



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

...Upfront

FoodReview (ISSN 1056-327X) is published three times a year by the Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture.

Send questions, requests, and editorial comments to *FoodReview*, USDA, Room 2005-South, 1800 "M" Street, NW., Washington, DC 20036-5831.

Annual subscriptions are \$21.00 to U.S. addresses (\$42.00 foreign). Call toll-free 1-800-999-6779 (weekdays, 8:30-5:00 ET) to charge your order to American Express, Visa, or MasterCard (callers outside the United States, please dial 703-605-6220). Or, order by mail from ERS-NASS, 5285 Port Royal Road, Springfield, VA 22161. Make your check or money order payable to ERS-NASS. Please include your complete address and daytime telephone number. Sorry, but refunds cannot be issued.

The use of commercial or trade names does not imply approval or constitute endorsement by USDA or ERS.

Contents of this magazine may be reprinted without permission.

Economics Editor:

Rosanna Mentzer Morrison
(202) 694-5411

Managing Editor:

Mary E. Maher
(202) 694-5126

Art Director:

Susan DeGeorge

Editorial/graphic assistance:

Anne Pearl
Cynthia Ray
Wanda Reed-Rose

Food Assistance and Welfare Reform

Welfare reform brought about by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 made fundamental changes to the Federal programs that support needy families and children. The long-term guarantee of benefits under a variety of programs has been eliminated in favor of a short-term, temporary assistance program to help families get back on their feet. States have been given more flexibility in designing and implementing programs that meet their needs, and individuals have been given added personal responsibility to provide for themselves through job earnings and for their children through child-support payments by absentee parents. Under the new Temporary Assistance for Needy Families (TANF) program, families may now receive cash benefits for a maximum of 5 years, and most adults are required to work after 2 years of receiving benefits. States not meeting these requirements face a reduction in the Federal contribution to their TANF funds.

USDA's food-assistance programs, especially the Food Stamp Program, are estimated to account for almost half of the Act's projected \$54-billion reduction in Federal spending during 1997-2002 compared to prior legislation. While food stamps are still an entitlement for low-income families, benefits were reduced substantially in three areas: across-the-board reductions in benefits; limits on deductions from income when calculating benefits; and greater restrictions on eligibility of able-bodied adults and legal immigrants. Preliminary research by USDA's Food and Nutrition Service suggests that families with children will lose an average of 13 percent of their food stamp benefits by 2002, or about \$45 each month. In addition, over 1 million people—largely legal immigrants and unemployed adults—will lose their eligibility to receive food stamps.

Reductions in nonfood assistance programs will likely spill over into food-assistance programs. The size of the impact will depend on the state of the economy and the success of the Act in moving people from welfare to work. In fiscal 1997, expenditures for the Food Stamp Program fell 12 percent, as participation dropped from an average of 25.5 million people per month in fiscal 1996 to 22.9 million in fiscal 1997. Disentangling the influence of economic conditions is important to understanding what lies ahead for food-assistance programs. The pattern of participation in the Food Stamp Program over the last two decades is similar to that of poverty in America. As the number of people in poverty rose, food stamp participation grew. As poverty fell, so did reliance on food stamps. Research by USDA's Economic Research Service suggests that a mild economic downturn similar to the late 1980's and early 1990's could raise food stamp participation levels.

The sizable contribution of food assistance to low-income households' resources attests to its importance in the safety net. For example, low-income single-parent households received 58 percent of their income from Government assistance in 1996, of which food stamps accounted for 13 percent.

As we move into the 21st century, electronic technology is one of the tools being used to make programs more efficient. By 2002, all States are required to replace paper food stamp coupons with an Electronic Benefits Transfer system, which uses debit-card-like technology. Recent demonstration projects found that the electronic benefit delivery and redemption system lowered costs for recipients, retailers, and financial institutions, although the cost of the system to the Federal Government and its effects on food spending by recipients is less definitive. Further experience with electronic benefits will allow more precise evaluation. These are among the important research challenges that lie ahead.

David M. Smallwood
Deputy Director for Food Assistance Research
Food and Rural Economics Division

Inside...



Food Assistance and Welfare Reform

- 2 How Government Assistance Affects Income
—*Elise Golan and Mark Nord*
- 8 Welfare Reform Affects USDA's Food-Assistance Programs
—*Victor Oliveira*
- 16 Spending on Food-Assistance Programs Decreased in 1997
—*Victor Oliveira*
- 23 Economic Growth, Welfare Reform, and the Food Stamp Program
—*Craig Gundersen*

- 28 School Lunch Reform: Minimal Market Impacts From Providing Healthier Meals

—*Steven M. Lutz and Jay Hirschman*

- 35 All Food Stamp Benefits To Be Issued Electronically

—*Victor Oliveira and J. William Levedahl*

Information Updates

- 40 Contacting the Experts
- 42 FoodReview Index



...Symbolizes topics linked to the Food Assistance and Nutrition Research Program—a comprehensive program that addresses the Nation's critical food assistance and nutrition policy needs. For more information, visit the program's Briefing Room on the Internet: www.econ.ag.gov/briefing/foodasst