

## CHAPTER II: DESIGNATION OF EXEMPT AND NON-EXEMPT COUNTIES IN SOUTH CAROLINA

This chapter presents information on the designation of ABAWD exempt and non-exempt counties in South Carolina during the period covered by the study. The chapter examines which counties were designated as exempt, and for what reason. The chapter also presents information comparing trends in local unemployment rates in the different types of counties.

### A. Introduction

One of the major goals of the study was to examine how ABAWD leavers were faring in terms of employment, earnings, and poverty status after leaving the Food Stamp program. To put this issue in context, we analyzed how counties in South Carolina had been designated as exempt and non-exempt from ABAWD provisions, based on unemployment and other factors. We also examined trends in unemployment rates in the two types of counties. The analysis provides an indication of the economic conditions facing ABAWD leavers in the exempt and non-exempt counties.

### B. Provisions Regarding Exempt and Non-Exempt Counties

The PRWORA legislation prohibits ABAWDs from receiving Food Stamp benefits for more than three months during a 36-month period unless they meet specific work requirements. However, states can apply for waivers so that local areas can be designated as exempt from the ABAWD provisions. A GAO study of Food Stamp work requirements in 42 states found that, in December 1998, 58 percent of ABAWDs were required to work, 2 percent were covered by state exemptions, and 40 percent were covered by USDA waivers.<sup>1</sup>

#### 1. Exemptions Due to High Unemployment and Labor Surplus Conditions

Under PRWORA, states may obtain waivers from the ABAWD provisions for local areas where there is high unemployment or where there is an insufficient number of jobs. The USDA's Food and Nutrition Service is responsible for reviewing and approving state requests for waivers. To obtain a USDA waiver for a local area, states must show either that the area has an unemployment rate higher than 10 percent or that the area has insufficient jobs.

In cases where the local area has an unemployment rate below 10 percent, USDA has generally granted waivers if Department of Labor data show that the area is a "labor surplus area" (LSA). The Department of Labor designates areas as labor surplus areas if the unemployment rate exceeds the national unemployment rate by 20 percent. For example, a county with an unemployment rate of 6 percent would be designated as an LSA if the national

---

<sup>1</sup> *Food Stamp Program: How States Are Using Federal Waivers of the Work Requirement*, GAO, October 1999.

unemployment rate were 5 percent. USDA has also provided states with guidance on other criteria that might be used, such as lagging job growth, declining industries, or lack of jobs based on employment-population ratios.<sup>2</sup>

## **2. Exemptions Under the Balanced Budget Act of 1997**

The Balanced Budget Act of 1997 introduced a new provision that allowed states to claim additional exemptions from the ABAWD provisions. In addition to claiming exemptions due to local economic conditions, states could now directly designate up to 15 percent of the ABAWD caseloads as exempt from the work requirements and time limits, using state-determined criteria. For example, a state may designate a county as exempt under the 15 percent provision for purposes of continuity of policy in that county.

## **C. Exempt and Non-Exempt Counties in South Carolina**

In South Carolina, as in other states, a number of counties have been exempted from the ABAWD time limits and work requirements because of high unemployment levels and other factors.

### **1. Exemptions Granted Due to High Unemployment**

At the time when the 1998-1999 sample members left Food Stamps, a total of 24 of South Carolina's 46 counties were designated as exempt counties. These counties are shown in Exhibit II-1. As indicated in the exhibit, 6 of the 24 counties were designated as exempt because their unemployment levels were 10 percent or higher. Of the remaining exempt counties, 17 were exempt because they were designated as labor surplus areas. To qualify as a labor surplus area in federal fiscal year 1999, a county in South Carolina had to have an unemployment rate of 6.4 percent or higher. One of the counties – Charleston County – was a special case. For the period from March 1998 to February 1999, the City of North Charleston was designated as a labor surplus area. The balance of Charleston County was designated as exempt on the basis of the 15 percent provision, even though Charleston County as a whole had a relatively low unemployment rate in 1998 (3.3 percent).

Data compiled by SCDSS for April 1998 showed that almost 46 percent of the ABAWDs in that month were living in counties exempted from the employment and training requirements.

### **2. Growth in the Number of Counties Exempt Under the 15 Percent Provision**

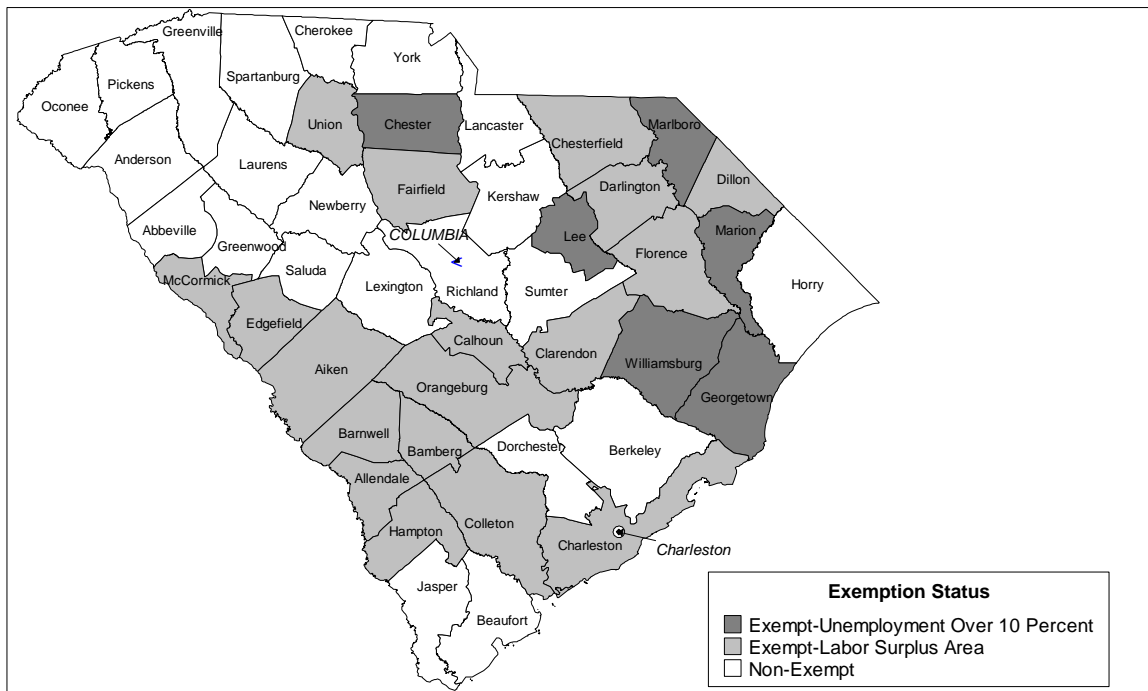
For the period from March 1999 to February 2000, two counties were added to the list of exempt counties, but two other counties were dropped. Although the number of exempt counties remained at 24, the number that were exempt because their unemployment rate

---

<sup>2</sup> Food and Nutrition Service: Waivers of Work Requirements/Time Limits Based on Insufficient Jobs, 1997 Guidance.

exceeded 10 percent dropped from 6 to 2. For the period from March 2000 to February 2001, the exempt counties were unchanged from the prior year. However, 7 of the 24 exempt counties were no longer labor surplus areas nor did they have unemployment rates over 10 percent. These seven counties were kept exempt from the ABAWD rules through the use of the 15 percent exemption. The purpose was to “keep the list status quo” to provide continuity in local program administration. The seven counties included three of the larger counties in the state -- Charleston, Florence, and Aiken. Effective in March 2001, another county was added to the list of exempt counties to bring the total to 25.

**Exhibit II-1  
ABAWD Exempt and Non-Exempt Counties in South Carolina,  
January 1998 to February 1999**



\*In Charleston County, only North Charleston was a labor surplus area. The balance of the county was designated exempt under the 15 percent exemption policy.

**D. Unemployment Rates in the Exempt and Non-Exempt Counties**

To assess how local unemployment rates might affect ABAWD leavers, we examined data on unemployment rates in exempt and non-exempt counties in South Carolina for the time period when we surveyed the samples of ABAWD leavers. Data on unemployment rates by county were obtained from reports published on-line by the South Carolina Employment

Security Commission. Average quarterly unemployment rates were computed for each county, based on monthly data. We then computed the average quarterly unemployment rate for the non-exempt counties, the counties exempt due to unemployment and the counties exempt under the 15 percent provision.

The results of the analysis are shown in Exhibit II-2. As indicated, the average unemployment rate in the counties exempt due to unemployment was much higher each quarter than in the non-exempt counties. In addition, the average unemployment rate in the counties exempt under the 15 percent provision was only slightly higher than the average rate in the non-exempt counties. In all counties, the unemployment rate declined during the tracking period.

### **Exhibit II-2 Average Quarterly Unemployment Rate During the Survey Period, by County Type**

	<b>4Q99</b>	<b>1Q00</b>	<b>2Q00</b>	<b>3Q00</b>	<b>4Q00</b>
Non-Exempt	3.9%	3.9%	3.6%	3.8%	3.0%
Exempt- Unemployment	9.1%	8.6%	7.7%	8.3%	6.6%
Exempt- 15 percent	5.1%	4.4%	4.1%	4.6%	3.3%

The data in Exhibit II-2 indicate that, while the unemployment rates were still higher on average in the exempt counties, the unemployment rate in many of these counties was much lower than when the counties had originally been designated exempt. In fact, in some of the larger exempt counties, the unemployment rate was very low by the time the surveys were conducted. For example, in the fourth quarter of 1999, the unemployment rate was 3.3 percent in Charleston County, 4.7 percent in Aiken County, and 5.4 percent in Florence County. These three counties were now exempt under the 15 percent provision, and were no longer labor surplus areas by March 2000. Together, the three counties represented 29.4 percent of the exempt cases in the sample. By the 4<sup>th</sup> quarter of 2000, all seven of the counties that were exempt under the 15 percent provision had relatively low unemployment rates, as follows:

- Abbeville (3.4 percent);
- Aiken (3.2 percent);
- Anderson (2.1 percent);
- Calhoun (3.9 percent);
- Charleston (2.2 percent);
- Hampton (4.3 percent); and
- Florence (4.0 percent).

In these counties, the ABAWD leavers did not really encounter more difficult economic environments than the leavers in non-exempt counties.

## E. Implications of the Findings

The findings from this chapter have two major implications. First, the analysis shows that a number of counties in South Carolina continued to be exempt from the ABAWD provisions even after their unemployment rates had fallen considerably and were no longer very different from the unemployment rates in the non-exempt counties. This was possible because of the 15 percent provision of the Balanced Budget Act. One of the policy questions from this finding is whether the 15 percent provision should be modified in some way. For example, it may be appropriate to place a limit on the period of time that counties can continue receiving exemptions under the 15 percent provision. In the absence of such a time limit, the rules facing individual ABAWDS may vary somewhat arbitrarily from county to county without regard to local economic conditions.

Second, the low unemployment rates in the counties exempt under the 15 percent provision provide an opportunity to compare outcomes among the ABAWD leavers while controlling for local unemployment rates. Under the original study design, the goal was to compare key outcomes for the following two groups of ABAWD leavers:

- **Leavers from Non-Exempt Counties:** persons living in counties that did *not* have exemptions from the ABAWD time limits and work requirements.
- **Leavers from Exempt Counties:** persons living in counties that were exempt from the ABAWD work requirements and time limits.

As noted, one of the major problems with comparing exempt and non-exempt counties in terms of outcomes among ABAWD leavers is that, on average, the exempt counties have higher unemployment rates than the non-exempt counties. The findings on county unemployment rates, however, allow us to draw comparisons among three types of counties in terms of key outcomes among the ABAWD leavers:

- counties that were exempt from the ABAWD time limits and work requirements due to the 15 percent provision;
- counties that were exempt due to high unemployment; and
- counties that were non-exempt.

The advantage of this approach is that it helps us to control for the impact of county unemployment rates on outcomes among the leavers. Specifically, the non-exempt counties and the 15 percent exempt counties had relatively low unemployment rates during the follow-up period. By comparing outcomes for these two types of counties, we can examine whether the leavers in the non-exempt counties fared significantly worse than the leavers in counties exempt under the 15 percent provision. As a result, we are in a better position to examine the

impact of the ABAWD provisions while controlling for the effects of county unemployment rates.

In the remaining chapters of this report, comparisons among the three types of counties are made only for the major outcomes of interest. Due to sample size issues, many of the analyses in the report (especially the demographic analyses) compare only the exempt and non-exempt counties without breaking out the two types of exempt counties.

For the three sub-groups of counties, the following key outcome measures were examined:

- percent employed at the time of the surveys;
- earnings and work hours among employed persons;
- poverty status after leaving Food Stamps;
- food security and hardships; and
- percent who had returned to Food Stamps (recidivism).

By comparing the three sub-groups on these key measures, the study sought to examine how the ABAWD provisions affected the employment, financial situation, and well-being of Food Stamp leavers.