about 60 percent – a rate of decline that was about twice the rate of decline in the number of food stamp participants who were citizens. PRWORA clearly played at least some role in reducing the number of these non-citizen FSP participants. Only about 15 percent of the decline in the total number of FSP participants from 1996 to 1999, however, is due to the decline in the number of non-citizen participants.

The share of the recent caseload decline that is accounted for by the decline in the number of non-citizen participants varies by type of household. The decline in the number of non-citizen participants after 1996 accounts for 9 percent of the decline in caseloads from households with single adults and children and less than 20 percent of the decline in caseloads from households with multiple adults and children and with adults living separately. The decline in the number of non-citizen participants after 1996 accounts for one-third of the decline among elderly persons living with others, and over 80 percent of the decline among elderly persons living separately. These figures exaggerate the impact of the non-citizen rules on caseloads because economic trends and other changes could also explain some of the decline in caseloads from households with non-citizens.

Assessing the impact of the non-citizen rules on caseloads is further complicated by the fact that most FSP households with non-citizen participants also included participants who were citizens. Consequently, the total effect of the non-citizen rules of PRWORA on food stamp caseloads depends partly on whether the citizens in households with non-citizens continued to receive food stamps. Many of these citizens were children living with non-citizen guardians. Among all FSP households, and several types of households, the number of citizen participants in households *with* non-citizens fell at a much faster rate than the number of citizen participants in households *without* non-citizens. This finding suggests that the non-citizen rules of PRWORA could have encouraged some citizens in households with non-citizens to leave the FSP.

Another post-PRWORA trend among households with non-citizens is that the number of child FSP participants in child-only units with ineligible non-citizens guardians rose sharply from 1996-1999. The rules for non-citizens apparently caused this sharp increase, which did not appear among households consisting of only citizens. Despite this trend, the total number of children in households with non-citizens that received food stamps declined markedly after PRWORA. In sum, these trends⁴ together suggest that the non-citizen rules played at least some role in reducing caseloads.

An examination of simple caseload trends alone provides unclear evidence about the possible effects of TANF. In 1996, about half of FSP participants that included only citizens lived in households that received TANF benefits. The number of persons receiving both food stamps and TANF (without SSI or disability benefits) fell by about 50 percent from 1996 to 1999. These outcomes suggest that TANF policies could have played a major role in the recent FSP caseload decline, but the economy and several other policies could also have played a role. Among households with single adults and

⁴ *The Decline in Food Stamp Participation: A Report to Congress* (USDA, 2001) also analyzed QC data and documented many of these trends in FSP caseloads from households with non-citizens.

children (and without non-citizens), the number of persons receiving food stamps with neither TANF nor Social Security income actually rose by 7 percent from 1996 to 1999. This increase suggests that the effect of TANF on FSP caseloads from this group was to some extent limited because some TANF leavers continued to receive food stamps.

The potential effects of recent policy changes on adults and elderly persons living separately can account for a very limited proportion of the entire caseload decline. The impact of the ABAWD rules on aggregate caseload trends was limited because only about 11 percent of the caseload in 1994 consisted of adults living separately. At most, only about 5 percent of FSP participants were subject to the ABAWD rules. Many adults met the work requirement, left the FSP because of the strong economy, or had a disability or received other exemptions from the ABAWD work requirement.⁵ The number of food stamp participants who were elderly persons not living with adults or children changed very little after 1996. Most recent policy changes except for the non-citizen rules did not apply to these elderly persons. Trends in the number of elderly participants are explained by long-term demographic trends in addition to current economic conditions or recent policy changes.

Estimating the Effects of Policies and the Economy on Caseloads

This report analyzes trends in food stamp caseloads for each of the 51 “states” (including DC) and for each fiscal year from 1987 through 1999, the years in which FSP-QC data are available. The main findings are based on an analysis of estimated number of participants as a percentage of the estimated population in similar types of households, such as single adult households with children. Aggregate caseloads are estimated as the total number of participants divided by the total population. The analysis examines 663 observations of these caseload measures, one from each of the 51 states and from each of 13 years. This report does not analyze FSP “participation rates,” usually defined as the number of participants as a percentage of persons eligible for food stamps, because it is of interest to estimate the total effect of economic and policy changes on the proportion of persons who are both eligible for food stamps and choose to receive them.

The main findings are obtained using a simple statistical model that estimates the effects of measures of economic trends and policy changes on these measures of FSP caseloads. This basic model employs a minimum number of controls for factors other than unemployment rates and policy changes because of concern that real effects of policies may be obscured by the inclusion of measures

⁵ Staviranos, Cody, and Lewis (1997) also show that only about 5 percent of the caseload was initially subject to the ABAWD rules.

of other factors that also happen to be correlated with the timing of recent policy changes. The basic model includes the following variables:

- Current unemployment rates for each state and fiscal year measure the state of the economy.
- An indicator variable measures the presence of a statewide EBT system.
- The FSP error rate, calculated for each state and year, for each group of households analyzed, is included to estimate the potential effect of administrative requirements on FSP caseloads. Higher error rates are assumed to be correlated with less demanding administrative procedures and larger caseloads.
- The "frequent recertification rate," defined as the percentage of working FSP households with recertification periods that are no longer than 3 months, is included as an additional measure of reporting requirements.
- An indicator variable measures the time at which families first meet TANF time limits that result in benefit termination, benefit reduction, or new work requirements.
- An indicator variable measures the imposition of TANF family caps.
- The amount of earned income that is disregarded for the purpose of determining TANF benefit levels when a family earns \$750 is included as a measure of the extent to which TANF rules encourage work.
- Three indicator variables measure the imposition of partial TANF sanctions, delayed full family TANF sanctions, and immediate full family TANF sanctions;
- Two additional indicator variables measure the strongest form of comparable disqualification of food stamp benefits (in which the entire household is declared ineligible) and lifetime TANF sanctions.⁶

This strategy has some potential shortcomings. This model does not directly estimate the effects of several policies imposed at the national level, such as the non-citizen and ABAWD rules of PRWORA, the EITC, parts of TANF imposed nationwide, and changes in SSI and Medicaid. The policy variables cannot measure some important nuances of state TANF programs, such as the information and assistance given by local office staff, and the forcefulness of the "work first" message given to recipients. The estimated effects of policy variables could reflect the effects of these

⁶ The state fixed effects and year effects attempt to control for unmeasured, systematic variation in caseloads that could otherwise bias estimates of the effects of program and economic factors. State fixed effects control for enduring differences in caseloads across states. Without controls for these fixed effects, the model could overstate (understate) the impact of policy changes on caseloads declines if states with historically low (high) participation rates imposed these policy changes. With state fixed effects, the estimated effects of economic and policy measures do not take into account time-invariant, cross-state variation in caseloads. The coefficients of the year effects measure the effects of nationwide events not measured by the other independent variables, including nationwide policies such as changes in the EITC. With state and year effects, the economic and policy measures explain variation in caseloads that occurs over time and within states.

unmeasured factors, as well as the effects of unmeasured trends in demographic factors, attitudes, and the economy. The estimated effects of TANF policies could also reflect a tendency to implement some provisions in states in which caseloads are generally falling or rising unusually slowly or rapidly.

Despite these potential problems, this estimation strategy provides one of the best available ways to assess the critical question of how recent policy changes have affected food stamp caseloads. Other research methods, such as exit studies, random assignment studies in the few states that have permitted them, and implementation studies of local office operations all provide valuable information but do not by themselves provide an estimate of the effect of policies on aggregate, national FSP caseloads.

Main Findings

The results obtained using the procedure described above confirm that recent policy changes have had different effects on FSP caseloads from different types of households. These results also show that the rules of TANF and administrative features of the FSP can explain some of the recent declines in FSP caseloads. These findings should be qualified for two reasons. First, as this section explains, some of estimated effects of TANF rules such as sanctions persist among households that do not include children and would not receive TANF. Consequently, the estimated effects of some TANF rules could reflect the role of unmeasured economic, demographic, and other changes rather than TANF. Second, as the next section explains, some –but not all – of these estimated effects decline in size when additional controls for economic, demographic, and other changes are taken into account.

Economic trends have the largest effect on food stamp receipt of those in households consisting of multiple adults with children, adults living separately, and elderly persons living with others. A one-percentage-point increase in the unemployment rate is associated with a 4 percent increase in aggregate FSP caseloads, and a larger 67 percent increase in caseloads from these three types of households. These three groups of households include many non-disabled adults who receive neither TANF nor SSI, who need to work, and whose economic status is closely tied to current economic conditions. Economic trends are associated with a much smaller effect on food stamp receipt among elderly persons living separately, a group whose economic status is often based on lifetime income and other factors rather than current economic conditions. Surprisingly, when lagged unemployment rates are not taken into account, current unemployment has a negligible effect on FSP receipt among those in single adult households with children.

Statewide EBT systems increased FSP caseloads from households with adults and children, but lowered FSP receipt among elderly persons living separately. EBT systems are associated with a statistically significant 6 percent increase in aggregate FSP caseloads, but some elderly persons may have found EBT intimidating and difficult to use.

Higher food stamp error rates are associated with increases in FSP caseloads from households with multiple adults and children. A one-percentage point increase in error rates is associated with a 0.8 percent increase in caseloads from these households, which include many working adults who may be close to leaving the FSP and who could be pushed to leave by added reporting requirements. Higher error rates are unexpectedly associated with reduced FSP receipt among elderly persons living separately. This estimated effect may reflect factors other than administrative features.

Increases in the “frequent recertification rate” reduced caseloads from households consisting of multiple adults with children and adults living separately. A ten-percentage point increase in this rate is associated with a 2.3-2.4 percent decrease in FSP caseloads from these two groups of households, which include many working poor adults who may have found recertification difficult.

TANF time limits are associated with a 7 percent reduction in FSP caseloads from single adult households with children. Time limits had a statistically insignificant effect on FSP caseloads from multiple adult households with children, a group that is less likely to receive TANF. The TANF time limits also had little effect on FSP receipt among elderly living with others; this group includes some TANF recipients, but many may be exempt from time limits because of the presence of an elderly person. As expected, time limits had no effect on FSP receipt among elderly persons living separately. An unexpected finding is that TANF time limits are associated with reduced food stamp receipt among adults who live separately and who could not qualify for TANF.

Family benefit caps are associated with increases in FSP caseloads from households with children. It is possible that some benefit-capped households may require additional months of public assistance, including food stamp benefits, to acquire enough resources to become self-sufficient. Family caps are, however, also unexpectedly associated with increased food stamp receipt among adults who live separately.

Increases in the amount of earnings disregarded for the purpose of determining TANF benefit levels have mixed effects on FSP participation. In theory, increases in these earnings disregards could

increase or reduce FSP caseloads. A doubling (a 100 percent increase) in the amount of earnings that is disregarded leads to a 3 percent increase in aggregate FSP caseloads. Higher disregards are statistically linked to declines in FSP caseloads from single adult households with children, and increases in FSP caseloads from households consisting of multiple adults and children and elderly persons living with others. Increases in the earnings disregard are unexpectedly associated with increases in food stamp receipt among elderly persons living separately.

TANF sanctions for failure to comply with TANF work requirements reduced aggregate FSP caseloads. The evidence indicates that partial TANF sanctions, delayed full family sanctions, and immediate full family sanctions all reduced aggregate food stamp caseloads by 6 to 12 percent, relative to caseload sizes that would have appeared under the more lenient traditional rules of AFDC.

Partial TANF sanctions and comparable disqualification reduced FSP caseloads from single adult households with children. Delayed and immediate full family sanctions have no statistically significant effect on FSP caseloads from this group, even though these sanction policies reduce aggregate caseloads. It is possible that partial sanctions could have a greater effect on food stamp usage than full family sanctions if the former are more likely to be imposed or if local office staff are more diligent in helping families overcome full family sanctions than partial sanctions.

Partial TANF sanctions, full family TANF sanctions, and lifetime TANF sanctions reduced FSP caseloads from multiple adult households with children. The size of the effect on caseloads grows with the severity of the sanction. Multiple adult households with children include a greater share of more nearly work-ready adults who are close to leaving the FSP and can be more readily pushed to leave public assistance through additional program requirements. Lifetime full family TANF sanctions are associated with an additional 11 percent reduction in these FSP caseloads.

All of these measures of TANF sanctions have statistically insignificant effects on FSP caseloads from households consisting of elderly persons living with adults or children. Most of these households do not receive TANF. The TANF households in this group may have received exemptions from TANF sanctions because of the need to care for an elderly person. Surprisingly, several TANF sanction policies are associated with statistically significant, large declines in FSP receipt among adults or elderly persons living separately, without children.

Table ES-2
Proportion of the 1994-99 Decline in FSP Caseloads Explained by Economic Trends and Policy Changes

	All FSP Recipients	Single Adults with Children	Multiple Adults with Children	Adults Living Separately	Elderly Living Separately	Elderly with Adults/Children
<u>Percentage decline in caseloads, 1994-99</u>	-38.1	-38.8	-48.3	-37.8	-13.0	-37.3
<u>Percentage of these declines explained by</u>						
1. Economic trends	18.8	-2.7	37.0	39.3	71.6	62.1
2. EBT	-9.0	-14.3	-8.1	0.0	55.5	0.0
3. Error rates	1.1	0.0	4.0	0.0	-15.7	0.0
4. Frequent recertification	6.7	0.0	15.2	12.9	0.0	0.0
5. Time limits	5.1	10.1	0.0	--	--	0.0
6. Family cap	-10.5	-13.8	-7.9	--	--	-31.5
7. Earnings disregards	2.9	14.7	-10.7	--	--	-34.7
8. Sanctions	23.0	25.6	29.8	--	--	0.0
9. All TANF Policies (Sum of 5-8)	20.5	36.7	11.2	--	--	-66.2
10. All of these factors (1-8)	38.1	19.7	59.4	52.2	111.5	-4.1
11. Percentage of decline unexplained	61.9	80.3	40.6	47.8	-11.5	104.1
Total (Sum of 10-11)	100.0	100.0	100.0	100.0	100.0	100.0

These figures are based on the results shown in Table 6-1. The top row, "percentage decline in caseloads," is equal to the percentage decline in the ratio of the number of participants to the population in similar households (negative numbers are declines). The percentage of the actual decline in caseloads attributable to each variable (next rows) is equal to the estimated effect of each variable multiplied by the change in the mean of the each variable over these years, all divided by the actual percentage change in the caseload measure. When the percentage explained is less than zero, the economic or policy variable accounted for an increase rather than a decrease in caseloads. All coefficients of the economic variables (regardless of statistical significance) are used to obtain these results. Only coefficients that are statistically significant at the 10 percent level are used to calculate the change predicted by the other variables. Any estimated effects of TANF policy variables on households without children are not considered in these calculations.

Explaining recent caseload declines: According to these results, both economic trends and policy changes can explain a substantial share of the declines in FSP caseloads from 1994 to 1999. Policies and the economy contribute in different ways to the decline in FSP caseloads from each type of household. These results do not consider the unexpected effects of AFDC and TANF policies on households without children.

Single adults with children: Time limits, earnings disregards, and sanctions explain half of the decline in caseloads from these households. All measured AFDC and TANF policies explain about one-third of the decline because the effects of family caps offset the effects of time limits, disregards, and

sanctions. EBT increased caseloads from these households and partly offset the combined effect of all measured AFDC and TANF policies, so the total effects of all measured economic and policy factors explain about one-fifth of the 39 percent decline in caseloads from this group.

Multiple adults with children: For this group, the economy alone explains over one-third of the caseload decline from 1994 to 1999. The economy, reporting requirements, and TANF sanctions together account for 86 percent of the decline in caseloads from these households. EBT, family caps, and earnings disregards increased caseloads by about 27 percent. The estimated impacts of the measured AFDC and TANF policies offset one another to some extent but still explain about 11 percent of the decline in caseloads from these households. All measured economic and policy factors together account for 60 percent of the decline in caseloads from this group.

Elderly living with adults or children: Current unemployment rates explain almost two-thirds of the 1994-1999 decline in caseloads from these households, but family caps and earnings disregards increased caseloads by a similar amount. As a result, these factors together explain none of the 37 percent decline in the number of these participants.

Adults and elderly persons living separately: The economy and administrative features of the FSP explain a substantial share of declines in the number of these participants. Economic trends and shorter recertification periods account for 52 percent of the 1996-1999 decline in food stamp receipt among adults living separately. Economic trends and the effects of EBT account for more than the 13 percent decline in food stamp receipt among elderly persons living separately.

The combined effects of the measured policy and economic factors on each of these groups of households account for 38 percent of the decline in aggregate caseloads from 1994 to 1999. The estimated effect of each of these factors on aggregate caseloads is the weighted sum of the effects on each type of household; larger groups of participants receive greater weight. Based on this calculation, current unemployment rates explain about 19 percent of the decline in aggregate FSP caseloads from 1994 to 1999. Reporting requirements explain 8 percent of the decline, time limits and disregards explain 8 percent of the decline, and sanctions explain about one quarter of the decline. The effects of EBT and family caps offset these effects and increased aggregate caseloads. All AFDC and TANF policies together explain about one-fifth of the decline.

Findings Obtained Using Alternative Models

To explore the possible role of at least some of these factors, additional control variables were added to the basic model. These additional variables include:

- Lagged unemployment rates and employment growth rates;
- State minimum wages and the 20th percentile of weekly wages;
- Measures of demographic trends;
- Measures of political trends;
- State time trends intended to measure steady changes in FSP caseloads since the late 1980s, and lagged caseloads to incorporate the sluggish adjustment of caseloads over time.

The preferred model in this report omitted these additional variables because of concerns that they could “overcontrol” for trends in caseloads that were actually caused by policy changes that could be measured. Other similar studies prefer to include these additional variables because they could control for other factors that have truly affected FSP caseloads and that happen to be correlated with policy changes. The “natural experiment” provided by variation in policies, economic trends, and caseload trends across states and over time is highly informative but does not unambiguously distinguish the effects of the many factors that could affect caseloads and that were changing at about the same time. As a result, the choice of the “correct model” is unclear, although this study leans toward the simpler models.

When these additional controls are added to the model, many of the estimated effects of policies are remarkably persistent:

- The addition of lagged unemployment variables increases the effect of economic trends on caseloads. Caseloads from households consisting of multiple adults and children, adults living separately, and elderly living with others remain more cyclically sensitive than caseloads from other households. When lagged unemployment rates are considered, lower unemployment leads to decreases in caseloads from single adult households with children.
- In several models with additional control variables, EBT still increases FSP caseloads from households with adults and children.
- Higher error rates persistently reduce caseloads from multiple adult households with children.
- Shorter recertification periods continue to lower caseloads from households with multiple adults and children and adults living separately.
- TANF time limits continue to reduce caseloads from households with adults and children.

- In several models with additional control variables, comparable disqualification and partial sanctions reduce caseloads from single adult households with children, and lifetime sanctions and partial sanctions still reduce caseloads from multiple adult households with children.
- These additional variables also do not eliminate the unexpected effects of TANF policies on households without children.

Other findings change more substantially when other additional controls are taken into account. In models with state time trends, the effect of EBT on elderly persons living separately reverses, and EBT actually *increases* food stamp receipt for this group. The effect of EBT on households with adults and children is no longer statistically significant in the most complex model with lagged participation, state time trends, and all other variables. The estimated effects of family caps on households with adults and children decline sharply when additional controls are added. The total size of the estimated effects of sanctions on caseloads from multiple adult households with children also decline in the more complex models. When state time trends are added, some sanction policies are surprisingly associated with increases in caseloads. The sensitivity of some of these results to the use of additional variables indicates that it is difficult to distinguish the effects of policies and other simultaneous trends in the late 1990s.

Despite the sensitivity of these results, all models find that measured economic and policy factors can explain a substantial fraction of the decline in aggregate caseloads and caseloads from each type of household, although the role of each policy variables sometimes changes. As additional control variables are taken into account, the economy has a larger effect on caseloads, while EBT and family caps lead to smaller increases in caseloads, and time limits, reporting requirements, and sanctions still reduce caseloads. In the more complex models, all measured factors together explain 27 to 47 percent of the decline in caseloads from single adult households with children, 59-73 percent of the decline in caseloads from multiple adult households with children, and 49-54 percent of the decline in aggregate caseloads. PRWORA's rules for non-citizens and ABAWDs can explain perhaps an additional ten percent of the decline in aggregate caseloads.

Conclusions

These findings complement the findings of several other studies of FSP caseloads. This estimated effects of policies in this report are larger than those reported in Ziliak, Gundersen, and Figlio (2001) and Wallace and Blank (1999). Gleason et al (2001) found that a different set of measures of TANF rules -- strong, moderate, and weak work requirements of state AFDC and TANF policies -- explain only about 3 percent of the recent caseload decline. The study by Currie and Grogger (2001) also

examined the determinants of FSP caseloads for different types of households, but measured food stamp receipt using the Current Population Survey. Both this report and Currie and Grogger (2001) find that shorter recertification periods reduce caseloads. This report and Currie and Grogger (2001) differ in that the latter finds that a simple indicator variable for the implementation of TANF explains some of the decline in food stamp receipt, and that EBT only increases food stamp receipt among married couples without children. The use of different sources of information on food stamp receipt (survey or administrative data), different policy variables, and the analysis of different sets of years could explain these differences in findings.

Taken together, the results of this report are consistent with the view that policy changes have affected recent caseload trends. The evidence in favor of the contention that more reporting requirements reduce caseloads is especially persistent. The effects of EBT, sanctions, and time limits persist in many if not all of the more complex models with additional controls. One could interpret these estimated effects of TANF policy variables on households with children as genuine, even though some of these same policy measures have unexpected effects on households without children.

One could also interpret these estimates as showing that most recent policies, especially TANF, had little or no effect on recent caseload changes. The decline in the size of some of these effects when other controls are added could be seen as evidence that the estimated effects of policies in the simpler models reflect the role of other factors that were contemporaneous with the imposition of policies. The unexpected estimated effects of TANF policies on households without children could be seen as further evidence that these policies are measuring the effects of other factors that influence general caseload trends.

Although we will probably never precisely identify the effects of these policies on FSP caseloads in the late 1990s, the evidence shows that reporting requirements, TANF time limits, TANF sanctions for failure to comply with work requirements, and comparable disqualification may have reduced FSP caseloads in the late 1990s. Some households that may have left the FSP as a result of these policies became self sufficient, but other evidence (USDA, 2001) suggests that many non-participants remain eligible for benefits. Based on these findings, a case can be made for continued efforts to make the FSP more accessible as a “risk averse” response to concerns about food insecurity, especially if the economy begins to falter. USDA already took some steps to ease reporting requirements after 1999. The somewhat inconsistent evidence for an effect of sanctions and other policy changes suggests that new policies designed to improve program access should be aimed at a wide range of low-income families rather than just those incurring sanctions or time limits.