

**RELAXING THE FOOD STAMP PROGRAM VEHICLE ASSET
TEST: FINDINGS FROM THE NORTH CAROLINA
DEMONSTRATION**

Office of Research and Analysis

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Background

This report analyzes the findings from North Carolina's Vehicle Exclusion Limit Demonstration (VELD), which excluded one vehicle per household, regardless of value, from the Food Stamp Program's countable asset limit. Under current law, for most families, only the first \$4,650 of the first vehicle's value is excluded. Some have argued that because a reliable vehicle is often required to find and hold a job, the entire value of the first vehicle should be excluded.

The demonstration, which was authorized by the 1990 Farm Bill, responded to Congressional concern about current Food Stamp vehicle policy and the barriers it might pose to working families. In light of recent welfare reform legislation that aims to move families from welfare to work, there is heightened interest in the vehicle rules today.

In the demonstration, applicants in two North Carolina counties were evaluated for eligibility under traditional and demonstration rules. Households who were eligible under demonstration rules but not under traditional rules were granted benefits only for the duration of the demonstration.

Findings

In North Carolina, excluding the first car resulted in a 2.3 percent increase in the number of participating households and a 2.6 percent increase in costs. The evaluation did not attempt to estimate the number of households potentially eligible for benefits under the demonstration rules in North Carolina. Applying participation increase from the demonstration to estimates of the effect of this policy change from national data sets suggests that about 20 percent of those made newly-eligible by relaxing the vehicle test actually participate.

Actual participation rates among newly-eligibles may be higher or lower depending on the number of local conditions. These results from a single demonstration in two counties may not generalize well to the entire country. However, if the results were generally the same nationwide, then excluding the first vehicle would have increased benefit costs by approximately \$485 million in fiscal year 1998. The demonstration showed that it took about 18 months for the full impact of relaxing the vehicle criteria to be felt. However, most of impact was realized after 12 months; increases in the next 6 months were small.

The demonstration also confirmed earlier studies on the characteristics of newly-participating households. They are much more likely to have earnings, they tend to be large and contain children, they tend to live in rural areas, and they are far less likely to contain elderly members.

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