Spring 2005 *Vol. 3 No. 1*

Insights on Southern Poverty

The Newsletter of the UK Center for Poverty Research

CONTENTS:

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The UKCPR is sponsored by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services.

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State Policies and the Gap in Food Insecurity Rates of Food Stamp Participants and Eligible Non-Participants

Craig Gundersen, Dean Jolliffe, and Laura Tiehen

As the largest food assistance program in the United States, the Food Stamp Program is the centerpiece of the social safety net against hunger. To serve effectively as a safety net, households in danger of hunger need to participate in the Food Stamp Program, and the Program must provide them with an effective means of reducing the risk of hunger. These two broad goals of facilitating participation among those in need and then improving the well-being of participants are central to all assistance programs. However, the existence of these two goals creates a challenge for those examining the success of an assistance program. To gauge the effectiveness of food stamps in reducing food insecurity, one can compare the food insecurity status of recipients with nonrecipients. In almost all comparisons of eligible households, food stamp recipients have higher rates of food insecurity than eligible nonrecipients. The explanation for this is that the households most at risk of being food insecure are also most likely to enter the Food Stamp Program. A central goal of program administrators and policymakers is to take actions to reduce this gap in food insecurity rates between participants and eligible nonparticipants. For example, since higher incomes are associated with lower probabilities of food insecurity, increases in food stamp benefits might, all else equal, lead to a reduction in the difference in food insecurity rates among participants and nonparticipants.

Another way the food insecurity gap between participants and nonparticipants could be reduced is if the food stamp participants who were most in need left the program while still eligible. In other words, if those most in need of assistance were to become nonparticipants, the food insecurity rate of participants would decline while the rate of nonparticipants would increase. While policymakers and program administrators might be pleased by a relative improvement of food stamp recipients vis-à-vis nonparticipants, they presumably would not be happy if the improvement were due to a decline in participation.

To accurately ascertain the Food Stamp Program's success in alleviating food insecurity, policymakers and program administrators must be able to distinguish whether improvements in the well-being of participants in comparison to nonparticipants is due to real improvements or due to shifts in the composition of participants. In this article, we summarize our findings regarding the effects of state policies on the food insecurity gap between participants and eligible nonparticipants. We also highlight in this article how states in the South compare to other regions in the nation in terms of food insecurity. The full paper can be found at http://www.npc.umich.edu/publications/workingpaper04/paper14/index.shtml [1]

The Food Stamp Program

The Food Stamp Program is by far the largest U.S. food assistance program, serving 21.3 million individuals in 2003 with an annual benefit distribution of $23.9 billion. To receive food stamps, households must meet three financial criteria (the gross income test, the net income test, and the asset test) and

(continued on p. 3)

Letter from the Director

James P. Ziliak

The Food Stamp Program, which is the largest entitlement program in the social safety net, stands on the front lines in the battle against hunger in America. This cornerstone of food assistance programs works under the principle that subject to passing income and asset limits the needy have a right to food for themselves and their families. Witness to this role is the surge in participation during the recent economic downturn after a long decline in usage during the expansion of the late 1990s. In this issue of *Insights on Southern Poverty* we focus on two key aspects of the Food Stamp Program: how participation in recent years has responded to important policy reforms and how effective the program is in the amelioration of food insecurity.

We begin the issue with an article by Craig Gundersen of Iowa State University and Dean Jolliffe and Laura Tiehen of the Economic Research Service in the U.S. Department of Agriculture, that measures success in the Food Stamp Program's alleviation of food insecurity. The authors analyze the effects of state policies on the food insecurity gap between participants and eligible nonparticipants. In particular, they consider the effects of three policy tools: 1) the benefit levels of gateway programs such as Temporary Assistance for Needy Families (TANF), 2) the cumbersomeness of the food stamp application process, and 3) restrictions on eligibility. They also examine the differences in the use of these policy tools between states in the southern region and those in the rest of the United States. The authors find that states with higher-than-average maximum TANF plus food stamp benefits have greater rates of food insecurity. This seemingly counterintuitive result, they argue, is due to the fact that a more generous benefits package tilts the composition of the food stamp caseload toward those households with greatest food need.

The second article is by David Ribar of The George Washington University and Marilyn Edelhoch and Qiduan Liu of the South Carolina Department of Social Services. Using administrative records and event history methods, the authors examine the role of program clocks, economic conditions, and other circumstances on participation in South Carolina's food assistance program. Their analysis provides evidence that food stamp recertification affects participation, the timing of exits, and the length of assistance spells. Their estimates also indicate that employment speeds exits from and delays returns to food stamps and also that participation in cash assistance leads to longer spells of food stamp receipt.

We close with an article by Charles Baum, which is a summary of his research project supported with a UKCPR Young Investigator Development Grant. The project examined the effects of liberalized state-level food stamp vehicle asset rules on Food Stamp Program participation using data from the National Longitudinal Survey of Youth. Dr. Baum found that liberalizing FSP vehicle asset rules increases FSP participation and that this increase is due partly to both increased eligibility and increased participation among those eligible. Furthermore, liberalizing vehicle rules leads to a larger food stamp caseload because the expanded vehicle asset limit decreases program exit rates.

UK Center for Poverty Research

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Insights on Southern Poverty
Vol. 3, No. 1, Spring 2005

ISSN 1544-5194

This newsletter is published triennially and is accessible online at www.ukcpr.org. For more information, call (859) 257-7641 or email kaconr0@uky.edu.

State Policies and the Gap in Food Insecurity Rates of Food Stamp Participants and Eligible Non-Participants (continued)

they must apply for benefits. A household will choose to participate if the benefits exceed the personal costs (e.g., time and stigma) associated with food stamps. Policymakers have a direct influence on the benefits and some of the costs associated with the food stamp participation decision. For example, a more streamlined application process would reduce the transaction costs associated with applying, making a household more likely to perceive that the benefits of food stamps exceed the costs. Conversely, requiring more frequent recertification of benefits may lead some households to believe the costs exceed the benefits.

Food Insufficiency

To measure the effectiveness of food stamps in reducing the risk of hunger, we use the USDA food insufficiency question that has been on numerous surveys since 1977. This question asks respondents to describe their food intake in terms of the following: *Which of these statements best describe the food eaten in your household in the last month?* Respondents have four choices: *enough of the kinds of food we want to eat; enough but not always the kinds of food we want to eat; sometimes not enough to eat;* or *often not enough to eat*. We define those households reporting that they sometimes or often do not get enough to eat as food insecure.

In 1998, 6.8 percent of food stamp eligible households are food insufficient. Food stamp eligible households in southern states are less likely to be food insecure than eligible households in non-southern states, with a food insecurity rate of 6.3 percent in southern states and 7.4 percent in non-southern states.[2] Even though this regional gradient in the rate of food insecurity is stark, there is no research to date that identifies the underlying causes of this regional variation.

Methods

To portray the effect of state policies on the relationship between food insecurity and food stamps, we consider the effects of three policy tools: (1) the benefit levels of gateway programs, (2) the cumbersomeness of the food stamp application process, and (3) restrictions on eligibility. To proxy for these three tools we use the maximum combined TANF plus food stamp benefit level, changes in administrative error rates, and the proportion of a state's population waived from the unemployed able-bodied adults without dependents (ABAWDs) sanctions imposed by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

We conjecture that states with higher benefit levels in gateway programs, less cumbersome food stamp application processes, and fewer restrictions on eligibility will have higher food stamp participation rates, especially among those with higher risks of being food insecure. In the process, we highlight a possible unintended consequence of higher participation among the needy in relatively "generous" states. Specifically, these more generous states may have higher gaps in food insecurity rates between food stamp participants and nonparticipants in comparison to less generous states. This seemingly counterintuitive result can arise for a number of reasons, and here we highlight two that are pertinent to a high proportion of food stamp recipients, namely, those also receiving TANF.

First, for households eligible for both TANF and food stamps, the combined benefit level will have a direct effect on participation decisions since, with higher benefits, the gains to participating are more likely to exceed the costs to participation (e.g. transaction costs, stigma costs). Previous research suggests that the costs of participation may be relatively high for persons with poor household management skills (Daponte, Sanders, and Taylor 1999). These same poor household management skills have also been associated with higher probabilities of food insecurity (Campbell and Desjardins 1989). Thus, at higher benefit levels, more at-risk households will conclude that the benefits to receiving food stamps exceed the costs. Second, because the food stamp benefit is reduced by TANF income, then higher TANF benefits will, all else equal, translate into lower food stamp benefits. Even though combined TANF and food stamp benefits are higher in more generous TANF states, total food spending may be lower because of the relatively lower food stamp benefit. As previous research from food stamp cash-out experiments indicates, an extra dollar of food stamps translates into more food spending compared to an extra dollar of non-food stamp income (Fraker 1990), and lower food spending translates into higher food insecurity.

To illustrate the differences in state policies relevant to the food stamp participation decision, we therefore focus on the maximum combined TANF plus food stamp benefit level, which is widely used in the welfare research literature. In 1998, the lowest maximum benefit level was $271 per month and the highest was $767 per month. The difference in maximum benefit levels between states in the southern region and those in the rest of the U.S. is stark. Among southern states, the average maximum benefit level was $348, and ranged from $271 in Mississippi to $434 in Maryland. The average among non-southern states was $473 per month, ranging from $374 in Indiana to $767 in Alaska. To test the effect of these state policies, we combine these measures with data from the Survey of Income and Program Participation (SIPP). Our analyses are primarily concerned with the pre- and post-welfare reform years of 1992 and 1998.

Findings

In Table 1 we examine our conjecture that more generous states may have higher gaps in food insecurity rates between participants and

(continued on p. 4)

State Policies and the Gap in Food Insecurity Rates of Food Stamp Participants and Eligible Non-Participants (continued)

nonparticipants. (The figures found in Table 1 can be found for 1992 in Table 2 of the longer paper cited above.) We first split our sample of households into two types, those who live in states that are more generous than average and those that are less generous. In terms of each of the policies examined, "more generous" means above-average maximum TANF plus food stamp benefits, above-average increases in error rates, and above-average percentages of the state population waived from ABAWD requirements. For each of these categories of state policies, we then split the sample into food stamp participants and eligible nonparticipants.

States with policies that might lead to increases in participation among those most at risk of food insufficiency have higher differences in rates of food insufficiency of participants and nonparticipants. The difference is especially large for the maximum combined TANF plus food stamp benefit level: food stamp participants had a 5.3 percentage point higher probability of food insecurity in states with higher-than-average maximum combined benefits while the difference was 3.0 percentage points among states with lower-than-average maximum benefits.

Given that southern states have a lower average and narrower range of maximum combined TANF/Food Stamp benefits than non-southern states, it is not surprising to find that the difference in food insecurity rates between food stamp program participants and nonparticipants in southern states is lower (2.6 percentage points) than in non-southern states (5.4 percentage points).

We now consider whether the differences by state-level policies in food insufficiency rates between participants and nonparticipants in Table 1 are also observed after controlling for other factors. To test this, we interact a variable indicating whether a household receives food stamps with each of the three policy variables described above. A positive coefficient indicates that a food stamp recipient in a state with more "generous" policies is more likely to be food insecure. We consider these relationships for the years 1992 and 1998; here we display the results for 1998. (Overall food insufficiency rates were higher in 1992 than in 1998, but the difference in rates between participants and nonparticipants across more and less generous states was similar. More generous states had larger differences than less generous ones over both years, indicating that the primary implications drawn from the results from 1998 also apply to 1992.)

In columns (1) through (3) of Table 2 we display the coefficients for the three variables described in Table 1. For both the change in error rates and maximum benefit levels, the coefficients are statistically significant and of the expected positive sign. When all three of our state level measures are included in column (4), the coefficient on the maximum benefit level is statistically significant. All else equal, a household receiving food stamps and living in a state with a $100 higher-than-average maximum combined benefit level will have a 21-percent higher probability of food insufficiency in 1998.

"Given that southern states have a lower average and narrower range of maximum combined TANF/Food Stamp benefits...it is not surprising...that the difference in food insecurity rates between food stamp program participants and nonparticipants in southern states is lower...than in non-southern states..."

Table 1. Food Insufficiency Rates by State Policy Choices and Location, 1998

	Food Stamp Participants	Food Stamp Non-Participants	Difference
Policy Choices			
Absolute Change in Error Rate in Previous Year			
Higher than Average	10.04	5.84	4.20
Lower than Average	9.09	5.05	4.03
Maximum TANF + Food Stamp Benefit Level			
Higher than Average	11.27	5.95	5.32
Lower than Average	8.19	5.12	3.06
Percentage of State covered by ABAWD Waiver			
Higher than Average	9.90	5.68	4.22
Lower than Average	9.09	5.13	3.95
Location			
Southern States	7.61	5.05	2.55
Northern States	11.25	5.88	5.37

Notes: The data are from the final month of the eighth wave of the 1996 panel of the Survey of Income and Program Participation (SIPP). The sample is restricted to households eligible for the Food Stamp Program.

Table 2. The Effect of State Specific Food Stamp Policies on Food Insufficiency, 1998

	(1)	(2)	(3)	(4)
Absolute Change in Error Rate in Previous Year*Food Stamp Receipt	0.023			0.014
	(0.014)			(0.011)
Maximum TANF + Food Stamp Benefit Level*Food Stamp Receipt		0.021		0.021
		(0.010)		(0.010)
Percentage of State covered by ABAWD Waiver*Food Stamp Receipt			0.091	-0.016
			(0.076)	(0.071)

Notes: Standard errors are in parentheses. The data are from the final month of the eighth wave of the 1996 panel. The sample is restricted to households eligible for the Food Stamp Program. The other covariates in the model are total household income, number of children, whether the household head is a high school graduate, homeownership status, whether the household head is a senior citizen, family structure, race-ethnicity of the household head, and the employment and disability status of the household head.

Conclusion

Our empirical findings indicate that food stamp participants in states with higher-than-average maximum TANF plus food stamp benefits have greater rates of food insecurity and, in some specifications, food stamp participants in states with increases in error rates also have higher rates of food insecurity. Our interpretation of the findings is that states that do more to encourage the participation of those most at risk of hunger have a wider food insecurity gap between participants and nonparticipants. This is an unintended consequence of the composition of those who receive food stamps in high gateway-benefit states compared to recipients in states with less generous gateway programs. Further, the smaller food insecurity gap between participants and nonparticipants in the southern states may be due to the smaller difference between more and less generous states in terms of combined maximum TANF/ food stamp benefit levels. More research is needed on identifying the underlying causes for why food insecurity is lower in the South compared to the rest of the nation.

We conclude with two policy suggestions emerging from this paper. First, in considering the effect of a program, policymakers should recognize and consider the well-being of both participants and eligible nonparticipants. As we demonstrate in the case of the Food Stamp Program, the effect of state policy choices on the composition of the participating population has a corresponding effect on the well-being of participants relative to nonparticipants. Second, to avoid inaccurate determinations of benefit levels, states may construct application and recertification procedures that serve to discourage eligible persons from receiving benefits. While avoiding inaccurate determinations of benefit levels is an acceptable goal for policymakers and program administrators, the possible declines in the number of participants, especially needy participants, has important ramifications for the well-being of all eligible households.

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Fraker, T. 1990. *The Effects of Food Stamps on Food Consumption: A Review of the Literature*. U.S. Department of Agriculture, Food and Nutrition Service.

Note:

1. The views and opinions expressed in this paper do not necessarily reflect the views of the Economic Research Service of the U.S. Department of Agriculture.

2. The South is comprised of the states in the South as defined by the UK Center for Poverty Research, which is the 16 states that form the Southern Governor’s Association and the Southern Legislative Conference, as explained on the UKCPR Web site at http://www.ukcpr.org/AboutUs.html.

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Watching Clocks: The Role of Recertification in Food Stamp Caseload Dynamics

David C. Ribar, Marilyn Edelhoch, and Qiduan Liu

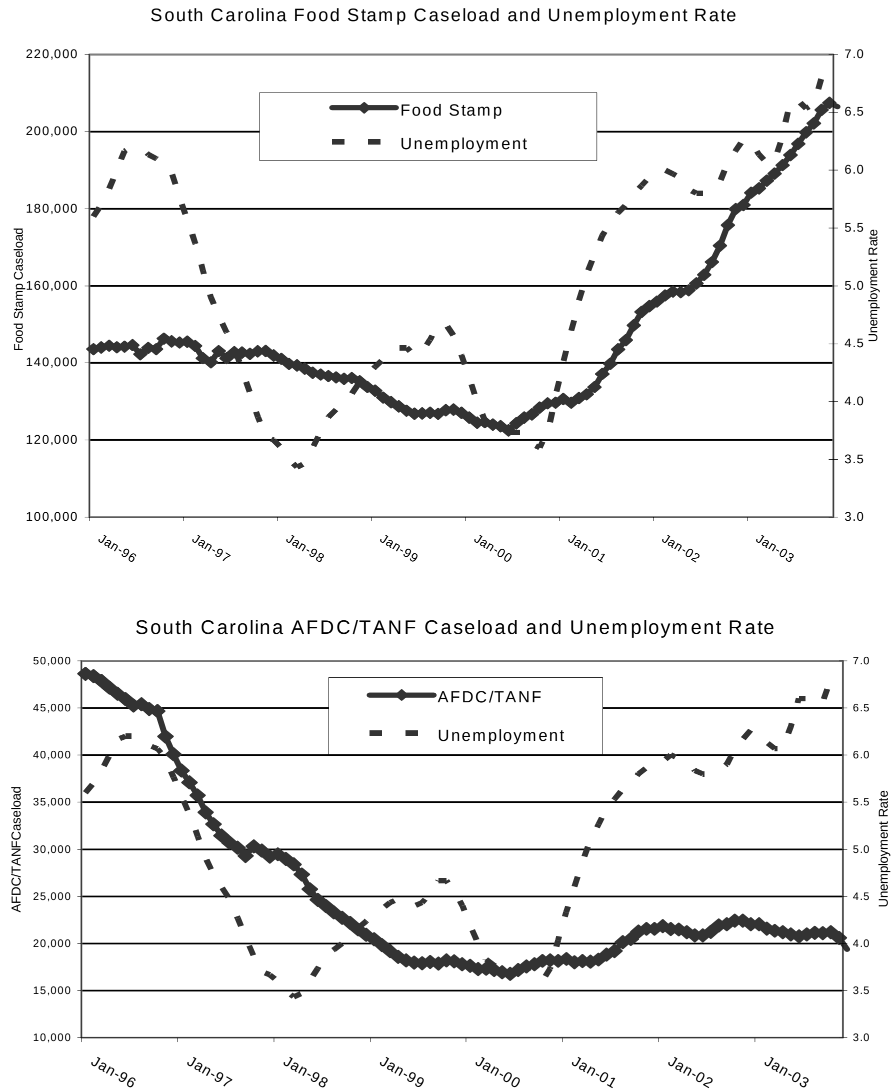
Recipients of public assistance face a number of "clocks" associated with their continued participation. Prior to passage of the 1996 Welfare Reform Act, the primary clock was the periodic recertification of program eligibility, which typically involved verifying income and asset holdings as well as family structure. After welfare reform, however, new clocks were introduced in the nation's primary cash assistance program Temporary Assistance for Needy Families (TANF) in the form of lifetime time limits on benefit receipt. Moreover, many states increased the frequency of recertification for program eligibility in both TANF and the Food Stamp Program.

For example, in the late 1990s recipients of food stamps with variable incomes living in South Carolina—that is, those households that combine work with food stamps—were required to recertify eligibility every three months, while recipients living on fixed incomes were only required to recertify every twelve months. Given the large decline in food stamp participation in the last half of the 1990s, there was increasing belief in policy circles that these various program clocks may directly and indirectly affect food stamp participation even among those who remain income and asset eligible. As a result of this concern the 2002 Farm Act granted states the option to extend the length of time for recertification, and South Carolina responded by extending the window to six months for working recipients. However, efforts to confirm and quantify whether these clocks actually affect participation have been hampered by the lack of suitable data.

This article is a summary of a longer paper entitled "Watching the Clocks: The Role of Food Stamp Recertification and TANF Time Limits in Caseload Dynamics." In our study we use administrative records and event history methods to examine the role of program clocks, economic conditions, and other circumstances on participation in South Carolina's cash welfare and food assistance programs. In this summary we restrict attention to our analyses concerning the Food Stamp Program.

The empirical analyses provide evidence that South Carolina's initial policy of quarterly recertification periods hastened exits from the Food Stamp Program relative to the more recent relaxation of rules to semi-annual recertification periods. In addition, we find that employment speeds exits from food stamps and delays returns. Finally, there is evidence that participation in cash

Figure 1. Trends in South Carolina Caseloads and Unemployment



Source: The South Carolina Department of Social Services.

assistance leads to longer periods of food stamp receipt.

Food Stamps in South Carolina

In South Carolina, as in other states, the Food Stamp Program is separate from the TANF program. Eligible families can participate in both programs, in either program alone, or in neither program. However, the programs are related in that Food Stamp Program eligibility is dependent on most of the household's income, including TANF benefits.

TANF benefits in South Carolina are low enough that a family with no other income besides full TANF benefits would qualify for nearly the maximum food stamp allotment. Because of the higher maximum benefit and lower benefit reduction rate, low-wage working families can receive food stamps even if they are no longer eligible for TANF. Therefore, food stamps end up complementing TANF among current welfare recipients and supplementing the transitional assistance available to welfare leavers.

Figure 1 shows the trends in the cash assistance (AFDC/TANF) and food stamp programs in South Carolina. Monthly cash assistance caseloads track most of the decline in unemployment from 1996 to 2000 but only a small part of its rise from late 2000 through 2003. However, while food stamp caseloads track the rise in unemployment closely, they followed the fall less closely. This incomplete tracking suggests that there were other determinants of caseload dynamics besides business cycle conditions.

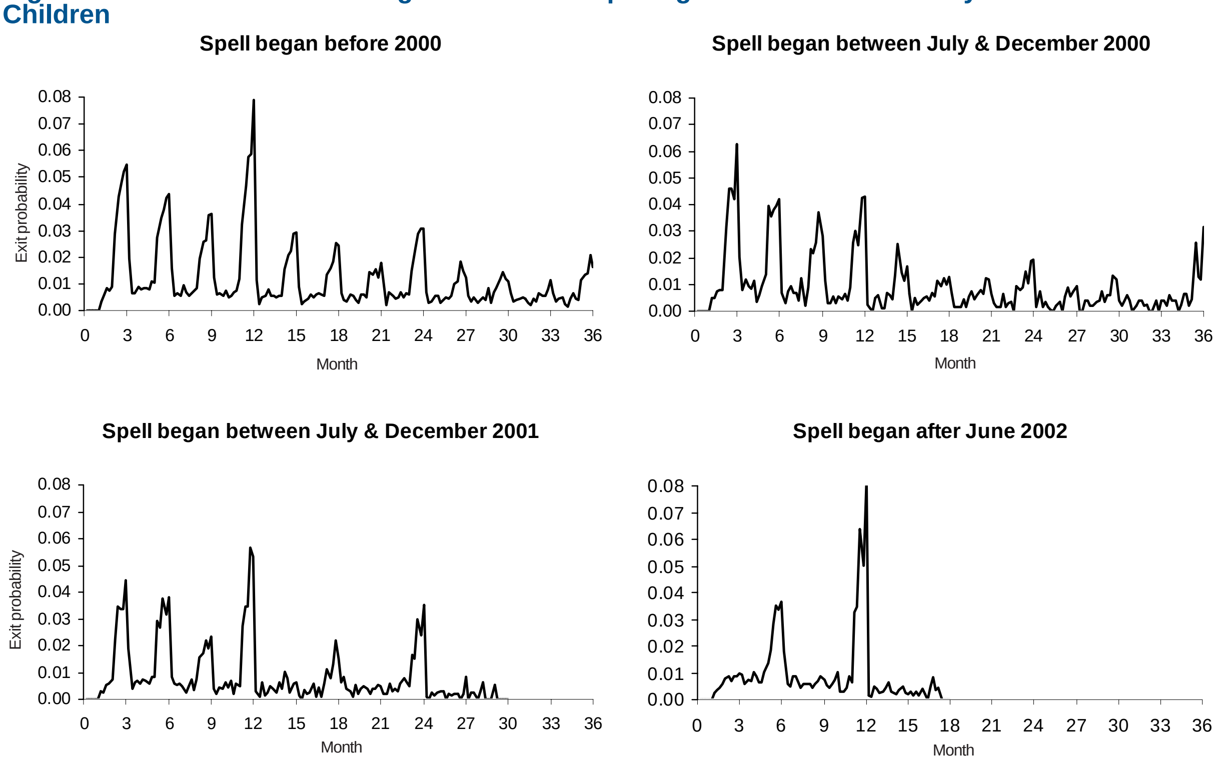
In addition to economic factors, changes in welfare and food stamp policies likely contributed to the changing dynamics of the food stamp caseload in South Carolina. While some of these policy choices likely lead to the decline in food stamp participation in the late 1990s, some new choices have likely contributed to the recent rise in participation. In particular, a policy reform to the state's recertification period enacted in 2002 was designed to promote food stamp use among eligible clients and may have led to increases in the caseload. Specifically, prior to October 2002, participation may have been deterred by the time required for a face-to-face interview, paperwork hassles associated with the mail-in procedure, and frequent recertification every three months for those with working household members. Since October 2002, however, recertification is only every 6 months, a large number of recertification interviews can be conducted over the phone, and income verification procedures have been relaxed.

Data and Descriptive Analysis

The primary data for the empirical analysis come from two administrative systems maintained by the state of South Carolina: one describes participants in the state's food stamp and TANF programs, while the other describes covered earnings in the state's Unemployment Insurance (UI) program. The study draws records from these systems covering the period from October 1996 until December 2003 and examines variable-length periods of program participation and quarterly

(continued on p. 8)

Figure 2. Probabilities of Exiting the Food Stamp Program for Different Entry Cohorts of Families with Children



Note: Figures are Kaplan-Meier hazard functions, calculated using 6-day frequencies. The figures are computed using weighted administrative data from the South Carolina Department of Social Services.

Watching Clocks: The Role of Recertification in Food Stamp Caseload Dynamics (continued)

periods of employment. The units of analysis for the models of program participation and nonparticipation are spells. In this application, a spell is the length of time a household unit spends on food stamps prior to leaving the program.

Figure 2 displays estimates of the probabilities of leaving the Food Stamp Program at different points in time conditional on having remained in the program up until that point. The estimates in Figure 2 indicate that families are much more likely to leave the Food Stamp Program in recertification months than in other months. For instance, the upper-most left panel displays the estimated probability of exiting food stamps for spells that began before 2000. Nearly all of these spells were subject to quarterly or annual recertification through their first 36 months. Consistent with this, we observe jumps in the exit probabilities at 3- and 12-month intervals.

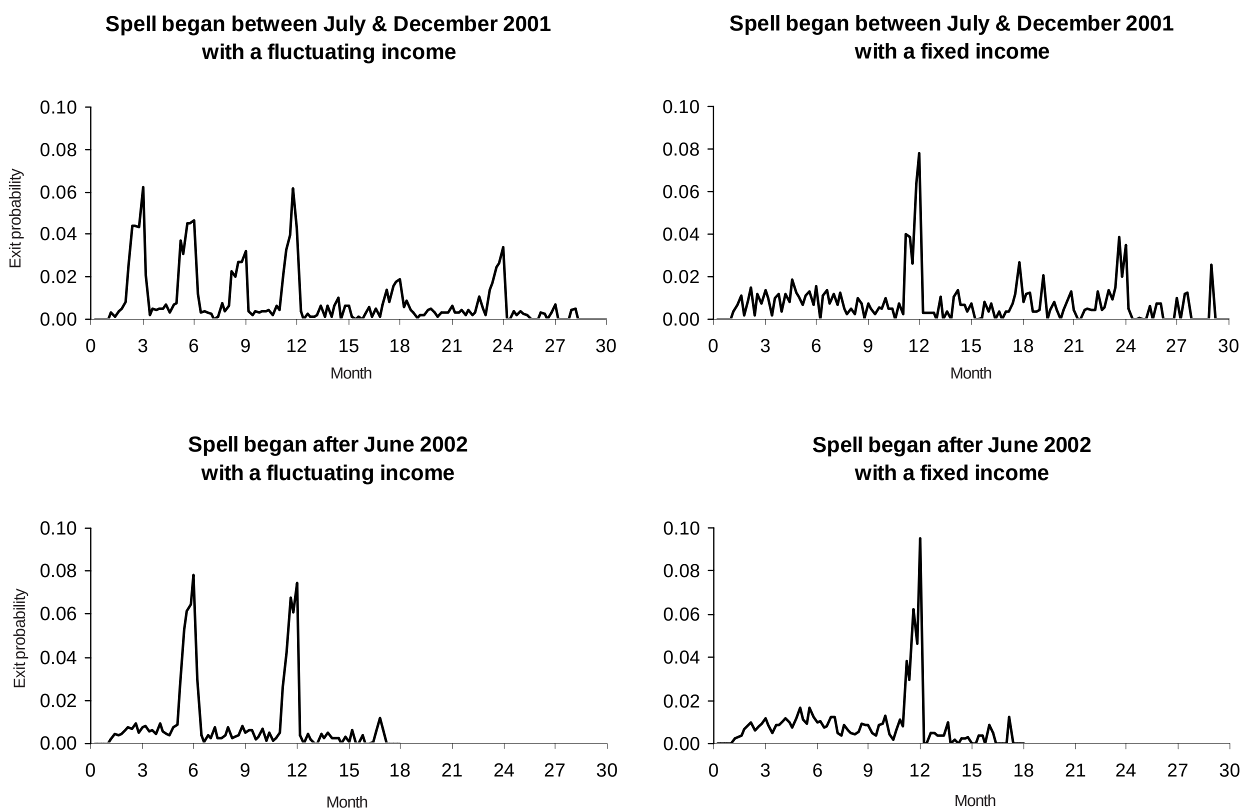
The upper right panel shows the exit probabilities for food stamp spells that began in the second half of 2000. These spells were subject to quarterly and annual recertification for their first 24 months and semi-annual recertification thereafter. The recertification schedule is evident in the graph, with a spike at 30 months and a larger spike at 36 months being the highest peaks after 24 months.

> ***"The estimates...indicate that families are much more likely to leave the Food Stamp Program in recertification months than in other months."***

Food stamp spells that began in the second half for 2001 (shown in the lower left panel) were subject to quarterly and annual recertification for their first 12 months and semi-annual and annual recertification thereafter. Peaks are evident at 18 and 24 months—the semi-annual and annual recertification points after the first 12 months. Food stamp spells that began in or after the second half of 2002 (shown in the lower right panel) were subject to semi-annual and annual recertification throughout their durations.

Figure 3 disaggregates the spells by whether the families were recorded at program entry as having fluctuating or fixed incomes. Families with fluctuating incomes (usually earnings) were subject to quarterly or semi-annual recertification intervals, while families with fixed incomes were

Figure 3. Probabilities of Exiting the Food Stamp Program for Different Entry Cohorts of Families with Children Conditional on Initial Income Status



Note: Figures are Kaplan-Meier hazards, calculated using 6-day frequencies. The figures are computed using weighted administrative data from the South Carolina Department of Social Services.

subject to only annual intervals. The graphs provide further evidence that the patterns in exit probabilities represent the effects of recertification. The exit rates for families with fluctuating incomes have quarterly and semi-annual spikes in the first year, while the rates for families with fixed incomes only have an annual spike in the first year.

Econometric Specification and Results

The results displayed in Figures 2 and 3 do not control for factors that may affect whether and how long a household participated in food stamps. These factors include local economic conditions, indicators for whether the household head participates in TANF and/or works in the labor market, personal characteristics, and various policy choices including length of recertification period. We thus specify and estimate a number of multivariate regression models of exit from and entry into food stamps.

The estimates in Table 1 for unmarried heads of household indicate that the Food Stamp Program clock variables are statistically and substantively important, even after controlling for other characteristics. Families with unmarried heads of household were much more likely to leave the Food Stamp Program in recertification months—at quarterly and annual intervals prior to October 2002 and at semi-annual and annual intervals subsequently—than in other months.

Table 1 also indicates that employment is associated with faster exits from food stamps and slower returns. The results indicate that TANF participation is associated with slower exits from the Food Stamp Program, which we would expect. However, TANF participation is also estimated to be associated with a decreased entry into food stamps. One explanation for this result is that families who receive TANF benefits but not food stamps are a small and selective group. (The estimated association may reflect the receipt of cash assistance by child-only cases.) Similar estimates were obtained for families with ever-married heads of household.

Summary

This study produced strong evidence that food stamp recertification policy in South Carolina affects participation, the timing of exits, and the length of assistance spells in that state. Food stamp exits were much more likely to occur during months when families were required to recertify their eligibility than in other months. The patterns in the exit data correspond with South Carolina's recertification policy change in October 2002. The change in the recertification policy appears to have contributed to the record growth rates and levels of food stamp participation that South Carolina has experienced in the last few years.

We found that employment is associated with faster exits from and slower returns to the Food Stamp Program. Families that participate in the cash assistance program are less likely to leave food stamps than families that do not participate. This strong association is expected, as most TANF participants are categorically eligible for food stamps. The results also may reflect greater need among cash welfare recipients.

As food stamp caseloads continue to swell and as more families exhaust their eligibility for TANF, the Food Stamp Program is becoming a more important part of the safety net. South Carolina has clearly followed a dual-track approach of smoothing the bumps in the road for food stamp recipients through its outreach efforts and longer recertification intervals, while increasing the bumps for welfare recipients through its adoption of a short time limit and other reforms. These policy changes have profoundly altered the distribution of assistance in the state away from cash benefits and toward food stamps.

Table 1. Models of Food Stamp Transitions, Welfare Transitions, and Employment: Unmarried Heads of Household with Dependents

	FS Exit	FS Entry
Household characteristics		
Welfare participation	-0.2248 ***	-0.1194 ***
	(0.0245)	(0.0417)
Earnings/employment	0.4255 ***	-0.0435 **
	(0.0162)	(0.0190)
Recertification months for the food stamp exit model		
End of quarter (Spell began prior to 10/02)	1.3956 ***	
	(0.0176)	
End of year (Spell began prior to 10/02)	0.3271 ***	
	(0.0436)	
End of 6-months (Spell began 10/02 or after)	1.2302 ***	
	(0.0409)	
End of year (Spell began 10/02 or after)	0.4676 ***	
	(0.0590)	

Note: Estimates based on weighted administrative data from the South Carolina Department of Social Services. Models calculated using Guassian quadrature with 10 points in each dimension. Intercepts and coefficients for piecewise linear duration dependence patterns in hazard models are not reported. Asymptotic standard errors in parentheses. * Significant at .10 level. ** Significant at .05 level. *** Significant at .01 level.

David C. Ribar is Professor of Economics at The George Washington University. Marilyn Edelhoch and Qiduan Liu are employed by the Office of Planning and Research at the South Carolina Department of Social Services.

WINNERS OF UKCPR FUNDING OPPORTUNITIES

Regional Small Grants Program, 2005-06

Scott W. Allard, Taubman Center for Public Policy, Brown University, “Access to Social Services in Rural America”

Stephen G. Bronars, Department of Economics, University of Texas at Austin, “African American Self Employment and Family Structure in the American South”

Debra A. Henderson, Ann R. Tickamyer, and Barry L. Tadlock, Department of Sociology and Anthropology and Department of Political Science, Ohio University, “Does Welfare Reform Work in Rural America? A Seven Year Follow-Up”

Sarah J. Reber, Department of Public Policy, School of Public Affairs, University of California, Los Angeles, “Local Responses to Education Grants and Mandates: Evidence from the Civil Rights Act and Title I”

HBCU, 1890, and Tribal Colleges and Universities Small Grants Program

Mildred Fennal, School of Nursing, Florida A&M University, “Obesity and the Development of Complications across the Life Span: Is there a Relationship between Obesity and Poverty?”

Laura Solitare, School of Public Affairs, Texas Southern University, “Brownfields Redevelopment as a Policy for Poverty Alleviation: An Environmental Justice Analysis of Community Impacts”

Edward Stephenson, Division of Social Sciences, Florida Memorial University, “Race, Class and Perceptions of Poverty and Unemployment among Unemployed African Americans”

Sharon Vaughan, Department of Political Science, Morehouse College, “Western Political Theory and the Problem of American Poverty,”

Malik Watkins, Survey Research Center, Savannah State University, “The Contribution of Historic Preservation to the Persistence of Poverty,”

Andrew Zekeri, Department of Psychology and Sociology, Tuskegee University, “Livelihood Strategies of Food Insecure Poor, Female-headed Families in Alabama’s Black Belt”

Young Investigator Development Grants Program, 2005-06

Vicki Lens, Columbia University School of Social Work, “A Study of TANF Work Sanctions in Texas”

Jennifer L. Matjasko, Department of Human Ecology, The University of Texas at Austin, “Why Do Some Texas Children in Poverty Succeed in School and What Can We Do to Foster More Success?”

Lenore M. McWey, Department of Family and Child Sciences, Florida State University, “Improving the Well Being of At-Risk Families: Exploring Clients’ Perceptions of Preventative Services”

Graduate Student Research Fellowships, 2005-06

Attila Cseh, Ph.D. student, Department of Economics, University of Kentucky, “The Labor Market Effects of Mental Disorders”

Diane N. Loeffler, Ph.D. student, College of Social Work, University of Kentucky, “Homeownership Among Low-Income Central Appalachian Households: Predicting Mortgage Repayment Performance”

Synopses from the Spring 2005 Seminar Series

February 18

Susan E. Mayer, Dean of the Harris School of Public Policy Studies at the University of Chicago, presented a paper entitled “Government Spending and Intergenerational Mobility.” Dr. Mayer and her co-author, Leonard M. Lopoo, Assistant Professor in the Department of Public Administration of the Maxwell School of Citizenship and Public Affairs at Syracuse University (and a recipient of a 2004-05 UKCPR Regional Small Grant) assess the extent to which government spending increases economic mobility across generations. They calculate state government spending levels during children’s adolescence using data from the Panel Study of Income Dynamics on children.

March 4

David Autor, Pentti J.K. Kouri Career Development Associate Professor at MIT, presented a paper entitled “Will Job Testing Harm Minority Workers?”, which he coauthored with David Scarborough of Unicru, Inc. The authors studied the evidence for an equity-efficiency tradeoff in employment testing using data from a national retail firm whose stores switched from informal to test-based screening. The authors found that testing yielded increased productivity, raising median tenure by 10 percent and reducing the frequency of firing for cause. Although minorities performed significantly worse on the test, the authors found no evidence that employment testing changed the racial composition of hiring at the firm’s sites. The authors show that these results imply that employers were effectively statistically discriminating prior to the introduction of employment testing. Consequently, the gain in improved selection came at no measurable cost in equity.

March 9

Kathleen Mullan Harris, Director of the National Longitudinal Study of Adolescent Health at the Carolina Population Center at the University of North Carolina, Gillian T. Cell Distinguished Professor of Sociology at the University of North Carolina at Chapel Hill, and a member of the UKCPR National Advisory Board, visited the UKCPR March 9, 2005, as a Visiting Scholar. Dr. Harris presented research from two projects using data from the National Longitudinal Study of Adolescent Health (Add Health). The first presentation was based on the paper entitled “The Role of Peers in the Adaptation Processes of Immigrant Youth,” which she coauthored with Kathryn Harker and Guang Guo. Using Add Health data, the authors examine the role of peer context in the adaptation processes of immigrant youth in the school environment. The authors find evidence of selective acculturation where ties to immigrant adolescents’ ethnic identities are maintained through their peer groups which operate to protect immigrant youth from acculturating into the native local youth culture and explain part of the immigrant advantage.

Dr. Harris also presented research from a project entitled “Family Structure Role Models and Nonmarital Childbearing,” coauthored with Mariah M. Cheng. The authors document the relationship circumstances in which nonmarital births occur, model the determinants of nonmarital childbearing, and focus particularly on the effects of family structure role models in the social contexts of adolescents’ lives. The authors find that family structure role modeling effects on nonmarital childbearing operate independently in different social contexts and are additive. The also found that positive role modeling works more effectively through family of origin and peers, whereas negative role modeling works more effectively through family of origin, peers, and neighborhoods. The authors found that individual-level characteristics are more important in predicting childbearing, and contextual-level characteristics are more important in predicting marriage.

March 23

Darren Lubotsky, Assistant Professor of Economics and Labor and Industrial Relations in the Department of Economics and Institute of Labor and Industrial Relations at the University of Illinois at Urbana-Champaign, presented a paper entitled “Mexican Immigration and Self-Selection: New Evidence from the 2000 Mexican Census,” which he coauthored with Pablo Ibarraran, of the Inter-American Development Bank. Using data from the 2000 Mexican Census, the authors examine how the education and socioeconomic status of Mexican immigrants to the United States compares to that of non-migrants in Mexico. The authors find that migrants tend to be less educated than non-migrants. This is consistent with the idea that return to education is higher in Mexico than in the United Status, which provides an incentive for better-educated Mexicans to remain in Mexico and for lower-skilled Mexicans to migrate to the United States. The authors also find that the degree of negative selection of migrants is stronger in Mexican counties that have a higher return to education. (In the 2000 United States Census, Mexican migrants appear to be better educated than non-migrant Mexicans. This may be due in part to an undercount of younger, illegal, and low-skilled Mexicans.)

Emerging Scholars Program

Spring 2005

Darren Lubotsky, Assistant Professor of Economics and Labor and Industrial Relations in the Department of Economics and the Institute of Labor and Industrial Relations at the University of Illinois at Urbana-Champaign, visited the UK Center for Poverty Research the week of March 21 to 25. During his visit, Dr. Lubotsky presented his research in a seminar entitled “Mexican Immigration and Self-Selection: New Evidence from the 2000 Mexican Census.” During the week, Dr. Lubotsky met with UKCPR Faculty Affiliates and graduate students.

The Effects of Food Stamp Vehicle Asset Rules on Food Stamp Program Participation

Charles L. Baum

Food Stamp Program (FSP) participation reached an all-time high of 27.5 million in 1994 (USDA, 2004). However, between 1994 and 2000, program participation declined by over 37 percent to 17.1 million. Concomitantly, the portion of people eligible for food stamps who participated in the program fell from about 75 to 60 percent (Kabanni and Wilde, 2003). This decline has been primarily attributed to an expanding economy and welfare reform (Ziliak, Gundersen, and Figlio, 2003). The 1996 welfare reform act, The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), affected the FSP by making many immigrants ineligible for benefits, placing time limits (and work requirements) on benefits for able-bodied adults without dependents (ABAWDs), and giving states the option to impose penalties for breaking Temporary Assistance for Needy Families (TANF) rules by reducing food stamp benefits.

The decline in FSP participation concerned many policymakers, prompting the Federal government to take steps to liberalize food stamp eligibility criteria. This has been done primarily by allowing states options and waivers to liberalize their own FSP eligibility criteria as codified in the 2001 Agricultural Appropriations Act and the 2002 Farm Security and Rural Investment Act. One such option is that states may liberalize their vehicle asset rules. Taking effect July 2001, this option in practice has allowed states to alter their food stamp eligibility criteria's asset test to either exclude the value of all vehicles or the value of one vehicle per household or exempt a larger amount per vehicle by increasing the standard vehicle exemption, which otherwise is $4,650.

In this project, I examine the relationship between state vehicle asset rules and FSP participation with National Longitudinal Survey of Youth (NLSY) data. The results suggest that liberalizing FSP vehicle asset rules increases program entry rates and decreases program exit rates. These results should be particularly important to southern states because 4 of the 9 states that have not yet liberalized their vehicle asset rules (as of 2003) are in the South; these are Virginia, Tennessee, Mississippi, and Georgia.

The research summarized here was funded by a UKCPR Young Investigator Development Grant.[1]

The Data

I use NLSY data to estimate the effects of state vehicle asset rules on program participation. From 1979 through 1994, the NLSY annually interviewed a cohort of 12,686 respondents who in 1979 were between the ages of 14 and 21. The original NLSY sample contained 6,283 women and an over-sample of blacks, Hispanics, low-income whites, and military personnel. After 1994, the NLSY began interviewing biennially, and respondents have since been re-interviewed on that basis. In each survey, the NLSY collects information on each respondent's individual characteristics and experiences with welfare programs including the FSP (The Center for Human Resource Research, 2002). I use data from the 1998, 2000, and 2002 waves, which generates 18,607 person-year observations across the 3 surveys.

The key outcome of interest is FSP participation. The NSLY asks respondents whether they participate in the Food Stamp Program and, if so, how much they receive in food stamp benefits for each month covered by the survey. About 4 percent of my sample receives food stamps. The sample's participation rate is not necessarily nationally representative because the sample over-represents black, Hispanic, and low-income households and is a cohort of respondents no more than 7 years apart in age (aged 37 to 44 in 2002, for example). Further, my sample covers a unique period—1998 through 2002. In my sample, annual receipts average $881, excluding the nonrecipients.

> ***"The results suggest that liberalizing FSP vehicle asset rules increases program entry rates and decreases program exit rates."***

To identify the effects of state vehicle asset rules on program participation, I exploit state variation in food stamp eligibility laws. This is possible because PRWORA began allowing states to develop their own food stamp eligibility standards (within a set of Federal guidelines). In particular, the 2001 Agriculture Appropriations Act gives states the option of replacing their FSP's vehicle rule with a more liberal vehicle rule from a TANF assistance or non-cash benefit program (Super and Dean, 2001; Center on Budget and Policy Priorities, 2003). The NLSY identifies each respondent's state of residence, so measures of state food stamp eligibility criteria can be linked with each respondent.

To identify policy effects, I use multivariate regression analysis to hold constant potentially confounding factors. First, I control for individual characteristics with a standard set of demographic variables. The demographic covariates include controls for gender, race, age, education, marital status, children, work experience, and urban residence. Since I identify the effects of FSP vehicle rules using state variation, comparing the effects of various rules across states will produce misleading results if such differences are due to state-specific effects that are not the result of the states' vehicle rules. To control for such effects, I include state-specific dummy variables. Similarly, estimates will also be biased if relaxation of vehicle asset rules is correlated with but not due to year-specific effects. To control for year-specific effects, I include a dummy variable for each year covered by the model (one for each survey year). I also control for local (county or Standard Metropolitan Statistical Area) economic conditions, a state's political orientation, other state FSP options and waivers, and state TANF program characteristics.

Further, it is possible to approximate eligibility with NLSY data because the survey collects information needed to identify gross income, net income, household size, the ages of household members, the value of assets, and vehicle values. Using that information, I can approximate whether NLSY respondents are income-eligible (that is, whether they pass the gross and net income tests) with 1998, 2000, and 2002 NLSY data.

Results

The vehicle rule variables' results are presented in Table 1. First, I estimate the effects of liberalized vehicle asset rules on program participation using the full sample (see model 1 in table 1). Then, I re-estimate the model on a sub-sample of income-eligible respondents (model 2). Next, I separately estimate the effects of the three types of liberalized vehicle asset rules using the full sample and the income-eligible sub-sample (models 3 and 4, respectively).

Model 1 shows that liberalized vehicle asset rules significantly increase FSP participation. Simulations suggest that switching from the original FSP rule to one with exclusions or higher exemptions would raise program participation from 3.8 to 5.3 percent, which is an increase of 1.5 percentage points. Next, I re-estimate the model on a sub-sample of income-eligible respondents (model 2). This is designed to estimate the effect of FSP vehicle rule changes on those who are more likely to be eligible for benefits. The results are similar to those in model 1: there is evidence that liberalized vehicle asset rules significantly increase program participation, with switching from the original FSP vehicle rule to one with exclusions or increased exemptions raising program participation among income-eligibles from 18.7 to 24.2 percent, which is 5.5 percentage points. Liberalized vehicle asset rules increase FSP participation by a larger percentage in model 2 than in model 1 because model 2 does not include observations that do not have the option of participating due to either the gross or net income test.

Next, I separately estimate the effects of excluding all vehicles, excluding one vehicle, and raising the vehicle exemption amount (where the original FSP vehicle asset rule is the excluded category). In models 3 and 4, excluding all vehicles from the asset test significantly increases program participation. This increase is from 3.9 to 6.0 percent in the full sample and 19.2 to 26.3 percent among income-eligibles. Less dramatic vehicle asset rule changes have less substantive effects: excluding one vehicle and raising the vehicle exemption amount do not have statistically significant effects in either model.

Lastly, I estimate the effects of vehicle asset rules on monthly transition rates—entry for the full sample conditional on non-participation, entry for the income-eligible sub-sample conditional on nonparticipation, and exit for the full sample conditional on program participation. Table 2 presents the predicted probabilities of FSP participation without and with motor vehicle asset liberalization. I first estimate

(continued on p. 14)

Table 1. The Effect of Liberalizing State Vehicle Asset Rules on Predicted Food Stamp Program Participation

Sample	**Full**	**Income-Eligibles**
Predicted FSP Participation	Model 1	Model 2
Without Liberalized Asset Rule	0.038**	0.187*
With Liberalized Vehicle Rule	0.053	0.242
	Model 3	Model 4
Without All Vehicles Excluded	0.039**	0.192*
With All Vehicles Excluded	0.060	0.263
Without One Vehicle Excluded	0.040	0.194
With One Vehicle Excluded	0.052	0.238
Without Vehicle Exemptions Raised	0.040	0.196
With Vehicle Exemptions Raised	0.047	0.213

* Indicates statistical significance at the 10% level. ** At the 5% level, and *** at the 1% level. There are 18,607 observations in the full-sample model and 3,543 observations in the income-eligible model.

The Effects of Food Stamp Vehicle Asset Rules on Food Stamp Program Participation (continued)

Table 2. The Effect of Liberalizing State Vehicle Asset Rules on Predicted Food Stamp Program Entry and Exit Rates

	Entry rates		Exit rates
Sample	**Full**	**Income-Eligibles**	**Full**
Predicted Entry and Exit Rates	Model 1	Model 2	Model 3
Without Liberalized Asset Rule	0.0023	0.008	0.084**
With Liberalized Vehicle Rule	0.003	0.01	0.055
	Model 4	Model 5	Model 6
Without All Vehicles Excluded	0.0023	0.008	0.075*
With All Vehicles Excluded	0.0031	0.011	0.08
Without One Vehicle Excluded	0.0023	0.008	0.079*
With One Vehicle Excluded	0.0026	0.008	0.046
Without Vehicle Exemptions Raised	0.0023	0.008	0.075
With Vehicle Exemptions Raised	0.0026	0.013	0.069

* Indicates statistical significance at the 10% level. ** At the 5% level, and *** at the 1% level. There are 136,679 observations in the full-sample entry model, 23,912 observations in the income-eligible entry model, and 3,904 observations in the exit model.

entry rates among non-participants (who are not necessarily income-eligible). However, results in models 1 and 4 are statistically insignificant. Next, I re-estimate the model on a sub-sample of non-participants who are income-eligible. Results are similar: all vehicle rule results are statistically insignificant in models 2 and 5. Finally, I estimate monthly exit rates on a sub-sample of FSP participants. Model 3 in Table 2 indicates that liberalized vehicle asset rules significantly decrease the probability of exiting the program. In particular, switching from the original rule to a liberalized rule decreases the probability of exiting from 8.4 to 5.5 percent, which is a decrease of almost 3 percentage points. The effects of excluding all vehicles and excluding one vehicle are statistically significant at the 10-percent level.

Discussion and Conclusions

The results of my study suggest that liberalizing vehicle asset rules could increase FSP participation. This increase is due partly to both increased eligibility and increased participation among those eligible. Models of entry and exit suggest that the effect of vehicle asset liberalization has not increased entry into the program; rather the expansion has lowered the likelihood of transitioning out of the program. These results could be particularly important for the South because almost half of the states that have not yet liberalized their vehicle asset rule are in the South.

Note:

1. The opinions and conclusions expressed herein are solely those of the author and should not be construed as representing the opinions or policy of the UKCPR or any agency of the Federal government.

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Second Annual UKCPR Small Grants Conference

April 14-15, 2005

On April 14 and 15, 2005, the UK Center for Poverty Research hosted its Second Annual Small Grants Conference. During the two-day conference, the recipients of the following small grants programs presented research from their projects. The results from funded projects will be disseminated upon completion.

On Thursday, April 14, the following recipients of the HBCU, 1890, and Tribal Colleges and Universities Small Grants presented their research projects:

Mildred Fennal, Florida A&M University
Laura Solitare, Texas Southern University
Edward Stephenson, Florida Memorial University
Sharon Vaughan, Morehouse College
Malik Watkins, Savannah State University
Andrew Zekeri, Tuskegee University

On Friday, April 15, the following recipients of the Young Investigator Development Grants for 2005-06 presented their research projects:

Vicki Lens, Columbia University
Jennifer Matjasko, The University of Texas at Austin
Lenore McWey, Florida State University

The following recipients of the Regional Small Grants for 2004-2005 presented their preliminary research findings:

Shiferaw Gurmu, Georgia State University
Maryah Stella Fram and Julie Miller-Cribbs, University of South Carolina
Leonard Lopoo, Syracuse University
Elizabeth Cascio, University of California, Davis

Emerging Scholars Program 2005-06

The UK Center for Poverty Research welcomes nominations and applications for the Emerging Scholars Program. This program offers the opportunity for young scholars in the behavioral and social sciences to visit the UKCPR, interact with faculty in residence, present their research, and become acquainted with the staff and resources of the Center. Eligibility is restricted to those holding a Ph.D., with preference given to those who graduated in the last six years. Subject to budgetary approval, transportation, lodging, and meal expenses will be coordinated and covered by UKCPR.

Nominations and applications, along with a brief bio and current CV (or links to the latter in the case of anonymous nominations) should be sent to Kathryn Kirkland at kaconr0@uky.edu. We will consider nominations and applications for the Fall 2005 semester until Friday, September 2, 2005, and for the Spring 2006 semester until Friday, December 2, 2005.

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