

THE EVALUATION OF THE ALABAMA FOOD STAMP CASH-OUT DEMONSTRATION

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Background

A fundamental issue in the design of the Food Stamp Program (FSP) is the form benefits should take. Advocates of the current coupon system argue that coupons are a direct and inexpensive way to ensure that food stamp benefits are used to purchase food; that, despite some evidence of fraud and benefit diversion under the current system, the unauthorized use of food stamps is relatively limited; and that coupons provide some measure of protection to food budgets from other demands on limited household resources. Advocates of replacing coupons with cash argue that the current system limits the food purchasing choices of participants, places a stigma on participation; and entails excessive costs for coupon issuance, transaction, and redemption.

The debate about the desirability of one form over the other is limited by the sparse empirical evidence comparing coupon and cash food benefits. The Alabama Food Stamp Cash-Out Demonstration offers a rigorous evaluation of the effects of cash-out on household expenditures, food use, and nutrient availability. This report also describes the planning and implementation of the demonstration and assesses the impacts of cash-out on the costs of administering the FSP.

The recipient impacts report [Volume I] is based largely on data obtained from an in-person survey of approximately 600 rural and 600 urban check recipients and 600 rural and 600 urban coupon recipients conducted between August and November of 1990. The in-person survey obtained detailed information on household composition, income, and the foods used by each household during the seven days preceding the interview. Because the cash-out participants were selected randomly, any systematic

differences between the groups can be attributed to cash-out.

Data for the administrative outcomes report [Volume II] was obtained from a mail survey of certification and eligibility workers about issuance problems and on-site interviews with state and county FSP staff.

Findings

Cash-out did not lead to a reduction in the money value of food used at home. This finding holds regardless of whether the outcome measure includes only purchased food or all food used at home or when scaled to adjust for differences in household composition and the number of meals eaten at home. A comparison of check and coupon households in the lower end of the distribution of the money value of food used at home revealed that cash-out had virtually no effect on the use of food by those households.

Cash-out did not result in a reduction in nutrient availability for food energy, protein or any of seven key vitamins and minerals. Both check and coupon households exceeded the Recommended Dietary Allowances (RDA) standardized for household size, composition and number of meals from the household's food supply for all nutrients studied. Almost all (95 percent) households from both the check and coupon samples achieved the RDA for protein, whereas 80 percent achieved their RDA for energy.

Cash-out did not increase the incidence of acute shortages of food. There were no significant differences between coupon and check households in reports of not having "enough" food on some days or skipping some meals. There was little evidence that check recipients relied more heavily than coupon households on most government food assistance programs,

food banks or soup kitchens. The one exception was the USDA commodity distribution program where check households reported a significantly higher rate of participation than coupon households (20 percent versus 17 percent).

The purchase of food used away from home (such as restaurant meals) did not increase under cash-out. In fact, check households spent slightly less (\$3.29 versus \$3.50) and reported eating fewer meals away from home (11.58 percent versus 12.74 percent).

There was no evidence that cash-out led to shifts in other types of household expenditures. With the exception of utilities there were no significant differences between check and coupon households in their expenditures for nonfood goods and services.

Virtually all benefit recipients preferred checks to coupons. The most commonly cited advantage of checks was the ability to purchase items other than food. Conversely, coupon recipients typically cited the fact that coupons ensured that food stamp benefits were spent on food as the major advantage of coupons.

The cost of issuing benefits was 50 percent lower under cash-out. State and county costs declined, while federal costs were eliminated. Three-quarters of the savings accrued to the federal government and one-quarter to the state

government. The cost of mail loss borne by the state and federal government under coupon issuance was shifted to banks and stores. Under cash-out costs associated with losses during production, shipment, and storage of coupons and overissuance were eliminated.

Caveats

The Alabama Food Stamp Cash-Out Demonstration is one of four tests undertaken since 1989. (The other three are the Washington State Family Independence Program, the San Diego Cash-Out Demonstration, and the Alabama Avenues to Self-Sufficiency through Employment and Training Demonstration). Alabama differs from much of the rest of the United States along a number of important dimensions, which limits the generalizability of these results. Alabama relies heavily on food stamps because AFDC provides low benefit levels and General Assistance is not available. Additionally Alabama is a poorer, more rural state having a larger proportion of food stamp households that are elderly than the United States as a whole. Consequently, the findings of the Alabama demonstration should be considered jointly with the other ongoing evaluations.

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