

## 8. Conclusion

This study has used family-level administrative data from the state of South Carolina, supplemented with county-level economic, demographic and policy data, to conduct descriptive analyses and estimate multivariate models of transitions onto and off of food stamps, transitions onto and off of FI, and employment over the period 1996-2003. The multivariate models for food stamp transitions include FI participation and employment as explanatory variables, while the models of FI participation include employment status as an explanatory variable. The transition models include controls for program clocks—FI time limits and food stamp recertifications. The models also include controls for time-invariant unobserved heterogeneity, which address problems with spurious negative duration dependence and endogenous explanatory variables in the transition models.

There is strong evidence from both the descriptive analyses and multivariate models that food stamp recertification and TANF time limit policies affect participation, the timing of exits and the length of assistance spells in the relevant programs. Non-parametric estimates of the timing of food stamp exits show that exits were much more likely to occur during months when families in South Carolina were required to recertify their eligibility than in other months. South Carolina changed its recertification policy in October 2002 and also set different recertification intervals for families with fixed and fluctuating incomes. The patterns in the exit data correspond with these variations in policy. The study's multivariate models of food stamp exits provide similar results. The estimated sizes of the effects are very large. Median spell lengths for food stamp participation increased by nearly three months after the state began requiring families with fluctuating incomes to recertify semi-annually instead of quarterly. The change in 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.

Analyses of FI participation spells indicate that there is a marked increase in the hazard of leaving the program at the second anniversary, which is consistent with families exhausting their time limits. There is also an elevated chance of leaving at the one-year mark, which corresponds with the time when many families have their eligibility redetermined. We estimated multivariate models that included measures of a family's cumulative participation on FI, and hence its cumulative time toward the two-year limit, as explanatory variables. The models revealed that a family's probability of leaving the FI program increased with its accumulated experience and spiked when its experience reached two years. The results buttress earlier findings by Grogger and Michalopoulos of anticipatory, or banking, effects of time limit policies and provide new evidence of mechanical, or eligibility-exhaustion, effects. The state's stringent time-limit policy appears to be one reason why its number of FI cases grew so modestly during the recent recession. One caveat to our findings is that there was no significant change in South Carolina's time limit policy over the course of our study. Our conclusions are drawn entirely from the timing pattern of FI exits and the probabilities of re-entry. Nevertheless, the patterns are striking and make a compelling case that time limits are responsible.

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In our multivariate models, we also find that employment is associated with faster exits from the Food Stamp and FI programs and slower returns to these programs. The point estimates imply that the probabilities of leaving food assistance for cases with employed heads are 30 to 50 percent higher than the probabilities for cases with non-working heads. Estimates of the corresponding differentials from the cash assistance exit models are even larger. The very low income threshold for benefits in South Carolina makes it difficult for families in the state to combine public assistance with employment. The results of this study are consistent with other studies that have found that changes in economic opportunities have played a large role in caseload dynamics.

The study also finds that families who participate in South Carolina's FI cash assistance program are less likely to leave food stamps than families who do not participate in FI. Point estimates imply that the food stamp exit hazard rates for FI participants are 20 to 30 percent lower than those for non-participants. This strong association is expected, as most FI participants are categorically eligible for food stamps. The results may also reflect greater need among FI recipients. Even though our models account for many time-varying observable characteristics and for permanent unobserved characteristics among families, there may still be some unmeasured, time-varying characteristics related to needs that account for the association between FI and food stamp participation.

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. Issues associated with the administration of food stamps are also becoming more prominent. We have shown that redetermination is a significant "bump in the road" for food stamp recipients. Because we have only examined participation and not eligibility, we cannot say whether recertification is a useful bump that removes ineligible families from the program, an obstacle that keeps some eligible families from renewing their participation, or some combination of the two. We hope to examine these questions in subsequent research. South Carolina has clearly followed a dual-track approach of increasing the bumps for welfare recipients through its adoption of a short time limit and other reforms and smoothing the bumps for food stamp recipients through its outreach efforts and longer recertification intervals. These policy changes have profoundly altered the distribution of the assistance in the state away from cash benefits and toward food stamps.