

Background

The Food Stamp Program (FSP) helps needy families purchase food so that they can maintain a nutritious diet. Families are eligible for the program if their financial resources fall below certain income and asset thresholds. However, not all eligible families participate in the program. Some choose not to, while others do not know they are eligible. The participation rate—the ratio of the number of participants to the number of eligibles—reveals the degree to which eligible families participate.

Findings

Participation rates have been affected by the strong economy of the mid-1990s and by welfare reform, both of which have encouraged low-income families to work. The economy created more jobs for low-income individuals, and the 1996 federal welfare reform legislation replaced Aid to Families with Dependent Children (AFDC) with the work-oriented Temporary Assistance to Needy Families (TANF) program. Welfare reform has further affected participation rates by restricting the eligibility of many permanent resident aliens and by requiring many able-bodied adults without dependents (ABAWDs) to work in order to continue receiving food stamps.

Combined, the economy, welfare reform, and other factors have dramatically reduced the size of the food stamp caseload. Participation in the FSP fell by 9 million, or 33 percent, from its peak in March 1994 to the end of fiscal year 1998. During this same period, the number of people participating in AFDC/TANF dropped by over 5 million, or 36 percent.

In light of this substantial drop in the caseload, it is important to determine whether the FSP continues to reach its target population and, if not, what this implies about functioning of the safety net. This report, which provides estimates of the first participation rates since welfare reform, addresses this issue by answering several key questions:

- Is the FSP reaching the same proportion of eligible people since welfare reform as it did before welfare reform?
- Are single-parent families who leave welfare for jobs still eligible for food stamps, and if so, do they participate in the program?

Do single-parent families who leave welfare but do not find jobs continue to participate in the FSP, or do they leave both welfare and the FSP? While the participation rates in this report provide insight into these questions, the estimated rates are based on the year when the new reforms were being implemented. Because the rates were likely to have been volatile during that transition period, it may be several years before the full effects of the changes in welfare policy emerge.

Participation rates can be expressed in three ways: (1) as the ratio of participating individuals to eligible individuals, (2) as the ratio of participating households to eligible households, and (3) as the ratio of participant's benefits to all eligible benefits. This executive summary presents participation rates for individuals. The full report focuses primarily on individuals, but also discusses household and benefit rates.

Methodology

The method for estimating participation rates in this report is the same as the method used in previous reports in this series. The estimates are calculated for September 1997, the first month in 1997 which the welfare reform provisions affecting the FSP were to have been completely implemented.

Data from the Current Population Survey (CPS) are used to estimate the number of eligibles, and administrative data from the FSP are used to count the number of participants. Because the CPS does not capture the characteristics needed to identify aliens and ABAWDs who remained eligible under welfare reform, we impute the eligibility of these individuals on the basis of patterns observed in other data sources.

The Proportion of Eligibles Served by the FSP
Overall, the FSP is reaching proportionately fewer individuals in 1997 than it did in 1996. The individual participation rate decreased by 5 percentage points to 63 percent (Table 1). This reflects a larger decline in the number of participating individuals (16 percent) than in the number of eligible individuals (9 percent). However, this change in the participation rate is largely affected by the eligibility restrictions on aliens and ABAWDs. Over 60 percent of the drop in eligibles is accounted for by aliens, ABAWDs, and the people who live with them. These individuals accounted for less than a quarter of all eligibles in 1996.

Participation rates for individuals in households without aliens and ABAWDs provide a clearer picture of the participation rates for the majority of the eligible population because they reflect trends in participation independent of the impact of the alien and ABAWD eligibility restrictions.

Limitations in the CPS data also make it difficult to identify those aliens and ABAWDs who remained eligible following welfare reform. For these reasons, we focus primarily on households without aliens or ABAWDs. In these households, the individual participation rate dropped from 73 percent in 1996 to 70 percent in 1997 (Figure 1). During this time, the number

of eligible individuals dropped by 4 percent, and the number of participants dropped by 8 percent. This development continues the declining trend in participation rates that began in 1995. Hence, the FSP is reaching proportionately fewer individuals in households without aliens or ABAWDs.

Single-Parent Households Affected by the Economy and Welfare Reform

Because many single-parent households are eligible for AFDC/TANF, and single-parent households are affected more than other households by welfare reform, we analyze trends among single-parent households without aliens and ABAWDs (Table 2). The key findings for single-parent households include the following:

Eligible single-parent households were less likely to participate in the FSP in 1997 than in 1996. In this period, the participation rate dropped 4 percentage points to 87 percent. This follows a 5-point drop in the participation rate from 1995 to 1996.

Individuals in single-parent households are leaving AFDC/TANF but are remaining eligible for food stamps. While the total number of FSP-eligible individuals in single-parent households fell by 5 percent, the number of FSP-eligible individuals in single-parent households receiving AFDC/TANF fell by 16 percent. Hence, it appears that many individuals leaving AFDC/TANF are still eligible for food stamps.

The participation rate for individuals in single-parent households with earnings increased substantially, while the rate for individuals in single-parent households without earnings fell substantially. Among single-parent households with earnings, the individual participation rate rose 9 points to 69 percent from 1996 to 1997. Among single-parent households without earnings, the individual participation rate fell 9 points to 99 percent. Therefore, although individuals in households with earnings continue to participate at a lower rate than do those in households without earnings, the rate for those with earnings grew substantially from 1996 to 1997.

Among households with earnings, the individual participation rate rose more for those receiving AFDC/TANF than for those not receiving AFDC/TANF. The participation rate for individuals in households with earnings and without AFDC/TANF rose 6 points to 68 percent, while the rate for individuals in households with earnings and with AFDC/TANF rose 16 points to 72 percent. The larger increase in the participation rate for individuals in households with AFDC/TANF may indicate that it is easier for the FSP to reach those still connected to the welfare system than those who are not.

Changes in Participation Rates for Individuals in Other Households

Participation rates for individuals in subgroups also changed from 1996 through 1997. Some key changes include following:

A smaller proportion of individuals in married-couple households with children participated in 1997 than in 1996. The number of eligible individuals in married-couple households fell slightly (4 percent), while the number of participating individuals in these households fell substantially (14 percent). As a result, the participation rate fell 8 percentage points to 63 percent.

The participation rate for elderly individuals rose 2 percentage points to 29 percent. The number of eligible elderly fell by 6 percent, and the number of participating elderly fell slightly.

Summary of Changes, 1996 through 1997

Overall, the FSP reached fewer eligible individuals in 1997 than in 1996. However, this

overall participation rate is largely affected by the eligibility restriction on aliens and ABAWDs. Of all households without aliens or ABAWDs, the number of single-parent households eligible for food stamps was reduced by the growing economy, welfare reform, and other factors. The sources of income in these households also shifted. Compared with 1996, fewer eligible individuals in single-parent households in 1997 were participating in the FSP. Additionally, fewer eligible individuals in single-parent households were receiving AFDC/TANF benefits, though they remained eligible for the FSP. In single-parent households with earnings, more eligible individuals were participating, regardless of whether they were receiving AFDC/TANF.

Trends in Participation Rates of All Households

The declining participation rates among most households from 1996 through 1997 are consistent with a trend that began in the mid-1990s. Prior to that, participation rates were on the rise. From 1976 through 1980, participation rates increased sharply as legislation expanded access to the FSP. Rates changed very little from 1980 until 1988, a period of relative stability in both the economy and the FSP. However, beginning in 1988, participation rates rose again, jumping from 48 percent to 61 percent through 1994 due to a surge in the number of participants with only a modest increase in the number of eligibles. This rise in rates was brought about by expansions in the Medicaid program, increased outreach services, and a weakening in the economy from 1988 through 1994.

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