

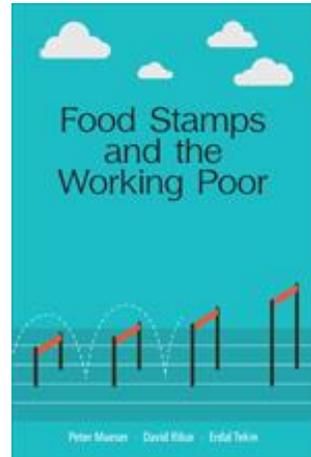
Upjohn Institute Press

Introduction

Peter R. Mueser
*University of Missouri, Truman School of Public
Affairs*

David C. Ribar
University of Melbourne

Erdal Tekin
American University



Chapter 1 (pp. 1-20) in:

Food Stamps and the Working Poor

Peter R. Mueser, David C. Ribar, Erdal Tekin

Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2019.

DOI: 10.17848/9780880996624

1

Introduction

A NEW NAME AND A CHANGING EMPHASIS FOR FOOD ASSISTANCE

The Food Stamp Program formally passed into history on October 1, 2008, when it was rechristened the Supplemental Nutrition Assistance Program (SNAP). In the previous four decades, the Food Stamp Program reliably and unceremoniously helped millions of low-income individuals and families in the United States obtain more nutritious diets than they could otherwise afford. The program has been a vital strand in an otherwise fraying U.S. social safety net, retaining its basic structure during the welfare reform of the 1990s, and even expanding during the first decade of the 2000s.¹

A renaming may have been overdue, given some of the changes in the Food Stamp Program. First, the program altered the way that it issues benefits. Since 2004, when the last of the states implemented its Electronic Benefit Transfer (EBT) system, monthly food assistance benefits have been credited to plastic debit cards rather than being distributed as coupons. So, “food stamps” themselves have become a thing of the past. Second, the federal and state governments have become more interested in leveraging the available food assistance into better nutritional outcomes and healthier lifestyles for disadvantaged families—that is, addressing problems beyond a simple lack of food. Third, beginning with the welfare reform of the 1990s, the program has increasingly emphasized self-sufficiency, with benefits that were expected to supplement the economic resources that people could contribute themselves. The program has adopted several methods to promote self-sufficiency, including easing income reporting requirements, offering employment and training services, and even mandating work for some recipients. Despite these major changes, the food stamps name has remained in popular use, presumably a reflection of the positive image of the program.²

This third area—the relationship between food assistance and economic self-sufficiency—is the focus of this book. Within this area, we are keenly interested in how food assistance serves and sometimes fails to serve the *working* poor through its rules and administrative practices.

We will be the first to admit that program rules and administration are an unglamorous, if not dowdy, topic; we are not holding our breath waiting for Hollywood to turn our book into a movie script. However, as several of us have discovered in our research, the relatively mundane rules that are the book’s central characters play surprisingly large roles in people’s program experiences and participation behavior. We hope to shine a light on some of these rules and practices.

Our book marshals evidence from three states—Georgia, Missouri, and South Carolina—where we were able to obtain detailed administrative records about households and their members from electronic case management systems and other databases. The book investigates the relationship between different program rules, program participation, and work from October 1, 2000 (the start of the 2001 federal fiscal year) to September 30, 2007 (the end of the 2007 fiscal year). Thus, the analysis covers a period that extends back two years prior to the enactment of the Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill) and forward five years after that legislation to just before the start of the Great Recession. The passage of the 2002 Farm Bill, as we subsequently discuss, was an important event because of the flexibility that it granted states in administering the Food Stamp Program to address issues associated with the working poor. As the main analysis focuses on the era before the program’s name change, we generally refer to it as the Food Stamp Program, although our discussion of the program in the recent period often uses SNAP. The issues we raise remain highly relevant for the current program, which, in terms of basic structure, has changed relatively little since the period of our analysis.

In the remainder of this chapter, we begin by providing general background on the Food Stamp Program. We discuss the rules that define it as a means-tested entitlement serving as one of the main pillars of the U.S. safety net. We then turn to a discussion of the trends in the recent food stamp caseload and the incidence of paid work among recipients. The evidence suggests that substantial numbers of households that are eligible for food stamp benefits do not receive them, and that the extent

to which eligible individuals enroll is influenced by the states' administration of the program. We highlight two elements of importance: procedures for certifying potential recipients and recertifying recipients, and policies for treatment of able-bodied adults without dependents. These will be the primary focus of our analyses in the book.

GENERAL BACKGROUND ON THE FOOD STAMP PROGRAM

To start our examination, it is useful to review the structure of the Food Stamp Program, which operates throughout the United States. The program accounts for the lion's share of government food assistance expenditures. The U.S. Department of Agriculture (USDA) spent \$54.3 billion for food assistance in fiscal year (FY) 2007. Of that total, \$33 billion, or 61 percent, went to the Food Stamp Program (Oliveira 2008). The program served an average of 11.8 million households with 26.5 million people per month in 2007, providing participants with an average monthly per-person benefit of \$96. The next most expensive food assistance program was the National School Lunch Program, which cost the federal government \$8.7 billion but served more than 30.6 million children on a daily basis. Among the other large programs, the USDA spent \$2.2 billion on the School Breakfast Program; \$5.5 billion on the Special Supplemental Nutrition Program for Women, Infants and Children; and \$2.2 billion on the Child and Adult Care Food Program.

We can also compare the Food Stamp Program to other major low-income assistance programs. The total amount spent on food stamp benefits far surpasses the amount spent on benefits for the Temporary Assistance for Needy Families (TANF) program. In FY 2009, the federal and state governments spent \$11 billion on cash assistance for TANF (\$31 billion if supportive expenditures are included), which served an average of 4.0 million people per month (Office of Family Assistance 2012). However, food stamp spending was dwarfed by the \$316 billion that was spent on Medicaid in FY 2007 (U.S. Centers for Medicare and Medicaid Services 2008). Over the past decade, SNAP has grown in importance. By 2012, the SNAP budget had swollen to over \$89

billion (including funds allocated by the American Recovery and Reinvestment Act), although the allocation declined to under \$80 billion by 2017, as a result of the economic recovery (USDA 2013, 2017).

From a public finance and public administration perspective, the Food Stamp Program has operated as a federal/state partnership. In this arrangement, the federal government pays the full cost of benefits, covers half of the states' administrative expenses, and sets many of the overarching program rules, including the financial formulas for eligibility and benefits. The states, in turn, are responsible for administering the program on a day-to-day basis. The states receive and process applications for assistance, determine applicants' eligibility, operate and distribute benefits through their EBT systems, reassess participants' eligibility and benefits, and provide other services, such as outreach, nutritional education, and employment and training services. The states have considerable latitude in the way that they administer their programs.

The Food Stamp Program is a means-tested entitlement program. *Means-tested* signifies both that eligibility is restricted to households with few financial resources and that the assistance that eligible households can receive is reduced as their incomes increase. *Entitlement* indicates that spending in the program is not capped and that all eligible households can receive benefits. This may seem to be a minor point, but it contrasts with the structure of some other programs, such as TANF, in which federal spending is provided through lump-sum block grants to the states. If the states exhaust their TANF grants, they can turn eligible needy families away.³

Means-testing in the Food Stamp Program is generally accomplished through three specific criteria: a gross-income test, a net-income test, and an asset test. To pass the gross income test in the contiguous United States, a nonelderly household's total monthly pretax income from all sources, including other transfer payments, must be less than 130 percent of the government's monthly poverty threshold for that household's size. In FY 2007, the applicable monthly threshold for a four-person household was \$2,167.⁴

Households must also satisfy a net-income test. The net income, which is also used in the benefit calculation, accounts for several potential and actual expenses in the household. For general expenses, the net income formula includes a standard deduction that varies modestly

with household size; in FY 2007, the standard deduction for a four-person household was \$139. To account for work expenses, 20 percent of a household's earnings are also excluded from net income. The net income formula additionally excludes child care expenses, housing (shelter) costs over a threshold, and excess medical expenses (for those disabled or aged 60 or older) and adjusts for utility costs. Once these adjustments are made, a household's monthly net income must be below the relevant poverty threshold to receive benefits. In FY 2007, the threshold for a household of four was \$1,667.

Finally, at the time of our analysis, a household's countable assets had to be less than \$2,000 if the household had no elderly members (no members aged 60 or older) or \$3,000 if the household had one or more elderly members. However, an increasing number of states have eliminated asset restrictions. By 2007, 7 states had done so, increasing to 35 states by 2013.⁵ Asset limits have also increased slightly since the time of our analysis.

Households can qualify for food stamps under some other circumstances. For example, households are categorically eligible for food stamps if all the members already receive benefits from TANF, Supplemental Security Income (SSI), or General Assistance programs. Households that are categorically eligible must meet the income and asset tests of those other programs but not those of the Food Stamp Program. In addition to categorical eligibility, some states offer food stamps as short-term transitional assistance to families with members who have left the TANF rolls for work; these families might not be financially eligible at the time of the transitional benefit but would have been earlier. Food stamps are also sometimes provided under emergency circumstances, such as natural disasters.

If a household is eligible for the Food Stamp Program, its benefits are calculated by taking a maximum benefit allotment, which varies by household size, and subtracting 30 percent of the household's net income. In FY 2007, the maximum monthly allotment for a household with four people was \$588. There is also a minimum benefit, so all households that are eligible can potentially receive some positive amount of assistance. For the period that we consider, the minimum benefit for households with one or two people was \$10.

To see how the benefit and eligibility formulas work, consider a hypothetical four-person family in 2007 whose only income came from

a single earner who worked 40 hours per week at an hourly wage of \$10. Also, assume that the family had no assets. On average there are 4.33 weeks in a month, so the family's prospective pretax gross income would have been \$1,732 ($= \$10/\text{hour} \times 40 \text{ hours} \times 4.33 \text{ weeks}$). This amount is slightly above the poverty threshold but below 130 percent of the threshold, so the household passes the gross-income test. If the family had no other special expenses (e.g., its shelter costs were less than half of its adjusted income), the family would take a work expense deduction of \$346 ($= 0.2 \times \$1,732$) and a standard deduction of \$139, leaving a net income of \$1,247, which is below the net-income threshold. The household passes both income tests and has no assets to consider, so it is eligible to participate in the Food Stamp Program. The household's monthly food stamp benefit would have been \$214 ($= \$588 - 0.3 \times \$1,247$).

The means-tested eligibility and benefit formulas immediately reveal the tensions that exist in the Food Stamp Program between the goals of maintaining program integrity and promoting self-sufficiency. On the one hand, we want assistance to be targeted toward those who are unfortunate enough to truly need it. Such targeting is necessary to keep the program's costs in line. It is also vital to maintaining public faith and support for the program. A few news exposés that catch food stamp recipients using their assistance to purchase alcohol or lottery tickets or a well-covered political speech that rails against fraudulent beneficiaries collecting assistance on behalf of nonexistent family members can quickly undo much of the goodwill that has built up in the program.

On the other hand, means-testing also creates disincentives to obtaining an income independently and becoming self-sufficient. Once a family's income passes the amounts of the deductibles in the net-income formula, its benefits are reduced (effectively "taxed") at marginal rates of \$0.30 for each extra dollar of unearned income and \$0.24 for each extra dollar of earned income. We can get some perspective on the possible disincentive effects of these benefit reduction rates by comparing them to regular income tax rates. In 2007, the highest marginal federal income tax rate of 35 percent was only slightly steeper than the food stamp unearned income benefit reduction rate, and the top federal tax rate did not apply for married-couple households until their adjusted incomes passed nearly \$350,000! In that same year, marginal federal

income tax rates of 25 percent did not apply until adjusted incomes of married-couple households passed \$63,700. In the 2007 tax year, less than a quarter of U.S. tax filers paid marginal tax rates of 25 percent or higher (U.S. Internal Revenue Service 2009). The food stamp benefit reduction rate is less onerous than the rates in some other assistance programs but nevertheless lowers the incentives to work.⁶

As we shall see, the tension between the program integrity and self-sufficiency goals, which appears in the benefit and eligibility formulas, emerges in other aspects of the Food Stamp Program.

RECENT TRENDS IN FOOD STAMP RECEIPT AND WORK

After falling throughout the second half of the 1990s, food stamp caseloads began to rise in 2001. Table 1.1 reports national estimates of the average monthly food stamp caseload from FY 2001 through FY 2007 as well as FY 2010 and FY 2014, which we compiled using information from the Food Stamp Program Quality Control (FSPQC) database.⁷

Table 1.1 Estimated Average Monthly Caseloads in the Food Stamp Program, FY 2001–2007

Fiscal year	Participating households			Participating individuals		
	All (000s)	With earnings (000s)	Percent with earnings	All (000s)	In households with earnings (000s)	Percent in households with earnings
2001	7,450	2,009	27.0	17,297	6,603	38.2
2002	8,201	2,299	28.0	19,041	7,426	39.0
2003	8,971	2,533	28.2	20,934	8,105	38.7
2004	10,070	2,896	28.8	23,486	9,249	39.4
2005	10,854	3,180	29.3	24,881	9,901	39.8
2006	11,315	3,364	29.7	25,595	10,493	41.0
2007	11,563	3,445	29.8	25,926	10,632	41.0
2010	18,369	5,498	29.9	39,759	16,179	40.7
2014	22,445	7,016	31.3	45,847	19,477	42.5

SOURCE: Authors' calculations from the Food Stamp Program Quality Control database.

The estimates in Table 1.1 show that the numbers of participating households and people in the Food Stamp Program rose steadily after 2001. The increases in the first few years of the data can be partly attributed to the deteriorating job market following the recession in 2001. Nationally, the unemployment rate climbed through the middle of 2003, peaking at 6.3 percent in June of that year. Unemployment subsequently abated, falling to 4.4 percent by the end of 2006 and still holding near that level at 4.7 percent in September 2007. Despite these improvements, food stamp caseloads continued to swell, with the fastest growth occurring just after the job market turned around in 2003. By FY 2007, the number of participating households was 55 percent higher than it had been six years earlier, while the number of participating individuals was 50 percent higher. Expressed another way, 8.6 percent of the U.S. population was receiving food stamps in an average month in FY 2007 compared to 6.1 percent in 2001.⁸

For Table 1.1, we also estimate the number of participating households that reported receiving any earnings in the month as well as the number of people living in those households. We refer to the households with earnings as “working households.” The number of working food stamp households rose over this period and grew faster than the overall caseload. In an average month in FY 2001, working households made up 27 percent of the food stamp caseload; by 2007, their share had risen to nearly 30 percent. Working food stamp households are more likely to be married and to have children than nonworking households and therefore tend to be larger. As a result, the share of *individual recipients* living in working households is larger than the share of working households itself. In FY 2001, just over 38 percent of food stamp recipients were living in households with earnings, and by 2007, this share had increased to 41 percent.

Table 1.1 shows that working households were both a substantial and growing share of the food stamp caseload. This provides some initial evidence that food stamp benefits may have been playing an important supplementary role for families who were trying to support themselves through work. The trends also have some puzzling aspects, with two features in the trends running counter to what standard economic analyses would have predicted. The first puzzle, which we have already mentioned, is that caseloads continued to rise long after the turning point in the economy. Other things held constant, better job prospects

after 2003 should have reduced financial needs among families and consequently reduced the caseload. Instead, the caseload increased. The second puzzle also involves the lack of a turning point, in this case in the proportion of food stamp families with earnings. Despite a weakening job market from 2001 through 2003 and a fall in the proportion of working families generally (Crouse, Douglas, and Hauan 2007), the proportion of working food stamp households grew. Thus, the representation of working households in the program increased, not only relative to other food stamp families but also relative to their share in the population. Although outside the window of our analysis, the table also presents figures for 2010 and 2014, which show dramatic growth in the program due to the economic downturn that began at the end of 2007.

The continued rise in the food stamp caseload after 2004 occurred primarily because more people who were eligible for benefits joined or remained on the program. A series of reports undertaken under federal contract estimated numbers of eligible people and households and participation rates among eligible people and households. For these estimated rates, the analysts first ran household-level data from the annual demographic (March) files of the Current Population Survey through a microsimulation model that applied the income and asset tests to impute eligibility for the households. They then separately calculated the numbers of participants from administrative records. Participation rates were obtained as the ratio of participating households to estimated eligible households. Rates were estimated for all households and for different types of households. Rates were also calculated for individuals in the households.

Table 1.2 lists selected estimates from these reports for FY 2001 to FY 2014, which show how changes in the numbers of eligible households and individuals and participation rates among these groups each contributed to caseload growth. From FY 2001 through 2003, the household participation rate hovered at around 50 percent; however, the food stamp caseload grew because the number of eligible households and individuals grew. In contrast, the numbers of eligible households and individuals changed only slightly from FY 2004 to 2006. However, the household participation rate jumped, reaching nearly 63 percent by FY 2006. Similarly, the participation rate among individuals rose from 56.1 percent in FY 2003 to 67.3 percent in 2006. The changes in participation rates led to the increase in caseloads during these years.

Table 1.2 Estimated Food Stamp Program Participation Rates, FY 2001–2007

Fiscal year	Households		Individuals		
	Eligible households (000s)	Participation rate for all eligible households (%)	Eligible individuals (000s)	Participation rate for all eligible individuals (%)	Participation rate for eligible individuals in households with earnings (%)
2001	15,107	48.0	31,223	53.9	45.1
2002	16,693	47.6	34,388	53.8	45.0
2003	17,784	50.0	36,707	56.1	48.1
2004	18,079	55.3	37,921	61.1	52.0
2005	18,219	58.9	37,951	64.7	56.3
2006	17,779	62.7	37,418	67.3	57.0
2007	18,499	61.8	38,922	65.8	55.7
2010	23,268	74.6	52,204	72.7	61.8
2014	23,415	88.1	51,026	82.9	70.5

SOURCE: For 2001–2007, Leftin and Wolkwitz (2009, Tables 2 and 5); for 2010 and 2014, Gray and Cunyningham (2016, Tables A.1, A.4, E.1, and E.4).

In FY 2007, the number of eligible households began growing again. Although participation rates edged down, the overall caseload grew.

These reports also estimated participation rates for individuals living in households with earnings, which we reproduce in the last column of Table 1.2. The estimates show that people in eligible working households were substantially less likely to participate than people in other eligible households. Participation rates for working households generally rose during the period that we study but at a slower pace than the rates for other households. The estimates also imply that the number of individuals in eligible working households generally increased after 2001.⁹

Table 1.2 also shows that the eligible population increased substantially due to the recession beginning in 2007. The participation rate continued its long-run growth, causing the SNAP population to grow even during the economic recovery of 2010–2014.

FOCUS ON FINANCIAL CHARACTERISTICS IN EXISTING RESEARCH

Without a doubt, the income formulas that determine food stamp eligibility and benefits are important to program participation. However, the formulas are poor candidates for explaining program trends because they have changed so little over time. Over the period that we examine, the benefit formulas were updated only for inflation with just a few minor changes to definitions of income. Nevertheless, much of the research on participation and caseloads in the Food Stamp Program has focused on these financial aspects with little mention of other rules and administrative features of the program.

Several multivariate research studies have focused on financial eligibility. One of the most widely cited articles was published in 1996 by Blank and Ruggles, who examine spells of eligibility and participation in the Aid to Families with Dependent Children (AFDC, the predecessor to TANF) and Food Stamp Programs, using 1985–1989 longitudinal data on single mothers from the Survey of Income and Program Participation (SIPP). Blank and Ruggles (1996) estimate eligibility based on monthly financial criteria and participation on the basis of household self-reports. The “spells” in their research refer to continuous sequences of months in which households are financially eligible for benefits (eligibility spells) or report receiving benefits (participation spells). Blank and Ruggles find that eligibility spells tend to be short, with the lengths of spells being associated with skills and earnings abilities of the mothers. They also find that economic circumstances, such as changes in employment and earnings, contribute in expected ways to how eligibility and participation spells were resolved.

What is especially interesting though for our purposes is the importance of nonfinancial characteristics. Blank and Ruggles (1996) estimate that only a quarter of food stamp eligibility spells led to food stamp participation spells; they also estimate that 60 percent of food stamp participation spells ended with households still being eligible for benefits. On average, the families exiting food stamps appeared to leave substantial amounts of benefits on the table. Blank and Ruggles attribute these findings to “choices” among single mothers, speculating that these choices might reflect unmeasured time and money costs of participation, social

stigma and psychological discomfort associated with participation, and inconvenient but unspecified administrative procedures.

Gleason, Schochet, and Moffitt (1998) examine food stamp participation and nonparticipation spells among a broader group of households, using SIPP data from the early 1990s. They also find that most food stamp participation spells were short. Unlike Blank and Ruggles, Gleason et al. do not explicitly condition on eligibility, electing instead to include indirect controls and examine “trigger events” that were defined in terms of income shocks and demographic changes. Gleason et al. find that most, though far from all, changes in participation are associated with these trigger events. For example, just over half of the movements onto the Food Stamp Program were preceded by decreases in earnings among household members. Although framed differently than the study by Blank and Ruggles, the study by Gleason et al. leaves much less room for administrative and other nonfinancial explanations of program behavior.

Mills et al. (2001), who examine transitions out of the Food Stamp Program among single mothers in linked 1997–1999 Current Population Survey data, also find that economic changes, such as increases in earnings, and demographic changes, such as births and the aging of children, were responsible for many families’ exits from assistance. Farrell et al. (2003) also look at data from the late 1990s but use the SIPP. Their research focuses on families who were eligible for food stamps and includes controls for current and past income. They find that households whose incomes were variable and only temporarily low were less likely to participate than households whose incomes were permanently low. However, they also find that less than a quarter of eligible nonparticipants had temporarily low incomes. A volume edited by Jolliffe and Ziliak (2008) reports mixed evidence regarding income variability, with some analyses indicating that it increases food stamp participation but others indicating that it does the opposite.

These and other multivariate studies show that food stamp participation is lower for households with earnings than for other households, even after we account for other differences between these households, such as differences in the sizes and age compositions of the families. Plainly, participation is lower because earnings reduce eligibility. However, as several of the studies show, participation is also lower among eligible working families.

What explains this pattern of reduced participation? One answer is lower benefits. Fraker and Moffitt (1988) and Keane and Moffitt (1998) estimate models of employment, food stamp use, and other program use and find that increases in the generosity of the food stamp benefit formula increase participation. Cross-tabulations reported by Leftin and Wolkwitz (2009) also indicate that participation rates increase with expected benefits. Thus, to the extent that working households expect fewer benefits, they are less likely to enroll in the Food Stamp Program.

Reduced benefits, however, provide only a partial explanation for lower participation. As Blank and Ruggles (1996) have reported, eligible nonparticipating families forgo considerable sums. We can update these figures using estimates from Leftin and Wolkwitz (2009). They calculate that in an average month in FY 2007, 6.4 million working households were eligible for \$1.2 billion in food stamp benefits. Of these, 3.3 million participated, claiming \$868 million in assistance. This means that the remaining 3.1 million households could have claimed \$281 million, or about \$106 per household. These expected benefits were far below those going to participating households (about \$260 per household) yet much higher than the expected benefits for nonworking nonparticipants (\$55 per household).¹⁰ So, the average foregone benefits of participation are higher for working nonparticipant households than for nonworking nonparticipant households.

Another possible explanation for the difference in participation rates is a difference in program knowledge. The argument for this is that nonworking households have more information about Food Stamp Program rules either because they have more time available to them or because they receive assistance from other programs where they come into contact with caseworkers and other sources of program data. This explanation is plausible for differences in program entry, but it falls apart when considering program exits where households would have already been exposed to program rules. The research by Blank and Ruggles shows that eligible working families are more likely to end their food stamp spells than eligible nonworking families.

Stigma associated with benefit receipt and use is another potential explanation (Moffitt 1983). People who are embarrassed about using food stamps or EBT cards might also be more likely to work. More generally, attitudes regarding the importance of self-reliance might affect both participation and work, leading to the negative association

between them. Stigma, attitudes, and preferences may be important, but to explain the increases in participation we would need an explanation of why these attitudes weakened over the last few years. One would expect stigma to be less important in explaining lower rates of recertification, since presumably those receiving food stamps had to overcome such stigma in order to apply in the first case.

PROGRAM ADMINISTRATION

Recent research indicates that other administrative changes may have contributed to the growth in food stamp participation rates and caseloads. As we mentioned, the states, not the federal government, are responsible for direct client contact and implementing program rules. In this role, the states shape administrative policies and practices under the umbrella of broad federal guidelines. The states' administrative discretion was increased through changes in USDA policies and by the 2002 Farm Bill, including changes that allowed states to make the Food Stamp Program more accessible and convenient for working families. Among common modifications was the removal or easing of reporting requirements involving automobiles owned by the household. Some states have gone as far as eliminating all asset requirements. Moves by states to establish online registration systems have allowed working families to interact with the agency by phone or Internet, substituting for in-person interviews. We return to a discussion of these local policies in the final chapter, when we discuss the evolution of state policy up to the present.

This book focuses on two policies that are especially relevant for working families: policies of certification and recertification, and treatment of able-bodied adults without dependents.

Certification and Recertification

Rules for financial eligibility for food stamps are based on monthly criteria, and economic research that has examined individual participation histories has often assumed that eligibility is checked monthly. However, this is not how the program operates for many people.

When a family applies for food stamps, its financial information is checked and verified. For example, applicants are asked to document their sources of income by providing names of employers and copies of pay stubs. Other information is supplied, including the location and cost of the residence and the names, ages, and disability status of other members. Documentation for these items may include utility bills, rent statements, birth certificates, and social security cards. The initial verification process usually also requires a face-to-face interview with a caseworker, although this has been replaced with phone interviews in a growing number of states.

These procedures are a hurdle for needy families, especially those who work, because they require a substantial amount of time and effort. An employed household head may have to take one day off work to submit her application and another day to attend the interview. Because many low-wage jobs lack benefits, the time off from work is likely to be unpaid. For each of these visits, she may also have to wait for public transportation or arrange a ride with a friend or relative if the family does not have their own car.

The procedures also impose costs on the state governments because they must keep offices open and pay caseworkers to process the applications, conduct interviews, and verify the information. Nevertheless, verification procedures are necessary to maintain program integrity. There is not much controversy regarding *whether* verification should be done but rather *how* and *how often*.

States reduce the costs and inconvenience of verification while still maintaining program integrity and more accurate payments by certifying households to receive benefits for given periods of time. During the certification period, which can be a single month but usually ranges from a quarter of a year to as much as two years, the household is required to report certain types of changes in income and circumstances but might not need to provide the same documentation or undergo the same rigorous checks as at the initial application. At the end of the certification period, the household would supply some or all this information to *recertify* its eligibility and payment status.

The processes of certification and recertification mean that food stamp households confront much higher administrative obstacles at the time of their initial applications and at subsequent recertification dates than at other points during their program participation spells. There is

growing evidence that the frequency of recertification affects families' program participation (Kabbani and Wilde 2003) and the duration of food stamp participation spells (Gray 2018; Ribar, Edelhoch, and Liu 2008; Staveley, Stevens, and Wilde 2002).

Recertification policies help to explain some of the disparity in participation rates between working and nonworking households. States often set different recertification intervals for households with different types of income. The intervals for households with earnings are usually shorter than the intervals for households that rely entirely on unearned sources, such as TANF, retirement, or disability income. For example, South Carolina's recertification interval for working households before FY 2003 was three months, while its interval for many nonworking households was one year. The shorter intervals mean that working households face substantially higher costs of program compliance than do nonworking households.

Along these same lines, changes in recertification requirements may have contributed to changes in participation rates. In the early 2000s, many states increased their recertification intervals, which reduced compliance costs for families and may have increased participation. The USDA also gave states the option to use phone or mail-in recertifications instead of face-to-face interviews for recertifications within a one-year interval, making these interim recertifications less onerous. Ribar, Edelhoch, and Liu (2008) estimate that South Carolina's lengthening of its effective recertification interval for working families from three months to six months in FY 2003 may have increased that state's family food stamp caseload by 8 percent.¹¹ This research indicates that recertification intervals may be an especially potent administrative tool. Still, since this earlier work was based on a single state, it remains to be seen how patterns differ across states. Our consideration of Georgia and Missouri, in addition to South Carolina, allows us to extend and generalize results.

ABAWD Work Rules and Time Limits

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which overhauled the cash welfare system, also introduced work requirements and time limits for able-bodied adults without dependents (ABAWDs) in the Food Stamp Program.

The law specifies that ABAWDs who do not work are eligible for only three months of benefits in any three-year period. The requirements likely reduced food stamp participation among ABAWDs, at least initially. ABAWDs who were unable or unwilling to work would have had their participation curtailed by the short time limits, and some of those who did comply with the work requirements would have lost benefits and possibly eligibility through increased earnings. At the same time, the requirements would have altered the composition of the remaining ABAWD caseload by reducing the number of nonworkers and increasing the proportion of workers.

Over time, however, the ABAWD work provisions were relaxed, and their impacts on participation and employment may have decreased. PRWORA allowed states to request waivers of the work requirements for ABAWDs living in economically distressed areas. In addition, starting in 1997, states also had the option of exempting up to 15 percent of their caseload from the ABAWD restrictions. The number of ABAWDs who were actually subject to the requirements decreased as more states exercised their discretion to waive the rules or exempt clients. In January 2001, 37 states had waivers covering parts of their territories; by FY 2008, as the recession loomed, the number of states with approved waivers had grown to 47.

Along with the rising numbers of states requesting any types of waivers, there were growing numbers of requests to implement state-wide waivers—that is, to designate the entire state as having insufficient jobs. In FY 2008, these included Alaska, the District of Columbia, Michigan, Mississippi, North Carolina, Oregon, Rhode Island, and South Carolina. ABAWDs make up only a small share of the caseload. The FSPQC data indicate that only 8 percent of food stamp households in FY 2007 included an ABAWD as a member. However, that figure was up from just 7 percent of households in FY 2001. Consistent with the relaxed work requirements, employment in the participating ABAWD households was down slightly from 30 percent in FY 2001 to 29 percent in FY 2007. The decreased employment among ABAWD households contrasts noticeably with increased employment among other households.

In Chapter 4 we examine the effects of ABAWD policies in more detail. The waivers in our three states were applied on an area-by-area basis, with the set of areas changing over time. This provides a natural

way to test their impact. In particular, we can compare participation outcomes across areas and populations that are and are not exempt from the policies. As with the analysis of recertification intervals, we examine how exits from the Food Stamp Program vary with the duration of a person's or household's program spell. Because the ABAWD policies involve a three-month time window, they should have their largest effect at the start of a food stamp spell.

This work follows on analyses for South Carolina in Ribar, Edelhoch, and Liu (2010), which examined Food Stamp Program spells for ABAWDs from 1996 to 2005. However, that analysis is limited by the fact that in 2003 South Carolina obtained exemptions from the ABAWD time limit in all counties. Analyses of Georgia and Missouri allow us to extend both the time period and scope of the analyses.

ORGANIZATION OF THE BOOK

The focus of this book is the effect of administrative policies on the food stamp participation behavior of the working poor. The book reports results from empirical analyses of large samples of administrative case records drawn from the states of Georgia, Missouri, and South Carolina from FY 2001 through 2007. The next chapter in the book describes these data and the analytical samples and measures drawn from them. We examine how the case characteristics for our three states compare to characteristics for the nation as a whole. The chapter compares the characteristics of these groups to the characteristics of the general state caseloads. We also examine alternative ways in which "working" households can be defined.

The next two chapters of the book consider specific administrative policies: recertification intervals and ABAWD work rules. Each chapter reviews the policies in detail, discusses the incentives or obstacles these create for working households' food stamp participation, and summarizes the existing research on their effects. The chapters then examine the association between these policies and households' participation behavior, using the administrative data.

The final chapter discusses additional administrative policies that changed from FY 2001 through 2007 and how these modifications

mostly worked to the benefit of households with earnings. We also consider changes occurring since 2007 and discuss their likely impacts. Despite variations in the program, the issues addressed in our analysis remain relevant. The recertification requirements remain much the same in most states. While the program has often undergone modernization in its implementation, including increased use of the Internet and call centers, evidence suggests that many households still have difficulty meeting recertification requirements.¹² The proportion of SNAP recipients classified as ABAWDs increased from less than 15 percent to over 20 percent as states obtained waivers of work requirements following the onset of the recession in 2007. Although waivers in many states lapsed after 2013, the proportion remained close to that level at least through 2015. In recent years, the SNAP program has received greater attention as a variety of proposals to alter its structure have been floated. Perhaps more than ever, the role of the program in aiding the working poor is in the spotlight. In light of recent developments, we consider ways in which the program can be modified to be less onerous for working households while still addressing valid program concerns.

Notes

1. In contrast, the primary program providing cash support to poor families, Aid to Families with Dependent Children, was replaced with a block grant. For a discussion of the politics underlying the relative stability of the Food Stamp Program over time, see Gitter (2015).
2. Since the program is administered at the state level, each state determines the name under which the program operates. As of 2018, 6 states continue to use the name Food Stamp Program, 28 states use SNAP, and the remainder use some other name. See www.usac.org/_res/documents/li/pdf/samples/SNAP-Programs-by-State.pdf (accessed September 3, 2018).
3. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced Aid to Families with Dependent Children, an open-ended entitlement, with Temporary Assistance for Needy Families, a nonentitlement, block-grant system. Because of the declines in welfare caseloads since the block grants were instituted, no state has yet confronted the situation of suspending TANF enrollments or payments, although many states have instituted provisions that restrict eligibility for TANF. In principle, however, the loss of entitlement status means that eligible households could be turned away.
4. Higher thresholds apply in Alaska and Hawaii, reflecting the higher food costs and other costs of living in those states. Different thresholds are also in place for

some types of households with elderly disabled members. In the rest of the book, we will only consider rules that apply to the contiguous states. As our primary concern will be with potential working households, we will provide only limited discussion of rules applying exclusively to elderly or disabled recipients.

5. The modification of asset limits occurred under what has become known as “broad-based categorical eligibility,” which we discuss in Chapter 5. See Falk and Aussenberg (2014).
6. Many SNAP households receive services from other government programs, and recipients’ effective marginal tax rates are influenced by the interaction of these programs. Overall effective tax rates vary dramatically (Moffitt 2016). Hoynes and Schanzenbach (2012) examine the effects of the Food Stamp Program on work.
7. Data in the annual FSPQC files are obtained through case reviews and surveys of a large random sample of food stamp households in all states (see Wolkwitz and Ewell [2008] for details regarding the database). The underlying data are assembled to determine errors that the states may be making in their eligibility decisions and benefit awards. The FSPQC data exclude households receiving disaster assistance and recipients facing case closures but appealing those decisions. Because of these exclusions, the FSPQC caseload figures fall a little short of figures based solely on administrative data. For instance, the administrative records indicate that 11.8 million households and 26.1 million people received food stamps in an average month in FY 2007, while the FSPQC data record only 11.6 million households and 25.9 million people.
8. The literature shows that the economy was an important determinant of the food stamp caseload but that caseload growth during the middle of the first decade of the 2000s was due to policy changes. See Klerman and Danielson (2011), Ganong and Liebman (2018), and Ziliak (2016).
9. Rough estimates of the numbers of eligible people in working households can be formed by dividing the Table 1.1 values for individuals participating from working households by the participation rates from Table 1.2.
10. Lower benefits for this latter group in large part reflect higher levels of unearned (usually transfer) income. Different levels of deductions—for example, due to excess housing expenses—may also be responsible for differences in benefits.
11. Technically, South Carolina increased its certification period for working families to 12 months, with an interim report at 6 months.
12. As we note in Chapter 3, using data in six states extending up through 2011, Gray (2018) shows that recipients are particularly likely to lose benefits at the time of recertification. Although phone interviews might be expected to ease recertification, Hefflin, London, and Mueser (2013) provide evidence that this is not always the case.

Food Stamps and the Working Poor

Peter Mueser
David Ribar
Erdal Tekin

2019

W.E. Upjohn Institute for Employment Research
Kalamazoo, Michigan

Library of Congress Cataloging-in-Publication Data

Names: Mueser, Peter R., 1952- author. | Ribar, David Christopher, author. | Tekin, Erdal, author.

Title: Food stamps and the working poor / Peter R. Mueser, David C. Ribar, Erdal Tekin.

Description: Kalamazoo, Michigan : W.E. Upjohn Institute for Employment Research, 2019. | Includes bibliographical references and index.

Identifiers: LCCN 2019002204 | ISBN 97808880996600 (pbk. : alk. paper) | ISBN 0880996609 (pbk. : alk. paper) | ISBN 97808880996617 (hardcover : alk. paper) | ISBN 0880996617 (hardcover : alk. paper)

Subjects: LCSH: Food stamps—United States. | Working poor—Services for—United States. | Public welfare—United States.

Classification: LCC HV696.F6 M84 2019 | DDC 363.80973—dc23 LC record available at <https://lccn.loc.gov/2019002204>

© 2019

W.E. Upjohn Institute for Employment Research
300 S. Westnedge Avenue
Kalamazoo, Michigan 49007-4686

The facts presented in this study and the observations and viewpoints expressed are the sole responsibility of the authors. They do not necessarily represent positions of the W.E. Upjohn Institute for Employment Research.

Cover design by Carol A.S. Derks.
Index prepared by Diane Worden.
Printed in the United States of America.
Printed on recycled paper.