stamp participation rates of about ten percentage points. Further declines in food stamp participation rates take place as earnings reach about $6,300-$6,800. By the time earnings rises to the flat EITC portion for one-child families, their participation rates have declined by 18-24 percentage points.

For an alternative approach to examining differences in the way one-child and 2+ children respond to earnings changes over various EITC ranges, we turn to the spline regressions. These regressions, reported in Table 8, yield estimates of the change in months of food stamp participation per $1,000 change in earnings within each EITC-related earnings category, controlling for months of food stamp eligibility, race, and education of the head of the household. The estimates cover 1997, 1998, and 1999 and relate only to those with at least some earnings. The dependent variable is months of food stamp participation in a calendar year in response to changes in earnings within categories in the prior year, since prior year earnings determine current year receipt of EITC.

The results provide evidence of a negative EITC effect in only one of the three years. In the 1998 regression, the spline coefficients for the key earnings category (EITC is flat for one-child household, increases for families with two or more children) operate in line with a negative EITC effect on months of food stamp participation (holding months of food stamp eligibility constant). Note in Table 8 that an added $1,000 of earnings within this category lowers food stamp participation by about 0.6 months for families with 2+ children; oddly, added earnings in this range appear to raise months of participation for families with one-child.   In sharp contrast with these results, no similar pattern of differences in earnings coefficients appear in the 1997 and 1999 regressions. Thus, the results from the spline regressions offer no robust evidence of an EITC effect on food stamp participation rates.

VI.   Conclusions

This study is the first to focus on examining the relationship between the EITC and FSP participation.   It expands upon prior studies aimed at explaining declining food stamp participation rates in three important ways. First, we include measures estimating the impact of federal EITC benefits and the presence of refundable state EICs. Second, in addition to program implementation measures (e.g., presence of a state waiver program, TANF implementation, etc.) and macroeconomy measures (e.g., unemployment rate, employment growth rate), we include *individual-level* program participation information (e.g., amount of TANF benefits received, employment status, etc.). Third, we present difference-in-difference estimates resulting from the differential EITC formulas affecting families with one child and with 2+ children. In most cases, our findings are consistent with previous studies measuring factors associated with reductions in

food stamp participation (e.g., welfare waiver implementation, demographic characteristics). In other cases, our findings are inconsistent (e.g., macroeconomic conditions).

Our results suggest several important conclusions regarding the EITC and our dependent variable, FSP participation. In model 1, the primary independent variable of actual federal EITC claimed yielded a positive and statistically significant result. One possibility is that the positive coefficients on the federal EITC variables in model 1 are measuring the tendency of participants in one federal government program take advantage of other government transfer programs for which they are eligible. However, the TANF participation variable should capture much of this effect and a positive EITC effect remains even after controlling for TANF participation. Another possibility is that the small share of EITC eligibles reporting EITC receipt have unobserved characteristics that are positively correlated with participation in the FSP.

It is possible that the findings from model 1 reflect a structural positive relationship between EITC and FSP participation, and, if so, the FSP caseload declines might have been steeper in the post-welfare 1990s had there not been a large expansion in EITC. However, an important caveat to the findings for model 1 is the fact that the SIPP data do not effectively capture actual EITC claimed given high nonresponse rates on tax questions in the 1996 SIPP Panel, generally, and on the EITC questions, specifically. Therefore, we cannot draw the conclusion that the expanding EITC has increased FSP participation as model 1 suggests, given the negative and significant results of models 2 and 3.

In model 2, we find that *computed* federal EITC benefits available to a household yields a negative and statistically significant result. This provides some evidence that the added money households receive from EITC allows them to avoid taking up food stamps. It is possible, however, that the coefficients on EITC are measuring some complex relationship between income, household size, and food stamps that our controls do not capture. Furthermore, the fact that high levels of computed EITC benefits does not exert a statistically significant effect weakens the hypothesis that money received from EITC causes households to not participate in the FSP. There is no straightforward explanation as to why *only* low and medium EITC levels reduce FSP participation.

In model 3, the difference-in-difference tabulations between households with one child and households with two or more children also yielded modest evidence of a negative effect of EITC. The impact of earnings exerted a larger reduction in FSP participation for households whose incomes placed them on the increasing portion of the EITC benefit schedule than for families whose incomes placed them on the flat portion of the EITC benefit schedule. On the other hand, the negative EITC effect was not robust in the multivariate analyses involving spline regressions.

Given this set of findings, we conclude that it is likely that the EITC resulted in some decline in FSP participation rates, but that further study and improved data measuring EITC participation will be necessary to sort out the degree to which EITC participation affects participation in the Food Stamp Program.