
I. INTRODUCTION

The purpose of the Food Stamp Program (FSP) is to increase the food purchasing power of low-income households so that they can maintain a nutritious diet. Households are eligible for the program if their financial resources fall below certain income and asset thresholds. Research shows, however, that a considerable number of households that are eligible for food stamps are not participating in the program either by choice or because they do not know that they are eligible. Specifically, only an estimated 53 percent of all households eligible for food stamps received the benefits in 1999, declining from a high of 69 percent in 1994 (Cunmyngham 2002).

Policy makers have been concerned about the declining participation rate in the FSP. The Food and Nutrition Service's Strategic Plan for 2000 to 2005 calls for the agency to increase the rate of program participation among eligible people. The question remains as to why some eligible households are not participating.

In this report, we consider the role that the dynamics of household income plays in determining FSP participation. One reason that some eligible households might not participate is that their current income is much lower than they expect it to be over a longer period. Such households might regard their current low income to be a temporary phenomenon, and decide that the short-term benefits of participation are less than the costs of learning about the program, applying for benefits, using the food stamps, and perhaps being stigmatized by participation. The first objective of the analysis is to determine the extent to which non-participation can reasonably be attributed to temporary low income. The second objective is to assess why some households that appear to have low income for a long period do not participate. With better information, policy makers may be able to focus outreach efforts on non-participating long-term poor households.

This report, funded by the U.S. Department of Agriculture's (USDA's) Economic Research Service, examines the long-term earnings patterns of eligible households and relates these to their participation in the FSP. This report addresses the following research questions:

- To what extent are individuals eligible for the FSP not participating in the program?
- How do the characteristics between participants and eligible non-participants differ?
- How do the income and earnings of participants differ from those of eligible non-participants, both in the current month and over longer periods?
- To what extent are historical and future earnings patterns predictive of participation in the FSP for the 1996 cohort, given individual characteristics?
- What is the relationship between participation and long-term income among eligible beneficiaries?

To conduct this analysis, we analyzed the 1996 Survey of Income and Program Participation (SIPP) panel that follows households over a four-year period.

The rest of the report is organized as follows:

- Chapter II provides an overview of the Food Stamp Program and presents a review of the previous research.
- Chapter III describes the methodology used to conduct this study – the conceptual approach to the empirical analysis, the data source, and the research samples.
- Chapter IV presents findings on the food stamp participation of low-income households and compares the characteristics of the participants to those of non-participants.
- Chapter V examines the relationship between participation in a single month and income over a longer period.
- Chapter VI examines subgroups of our research sample considered to be “very poor” and “persistently very poor,” presenting findings on the income, earnings, and characteristics of participants and non-participants.
- Chapter VII summarizes the major findings from the reports and offers suggestions for further research.