

# Low-Income Families Participating in Fewer Assistance Programs

Joshua Winicki  
(202) 694-5448  
jwinicki@ers.usda.gov

In fiscal 2000, USDA spent about \$32.5 billion on food assistance programs. The three largest of these programs—the Food Stamp Program, the National School Lunch Program, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)—make up over 90 percent of the expenditures. Benefits from WIC and free lunches from the National School Lunch Program go to low-income families (or expecting families), as do approximately 80 percent of benefits from the Food Stamp Program. Low-income families can also participate in other USDA programs, such as the Summer Food Service Program, the School Breakfast Program, and the Child and Adult Care Food Program (see “USDA Subsidizes Meals and Snacks for Children in Child Care” elsewhere in this issue).

In addition to participating in food assistance programs, low-income households with children may also receive benefits and/or cash assistance from Temporary Aid to Needy Families (TANF), formerly Aid to Families with Dependent Children (AFDC), Medicaid, and Supplemental Security Income. Other Federal programs provide low-income families with housing

subsidies, energy subsidies, education grants, and child care subsidies.

This article focuses on benefits provided by the Food Stamp Program, the National School Lunch Program, and WIC, along with cash assistance provided by TANF (or AFDC). These four programs alleviate problems associated with poverty by providing in-kind transfers of food or by providing cash. The average monthly benefit per participant in 1999 was \$72 in food

stamps, \$40 worth of free lunches, and \$32 in WIC vouchers. Average monthly TANF benefits vary by State depending on the cost of living, legislative policy, and other factors. For example, the maximum monthly benefit in 1998 for a family of three (parent and two children) in Alaska was \$1,025, whereas the monthly maximum for a family of three in Mississippi was \$120. On a national basis, average monthly TANF benefits in 1999 were \$357



At-risk family participation in USDA's National School Lunch Program remained stable from 1995 to 1999. Overall, the program provides 15.5 million free or reduced-price lunches out of the 27 million lunches served each schoolday.

Credit: USDA.

The author is an economist with the Food and Rural Economics Division, Economic Research Service, USDA.

per family. Because of the nature of the programs, most low-income households with children participate in more than one program at a time.

In 1995, approximately 86 percent of low-income families with children participated in at least one program, and approximately 65 percent participated in at least two programs. By 1999, approximately 82 percent participated in at least one program, and approximately 56 percent participated in at least two programs. The decline in multiple program participation shown by these households was primarily in food stamps and cash assistance.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed cash welfare, and, to a lesser extent, food stamps. The act slightly reduced food stamp benefits and added restrictions to eligibility, making most noncitizens ineligible. The welfare reform act also replaced AFDC, the largest Federal cash-assistance entitlement program, with TANF, a nonentitlement program administered at the State level (see box).

Changes in the way TANF is administered may have unintentionally affected participation levels in other programs. For example, some States now require TANF participants to attend job fairs to receive program benefits. Some low-income families eligible for food stamps may incorrectly believe that job fair attendance is required for receiving food stamps as well. Aside from a small number of low-income households with children whose assets or noncitizenship status make them ineligible for food stamps, low-income households are eligible and can be participating in three, and possibly four, of the programs. Examining how low-income household participation in multiple programs has changed in the post-welfare reform years begins to uncover any unintended effects of welfare reform, if any, on participation.

## Measuring Participation Where Need Is Greatest

While much can be learned from examining overall participation rates in welfare programs, it is also important to look at participation patterns of the neediest participants—families with children whose household incomes are below the poverty level. (Poverty is defined as an annual income below a certain amount, depending on the number of people in the household. For example, in 1999 the poverty level was \$17,000 for a family of four.) These “at-risk” households—the intended target population for many Federal assistance programs—include single-parent, female-headed, and dual-parent households. Along with many other U.S. households, at-risk households often juggle work, day care, and managing a home, but under severe financial constraints.

To examine at-risk households, this study uses the Bureau of Labor Statistics’ Current Population Survey (CPS). The CPS is a nationally representative survey of about 50,000 households that includes details on household income and participation in assistance programs, including the Food Stamp Program, TANF (or AFDC), the National School Lunch Program, and WIC. Our analysis covers 1995 to 1999,

the latest CPS data available at the time of this study.

During 1995-1999, two notable events took place that affected participation rates in Federal assistance programs. First, in 1996, Congress passed the welfare reform act, which changed AFDC—the major cash assistance program for low-income families—in profound ways. Second, the U.S. economy experienced unprecedented growth. As a result, unemployment plummeted, wages increased, and welfare rolls declined as many people’s economic situations improved.

## Participation in Multiple Programs Is Common...

In 1995, approximately 86 percent of at-risk households, those below poverty with children, received assistance from one or more of the four programs included in this study—the Food Stamp Program, free lunches from the National School Lunch Program, WIC, and TANF (or AFDC). In contrast, approximately 15 percent of all U.S. households and approximately 56 percent of U.S. households below poverty (with or without children) received assistance from one or more of these programs.

In 1995, 67 percent of at-risk households participated in the Food Stamp Program, slightly fewer received free school lunches, 45 per-

Table 1  
**At-Risk Households’ Participation Down in Some Assistance Programs, Steady in Others**

Program	Participation rate for at risk households <sup>1</sup>		
	1995	1997	1999
	<i>Percent</i>		
TANF/AFDC	45	41	31
Food Stamp Program	67	62	54
Free lunches from National School Lunch Program	64	64	63
WIC	20	22	24

<sup>1</sup>At-risk households are households with children whose household incomes are below the Federal poverty guideline. Source: Calculated by USDA’s Economic Research Service using data from CPS March and April Supplements.

cent received cash assistance from AFDC, and about 20 percent received WIC benefits (table 1).

Many at-risk households participate in multiple assistance programs. For example, 99 percent of at-risk households that participated in AFDC in 1995 participated in at least one of the other three programs, and 95 percent of at-risk households that received food stamps participated in at least one of the other programs.

While at-risk households receiving food stamps or cash assistance nearly always participate in another program, households receiving free school lunches or WIC benefits are not as likely to participate in one of the other three programs. One-fifth of the at-risk households that receive free school lunches do not

participate in any of the other programs. Likewise, one-tenth of at-risk households receiving WIC benefits did not receive any benefits from the other three programs.

At-risk households receiving cash assistance or food stamps are, on average, poorer than households receiving free lunches or WIC, and, therefore, have a greater need for the benefits provided by multiple programs. Additionally, the application and certification processes for cash assistance and food stamps may have become more burdensome than those for WIC and free school lunches since welfare reform was enacted. Due to the effort required to qualify, some at-risk families may opt not to participate in TANF or the Food Stamp Program.

### ...But Declining

According to administrative data, the overall number of people that received food stamps declined by approximately 19 percent from 1997 to 1999, and the overall number of people that received cash assistance declined by approximately 34 percent over the same time period. Participation of at-risk households also declined. From 1997 to 1999, the proportion of at-risk households participating in the Food Stamp Program declined 24 percent, and the proportion of at-risk households participating in TANF declined 13 percent.

In contrast to the decline in food stamp and cash assistance participation, at-risk participation in WIC and free school lunches was rela-

## Four Major Programs Assist Families with Children

This study examines welfare participation patterns of households below poverty with children. Food assistance programs that target families—the Food Stamp Program, the National School Lunch Program, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)—were examined along with Temporary Aid to Needy Families (formerly Aid to Families with Dependent Children), which provides cash assistance.

**Food Stamp Program.** The Food Stamp Program provides monthly benefits for eligible households. The Food Stamp Program is an entitlement program, meaning that all eligible people are entitled to the benefits and the benefits cannot be curtailed by Federal budget constraints. To be eligible, most families must have gross household incomes at or below 130 percent of the Federal poverty level (and income after a set of deductions less than poverty). Local welfare offices process and verify eligibility. Food stamp benefits vary depending on family income and size. For example,

the maximum monthly benefit in 1999 for a family of four was \$450; the minimum benefit for a family of two was \$10.

Welfare reform mandated that States use an electronic benefits transfer (EBT) system to issue food stamp benefits by 2002. Currently, 41 States plus the District of Columbia use the EBT system. EBT systems replace food stamp coupons with ATM-like cards. Participating families use benefits much the same way they would use a debit card. Once a month, food stamp benefits are posted to a participant's EBT account. Funds are then transferred to the retailer's account when the food stamp participant purchases food.

**National School Lunch Program.** The National School Lunch Program provides subsidized lunches to children attending participating schools. Both public and private schools can participate in the school lunch program. The lunches must meet nutritional guidelines in the *Dietary Guidelines for Americans*. Approximately 27 million lunches are served

each schoolday. Lunches are subsidized with Federal funds, food commodities, or a combination of both.

Eligible students can apply to receive free or reduced-price lunches. At the beginning of each school year, applications for free or reduced-price lunches are sent out to parents. A student is eligible for free lunches if his or her household income is at or below 130 percent of the Federal poverty level. A student whose household income is at or below 185 percent and above 130 percent of the Federal poverty level is eligible for reduced-price lunches. Students whose families receive either food stamps or TANF benefits are not required to report family size and income on the free/reduced-price lunch application. They only have to report their case numbers to be certified as eligible for free lunches. In fact, many school districts directly certify these students by comparing local welfare rolls with student enrollment data. Like the Food Stamp Program, the National School Lunch Program is an entitlement program.

tively stable from 1995 to 1999. In fact, WIC participation increased slightly for at-risk households.

The proportion of at-risk households participating in all four programs remained steady over this time period (fig. 1). However, the proportion of at-risk households bundling cash assistance, food stamps, and free school lunches decreased by approximately 2 percentage points from 1995 to 1997 and decreased another 7 percentage points from 1997 to 1999. Similar decreases in the proportion of at-risk households bundling cash assistance and food stamps can be seen in other bundles. Bundling of cash assistance, food stamps, and WIC and bundling of cash assistance and food stamps by at-risk households decreased between 1995 and 1999.

Decreasing participation in the Food Stamp Program and TANF increased the proportion of households whose bundles of assistance did not include cash assistance or food stamps. For example, the proportion of at-risk households bundling free school lunches and WIC increased from 1995 to 1999, as did the proportions participating in free school lunches only and WIC only.

In addition to the proportion of at-risk households bundling without cash assistance and food stamps, the proportion not participating in any of the four programs also increased. In 1995 and 1997, the nonparticipating proportion remained fairly steady at just under 15 percent; in 1999, it increased to approximately 18 percent.

The decline in the proportion of at-risk households participating in programs bundled with food stamps and/or cash assistance raises concerns. These households represent the most needy. They have dependents to support and limited resources for food. Some of the decline in program participation may come from families opting not to “use” their limited cash benefits, which now have a 5-year lifetime limit. The decline in the proportion of at-risk households participating in food stamps is harder to explain. Except for a relatively small number of at-risk households who are asset ineligible (assets exceed the \$2,000 limit), virtually all households below poverty with children are eligible for substantial food stamp benefits.

*The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).* WIC provides vouchers for nutritionally dense foods to eligible pregnant or breast-feeding women, infants, or children under 5 years of age. Vouchers are distributed based on each participant’s category. For example, vouchers for formula are given to the mothers or caregivers of nonbreast-feeding infants. WIC also provides nutrition education services and health referrals to participants. To be eligible, a woman, infant, or child must be determined to be at nutritional risk by a medical doctor, nurse, or health care practitioner. Also, WIC participants’ household incomes must be less than 185 percent of the Federal poverty level. Like the National School Lunch Program, WIC classifies families as income eligible if they currently receive food stamps or TANF benefits. Additionally, children who participate in the Child Health Insurance Program are income eligible for WIC. Regardless of income eligibility, applicants must still be deemed as at nutritional risk to receive benefits.

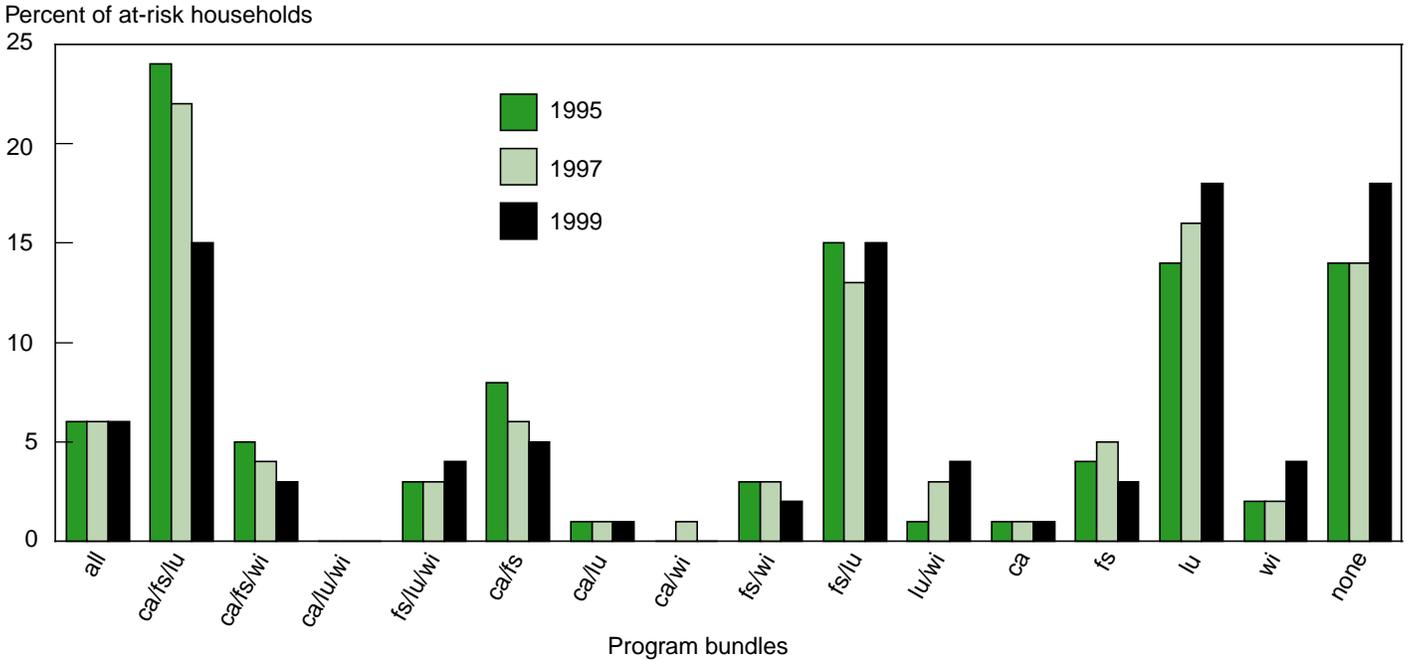
WIC offices tend to be located in community health care centers or hospitals.

Unlike the Food Stamp Program and the National School Lunch Program, WIC is not an entitlement program. Each State receives block grants from USDA that are designed to cover all WIC-related expenses. If grant money starts to run out, a State can either contribute State funds to the program or disallow participants in lower nutritional-risk categories from receiving benefits for the remainder of the fiscal year. As a precaution to funding shortfalls, some States institute cost-containment procedures. For example, a State can require participants to purchase the lowest priced product on the day that they are shopping, as opposed to any priced product. In the case of infant formula, States negotiate product rebates with manufacturers and stipulate those products on the WIC vouchers. In recent years, WIC has been fully funded—all eligible applicants have been able to participate.

*Temporary Aid to Needy Families (TANF).* TANF provides cash benefits and employment and training

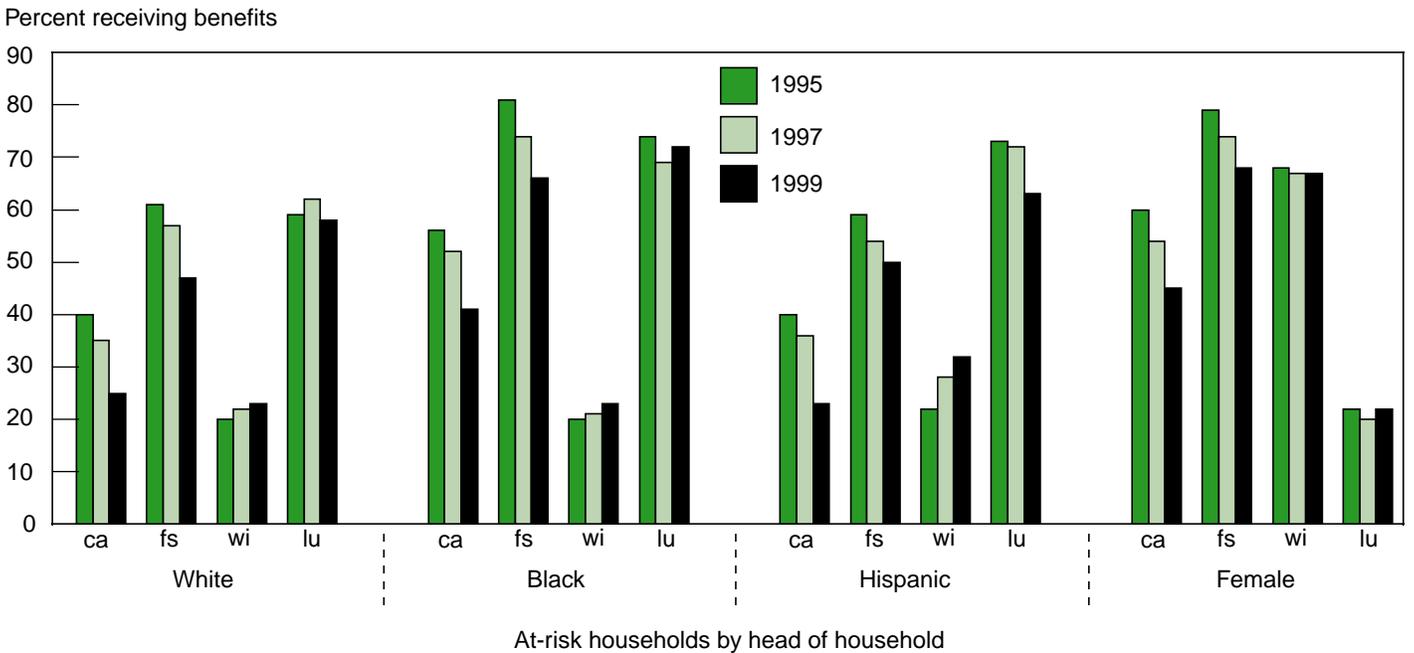
assistance to eligible families. Family eligibility is based on household income and composition. The 1996 welfare reform act changed this program from a Federal program administered by the States to a series of block grants given to each State, giving individual States more regulatory control, within limited guidelines. For example, States set benefit levels, work requirements, and other regulations, within Federal guidelines. New regulations enacted with the 1996 welfare reform act limit lifetime benefits using Federal funds to a maximum of 5 years, with some exceptions. Also, beneficiaries are required to be working or in an employment-related activity within 24 months of receiving benefits, with some exceptions. Work-requirement exceptions usually apply to people living in areas of high unemployment. Many States distribute the cash benefits through the same EBT card used for food stamp benefits. A local welfare office processes, verifies, and recertifies TANF applicants.

Figure 1  
**Program Bundling of Cash Assistance and Food Stamps Declined Over 1995-1999**



Note: ca = cash assistance; fs = food stamps; lu = free school lunches ; wi = WIC.  
 Source: Calculated by USDA's Economic Research Service using data from CPS March and April Supplements.

Figure 2  
**Decline in Hispanic Participation in Cash Assistance Mirrored by Increase in Hispanic WIC Participation**



Note: ca = cash assistance; fs = food stamps; lu = free school lunches; wi = WIC.  
 Source: Calculated by USDA's Economic Research Service using data from CPS March and April Supplements.

## Participation Similar Across Races and Household Types

The decrease in participation in the Food Stamp Program and TANF/AFDC was not isolated to one race or type of household. The pattern was fairly consistent across at-risk households headed by Whites, Blacks, Hispanics, and single females. The proportion of households receiving food stamps and cash assistance decreased significantly, while the proportion participating in WIC and free lunches from the National School Lunch Program remained steady or increased slightly. The main difference in these populations was the overall proportion that participated in the programs.

The proportion of at-risk households headed by single females receiving cash assistance was 60 percent in 1995, compared with 40 percent of White and Hispanic at-risk households (table 2). (The different race categories do not exclude single female-headed households, so a household headed by a White single female would occur in both the White and single female-headed household portions of the table.) This 20-percent differential may be due to greater need. For example, a single female-headed household's income, on average, is lower than a dual-parent household's income. Despite these differences in program participation rates, each group of at-risk households demonstrates a similar rate of decrease in cash assistance and Food Stamp Program participation.

The program participation patterns of at-risk Hispanic households are similar to those of other household types, but the changes are dramatic. For example, the proportion of at-risk Hispanic households receiving cash assistance fell by 43 percent, or 17 percentage points, from 40 percent in 1995 to 23 percent in 1999 (fig. 2). This change

may have resulted from welfare reform prohibiting most noncitizen populations from participating in Federal assistance programs. The proportion of at-risk Hispanic households receiving WIC benefits also had a notable swing, increasing by 45 percent, or 10 percentage points.

## Implications for the Needy

Low-income households with children participated in multiple programs at a lower rate in 1999 than before welfare reform. The

decline in multiple program participation for at-risk households was primarily in food stamps and cash assistance. At-risk participation in WIC and free lunches from the National School Lunch Program remained constant or increased slightly.

Both the Food Stamp Program and TANF are administered out of local welfare offices, where most of the changes from welfare reform were instituted. Furthermore, both programs require applicants to complete large amounts of paperwork to qualify for benefits. Conversely, the smaller benefit programs, WIC and

Table 2

### All At-Risk Household Types Had Declines in Cash Assistance and Food Stamp Participation

Program	Participation rate for at-risk households <sup>1</sup>		
	1995	1997	1999
	Percent		
White head of household			
TANF/AFDC	40	35	25
Food Stamp Program	61	57	47
Free lunches from National School Lunch Program	59	62	58
WIC	20	22	23
Black head of household			
TANF/AFDC	56	52	41
Food Stamp Program	81	74	66
Free lunches from National School Lunch Program	74	69	72
WIC	20	21	23
Hispanic head of household			
TANF/AFDC	40	36	23
Food Stamp Program	59	54	50
Free lunches from National School Lunch Program	73	72	63
WIC	22	28	32
Single female head of household			
TANF/AFDC	60	54	45
Food Stamp Program	79	74	68
Free lunches from National School Lunch Program	68	67	67
WIC	22	20	22

Note: Four categories are not exclusive.

<sup>1</sup>At-risk households are households with children whose household incomes are below the Federal poverty guideline.

Source: Calculated by USDA's Economic Research Service using data from CPS March and April Supplements.

free lunches from the National School Lunch Program, tend to be administered out of community-level offices that do not primarily administer welfare programs and have lower documentation needs.

Though the proportion of at-risk households receiving benefits from at least one program decreased only slightly from 1995 to 1999, at-risk households are participating in fewer of the four programs and the value of their bundle of benefits has declined. Based on CPS data, the value of an average bundle (of the four programs examined here) declined from approximately \$385 per month in 1995 to \$301 per month in 1999. The implications of this research is that since the welfare reform act of 1996, households below the Federal poverty line with children are participating in the

large-benefit programs at lower rates, relying more heavily on the smaller-benefit programs.

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