

2. The Policy Context

A wide range of policies may have affected recent trends in the number of Food Stamp Program (FSP) participants. 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. Some of the important policy changes include not only PRWORA and TANF, but also earlier changes in state-level AFDC policies under waivers, new administrative features of the FSP, the expansion of the EITC, the increase in the minimum wage, the expansion of Medicaid eligibility, and changes in the SSI program. The effects of these policies on food stamp usage are likely to vary for different types of households. This chapter reviews the anticipated effects of these policies in detail. Later chapters explore whether the empirical evidence is consistent with these anticipated effects.

2.1 AFDC and TANF

PRWORA replaced the Aid to Families with Dependent Children (AFDC) program, until then the nation's main cash assistance program for families with children, with TANF, a new program that places greater emphasis on increasing the earnings of recipients and reducing welfare dependence. TANF features some program requirements imposed nationwide and considerable flexibility for states to devise policies to promote work and financial independence. Some of the key provisions are as follows¹:

- All states must achieve minimum rates of participation in work and work-related activities or face financial penalties. The required rates for all TANF families rose from 25 percent in 1997 to 35 percent in 1999.
- All states must impose a 5-year lifetime time limit on federal cash assistance, although states may continue providing assistance beyond the time limit using state funds. States 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.

1 Some summaries of TANF rules can be found in Crouse (1999), Gallagher et al (1998), and The StatePolicy Documentation Project (SPDP), (www.spdp.org), a joint project of the Center on Budget and Policy Priorities and the Center for Law and Social Policy.

- States are required to impose at least partial sanctions for noncompliance with work requirements or other requirements, and may impose stronger sanctions. By the late 1990s, most state TANF programs imposed full family sanctions for either the initial or repeated instances of noncompliance. Sanctions under AFDC were typically milder.²
- Under PRWORA, TANF sanctions may directly reduce food stamp benefits through *comparable disqualification*. Food stamp benefits must not increase in response to TANF sanctions. Some states automatically decrease food stamps by a specific percentage when a TANF sanction is imposed. If TANF work requirements are not met, the non-compliant adult head of household must be ineligible for food stamps as long as he or she is not exempt from food stamp work requirements.³ Several states have also chosen to declare the *entire* household ineligible for food stamps when one member is in violation of TANF work requirements.⁴
- 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.
- PRWORA allows states to omit caretakers of children under the age of one year from the calculation of work participation rates. States have a financial incentive to set the child age exemption at one year or less, and most have done so. Under AFDC, caretakers of children under six years of age were typically exempt from work requirements.
- States may require job search for new TANF applicants or offer diversion programs that provide an initial amount of cash assistance in return for loss of eligibility for TANF in the future.

During the years before PRWORA, states were also given waivers to change policies, and several states experimented with stronger work requirements and sanctions, narrower exemptions, and other program innovations. These waiver programs often became the basis for state TANF plans.

These rules may have reduced TANF caseloads by encouraging some families to increase their earned income and become self-sufficient. More generous earned income disregards may have reduced TANF participation by encouraging families to find work while still receiving benefits, accelerating the

2 Under the earlier rules of AFDC, adults who did not comply with work requirements faced a series of sanctions consisting of the removal of the adult portion of the grant, for up to six months or until compliance.

3 In the Food Stamp Program, household members caring for children under six years of age are exempt from work requirements.

4 GAO (2000)

transition to self-sufficiency. Other families could have left TANF because they received full family sanctions, met the time limit, or found the new program requirements too burdensome.

The rules of TANF were expected to reduce food stamp usage 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. Some families may have decided that the stigma and reporting burdens of welfare, including regular visits to welfare offices to comply with reporting requirements, are worth bearing to receive both TANF and food stamps, but not food stamps alone. When these families lost eligibility for TANF as a result of the TANF rules, they also left the FSP. Some TANF leavers may not have been aware that they remained eligible for food stamps. A study of low-income households (Ponza et al, 1999) found that over 70 percent of eligible low-income households were not aware that they could be eligible, and, hence, did not apply for benefits.

The effect of TANF on FSP caseloads could have been substantial or only modest. TANF policies probably had smaller effects on food stamp receipt than on TANF receipt. Families that left TANF because of sanctions, time limits, and modest increases in earnings usually still qualified for food stamps. A study of AFDC/TANF leavers based on the National Survey of America's Families (Loprest, 2001) found that about 30 percent of these leavers in 1997 and 1999 continued to receive food stamps. Some adults with disabilities who had been receiving TANF may have responded to TANF by opting for food stamps and Supplemental Security Income (SSI), the federal program for low-income persons with disabilities (Karoly, Klerman, and Rogowski, 2001). Transitional Medical Assistance, expanded Medicaid for children in working poor families, child care assistance, and other transitional services kept some TANF leavers "attached" to public assistance and better informed as to their food stamp eligibility.

The TANF rules could have had no effect on food stamp receipt among some families, and could even have caused others to spend more time on food stamps. Some families received exemptions from TANF work requirements and time limits. With the strong economy, many families were able to find jobs and leave TANF before the new rules had any effects. More generous earned income disregards may have made TANF more attractive, lengthening spells on both TANF and food stamps. If achieving self-sufficiency requires saving enough money to attend classes, move to areas with better jobs, or buy a car,

some families that lost TANF benefits may have needed additional months on food stamps to accumulate enough savings to become financially independent.

2.2 Non-citizens

PRWORA disqualified many but not all non-citizens from the FSP. PRWORA made most of one group of non-citizens --- permanent resident aliens, or PRAs -- ineligible for the FSP. Other legal aliens were exempt from this rule. PRAs with significant work history and those with military service to the United States were exempt.⁵ Refugees, asylees and deportees were exempt for five years after they entered the country. Beginning in September 1996, new FSP applicants were subject to these alien restrictions. PRAs already receiving food stamps were not subject to the alien restrictions until their first recertification after March, 1997, or one year after the date PRWORA was enacted, whichever came first. Some non-citizens could regain eligibility for food stamps by attaining citizenship, although new legal resident aliens generally need to wait 3-5 years to become naturalized citizens.⁶

By November, 1998, subsequent legislation restored eligibility to some PRAs. Those who were legally in the United States in August, 1996 and who were age 65 or older, under age 18, or disabled or blind at that time were eligible for food stamps again.⁷ In addition, non-citizens who arrived before August, 1996 could receive SSI, but those who arrived after this time remained ineligible for SSI and TANF.

5 A more detailed summary of the rules for non-citizens discussed in this section is provided in USDA (2000) and Stavrianos, Cody, and Lewis (1997). Significant work history is defined as 40 or more quarters (10 or more years) of work experience in the United States and could be acquired either through an alien's own work, work by a spouse while married, work by a parent while a minor child, or any combination of the three. Individuals who were serving in the United States Armed Forces and veterans were also exempt, along with their spouses and minor children. Cuban or Haitian immigrants admitted under the Refugee Education Assistance Act, and Amerasian immigrants admitted under the Foreign Operations, Export Financing, and Related Program Appropriations Act, also remained eligible for food stamps.

6 To become a citizen, one must be at least 18 years old, be lawfully admitted as a permanent resident of the United States, and reside continuously in the United States for at least five years after being accorded permanent resident status. In addition, a person must 1) have been physically present in the United States for at least 30 months of the five years preceding the date of application, 2) live in the state or service district in which the alien seeks to apply for at least three months immediately preceding application 3) reside continuously within the United States from the date of application for naturalization up to the time of admission to citizenship, and 4) be a person of good character. Spouses of citizens must continuously reside as a permanent resident in the U.S. for at least three years.

7 The Agricultural Research, Extension and Education Reform Act of 1998 was effective on November 1, 1998. Certain non-PRAs may also be eligible, provided they meet one of the criteria listed above. For example, some parolees, conditional entrants, and battered spouses and/or children are eligible if they meet one of the criteria listed above, even though they are not PRAs. Two additional groups of aliens may be eligible indefinitely, without meeting any of the above criteria. First, certain Hmong or Highland Laotians and spouse and children (many are admitted as refugees) are eligible. Second, American Indians born in Canada to whom section 289 of the INA applies, and members of Indian tribes defined in section 4(e) of the Indian Self-Determination and Education Assistance Act.

The non-citizen rules of PRWORA reduced the number of food stamp recipients, but these rules can account for only a fraction of the decline in the total food stamp caseload after 1996. In 1995, only about 9 percent of FSP units included at least one PRA that appeared to be subject to food stamp disqualification (Stavrianos, Cody, and Lewis 1997). The effect of the alien provision may also have been reduced by recent increases in the number of non-citizens who have obtained citizenship (Stavrianos, Cody, and Lewis, 1997; and Borjas 2001).

The effects of the non-citizen provisions also depend on the behavior of citizens in households with non-citizens. Just before PRWORA, about two-thirds of FSP units with PRAs contain both PRAs and citizens, and about half of these “mixed” food stamp units consist of adult non-citizen(s) and children who are citizens (Stavrianos, Cody, and Lewis 1997).⁸ After PRWORA, the citizens in these households remained eligible for food stamps but may have left the FSP if the reduced benefits were not worth the program “hassles” or if families incorrectly believed they were ineligible. The extent of state-funded assistance programs that replace food stamp benefits for non-citizens, and informational “outreach” for households with non-citizens can vary considerably across the nation (Zimmerman and Tumlin 1999).⁹

2.3 Able-Bodied Adults without Dependents

PRWORA imposed a work requirement on able-bodied adults without dependents (ABAWDs), who are generally childless, non-disabled FSP participants between the ages of 18 and 49. ABAWDs receiving food stamps must now work at least 20 hours per week, participate in an employment and training program for at least 20 hours per week, or participate in a workfare or similar program. Individuals subject to, but not meeting, the work requirement can receive food stamp benefits for only three months in a 36-month period. An ABAWD who lost eligibility under the ABAWD provision can regain it by working or participating in an E&T program for 80 or more hours in a 30-day period or by complying with a workfare program for 30 days. If, after regaining eligibility, an individual again fails to meet the

8 The importance of “mixed households” containing citizens and non-citizens was also discussed in Fix and Zimmerman (1999).

9 FSP receipt among immigrants who are citizens could also have declined because of misinformation and the social climate resulting from the debate over public assistance and PRWORA. Fix and Passel (1999) suspect that the steep decline in welfare use among immigrants resulted from these “chilling effects” rather than real changes in eligibility. Borjas (2001) points out that welfare usage among immigrants declined especially sharply in California, where Proposition 187, a 1994 law that denied welfare to illegal aliens, may have made even legal immigrants reluctant to use public assistance.

work requirement, he or she remains eligible for three consecutive months starting on the date the individual no longer meets the work requirement. An ABAWD may only receive these 3 additional months once in any 36-month period.

Most adult recipients are exempt from these rules. Any individual under 18 or over 49, physically or mentally unfit for employment, pregnant, or a parent or other member of a household with responsibility for a dependent child is not subject to the work requirement. Other adults exempt from the provision are: those responsible for the care of an incapacitated person, students, those who participate in a drug addiction or alcoholic treatment program, those working at least 30 hours per week (or earning more than what would be earned if working 30 hours per week at the minimum wage), and those complying with a work requirement under some other programs. States may request additional exemptions. By March, 1999, 39 states had been allowed to exempt some adults because they resided in areas that have either an unemployment rate of over 10 percent or an insufficient number of jobs. The Balanced Budget Act of 1997 allowed states to exempt another 15 percent of their ABAWDs from these time limits.¹⁰

The ABAWD rules were expected to reduce food stamp usage among adults living separately, but only about 5 percent of all food stamp recipients were subject to the work requirement. Of the 27 million food stamp recipients in 1995, only about 2.5 million, or 9 percent, were childless adults between the ages of 18 and 50 (Stavrianos, Cody, Lewis, 1997). About half of these adults were either complying with the work requirements or exempt because of disabilities or other reasons. The rest could be subject to the three-month limit on assistance, but some of these adults received an exemption, subsequently conformed to the work requirements or would have left food stamps anyway. The size of the effect of this provision also depends on the extent to which local offices provide services for adults who are trying to comply with the work requirement.

2.4 Food Stamp Program Administration

Many believe that some administrative features of the FSP, including reporting requirements, could have discouraged food stamp usage. Dion and Pavetti (2000), Greenstein and Guyer (2001), and others have expressed concern that some longstanding administrative problems of the FSP may have magnified the

¹⁰ Additional details on the rules for ABAWDs is provided in USDA (2000) and Stavrianos, Cody, and Lewis (1997).

effect of PRWORA on caseload declines among working poor families. States and local offices may never have had clear procedures for educating TANF leavers about their continued eligibility for food stamps. Local office staff have always failed to process at least some food stamp applications in a timely fashion, and TANF diversion programs may have increased the number of times in which this lapse occurs. Some faulty automated systems and inadequately trained local office staff have applied the new, complex rules of PRWORA and TANF incorrectly, resulting in unlawful terminations from the Food Stamp Program. A GAO report (1999) indicates that at least some states employed administrative procedures that declared families ineligible for food stamps even though they remained eligible. The report also found that at least seven states incorrectly denied food stamps to households with children following a TANF sanction.

Reporting requirements encouraged by the Quality Control system may also have contributed to caseload decline. The purpose of the QC review is to determine whether a household received the correct food stamp benefit and to calculate an annual state error rate, which is equal to the sum of all errors¹¹ divided by the sum of all payments. States incur sanctions if the error rate is above the national average. States with especially low error rates receive enhanced funding. These rules provide strong incentives for states to reduce error rates. Errors are more likely among households with earnings, which vary from month to month and may be difficult to track. After 1994, some states tried to reduce errors by requiring more information from working families and by shortening the recertification periods of working families. As a result, a household member must visit the welfare office more frequently to report earnings and assets. Because local welfare offices are often open only during working hours and recertification generally requires a time consuming visit to the local office, some households may have responded to these reporting requirements by leaving the FSP.¹²

In July, 1999, a new initiative gave states options designed to reduce error rates and ease the reporting burdens on participating households. These changes may eventually reduce reporting burdens and

11 Overpayments and underpayments are added, not netted.

12 Some evidence suggests that administrative factors could have contributed to the recent decline in food stamp caseload. Rosenbaum (2000) found that the proportion of working food stamp households with children required to recertify at intervals of three months or less increased from 1994 to 1998, and that states with the largest increases in the rate of "frequent recertification" also experienced especially large declines in caseloads. Reports based on the National Survey of America's Families (Zedlewski and Brauner, 1999; Zedlewski and Gruber, 2001) found that the percentage of families who reported leaving the FSP because of administrative problems was 11 percent in 1997 and 21 percent in 1999.

increase food stamp participation among working families. However, they occurred too late to influence food stamp participation by the end of fiscal year 1999, the end of the period studied in this report.¹³

In theory, EBT systems could encourage food stamp receipt. One recent innovation -- the introduction of electronic benefits transfer (EBT) cards in the 1990s -- may have actually increased participation. A total of 35 states implemented EBT systems during the 1990s. EBT cards make the use of food stamps easier and less visible, reducing stigma and participation costs associated with the program.

2.5 Other Policy Changes

Other research suggests that the expanded earned income tax credit and the increased minimum wage may have reduced food stamp usage among households with earnings. The expansions in the EITC in the early 1990s could have had an even bigger impact on working poor families than welfare reform. The EITC, a refundable tax credit for low-wage workers in low-income households, reduces the tax burden on moderately low-wage workers and gives additional money to the poorest workers. For a single eligible worker with two children and annual earnings of \$9720 or less, the EITC provides 40 additional cents for every dollar earned. The EITC declines gradually as earnings rise above this amount. The EITC increases the incentive to work among low-income families, and studies have found that the EITC has increased work among single mothers.¹⁴ This increase in earnings may have encouraged some families to leave the FSP, including eligible families who were eager to leave the FSP because of its stigma or reporting requirements. The expanded EITC may not have affected the behavior of some families until after 1996 because some families may not have been immediately aware of the change in the tax rules.

The federal minimum wage increased from \$3.35 in the early 1990s to \$5.15 by 1999. Several states also increased their state minimum wages above \$5.15. The higher minimum wage further increased the

13 See Rosenbaum (2000). Calculations of state error rates now make adjustments for the proportion of caseloads consisting of working families and families with recent immigrants. In addition, errors of less than \$25 were ignored in the calculations of error rates. These changes reduced the quality control sanctions incurred by many states. After July, 1999, USDA also granted waivers to allow states to adopt longer recertification periods and less burdensome income reporting procedures. By now, most states have received these waivers. From 2000 onward, waivers could also be granted to allow recertification by mail.

14 See Eissa and Liebman, 1996; Meyer and Rosenbaum, 1999; Ellwood, 2000. According to Eissa and Hoynes (1999) the effect of the EITC on married women, who tend to have higher incomes than single parents, may be slightly negative. For those who already have earnings, the EITC has a theoretically unclear impact on earnings: the substitution effect tends to encourage more work, while the income effect may encourage less work.

incentive of less-skilled persons to obtain work. While the increase in the minimum wage could in theory increase unemployment, evidence suggests that the employment effects of these recent increases are modest at most.¹⁵ Higher minimum wages could also have encouraged some persons to leave the FSP, even if they remained eligible.

Expanded eligibility for public health insurance had a theoretically uncertain effect on food stamp receipt.

The expansion of eligibility for Medicaid may have encouraged work by ensuring that families that left AFDC or TANF could retain health insurance, a benefit often absent in low-wage jobs. Beginning in the mid-1980s, Medicaid eligibility was expanded to include many children in working poor families. In the late 1990s, this expansion of public health insurance continued with Transitional Medical Assistance (TMA) for families leaving welfare for work, and S-CHIP, a program that sought to cover even more children in working poor families. By encouraging work and “de-linking” public health insurance and AFDC/TANF, these programs could have encouraged some families to reduce reliance on both AFDC/TANF and food stamps.¹⁶ On the other hand, expanded eligibility for public health insurance could have increased participation in food stamps because some families may have learned about their eligibility for food stamps while enrolling in these insurance programs. (Yelowitz,2000). Despite expanded Medicaid eligibility, enrollment in Medicaid fell after PRWORA,¹⁷ and the overall effect of Medicaid on food stamp receipt is uncertain.

The SSI program could have affected FSP caseloads in several ways. From 1982 to 1995, the number of recipients of Supplemental Security Income (SSI), a federal program designed to provide income support to low-income elderly persons and blind or disabled adults and children, grew rapidly. The number of non-elderly adult recipients roughly doubled and the number of recipients under 18 more than quadrupled. The number of non-citizen recipients also grew quickly during these years.¹⁸ Much of the

15 Bernstein and Schmidt (1998) conclude that these employment effects were negligible during the 1990s. Neumark (1999) concludes that the higher minimum wage reduced employment among unskilled young persons, but had minor effects for other groups.

16 Increases in child care assistance and enhanced child support collection could have had a similar effect, increasing income for some low-income families and perhaps reducing the perceived need for food stamps. Garfinkel (2001) concludes that recent efforts have increased the amount of child support collected.

17 Dion and Pavetti (2000).

18 Karoly, Klerman, and Rogowski (2001).

large increase in the number of child recipients appears to have been caused by changes in program rules and the 1990 *Sullivan v Zebley* court ruling, which expanded the eligibility criteria for childhood SSI.

The 1996 welfare reforms responded to this rapid increase in the SSI caseload by restricting eligibility for the program. The definition of disability for children was tightened. Eligibility for legal non-citizens was substantially narrowed, although the 1997 Balanced Budget Act restored eligibility for non-citizens who arrived before August 1996. The drug addiction and alcoholism diagnosis (DA&A) was no longer considered a basis for eligibility. One study (Karoly, Hirscher, and Rogowski 2000) found that about 100,000 children lost eligibility because of the new rules. New child disability applications also declined by about 100,000 each year since 1996.

These changes may or may not have led to changes in the number of food stamp participants. Those who qualify for SSI often also qualify for food stamps. Declines in SSI receipt after PRWORA may have led to reduced food stamp receipt because fewer disabled persons may know of their eligibility for food stamps or because the participation costs of public assistance are worth accepting for SSI and food stamps but not food stamps alone. For similar reasons, increases in SSI receipt before PRWORA may have led to increases in food stamp receipt. On the other hand, the changes in the SSI rules could have had little impact on food stamp receipt if many of these low-income disabled persons would have received food stamps regardless of changes in the SSI program. The SSI program could also have limited the effect of TANF provisions on food stamp caseloads. TANF recipients with disabilities may have responded to the requirements of TANF by leaving cash assistance for a combination of food stamps and SSI, which does not have these strong work requirements (Karoly, Klerman, and Rogowski, 2001).

2.6 Conclusion

An analysis of the determinants of FSP caseloads is challenging in part because of the sheer number of policy changes that could affect caseloads from the many different types of households served by the FSP. The rules of TANF, PRWORA's rules for non-citizens and ABAWDs, administrative features of the FSP, the EITC, the increase in the minimum wage, the expansion of Medicaid eligibility, and the SSI program could all have affect food stamp receipt. The effects of these policies will clearly vary by type of household. TANF policies and Medicaid expansions will affect families with children. The ABAWD rules of the FSP affect mainly adults without children. The FSP's rules for non-citizens affect several

types of households with recent immigrants. Changes in reporting requirements of the FSP will tend to affect households with working adults. Households with persons with disabilities will be affected by changes in the SSI program. The next chapter confirms that FSP caseloads from these different types of households exhibited varied trends during the years in which these policies were imposed.