

Summary

Each year, the Food and Nutrition Service estimates the rate of participation in the Food Stamp Program among those eligible for benefits. *Trends in Food Stamp Program Participation Rates: 1999-2002* (Cunningham 2004) presents an estimate of the national food stamp participation rate for 2002. The new estimate tells a complicated, yet ultimately positive, story of recent changes in the Food Stamp Program. In brief, these new data show that the Food Stamp Program served about 54 percent of those eligible to receive benefits in fiscal year 2002, reflecting a combination of increased participation, expanded eligibility standards designed to help working poor families, and improved techniques that yield more accurate estimates.

The Food Stamp Program the largest of the Nation's nutrition assistance programs, is designed to be available to all eligible individuals and households in the United States. Each year, the Food and Nutrition Service (FNS) estimates the rate of participation in the Food Stamp Program among those eligible for benefits. The participation rate is simply a ratio of the number of participants to the number of people eligible for benefits. Counts of the number of participants are easily obtained from administrative records. Counts of the number of people eligible for benefits are not so easily obtained. We use instead an estimate based on national survey data and a variety of other sources.

Several things have changed since FNS last estimated participation rates for 2001 (reported in Cunningham 2003). This brief paper describes these changes and their effect on participation rates in some detail. Several key points emerge from this analysis:

- **The Food Stamp Program served more low-income families and individuals.** The average monthly number of participants grew from about 17 million in 2001 to 19 million in 2002, an increase of 1.8 million people.¹ All else equal, we would have

¹ Participation has continued to grow: in June 2004, the program served about 24.2 million people.

expected participation rates to increase with rising participation. But all else was not equal. Several factors increased the number of people eligible for food stamp benefits.

- **Important policy reforms opened the door to program benefits for many low-income families and individuals.** New rules replaced outdated limits on the value of vehicles they could own.² The old food stamp rules were widely seen as barriers to participation for many of the working poor, who need reliable transportation to find and keep jobs. We estimate that about 2.7 million low-income individuals met the new eligibility standards in 2002.
- **The number of eligibles grew in response to changing economic conditions.** The program is designed to expand when the economy weakens and contract when it grows. On average, there were nearly 2 million more people unemployed in 2002 than in 2001, and 1.7 million more people in poverty. We estimate that changing

² These changes included a regulatory change (effective January 2001) that defined some low-value vehicles as an inaccessible resource and eliminated the equity test for one vehicle per driver, and a statutory change (effective July 2001) that gave States an option to adopt their TANF vehicle rules (if more generous than the food stamp rules).

economic conditions increased the number of eligible individuals by about 1.4 million in 2002.

- **Technical improvements and more current information improved the accuracy of our estimates of eligibility.** This year, as in the past, we made several technical improvements to the way we estimate eligibility and incorporated more current information on the assets of low-income households.³ More accurate estimates of the number of people that meet the program's asset test added 1.9 million to the estimated number of eligibles in 2002; other technical improvements and minor corrections added another 400,000 individuals.

We are also completing a shift – started a year ago – to focus attention on the annual average participation rate for the fiscal year. In previous years, we presented the participation rate for a single month (most recently, September).⁴ There are only trivial differences in the estimated number of people eligible under these two approaches. But because caseloads were rising throughout 2002, the average monthly number of participants for the fiscal year is less than the number of participants in September. As a result, the estimated participation rate for

the average month in the fiscal year is less than the estimated participation rate in September.⁵

To ensure a consistent basis for making comparisons over time, we revised the estimates of the number of people eligible for benefits in 1999, 2000, and 2001 using the same approach followed for 2002. The effect is to increase the number of people estimated to be eligible, and to reduce the estimated participation rates. Thus, **the best available data now tell us that food stamp participation rates are lower and rising more slowly than previously believed.** This conclusion is illustrated below. [Note that the chosen scale exaggerates the difference between the two trend lines.]

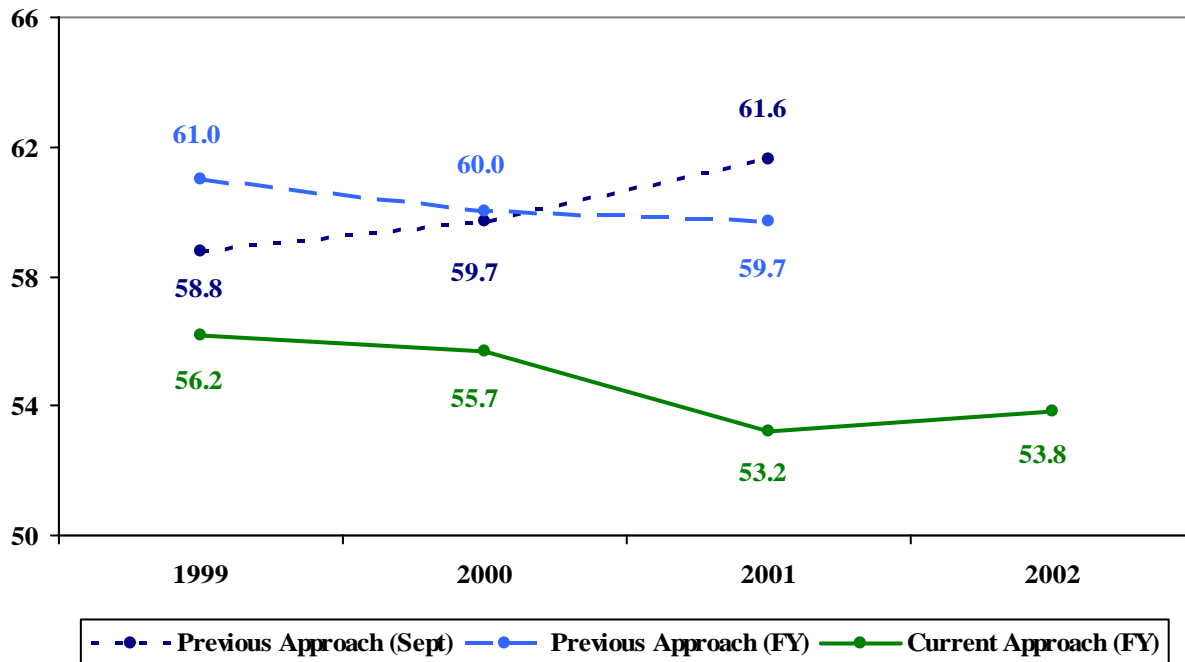
The dotted line shows the trend in food stamp participation rates for September, as reported last year. The dashed line shows the trend in fiscal year rates also reported last year. The fact that these two lines cross illustrates the effect of moving to a fiscal year average from a year-end estimated during a period of falling caseloads (1999-2000) and then rising caseloads (2000-2001). The solid bottom line shows the trend after factoring in the program reforms and technical improvements. It represents our current best estimate of food stamp participation rates: about 54 percent of all eligibles on average during fiscal year 2002, slightly higher than a year earlier.

³ The technical improvements included more accurate treatment of refugees, higher income households, child-only pure public assistance cases, households with members in the Armed Forces, students, and educational loans. We also substantially revised our approach to estimating asset eligibility to reflect the trade-in rather than retail value of vehicles, account for the new flexibility offered States, and take advantage of more current information from the Survey of Income and Program Participation.

⁴ The shift from a single month to an annual average enables us to take advantage of the full food stamp quality control sample to make more precise estimates of participation rates among different groups, and to support development of State-specific participation rates among the working poor. It is also more consistent with the way eligibility is simulated from national survey data.

⁵ Using the new data and technical approach developed for 2002, the estimated participation rate in September 2002 was 55.5 percent. In years during which the caseload falls, the annual average would be more than the September rate.

Food Stamp Participation Rates: Previous and Current Estimates



The Components of Change

Although the number of people participating in the Food Stamp Program increased in recent years, participation rates are lower and rising more slowly than previously reported. This is largely because the number of people estimated

to be eligible for food stamp benefits increased even more quickly than the number who participated. The following table shows how each of the major changes between 2001 and 2002 affected our estimates of the number of people eligible:

Decomposition of Change in Number of Eligibles: 2001 – 2002 (number in thousands)

	Number	Percent
Baseline eligibles in 2001 using old methods, data, and rules	28,300	
Effect of expanded eligibility rules	2,700	43
Effect of newer information and better estimates of asset eligibility	1,900	30
Effect of economic conditions, changes in household circumstances	1,400	21
Effect of technical improvements in simulation model	400	6
Total difference	6,400	100
Revised eligibles in 2002	34,700	

A year ago, we estimated that 28.3 million people were eligible for food stamp benefits. Policy reforms that replaced outdated rules limiting the value of vehicles that participants may own increased the number of people eligible for benefits by about 2.7 million or nearly 45 percent of the increase between the previous estimate of eligibles in 2001 and our current estimate for 2002. New and technically improved methods to assess asset-eligibility using more current data increased the estimated number of eligible individuals by about 1.9 million, approximately 30 percent of the increase. Technical improvements and corrections in estimation methods – other than changes related to the way assets are imputed and counted – increased the number of people eligible by about 0.4 million, or roughly 5 percent of the increase. Finally, changes in economic conditions and individual household circumstances added 1.4 million people, or roughly 20 percent of the increase.

Participation Rates Under Old Rules

The largest single factor contributing to the increase in the number of eligibles between 2001 and 2002 – and thus the single biggest factor contributing to participation rates lower than we might have expected in 2002 – is the change in program rules that expanded eligibility for many low-income families. These beneficial reforms are likely to have suppressed participation rates for two reasons. First, it takes time for information about policy changes to make its way into communities, reach the people likely to be affected, and influence their decision to apply for benefits. Moreover, we know that working families – the main beneficiary of the new eligibility rules – tend to have lower than average participation rates in the Food Stamp Program. Thus, even if they participated at their historic average, overall participation rates might fall. While these reforms may have slowed the growth in participation rates in the short-term, they will strengthen the program as a critical work support over the long-term.

FNS and its national, State, and local partners have invested considerable effort in recent years to facilitate access to the program and its

benefits for everyone who is eligible. The expanded pool of eligibles may obscure the success of these efforts if increases in participation among people eligible under the old program rules are masked by low participation rates among people made newly eligible. Thus, it would be useful to know whether participation rates increased among those eligible under the old program rules.

This question is somewhat hard to answer, however, because we cannot directly observe how many participants fall into the “newly” eligible category.⁶ The count of participants in administrative records may include some who would not have been eligible under the old program rules. To shed some light on the issue, we have to make some plausible assumptions about the likely range of participation rates among the newly eligible. Specifically, we assume that the participation rate among those newly eligible is likely to be considerably lower than the overall average, probably between 10 percent and 40 percent, for the reasons noted above. We also assume that the participation rate among the newly eligible in 2002 was at least as high as in 2001, since more time had elapsed during which they could have applied for program benefits.

With these assumptions, the participation rate among those “always” eligible would have been about 58 percent in 2002 if the participation rate among the “newly” eligible is relatively low (10 percent), and about 55 percent if the rate among the “newly” eligible was relatively high (40 percent). Thus it is likely that overall participation rates would have been higher – and the increase between 2001 and 2002 may have been greater – in the absence of the policy reforms.

⁶ “Newly eligible” is defined for this discussion as a person who is eligible under current rules but would not be eligible under the program’s previous treatment of vehicles. Data limitations hinder our ability to identify new participants among the newly eligible.

Subgroup and State Rates

In general, the revisions described here affect estimated participation rates among many different subgroups of program participants. For most groups – including families with children, non-elderly adults in the labor force, earners, and TANF recipients – the revised rates are lower than estimates made under the previous approach. There are, however, notable exceptions. For the elderly, non-citizens, citizen children living with non-citizens, and households without children, the revised estimates are close to the original estimates.⁷ This reflects, at least in part, the differential effect of the changed asset rules on these groups.

Trends in Food Stamp Program Participation: 1999-2002 does not provide estimates of participation rates in individual States.⁸ The changes adopted for 2002 will also affect the State estimates. Because the State estimates are benchmarked to the national estimate, we expect the revisions to be lower than reported in Castner and Schirm (2004). The size of the difference for any individual State will depend in part on the asset policy adopted in that State, local economic conditions, and other factors.

Looking Ahead

Food stamp participation continues to grow. The program served an average of 21.3 million people each month in 2003, and is expected to serve an average of about 23.7 million in 2004. This trend might be expected to increase the participation rates in those years.

We also expect the number of people eligible for benefits to grow again in 2003. The Food Security and Rural Investment Act of 2002

⁷ Based on a comparison, not shown here, of the fiscal year 2001 rates presented in Tables B.3 and B.4 of Cunningham (2003) and Tables A.3 and A.4 in Technical Appendices that accompany Cunningham (2004).

⁸ Work to update State estimates of participation rates is underway and scheduled for completion in early 2005.

restored food eligibility to many legal immigrants. The earliest of these restorations was effective in September 2002, the largest was effective in April 2003, and the last was effective in October 2003. Thus, the increased number of eligibles due to these reforms will be reflected in our 2003 and 2004 estimates. Since it may take some time for legal immigrants to become aware of their new eligibility and apply for benefits, this change could temporarily slow further growth in participation rates.

Finally, the economy is growing, posting steady job gains for each of the last 12 months – creating 1.7 million new jobs since August 2003. The national unemployment rate was 5.4 percent in August, down 0.9 points from a peak in June 2003. A growing economy would be expected to reduce the number of eligibles. On the other hand, the Census Bureau recently reported that the Nation's official poverty rate rose from 12.1 percent in 2002 to 12.5 percent in 2003, and the number of people below the official poverty threshold increased by 1.3 million.

It is not yet clear whether the increase in participation will out pace the increase in eligibles, and so it remains uncertain whether participation rates will rise more sharply in 2003 and 2004.

References

- Castner, L., and A. Schirm (2004). *Reaching Those in Need: State Food Stamp Participation Rates in 2001*. Prepared by Mathematica Policy Research for the Food and Nutrition Service.
- Cunningham, K. (2003). *Trends in Food Stamp Program Participation Rates: 1999 to 2001*. Prepared by Mathematica Policy Research for the Food and Nutrition Service.
- Cunningham, K. (2004). *Trends in Food Stamp Program Participation Rates: 1999 to 2002*. Prepared by Mathematica Policy Research for the Food and Nutrition Service.

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