

**PROGRAM INTEGRITY FOR THE SUPPLEMENTAL
NUTRITION ASSISTANCE PROGRAM**

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON HEALTHCARE,
BENEFITS, AND ADMINISTRATIVE RULES

AND THE

SUBCOMMITTEE ON INTERGOVERNMENTAL AFFAIRS

OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

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PROGRAM INTEGRITY FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Wednesday, May 9, 2018

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON HEALTHCARE, BENEFITS, AND
ADMINISTRATIVE RULES, JOINT WITH THE SUBCOMMITTEE
ON INTERGOVERNMENTAL AFFAIRS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittees met, pursuant to call, at 10:09 a.m., in Room 2154, Rayburn House Office Building, Hon. Jim Jordan [chairman of the subcommittee] presiding.

Present: Representatives Jordan, Palmer, DesJarlais, Massie, Meadows, Walker, Grothman, Krishnamoorthi, Raskin, Kelly, Watson Coleman, and DeSaulnier.

Also Present: Representative Gianforte.

Mr. JORDAN. The subcommittee will come to order. We will start with opening statements.

I want to welcome our guests. We will introduce you here in just a few minutes and give you your opportunity for an opening statement and then go to questions. You know how these things typically work. You have to listen to the politicians first before we get to listen to the experts.

We are going to start with the gentleman from Alabama with an opening statement, and then we will go to the minority side. Then I will have some brief remarks, and we will get right to you.

The gentleman from Alabama is recognized.

Mr. PALMER. Thank you, Mr. Chairman.

I thank the witnesses for being here today.

The Supplemental Nutrition Assistance Program, otherwise known as SNAP, offers assistance to millions of Americans who cannot afford nutritional food for themselves and their families. There are over 45 million Americans who rely on this program.

The Food and Nutrition Service administers the program in partnership with State agencies, but nearly all the funding comes from the Federal taxpayer. In 2017, we spent over \$70 billion on SNAP and other food programs. With a program of that size and that price tag, it is essential to apply the highest standards of program integrity.

The committee has worked to expose a pervasive problem of improper payments in our Federal programs. This is an issue that I have paid particular attention to, given that, last year, we had \$140 billion in improper payments, which I like to remind my colleagues that that is money we had to borrow and pay interest on.

In fact, improper payments are, as I said, rampant throughout the Federal Government, not just this program. The Office of Management and Budget designates SNAP as among its highest risk programs due to the estimated dollar loss through improper payments.

The Food and Nutrition Service provides State agencies with bonuses for having low error rates and penalizes those with high ones, but that, I think, has not exactly been the right incentive for solving this problem of improper payments. In 2017, State agencies in Virginia, Wisconsin, and Alaska admitted to False Claims Act violations for fraudulently reporting low error rates to exploit this bonus system. This committee is working on a better way to incentivize Federal agencies and programs to report on the improper payments and to try to solve this problem. Combined, these three States had to repay over \$16 million in fraudulently earned bonuses, and other State agencies are still being investigated.

One of the most frustrating aspects about the program is the lack of data transparency produced from the prior administration. In fiscal years 2015 and 2016, data quality was so poor in over 40 State agencies that the Food and Nutrition Service decided it could not publish its annual national payment error rate. That's a major problem. It means, for a full 2 years, at a critical time for helping those grappling during the recession to put food on the table, the American public was left in the dark.

The Food and Nutrition Service has not published a national payment error rate since fiscal year 2014. If you can't see how bad a problem is, if you don't understand how bad the problem is, you cannot possibly fix it. You can't get to a solution.

The national payment error rate for 2014 was 3.6 percent, which accounts for \$2.1 billion in overpayments and \$500 million in underpayments. That is what we have been operating on for over 3 years now with lack of data.

Today, we may hear how infrequent fraud is in the SNAP program, but perhaps it is not frequent because it is not appropriately measured.

As reported by the USDA inspector general, the Food and Nutrition Service has not established how States should compile, track, and report fraud in a uniform manner. The Federal Government cannot possibly grasp the scope and frequency of fraud in the program until we figure out how to report it.

We also have a problem with the trafficking of SNAP benefits that diverts Federal money away from the intended purpose of providing nutritional meals to those in need. Food and Nutrition oversees retailer trafficking where some store owners have been found to illegally redeem over \$1.2 million in SNAP benefits.

Just a few weeks ago, investigators concluded a multiyear investigation, Operation Halfback, finding hundreds of people and businesses trafficked almost \$4 million in SNAP benefits, some of which went to purchase guns and drugs.

We have also noticed loopholes in the Food and Nutrition Service regulations where retailers who have been permanently disqualified from SNAP for trafficking are still in the system. If someone owns a second SNAP-certified store, they are still eligible to receive SNAP benefits in their non-disqualified store.

So make no mistake, our fellow Americans deserve a helping hand in times of hardship, but waste and fraud take this assistance straight out of their hands and put it in the hands of people who don't need it and who are abusing it.

I look forward to hearing solutions from our witnesses today to bring sustainability and integrity to the program.

With that, Mr. Chairman, I yield back.

Mr. JORDAN. I thank the chairman.

I will now turn to the ranking member from Maryland, Professor Raskin.

Mr. RASKIN. Mr. Chairman, thank you so much for calling this hearing, and I want to thank the witnesses for appearing today, too.

SNAP is, of course, America's most important antihunger program. It reduces poverty and food insecurity, and improves health and economic outcomes for more than 42 million Americans, especially children. People receive an average \$1.40 per meal through the SNAP program. In order to be on it, you have to complete a detailed application and provide documentation on your income, identity, immigration status, and address. Nearly 90 percent of people on SNAP belong to households with children under the age of 18, or elderly persons over 60, or a family member with disabilities.

In my home State of Maryland, over 696,000 people benefit from SNAP. In my district, it is 15,000 households. SNAP allows families to purchase nutritious meals in retailer locations, including farmers markets.

This is a program that, I think, matters to every Member of Congress. Americans in every single congressional district benefit from SNAP. I looked at all of our districts, Mr. Chairman, and there are tens of thousands of our constituents who are on the SNAP program.

The hearing occurs 1 week before the 2018 farm bill is slated for consideration on the House floor. That bill would impose dramatic new requirements that would effectively stop more than 2 million Americans in need from receiving food aid under SNAP.

That comes after the House passed a \$1.5 trillion tax cut that will give the wealthiest 1 percent of tax filers \$84 billion in 2019 alone. As it turns out, the tax cut recently enacted could finance the entire SNAP program for nearly 1.5 years. In fiscal year 2017, the cost of the entire SNAP program was \$68 billion.

So I find it touching that we can give away billions in tax dollars to corporate investors who don't actually need it and don't have to prove that they are even working to receive their tax bonanza while at the same time planning to increase work requirements and cut food aid for Americans who are going hungry.

I know that some will try to justify cuts to SNAP with allegations of fraud and abuse. Undoubtedly, there are corrections that can be made to the 3 percent of payments that are wrong, more of them, I understand it, underpayments than overpayments. But in fact, SNAP has one of the lowest fraud rates in the government at less than 5 percent.

Over the last several years, the U.S. Department of Agriculture has taken aggressive steps to improve SNAP oversight and to work

with States on rooting out waste. The USDA has brought down the rate of trafficking to about 1 percent of benefits over the last 20 years. While all of us agree that waste, fraud, and abuse need to be rooted out, I think there are clearly other places in the government we could be looking.

Mr. Chairman, I will just close on that thought. We had a hearing that found that there was \$125 billion in immediate savings that would be available by cutting waste at the Pentagon, and I would hope we would be able to focus on that, too.

I yield back.

Mr. JORDAN. I thank the gentleman.

I now recognize the ranking member from Illinois for his statement.

Mr. KRISHNAMOORTHY. Mr. Chairman, thank you so much for holding this hearing. I would like this committee to help improve how the government serves the American people. We should start by recognizing the enormously important public service provided by the Supplemental Nutrition Assistance Program otherwise known as SNAP.

SNAP feeds 42 million Americans who face hunger and food insecurity. In my own district, the Eighth Congressional District of Illinois, SNAP provides meals to nearly 28,000 households.

In fiscal year 2014, 69 percent of SNAP participants were families with children. SNAP is vital to America's low-income children. No other nutrition or income-support program reaches as many at-risk children or contributes as much to helping very low-income households who have children.

SNAP's value far exceeds its costs. This year, for households in the program, SNAP will cost just \$262.72 per household per year. According to the Center on Budget and Policy Priorities, SNAP averages just \$1.40 per person per meal. These meals are crucial to sustaining these indigent families.

I know what I am talking about because I have personal experience with SNAP's predecessor, the food stamp program. I came to our country with my family from India when I was 3 months old, so my father could pursue his engineering education and our family could embrace all the opportunities that America has to offer. But despite my family's best efforts, it wasn't easy, and there was struggle. When my family needed help, thanks to the incredible generosity and goodwill of the people of America and its government, we were allowed to be put on food stamps.

Today, my father is an engineering professor, my brother is a doctor, and I am honored to represent the people of Illinois' Eighth Congressional District. That is the American dream, the promise of a middle-class life with the opportunity for your children to have an even better life than you did. That dream was possible for my family because of my parents' hard work and the opportunities our country makes possible. But it was also possible because of food stamps. For families like mine and millions of others, SNAP and its predecessors have served as a critical social safety net and allowed us to bounce back from financial hardship.

I believe that we must root out any fraud, waste, or abuse in SNAP and any other government programs, for that matter. According to the United States Department of Agriculture Food and

Nutrition Service, for fiscal year 2014, 3.66 percent of SNAP benefits were issued through improper payments—3.66 percent. I should say that any amount of fraud, waste, or abuse is too much. That is why I believe that the goal of our Oversight Committee should be to eliminate even the smallest amount of any improper payments, whether it is in SNAP programs or any other government expenditures.

But I strongly disagree with any attempt to exploit common ground—that is common ground to root out waste, fraud, and abuse—to justify severe cuts to our Nation’s premier antihunger program that serves millions and millions of women, men, children, seniors, and disabled Americans.

I believe firmly that the best antipoverty job program ever created is a j-o-b, a job. But I also believe that it is wrong to allow our most vulnerable citizens to go hungry.

I hope that the witnesses today will shed light on how to improve SNAP program integrity without building greater barriers to helping Americans who would go hungry.

Thank you, and I look forward to your testimony.

Mr. JORDAN. I thank the gentleman.

I want you all to imagine the scenario that I think could play out in every one of our districts later this afternoon.

There is a guy who works second shift at the local plant. Remember, when you work second shift, you miss half your kid’s Little League games, you miss some of their afterschool activities. But here’s a guy who’s working hard for his family. He goes out to get in his truck to drive to work. As he’s getting in his truck, he looks a couple houses down and he sees the guy sitting on the front porch drinking coffee, reading the paper. And the second-shift worker knows the front-porch sitter can work and won’t work and is getting his money.

As he gets in his truck to drive to work, thinking about the guy back on the front porch, he has the radio on. It happens to be the news hour. The reporter comes on and says the Federal Government has a \$20 trillion debt. They have some crazy program giving money to favorite corporations. One company went bankrupt and cost the taxpayers millions of dollars.

He hears all that, remembers the guy back on the front porch, and guess what? This guy is ticked off. I would argue that he has every right to be mad.

At the same time that he is driving to work, there is a lady driving home from work. She teaches second grade at the local school. She, like any good teacher, has busted her tail all day long to help her students. She is driving home from work, happens to have the radio on, happens to be on the same station where she hears the same reporter say the Federal Government has a \$20 trillion debt. They have some program that gives money to some connected corporation. This company went bankrupt and cost the taxpayers millions.

She hears all that as she pulls into her driveway, which just happens to be on the same street, and she sees the same guy sitting on the front porch drinking his coffee reading the paper. She knows he can work and won’t work and is getting her money. And guess what? She’s mad, too.

I would argue that second-shift workers and second-grade teachers are tired of this approach we have to social welfare, which says to some people who are able-bodied adults, some of them who are even able-bodied adults with no kids, you don't have to do something to get taxpayer dollars.

So I know, over the next hour or so, we are going to spend a lot of time talking about the 40 million people who get food stamps, and that is appropriate. We need to. In some cases, it is a very good program helping people just like the ranking member talked about his own family. But I think we also have to remember the 260-some other million folks in this country who are paying for the program, and it is not too much to ask to say, if you are getting a benefit from the government, you should have to do something to receive that. After all, it is hardworking taxpayers' dollars that we are talking about.

So I say all that, I hope, to set a little context for the next few hours as we talk about this important program and as we move into a debate on the farm bill, where we talk about reauthorization of the SNAP program.

With that, I will turn to our witnesses. Let me introduce our witnesses, then we will go to them.

Let me start with Mr. Brandon Lipps, Administrator of the Food and Nutrition Service and Acting Deputy Under Secretary of the Food, Nutrition, and Consumer Services at the U.S. Department of Agriculture.

Mr. Lipps, we appreciate you being here.

We have Ms. Kathy Larin, director of education, workforce, and income security at the U.S. Government Accountability Office.

We appreciate you being here with us, Ms. Larin.

And Mr. Sam Adolphsen—Adolphsen? I don't know where to put the accent. Say it again?

Mr. ADOLPHSEN. Adolphsen.

Mr. JORDAN. Adolphsen, all right. I put the accent in the right place.

A senior fellow at the Foundation for Government Accountability.

And Ms. Stacy Dean, vice president for food assistance policy at the Center for Budget and Policy Priorities.

We swear you in here, so if you will all please stand and raise your right hand, we will do this.

[Witnesses sworn.]

Mr. JORDAN. Let the record show that each witness answered in the affirmative.

Unanimous consent that Mr. Gianforte be able to participate in all aspects of the hearing.

We are glad you are here.

The ranking member is recognized for a motion.

Mr. KRISHNAMOORTHY. Mr. Chairman, I would like to submit two letters for the record, one from EPIC.org, that is Electronic Privacy Information Center, and the other from the Network Lobby for Catholic Social Justice.

Mr. JORDAN. Without objection, so ordered.

Mr. JORDAN. Now, we will go right down the line here.

Mr. Lipps, you get your 5 minutes. You know how it works. Try to keep it under, if you can. If you go over, don't go much over.

Then we will move down the list, and then we'll come back to questions.

The gentleman is recognized.

WITNESS STATEMENTS

STATEMENT OF BRANDON LIPPS

Mr. LIPPS. Good morning, Chairman Jordan, Chairman Palmer, and Ranking Member Krishnamoorthi, and members of the subcommittee. I appreciate the opportunity to talk to you today about the Supplemental Nutrition Assistance Program commonly known as SNAP. I am the Acting Deputy Under Secretary for Food, Nutrition, and Consumer Services at USDA, and Administrator of the Food and Nutrition Service, where I oversee 15 nutrition programs, totaling nearly \$100 billion per year. The largest of these programs is SNAP, with a total of 40.7 million low-income individuals being served.

Today, I want to talk to you about three priorities that guide our work at FNS: integrity, self-sufficiency, and customer service. These interdependent principles help us to ensure that SNAP operates effectively, efficiently, and as intended by law.

FNS works closely with our State partners to administer nutrition assistance programs that leverage our Nation's agricultural abundance. All those involved in these programs at the Federal, State, and local level are accountable for the program integrity.

In programs of this size, even low fraud rates can translate into billions of dollars in taxpayer money. Therefore, FNS uses advanced data analytics to prevent new and emerging threats, as well as to identify and remove retailers who take advantage of the program. We also work with States to educate and equip them to fight participant fraud.

To that end, just yesterday, we announced a comprehensive SNAP fraud framework geared at helping States with the tools they need to combat participant fraud.

Another fraud reduction measure, which was included in the fiscal year 2019 President's budget, is the National Accuracy Clearinghouse, which improves States' abilities to check for duplicate participation in SNAP across state lines.

It is also critical that benefits are issued only to those who are eligible and in the correct amount. For the first time in 3 years, FNS will announce a SNAP improper payment rate for fiscal year 2017 in June. It is worth noting that the OIG's audit findings suggest that State performance bonuses incentivize this bias. The fiscal year 2019 President's budget also called for eliminating these performance bonuses.

Another important piece of our strategy is coordinating and enhancing ongoing efforts at the agency. That is why we recently announced the hire of a chief integrity officer to foster greater collaboration and to leverage lessons learned across each of our 15 nutrition programs.

Another key agency priority is self-sufficiency. Nutrition assistance programs should not only be measured by how they provide for those in need but also how they support the transition to independence for those able to move beyond government assistance.

There are approximately 15 million working-age, able-bodied adults on SNAP. Of these, over 9 million are not working. We can, and we should, do better.

FNS recently published an Advance Notice of Proposed Rule-making, which received over 22,000 comments on how to best help able-bodied adults without dependents, which we referred to ABAWDs, move back to stable employment. As the economy continues to improve, there is no better time than now to discuss how we can more effectively help those ABAWDs move to self-sufficiency.

I recently visited an employment and training site and had a chance to talk to women training for nontraditional jobs. The excitement in their voices about the prospect of a new career and a new chapter in their lives was truly empowering. E&T programs can have a profound effect on low-income Americans, lifting them from poverty to prosperity. FNS's SNAP to Skills project and our E&T Learning Academy are just two of the ways we are working with States and local partners to identify and ensure best practices and improve our employment and training outcomes.

Finally, we have the responsibility to provide the best customer service to all of our stakeholders. Though the Federal Government develops SNAP policy and conducts monitoring and oversight, State and local agencies are ultimately responsible for delivering program benefits. We must empower them to successfully execute this responsibility while also holding them accountable.

I have met with SNAP administrators from across the country to hear from them on what is working and what is not. Many have indicated they are looking for more flexibility and less regulation, so they can better serve their local populations.

To that end, we recently issued guidance to improve customer service by expanding allowable activities for States that use non-merit system personnel in their call centers. As we move forward, we will continue to identify ways to improve integrity, increase self-sufficiency, and deliver high-quality service to all our customers.

As Secretary Perdue says, we can do right and feed everyone. I look forward to continuing to work with Congress to achieve that goal, and I am happy to answer any questions. Thank you.

[Prepared statement of Mr. Lipps follows:]

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House of Representatives
Committee on Oversight and
Government Reform

**Statement of Brandon Lipps
Acting Deputy Under Secretary,
Food, Nutrition and Consumer Services,
Administrator, Food and Nutrition Service
United States Department of Agriculture**

**Before the House Subcommittees on Intergovernmental Affairs and
Healthcare, Benefits, and Administrative Rules on Oversight and Government
Reform
“Program Integrity for the Supplemental Nutrition Assistance Program”
May 9, 2018**

Thank you Chairmen Palmer and Jordan, Ranking Members Raskin and Krishnamoorthi, and Members of the Subcommittees on Intergovernmental Affairs and Healthcare, Benefits, and Administrative Rules for the invitation to be here today to update you on the Supplemental Nutrition Assistance Program (SNAP).

My name is Brandon Lipps, and I currently serve as Acting Deputy Under Secretary, Food, Nutrition, and Consumer Services (FNCS) as well as Administrator for the Food and Nutrition Service (FNS). Several years ago, I worked on the House Agriculture Committee and am honored to return to Capitol Hill serving the public in a new capacity, on behalf of the U.S. Department of Agriculture.

As Administrator of the nation’s 15 nutrition assistance programs, I appreciate the importance of this Committee’s responsibility to ensure efficiency, effectiveness, and accountability in the Federal Government. Secretary Perdue and I share the belief that Americans care about their neighbors and want them to have food on their table — but they also want to know that their taxpayer dollars are allocated properly to help those most in need. I look forward to working with this Committee to continually fulfill that commitment.

As you know, FNS works closely with our State partners to administer nutrition assistance programs that leverage our nation’s agricultural abundance to ensure no

American goes hungry. SNAP, the largest of these programs, helps those most in need get back on their feet by supplementing their food buying power. The program is designed to be responsive to the current economic conditions and support the transition of able-bodied adults to stable employment. The most recent data show that SNAP served 40.7 million low-income individuals in January 2018 – a decline of approximately two million people from the previous January.

Today, I want to speak to you about three priorities that guide FNS's work – integrity, self-sufficiency, and customer service. These interdependent principles help us ensure that SNAP operates effectively, efficiently, and as intended by law.

Integrity:

All those involved in nutrition assistance programs at the Federal, State, and local level are accountable for good stewardship of tax dollars. Using every dollar wisely and eliminating error and fraud are critical to preserving SNAP benefits for those truly in need. USDA works in concert with State and local program partners to:

- Ensure benefits go only to those who are eligible,
- Issue benefits in the correct amount,
- Identify bad actors and remove them from the program,
- Use state-of-the-art technology to proactively identify new and emerging threats to program integrity, and
- Reduce errors through a comprehensive strategy of risk management.

As you may know, FNS has been rigorously working to remove bias from the SNAP Quality Control (QC) system, a process for measuring the accuracy of State eligibility determinations and benefit levels. The QC system is *not* a measure of fraud, but rather a measurement of improper payments – both under issuance and over issuance – that are generally the result of either State agency or client error. Both FNS and the USDA Office of Inspector General identified bias in the QC data for Fiscal Year (FY) 2015 and FY 2016, which impeded our ability to release an improper payment rate for the past two years. Resolving these issues is a top priority for FNS, and we have taken numerous corrective and preventative actions to that end. As a result, we will be able to report a SNAP improper payment rate for FY 2017 by June 30, 2018.

With regard to fraud in SNAP, FNS employs advanced data-analytics techniques, highly specialized investigators, and collaboration with our Federal, State, and

local partners to identify, eliminate, and prevent the misuse of tax payer dollars intended for those in need. It is important to note that FNS oversees retailer fraud, while the States oversee participant fraud.

FNS constantly updates our use of technology to modernize our programs and gives States the tools they need to succeed in eliminating participant fraud. Yesterday, FNS issued a comprehensive SNAP fraud framework geared at arming States with the information they need to combat participant fraud. FNS also recently created an interactive model online application for school meal programs that we plan to explore how to replicate this approach across nutrition programs. This application reduces common, unintentional errors in submitting the required information. We continue to explore new and evolving strategies to improve oversight and monitoring throughout every step of benefit delivery and utilization.

As another fraud reduction measure, the President's Budget proposes nationwide use of the National Accuracy Clearinghouse (NAC), which improves States' ability to check for duplicate participation in SNAP across State lines. FNS tested this concept in five states and prevented over 300 dual participants per month, achieving \$5.6 million in cost savings. This is a prudent step to prevent potential fraud and protect American taxpayers by expanding this successful State-led pilot nationwide.

Additionally, FNS recently hired a Chief Integrity Officer to provide enhanced leadership and enterprise integrity coordination. The position is part of my Executive Team and will foster greater collaboration and enhance our ongoing commitment to this priority. As part of this commitment, we are conducting a third-party assessment of FNS's integrity efforts. One aspect of that effort will include a plan to ensure all FNS programs are in compliance with the Improper Payments and Elimination Recovery Act. Additionally, FNS is working on a comprehensive review of waivers, pilots, and demonstration projects in all FNS programs to ensure current practice is in line with program integrity efforts.

Program integrity is not a one-time effort: Where protection of taxpayer dollars is concerned, the job is never done. As our programs continue to develop, FNS will identify new ways to enhance integrity in the delivery of these critical nutrition assistance benefits. This is essential to protecting SNAP and all who it serves, both now and in the future.

Self Sufficiency:

Few needs are more fundamental in life than food. USDA's Federal nutrition assistance programs are designed to ensure no American goes hungry. However, in doing so, they should not encourage participants to permanently forfeit the dignity and empowerment that comes with self-reliance. Nutrition assistance must support those facing hard times by providing them the food they need while helping those who are able to move beyond government assistance to independence.

The nutrition safety net must remain strong in its service to the elderly, children and disabled. However, success in SNAP should not be measured by how many people enroll, but by how the program supports and enables a participant's return to self-sufficiency. There are approximately 15 million working age (18-59) non-disabled adults on SNAP. Of these, over nine million are not working. We can and we should do better. We must work to reduce barriers to employment and hold both individuals and States accountable for participants getting and maintaining jobs.

I want to be clear: We do not seek this goal because it is the easy path. It will require effort, persistence and ingenuity for all those involved. Effective employment and training programs and data-driven employment strategies are key to this effort. We seek this goal because we believe employment is the best path to self-sufficiency and, therefore, in the best interest of those we serve and the country as a whole.

That is why we recently published an Advanced Notice of Proposed Rule Making (ANPRM) to collect information, ideas, and best practices on helping move able-bodied adults without dependents (ABAWDs) back to stable employment.

The SNAP Employment and Training (E&T) program is a critical tool for helping SNAP participants gain the knowledge and skills needed to obtain stable employment in their local economy. SNAP E&T programs are State administered and Federally funded, but the services are provided by local workforce partners including State workforce centers, non-profits, for-profits, and community colleges. States currently have considerable flexibility in designing their E&T programs, the components they offer, the populations they serve, and whether they operate a mandatory or voluntary program.

SNAP E&T programs are one-way SNAP recipients can meet the general work requirements which apply to individuals between the ages of 16-59 who are not disabled and who are not the primary caregiver of a child under the age of six.

ABAWD work requirements apply to individuals between the ages of 18-49 in households without children under age 18.

USDA is working with States to improve their E&T programs and to identify and share best practices. Not only has USDA increased its own capacity, it also implemented the SNAP to Skills project, a technical assistance project that provides States the tools and resources to develop effective E&T programs. To date, the SNAP to Skills project has provided direct technical assistance to 15 States, published policy briefs on best practices such as incorporating career pathways into E&T programs, and created tools such as the operations handbook which is a step-by-step guide State can use to implement an effective SNAP E&T Program. In addition, USDA offers learning opportunities such as the SNAP E&T Learning Academy which provides individuals from State agencies, community colleges, community based organizations, training providers, and other stakeholders the opportunity to gain expertise on SNAP E&T that will enable them to work within or across States to create robust and effective E&T programs. USDA will also use the outcome data that States began submitting this year to help them pinpoint areas that need improvement and to share best practices and lessons learned.

Additionally, the input FNS receives through the ANPRM will help inform future policy decisions to maximize the outcomes of E&T programs and other efforts designed to help move participants toward economic independence.

Customer Service:

Finally, we have the responsibility to provide the best possible service to all of our customers. We provide good customer service to SNAP participants by providing individuals and families nutritious food to eat while supporting and facilitating their transition to self-sufficiency. We serve the American public well by ensuring their taxpayer dollars are invested effectively and efficiently. We must also provide quality customer service to our partners: State and local agencies.

Though the Federal Government develops SNAP policy and conducts monitoring and oversight, State and local agencies are responsible for delivering program benefits. We must empower them to successfully execute this responsibility in ways that best serve their SNAP participants. This includes listening to feedback and providing options over mandates, flexibility over “one-size fits all.”

Last fall, I wrote a letter to all State SNAP commissioners and secretaries where I referred to States as “laboratories of innovation.” FNS seeks to learn from State experiences – What new ideas do they have for improving customer service? What have they tried that works or does not work? One thing we heard was that some States experienced undue administrative burden by rules limiting who can perform various SNAP functions. FNS issued new national program guidance giving State agencies flexibility to use contracted private-sector staff to provide basic case-specific information, as allowed under other Federal programs. Certification decisions remain with State employees, as required by statute. This guidance gives SNAP State agencies new flexibility to make operations more efficient and improve customer service while maintaining a high-level of program integrity. We will continue to explore other ways to increase flexibility and minimize administrative burden for State and local agencies delivering SNAP benefits.

In conclusion, the principles of program integrity, self-sufficiency, and customer service guide FNS decisions. Achieving any one of these principles would not be possible without listening to and working with our partners – including Congress. We look forward to continuing to work with you to improve SNAP and all nutrition programs to best serve those most in need and the American taxpayer. Thank you again for the opportunity to be here today, and I am happy to answer any questions you may have.

Mr. JORDAN. I thank the gentleman.
Ms. Larin, you are recognized.

STATEMENT OF KATHY LARIN

Ms. LARIN. Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and members of the subcommittees, I am pleased to be here today to discuss GAO's prior and ongoing work on USDA's Supplemental Nutrition Assistance Program known as SNAP. Specifically, my testimony today will address our work on SNAP employment and training programs, improper payment rates, recipient fraud, and retailer trafficking.

First, regarding SNAP E&T, according to our analysis of USDA data, about 14 percent of SNAP recipients were subject to work requirements in an average month of 2016, but only 0.5 percent of SNAP's 43.5 million recipients participated in a SNAP E&T program that year. SNAP E&T programs are generally designed to help SNAP recipients increase their ability to obtain regular employment through services such as job search and training.

States have broad flexibility in how they design their E&T programs, and we found that they have made various changes to these programs in recent years, such as increasing partnerships with State and local organizations to deliver services, and increasing their focus on able-bodied adults without dependents, or ABAWDs. States we talked to noted that, in recent years, ABAWDs have become increasingly subject to time limits, which prevent those recipients from receiving benefits for more than 3 months unless they are working or participating in an employment program.

Regarding improper payments, in 2015, USDA reported that 3.66 percent of all SNAP benefits paid in fiscal year 2014, \$2.6 billion, were improper. GAO reviewed USDA's SNAP improper payment rates in 2016, and we found that State and Federal policy changes likely affected these rates in the last decade.

Specifically, we found that policies that simplified program rules likely lowered improper payment rates while other policies may have increased them. USDA did not report on improper payments in 2016 or 2017 due to data quality issues identified by the department and by the USDA IG. However, USDA has been working with States to resolve these issues and is expected to release new estimates by June 30 of this year.

Regarding recipient fraud, in 2014, we reported that States faced several challenges in combating recipient fraud. For example, we found that USDA guidance on the use of data analytics to detect fraud lacked specificity, and we recommended that USDA develop additional guidance. We also found that tools recommended for monitoring e-commerce or social media websites for potential fraud were ineffective. USDA's recently released fraud framework may help address some of these issues. Additionally, we recommended that USDA consider revisiting its financial incentives to better support cost-effective antifraud strategies, but the department decided not to make changes to address this issue.

Finally, regarding trafficking, in 2006, we reported that SNAP was vulnerable to retailer trafficking.

For example, we found that USDA did not have a system in place to ensure that retailers at highest risk for trafficking were quickly targeted for monitoring, and we recommended that they provide earlier targeted oversight to these stores. We also found that USDA's penalties for retail trafficking may have been insufficient to deter traffickers, and we recommended that penalties be increased.

Since we reported on these issues, USDA has established risk levels for each retailer and proposed rules to increase penalties. However, USDA has not finalized these rules, and as of fall 2017, these rules were considered inactive.

In conclusion, many of our Nation's most vulnerable citizens rely on SNAP to obtain an adequate and nutritious diet, and USDA has taken some steps to improve the integrity of the program, but more could be done.

GAO continues to examine these issues for the subcommittee and looks forward to providing additional information later this year.

This concludes my statement, and I am happy to answer any other questions you have.

[Prepared statement of Ms. Larin follows:]

United States Government Accountability Office



Testimony Before the Subcommittees on
Healthcare, Benefits and Administrative
Rules and Intergovernmental Affairs,
Committee on Oversight and Government
Reform, House of Representatives

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SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Observations on Employment and Training Programs and Efforts to Address Program Integrity Issues

Statement of Kathryn Larin, Director Education,
Workforce, and Income Security Issues

GAO Highlights

Highlights of GAO-18-504T, a testimony before the Subcommittees on Healthcare, Benefits, and Administrative Rules and Intergovernmental Affairs, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

SNAP is the largest federally funded nutrition assistance program. In fiscal year 2017, it provided about \$63 billion in benefits. USDA and the states jointly administer SNAP and partner to address issues that affect program integrity, including improper payments and fraud. GAO has previously reported on various aspects of SNAP, including state SNAP E&T programs, improper payment rates, recipient fraud, and retailer trafficking.

This testimony discusses GAO's prior and ongoing work on (1) SNAP E&T programs, including program participants, design, and USDA oversight, and (2) USDA's efforts to address SNAP program integrity, including improper payments, as well as recipient and retailer fraud. As part of its ongoing work on SNAP E&T programs, GAO analyzed E&T expenditures and participation data from fiscal years 2007 through 2016, the most recent data available; reviewed relevant research from USDA; and interviewed USDA and selected state and local officials. The prior work discussed in this testimony is based on four GAO products on E&T programs (GAO-03-388), improper payments (GAO-16-708T), recipient fraud (GAO-14-641), and retailer trafficking (GAO-07-53). Information on the scope and methodology of our prior work is available in each product.

What GAO Recommends

GAO is not making new recommendations. USDA generally concurred with GAO's prior recommendations.

View GAO-18-504T or key components. For more information, contact Kathryn Larin at (202) 512-7215 or larink@gao.gov.

May 2018

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

Observations on Employment and Training Programs and Efforts to Address Program Integrity Issues

What GAO Found

Overseen by the U.S. Department of Agriculture (USDA) and administered by states, Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) programs served about 0.5 percent of the approximately 43.5 million SNAP recipients in an average month of fiscal year 2016, according to the most recent USDA data available. These programs are generally designed to help SNAP recipients increase their ability to obtain regular employment through services such as job search and training. Some recipients may be required to participate. According to USDA, about 14 percent of SNAP recipients were subject to work requirements in an average month of fiscal year 2016, while others, such as children and the elderly, were generally exempt from these requirements. States have flexibility in how they design their E&T programs. Over the last several years, states have 1) increasingly moved away from programs that mandate participation, 2) focused on serving able-bodied adults without dependents whose benefits are generally time-limited unless they comply with work requirements, and 3) partnered with state and local organizations to deliver services. USDA has taken steps to increase support and oversight of SNAP E&T since 2014, including collecting new data on participant outcomes from states. GAO has ongoing work reviewing SNAP E&T programs, including USDA oversight.

USDA and the states partner to address issues that affect program integrity, including improper payments and fraud, and USDA has taken some steps to address challenges in these areas, but issues remain.

- Improper Payments.** In 2016, GAO reviewed SNAP improper payment rates and found that states' adoption of program flexibilities and changes in federal SNAP policy in the previous decade, as well as improper payment rate calculation methods, likely affected these rates. Although USDA reported improper payment estimates for SNAP in previous years, USDA did not report an estimate for benefits paid in fiscal years 2015 or 2016 due to data quality issues in some states. USDA has since been working with the states to improve improper payment estimates for the fiscal year 2017 review.
- Recipient Fraud.** In 2014, GAO made recommendations to USDA to address challenges states faced in combatting recipient fraud. For example, GAO found that USDA's guidance on the use of transaction data to uncover potential trafficking lacked specificity and recommended USDA develop additional guidance. Since then, USDA has provided technical assistance to some states, including on the use of data analytics. GAO has ongoing work reviewing states' use of data analytics to identify SNAP recipient fraud.
- Retailer Trafficking.** In 2006, GAO identified several ways in which SNAP was vulnerable to retailer trafficking—a practice involving the exchange of benefits for cash or non-food items. For example, USDA had not conducted analyses to identify high-risk retailers and target its resources. Since then, USDA has established risk levels for retailers based on various factors. GAO has ongoing work assessing how USDA prevents, detects, and responds to retailer trafficking and reviewing the usefulness of USDA's estimates of the extent of SNAP retailer trafficking.

Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and Members of the Subcommittees:

Thank you for inviting me here today to discuss our work on the U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (SNAP)—the largest federally-funded nutrition assistance program. Jointly administered by USDA's Food and Nutrition Service (FNS) and the states, SNAP helps low-income households obtain a better diet by providing them with benefits to purchase food from authorized retailers. In fiscal year 2017, SNAP provided approximately \$63 billion in benefits to about 42 million individuals in over 20 million households.

To receive SNAP benefits, individuals must apply in their state of residence and meet the program's eligibility requirements, such as income limits. To be eligible for benefits, SNAP recipients must also generally comply with the program's work requirements, such as registering for work and participating in certain work programs if required by the state agency.¹ For example, SNAP recipients may be required by the state to participate in state-operated SNAP Employment and Training (E&T) programs. First federally required in the 1980s, SNAP E&T programs are intended to help individuals in SNAP households acquire skills, training, employment, or experience that will increase their ability to obtain regular employment.

The federal government pays the full cost of SNAP benefits and shares the costs and responsibility of administering the program and ensuring program integrity with the states. Most SNAP benefits are used for the intended purpose, according to FNS. However, improper payments—payments to individuals that were made in an incorrect amount or should not have been made at all—may result from unintentional errors by SNAP recipients or staff administering the program or may result from intentional errors or misuse of benefits, practices which are considered fraud. For example, individuals may misrepresent their household's circumstances to state agencies in order to obtain benefits. Further, some recipients sell their benefits for cash, often at a loss, to a retailer—a practice known as

¹The general SNAP work requirements apply to people ages 16 through 59, except for those who are physically or mentally unfit, have responsibility for the care of a dependent child under age 6 or an incapacitated person, are already employed 30 hours or more per week or receive weekly earnings which equal the minimum hourly rate set under federal law multiplied by 30, or are a bona fide student enrolled half-time or more in any recognized school training program, or institution of higher education, amongst other exceptions.

trafficking. FNS is responsible for authorizing and monitoring retailers from which recipients may purchase food, and states are responsible for determining applicant eligibility and investigating possible program violations by recipients. As we have reported in our prior work, both FNS and states face challenges in addressing recipient and retailer fraud.

In response to requests from the Chairman and other members of this Committee, we currently have work underway on SNAP E&T programs, as well as on SNAP recipient and retailer fraud. Today I will provide information from our ongoing and prior work, focusing on (1) SNAP E&T programs, including program participants, design, and FNS oversight, and (2) FNS's efforts to address program integrity, including improper payments and SNAP recipient and retailer fraud.

To address the areas discussed in this testimony statement, we drew on our ongoing work on SNAP E&T programs, recipient fraud, retailer trafficking, as well as our prior work on improper payments. Specifically, for our discussion of SNAP E&T programs, we analyzed data on SNAP E&T expenditures and participation collected by FNS from the states for fiscal year 2007 through fiscal year 2016, the most recent data available. In addition, we analyzed published FNS Quality Control data on SNAP recipients and work registrants for fiscal year 2008 through fiscal year 2016. To assess the reliability of the data included in this statement, we interviewed FNS and state officials knowledgeable about the data, and determined the data are sufficiently reliable for the purposes of this statement. We also reviewed relevant federal laws and regulations; reviewed guidance and research from FNS; interviewed FNS officials, as well as select state and local SNAP E&T staff from five states; and reviewed our prior work on SNAP E&T programs.² For our discussion of FNS's efforts to address improper payments and SNAP recipient and retailer fraud, we drew on our 2016 review of SNAP improper payment rates and reviewed relevant USDA reports.³ We also drew on our 2014

²In our ongoing work, we selected states based on several criteria, including varied SNAP E&T service delivery approaches and other program characteristics, as well as geographic dispersion. Our prior work on SNAP E&T is included in our 2003 report: GAO, *Food Stamp Employment and Training Program: Better Data Needed to Understand Who Is Served and What the Program Achieves*. GAO-03-388. (Washington, D.C.: March 12, 2003).

³GAO, *Supplemental Nutrition Assistance Program: Policy Changes and Calculation Methods Likely Affect Improper Payment Rates, and USDA Is Taking Steps to Help Address Recipient Fraud*. GAO-16-708T (Washington, D.C.: July 6, 2016).

analysis of SNAP replacement card and transaction data, in which we conducted tests of FNS-recommended automated tools and interviewed program stakeholders, including federal and select state officials.⁴ We also obtained relevant documentation from FNS in April 2018 on steps the agency has taken to address our 2014 recommendations. We also drew on our 2006 work on retailer trafficking, in which we reviewed FNS reports on trafficking estimates; visited FNS field offices; analyzed FNS retailer data; and interviewed federal officials, among others.⁵ We also assessed FNS reports on trafficking estimates covering calendar years 2006 through 2014 (the most recent data available), reviewed FNS policies and reports, and interviewed FNS officials.⁶ More complete information on the scope and methodology of our prior work is available in each published report. Our current work on SNAP E&T programs, recipient fraud, and retailer trafficking is still ongoing.

The work upon which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USDA's Food and Nutrition Service (FNS) is responsible for promulgating SNAP program regulations, ensuring that state officials administer the program in compliance with program rules, and authorizing and monitoring retailers from which recipients may purchase food. States are responsible for determining applicant eligibility, calculating the amount of their benefits, issuing benefits on Electronic Benefit Transfer (EBT) cards—which can be used like debit cards to purchase food from

⁴GAO, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud*, GAO-14-641. (Washington, D.C.: August 21, 2014).

⁵GAO, *Food Stamp Trafficking: FNS Could Enhance Program Integrity by Better Targeting Stores Likely to Traffic and Increasing Penalties*, GAO-07-53. (Washington, D.C.: Oct. 13, 2006).

⁶FNS's *The Extent of Trafficking in the Supplemental Nutrition Assistance Program* reports are published approximately two to three years after the time period covered in the report. For example, the most recent report—published in 2017—analyzes data from 2012 to 2014.

authorized retailers—and investigating possible program violations by recipients.

SNAP Work Requirements SNAP recipients are subject to various work requirements. Generally, all SNAP recipients ages 16 through 59, unless exempted by law or regulation, must comply with work requirements, including registering for work, reporting to an employer if referred by a state agency, accepting a bona fide offer of a suitable job, not voluntarily quitting a job or reducing work hours below 30 hours a week, and participating in a SNAP E&T program or a workfare program—in which recipients perform work on behalf of the state—if assigned by the state agency.⁷ SNAP recipients are generally exempt from complying with these work requirements if they are physically or mentally unfit, responsible for caring for a dependent child under age 6 or an incapacitated person, employed for 30 or more hours per week or receive weekly earnings which equal the minimum hourly rate set under federal law multiplied by 30, or are a bona fide student enrolled half-time or more in any recognized school training program, or institution of higher education, amongst other exemptions. SNAP recipients subject to the work requirements—known as work registrants—may lose their eligibility for benefits if they fail to comply with these requirements without good cause.⁸

One segment of the work registrant population, SNAP recipients ages 18 through 49 who are “able-bodied,” not responsible for a dependent child, and do not meet other exemptions—able-bodied adults without dependents (ABAWDs)—are generally subject to additional work requirements. In addition to meeting the general work requirements, ABAWDs must work or participate in a work program 20 hours or more per week, or participate in workfare, in which ABAWDs perform work to earn the value of their SNAP benefits. Participation in SNAP E&T, which is a type of work program, is one way for ABAWDs to meet the 20 hour per week ABAWD work requirement, but other work programs are acceptable as well. Unless ABAWDs meet these work requirements or

⁷Regarding work registration, SNAP recipients subject to work requirements are required to register for work or be registered by the state agency at the time of application and every 12 months after initial registration.

⁸Examples of good cause can include illness, household emergency, lack of transportation, and other circumstances. States must determine if a recipient has good cause for not complying with work requirements before disqualifying the recipient from benefits.

are determined to be exempt, they are limited to 3 months of SNAP benefits in a 36-month period.⁹

At the request of states, FNS may waive the ABAWD time limit for ABAWDs located in certain areas of a state or an entire state under certain circumstances. A waiver may be granted if the area has an unemployment rate of over 10 percent or there are an insufficient number of jobs to provide employment for these individuals. If the time limit is waived, ABAWDs are not required to meet the ABAWD work requirement in order to receive SNAP for more than 3 months in a 36-month period yet they must still comply with the general work requirements.

SNAP Employment and Training Programs

Federal requirements for state SNAP E&T programs were first enacted in 1985 and provide state SNAP agencies with flexibility in how they design their SNAP E&T programs, including who to serve and what services to offer. The state has the option to offer SNAP E&T services on a voluntary basis to some or all SNAP recipients, an approach commonly referred to as a voluntary program. Alternatively, the state can require some or all SNAP work registrants to participate in the SNAP E&T program as a condition of eligibility, an approach commonly referred to as a mandatory program. Further, states determine which service components to provide participants through their SNAP E&T programs, although they must provide at least one from a federally determined list. This list includes job search programs, job search training programs, workfare, programs designed to improve employability through work experience or training, education programs to improve basic skills and employability, job retention services, and programs to improve self-sufficiency through self-employment. Total federal expenditures on SNAP E&T programs were more than \$337 million in fiscal year 2016. States are eligible to receive three types of federal funding available for state SNAP E&T programs: 100 percent funds—formula grants for program administration,¹⁰ 50

⁹According to FNS, reasons for ABAWD exemptions may include medically certified as physically or mentally unfit for employment, responsible for a child under 18, employed for 30 or more hours per week, or pregnant. Further, state agencies have discretion to exempt, on a month-to-month basis, 15 percent of the ABAWDs who would otherwise be subject to the time limit.

¹⁰Federal 100 percent funds are set at \$90 million by statute. Federal 100 percent funds are allocated to states based on a formula, in which 90 percent of the state's allocation is based on the number of work registrants in a state and 10 percent of the allocation is based on the number of ABAWDs in a state.

percent federal reimbursement funds, and ABAWD pledge funds—grants to states that pledge to serve all of their at-risk ABAWDs.¹¹

SNAP Program Integrity

The Office of Management and Budget has designated SNAP as a high-priority program due to the estimated dollar amount in improper payments—any payments that should not have been made or were made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. According to USDA's fiscal year 2015 agency financial report, \$2.6 billion, or 3.66 percent, of all SNAP benefits paid in fiscal year 2014 were improper, the most recent year for which data are available. SNAP improper payments are caused by variances in any of the key factors involved in determining SNAP eligibility and benefit amounts, and, according to USDA, household income was the most common primary cause of dollar errors.¹² States review the accuracy of SNAP payments to recipients on an ongoing basis, and FNS assesses the accuracy of state reviews and determines a national improper payment rate annually.

FNS and states share responsibility for addressing SNAP fraud, which can occur through the eligibility process and when benefits are being used. Specifically, recipients may commit eligibility fraud when they misrepresent their household size, income, or expenses in order to fraudulently obtain SNAP benefits. Another type of fraud—trafficking—occurs when recipients exchange benefits with authorized retailers or other individuals for cash or non-food items (e.g. rent or transportation). In

¹¹ABAWD pledge funds are set at not more than \$20 million by statute. States receiving ABAWD pledge funds from the federal government must make and comply with a commitment, or pledge, to use these funds to offer at-risk ABAWDs a position in an education, training or workforce component that fulfills the ABAWD work requirement. At-risk ABAWDs are those in the last month of the three month time limit of SNAP eligibility and who meet other criteria. The ABAWD grants are allocated based on the number of ABAWDs in the states participating in the pledge. States may also use the other SNAP E&T funding streams to serve ABAWDs.

¹²FNS developed its quality control process for SNAP in 1977 to track and measure errors in both eligibility and benefit determinations for the program. According to FNS officials, each month, a state's SNAP quality control staff selects for review a representative sample of households that received SNAP benefits. The statewide sample is designed to produce a valid statewide improper payment rate, which is the sum of the overpayments and underpayments divided by the value of all payments. A variance occurs when a quality control reviewer finds the incorrect application of policy, the basis of issuance is incorrect, or there is a difference between the information that was used and the information that should have been used to determine a household's monthly SNAP benefit amount.

a typical retailer trafficking situation, for example, a retailer may charge \$100 to a recipient's EBT card and give the recipient \$50 in cash instead of \$100 in food. The federal government reimburses the retailer \$100, which results in a fraudulent \$50 profit to the retailer.

State agencies are directly responsible for preventing, detecting, investigating, and prosecuting recipient fraud, including eligibility fraud and trafficking by SNAP recipients, under the oversight and guidance of FNS. States play a key role in preventing fraud when determining eligibility for SNAP. State agencies collect applicant information, such as household income and employment, and verify it through data matches with other information sources. After benefits are issued, the agencies may monitor EBT transaction data to identify spending patterns that may indicate trafficking. If an individual or household intentionally violates SNAP rules, such as by trafficking or making false or misleading statements in order to obtain benefits, states conduct administrative disqualification hearings or, in some cases, refer the case for criminal prosecution.

FNS is responsible for authorizing and overseeing retailers who participate in the program—totaling more than 263,000 in fiscal year 2017—including investigating potential retailer trafficking. In order to participate in SNAP, a retailer applies to FNS and demonstrates that they meet program requirements, such as those on the amount and types of food that authorized stores must carry. FNS verifies a retailer's compliance with these requirements and generally authorizes retailers for 5 years. FNS then monitors retailers' continued compliance with program requirements and administratively disqualifies, or assesses money penalties on, those who are found to have trafficked benefits. To this end, FNS officials collect and monitor EBT transaction data to detect irregular patterns of transactions that may indicate trafficking and also conduct undercover investigations. If found to be trafficking, retailers are generally permanently disqualified from SNAP or incur a monetary penalty in lieu of permanent disqualification.¹³

¹³The retailer may appeal FNS's decision, first within FNS and later to the appropriate federal district court. The USDA Office of Inspector General, U.S. Secret Service, and the Federal Bureau of Investigation also conduct investigations of SNAP retailers, which may lead to criminal prosecutions.

A Small Percentage of SNAP Recipients Participate in SNAP E&T Programs, Which Have Experienced Changes in Characteristics and FNS Oversight

A Small Percentage of SNAP Recipients Participate in SNAP E&T

According to FNS data, about 14 percent of SNAP recipients, or about 6.1 million, were work registrants who were subject to work requirements,¹⁴ and about 0.5 percent of SNAP recipients, or about 200,000, participated in state SNAP E&T programs, in an average month of fiscal year 2016.¹⁵ (See fig. 1.) According to FNS, most SNAP recipients are exempt from work requirements. For example, according to FNS, almost two-thirds of SNAP recipients were children, elderly, or adults with a disability in an average month of fiscal year 2016—groups that are generally exempt. Further, adults who are already working at least 30 hours a week are also exempt from SNAP work requirements, and according to FNS data, more than 31 percent of non-elderly adult SNAP recipients were employed in an average month of fiscal year 2016.¹⁶ SNAP work registrants who are not participating in SNAP E&T programs may be participating in other

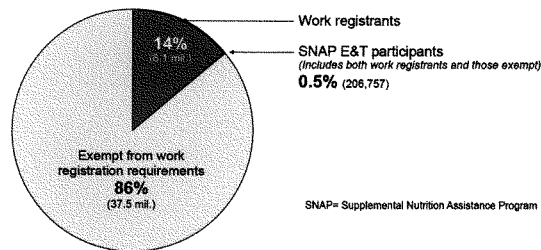
¹⁴Estimates for SNAP recipients overall and work registrants are FNS estimates derived from a monthly sample of SNAP households. We have not yet assessed the statistical precision of these estimates or whether changes over time and among subgroups of recipients are statistically significant. We plan to further assess these estimates as part of our ongoing work.

¹⁵The average monthly SNAP recipients and work registrants in the fiscal year 2016 SNAP Quality Control data are derived from an independent monthly sample of participating SNAP households selected from October 2015 through September 2016. To calculate the average monthly number of SNAP recipients participating in SNAP E&T programs, we calculated the total number of recipients participating in SNAP E&T components across all months in fiscal year 2016 and divided by 12.

¹⁶This includes employed adults with a disability.

activities to meet work requirements or eligible for other exemptions.¹⁷ FNS officials told us that the state data reported to FNS on SNAP E&T participants are the best and most recent data available on this group, yet they also have limitations, which we will continue to explore in our ongoing work.¹⁸

Figure 1: Average Monthly State SNAP Employment and Training (E&T) Program Participants as a Percentage of Average Monthly SNAP Recipients, Fiscal Year 2016



Source: GAO analysis of Food and Nutrition Service SNAP Quality Control and form 563 data. | GAO-18-504T

Note: Data include the 50 states, District of Columbia, Guam, and the Virgin Islands. According to FNS officials, available data on SNAP E&T participants have certain limitations, given that the data are state-reported and not subject to multiple verification processes. According to FNS officials, some SNAP recipients who are exempt from work registration requirements may participate in SNAP E&T programs, yet there are no data available which would allow us to calculate how many such recipients do so. Estimates for SNAP recipients overall and work registrants are FNS estimates derived from a monthly sample of SNAP households. We have not yet assessed the statistical precision of these estimates or whether changes over time and among subgroups of recipients are statistically significant. We plan to further assess these estimates as part of our ongoing work.

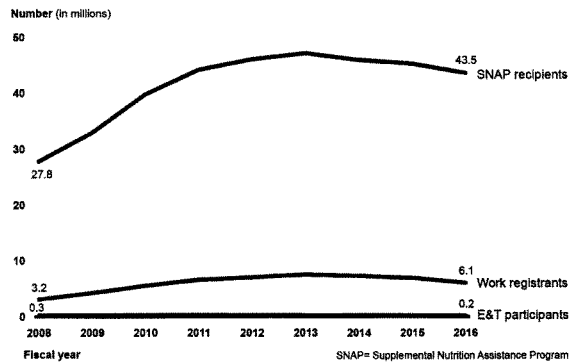
¹⁷There are other federal exemptions from SNAP work requirements, such as having responsibility for caring for a dependent child under six or an incapacitated person, or complying with work requirements for certain other programs, such as Temporary Assistance for Needy Families.

¹⁸According to FNS, state data on SNAP E&T participants have various limitations, in part because the data are state-reported and not subject to multiple verification processes. FNS officials noted that some of the common reporting errors made by states result in inconsistencies between quarterly and annual reports, incorrect reporting of ABAWDs, duplicate counts of SNAP E&T participants, and undercounts or duplicate counts of work registrants, among others. We are continuing to examine these data limitations as part of our ongoing work.

In recent years, the number and percentage of SNAP recipients and work registrants participating in SNAP E&T programs appears to have decreased, according to FNS data. From fiscal year 2008 through fiscal year 2016, the average monthly number of SNAP E&T participants decreased from about 256,000 to about 207,000, or by 19 percent, according to state data on SNAP E&T participants reported to FNS. (See fig. 2.) However, over the same time period, the average monthly number of SNAP recipients appears to have increased from about 27.8 million to about 43.5 million, and work registrants appears to have increased from about 3 million to about 6.1 million, according to FNS data. As a result, the percentage of total SNAP recipients participating in SNAP E&T programs decreased from about 0.9 to about 0.5 percent, and the percentage of SNAP work registrants participating in these programs decreased from approximately 8.1 percent to 3.4 percent, from fiscal year 2008 through fiscal year 2016.¹⁹

¹⁹According to FNS officials, some SNAP recipients who are exempt from work registration requirements may participate in SNAP E&T programs, yet there are no data available which would allow us to calculate how many such recipients do so. As a result, these percentages may overstate the percentage of work registrants participating in SNAP E&T programs.

Figure 2: Average Monthly Federal SNAP Employment and Training (E&T) Participants Compared with Average Monthly Work Registrants and SNAP Recipients, Fiscal Years 2008 to 2016



Source: GAO analysis of Food and Nutrition Service SNAP Quality Control and form 583 data. | GAO-15-504T

Note: Data include the 50 states, District of Columbia, Guam, and the Virgin Islands. According to FNS officials, available data on SNAP E&T participants have certain limitations, given that the data are state-reported and not subject to multiple verification processes. According to FNS officials, some SNAP recipients who are exempt from work registration requirements may participate in SNAP E&T programs, yet there are no data available which would allow us to calculate how many such recipients do so. As a result, these percentages may overstate the percentage of work registrants participating in SNAP E&T programs. Estimates for SNAP recipients overall and work registrants are FNS estimates derived from a monthly sample of SNAP households. We have not yet assessed the statistical precision of these estimates or whether changes over time and among subgroups of recipients are statistically significant. We plan to further assess these estimates as part of our ongoing work.

Available information suggests the characteristics of SNAP E&T participants are generally similar to those of SNAP work registrants who do not participate in these programs. A recent FNS study, which surveyed SNAP E&T participants and SNAP work registrants who had not participated in SNAP E&T, found that members of the two groups had similar demographic characteristics, including age and gender, and received similar monthly SNAP benefit amounts.²⁰ Further, at the time

²⁰Rowe, Gretchen, Elizabeth Brown, and Brian Estes. *SNAP Employment and Training (E&T) Characteristics Study: Final Report*. Prepared by Mathematica Policy Research for the U.S. Department of Agriculture, Food and Nutrition Service, Oct. 2017.

they were surveyed, about one third of each group were employed, and their average wage rates were similar, at about \$10 per hour.²¹

State SNAP E&T Programs Have Changed in Several Ways

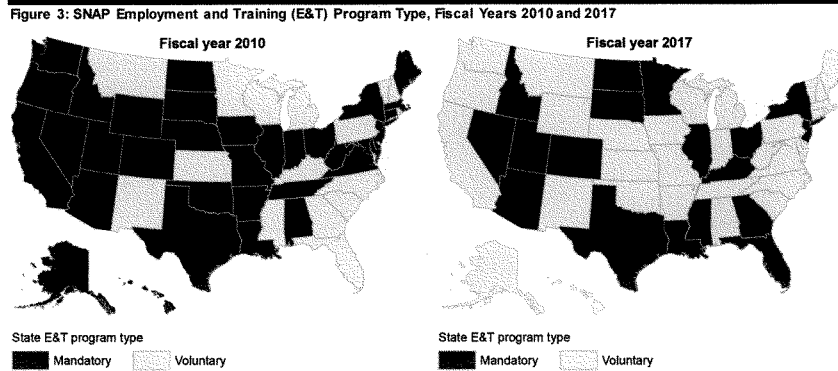
State SNAP agencies have broad flexibility in how they design their SNAP E&T programs, and the characteristics of these programs have changed in several ways over the last decade. For example, states have increasingly moved from mandatory to voluntary programs, focused on serving ABAWDs, and partnered with state and local organizations to deliver services.

States Have Increasingly Moved from Mandatory to Voluntary Programs

According to FNS data, states have increasingly moved from mandatory to voluntary SNAP E&T programs in recent years.²² In fiscal year 2010, 17 states operated voluntary programs; however, by fiscal year 2017, 35 states operated voluntary programs, according to FNS data. (See fig. 3.) FNS officials told us that they have been actively encouraging states to provide more robust employment and training services, such as vocational training or work experience, through voluntary programs. They said that they believe these types of robust services are more effective in moving participants toward self-sufficiency, but that funding may not be sufficient to provide these to the large numbers of participants served in mandatory programs. In addition, FNS officials told us that voluntary programs are less administratively burdensome than mandatory programs, as they allow states to focus on serving motivated participants rather than sanctioning non-compliant individuals.

²¹The survey was conducted several months after respondents were identified as work registrants or SNAP E&T participants. Their circumstances could have changed during this period, including completing an SNAP E&T program and finding full-time employment. Although working more than 30 hours a week is an exemption from SNAP work requirements, study authors state that a number of the respondents might have been designated as work registrants many months prior to the survey. In addition, SNAP E&T participants included those who had participated in the program within the previous 24 months and might have become employed after completion of the SNAP E&T program.

²²FNS categorizes state SNAP E&T programs as either mandatory or voluntary. Some states operate mandatory SNAP E&T programs in certain localities rather than statewide. These states are denoted as having mandatory programs.



Source: GAO analysis of Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) E&T program data. | GAO-18-504T

Note: Some states operate mandatory SNAP E&T programs in certain localities rather than statewide. These states are denoted as having mandatory programs in the figure. Guam and the Virgin Islands are not included in the figure. In fiscal year 2010, Guam operated a voluntary program. In fiscal year 2017, Guam, the District of Columbia, and the Virgin Islands operated voluntary programs.

According to FNS officials, when states move to a voluntary program, they generally experience a decline in SNAP E&T participation—a trend consistent with our analysis of FNS data—which may have contributed to the decline in overall SNAP E&T participation. Of the 22 states or territories that changed from a mandatory to a voluntary program from fiscal year 2010 through fiscal year 2016, according to FNS data, 13 experienced a decrease in SNAP E&T participation—ranging from a 21 percent decrease to a 93 percent decrease.²³ Overall, voluntary programs are generally smaller than mandatory programs, according to our analysis

²³Over the same period, 9 of the 13 states or territories that changed from a mandatory to a voluntary program and experienced a decrease in SNAP E&T participation experienced an increase in their total number of SNAP work registrants. In the 9 additional states or territories that changed from a mandatory to a voluntary programs and experienced an increase in SNAP E&T participation, this increase ranged from 3 percent to 954 percent. In the latter case, participation in one state increased from 13 participants in fiscal year 2010 to 137 in fiscal year 2011.

Focus on ABAWDs Has
Increased as Waivers Have
Expired

of FNS data.²⁴ In fiscal year 2016, for example, the 32 states or territories operating voluntary programs together served less than half of the total number of SNAP E&T participants served by the 21 states or territories operating mandatory programs, although these two groups of states had similar numbers of new work registrants.²⁵ Furthermore, states operating voluntary programs served an average of nearly 7,000 SNAP E&T participants per state, while states operating mandatory programs served an average of 23,000 SNAP E&T participants per state.

Evidence suggests that states have increased their focus on serving ABAWDs—a sub-population of SNAP recipients subject to benefit time limits and additional work requirements—through SNAP E&T, as related waivers have expired in recent years, according to FNS data. During and after the 2007-2009 recession, the majority of states operated under statewide waivers of the ABAWD time limit due to economic conditions. However, as the economy recovered, most statewide waivers expired, and the ABAWD time limit was reinstated. For example, according to FNS data, in fiscal year 2011, 45 states or territories had a statewide waiver and 7 states had a partial waiver—one applying to certain localities. By fiscal year 2017, the number of states or territories with a statewide waiver had decreased to 9, while 27 states had partial waivers.²⁶ FNS officials and state SNAP agency officials we spoke with in some states

²⁴Program size may be affected by multiple factors. Although SNAP recipients choose whether or not to participate in voluntary programs, in mandatory programs, some work registrants may fail to participate while others may be exempted from participation. For example, state SNAP agencies may elect to exempt from participation in mandatory E&T programs categories and individuals for whom participation is judged impractical or not cost effective. According to agency guidance, exemptions may be based on categories of individuals, such as those who live in certain areas; characteristics of individuals, such as those with low literacy, or significant access barriers, such as a lack of transportation, dependent care, or computer access.

²⁵In fiscal year 2016, the 32 states operating voluntary programs had a combined 2.9 million new work registrants and the 21 states operating mandatory programs had a combined 3.2 million new work registrants.

²⁶The 9 states or territories with statewide waivers in fiscal year 2017 were Alaska, California, District of Columbia, Guam, Illinois, Louisiana, Nevada, New Mexico, and the Virgin Islands.

told us that, as the waivers have ended, state SNAP E&T programs have become increasingly focused on serving ABAWDs.²⁷

Although state data on SNAP E&T programs reported to FNS suggest a greater percentage of ABAWDs have been participating in these programs in recent years, according to FNS officials, these data have limited usefulness in assessing state trends in serving ABAWDs for several reasons. For example, in recent years, FNS officials learned that there was widespread confusion among states regarding the need to track ABAWDs when waivers were in place, and that as a result, some states had not been tracking ABAWDs or properly documenting SNAP recipients' ABAWD status.²⁸ This is consistent with what some of the selected states we spoke with reported. As part of our ongoing work, we are continuing to explore the availability and reliability of data on ABAWDs.

States Increasingly Developed Partnerships to Deliver SNAP E&T Services

State SNAP agencies have increasingly partnered with other state and local organizations, such as workforce agencies, community-based social service providers, and community colleges, to provide services to SNAP E&T participants in recent years, according to FNS and states we selected for our review. In fiscal year 2018, nearly all states partnered with at least one other organization to deliver SNAP E&T services, with the majority partnering with more than one, according to an analysis by FNS.²⁹

In recent years, FNS has urged states to make use of the broad network of American Job Centers. The American Job Centers, also known as one-

²⁷According to FNS data, as waivers have expired in recent years, some states have also made use of additional exemptions to extend SNAP eligibility beyond 3 months for ABAWDs subject to the time limit for up to 15 percent of a state's ABAWDs subject to the time limits. Specifically, in fiscal year 2016, 33 states and territories made use of the 15 percent exemptions.

²⁸FNS officials told us that states should have continued to track ABAWDs even if the state was under a statewide ABAWD waiver. Furthermore, in a memorandum to regional directors, FNS noted the importance of accurately tracking ABAWDs following the expiration of the waivers and reinstatement of the time limit, writing that states that failed to do so risked potential overpayments and Quality Control errors. Specifically, an ABAWD who fails to comply with the SNAP work requirement within the time period is no longer eligible for SNAP; if the non-compliant ABAWD is not properly identified, this could lead to an overpayment.

²⁹Kansas, New Hampshire, and New Mexico administer SNAP E&T programs that are solely operated by their state SNAP agencies.

stop centers, are funded through the Department of Labor's Employment and Training Administration and designed to provide a range of employment-related services, such as training referrals, career counseling, job listings, and similar employment-related services, to job seekers under one roof.³⁰ Our prior work has highlighted the value of coordination between federally funded employment and training programs to ensure the efficient and effective use of resources.³¹ Despite encouraging such partnerships, FNS officials said that American Job Centers typically provide lighter touch services to SNAP E&T participants, such as job search and job search training, and they therefore may not be well suited for SNAP E&T participants who have multiple barriers to employment. In our 2003 work on SNAP E&T, we found that while workforce system programs offered some of the activities needed by SNAP E&T participants, officials from 12 of the 15 states we contacted said that most participants were not ready for these activities, in part, because they lacked basic skills, such as reading and computer literacy, that would allow them to successfully participate.³²

An alternative service delivery strategy that FNS has promoted is the development of third party partnerships with community-based social service providers, community colleges, and other entities to help states enhance their SNAP E&T programs. According to FNS, in this model, third party organizations use non-federal funding to provide allowable SNAP E&T services and supports, which are then eligible for 50 percent

³⁰The American Job Centers were established under the Workforce Investment Act of 1998 and reauthorized in the Workforce Innovation and Opportunity Act. The Workforce Innovation and Opportunity Act aims, in part, to increase coordination among federal workforce development programs.

³¹GAO, *Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies*, GAO-11-92 (Washington, D.C.: January 13, 2011).

³²Officials from 5 of those states said that mental health problems often prevented SNAP E&T participants from participating in more intensive employment and training programs at one-stops. GAO-03-388. A 2017 FNS study that surveyed SNAP E&T participants about their barriers to obtaining or retaining employment found that while 20 percent of respondents reported no barriers, 28 percent reported one barrier, and 52 percent reported two or more barriers. The most frequently reported barriers were transportation issues, physical or mental health issues, lack of education, and having a criminal record. Rowe, Gretchen, Elizabeth Brown, and Brian Estes. *SNAP Employment and Training (E&T) Characteristics Study: Final Report*. Prepared by Mathematica Policy Research for the U.S. Department of Agriculture, Food and Nutrition Service, October 2017.

federal reimbursement funds through the state's SNAP E&T program.³³ According to FNS officials, third party partnerships enable states to leverage additional resources, grow their SNAP E&T programs, and reach more SNAP participants. In addition, FNS officials said that these partnerships allow states to improve their program outcomes by tapping into providers currently serving communities that include SNAP recipients. Federal 50 percent reimbursement funds expended increased from nearly \$182 million to more than \$223 million, or by 23 percent, from fiscal year 2007 to fiscal year 2016.³⁴

FNS Has Taken Steps to Increase Support and Oversight of SNAP E&T

FNS has taken steps to increase federal support of states' SNAP E&T programs by increasing the number of federal staff responsible for SNAP E&T and providing additional technical assistance to states. Specifically, FNS officials said that in 2014, they created the Office of Employment and Training to provide support and oversight for the SNAP E&T program and expanded SNAP E&T staff in FNS headquarters from one to five fulltime employees. FNS has also taken steps to increase technical assistance to states. For example, they have developed tools, including the SNAP E&T Operations Handbook, intended to help states implement and grow their program, and by adding a dedicated SNAP E&T official in each of FNS's seven regional offices. According to FNS, regional officials have targeted technical assistance to states on, for example, developing third-party partnerships, and they have emphasized evidence-based approaches to administering the program, such as providing skills-based training for in-demand occupations.

FNS officials rely on various information sources to oversee states' SNAP E&T programs, including participant outcome data reported by states for the first time in January 2018. For example, FNS officials conduct management evaluation reviews of states, annually review states' SNAP E&T plans for compliance, and collect data from states on program

³³These funding sources can include state training funds for specific populations, county and city funds, foundation or corporate funds, and social enterprise funds, according to FNS.

³⁴States receive 50 percent reimbursement funds from the federal government for (1) administrative costs beyond the amount funded through 100 percent funds (described below), and (2) payments made by the states to participants for expenses reasonably related to participation in the program, like transportation and dependent care. According to FNS, states are required to reimburse participants for expenses that are necessary for participation in SNAP E&T.

participation and expenditures. In addition, as of January 2018, FNS has begun receiving new data on SNAP E&T program participants and outcomes from states.³⁵ These data include employment outcomes, such as the number of SNAP E&T participants in unsubsidized employment after participation in the program, and participant characteristics, such as the number of participants entering the program with a high school degree or equivalent. FNS officials said that although states generally submitted the new data on time, states experienced challenges that likely affected the accuracy of the data. For example, some states needed to manually collect data on participant characteristics due to the limited capacity of their data systems. Further, according to FNS officials, some states did not correctly interpret certain reporting definitions or time periods. To address these challenges, FNS officials have been providing technical assistance to states to help them refine their participant and outcome data reports. Officials told us that they expect the states to submit revised reports by May 2018; we will examine these data and related issues in our ongoing work.

³⁵The Agriculture Act of 2014 required that USDA, in consultation with the Department of Labor, develop reporting measures and that USDA require states to report outcome data to USDA on an annual basis. That Act also specified that the measures be based on common measures of performance for federal workforce training programs. Pub. L. No. 113-79, § 4022(a)(2), 128 Stat. 649, 805. FNS issued an interim rule implementing the reporting measures in March 2016. 81 Fed. Reg. 15,613 (Mar. 24, 2016).

FNS Has Taken Steps to Address SNAP Program Integrity Issues, but Concerns Remain

FNS and the states partner to address issues that affect program integrity, including improper payments and fraud, and FNS has taken some steps to address challenges in these areas, but concerns remain. For example, regarding SNAP recipient and retailer fraud, FNS has taken some steps to address challenges identified in our 2006 and 2014 reports related to fraud committed by SNAP recipients and authorized retailers, but more remains to be done. We currently have ongoing work to assess the steps FNS and states have taken to address our recommendations related to recipient and retailer fraud and other program vulnerabilities.

SNAP Improper Payments

In 2016, we reviewed SNAP improper payment rates and found that states' adoption of program flexibilities and changes in federal SNAP policy in the previous decade, as well as improper payment rate calculation methods, likely affected these rates.³⁶ For example, when states adopted available SNAP policy flexibilities that simplified or lessened participant reporting requirements, these changes reduced the opportunity for error and led to a decline in the improper payment rate, according to a USDA study. In addition, we found that the methodology SNAP used to calculate its improper payment rate was generally similar to the methodologies used for other large federal programs for low-income individuals, including Medicaid, Earned Income Tax Credit, and Supplemental Security Income. However, we also found that some of the procedural and methodological differences in the rate calculation among these programs likely affected the resulting improper payment rates, such as how cases with insufficient information or certain kinds of errors were factored into the improper payment rate.³⁷

In 2014, USDA identified SNAP improper payment data quality issues in some states and has since been working with the states to improve improper payment estimates. Although USDA reported national SNAP improper payment estimates for benefits paid through fiscal year 2014, USDA did not report a national SNAP improper payment estimate for

³⁶GAO-16-708T.

³⁷For example, SNAP excludes certain errors from its improper payment calculation. Specifically, SNAP excludes errors below a specific dollar threshold from its improper payment rate calculation, and FNS's data on payment errors suggests that the threshold has a direct effect on the SNAP improper payment rate. According to federal officials, the other federal programs for low-income individuals we reviewed did not exclude errors below a specific dollar threshold.

benefits paid in fiscal years 2015 or 2016.³⁸ In response to a report from USDA's Office of Inspector General that identified concerns in the application of SNAP's quality control process, which is used to identify improper payments, USDA began a review of state quality control systems in all states in 2014.³⁹ According to USDA, due to the data quality issues uncovered in 42 of 53 states during the reviews, the improper payment rates for those states could not be validated, and the department was unable to calculate a national improper payment rate for benefits paid in fiscal year 2015.⁴⁰ To address the data quality concerns, USDA updated guidance, provided training to relevant state and federal staff, and worked with states to update their procedures to ensure consistency with federal guidelines. According to USDA, the department also required individual states to develop corrective action plans to address issues identified and monitored progress to ensure states took identified actions. On June 30, 2017, USDA notified the states that the department would not release a national SNAP improper payment rate for benefits paid in fiscal year 2016 and remained focused on conducting the fiscal year 2017 review.

SNAP Recipient Fraud

FNS has increased its oversight of state anti-fraud activities in recent years by developing new guidance and providing training and technical assistance to states on detecting fraud by SNAP recipients and reporting

³⁸USDA reports its estimate of SNAP benefits improperly paid in a specific fiscal year in the following year's agency financial report. As such, USDA did not report SNAP improper payment estimates in its fiscal year 2016 and 2017 agency financial reports.

³⁹The OIG found that states weakened the quality control process by using third-party consultants and error review committees to mitigate individual quality control-identified errors, rather than improve eligibility determinations; and that quality control staff also treated error cases non-uniformly. The OIG concluded that FNS' quality control process may have understated SNAP's improper payment rate. USDA, Office of Inspector General, *FNS Quality Control Process for SNAP Error Rate*, September, 2015.

⁴⁰USDA reviewed the quality control systems in the 50 states, District of Columbia, Guam, and the Virgin Islands. USDA released state error rates for the 11 states whose quality control data could be validated.

on anti-fraud activities to FNS.⁴¹ In 2014, we reported on 11 selected states' efforts to combat SNAP recipient fraud and made several recommendations to FNS to address the challenges states faced.⁴² We found that FNS and states faced challenges in the following areas:

- **Guidance on use of data tools to detect fraud:** States faced challenges using FNS-recommended data tools to detect fraud, and FNS is in the process of developing improved guidance to address this concern. Specifically, FNS's guidance on the use of EBT transaction data to uncover potential patterns of benefit trafficking lacked the specificity states needed to uncover such activity, and we recommended FNS develop additional guidance. Since then, FNS contracted with a private consulting firm to provide 10 states with technical assistance in recipient fraud prevention and detection, which included exploring the use of data analytics to analyze and interpret eligibility and transaction data to identify patterns or trends and create models that incorporate predictive analytics. FNS officials also recently told us that the agency is developing a SNAP Fraud Framework to provide guidance to states on improving fraud prevention and detection. FNS officials anticipated releasing the framework in mid-2018.
- **Tools for monitoring e-commerce websites:** We also found FNS-recommended tools for automatically monitoring potential SNAP trafficking on e-commerce websites to be of limited use and less effective than manual searches, and FNS has developed but not finalized guidance on using such tools. We recommended that FNS reassess the effectiveness of its current guidance and tools for states to monitor e-commerce and social media websites. In August 2017,

⁴¹Little is known about the extent of recipient fraud in the SNAP program nationwide beyond data from investigations. According to a September 2012 USDA OIG report, the magnitude of program abuse due to recipient fraud is unknown because states do not have uniform ways of compiling, tracking, and reporting their recipient fraud rates. The USDA OIG recommended that FNS determine the feasibility of creating a uniform methodology for states to calculate their recipient fraud rate. U.S. Department of Agriculture, Office of Inspector General, *Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts*, Audit Report 27002-001-13, September 2012, p. 2, <https://www.usda.gov/oig/webdocs/27002-001-1-13.pdf>. In 2014, FNS responded to the OIG that it had determined that it would be infeasible to implement as it would require legislative authority mandating significant state investment of time and resources in investigating, prosecuting and reporting fraud beyond current requirements.

⁴²GAO, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud*, GAO-14-641 (Washington, D.C.: August 21, 2014).

FNS officials told us that they had developed revised guidance for states on using social media in detection of SNAP trafficking. According to FNS, the guidance will be incorporated into the SNAP Fraud Framework.

- **Staff levels:** During the time of our 2014 work, most of our 11 selected states reported difficulties conducting fraud investigations due to reduced or stagnant staff levels while numbers of SNAP recipients had greatly increased, but FNS decided not to make changes to address this issue. Specifically, 8 of the 11 states we reviewed reported inadequate staffing due to attrition, turnover, or lack of funding. Some states suggested changing the financial incentive structure to promote fraud investigations because agencies were not rewarded for cost-effective, anti-fraud efforts that could prevent ineligible people from receiving benefits. Specifically, when fraud by a SNAP recipient is discovered, a state may generally retain 35 percent of any recovered overpayments. However, there are no recovered funds when a state detects potential fraud by an applicant and denies the application. To help address states' concerns about resources needed to conduct investigations, we recommended in our 2014 report that FNS explore ways that federal financial incentives could be used to better support cost-effective anti-fraud strategies. FNS reported that it took some steps to explore alternative financial incentives, through a review of responses to a Request for Information in the Federal Register.⁴³ However, FNS decided not to pursue bonus awards for anti-fraud and program integrity activities. Given that FNS has not made changes in this area, state SNAP fraud agencies may continue to report resource concerns in addressing fraud.
- **Reporting guidance:** We also found that FNS did not have consistent and reliable data on states' activities because of unclear reporting guidance, and FNS has since revised its data collection form and provided training on the changes. To improve FNS's ability to monitor states and obtain information about more efficient and effective ways to combat recipient fraud, we recommended in 2014 that FNS take steps, such as providing guidance and training, to enhance the consistency of what states report on their anti-fraud activities. In response, FNS revised the form used to collect recipient integrity information and changed the reporting frequency from annual

⁴³According to FNS officials, FNS considered changes to its bonus structure, such as including a new category for high or most improved performance in recipient integrity. FNS also encouraged states to use funds from existing performance bonuses to improve program administration, particularly in the area of program integrity.

to quarterly, effective fiscal year 2017. FNS officials also reported providing training to approximately 400 state agency and FNS regional office personnel on the updates to the form and related instructions.

In our ongoing work, we are further reviewing states' use of data analytics to identify SNAP recipient fraud, including that which may be occurring during out-of-state transactions. Because transactions that may appear suspicious—such as those made out-of-state—may in fact be legitimate, states may use data analytic techniques to include additional factors that may help them better target their efforts to identify potential fraud. However, states may have different levels of capacity for using data analytics to detect fraud. We are examining how 7 selected states are using data analytics and identifying the advantages and challenges states have experienced in doing so. We are also assessing FNS's efforts to assist states in implementing GAO's leading practices for data analytics outlined in GAO's Framework for Managing Fraud Risks in Federal Programs outlined in GAO's Framework for Managing Fraud Risks in Federal Programs.⁴⁴ In addition, we are conducting our own analysis of EBT out-of-state SNAP transaction data. We expect to report on our findings later this year.

SNAP Retailer Trafficking

FNS has taken some steps to prevent, detect, and respond to retailers who traffic SNAP benefits since our last report on the issue in 2006,⁴⁵ but trafficking continues to be a problem. For example, in February 2018, a federal jury convicted a grocery store operator in Baltimore on charges of wire fraud in connection with a scheme to traffic more than \$1.6 million in SNAP benefits for food sales that never occurred.⁴⁶ The grocery store operator paid cash for SNAP benefits, typically paying the recipient half the value of the benefits and keeping the other half for himself. In our 2006 report, we found that SNAP was vulnerable to retailer trafficking in several areas, including:

⁴⁴GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 2015).

⁴⁵GAO, *Food Stamp Trafficking: FNS Could Enhance Program Integrity by Better Targeting Stores Likely to Traffic and Increasing Penalties*. GAO-07-53. (Washington, D.C.: Oct. 13, 2006).

⁴⁶Department of Justice, "Catonsville Man Convicted for Food Stamp Fraud." (Baltimore, MD: Feb. 20, 2018).

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- **Requirements for food that retailers must stock to participate in SNAP:** In 2006, we found that FNS had minimal requirements for the amounts of food that retailers must stock, which could allow retailers more likely to traffic into the program, although the agency has since taken steps to increase these requirements. In our 2006 report, FNS officials said that they authorized stores with limited food stock to provide access to food in low-income areas where large grocery stores were scarce. At that time, retailers were generally required to stock a minimum of 12 food items (at least 3 varieties of 4 staple food categories, such as fruits and vegetables), but FNS rules did not specify how many items of each variety would constitute sufficient stock.⁴⁷ FNS officials told us that a retailer that only carries small quantities of food, such as a few cans of one kind of vegetable, may intend to traffic. In 2016, FNS promulgated a final rule increasing food stock requirements.⁴⁸ FNS officials told us that these new rules are designed to encourage stores to provide more healthy food options for recipients and discourage trafficking. According to FNS, retailers are now generally required to stock at least 36 food items (a certain variety and quantity of staple foods in each of the 4 staple food categories).⁴⁹
 - **Focus on high-risk retailers:** We also found in 2006 that FNS had not conducted analyses to identify characteristics of retailers at high risk of trafficking and to target its resources—a shortcoming FNS has since taken some steps to address. For example, we reported that some stores may be at risk of trafficking because one or more previous owners had been found trafficking at the same location. However, FNS did not have a system in place to ensure that these retailers were quickly targeted for heightened attention. In addition, once a store was authorized to participate in the program, FNS staff typically would not inspect the store again until it applied for

⁴⁷Alternatively, retailers could meet a second criterion for authorization, which required the store to have more than 50 percent of its sales in a staple food group, such as meat, poultry, or fish.

⁴⁸81 Fed. Reg. 90,675 (Dec. 15, 2016).

⁴⁹Retailers can still meet the second criterion that more than 50 percent of its sales are in a staple food group. Stores that do not meet either criterion may still be considered for authorization if they are located in an area where SNAP recipients have significantly limited access to food.

reauthorization 5 years later.⁵⁰ We recommended that FNS identify the stores most likely to traffic and provide earlier, more targeted oversight to those stores. In 2009, FNS began establishing risk levels for each authorized retailer, identifying high-risk stores as those with a prior permanent disqualification at that location or a nearby location.⁵¹ In 2013, FNS required all high-risk retailers to go through reauthorization and to provide additional documentation regarding store ownership.⁵² That same year, FNS also consolidated its retailer management functions, including those for authorizing stores and analyzing EBT transaction data, into a single national structure known as the Retailer Operations Division. FNS officials told us that this structure enables the agency to identify and deploy their investigative resources to the areas of highest risk nationally, rather than within a given region.

- **Penalties to deter retailer trafficking:** We also found in our 2006 report that FNS's penalties for retailer trafficking may be insufficient to deter traffickers, and since then, FNS has proposed—but not finalized—rules to increase them. FNS imposes administrative penalties for retailer trafficking—generally a permanent disqualification from the program or a monetary penalty.⁵³ FNS relies on the USDA Office of Inspector General (OIG) and other law enforcement entities to conduct investigations that can lead to criminal prosecutions.⁵⁴ In our 2006 report, we recommended that FNS

⁵⁰After a retailer applies for authorization, an FNS contractor conducts an on-site inspection at the store to verify information from the application and take pictures of the store and its inventory, including the condition of its food stock.

⁵¹Medium-risk stores, for example, include those with temporary disqualifications or other program violations, according to FNS.

⁵²As part of our ongoing work, we will review FNS's current authorization and reauthorization processes for stores.

⁵³In lieu of program disqualification, FNS can assess a civil monetary penalty if a store demonstrates that it had an effective policy and program in effect to prevent violations of relevant law and regulations. In addition, FNS imposes a "transfer of ownership" penalty if the disqualified owner sells his or her store before the expiration of the disqualification period (and in the case of permanent disqualification, the penalty is double that for a ten year disqualification period).

⁵⁴Specifically, the USDA OIG, U.S. Secret Service, and Federal Bureau of Investigation conduct investigations that can lead to criminal prosecutions. However, in 2006, we found that these entities were conducting fewer of these resource-intensive investigations, instead focusing on high-impact investigations. According to the USDA OIG, it opened fewer trafficking investigations because it had fewer investigators and decided to focus its resources on high-impact cases, such as those with large-scale trafficking or involving other criminal activity.

develop a strategy to increase penalties for trafficking. The Food, Conservation, and Energy Act of 2008 (known as the 2008 Farm Bill) gave USDA authority to impose higher monetary penalties, and the authority to impose both a monetary penalty and program disqualification on retailers found to have violated relevant law or regulations (which includes those found to have trafficked).⁵⁵ In 2012, FNS proposed regulatory changes to implement these authorities. However, FNS has not finalized these rules, and as of fall 2017, the rules were considered "inactive."⁵⁶

In our ongoing work, we are continuing to assess FNS's efforts to prevent, detect, and respond to retailer trafficking, as well as examining what is known about the extent of retailer trafficking nationwide. As part of this work, we are continuing to review FNS's response to our prior recommendations, as well as related recommendations made by USDA's OIG.⁵⁷ We are also studying FNS's periodic estimates of the rate of retailer trafficking, expressed as the dollar value and percentage of all SNAP benefits that were trafficked and the percentage of retailers involved. These data suggest an increase in the estimated rate of retailer trafficking since our 2006 report. However, we and others, including a group of experts convened by FNS, have identified some limitations with the retailer trafficking estimates.⁵⁸ For example, the trafficking rate is calculated based on a sample of retailers that FNS considers most likely to traffic. Although FNS adjusts the data to better represent the broader population of authorized retailers, it is uncertain whether the resulting estimates accurately reflect the extent of trafficking nationwide. We are

⁵⁵Specifically, the 2008 Farm Bill gave FNS the authority to increase penalties to up to \$100,000 for each violation. Pub. L. No. 110-246, § 4132, 122 Stat. 1651, 1875.

⁵⁶The Office of Information and Regulatory Affairs publishes the "Inactive List" of regulatory actions under agency review but not included on the "Unified Agenda" of rules planned to be implemented in the near or future term. Agencies designate actions as "inactive" when they choose to take additional time to review a regulatory or deregulatory action but wish to preserve the regulatory identification number and title for possible future use.

⁵⁷See, for example, USDA Office of Inspector General, *FNS: Controls for Authorizing Supplemental Nutrition Assistance Program Retailers*. Audit Report 27601-0001-31 (Washington, D.C.: July 2013).

⁵⁸See USDA Office of Inspector General, *Analysis of FNS' Supplemental Nutrition Assistance Program Fraud Prevention and Detection Efforts*. Audit Report 27002-0011-13 (Washington, D.C.: September 2012). In addition, in 2013, FNS convened a technical working group of outside experts to assess its trafficking estimates methodology and propose alternatives.

reviewing these limitations and FNS's efforts to address them in our ongoing work.

Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and Members of the Subcommittees, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

**GAO Contact and
Staff
Acknowledgments**

If you or your staff have any questions about this testimony, please contact Kathryn Larin, Director, Education, Workforce, and Income Security Issues at (202) 512-7215 or LarinK@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony include Rachael Chamberlin, Celina Davidson, Swati Deo, Rachel Frisk, Alexander Galuten, Danielle Giese, Kristen Jones, Morgan Jones, Lara Laufer, Monica Savoy, and Kelly Snow.

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Mr. JORDAN. Thank you, Ms. Larin.
Mr. Adolphsen?

STATEMENT OF SAM ADOLPHSEN

Mr. ADOLPHSEN. Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, members of the committee, thank you for the privilege of testifying.

A couple years ago, I sat in an FBI office in Portland, Maine, presenting suspicious food stamp data to FBI special agents and investigators from the USDA. In my role as chief operating officer at the Maine Department of Health and Human Services, a colleague and I had discovered what we believed was a massive case of welfare fraud. The Federal officials agreed, and, after a lengthy investigation, Ali Daham, the owner of Ahram Market in Portland, was found guilty of millions of dollars in SNAP and other welfare fraud.

Daham, who was also fraudulently receiving SNAP benefits himself, had been trading cash for food stamps in his corner store for years. It is one of the largest fraud cases in Maine history.

The Maine story is not unique. There are cases like this around the country, even as some claim welfare fraud isn't a problem or that it is a victimless crime.

It is a big problem, and the victims are very real. Fraud steals from the truly needy and traps families in dependency.

An award-winning fraud director in one Ohio County said he believes the real fraud number is as high as 20 percent, one in five cases. When States look for food stamp fraud, they find it. What is indefensible is that many don't bother to look. Too many view Federal food stamp funds as free money instead of as a resource to be carefully guarded.

To stop trafficking fraud where benefits are traded for cash or drugs, we should limit the number of users of an EBT food stamp card, require people to cooperate with fraud investigators, and empower States to shut down retailers that steal benefits.

To stop eligibility fraud, those cases when individuals get on food stamps when they are not eligible, let's require real-time reporting, conduct regular checks, and close loopholes.

There is much more detail on these solutions in my written testimony.

Change needs to happen. That much is clear. But the best way to stop welfare fraud is to get people off welfare and back to work.

And not all food stamp fraud happens at a street corner drug deal or in a dingy convenience store. The fraud that harms the most people happens with the government stamp of approval.

Abuse of waivers of work requirements for able-bodied adults has disfigured Federal law and waived work for millions. So instead of working, able-bodied adults with no kids on food stamps don't work. Despite record low unemployment and millions of open jobs, three out of four don't work at all.

A Federal law allows waivers only when unemployment is at least 10 percent or there are not enough jobs, but there are 1,200 counties and cities where work requirements are being waived, and just 42 of those have unemployment above 10 percent.

Today, there are a record number of open jobs available in the country, 6.6 million open jobs. California is that their all-time low

unemployment, and yet, they have been granted a statewide waiver of work requirements for more than 800,000 able-bodied adults with no kids. One of these California counties has 2.2 percent unemployment. These waivers should not be allowed any more than swapping an EBT card for drugs is.

The waivers for work requirements were meant for tough economic times. Instead, they continue to be handed out in the best economy in decades. That is the definition of fraud. It is not right, and it is not how the program should work. It robs able-bodied adults of the opportunity and dignity that they gain through the power of work.

This waiver fraud is possible because previous regulations and guidance from USDA has allowed it and, in the past, even encouraged it. By allowing the use of bad data, old data, and gerrymandering, California and 33 other States waive work for more than a third of the country.

It is clear that changes are needed to battle the significant problem of trafficking and eligibility fraud, but the best way to improve the integrity of food stamps is to stop this waiver abuse and move millions of able-bodied adults from welfare to work.

Thank you. I am happy to answer any questions.

[Prepared statement of Mr. Adolphsen follows:]



TESTIMONY ON PROGRAM INTEGRITY FOR THE FOOD STAMP PROGRAM

U.S. House of Representatives
Committee on Oversight and Government Reform
Subcommittee on Healthcare, Benefits, and Administrative Rules and
Subcommittee on Intergovernmental Affairs

May 9, 2018

Sam Adolphsen
Senior Fellow
Foundation for Government Accountability

Chairman Jordan, Chairman Palmer, Ranking Members Raskin and Krishnamoorthi, and members of the committee, thank you for the privilege of testifying. I am Sam Adolphsen, a senior fellow at the Foundation for Government Accountability (FGA). FGA is a non-profit research organization that primarily focuses on health care and welfare reform at both the state and federal level.

Prior to joining FGA in 2017, I served for three years as the Chief Operating Officer of the Maine Department of Health and Human Services. In that role, I oversaw operations for Maine's welfare programs, including the Supplemental Nutrition Assistance Program. My duties included direct responsibility for the state's welfare fraud department and oversight of the audit division. Our department also worked directly with the state's Attorney General's office on welfare fraud.

The discussion about welfare fraud, and food stamp fraud specifically, raises questions among policymakers at all levels of government. Some policymakers argue that welfare fraud is only a small problem or even non-existent. One Maine legislator even called it a "victimless crime."¹

Despite these claims, welfare fraud is alive and well. There are victims. Programs like food stamps are meant for the truly needy—seniors, poor children, and individuals with disabilities. Every dollar that is wasted or stolen is a dollar robbed from taxpayers that can't go to fund support for the truly needy. Welfare agencies must focus on fraud to ensure this does not happen.

Three key areas need to be addressed to better combat food stamp fraud:

- Program integrity: Regulations and administrative processes conflict with the intent and goals of the program
- Eligibility fraud: Households become eligible when they should not and stay eligible for longer than they should
- Trafficking fraud: Recipients, retailers, and drug dealers conspire to traffic food stamp benefits

One of the biggest challenges in this discussion is defining the term "fraud." Too often, these discussions center around just one small piece of the problem—large, criminal-level theft or trafficking. There is no question that trafficking is a major problem. But narrowing the fraud definition to only those cases that end in a criminal conviction dramatically understates the broad weaknesses in program integrity facing the food stamp program.

As a result, it is not uncommon to hear that food stamp fraud amounts to a few percentage points or less. But the truth is that nobody knows the true percentage. We just know that it is significant. The amount of fraud identified is directly related to the level of effort put forth to discover it. When states look for fraud, they will find it. When they do not, they will not.

In 2010, some individuals concluded that welfare fraud was non-existent in Maine, as just ten cases of criminal-level fraud were referred for prosecution that year.² The real story was that identified fraud cases were "non-existent" because no one was bothering to look for it.

When Governor LePage took office, he doubled the number of fraud investigators and instituted a new focus on program integrity.³ In 2016, Maine referred 174 cases of criminal-level welfare fraud for prosecution.⁴ That number continues to climb and typically only represents clear-cut criminal cases with more than \$5,000 in theft.

Individuals on the ground also continue to identify fraud in welfare programs like food stamps as a major problem. The Fraud Unit at the Allen County Department of Job and Family Services, for example, has received honors from the Ohio Council on Welfare Fraud for three years in a row for its anti-fraud work.⁵ With just six investigators for 5,800 households, its team discovered 255 intentional violations—representing four percent of all cases—on top of overpayments in 517 cases.⁶ The director of that unit told the public that he knew there was more abuse than his office was catching, warning that the rate of misuse could be as high as 20 percent.⁷

It is clear that the amount of fraud identified is directly related to the level of effort put forward by the administering agencies. In 2016, for example, Kentucky—a state with 4.5 million residents—disqualified nearly 2,000 individuals from the food stamp program, including nearly 100 removed after criminal prosecution.⁸ By comparison, Massachusetts—a state with 6.9 million residents—disqualified just 365 individuals, including just two as a result of prosecution.⁹ Rhode Island disqualified just 19 individuals in 2016, while Montana disqualified 761—despite the fact that both states have nearly identical populations.¹⁰ Likewise, Wisconsin disqualified nearly 2,000 individuals, while Washington state removed fewer than 200, despite the fact that Washington has 1.6 million more residents than Wisconsin.¹¹

Do fraud levels vary so much that Washington state has fewer than one-tenth the number of fraud convictions as Kentucky, despite nearly twice its population? Obviously not. What varies is simply the level of effort put forward in finding and prosecuting such fraud. Even states that are national leaders in combatting welfare fraud are greatly limited by capacity and by regulations that hinder investigations.

There are many technical discussions about what can be done to prevent and catch fraud. Those discussions are both necessary and valid. But above all, the best way to prevent welfare fraud is simply to move able-bodied adults from welfare to work.

Program Integrity: Work Requirements Don't Function as Intended

Not all fraud and abuse in food stamps is facilitated by recipients or retailers. Program integrity issues also occur when state and federal bureaucrats disfigure the program in ways that do harm. The prime example of this is how work requirements in the program—meant to help lift individuals and families from dependency—have been waived and undermined through rules, regulations, guidance, and other agency actions.

ABAWD Work Requirement Waivers

Federal law requires that most able-bodied, childless adults work, train, or volunteer for at least 20 hours per week as a condition of eligibility to receive food stamps.¹² These requirements apply to non-pregnant adults who are mentally and physically fit for employment, who are between the ages of 18 and 50, and who have no dependent children or incapacitated family members.¹³ Able-bodied adults who refuse to meet these requirements are limited to just three months of food stamp benefits every three years.¹⁴

When it was first implemented in the 1990s, this commonsense work requirement moved millions of able-bodied adults from welfare to work and spurred rapid economic growth.¹⁵ Analyses of state-level implementation of the reform have reached similar conclusions. After Kansas implemented these work

requirements, able-bodied adults went back to work in more than 600 different industries and their incomes more than doubled, on average.¹⁶ Higher wages more than offset lost benefits, leading to greater economic activity and higher tax revenues.¹⁷ When Maine implemented the same work requirements, it saw similar impressive results: incomes of former enrollees more than doubled and caseloads declined by 90 percent.¹⁸

But this progress has been undermined by federal loopholes that have allowed states to weaken and waive the requirements for millions of adults. When Congress passed the work requirements into law in 1996, it gave the Secretary of the United States Department of Agriculture (USDA) the authority to waive work requirements in areas that had unemployment rates above 10 percent or otherwise lacked job opportunities for these able-bodied adults.¹⁹

Despite the narrow parameters set forth by Congress, federal rulemaking led to a regulation that is far more expansive than intended, creating loopholes and gimmicks for states to continue waiving work requirements for millions of able-bodied adults, even during periods of record economic growth.²⁰ As a result, these commonsense requirements are waived wholly or partially in 33 states and the District of Columbia.²¹

Although these waivers were meant only for areas with extremely high unemployment, states have continued to seek—and receive—waivers during periods of record low unemployment and record high job openings.²² At 4.1 percent, the nation's unemployment rate is near an all-time low.²³ More Americans are working today than at any point since the Bureau of Labor Statistics began tracking employment statistics, but that's still not enough: employers are searching desperately to fill a record-high six million open jobs.²⁴⁻²⁶

Despite today's strong economy, states have waived or exempted nearly three million able-bodied adults from work requirements altogether.²⁷ With no work requirement in place for the vast majority of able-bodied adults without dependents, nearly three in four do not work at all.²⁸

Requirements meant to move able-bodied adults from welfare to work as quickly as possible have been undermined by regulations that threaten program integrity by creating loopholes and gimmicks that keep individuals trapped in dependency. Worse yet, the current regulation unlawfully strips the Secretary of his statutory authority to reject waiver requests that do not advance the program's purpose by providing that USDA will automatically approve waivers that meet certain criteria.²⁹ The regulatory criteria, however, does not reflect statutory language or Congressional intent, but instead creates new loopholes and gimmicks that allow states to waive work requirements for millions of able-bodied adults.³⁰

Although the statute specifies that the waivers should only apply to areas with high unemployment that lack a sufficient number of jobs, regulatory loopholes allow states to waive work requirements in areas with record-low unemployment by combining and gerrymandering them with areas with somewhat higher unemployment rates.³¹ These loopholes also allow states to use data from long ago, even when that data has no connection to current economic conditions.³² If that weren't bad enough, the regulation creates an alternative waiver option even in areas with unemployment rates below 10 percent. Under this option, states can qualify for a waiver so long as their unemployment rates are 20 percent above the national average during a two-year period, no matter how low that rate is and no matter how many open jobs are available.³³

Of the nearly 1,200 counties, towns, cities, and other jurisdictions where work requirements are currently waived, just 42 have unemployment rates above 10 percent.³⁴ Nearly 650 of these jurisdictions have unemployment rates at or below five percent and more than 500 have unemployment rates at or below what the Federal Reserve considers full employment.³⁵ The waived jurisdictions have unemployment rates as low as zero percent—meaning work requirements are waived in areas with literally no unemployment.³⁶ Despite claims that these areas are facing severe job shortages, the 33 states currently waiving the work requirement have more than a combined 3.3 million job openings posted online.³⁷

Although most states with waivers rely on these gimmicks, California and Illinois are two prime examples of how states abuse the waiver process.

- California:** Despite a record low unemployment rate, California received a statewide waiver of the work requirement for 2018.³⁸⁻³⁹ This means that California waives the requirement for all of its nearly 850,000 able-bodied adults without dependents on food stamps.⁴⁰ In December 2017, 30 of the state's 58 counties had unemployment rates at or below five percent, with 21 of them having unemployment rates at or below four percent.⁴¹ Some waived counties had unemployment rates as low as 2.1 percent, while just three counties had unemployment rates above the 10 percent statutory threshold to qualify for a waiver.⁴² In order to secure its waiver, California used unemployment data from as far back as January 2014, combined counties with low unemployment rates together with counties with somewhat higher unemployment rates, and claimed it lacked sufficient jobs due to an unemployment rate that was 20 percent above the national average between 2014 and 2015.⁴³⁻⁴⁴ But California isn't lacking in job opportunities. One database of open jobs posted on Internet job boards, corporate boards, and other job websites found that California employers have nearly 560,000 open jobs posted online.⁴⁵
- Illinois:** Despite a near-record low unemployment rate, Illinois waives the work requirement in all but one county.⁴⁶⁻⁴⁷ This means that Illinois waives the requirement for 337,000 of its 346,000 able-bodied adults without dependents on food stamps.⁴⁸ In December 2017, 72 of the state's 102 counties had unemployment rates at or below five percent, with 21 of them having unemployment rates at or below four percent.⁴⁹ Some waived counties had unemployment rates as low as 2.6 percent—lower rates than in the single non-waived county—while none had unemployment rates above the 10 percent statutory threshold to qualify for a waiver.⁵⁰ In order to secure its waiver, Illinois used unemployment data from as far back as April 2015, combined counties with low unemployment rates together with counties with somewhat higher unemployment rates, and claimed it lacked sufficient jobs due to an unemployment rate that was 20 percent above the national average between April 2015 and March 2017.⁵¹⁻⁵² But Illinois isn't lacking in job opportunities. One database of open jobs found that Illinois employers have more than 187,000 open jobs posted online.⁵³

Congress never intended for the waivers to be used this way. These waivers threaten program integrity and trap millions of able-bodied adults in dependency and despair. The Trump administration, to its credit, has begun the rulemaking process to address some of these abuses.⁵⁴ But until these loopholes are closed, state bureaucrats will continue to game the system.

Carryover Exemptions

Federal law provides states with discretionary individual-level exemptions for able-bodied adults who would otherwise be subject to work requirements. The statute provides that the exemptions "in effect

during the fiscal year" cannot "exceed 15 percent" of the able-bodied adults who are ineligible for food stamps due to not meeting the work requirement.⁵⁵ Although the language of the statute is clear that the exemptions cannot exceed this threshold, current regulations have inappropriately interpreted this language to mean that states earn new exemptions worth 15 percent of those able-bodied adults each year, with the ability to carry over unused exemptions year after year.⁵⁶

This carryover policy goes beyond the scope of the statute. In fact, an audit by the Office of Inspector General at the U.S. Department of Agriculture raised concerns about the carryover policy going beyond the scope of the law, noting that the auditors disagree with Food and Nutrition Service's "process of carrying over unused 15 percent exemptions indefinitely."⁵⁷

By fiscal year 2017, states had accumulated 6.4 million exemptions, which were worth nearly \$1.1 billion in taxpayer-funded benefits.⁵⁸ Under the statute, Food and Nutrition Service should have capped these exemptions at approximately 1.3 million, worth roughly \$220 million.⁵⁹

Permitting states to carry over these exemptions from year to year has allowed them to bank the exemptions over time and then use far more exemptions in a given year than authorized by the statute. Ohio, for example, earned only 75,000 exemptions in 2016.⁶⁰ Because it had accumulated a stockpile of exemptions, however, it was able to use 391,152 exemptions in 2016—far more than authorized by the statute.⁶¹

This carryover abuse—permitted by regulatory guidance—evades federal law and weakens program integrity.

Exempting 50-year-old Able-Bodied Adults

Federal law automatically exempts able-bodied adults from the ABAWD work requirement if they are "over 50 years of age."⁶² Separate requirements for work registration apply to able-bodied adults who are "over the age of 15."⁶³ But Food and Nutrition Service has interpreted the word "over" in these two provisions in different and conflicting ways.⁶⁴

In the regulations concerning work registration, the agency interpreted "over the age of 15" to mean 16 years old or older, consistent with the plain meaning and common understanding of the term.⁶⁵ But the agency interpreted "over" in a completely different way when it comes to the exemption for adults "over 50 years of age," which it interprets to mean 50 years old or older.⁶⁶ Auditors from the Office of Inspector General at the U.S. Department of Agriculture have warned that these conflicting interpretations of the same word "do not seem reasonable."⁶⁷ Indeed, Food and Nutrition Service officials admitted to auditors that they "made a conscious decision to interpret the statute in this manner" to reduce the number of able-bodied adults subject to the requirements "for the benefit of the SNAP recipients."⁶⁸

According to federal data, few of these able-bodied adults are currently working, despite having no disabilities keeping them from meaningful employment and no dependent children in the home.⁶⁹ More than 69 percent of able-bodied 50-year-old childless adults do not work at all, while just five percent work full-time.⁷⁰ Based on state experiences with work requirements for other able-bodied adults, expanding the work requirement to 50-year-old childless adults, consistent with the statute, would move tens of thousands of able-bodied adults from welfare to work and save taxpayers up to \$350 million per year.⁷¹

General Work Requirement for Other Able-Bodied Adults

Although the ABAWD work requirement only applies to able-bodied adults between the ages of 18 and 49 who have no children, another provision of federal law requires a broader group of able-bodied adults to meet certain work registration requirements.⁷² These requirements apply to all able-bodied adults under the age of 60 who do not have young children, including middle-aged childless adults and able-bodied parents who have only school-aged children.⁷³⁻⁷⁴ Although this requirement is less stringent than the ABAWD requirement, it is meant to be an integral component of the program by ensuring able-bodied adults are putting forth effort towards independence.

But the number of able-bodied adults who are supposed to be subject to this requirement has been rapidly growing since 2000 and most of these adults do not work at all.⁷⁵⁻⁷⁶ This data calls into question the effectiveness and integrity of the requirement. While sanctions are supposed to be in place for those adults who quit a job, reduce hours at work, turn down an offer of employment, fail to register on a job bank or something similar, FNS has reported that they have no reporting on this data from the states.⁷⁷

It is unclear whether this provision is actually enforced at the state level. Although this "requirement" is often cited as a work requirement in the program, there are serious questions about whether the requirement is being appropriately enforced by states, with rare exceptions in states like Texas and Wisconsin.⁷⁸⁻⁷⁹

Eligibility Fraud

A primary way that waste, fraud, and abuse occur in food stamps is through eligibility fraud. This happens when someone enrolls in the program when they are not actually eligible or stays on the program after they are no longer eligible.

One of the key ways eligibility fraud is committed is when an applicant lies about their household composition, income, residency, or another factor. A clear example of this is a recent case in Maine, where a woman was indicted on three felony charges after defrauding taxpayers of more than \$250,000 in TANF, Medicaid, and food stamp benefits by lying about whether her husband lived with her and failing to report his income.⁸⁰

Sadly, this fraud could have been caught much sooner than it was. The vulnerabilities in the eligibility process that contribute to cases of food stamp fraud are not unique to one state. They show up in cases around the country. Fortunately, there are key ways these flaws can be addressed.

- **Simplified reporting** allows households on food stamps to go long stretches without reporting any changes in income or other eligibility factors.⁸¹ Currently, 49 states and the District of Columbia have adopted this new standard, which requires enrollees to report changes only when their income rises above the program's federal eligibility line or during periodic reporting periods.⁸² This new process replaced "change reporting," which required individuals to report changes to income and other eligibility factors within 10 days.⁸³ Because individuals on food stamps are accustomed to infrequent or no reporting requirements, they often fail to report information that affects their eligibility even when they are required to, leading to higher overpayments and wrongful eligibility. This structure allows households to go for months or even more than a year in some cases without reporting changes that may affect eligibility. Congress

can and should fix this by requiring most households—particularly those containing able-bodied adults—to report all changes to income, assets, and household composition within 10 days.

- **Longer certification periods** have been combined with simplified reporting to allow enrollees to go without having to report potential changes that may affect eligibility. Certification periods of six or 12 months, for example, mean that enrollees are only required to engage with the agency once or twice a year for recertification.⁸⁴ In 2016, 71 percent of cases were certified for 12 months or longer, while just two percent of cases were certified for less than six months.⁸⁵ After this long period of ongoing eligibility, all that is required is to reply to the agency saying there has been no change, typically on a pre-populated form sent to the household. Congress should address this by reducing the certification period for households with unstable circumstances or zero income.
- **Broad-based categorical eligibility** is now the basis for eligibility for most food stamp enrollment.⁸⁶ This eligibility door effectively waives the asset test and allows those with higher incomes and wealth—including millionaires—to become eligible for food stamps simply by being eligible to receive a TANF-funded brochure.⁸⁷⁻⁸⁸ Along with making higher-income individuals eligible for the program, this policy also waives the requirement that applicants report—and states check—the value of non-exempt assets. Not only does this increase enrollment and crowd out resources for the truly needy, it also makes it easier to hide signs of additional, unreported income or other workers in the household that have gone unreported, as caseworkers no longer have access to bank account statements. Congress should address this problem by requiring states to check asset information, giving them a critical tool to catch unreported income or conflicting household composition information.
- **Verification of income, residency, and household composition** is often ignored or done without the use of timely and relevant data. In the regulatory-required rush to issue benefits, verification of income or other information reported by applicants often goes unverified. When it is verified, the bare minimum is often done and phone calls to employers or data checks are ignored. Once an individual is eligible, the lengthy certification period and lack of reporting requirement lets earned income go unchecked again until recertification, where the process is repeated. Interim checks are rarely done, and when they are, they are not routine, but based only on an irregularity that might surface. To compound these problems, the data that is used by most states to verify information is outdated and ineffective. Congress could address this by requiring states to use all available data, implement stronger verification processes up front, and run data checks quarterly or monthly. States can access third-party data that provides best known addresses, income sources, assets, and other relevant information. This data should be deployed to verify applications. States should also run this data quarterly—at a minimum—to search for cases with a high risk of being ineligible.
- **Face-to-face interviews** are generally waived in most states and home visits are effectively non-existent. Unfortunately, this eliminates any opportunity to observe unreported income earners in the household. While the food stamp program was originally designed for most cases to have a personal interview conducted prior to eligibility, that practice has been regulated and waived out of existence. Waiving this requirement might make sense for those cases where a physical appearance in the office is difficult or impossible—including cases involving frail seniors or individuals with disabilities—but there is virtually no justification for the broad waiving of this practice for able-bodied adults. Congress could help address this by once again requiring face-to-face interviews for able-bodied adults applying for food stamps. These adults are already expected to engage with the agency for work program purposes and should be required—at a minimum—to visit the agency before being granted the benefit.

- **Duplicative enrollment** occurs when an individual receives food stamps in two or more states. Although the federal government set up the Public Assistance Reporting Information System, or PARIS, to help catch instances of individuals receiving welfare benefits in multiple states, participation in PARIS is limited and the system's effectiveness is inconsistent.⁸⁹ Many states do not use the system at all for food stamps and the information is often incomplete.⁹⁰ Worse yet, the system generally only flags individuals receiving food stamps in multiple states after the fraud has occurred.⁹¹ Congress could address this by expanding the National Accuracy Clearinghouse—a five-state pilot system that immediately notifies participating states when someone already on food stamps in one state applies in another—to all states. The U.S. Department of Agriculture estimates that this would save taxpayers more than \$1 billion over the next decade and significantly reduce the number of people fraudulently collecting benefits in multiple states.⁹²

These are not the only factors in eligibility fraud, but they are significant. Because these problems are often disguised as “state options” or “policy choices,” they are often ignored or overlooked in discussions concerning program integrity and welfare fraud. But these eligibility vulnerabilities and loopholes must be fixed if agencies are to stop food stamp fraud before it starts or as quickly as possible.

Trafficking Fraud

The most commonly discussed type of food stamp fraud involves trafficking benefits. This occurs when an enrollee sells their food stamp benefits to other individuals or retailers in exchange for cash, drugs, or other non-approved goods. According to the U.S. Department of Agriculture, more than \$1 billion in food stamp benefits are trafficked each year, diverting resources meant for the truly needy.⁹³

Connection to the Drug Crisis

Perhaps the worst part of having such gaping vulnerabilities in eligibility is that those who wish to commit trafficking fraud can easily gain access to the program and linger there. Trafficking has a deeper criminal component as well, which often connects to bad actors outside of the food stamp universe.

One of the most alarming and relevant areas surrounding trafficking fraud is that Electronic Benefit Transfer (EBT) cards have become a commodity in the drug trade.⁹⁴ There are many examples of this connection, but most follow a clear pattern: when law enforcement make a major drug bust, they turn up drugs, guns, and cash—plus EBT cards that don't belong to the drug dealer.⁹⁵ Trading EBT cards for drugs is so prevalent that one Maine Drug Enforcement agent testified that “it is common practice for drug dealers to take custody of a drug user's EBT card either as direct payment or in lieu of immediate payment.”⁹⁶

This is not limited to just Maine. A few recent examples across the country of the connection between food stamps and illegal drug trafficking include:

- **Alabama:** In March 2017, law enforcement officers arrested a trespasser who turned out to be a felon previously convicted of manslaughter.⁹⁷ He had in his possession two guns, illegal drugs, \$6,800 in cash, and four EBT cards that belonged to other people.⁹⁸

- **Washington:** In March 2017, police officers in Spokane, Washington stopped a vehicle at 1:00 a.m. and reportedly found the driver with meth, heroin, and a “number of EBT cards” that they believed he was “receiving in exchange for drugs.”⁹⁹
- **Missouri:** In January 2017, a Missouri woman pleaded guilty to exchanging meth and cash for EBT cards.¹⁰⁰ Investigators found four EBT cards alongside 100 grams of meth in her bedroom.¹⁰¹

These unfortunate cases have repeated themselves in states around the country.

Governor LePage, DHHS Commissioner Mary Mayhew, and I requested a meeting several years ago with President Obama’s FNS leadership, including current FNS officials Jessica Shaheen and Bonnie Brathwaite, to discuss how easy it was for SNAP cards to be traded for drugs. We relayed the concerns from law enforcement that they were routinely pulling people over with multiple EBT cards who would recite the line that they were “grocery shopping” for the person on the card.

At the time, we were told by FNS officials that if someone had the card and the associated PIN number, there was little they could do about it. While the officials acknowledged it might trafficking, they insisted anyone holding the card and the PIN must be considered legitimate until fraud was proven. That complacent attitude has hindered progress in fighting this problem. The Obama-era obsession with unfettered access to the program with no restrictions, despite increasing numbers of able-bodied adults and fraudsters, has helped fuel the drug crisis.

More controls are needed on SNAP EBT cards, and they are needed immediately. There are several simple controls that will help prevent the use of SNAP cards for drugs.

1) Require someone possessing or using the EBT card to be authorized with the agency

The Obama administration made it clear that if someone was holding an EBT card, had the PIN, and claimed they were shopping for the person whose name appeared on the card, FNS believed it was legitimate. This belief is not only mistaken, but it has provided endless cover for trafficking.

It is true that some enrollees may need assistance shopping for food from another person to whom the card was not issued. But these circumstances are rarer than suggested and households can and should be required to register additional users of the card—limited to two individuals—with the administering state agency. This policy change would bring the food stamp program in line with other programs, including WIC.

2) Require cooperation with a fraud investigator

When investigating cases of food stamp fraud—including charges of trafficking for drugs—state fraud investigators often need to engage with enrollees to discuss questions around their case. Currently, enrollees can sidestep this process by ignoring the fraud investigator completely, facing no penalty whatsoever. Nothing compels the enrollee to cooperate with the investigator. States should be allowed to require individuals flagged for potential fraud to meet with state fraud investigators as a condition of ongoing eligibility to ensure that program resources are being distributed appropriately.

3) *Restrict the number of automatic replacement EBT cards*

Current regulations allow states to withhold the fourth replacement EBT card in a 12-month period until the enrollee making the request provides an explanation for the lost card. This is important because multiple replacement cards is often an indicator of trafficking. Some states have expressed a desire to further limit the automatic replacement of EBT cards to combat fraud. In 2017, FNS began providing states with more flexibility and has granted waivers in this area to help reduce trafficking. To streamline this important anti-fraud measure, states should be allowed more authority to restrict the issuance of replacement EBT cards without a waiver.

SNAP Retailer Fraud

One of the chief ways that food stamp benefits are trafficked is when an approved retailer accepts benefits from an enrollee in exchange for cash. Typically, retailers committing fraud in this way will give enrollees 50 cents on the dollar for the trafficked benefits, ringing up a false sale in order to make this look like a real transaction. According to the U.S. Department of Agriculture, nearly 12 percent of all approved retailers engage in trafficking, including one in four small grocery stores and one in five convenience stores.¹⁰²

While USDA does dedicate some time and focus to this area, there are hundreds of thousands of participating retailers across the country. The volume of retailers far exceeds the capacity of USDA officials to properly monitor those retailers. States also assist in investigating stores but have no authority to sanction or remove offending stores.

This problem is larger than the data shows, as several recent cases from across the country highlight.

Portland, Maine – Ahrum Market

In Maine, we discovered one such case of this fraud through an analysis of EBT card spending data. Specifically, we saw that there were many transactions at Ahrum Market in Portland, Maine, that were very high dollar, typically more than \$300 each. We knew that Ahrum Market was a small retailer, with only one cash register and no grocery carts, making even an occasional \$300 purchase unlikely.

The data analysis also showed that Ahrum Market has steadily increased the amount of total EBT transactions they processed over a short period. The total volume of sales grew quickly to more than \$1 million dollars. This amount was disproportionate to the size of the store. For scale, they were doing the same amount in total transactions as a major chain grocery store nearby that had 18 cash registers.

The Maine Department of Health and Human Services packaged this case and took it to the USDA, OIG and the FBI to request a joint investigation. The subsequent investigation turned up food stamp and other fraud on a massive scale. Ali Daham, the owner of the store, had developed an elaborate scam to turn food stamps into cash and hundreds of food stamp enrollees participated in his scheme. The market also worked with many of these same individuals—right in the store—to file fraudulent tax returns in order to get back cash from the earned income tax

credit. Daham pleaded guilty to his \$1.4 million fraud scheme and faces up to 20 years in prison.¹⁰³

Birmingham, Alabama – Convenience Stores

In 2015, law enforcement officials conducted Operation T-Bone, an investigation that resulted in 242 arrest warrants for 17 individuals at 11 convenience stores in Birmingham, Alabama.¹⁰⁴ The investigation revealed that the stores were buying EBT cards for roughly 50 cents on the dollar and then using the food stamp benefits to buy food in bulk to later re-sell at their own stores.¹⁰⁵ At least some of the profits in the Birmingham fraud cases were wired to Yemen.¹⁰⁶ At the time of the arrest, Deputy Attorney General Cynthia Raulston said that this problem was so “enormous” and “pervasive” that law enforcement “had to cut off the number [they] were going to prosecute,” because the fraud was “everywhere.”¹⁰⁷

Milwaukee, Wisconsin – Quick N EZ Super Market

Owners of a Quick N EZ market in Milwaukee were busted in 2016 after trafficking more than \$1.2 million in welfare benefits.¹⁰⁸ Enrollees sold their EBT cards to Quick N EZ for a discounted cash price and the store then cleared the cards of their face value.¹⁰⁹ The owners were caught after their store’s massive redemption patterns were identified, including redemptions that far exceeded food inventory.¹¹⁰

Worcester, Massachusetts – J&W Aseda Plaza

According to the Department of Justice, Vida Causey—the owner of J&W Aseda Plaza—trafficked more than \$3.6 million in food stamp benefits between 2010 and 2014.¹¹¹ Causey purchased the benefits for roughly 50 cents on the dollar, withdrew the full face value of the benefits, and laundered the money through a MoneyGram service.¹¹²

These are just a few large examples of what is a much larger problem. Five key changes would be instrumental in helping to combat SNAP retailer fraud.

1) *Allow states to sanction offending SNAP retailers*

Current rules require USDA to penalize and disqualify offending retailers, but USDA has very limited resources in this area and cannot handle the volume of investigations or sanctions necessary to protect program integrity. State partners—who already assist in investigations into fraudulent retailers—should be authorized not only to investigate, but also remove offending vendors from program participation. The same due process would be followed, but the lag in removing offending stores would be resolved.

2) *A credible allegation of fraud should trigger a freeze on retailer authorization*

In the Medicaid program, a state health care fraud agency can make the determination that there is a “credible allegation of fraud” and remove a provider from active Medicaid payment status. A food stamp retailer, however, can continue to operate until all investigations—and often even criminal trials—are completely adjudicated. In the case of Ahrum Market, the store continued to operate for months after the FBI investigation had concluded there was massive fraud. Offending

SNAP retailers should be shut down immediately upon a credible allegation of fraud unless the investigation choose to leave the retailer operating for purposes of an investigation.

3) States should be required to review EBT transaction data more aggressively

Many states do not have sufficient processes in place to review and analyze EBT transaction data. This data is often the key to finding retailer trafficking cases. States should be required to produce standardized regular reports of transaction review processes and follow-up actions.

4) Do not allow retailer owners to redeem personal benefits in their own stores

A recipient of food stamp benefits may also be the owner of a business that operates an authorized retail store. While there is no discrimination against a person applying for food stamps based on anything except standard eligibility criteria, and owning a retail food store should not disqualify someone from participation in the program, there must be proper controls to ensure that potential conflict does not lead to fraud. A food stamp enrollee who is also an authorized retailer should not be allowed to redeem personal benefits in their own establishments. This occurred at the Ahram Market and is a common problem among fraud cases.

5) Reallocate resources to better fund fraud detection and investigation activities

At all levels of food stamp program oversight, there are too few resources. It is encouraging that FNS has announced a new dedicated office of program integrity to help in this area. At the state level, funding for fraud investigators can be difficult to find. Current rules provide that states can retain 35 percent of funds collected from intentional program violations for use on investigations. But this revenue is unpredictable and insufficient. As a result, many states are woefully understaffed and do not have the correct data or technology tools in place. States should be allowed to retain 50 percent of intentional program violation collections. Additionally, states should have the flexibility to use funds currently designated for SNAP-ED for fraud investigations staff and activities. Congress should also end the \$48 million in annual "bonus" payments to states and reallocate it for anti-fraud efforts.

It is difficult to know the exact level of fraud that exists in food stamps because it is only identified when state and federal agencies search for it, investigate it, and prosecute it. When states focus on fraud, they quickly discover that fraud not only exists, but it is rampant. Sadly, too few states dedicate time and resources to finding, investigating, and prosecuting fraud.

Much of the fraud can be prevented by changing the laws, regulations, and practices that have created vulnerabilities within the food stamp program. By making key policy changes, the program can be improved in the areas of program integrity, eligibility fraud, and trafficking fraud to protect the program for the truly needy and protect taxpayers from being scammed. But one of the best ways to prevent welfare fraud is to get able-bodied adults off welfare in the first place, moving them into jobs and onto the path to self-sufficiency.

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Mr. JORDAN. Thank you, Mr. Adolphsen.
Ms. Dean, you're up.

STATEMENT OF STACY DEAN

Ms. DEAN. Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, members of the subcommittee, thank you for the opportunity to testify this morning. I am Stacy Dean, the vice president for food assistance policy at the Center on Budget and Policy Priorities, a nonpartisan policy institute here in D.C.

I plan to talk about three things this morning: the vital role of SNAP, the vital role of program integrity in SNAP, and the likely impact of the pending House farm bill on SNAP.

First, SNAP. SNAP is a highly effective antihunger program. Today, it helps about 40 million low-income Americans afford a nutritionally adequate diet by giving them benefits through a debit card that they can use only to buy food. Benefits average a \$1.40 per person per meal, and one in eight Americans participate in SNAP, which reflects SNAP's important role in addressing the extensive need across the country.

SNAP is an entitlement, so anyone who qualifies can receive benefits. That enables SNAP to respond quickly and effectively to support low-income families and communities when the economy turns down and need rises. So while SNAP enrollment expands when the economy weakens, it also shrinks when the economy recovers.

SNAP is also an important work support, helping workers both when they are between jobs and supplementing their low earnings. That is why looking at the work status of participants at a specific point in time substantially overstates their joblessness.

Mr. Lipps noted that, in an average month in 2016, about 9 million adults participating in SNAP did not have earnings, and we agree with that. But about 4.5 million of them worked within a year, so they were participating on SNAP when they were temporarily unemployed. Of the other 5 million, over a third of them couldn't work due to caregiving responsibilities, and most have working spouses. Nearly a quarter had a disability or a chronic health condition that limited their work, and close to a third were going to school or were not working.

Second, let me turn to program integrity.

USDA and States take their roles as stewards of SNAP very seriously, and they emphasize program integrity throughout SNAP's operations, participant eligibility, state accuracy, and participants redeeming benefits at SNAP retailers. The authorizing committees have mandated some of the most rigorous program integrity standards and systems of any Federal program, and they do provide rigorous oversight of SNAP's accuracy and fraud detection and prevention systems.

Numerous measures ensure the accurate assessment of household eligibility during the eligibility determination process, ongoing checks, and reassessment of eligibility. The same is true with respect to the proper use of benefits, an area of fraud prevention and detection where USDA plays a very significant role.

These measures are designed to detect and prevent honest mistakes, careless errors, systemic mistakes, and the less frequent problem of intentional fraud.

CRS did an excellent job summarizing the SNAP program integrity and error reduction efforts in a recent report, and a few of its observations bear repeating.

First, errors are not the same as fraud. Many conflate the two. Fraud is an intentional activity that breaks Federal or State laws, but program stakeholders, particularly recipients in States, may also inadvertently err in ways that can then affect benefit amounts. Some acts, such as dual enrollment, could be error or fraud, and it is important to calibrate the response to the cause of the problem.

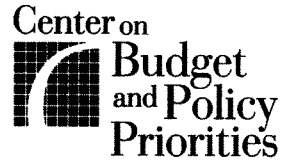
Second, SNAP fraud is rare, according to all available data and reports. The illegal and inaccurate activities that do occur are serious and merit a very serious response. However, they do represent a small fraction of SNAP activity overall. We strongly favor efforts to improve program integrity, so long as they are warranted by evidence, are cost-effective, and would not meaningfully impede program access.

Third, let me turn to the farm bill. Unfortunately, H.R. 2, the farm bill that the House will likely consider next week, could reduce SNAP's effectiveness. According to CBO, it would cut benefits to poor households by more than \$17 billion over the next 10 years and would cause more than 1 million low-income households with more than 2 million people, particularly low-income working families with children, to lose their benefits or have them reduced. It includes sweeping new work requirements that would likely prove unworkable and increase hunger and poverty. The bill would force States to develop large, new bureaucracies but do little to increase employment, and leave substantial numbers of low-income people with barriers to work, such as very limited skills or chronic health conditions, with neither earnings nor food assistance.

The farm bill could have been a bipartisan effort that strengthens SNAP, promoted work, and shored up program integrity. Instead, it is largely a package of harmful, unworkable, and untested policies that will weaken the program.

Again, thank you for the opportunity to testify, and I am pleased to answer your questions.

[Prepared statement of Ms. Dean follows:]



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May 9, 2018

**Program Integrity for the
Supplemental Nutrition Assistance Program
Testimony of Stacy Dean, Vice President for Food Assistance Policy,
Center on Budget and Policy Priorities,
Before the Subcommittees on Intergovernmental Affairs and Health
Care, Benefits and Administrative Rules of the Committee on Oversight
and Government Reform,
U.S. House of Representatives**

Thank you for the opportunity to testify today. I am Stacy Dean, Vice President for Food Assistance Policy at the Center on Budget and Policy Priorities (CBPP), an independent, non-profit, nonpartisan policy institute located here in Washington. CBPP conducts research and analysis on a range of federal and state policy issues affecting low- and moderate-income families. The Center's food assistance work focuses on improving the effectiveness of the major federal nutrition programs, including the Supplemental Nutrition Assistance Program (SNAP). I have worked on SNAP policy and operations for more than 20 years. Much of my work is providing technical assistance to state officials who wish to explore options and policies to improve their program operations in order to more efficiently serve eligible households. My team and I also conduct research and analysis on SNAP at the national and state levels. CBPP receives no government funding.

My testimony today is divided into three sections: 1) SNAP's role in our country as a federal nutrition program; 2) an overview of how SNAP addresses and maintains program integrity; and 3) an assessment of how the House Agriculture Committee farm bill, H.R. 2, would compromise SNAP's effectiveness.

I. SNAP Plays a Critical Role in Our Country

To provide context for today's hearing topic of SNAP's program integrity, I think it is important to review some of SNAP's most critical features. The program is a highly effective anti-hunger program. Much of its success reflects its entitlement structure, its consistent national benefit structure, and its food-based benefits. It also imposes rigorous requirements on states and clients to ensure a high degree of program integrity.

SNAP helps more than 40 million low-income Americans afford a nutritionally adequate diet by providing them with benefits via a debit card that can be used only to purchase food. Benefits average about \$1.40 per person per meal. One in eight Americans participate in SNAP — a figure that speaks both to the extensive need across our country and to SNAP’s important role in addressing it.

Policymakers created SNAP, then known as the Food Stamp Program, to help low-income families and individuals purchase an adequate diet. Policymakers created it at a time when hunger and malnutrition were much more serious problems in this country than they are today. A team of Field Foundation-sponsored doctors who examined hunger and malnutrition among poor children in the South, Appalachia, and other very poor areas in 1967 (before the Food Stamp Program was widespread in these areas) and again in the late 1970s (after the program had been instituted nationwide) found marked reductions over this ten-year period in serious nutrition-related problems among children. The doctors gave primary credit for this reduction to the Food Stamp Program. Findings such as this led then-Senator Robert Dole to describe the Food Stamp Program as the most important advance in the nation’s social programs since the creation of Social Security.

Consistent with its original purpose, SNAP continues to provide a basic nutrition benefit to low-income families, the elderly, and people with disabilities who cannot afford an adequate diet. In some ways, particularly in its administration, today’s program is stronger than at any previous point. By taking advantage of modern technology and business practices, SNAP has become substantially more efficient, accurate, and effective. While many low-income Americans continue to struggle, this would be a very different country without SNAP.

Protecting Families From Hardship and Hunger

SNAP benefits are an entitlement, which means that anyone who qualifies under program rules can receive benefits. This is the program’s most powerful feature: it enables SNAP to respond quickly and effectively to support low-income families and communities during times of economic downturn and increased need. For example, SNAP — aided by a temporary benefit increase from the 2009 Recovery Act — kept poverty and food insecurity (lack of consistent access to sufficient food) from rising during the Great Recession as much as they would have without the program.¹

SNAP enrollment expands when the economy weakens and contracts when the economy recovers. (See Figure 1.) As a result, SNAP responds immediately to help families and to bridge temporary periods of unemployment. It also can help individual families weather a short-term crisis, such as job loss or divorce. A U.S. Department of Agriculture (USDA) study of SNAP participation over the late 2000s found that slightly more than half of all new entrants to SNAP participated for a year or less and then left the program when their immediate need passed.²

¹ For example, one study found that food insecurity did not rise between late 2008 and late 2009 for low-income participants likely to receive SNAP, but did rise for those with slightly higher incomes. Mark Nord and Mark Prell, “Food Security Improved Following the 2009 ARRA Increase in SNAP Benefits,” U.S. Department of Agriculture, Economic Research Service, ERR-116, April 2011.

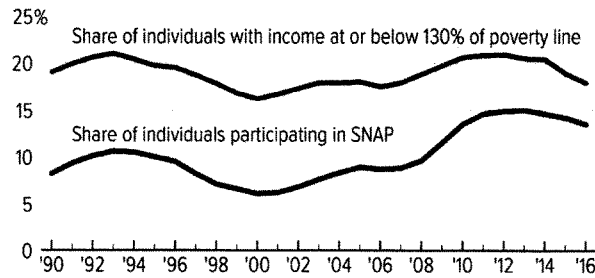
² U.S. Department of Agriculture, “Dynamics and Determinants of Supplemental Nutrition Assistance Program Participation from 2008 to 2012,” December 2014, <https://www.fns.usda.gov/snap/dynamics-and-determinants-supplemental-nutrition-assistance-program-participation-2008-2012>.

SNAP’s powerful response during the recession contrasts sharply with that of Temporary Assistance for Needy Families (TANF), whose block grant structure severely limits its ability to expand during economic downturns. While the number of unemployed doubled in the Great Recession, TANF caseloads rose only modestly, by 13 percent from December 2007 to December 2009.

SNAP also acts as a first responder in the wake of natural disasters, providing critical food assistance to vulnerable households. After disasters, USDA and states work together to provide quick, targeted assistance. This can include replacing participants’ benefits to compensate for lost food, providing temporary Disaster SNAP (D-SNAP) benefits to non-participants who have suffered significant loss, and relaxing program requirements to ease access and relieve undue burden on staff. In 2017, SNAP helped households affected by Hurricanes Harvey, Maria, and Irma in Texas, Louisiana, Florida, and the U.S. Virgin Islands put food on the table.

FIGURE 1

SNAP Tracks Changes in Share of Population That Is Poor or Near-Poor



Note: Poverty estimates are annual estimates and available through 2016. SNAP shares of resident population are calendar year averages.
Sources: U.S. Census Bureau, U.S. Department of Agriculture

SNAP also acts as an automatic stabilizer: caseloads rose as more households were eligible for and qualified for SNAP during the Great Recession and in subsequent years because of the slow recovery, and then fell as incomes rose. During the recession, as the official poverty rate rose from 12.5 percent to 15.1 percent, SNAP enrollment rose to respond to this increase. As the effects of the economic recovery have been felt more broadly, poverty has since fallen to 12.7 percent in 2016 (the most recent year for which data are available) and SNAP caseloads have declined significantly. Caseloads peaked in December 2012 and have since fallen faster every year, declining about 2 percent annually in 2014 and 2015, 3 percent in 2016, and almost 5 percent in 2017. Between their December 2012 peak and January 2018 (the most recent month for which data are available), caseloads fell by 7 million people.

Contributing to the caseload decline, at least 500,000 people — including some of the nation's poorest — lost SNAP in 2016 due to the return in many areas of a three-month time limit on benefits for unemployed adults aged 18-49 who aren't disabled or raising minor children.

As a result of the caseload decline, SNAP spending fell for the fourth straight year in 2017 as a share of gross domestic product (GDP). SNAP spending fell by 7 percent in 2016 and another 8 percent in 2017, and CBO projects that it will return to its 1995 level as a share of GDP in the next few years.

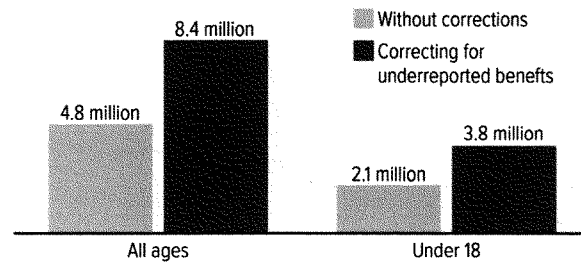
Lessening Poverty and Unemployment

SNAP targets benefits on those least able to afford an adequate diet. Its benefit formula considers a household's income level as well as its essential expenses, such as rent, medicine, and child care. A family's total income is the most important factor affecting its ability to purchase food, but not the only one. For example, a family spending two-thirds of its income on rent and utilities will have less money to buy food than a family that has the same income but lives in public or subsidized housing. While targeting benefits adds some complexity to the program and is an area where states sometimes seek to simplify, it helps SNAP provide the most assistance to the families with the greatest needs.

This makes SNAP a powerful tool in fighting poverty. SNAP kept 8.4 million people out of poverty in 2015, including 3.8 million children, according to a CBPP analysis using the government's Supplemental Poverty Measure (which counts SNAP as income) and correcting for underreporting of public benefits in survey data. (See Figure 2.) SNAP also lifted 2 million children above half of the poverty line in 2015, more than any other government assistance program.

FIGURE 2

SNAP Kept Millions of People Above Poverty Line in 2015



Note: Figures use the federal government's Supplemental Poverty Measure (SPM).

Source: CBPP analysis of Census Bureau data from the Current Population Survey and SPM public use files; corrections for underreported government assistance from Health and Human Services/Urban Institute Transfer Income Model (TRIM).

These results reflect SNAP's targeting of very low-income households. Roughly 93 percent of SNAP benefits go to households with incomes below the poverty line, and 56 percent go to households below half of poverty.

SNAP also reduces food insecurity. A study comparing SNAP participant households before and after six months of participation found that SNAP reduced food insecurity by up to ten percentage points and reduced "very low food security," which occurs when one or more household members have to skip meals or otherwise eat less because they lack money, by about six percentage points.³

SNAP also protects the economy as a whole by helping to maintain overall demand for food during slow economic periods. In fact, SNAP benefits are one of the fastest, most effective forms of economic stimulus because they get money into the economy quickly. Moody's Analytics estimates that in a weak economy, every \$1 increase in SNAP benefits generates about \$1.70 in economic activity.

Improving Long-Term Health and Self-Sufficiency

SNAP also brings important long-run benefits. The available evidence suggests that SNAP is at least associated with, and may promote, better health and lower health care costs. It is therefore plausible that *reducing* SNAP eligibility and benefits would harm health and raise health care costs. Substantial research on SNAP and related areas has shown:

- **SNAP is associated with improved current and long-term health.** SNAP participants are more likely to report excellent or very good health than low-income non-participants.⁴ Early access to SNAP among pregnant mothers and in early childhood improved birth outcomes and long-term health as adults.⁵ Elderly SNAP participants are less likely than similar non-participants to forgo their full prescribed dosage of medicine due to cost.⁶ SNAP may also help low-income seniors live independently in their communities and avoid hospitalization.⁷

³ U.S. Department of Agriculture, "Measuring the Effect of Supplemental Nutrition Assistance Program (SNAP) Participation on Food Security," August 2013, <https://fns-prod.azureedge.net/sites/default/files/Measuring2013.pdf>.

⁴ Christian A. Gregory and Partha Deb, "Does SNAP Improve Your Health?" *Food Policy*, 50:11-19, 2015, <http://www.sciencedirect.com/science/article/pii/S0306919214001419>.

⁵ Douglas Almond, Hillary Hoynes, and Diane Schanzenbach, "Inside the War on Poverty: The Impact of Food Stamps on Birth Outcomes," *Review of Economics and Statistics*, 93(2), May 2011, https://www.mitpressjournals.org/doi/pdfplus/10.1162/REST_a_00089; and Hilary Hoynes, Diane Whitmore Schanzenbach, and Douglas Almond, "Long-Run Impacts of Childhood Access to the Safety Net," *American Economic Review*, 106(4):903–934, April 2016, <https://pdfs.semanticscholar.org/c94b/26c57bb565b566913d2af161e555edeb7f21.pdf>.

⁶ Mithuna Srinivasan and Jennifer A. Pooler, "Cost-Related Medication Nonadherence for Older Adults Participating in SNAP, 2013–2015," *American Journal of Public Health*, published online December 21, 2017, <http://ajph.aphapublications.org/doi/10.2105/AJPH.2017.304176>.

⁷ See Sarah L. Stanton *et al.*, "Food assistance is associated with decreased nursing home admissions for Maryland's dually eligible older adults," *BMC Geriatrics*, 17(1), 162, 2017, <https://bmgeriatr.biomedcentral.com/articles/10.1186/s12877-017-0553-x>; and Laura J. Samuel *et al.*, "Does the Supplemental Nutrition Assistance Program Affect Hospital Utilization Among Older Adults? The Case of Maryland," *Population Health Management*, 2017, http://www.bdttrust.org/wp-content/uploads/2017/07/Pop-Health-Mgmt-Hospitalizations_linked.pdf.

A study examining what happened when the government introduced food stamps in the 1960s and early 1970s concluded that people who had access to food stamps in early childhood and whose mothers had access during their pregnancy had better health outcomes as adults than children born at the same time in counties that had not yet implemented the program.⁸ (See Figure 3.)

- **SNAP is linked with reduced health care costs.** Low-income adults participating in SNAP incur about \$1,400, or nearly 25 percent, less in medical care costs in a year than low-income non-participants, according to a study that controlled for factors expected to affect spending on medical care.⁹ The difference is even greater for those with hypertension (nearly \$2,700 less) and coronary heart disease (over \$4,100 less).¹⁰

Given these impressive findings, we encourage Congress to consider ways to strengthen SNAP by improving its basic benefit and by extending the reach of the program to ensure that reaches a greater share of eligibles.

Supporting and Encouraging Work

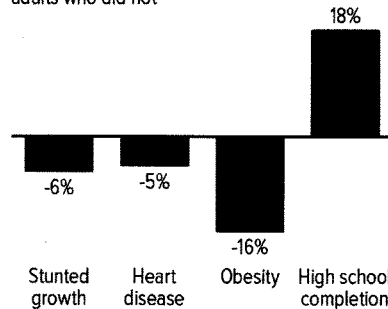
In addition to acting as a safety net for people who are elderly, disabled, or temporarily unemployed, SNAP is designed to supplement the wages of low-income workers.

The SNAP benefit formula contains an important work incentive. For every additional dollar a recipient earns, her benefits decline by only 24 to 36 cents — much less than in most other programs. (See Figure 4.) Families thus have a strong incentive to work longer hours or to search for better-paying employment. States further support work through the SNAP Employment and

FIGURE 3

Children With Access to SNAP Fare Better Years Later

Percentage-point change in outcomes for adults who received SNAP as children, compared to adults who did not



Note: The study compared individuals who had access to SNAP (then food stamps) in early childhood after its introduction in the 1960s and early 1970s to similar children who did not (because they were born before its introduction) in each county.

Source: Hoynes, Schanzenbach, and Almond, "Long-Run Impacts of Childhood Access to the Safety Net," *American Economic Review*, April 2016.

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⁸ Hilary W. Hoynes, Diane Whitmore Schanzenbach, and Douglas Almond, "Long Run Impacts of Childhood Access to the Safety Net," *American Economic Review*, 106(4): 903–93, April 2016.

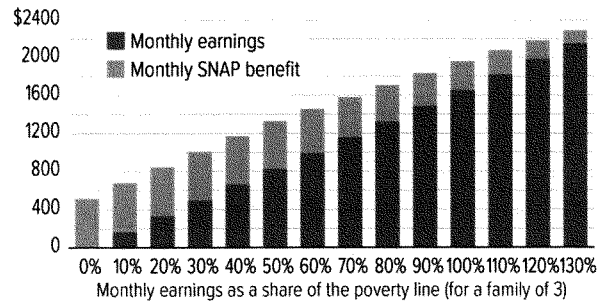
⁹ Seth A. Berkowitz *et al.*, "Supplemental Nutrition Assistance Program (SNAP) Participation and Health Care Expenditures Among Low-Income Adults," *JAMA Internal Medicine*, November 2017.

¹⁰ Seth Berkowitz, Hilary K. Seligman, and Sanjay Basu, "Impact of Food Insecurity and SNAP Participation on Healthcare Utilization and Expenditures," University of Kentucky Center for Poverty Research Discussion Paper Series, DP2017-02, 2017.

Training program, which funds training and work activities for unemployed adults who receive SNAP.

FIGURE 4

SNAP Benefits Gradually Phase Out as Earnings Rise



Note: This chart shows the phase out for a family of three with earned income that claims the \$155 standard deduction and the 20 percent earned income deduction, and that has \$1,110 in monthly shelter costs (the median value for working households of three with children that have incomes at or above 125 percent of poverty based on the fiscal year 2015 SNAP Household Characteristics data.)
Source: CBPP calculation based on Fiscal Year (FY) 2015 SNAP federal benefit parameters and FY 2015 SNAP household characteristics data

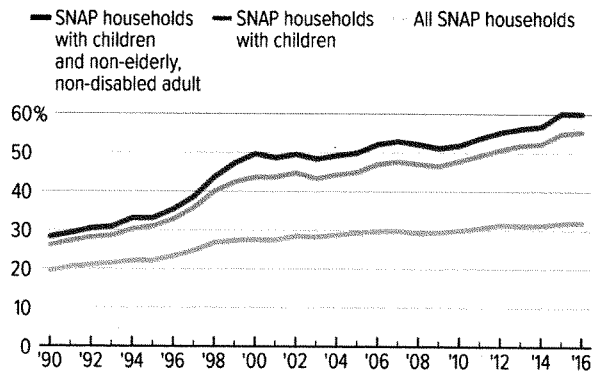
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Because SNAP is an important work support and states have made progress in reaching workers, the number of households that have earnings while participating in SNAP has more than tripled — from about 2 million in 2000 to 6.9 million in 2016. The *share* of SNAP families that are working while participating in SNAP has also risen: while only about 28 percent of SNAP households with children and an able-bodied adult had earnings in 1990, 60 percent did so in 2016, according to Agriculture Department data. (See Figure 5.)

FIGURE 5

SNAP Work Rates Have Risen, Especially Among Households With Children and Adults Who Could Be Expected to Work

Share of households with earnings



Source: CBPP tabulations of Agriculture Department household characteristics data

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SNAP helps workers both when they are between jobs and to supplement low earnings while they work. Millions of workers are in jobs that provide low pay, can have shifting schedules, and often lack key benefits such as paid sick leave. These features can contribute to income volatility and job turnover: low-wage workers, including many who participate in SNAP, are more likely than other workers to experience periods when they are out of work or when their monthly earnings drop, at least temporarily. These dynamics lead many adults to participate in SNAP temporarily. Others, such as workers with steady, but low-paying, jobs, or those unable to work, participate on a longer-term basis. SNAP's dual function as both a short-term support to help families afford food during a temporary period of low income and a support for others with longer-term needs is one of its principal strengths.

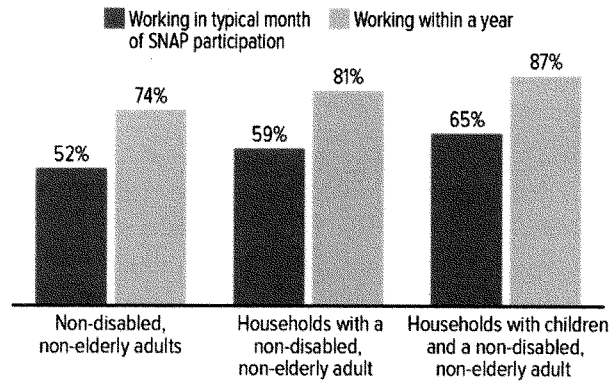
Because workers are more likely to turn to SNAP when they are out of work, looking at work status among SNAP participants at a given point in time substantially overstates their joblessness. Many participants receive SNAP for short periods and work both before and after (or work in some months while on SNAP but are un- or underemployed in other months). Participants are also more likely to receive SNAP when they are out of work and need more help affording food.

Most adults in SNAP are either working while they participate or are temporarily out of work. (See Figure 6.) For example, in 2016, about 15.2 million non-elderly adults not receiving disability benefits participated in SNAP in an average month, according to USDA data. Of those, about 5.7 million had earnings in that month while they were participating in SNAP, leaving about 9.5 million

adults without earnings. Detractors of the SNAP often point to this figure as an indication that the program is not working, but this assertion is misleading. When one looks closer at the details of this population, the numbers do not bear out the characterization that SNAP recipients are work avoidant. Close to half of adults who were not working in a month when they were participating in SNAP worked within a year, CBPP analysis of Census data finds; this means that about 4.5 million of those 9.5 million adults are workers participating in SNAP during a period of unemployment.¹¹ Of the remaining 5 million or so participants without earnings, over one-third are unable to work due to caregiving responsibilities (most of whom have working spouses); about one-quarter have a work-limiting disability or chronic health condition, despite not receiving disability benefits; close to one-third report either going to school or being unable to find work; and the rest report other reasons, such as temporary inability to work.¹²

FIGURE 6

Most SNAP Participants and Households Work



Note: Individuals and households include those who were participating in SNAP in a typical month in mid-2012. A working household refers to a household in which either the household head or spouse worked. Individuals include any non-disabled adult who reported participating in SNAP.

Source: CBPP analysis of SIPP data from 2011-2013

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¹¹ This share is from an analysis of data from the Census Bureau's Survey of Income and Program Participation (SIPP) from 2011-2013 and looks at individuals participating in SNAP in a given month in mid-2012 and their work within one year of that month. For a full explanation of this data, see Brynne Keith-Jennings and Raheem Chaudhry, "Most Working-Age SNAP Participants Work, But Often in Unstable Jobs," Center on Budget and Policy Priorities, March 15, 2018, <https://www.cbpp.org/research/food-assistance/most-working-age-snap-participants-work-but-often-in-unstable-jobs>.

¹² These are shares from SIPP data applied to Agriculture Department data, since this information is not available in Agriculture Department data.

When participants work, they typically work at least half time (at least 20 hours per week), and usually full time (at least 35 hours per week). Of those non-disabled adults who participated in a given month in 2012 and worked in the year after that month, about half (52 percent) worked at least six months full time, and another 19 percent worked at least one month full time.¹³ Only 15 percent worked 20 hours per week for less than six months or worked fewer hours than that for any length of time.

Most non-disabled adults participate in SNAP for shorter periods, but even those who participate for longer periods are workers who use SNAP to supplement earnings and fill gaps when between jobs. Close to two-thirds of the adults who ever participated in SNAP in a three-and-a-half-year period participated in the program for less than two years total.¹⁴ Regardless of how long these adults participated in SNAP, however, they worked in the majority of months in which they received SNAP assistance.

II. SNAP Prioritizes Program Integrity

SNAP cannot fulfill its primary purpose of helping struggling households afford a basic diet without maintaining strong program integrity. USDA and states take their roles as stewards of public funds seriously and emphasize program integrity throughout program operations. Moreover, the authorizing committees have mandated in SNAP some of the most rigorous program integrity standards and systems of any federal program. They provide oversight of the program's accuracy and fraud detection and prevention systems. These strong systems ensure a high degree of integrity and accuracy in the program.

When a household applies for SNAP it must report its income and other relevant information; a state eligibility worker interviews a household member and verifies the accuracy of the information using third-party data matches, paper documentation from the household, and/or by contacting a knowledgeable party, such as an employer or landlord. Households must reapply for benefits periodically, usually every six or 12 months, and between reapplications must report income changes that would affect their eligibility.

Numerous measures ensure the accurate assessment of household eligibility during the eligibility process, through ongoing checks and reassessment of eligibility. The same is true with respect to the proper use of benefits, an area of fraud prevention and detection where USDA also plays a significant role. These measures are designed to detect and prevent the occurrence of honest mistakes, careless errors, systemic mistakes, and the less frequent problem of intentional fraud.

They include extensive requirements that households applying for or seeking to continue receiving SNAP prove their eligibility, sophisticated computer matches to detect unreported earnings, the most rigorous quality control (QC) system of any public benefit program, and administrative and criminal enforcement mechanisms.

¹³ These individuals may also have worked some months part time, but here we first looked at workers with full-time work. Here, "full time" means at least 35 hours per week and "half time" means at least 20 hours a week but fewer than 35.

¹⁴ This analysis looks at the group of non-disabled adults who received SNAP at any point in a roughly 3.5-year period from mid-2009 through mid-2013.

CRS's recent report, "Errors and Fraud in the Supplemental Nutrition Assistance Program," does an excellent and comprehensive job summarizing the issues. It highlights a few key observations that bear repeating:

Errors are not the same as fraud. Fraud is intentional activity that breaks federal and/or state laws, but there are also ways that program stakeholders—particularly recipients and states—may inadvertently err, which could affect benefit amounts. Certain acts, such as trafficking, are always considered fraud, but other acts, such as duplicate enrollment, may be the result of either error or fraud depending on the circumstances of the case.

SNAP fraud is rare, according to all available data and reports. While this report discusses illegal or inaccurate activities in SNAP, they represent a relatively small fraction of SNAP activity overall.

There is no single data point that reflects all the forms of fraud in SNAP. The most frequently cited measure of fraud is a national estimate of retailer trafficking, which is a significant, but not the only, type of fraud in the program.

While retailer trafficking and retailer application fraud are pursued primarily by a single federal entity, recipient violations are pursued by 53 different state agencies. This leads to disparate approaches and disparate reporting.

The national payment error rate (NPER) is the most-often cited measure of nationwide SNAP payment accuracy, but it has limitations.¹⁵

Strong Eligibility and Payment Accuracy Backed Up by Quality Control System

SNAP has long had one of the most rigorous payment error measurement systems of any public benefit program. When, under the leadership of this Committee, Congress enacted the Improper Payments Act in the early 2000s, SNAP was among the few programs to already meet the Act's high standards. Each year states take a representative sample of SNAP cases (totaling about 50,000 cases nationally) and thoroughly review the accuracy of their eligibility and benefit decisions. Federal officials re-review a subsample of the cases to ensure accuracy in the error rates. States are subject to fiscal penalties if their error rates persistently exceed the national average.

The percentage of SNAP benefit dollars issued to ineligible households or to eligible households in excessive amounts fell for seven consecutive years and stayed low in 2014 at 2.96 percent, USDA data show.¹⁶ The *underpayment* error rate also stayed low at 0.69 percent. The combined payment error rate — that is, the sum of the overpayment and underpayment error rates — was 3.66 percent, low by historical standards. The amount of benefits that were not paid as a result of improper denials, i.e. benefits that should have been issued to eligible households who were denied eligibility, is not captured in this figure.

¹⁵ Daniel R. Cline and Randy Alison Aussenberg, "Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP)," Congressional Research Service, March 30, 2018, <https://fas.org/sgp/crs/misc/R45147.pdf>.

¹⁶ 2014 is the most recent year for which national data are available.

If one subtracts underpayments (which reduce federal costs) from overpayments, the net loss to the government that year from errors was 2.27 percent of benefits.

The overwhelming majority of SNAP errors that do occur result from mistakes by recipients, eligibility workers, data entry clerks, or computer programmers, not dishonesty or fraud by recipients. In addition, states have reported that almost 60 percent of the dollar value of overpayments and almost 90 percent of the dollar value of underpayments were their fault, rather than recipients'. Much of the rest of overpayments resulted from innocent errors by households facing a program with complex rules.

It should be noted that an overpayment is counted in a state's error rate whether or not the overpaid benefits are collected back from households. In fiscal year 2016, states collected about \$402 million in overissued benefits.¹⁷

A USDA Office of Inspector General (OIG) report in 2015 drew attention to data quality issues with SNAP QC error rates in many states. The report suggested, and USDA later confirmed, that many states' review processes risked introducing bias into their measurement process. This raised concerns that states were not measuring errors consistently across states and that some were taking extra steps to find a case correct. As a result, USDA did not report national or state-level error rates for all states for 2015 or 2016. Since 2015, USDA has conducted detailed reviews in all states and taken action to address the quality and consistency of the measure. Administrator Lipps reported to the Senate Agriculture Committee in September 2017 that USDA expects reliable SNAP error rates for 2017 will be released in June 2018¹⁸. It is worth noting that in the states that USDA identified in its detailed reviews as not having any problems, error rates were still below 6 percent in all but one state and below 5 percent in seven states, including two large states, New York and Arizona.¹⁹

The problem of inconsistency and bias in the QC sample is quite serious and we appreciate all that the OIG, USDA, and states are doing to address it. It's worth noting, however, that this issue did not arise from lack of attention to program integrity. SNAP's QC system (including the level of resources required to staff it), the penalty structure associated with high error rates, and the public attention on states with high payment error rates all place enormous pressure on states to address payment errors.

I cannot overstate the importance that SNAP's operational culture places on achieving and maintaining low payment error rates. USDA and the states monitor SNAP error rates throughout the year and share best practices. A significant number of federal and state personnel are assigned to

¹⁷ SNAP State Activity Report, Fiscal Year 2016, p. 35, <https://fns-prod.azureedge.net/sites/default/files/snap/FY16-State-Activity-Report.pdf>.

¹⁸ Statement of Brandon Lipps, Acting Deputy Under Secretary, Food, Nutrition and Consumer Services Administrator, Food and Nutrition Service, United States Department of Agriculture, Before the Senate Committee on Agriculture, September 14 2017, https://www.agriculture.senate.gov/imo/media/doc/Testimony_Lipps.pdf.

¹⁹ Prior to revisions in the 2002 farm bill, states were eligible for enhanced funding for superior performance if their error rates were below 6 percent.

program integrity.²⁰ The error rate is the major performance measure for accountability at state and local SNAP offices and even for individual SNAP state eligibility workers and policy officials.

Fear of high error rates has sometimes driven states to adopt policies that reduced program access — particularly in the late 1990s, when the share of SNAP households with earnings began rising due to the strong economy and new welfare policies. Low-income earners often experience sharp fluctuations in their monthly income, making household income difficult to predict accurately for SNAP benefit calculations. Some states instituted administrative practices designed to reduce errors that had the unintended effect of making it harder for many working-poor parents to participate, largely by requiring them to take too much time off from work for repeated visits to SNAP offices at frequent intervals, such as every 90 days, to reapply for benefits.

This prompted many analysts and state policy officials from across the political spectrum to call for policy and quality control changes that would improve working families' access to SNAP, and led both the Clinton and the Bush administrations to address this problem. There was bipartisan consensus that requiring a family to be on welfare to receive food stamps would reduce work incentives and was contrary to welfare reform goals. Congress enacted meaningful, although relatively modest, changes in 2002 and 2008 to lessen barriers to SNAP participation among the working poor without compromising program integrity. As I discuss later in my testimony, I am concerned that some of the House Agriculture Committee's proposed farm bill changes would reverse or undermine the key reforms adopted during this period, threatening the gains SNAP has made with respect to program access. The group most impacted by the House bill would be workers with low wages. They would face a dramatic increase in paperwork and verification — essentially a monthly redetermination of eligibility, as well as experience some of the biggest benefit cuts.

SNAP Provides for a Strong Anti-Fraud System

Fraud, while relatively rare, is taken seriously in the program. Within the SNAP context, fraud is defined to mean occurrences where:

- SNAP benefits are exchanged for cash. This is called trafficking and it is against the law. Trafficking involves two parties — typically a household and a SNAP retailer.
- A household intentionally lies to the state to qualify for benefits or to get more benefits than it is supposed to receive.
- A retailer previously disqualified from SNAP due to abuse lies on its application to rejoin the program.

States and USDA each play a role in pursuing these different kinds of fraud, dedicating significant resources and staff to pursuing allegations of fraud and rooting it out when found. My testimony will briefly cover two of these issues: household fraud and trafficking.

²⁰ SNAP benefits are federally funded. States and the federal government share SNAP's administrative costs, including certifying eligibility, issuing benefits, and ensuring program integrity.

Household Fraud

SNAP's rigorous application process and eligibility review serves as the first line of fraud prevention. The application process requires an interview with a caseworker and demands that, in addition to mandated verification (and often third-party data checks), any questionable information provided by the applicant be verified. For example, if an individual claims that her rent is \$1,000 a month but that she has no income, this raises the question of how she affords her rent. If a caseworker were to accept such a statement without probing, the case could be in error, because the client was either confused about what counts as income (i.e., not counting support from a family member) or did not tell the whole truth. The caseworker should follow up on this information at the interview and require additional verification from the individual before she is approved. States can set their own filters on what provokes further follow-up based on individual circumstances.

Caseworkers feel appropriate pressure to ensure that benefits are issued accurately. There is the formal QC review process, and many states conduct quality and accuracy reviews of staff work at the line manager level. Managers review a certain number of cases from each worker each month, generally focusing on less experienced workers.

State agencies run database checks to match the information provided by applicants. For example, if an application lists Social Security as a source of income, the caseworker would check with the Social Security Administration to verify the amount of the monthly payment. In many instances a caseworker can reconcile information discrepancies on the application while talking with the applicant. An area for program improvement would be for Congress to consider providing all states with this capacity.

Households determined eligible must *remain* eligible to continue to participate. Households must report changes that would make them income-ineligible. And many states run third-party matches throughout a household's eligibility cycle to continue to check that external information confirms the household's circumstances. For example, Congress has mandated that states check with prison records and state vital statistics to ensure that no member of a SNAP household continues to receive benefits during incarceration or after death.

When a caseworker suspects that a client is seeking to deceive the program, the case is referred to the state's fraud unit for investigation. Members of the public and other state agencies may similarly report any suspected fraud. Most states prominently display fraud hotlines on their main webpages or take other steps to make it easy for the public to report fraud.²¹

Many investigations do not result in a fraud finding. Of the roughly 964,000 fraud investigations in fiscal year 2016, 48 percent of the cases were determined *not* to be fraud.²² If investigators determine that fraud has occurred, there is typically a hearing to review the facts and enable clients to respond to the allegations. This helps prevent innocent participants who made unknowing mistakes from being disqualified.

²¹ USDA also has a fraud hotline that the public can use to report suspected fraud to the agency.

²² SNAP State Activity Report Fiscal Year 2016.

Persons found guilty of fraud lose SNAP eligibility, and the state pursues the improperly issued benefits for repayment via SNAP's claims process. States are eligible to retain a share of mis-issued benefits that they collect as an incentive for them to pursue the claims.

| Fraud Violation | Penalty |
|--|--------------------------------------|
| First fraud/intentional program violation | 12-month disqualification period |
| Second fraud/intentional program violation | 24-month disqualification period |
| Third fraud/intentional program violation | Permanent disqualification from SNAP |
| False statement with respect to identity or place or residence in order to receive multiple SNAP benefits simultaneously | 10-year disqualification period |

In fiscal year 2016, 56,000 individuals were disqualified from SNAP for fraud, up from 47,000 the previous year.²³

Trafficking

Another area of program integrity in which SNAP has a strong systems and has made considerable improvements is trafficking. Trafficking is the sale or exchange of SNAP benefits for something other than food and typically involves both a retailer and a recipient. USDA monitors SNAP transactions for patterns that may suggest abuse; federal and state law enforcement agencies are then alerted and investigate. Retailers or SNAP recipients who defraud SNAP by trading their benefit cards for money or misrepresenting their circumstances face criminal penalties. Based on the most recent data, USDA has cut trafficking by three-quarters over the past 15 years.

Over the years, USDA has sanctioned thousands of retail stores for not following federal requirements. In fiscal year 2017, USDA permanently disqualified approximately 1,700 SNAP retailers for program violations and imposed sanctions, through fines or temporary disqualifications, on another 900 stores.²⁴ Another possible area for exploration on trafficking prevention is for FNS to consider its store authorization and monitoring process.

According to the September 2017 USDA-FNS Retailer Trafficking Study²⁵ and summarized in CRS's recent report on SNAP Error and Fraud,²⁶ the national retailer trafficking rate for 2012-2014 was 1.5 percent, up from 1.34 percent in the 2009-2011 study. This means that, during this period, USDA-FNS estimates that 1.5 percent of all SNAP benefits redeemed were trafficked at participating stores. Additionally, this study estimated that 11.82 percent of SNAP-authorized retailers engaged in retailer trafficking at least once during this period.

²³ SNAP State Activity Report Fiscal Year 2016, p. 2.

²⁴ USDA, "SNAP Retailer Management Annual Report, 2017, <https://fns-prod.azureedge.net/sites/default/files/snap/2017-SNAP-Retailer-Management-Year-End-Summary.pdf>

²⁵ U.S. Department of Agriculture, "The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2012-2014," August 2013, <https://fns-prod.azureedge.net/sites/default/files/ops/Trafficking2012-2014.pdf>

²⁶ Daniel R. Cline and Randy Alison Aussenberg, "Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP)," Congressional Research Service, March 30, 2018, <https://fas.org/sgp/crs/misc/R45147.pdf>

The study found that the increase in retailer trafficking was caused by increased participation in SNAP by smaller stores, which have a much higher rate of retailer trafficking than other stores. The number of stores newly authorized to participate in the program over the last ten years (FY2007-FY2016) was about 93,000, and about 63 percent of this growth came from convenience stores. As of FY2016, convenience stores constitute about 46 percent of all stores in the program, up from 36 percent in FY2007. Convenience stores account for about 5 percent of total SNAP redemptions but about 57 percent of retailer trafficking over the 2012 to 2014 period, according to the study. About 20 percent of all SNAP benefits used at authorized convenience stores are trafficked and about 20 percent of all authorized convenience stores are engaged in trafficking.

These rates are significantly higher than the national rates for all stores. The increase in SNAP participation by smaller stores appears to correlate to an overall increase in retailer trafficking, according to USDA-FNS. USDA's finding that increased participation by smaller stores appears to correlate to an increase in retailer trafficking is an important area for further exploration for program improvement. Perhaps USDA's store screening and monitoring process ought to be different for the types of stores with a higher incidence of trafficking than others.

SNAP Administration Is Efficient

SNAP has low administrative overhead. About 93 percent of federal SNAP spending goes to providing benefits to households for purchasing food. About 6.5 percent goes for state administrative costs, including eligibility determinations, employment and training and nutrition education for SNAP households, and anti-fraud activities. Less than 1 percent goes for federal administrative costs. In addition to SNAP, the SNAP budget funds other food assistance programs, including a block grant for food assistance in Puerto Rico and American Samoa, commodity purchases for the Emergency Food Assistance Program (which helps food pantries and soup kitchens across the country), and commodities for the Food Distribution Program on Indian Reservations.

PART III: The House Agriculture Committee Farm Bill, H.R. 2

The House is likely to vote on significant legislation that would impact SNAP in the coming weeks as a part of the 2018 farm bill. The farm bill is the legislation that, among other things, reauthorizes SNAP, which provides an opportunity to strengthen the program by building upon its successes and addressing important oversight issues. The House Agriculture Committee passed on April 18 its version of the 2018 farm bill, H.R. 2. Traditionally, the legislation is bipartisan and represents meaningful compromise and collaboration within the Committee to improve SNAP. Unfortunately, the House Agriculture Committee bill did not follow such a path. Its bill, if enacted, would increase food insecurity and hardship and end or cut benefits for a substantial number of low-income people.

My organization has produced numerous analyses of the bill's impact,²⁷ including its program integrity provisions. Here I will provide a brief overview of our assessment and then discuss two issues in greater depth.

²⁷ Ed Bolen *et al.*, "House Agriculture Committee's Farm Bill Would Increase Food Insecurity and Hardship," Center on Budget and Policy Priorities, updated May 1, 2018, <https://www.cbpp.org/research/food-assistance/house-agriculture-committees-farm-bill-would-increase-food-insecurity-and>. Other CBPP analyses available at

Overview

Overall, the Agriculture Committee's proposal would reduce SNAP's effectiveness and put large numbers of families and individuals at increased risk of hardship.

- The bill contains changes that would cause more than 1 million low-income households with more than 2 million people — particularly low-income working families with children — to lose their benefits altogether or have them reduced. The Committee would use these benefit cuts, in part, to pay for a few modest benefit enhancements. But the net effect of all these provisions would still be a significant benefit cut, and a substantial number of people would lose benefits altogether. The remaining savings from the eligibility and benefit cuts would go to expanding state and federal bureaucracies and financing various grant programs outside of SNAP, at the expense of low-income families and individuals whose basic food assistance would end or shrink.
- In particular, the plan includes sweeping, aggressive new work requirements that would likely prove unworkable and do substantially more harm than good, fueling increases in hunger and poverty. These provisions would force states to develop large new bureaucracies, but research suggests they would do little to increase employment. This expensive, risky approach runs counter to evidence-based policymaking, particularly since the results from work pilots for SNAP recipients that the 2014 farm bill established, which are well underway, aren't yet available. Moreover, experience suggests that the bill's work requirements would leave substantial numbers of low-income people who have various barriers to employment — such as very limited skills or mental health issues like depression — with neither earnings *nor* food assistance.
- The plan would also impose significant new state mandates and roll back numerous areas of state flexibility that were designed on a bipartisan basis in prior farm bills to streamline and modernize program operations and make the program easier for states to administer and for eligible households, particularly working families, to navigate.

Many of Agriculture Committee Chairman Michael Conaway's stated themes for the nutrition package — funding job training, modernizing benefit delivery, strengthening program integrity, and supporting healthy eating — are priorities that Committee members on both sides of the aisle broadly share and could have been the basis for a meaningful bipartisan bill. In some of these areas, the bill contains modest, useful proposals. But the Committee broke with longstanding bipartisan tradition when it passed a package with support from Republicans alone that's unbalanced, untested, and likely unworkable in key areas like its sweeping work requirements — and that would put the food security and well-being of many low-income families, including working families, at risk.

<https://www.cbpp.org/press/statements/greenstein-conaway-snap-proposals-would-increase-food-insecurity-and-hardship>; <https://www.cbpp.org/blog/conaways-snap-work-proposal-would-harm-many-workers>; and <https://www.cbpp.org/house-farm-bill-briefs-who-would-its-snap-proposals-harm>.

TABLE 1

Nutrition Title of House Agriculture Committee Farm Bill Includes More Than \$20 Billion in SNAP Benefit Cuts Over Ten Years

| | CBO 10-Year Cost Estimate |
|---|---------------------------|
| SNAP benefit cuts | -\$23.1 billion |
| SNAP benefit improvements | \$5.8 billion |
| New administrative costs and work programs | \$15.0 billion |
| SNAP benefit delivery and other program changes | -\$0.6 billion |
| Non-SNAP grants | \$2.8 billion |
| Total Nutrition Title* | \$0 billion |

Details do not add to total due to rounding.

* Title IV total including \$463 million in direct spending and \$465 million in increased revenue.

Sources: Congressional Budget Office (CBO), H.R. 2, Agriculture and Nutrition Act of 2018, as ordered reported by the House Agriculture Committee on April 18, 2018, May 2, 2018, https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr2_1.pdf.

Program Integrity: A Flawed Approach to the National Accuracy Clearinghouse

Improving program integrity and program operations has long been an important goal of the farm bill. States and USDA often provide the Agriculture Committees with ideas for, or examples of, important innovations. Moving food stamps to paper coupons to an electronic benefit transfer system, shifting applications online, supporting electronic document management systems, and funding innovative approaches to fraud detection are examples of ideas that have come from this collaboration. Traditionally, these efforts have been non-partisan in nature.

An example of a program integrity provision that could have garnered bipartisan support concerns the National Accuracy Clearinghouse (NAC). Section 4001 of the Committee's bill would establish a duplicative enrollment database by transforming the NAC into a nationwide, mandatory effort. Now implemented under a state-initiated contract between Mississippi and LexisNexis, the NAC lets five participating southern states (Alabama, Florida, Georgia, Louisiana, and Mississippi) disclose data on their SNAP participants as a means to identify and prevent SNAP participation in more than one state. An evaluation of the NAC found that fewer than 0.2 percent of SNAP participants were dual participants (i.e., more than 99.8 percent were not).²⁸ H.R. 2 proposes expanding the NAC nationwide within two years, which CBO estimates would save \$588 million over ten years.

Expanding the NAC could strengthen SNAP's program integrity and is a sound concept, but the Committee's proposal is flawed. States have indicated that the two-year timeframe to implement a system across all 50 states is ambitious given the limitations of their computer systems and the need to build business processes that allow them to work with other states to determine if an applicant is truly attempting to draw benefits twice or if the home state did not take necessary action to disenroll the individual. A more serious concern relates to the privacy of current and past SNAP participants. The bill would require USDA to build an enormous database of all SNAP participants that would

²⁸ See "National Accuracy Clearinghouse (NAC) Evaluation, Final Report," PCG, October 2015, p. 9, <http://www.fns.usda.gov/sites/default/files/snap/NAC-Final-Evaluation-Report-FINAL-10-19-2015.pdf>.

include income and other personal information (including Social Security numbers and income and asset information) that's well beyond what's needed to limit duplicate participation. The data, which states would share with USDA each month, would be stored in the database for many years, if not indefinitely. When all states participate, the NAC would include personal information on every SNAP recipient — some 40 million people at any point in time and potentially tens of millions more over time as others participate in SNAP and then leave the program. This raises concerns about data security, privacy, and other potential uses of the information. There are also important questions about under what circumstances USDA would be permitted to transfer or disclose the data to other government agencies and for what purposes.

The proposal does not specify USDA's costs to implement security and privacy protections that match those of the Social Security Administration (SSA) and Internal Revenue Service for the similar information they store about millions of Americans. Nor does it appear to provide any dedicated new funding for such measures, or to authorize USDA to slow or pause implementation under the aggressive timeframe required, if the Agriculture Secretary believed that USDA could not protect the personal data of Americans. While I have tremendous respect for the agency staff at FNS and believe they would do their best to secure and protect this information, this would be a significant undertaking for the agency. Moreover, my understanding is that a federal database such as this would be subject to Privacy Act obligations, including potential liability for breaches that may result. As a result, significant security would be essential. Providing the necessary level of security and privacy requires deep expertise, detailed planning, significant investments, and dedicated staffing. It's worth noting that SSA's cybersecurity budget, which includes both staff and information technology costs, is over \$100 million per year.²⁹ While the SNAP participant database would be smaller than SSA's, the provision would result in FNS, like SSA, holding and securing private information for tens of millions of individuals in perpetuity.

Moreover, this approach was unnecessary and does not reflect current best practices for large data matches. To avoid becoming a target for hackers and to protect private information, data security experts recommend that a match like the one required to prevent dual participation under the NAC “ping” — that is, send an individual query for whether an individual is already enrolled in SNAP — to the various individual state datasets, rather than have all the data aggregated in one enormous database. The Federal Data Services Hub, which the Department of Health and Human Services oversees under the Affordable Care Act, facilitates matches between states and federal agencies and private vendors rather than gathering all the data together. This provision is one of several examples of how the bill includes sweeping, untested and unnecessary proposals that would create risks for low-income Americans if the government does not execute them well. The NAC could have been designed in such a way that it garnered widespread support and did not raise serious concerns.

Balancing Program Integrity with Program Access

Apart from the harm that individual provisions would cause or the concerns that they raise, the bill as a whole would sweep away recent progress in reaching more eligible people. For more than 15 years, since the early 2000s — under Republican and Democratic administrations — Congress, USDA, and states have streamlined and modernized SNAP in ways that enhanced state flexibility and balanced strong program integrity with improved access for those who qualify under program

²⁹ SSA, FY2019 Congressional Justification, page 187, <https://www.ssa.gov/budget/FY19Files/2019CJ.pdf>.

rules. These efforts have resulted in more efficient and effective administration, as demonstrated by higher participation among eligible households and strong payment accuracy.

Those efforts began as a response to the unanticipated problems stemming from the 1996 welfare law, which not only radically restructured cash assistance by creating the Temporary Assistance for Needy Families (TANF) program, but also included deep benefit cuts in SNAP (then called food stamps) and a three-month limit on SNAP participation for certain unemployed childless adults. In the first years after the law's implementation, SNAP participation and costs plummeted far more than federal policymakers had anticipated, due in large part to a substantial drop in the share of eligible families receiving SNAP. Because of problems in state administrative systems in the first years of the welfare law, many families moving from welfare to work and joining the ranks of the working poor were cut off SNAP when they left welfare, even though they remained eligible for SNAP.

Aggravating this problem, some states instituted administrative practices in those years that had the unintended effect of making it harder for many working-poor parents to participate, largely by requiring them to take too much time off from work for repeated visits to SNAP offices at frequent intervals (such as every three months) to reapply for benefits. This prompted many analysts and state policy officials from across the political spectrum to call for reforms that would improve access to SNAP for low-income working families.

As noted above, both the Clinton and the Bush administrations acted to address this problem, reflecting a bipartisan consensus that to make it difficult for families to receive SNAP assistance if they left welfare for low-wage work would reduce work incentives and contradicted welfare reform goals. Congress enacted meaningful, although relatively modest, changes in 2002 and 2008 to lessen barriers to SNAP participation among the working poor. Critical to this effort were changes that reduced both the number of trips that low-wage working households had to make to the SNAP office and the reporting and documentation they needed to provide of non-essential changes to their circumstances. As a result, the percentage of eligible individuals in low-income working families that receive SNAP rose by more than two-thirds: from 43 percent in 2002 to more than 70 percent in recent years. These gains were maintained during and after the recent deep recession.

The House farm bill would move the program backwards with respect to access by mandating and incenting states to dramatically increase paperwork, verification, and likely office visits. These changes would surely compromise program access, particularly among working families. Beginning in 2021, an estimated 7 million people, including 1.5 million adults working more than half time, would have to prove *every month* that they met the new 20-hour-a-week work requirement or were exempt. These individuals are in some 30-40 percent of SNAP households. This extraordinary increase in requirements, affecting both participants and states, would put millions of families at risk of losing benefits due to bureaucratic error. Any clerical slip-up, by workers or caseworkers, could result in lost benefits. The bill includes numerous other provisions that would demand more documentation and verification.

In addition, the bill would set SNAP's allowable payment error threshold at \$0. As noted above, SNAP has a QC process to ensure the accuracy of household eligibility and benefit amounts. States must sample a representative number of cases each month and state QC staff thoroughly review the accuracy of the original eligibility determination and benefit level. USDA further reviews a subset of

these reviews and, based on these reviews, annually reports state overpayment and underpayment error rates; states can be assessed significant penalties for above-average error rates.

To encourage states to focus their payment integrity efforts on the costliest types of errors, SNAP's QC rules have long had a "tolerance" level below which error amounts do not count toward the state's error rate. The current level, set by the 2014 farm bill, is \$37, with annual adjustments for inflation. From 2000 to 2009, the QC tolerance level was set at \$25 with no adjustments for inflation, but in 2009 Congress temporarily raised the tolerance level to \$50 in the Recovery Act to acknowledge states' concern that the Recovery Act's temporary benefit increase would raise states' error rates without indicating fault in program administration. The Committee's proposal would eliminate the error threshold altogether and set the amount at zero.

By definition, this would increase SNAP's payment error rate by including more small errors in the calculation.³⁰ It would also impede states from focusing on larger errors by including any small error that results from a minor mistake. Some states would almost certainly respond by requiring more paperwork, such as six weeks of pay stubs rather than the typical four weeks in order to verify income, and by imposing other rules (such as more frequent interviews) that aim to reduce errors but would likelier create administrative burden and deter access to the program or reduce benefits.

It's also unclear how this change would interact with the bill's monthly assessment of eligibility relative to required work or training. If a SNAP participant reported increased work hours in a given month, would the state then need to demand earnings verification and recalculate her benefits in order to avoid a payment error? We are deeply concerned that the combination of these two provisions will result in states feeling obligated to demand a significant increase in paper documentation of changes in household circumstances, a problem Congress resolved years ago. Program operators learned in the late 1990s the difficulty of issuing benefits in precisely accurate amounts to workers. If program rules do not accommodate the very natural fluctuations in income and circumstances that households — particularly working households — have, states would feel significant pressure to require workers to document both their hours and earnings each month.

Conclusion

SNAP is efficient and effective. It alleviates hunger and poverty and has positive impacts on recipients' long-term outcomes. And, it has exacting standards with respect to eligibility determination and overall program integrity.

Over the many years that I have worked on this program, Congress, USDA, and states have endeavored to maintain SNAP's successful structure and design while also changing the program to better meet the needs of underserved groups (such as working families and seniors) and testing or implementing new ideas to improve program efficiency without compromising effectiveness. Unfortunately, the House Agriculture Committee proposal would weaken SNAP's ability to meet low-income households' food needs, increasing hunger and hardship. Given the mounting evidence of SNAP's critical role in improving health and well-being, I urge Congress to

³⁰ Government Accountability Office, "Supplemental Nutrition Assistance Program: Policy Changes and Calculation Methods Likely Affect Improper Payment Rates, and USDA Is Taking Steps to Help Address Recipient Fraud," July 6, 2016, GAO-16-708T, <https://www.gao.gov/assets/680/678339.pdf>.

look at ways to strengthen SNAP, not compromise its ability to meet the basic nutrition needs of struggling Americans.

Mr. JORDAN. Thank you, Ms. Dean.

The gentleman from Alabama is recognized for 5 minutes of questioning.

Mr. PALMER. Thank you, Mr. Chairman.

I was listening to your testimony, Ms. Dean, and I find it interesting, some of the things that you quoted there, about how this will harm people to go to work.

I grew up dirt poor. I mean, my father had an eighth-grade education. He's blind in one eye. And I was able to get out of that situation by working, not by going on a government program.

What I want to point out to you is, work requirements were implemented in the State of Kansas, and I just want to read some of the results.

Jason, who was previously unemployed and was on food stamps for 4 years, after the work requirements, he got a job, and he is earning \$45,000 a year.

Do you have a problem with that? I didn't think you did.

Amy was previously unemployed. She was on food stamps for 2 years. She is now earning \$27,000 a year.

Matt was on food stamps for years. He is now earning \$34,000 a year.

Sarah was on for 3 years. She is earning \$37,000 a year. And I could go on.

The thing that really bothers me about all this is that it comes across to me that some folks really do want to see people remain dependent on the government, and that, I just can't believe it.

I mean, I am going through the farm bill. I've read the provisions in it for the improvements in SNAP and giving people the ability to stay on food stamps while they are getting job training or getting a job or volunteering, and it is just beyond my comprehension that anybody would oppose that for able-bodied adults without children.

I have even heard one of my colleagues say that it would violate child labor laws, and I just want to emphasize, this is able-bodied adults without children. It doesn't violate any child labor laws.

I will tell you the opposition to it violates the laws of common sense. I really believe that.

Mr. Adolphsen, one of the reasons the current work requirements in SNAP have been largely ineffective is the widespread use of waivers, as you pointed out. And I think it is the GAO report, Ms. Larin, you point out that only about 0.5 percent actually took advantage of the training. Out of 43 million people, only about 200,000, is that correct?

Ms. LARIN. Yes, 0.5 percent of SNAP recipients participated in the SNAP E&T program. The vast majority of SNAP recipients are not able-bodied adults. Many are exempt from work requirements. Those include children, the elderly, the disabled. But 15 percent were work registrants in 2016.

Mr. PALMER. That would be about 6 million, right?

Ms. LARIN. Yes, that is correct.

Mr. PALMER. Fifteen percent of 43 million is a little over 6 million.

My point here is that there are, right now, about 6 million available jobs. If that 15 percent of able bodies who do no work entered

into the work force, we could pretty well fill those positions and still provide the benefits to the people who truly need them, the disabled, the low-income families with children.

One other statistic on this that gets me is that I believe about 63 percent of the people who are on food stamps, Mr. Adolphsen, correct me if I'm wrong, are under 35 years old. Is that correct? No, a little over half, a little over 50 percent of people on food stamps, on SNAP benefits, are under 35. Is that correct?

Mr. ADOLPHSEN. That sounds right, Congressman.

Mr. PALMER. Yes, and I think a little over 40 percent of those are men.

This is the guy that was sitting on the front porch, Mr. Chairman, drinking, you said, a cup of coffee. He may have been drinking a beer, I don't know. I didn't drive by. That really bothers me, again, having grown up the way I did and knowing that the only way out of that situation is a good job, a good-paying job.

As my colleague from Illinois pointed out, that is the best anti-poverty program, a good-paying job. It is the best thing to do for an individual's health.

Would you agree with that, Mr. Adolphsen?

Mr. ADOLPHSEN. Yes, I think we have seen the results in States that have brought work requirements back into play. In my home State of Maine, just a year after implementing that requirement, the incomes of those individuals that left food stamps more than doubled in just 1 year.

You mentioned Kansas. We have seen that work. I think people aren't participating in E&T because it's not required. It's typically done only as a voluntary thing, and there's no penalty if they don't work or if they don't participate.

Mr. PALMER. Mr. Chairman, my time has expired. I just want to close with this, that as a result of the tax cuts and JOBS Act, we now have record unemployment. We have higher wages. There are over 6 million job openings, and the economy is poised to grow at an even greater pace. I cannot think of a better time than this right now to help low-income families get out of poverty, get off government dependence, and get a job and really get themselves onto a brighter future.

I yield back.

Mr. JORDAN. I thank the gentleman.

The gentleman from Illinois is recognized, the ranking member.

Mr. KRISHNAMOORTHY. Ms. Dean, I think that Mr. Palmer had some points he made, and I think a couple of them were directed toward you. Do you want to respond to any of those?

Ms. DEAN. Thank you so much.

If I have left anyone with the impression that we don't believe at the center that work is the single most powerful pathway out of poverty, then I did a poor job. Of course, work is crucial to family well-being and economic success. That is why the center does so much work on key work supports, like the earned income tax credit, Medicaid, and SNAP, which is a program that supports low-wage working families.

The problem is that a lot of work does not pay. So in Mr. Jordan's example, the custodian at the second-shift plant and the teacher's aide in that second-grade teacher's class could well be

SNAP participants with inconsistent hours, low pay, and no benefits. So the program does play a vital role in supporting work.

The concern I have about H.R. 2, and I'll just be brief on this, is that before you even get to the question of the work requirements and whether the services that would be offered would be the quality kinds of things that Mr. Lipps talked about earlier, 7 million people would have to file a form every month demonstrating that they were working 20 hours a week or were exempt.

And this is where I think we talk about people getting caught in a net. A mom with a young kid who was sick has to prove that the child was truly sick to the satisfaction of a caseworker. We are suggesting that large, massive bureaucracies can make mistakes and put benefits at-risk. So we are putting benefits to families with children and workers at-risk, and that is a deep, deep concern.

So thank you for the opportunity. I'm sorry. I should let you get back to your question.

Mr. KRISHNAMOORTHY. So kind of explain to us how, as you mention, if H.R. 2 were to go into existence or be passed, that a million additional people would essentially go hungry without the food stamp assistance that they would receive otherwise.

Ms. DEAN. I want to be careful about "going hungry." That is an important and powerful term. I think we believe, without food assistance, absolutely, hardship will increase, and families would be at-risk.

CBO does say, for example, 400,000 working families with nearly a million people would be terminated from food assistance under the bill, which would repeal an option that States have to extend the program. That is just making their lives more precarious.

You are an example of a child that benefited from ensuring steady, stable nutrition during key developmental years.

Mr. KRISHNAMOORTHY. I think that is one of the fundamental issues here, which is that children are in so many of these families that receive this SNAP assistance. Through no fault of their own, through nothing that they had to do with a mistake on paperwork or bureaucratic errors, or anything like that, they may go without the essential food assistance that they have come to rely upon. Is that fair to say?

Ms. DEAN. That's right. It's an untested scheme, which is really unfortunate, because the last farm bill included \$200 million to test very robust demonstration projects to look at different interventions around work, so that Congress would have a better sense of what works and what doesn't before obligating billions of dollars to a new system. In the end, it's true, it's poor families who are at-risk under this approach.

Mr. KRISHNAMOORTHY. Tell us, again, how many children will go at-risk of losing food assistance because of H.R. 2?

Ms. DEAN. Sorry, I don't have that number at the ready, but a significant share of the 2 million are families with kids.

Mr. KRISHNAMOORTHY. I understand. Ms. Dean, your testimony discussed the positive impacts that SNAP has had in reducing hunger and poverty in our country, yet, I've also heard people say that our investment in antipoverty programs such as SNAP has not had any impact on reducing poverty. So can you kind of help us understand the discrepancy in these perspectives?

Ms. DEAN. It absolutely has. The official poverty measure doesn't include the value of income transfer programs like SNAP. So that is why the Census Bureau recommends using an alternative measure, the supplemental poverty measure, which adds it back in.

When you add the value of transfer programs, SNAP lifts, for the most recent year available, more than 8 million people out of poverty, 4 million children. So poverty experts agree, it is totally appropriate and preferable to include the value of transfer programs. When you do that, you see the powerful impact that the safety net has on addressing poverty.

Mr. KRISHNAMOORTHY. Thank you, Ms. Dean.

Thank you. I yield back.

Mr. JORDAN. I thank the gentleman.

The gentleman from Tennessee is recognized, Mr. DesJarlais.

Mr. DESJARLAIS. Thank you, Mr. Chairman.

Mr. Lipps, you mentioned in your testimony that SNAP is intended to support the transition of able-bodied adults to stable employment. Would you agree that there is a lack of available data from USDA in regards to the amount of time individuals actually receive the benefits?

Mr. LIPPS. Yes, Mr. DesJarlais. We have some data on that, but it is mostly survey data. We don't, at the national level, have accurate data held on that.

Mr. DESJARLAIS. So would you agree, then, that it would be very difficult for us to judge the effectiveness of the program in transitioning people off of welfare if we don't even know how long they are on the program?

Mr. LIPPS. Yes, sir. I think the more data that we at FNS are able to have, the better we can serve recipients.

Mr. DESJARLAIS. How do we fix that?

Mr. LIPPS. I think we need to make sure that we can have access to that type of data. States need to be measuring when people are moving on and off of work.

Ms. Dean added some follow-up to my statistics on the number of people not working. I don't disagree with those, but I think part of the problem is that so many of these individuals churn on and off work, and the employment and training program is about helping people find long-term, stable employment, and that is what we should be measuring on these people.

Mr. DESJARLAIS. States currently receive bonuses for meeting the minimum requirements for administering the program. Is that correct?

Mr. LIPPS. That's correct. Yes, sir.

Mr. DESJARLAIS. Okay. Do you also think that these bonuses may incentivize States to potentially falsify their records to become eligible for these bonuses? And how much are these bonuses?

Mr. LIPPS. The OIG did suggest in their investigation that that was a factor in what States did. The bonuses are \$24 million a year.

Mr. DESJARLAIS. To all States?

Mr. LIPPS. To States. I believe we give them to eight States with the best error rates and a couple additional States on improved error rate.

Mr. DESJARLAIS. So they are actually sending money to these States for doing a good job of signing people up to the program.

Mr. LIPPS. For processing them well, yes, sir.

Mr. DESJARLAIS. It is often reported by States that their error rate is extremely low or even zero. Would you agree that it is important to point out that, under current law, the threshold for errors is actually \$37?

Mr. LIPPS. Yes, sir. That is important to know when calculating what the error rate is.

Mr. DESJARLAIS. Do you think that should be changed?

Mr. LIPPS. I think it is important that we accurately report what the actual errors are and what people judge that to be. Yes, sir.

Mr. DESJARLAIS. So if the threshold is \$37, can you speculate how much money may be being overlooked?

Mr. LIPPS. I can't speculate on that exactly, but if you consider that the average benefit is \$123, I believe \$37 is a significant percentage of that.

Mr. DESJARLAIS. Yes, I would agree.

Mr. Adolphsen, you mentioned in your testimony something known as broad-based categorical eligibility, or BBCE. As I pointed out earlier, we have an extreme lack of data when it comes to SNAP recipients. Would you agree that broad-based categorical eligibility, which waives the asset test, is a contributing factor?

Mr. ADOLPHSEN. Yes, sir. Since we don't collect assets at all, we have a limited view of the income and resources available to a household.

Mr. DESJARLAIS. Can you go into some more detail on additional problems associated with the BBCE?

Mr. ADOLPHSEN. Sir, the broad-based categorical eligibility relies on a gimmick where States convey a TANF-funded document, usually a brochure, to a recipient, making them eligible. So by handing them a TANF-funded document, and some States don't even actually give it to them, that confers automatic eligibility on them and waves the asset test. It also allows their income level to be much higher than traditional eligibility.

Mr. DESJARLAIS. Isn't that kind of cheating the system?

Mr. ADOLPHSEN. I believe it is, and, unfortunately, an increasingly large percentage of cases are found eligible through that door. I believe it is over 65 percent, at this point.

Mr. DESJARLAIS. Would you say it is possible that some of these programs that are cheating the system are also the States where these performance bonuses are going?

Mr. ADOLPHSEN. That is fair to say. I do know the current version of the farm bill eliminates broad-based categorical eligibility as well.

Mr. DESJARLAIS. Right. I agree. As you point out in your testimony, there is quite a bit of confusion when it comes to who faces a work requirement for SNAP and who is exempt, which often leads to States not appropriately enforcing work requirements. Would you agree that, instead of several confusing categories, it would be more effective to simply have one category of work-capable adults from age 18 to 59 with exemptions being for those who were pregnant, mentally or physically disabled, or a guardian of a child under age of 6?

Mr. ADOLPHSEN. Yes, without a doubt, all able-bodied adults should have a requirement in place, a work requirement.

Mr. DESJARLAIS. I think that is an issue that over 80 percent of America agrees on, whether you are Democrat, independent, or Republican, so I think that is a winning issue.

And I yield back my time.

Mr. JORDAN. I thank the gentleman.

We now recognize the gentlelady from New Jersey for her 5 minutes.

Ms. WATSON COLEMAN. Thank you, Mr. Chairman.

I agree with everyone that every able-bodied person in this country who has the skills and the opportunity, and is free of discrimination, should be working, and that the work that they have should pay a living wage so that they don't have to supplement it with any kind of government assistance.

I recognize that SNAP costs a \$1.40 a meal, and we are sitting here having this long discussion, making assumptions about people sitting on their porches, not knowing what the hell their problem or issue may be, not even defining what able-bodied might be, when we had no discussion on passing an incredibly, incredibly generous, outrageous tax bill to the wealthiest 1 percent of this country, and we had not a hearing, not a committee meeting, not a vetting, not a darn thing, just an opportunity to vote yes or no, and I voted no.

I am offended that we make assumptions about people who we may think are able-bodied or should be working when they are only receiving minimal help from the government in order to ensure that they are nutritiously cared for, even if they have children or don't have children.

The richest country in the world needs to spread some of that generosity to those who need it the most. No one—no one—should be hungry. And no one—no one—should be questioned about whether or not they are eligible for a \$1.40 a meal. And this is very offensive to even have this discussion here right now.

I want to ask, who represents the nonprofit? You, Mr. Adolphsen. What does your nonprofit do?

Mr. ADOLPHSEN. Our nonprofit is a public policy think tank that focuses on welfare and health care issues.

Ms. WATSON COLEMAN. Thank you. So did you all have any opinion on the tax bill, the tax initiative that was passed most recently? And if so, what was it?

Mr. ADOLPHSEN. We do not engage in tax policy, but I think it is fair to say that, in part because of that tax cut, that work now pays like it never has before.

Ms. WATSON COLEMAN. Do you have an understanding that the situation of work availability has a lot to do with the communities in which you live, the education which you have had, and the color of your skin or your ethnicity?

We are having this Pollyanna discussion as if there is equality in this country. There has never been equality in this country. Inequality is at its absolutely highest level right now.

So I am particularly offended to sit here and listen to either my colleagues or those who are testifying to suggest that there are peo-

ple who are gaming a system at a \$1.40 a meal when 1 percent of this country has gamed an entire economy.

Ms. Dean, I want to thank you for the work that you do and for the information that you have shared with us. I know that you must agree that there needs to be better monitoring devices to ensure that those few who shouldn't receive these benefits don't receive these benefits. Do you have anything that you would like to contribute along that line?

Ms. DEAN. Thank you for the opportunity. Actually, 2 years ago, I testified before a different set of subcommittees, as well as the House Agriculture Committee.

We have suggested that States be given better access to some of the kind of data systems that were built for health coverage, healthcare.gov, that HHS has a big data system that we think would give States quick access when they are talking to someone to verify what they are saying.

We do support the proposal to create a National Accuracy Clearinghouse. We just have serious concerns about the way it has been proposed in the farm bill.

I think also an increase in resources for fraud investigators, both at the Federal level and at the State level, is a welcome idea. Unfortunately, the farm bill didn't do that.

May I jump in on one point that was raised?

Ms. WATSON COLEMAN. If you do it really quickly, because I have a question for Ms. Larin.

Ms. DEAN. Absolutely. I just want to raise a point about the success that has often been touted about Kansas and Maine. I do think that often what is reported is what happened after the intervention, but there is no actual comparison data relative to what we would've seen in the absence of the intervention.

When you compare employment and earnings rates post-intervention to a year prior, there is virtually no difference. I think that is really crucial in an evidence-based environment, to not pursue an approach without a robust assessment of the facts.

Ms. WATSON COLEMAN. Thank you so much.

Ms. Larin, I guess you are best to answer this question. You said that there is a certain percentage of these improper payments that were made. What percentage was that? And what percentage of those were determined to be fraudulent payments, as opposed to improper payments?

Ms. LARIN. Improper payments and fraud are two completely different things.

Ms. WATSON COLEMAN. I know that.

Ms. LARIN. Right.

Ms. WATSON COLEMAN. I'm not sure everyone does, but I know that.

Ms. LARIN. Yes. So improper payments occur when a beneficiary either gets too much or too little.

Ms. WATSON COLEMAN. So what percentage? I am asking a really specific question here. What is your knowledge of the percentage that are improper? And of that improper, what percentage is actually fraudulent payments?

Ms. LARIN. We do not know. The only fraud rate that USDA measures is retailer trafficking, which does not cover recipient fraud, so we have no idea what the recipient fraud rate is.

Ms. WATSON COLEMAN. Thank you.

My time is up. I yield back. Thank you very much.

Mr. JORDAN. I thank the gentlelady.

The gentleman from North Carolina is recognized for 5 minutes.

Mr. WALKER. Thank you, Mr. Chairman.

Under the Obama administration, SNAP recipients went from 28 million to 44 million. That is a 64 percent increase. The population under that same time increased by 6 percent.

Ms. DEAN, how do you explain that? What would be your reasoning for that kind of spike?

Ms. DEAN. I have two reasons.

First was the extraordinary economic downturn that occurred as the Bush administration was ending and the Obama administration was beginning. That was the primary driver of enrollment.

But the second is that the share of eligible people was on the rise. So the program now serves, I believe, over 80 percent of eligible people relative to fewer than 75, so even if the economy improves, the program will be serving —

Mr. WALKER. Okay, what is the point of transition off such a program? I mean, do you have a plan or thought about how you would transition people back into the work environment?

Ms. DEAN. I think what we have now, which is a growing economy and a low unemployment rate, is the best path.

Mr. WALKER. Well, we have I know in our community and many others many wages starting at \$13 to \$15 an hour, and it is a problem to find people because of the level of some of these government benefits.

My friends like to make this a humane argument, but what is humanitarian about keeping people trapped at this poverty level boggles my mind.

I think we have failed the American people when we begin to perpetrate the idea that by adding people more to a program somehow creates a success. Our ultimate goal would be, how do we transition people off the government entitlement programs such as SNAP?

Obviously, there are kids and there are family situations who we want to back up and support, but for many people, the able-bodied adults, the people that we are talking, it is a God-given, created ability that many people have different skills and unique talents. And when we put up roadblocks—to me, that is a travesty—to be able to encourage and to motivate people back into the work force

Ms. DEAN. If I may —

Mr. WALKER. I am sorry. I don't have time to respond right now. If I do at the end of the question, I will come back to you.

Mr. Lipps, what is the total number of SNAP recipients for the last fiscal year?

Mr. LIPPS. Forty-two million, two hundred thousand.

Mr. WALKER. And what is the total estimated cost of benefits for those recipients?

Mr. LIPPS. Sixty-three billion, seven million.

Mr. WALKER. Okay. For that large of a population, I am sure that USDA and/or maybe FNS has ways to prevent improper payments. Are there any methods or programs of identifying improper payments within USDA FNS?

Mr. LIPPS. Yes, sir. FNS provides a lot of technical assistance to States, and they have a lot of training programs. Our quality control system is our measure of how well we are doing in improper payments.

Mr. WALKER. Can you describe the current process or program by which the payments are identified?

Mr. LIPPS. Yes, sir. So the quality control process is the issue that we did have a problem with States inserting bias into the process in years past. Prior to my arrival and continuing now, FNS has done a great job of revising that process both at the Federal and State level so that we will be able to report an error rate to you this year.

Mr. WALKER. OMB recently tried to address the issue of improper payments with a National Accuracy Clearinghouse, the NAC, in Alabama, Georgia, Florida, Louisiana, and Mississippi. Has this program resulted in any significant reduction in dual SNAP participation?

Mr. LIPPS. Yes, sir. It was only tested in a few States, so on the size of 40 million recipients. It is difficult to say what is significant, but we think that any ability to root out fraud in the program is significant, so we did recommend in the President's budget that this be expanded nationwide.

Mr. WALKER. Very good. How do you compare this to the current PARIS system?

Mr. LIPPS. The National Accuracy Clearinghouse provides a lot of opportunity that PARIS does not. PARIS is not a real-time check on dual participation and has some other issues that can be fixed.

Mr. WALKER. Fair enough. Thank you. If adopted, does FNS have an estimate for total savings across a 10-year period using the NAC, or the National Accuracy Clearinghouse?

Mr. LIPPS. Yes, sir. The estimate in the President's budget was roughly \$1 billion over the baseline.

Mr. WALKER. And I gave my word to Ms. Dean that I would come back if I had an extra question. I want to honor that, but let me preface it by saying this. Republicans are trying to be presented here as non-compassionate. I spent much of my life working the inner cities of Cleveland, New York, Baltimore. This is about hope, not judgment. This is about being able to help families and people find a way to fulfill their God-given gifts and skills and talents, with which we are all uniquely created. That is why we are passionate about this.

How do we help? How do we transition this without continuing to create more and more government systems and adding millions and millions of people on those roles?

I want to yield back. I have 30 seconds. I yield that time back to you.

Ms. DEAN. I just wanted to say, I think the true measure of success is no food insecurity and no poverty. We tout enrollment in SNAP as, I guess, a step along the way to that, because it is so

successful in addressing hunger and food insecurity, but the goal is a country without those two problems.

Mr. WALKER. But when we see a spike from 28 million to 44 million, 64 percent, that ought to trouble us, not encourage just to say, hey, we are serving, as we have heard today, we are serving the American people. For able-bodied adults, there is a better way, and we must work to find it.

Thank you, Mr. Chairman. I yield back.

Mr. JORDAN. I thank the gentleman.

The professor from Maryland is recognized.

Mr. RASKIN. Mr. Chairman, thank you very kindly.

First, I just want to say that I agree that all able-bodied Americans should be engaged in productive work and not sitting around all day tweeting or filing bankruptcy or watching TV. And as Chairman Jordan points out, that can get the rest of the population very angry, to see people who are not participating in a meaningful way in the work force.

Now, the premise of some of the questions seems to be either you are collecting SNAP benefits, or you were working. And that puzzled me, because I always thought that working people could get SNAP benefits if they were otherwise eligible.

Ms. Dean, can you clarify that for me?

Ms. DEAN. You are absolutely correct. Unfortunately, too many jobs pay too little or offer too few hours, so we have millions of people who qualify for SNAP. About, of the working-age folks on the program, I think 65 percent include a worker of the able-bodied definition.

Mr. RASKIN. All right, so I want to be clear about that. You are saying nearly two-thirds of the people who receive SNAP benefits are able-bodied working people who are, in fact, working but not making enough money to support their family in a way to avoid food insecurity?

Ms. DEAN. Within that able-bodied age group. The number is even higher amongst families with children. Of course, if you look whether they were working before or after on SNAP, it is even higher. SNAP is there both as a form of unemployment insurance and a low-wage supplement.

So again, when thinking about work interventions, it is important to think about who we are targeting, an individual who will rapidly reemploy within a month or so on their own and, therefore, spending money on expensive training might not be the best first solution. Is it someone who actually needs more robust intervention, or is there something else going on?

Mr. RASKIN. But I was moved by Chairman Jordan's instructive example at the beginning of two people going off to work, the third person sitting at home, watching TV, tweeting all day, whatever, and those people feeling uncomfortable or irritated about it.

But in fact, because of the work requirement, that person is likely to get in trouble, if they are really ripping off the system, if everything is working right. It is more likely that one of the two going to work could be using SNAP benefits for their family. Is that right?

Ms. DEAN. I think I gave the example of other folks in their workplace who might be earning lower wages and would benefit from the program. Yes, absolutely.

Mr. RASKIN. Okay. But in any event, it is misguided for us to think of the collection of SNAP benefits as somehow opposed to work when, in fact, as you are saying, a majority of the people collecting SNAP benefits are working.

Ms. DEAN. Yes, you are correct.

Mr. RASKIN. Okay. So, Mr. Adolphsen, let me just ask you quickly, do you think that Americans have a strong work ethic?

Mr. ADOLPHSEN. Yes, I think we are the greatest country in the world, and we are built on hard work.

Mr. RASKIN. All right, good. Then we agree on that. Thank you.

So I want to come back to what the work requirements are currently for people in the law.

Ms. Dean, could you recite for us what the work requirements are for people who are nonetheless still applying for SNAP benefits?

Ms. DEAN. Sure. There are two categories.

The first is the population between 18 through age 59 without children under age 6 and who are not essentially receiving a disability check or are very ill. That group has to register for work, and they are the pool of people that States can obligate or offer job training to.

States have a lot of flexibility on who they decide to enroll. So when Ms. Larin said only 200,000 were enrolled, that is not because the other group was refusing. It is because that's the group that States are serving.

The second group, a subset of that, is between the ages of 18 to 49. They are subject to a 20-hour-a-week work test. They may not participate for more than 3 months out of any 3 years unless they are exempt, and that group is not offered a job training slot as a condition of work. States can, but the vast majority don't. So we call it a time limit, not a work requirement.

Mr. RASKIN. Okay.

Ms. Larin, I wanted to come to you about a question, which is, States presently have the flexibility, as I understand, the discretion, to impose additional requirements on recipients for work. Are there any Federal restrictions on their ability to do that? What are some of the restrictions that States have imposed beyond the Federal requirements?

Ms. LARIN. I am not familiar with individual States.

Mr. RASKIN. Okay. I can research that separately.

Ms. Dean, let me come back to you. I know that your think tank has worked on tax policy, and I have been able to benefit from that. Were there any work requirements imposed on the big tax bill that gave hundreds of billions of dollars to wealthy investors? Did we require them to prove that they were actually working, the way we require under the SNAP program?

Ms. DEAN. I am not an expert on that subject, but I believe the answer to that is no.

Mr. RASKIN. They could be collecting the income passively through corporate dividends and interest and so on.

I yield back, Mr. Chairman.

Mr. JORDAN. Yes, but it is their income. I mean, it is sort of a fundamental difference. It is not the taxpayer dollars getting funneled through government.

Mr. Adolphsen, let me just run through some basics here.

What is the food stamp, overall, SNAP program population today? What is that number? How many people?

Mr. ADOLPHSEN. Forty-two million.

Mr. JORDAN. And has that increased or decreased in the last decade?

Mr. ADOLPHSEN. That has increased.

Mr. JORDAN. Increased from what to what? Do you know the numbers?

Mr. ADOLPHSEN. Seventeen million in 2000 from 28 million in 2008.

Mr. JORDAN. A significant increase, right? How about in dollars? What are we spending on it right now?

Mr. ADOLPHSEN. It has been as high as nearly \$80 billion. It is at about \$70 billion right now.

Mr. JORDAN. And what was it before? Less than half of that?

Mr. ADOLPHSEN. Less than half of that.

Mr. JORDAN. All right. And then how many of that 42 million are in this category we keep talking about, able-bodied adults?

Mr. ADOLPHSEN. Twenty million.

Mr. JORDAN. Twenty million. And of those 20 million, how many are not working and yet are still receiving a benefit of that 20 million subset?

Mr. ADOLPHSEN. Sixty-two percent, so a little more than 10 million.

Mr. JORDAN. More than 10. So we have 10 million people of the 42 million who are able-bodied and not doing anything to get the taxpayer benefit.

Mr. ADOLPHSEN. That is correct.

Mr. JORDAN. And then of that subset, how many are able-bodied adults with no kids who are not working and still getting the benefit?

Mr. ADOLPHSEN. Sure. About 4 million, 75 percent don't work at all, and about 3 million are in areas where that requirement —

Mr. JORDAN. Mr. Raskin just said that is not the case. There is a work requirement now. But you are telling me there are 4 million people able-bodied, no kids, who are doing nothing and still getting taxpayer money. How can that be?

Mr. ADOLPHSEN. Because of the waivers of that requirement.

Mr. JORDAN. Because the States have waived it, right? And they are waiving it at a time when the economy is pretty good. In spite of the tax cuts that the other side keeps saying are bad, the economy is pretty good right now, isn't it?

Mr. ADOLPHSEN. It's very good, and there are a lot of —

Mr. JORDAN. What is the unemployment rate right now?

Mr. ADOLPHSEN. Under 4 percent, I believe.

Mr. JORDAN. Isn't that the lowest it's been in like 18 years?

Mr. ADOLPHSEN. Fifteen States have their all-time low.

Mr. JORDAN. All-time low. And yet, we still have 4 million people with no kids, able-bodied, who could sit on the front porch and

drink coffee and read the paper while everyone else is going to work, right?

Mr. ADOLPHSEN. They could do that.

Mr. JORDAN. They could do that. They may not be doing that. They could be tweeting, as Mr. Raskin points out. They could be watching TV. They could be doing that. But in our example, they're sitting on the front porch, reading the paper, and drinking coffee.

Mr. ADOLPHSEN. The average American male spends 21 hours a week watching TV or playing videogames. We are asking —

Mr. JORDAN. Well, I didn't know there was that much sports on TV. That's amazing.

Okay, so, now, all we are saying is that, that group, those 4 million, should probably have to do something to get taxpayer dollars. That's all we're saying, right?

Mr. ADOLPHSEN. That's correct.

Mr. JORDAN. What's the average length of time someone is on food stamps today? How long are they on? Just take the general population.

Mr. ADOLPHSEN. The overall population, about 7 years.

Mr. JORDAN. Seven years. How about that 4 million who are able-bodied with no kids who aren't working? How long are they typically on?

Mr. ADOLPHSEN. For about 20 percent of that population, it is the same number.

Mr. JORDAN. Seven years. So we have able-bodied people with no kids getting something from the taxpayer, not having to do anything, and they can do it for 7 years?

Mr. ADOLPHSEN. If there is no work requirement, and they don't go back to work.

Mr. JORDAN. Would you support not only a work requirement, would you support a time limit? Like saying, you know what, if you are an able-bodied adult, we are going to help you do some kind of job training, some kind of work requirement, but if you are not willing to engage in that, there is a limited amount of time we are going to let you live off the taxpayer, not live off the taxpayer, get a benefit from the taxpayer if you are in an able-bodied adult not willing to work.

Mr. ADOLPHSEN. Yes, that type of time limit has been very effective in the cash assistance program.

Mr. JORDAN. Mr. Lipps, would you support a time limit?

Mr. LIPPS. Mr. Chairman, we would be happy to have a discussion with you about that. The administration doesn't have a position on that at the moment.

Mr. JORDAN. Ms. Dean, do you support time limits?

Ms. DEAN. No, and I believe the numbers Mr. Adolphsen quoted include senior citizens and children. The average length of time for, say, someone who is 65 and —

Mr. JORDAN. But he also said, I asked him that general question, but I also asked him about the 4 million who are able to work who are in the category of 18 to 59.

Ms. DEAN. They already face a time limit, 3 months out of 36, unless they live in a waived area, which covers about a third of the country right now.

Mr. JORDAN. Unless they live in a waived area. It's kind of a big exception.

Ms. DEAN. A third of the country.

Mr. JORDAN. A huge number of the population.

So I guess, are you for a time limit for everyone, not just —

Ms. DEAN. Absolutely not.

Mr. JORDAN. And do you believe, Ms. Dean, do you believe deadlines impact behavior?

Ms. DEAN. With my kids, that's for sure.

Mr. JORDAN. Yes, with everyone. They certainly do with Congress. Congress couldn't get anything done if there wasn't a deadline on something. So deadlines always impact behavior, but somehow we can't have that for people receiving a benefit from the taxpayer? There can't be a deadline?

Ms. DEAN. I don't think the jobs that are available today are paying or delivering —

Mr. JORDAN. You have to come to the Fourth District of Ohio, because I guarantee you they are. I know what it is like. Every single employer I talked to is looking for someone. There are help-wanted signs in every single business, and many of them pay very well.

And frankly, what employers are most looking for is someone to show up. And if they will show up, they will give them the training to get them a job that does pay a lot more than—what was the example you used? The custodian worker at the school, a lot more than that.

Ms. DEAN. But I think that is an area where perhaps you and the program Mr. Lipps mentioned and I have in agreement, which is training that is offered to help bridge the skills gap and to give employers the employees that they want I think is something that would be —

Mr. JORDAN. Mr. Adolphsen, I have just a few seconds here. Is there an asset test for people who get food stamps?

Mr. ADOLPHSEN. Generally, no.

Mr. JORDAN. Generally, no. So just to sum it up for the taxpayer, we have seen a doubling, more than doubling of the food stamp population in the last decade, from \$30-some billion to close to \$70 billion in spending. Of that 42 million who were in the food stamp program today, 15 million to 20 million are able-bodied adults, approximately 10 million able-bodied adults who are not working, and 4 million of those have no children. And yet, they can stay on the program potentially 7 years. And we don't even ask them what kind of assets they have in place.

Is that all fair?

Mr. ADOLPHSEN. That is fair.

Mr. JORDAN. That's why we have to change this program.

With that, I recognize the gentleman from California.

We have to go to this side, then we will come back to Mr. Grothman.

The gentleman from California, then we will come back to the gentleman from Wisconsin.

Mr. DESAULNIER. Thank you, Mr. Chairman.

I do feel the frustration on both sides here. I am old enough to look at criminal justice reform and see where we have come to

some mutual agreements on how we should approach that in evidence-based research.

I was in local government. I was very active in building a new juvenile hall for our county in the bay area. When we built it, we were told by the judges that it wasn't big enough. I went out there recently, it is at 65 percent of capacity. I asked the juvenile probation officers, what happened? They said because we instituted largely nonpartisan, evidence-based research, including helping families who were falling through the cracks.

So, Ms. Dean, it is very frustrating. I don't think any of us disagree with the idea that would like people to be able to be self-sufficient. But we also know, I have sat in meetings in my district, very different from Mr. Jordan's district, in the bay area, but I have sat in meetings with UC students who got 4.2s, got into the University of California, the best public university in the world, and they talk about housing problems but also food problems.

So somewhere in here, we can make this system work.

When I was in the Legislature in California, we were very low, and we still are low, in terms of our activity on SNAP. A lot of it was because the State and the counties didn't want to deal with the bureaucracy.

So how do we get this discussion turned around like we did with criminal justice reform? And we are not there yet, but we have come a long way to agreeing with what works, to have evidence-based research that is truly impartial, so that we give these people the support they need, so we get the results we all want.

Ms. DEAN. I think the first thing to do is to wait for the results of the 10 pilots that the last farm bill funded. They should be coming back, I believe, within the next year or 2. Those were done on a very high-quality evaluation basis, in terms of random assignment. And they looked at different kinds of participants and different kinds of interventions, because then-Chairman Lucas and the folks on the Senate side wanted to have information before committing billions of dollars.

But I think there is an extraordinary common interest around better job training that gives employers and employees what they want. That, I don't believe, is under debate.

The question is, is a one-size-fits-all, 20-hour rule for millions of people in thousands of jurisdictions around the country the right approach? And who does it put at-risk?

So I feel there is a lot of common ground to pursue a conversation here.

Mr. DESAULNIER. I appreciate that.

Mr. Chairman, I would like to yield the balance of my time to Mr. Raskin.

Mr. RASKIN. Thank you very much. I appreciate it.

Ms. Dean, let me come back to you for a second. Why would someone need SNAP benefits if they're working, and they're playing by the rules, and they're going to work every day, and they're packing their lunch and so on? Why would they still need SNAP benefits for their family?

Ms. DEAN. A couple reasons. One might be that they have committed to work 35 hours to their employer, but their employer, in

any given week, only offers them, say, 12 hours one week, 27 another.

Mr. RASKIN. What job categories might that account for?

Ms. DEAN. Retailer, home health aide, all kinds of jobs where the employer controls the hours, not the employee. They can't take a second job, because they have to be available for the first one.

And low pay. The reality is, eight bucks an hour still can qualify a family for SNAP.

Mr. RASKIN. How many people lost their jobs after the 2008 mortgage meltdown crisis, which accounted for a large part of the dramatic increase in people on SNAP after President Obama took office from—who was that?

Ms. DEAN. President Bush.

Mr. RASKIN. Yes, President Bush.

Ms. DEAN. Mr. Raskin, I'm sorry, you may well know the answer. It was millions and millions. I don't have the number.

Mr. RASKIN. My recollection is that 11 million people lost their jobs. Something like 12 million people lost their homes. There was massive dislocation and poverty in the country. Obviously, that was the major cause for people going on SNAP benefits.

And because we have a very strong work ethic, as I think we all agree, nobody is proud of that. But we are in a country that stands by its own people, and we take care of our own. If our people fall on hard times, we take care of them.

Why do States create waivers to make the program go on longer or to create more relaxed requirements?

Ms. DEAN. The Office of the Inspector General at USDA did a report on why States seek waivers from the three-month time limit.

The first reason was that many of the States believe that this is a very harsh policy, and so they do it because they think the underlying policy is unfair, and they seek to waive unemployed workers from it.

The second reason is the rule is incredibly complicated and error-prone. And not wanting to contribute to errors, they like to relieve as much of the State as they can.

The third reason, and California is an example of this, is they want to run their own employment and training program. Again, they don't want the one-size-fits-all mandate of the 20-hour rule. They offer alternative programs, granted, not across the State or for all the individuals, but they have their own approach.

That generally explains through three main reasons.

Mr. RASKIN. I yield back, Mr. Chairman. Thank you.

Mr. PALMER. [Presiding.] I thank the gentleman.

The chair now recognizes the gentleman from Wisconsin, Mr. Grothman, for 5 minutes.

Mr. GROTHMAN. Thank you.

First of all, I will point out, and I have to point this out to some members of our Ag Committee, too, I think there are many jobs in my district in which they will train you for the job. This idea that you need to go through some government agency to get job training before you can find a job is just preposterous. We have so many job training programs out there already, but the idea that we have to expect people to go through a formal job training program before they can find work, you have to get in the real world.

But since you guys are experts on these nutrition programs, why, wherever I go in Wisconsin or when I ask people in Washington, do they sell food stamps for \$0.50 on the dollar? Could somebody give me an opinion why that's so wherever you look?

Mr. ADOLPHSEN. Congressman, it is pretty easy right now, in some States in particular that aren't really looking for that type of fraud. For example —

Mr. GROTHMAN. Not fraud. Why is it being sold for \$0.50 on a dollar? I mean, I really can't figure this out, because, hypothetically, when you get these food stamps, it's not that big amount. But wherever I go, you can buy them for \$0.50 on the dollar whenever I ask.

So the question is, why? It shows that there must be something so fundamentally wrong with this program that people are, in essence, selling a \$20 bill for a \$10 bill. But that's what's going on, right?

Mr. ADOLPHSEN. We had one store in Maine that was giving \$0.60 for dollar, and the store down the street that was giving \$0.50 reported them because they were undercutting their competition.

This is done so that they can turn the benefit into cash.

Mr. GROTHMAN. I know, but there's something wrong. You understand what I'm saying? If I have \$20 in my wallet today, I don't sell it for \$10. It must mean there are so many food stamps floating around out there that people don't need, for whatever reason—maybe they're cheating on the system, maybe they're going to the food bank.

Could somebody tell me why you can again and again sell food stamps for \$0.50 on the dollar just about everywhere?

Mr. ADOLPHSEN. They're using it for things other than food.

Mr. GROTHMAN. That is apparent, but why wouldn't you sell them for \$0.90 on the dollar? Why is there this fire sale as people try to get rid of food stamps?

Ms. Dean, do you have an answer for that, why, wherever you look, they're selling them for \$0.50 on the dollar?

Ms. DEAN. Let's not my experience, Mr. Grothman. Families use these benefits for food.

Mr. GROTHMAN. When you ask people, say in low-income housing areas, or when you ask people at the convenience store or grocery store, how much they are selling, it's always \$0.50 on a dollar.

It bothers me that so many people who have set themselves up as experts on this program don't know that that's what goes on in this country everywhere.

Do one of you other guys want to guess? Ms. Larin?

Ms. LARIN. When we were looking at recipient fraud in 2016, what we heard is that some people were making very difficult tradeoffs between paying their rent and paying for food. And if they weren't getting housing assistance, sometimes they would sell their food stamps or their SNAP benefits in order to get the cash for housing.

Mr. GROTHMAN. Do you talk to people who get into this housing, the landlords and that sort of thing, as to whether people are choosing between food and housing?

Ms. LARIN. Yes, and landlords told us that they would take food stamps or SNAP benefits for rent. There are some people who are making those decisions.

Mr. GROTHMAN. I would strongly suggest you guys get out and talk to more people.

But I will give you another problem we have out there right now. Again and again, when it comes to low-wage jobs, I am having employers tell me that people either won't work or are cutting themselves off at like 20 hours a week, because they are afraid they will lose their benefits. Of course, that just doesn't mean SNAP. It means you begin to dig into your low-income housing. It means you begin to dig into your Medicaid, whatever other benefits are out there.

Do you believe that the SNAP program is one of the reasons why so many employees say that I can't take a rate raise, or I can't work more than X number of hours a week? Is that one of the reasons?

Ms. DEAN. If I may answer, no. The program has several earnings disregards that allow people to—basically, earning more results in largely monthly income.

But I will say that H.R. 2 would reimpose a benefit cliff and take away one of the key earnings incentives in the program that allows people to earn their way up the ladder.

Mr. GROTHMAN. Could you guys guess as to why it is common for employers of people making minimum wage to 15 bucks an hour not want to make more money in our society?

Mr. ADOLPHSEN. I would say the bigger problem, Congressman, is people not working at all. That is what we find in the data, is that they are not actually going to work, those able-bodied adults on the food stamp program.

Mr. GROTHMAN. Well, I will give you the answer, because my time is about up here. The answer is the earned income tax credit encourages you to work and make a little money but not a lot of money. That is why so many people want to make some money but not too much money, because when you make too much money, you lose not only your other benefits, but you lose your earned income tax credit, too. But there's your answer.

Mr. PALMER. In closing, I just want to make a couple points that we are having this discussion about the value of work, and during the worst depression in the history of the country, the Roosevelt administration set up a worker program that paid people, but they had to work. I think a lot of that was not just because they didn't want to spend money. It was the dignity of work. Particularly at that time in our Nation's history, no one, really, wanted to get a handout. They wanted to earn it.

I think that is a big part of what we are talking about, is individual dignity. Even with the Clinton welfare reform bill, there were time limits on that.

But though point is really this, and I think my colleagues and I would agree on this, that this country will never truly achieve its fullest potential until we are able to unleash the enormous talent and intellect and imagination of all of our people. That is the thing that concerns me more than anything else about where we are in terms of welfare, the millions and millions of Americans who have

been trapped in that system. And the quality of all of our lives have been diminished because of that, because we are not able to enjoy the enormous talent that is trapped in that system.

So I thank our witnesses, again, for appearing before us today. The hearing record will remain open for 2 weeks for any member to submit a written opening statement or questions for the record.

Mr. PALMER. If there is no further business —

Mr. RASKIN. Mr. Chairman, could I have a closing remark as well?

Mr. PALMER. The gentleman is recognized.

Mr. RASKIN. Thank you very much.

I just wanted to also try to close on a note of unity. I think all of us agree that we want people who are able to work to be working in a productive way contributing to our society. That means we need good wages and fair wages. I have always been a champion for the right of people to organize and to have collective bargaining in the workplace, and the minimum wage was a great historic triumph.

I think it's wrong that there are people who are working full time who can't support their families without SNAP benefits, but I think we have to look at that as a key part of the equation of reducing SNAP payments to make sure that everybody is making not just a minimum wage but a living wage.

Finally, I would hope that this whole discussion about the farm bill and about SNAP does not take us into an area where we are denigrating the work ethic of the American people, who I think are the hardest working people on Earth. And we are a people that's committed to supporting our families, but we are also a people committed to supporting one another through the ups and downs of the economy.

With that, I yield back to you, Mr. Chairman.

Mr. PALMER. I thank the gentleman.

My final comment in that regard is that, with the economy growing the way it is, with the demand for labor, the things that will determine what you make are work experience and skill level. And I really believe that we are on a path to help people achieve higher skill levels, better education, and, once we get them into the work force, to be in a position where they can earn a livable wage.

And I don't want them to just earn a livable wage, and I don't think my colleagues want that either. We want them to prosper, and the key to that is to be able to work.

If there is no further business, without objection, the subcommittee stands adjourned.

[Whereupon, at 11:41 a.m., the subcommittees were adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

epic.org

Electronic Privacy Information Center
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 Washington, DC 20009, USA

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 @EPICPrivacy
 https://epic.org

May 8, 2018

Representative Jim Jordan, Chairman
 Representative Gary Palmer, Chairman
 Representative Raja Krishnamoorthi, Ranking Member
 Representative Jamie Raskin, Ranking Member
 U.S. House Committee on Oversight & Government Reform
 Subcommittee on Healthcare, Benefits, and Administrative Rules
 Subcommittee on Intergovernmental Affairs
 2154 Rayburn House Office Building
 Washington, DC 20515

Dear Chairmen Jordan and Palmer and Ranking Members Krishnamoorthi and Raskin:

We write to you in advance of the hearing "Program Integrity for the Supplemental Nutrition Assistance Program."¹ Section 4001 of the of the Agriculture and Nutrition Act of 2018 would establish a federal database of SNAP recipients with personal data, such as social security numbers, employment status, and income amounts.² If Congress decides to create this federal database, then the Department of Agriculture will be subject to Privacy Act obligations, including potential liability for the data breaches that may result.

The Electronic Privacy Information Center ("EPIC") is a public interest research center established in 1994 to focus public attention on emerging privacy and civil liberties issues.³ Last year, EPIC successfully challenged the efforts of a federal commission to establish a national voter database, noting that voting, like SNAP administration, is a state function.⁴ EPIC also made clear that under the E-Government Act, federal agencies must undertake a Privacy Impact Assessment prior to the creation of a new record system containing personally identifiable information.⁵ The Department of Agriculture will have to conduct a Privacy Impact Assessment before a database of SNAP recipients is established.

¹ *Program Integrity for the Supplemental Nutrition Assistance Program*, 115th Cong. (2018), H. Comm. on Oversight & Gov. Reform, Subcomm. on Healthcare, Benefits, and Administrative Rules and Subcomm. on Intergovernmental Affairs (May 9, 2018), <https://oversight.house.gov/hearing/program-integrity-for-the-supplemental-nutrition-assistance-program/>.

² Danielle Citron and David Super, *We Don't Need a National Data Center of the Poor*, *Slate* (May 8, 2018), <https://slate.com/technology/2018/05/the-national-food-stamp-database-proposed-by-house-republicans-is-a-potential-nightmare.html>.

³ EPIC, *About EPIC*, <https://epic.org/epic/about.html>.

⁴ *EPIC v. Commission*, No. 17-1320 (D.D.C. filed July 3, 2017). Briefs and related documents are available at <https://epic.org/privacy/litigation/voter/epic-v-commission/>.

⁵ 44 U.S.C. § 3501 note.

EPIC Statement
 House Oversight Committee

1

SNAP Program Integrity
 May 8, 2018

Privacy is a Fundamental Right.

Data breaches are an epidemic in the United States. 2017 marked yet another “worst year ever” for data breaches.⁶ One report found that the number of data breaches nearly doubled from 2016 to 2017, and 73% of all U.S. companies have now been breached.⁷ There were 159,700 cybersecurity incidents in 2017.⁸ These figures represent a disturbing lack of data security. Recently, government data breaches have been numerous and severe and have raised concerns surrounding the safety of data stored by the U.S. Government. In recent years, data breaches have affected the Office of Personnel Management,⁹ Internal Revenue Service,¹⁰ Federal Bureau of Investigation, and the DHS.¹¹ A February 2018 report found that 57 percent of federal agencies experienced a data breach in the past year, compared to only 26 percent of non-US government agencies worldwide.¹²

The data breach epidemic imposes an enormous cost on the U.S. economy. According to the Department of Justice, 17.6 million individuals – 7% of all Americans – experienced identity theft, at a cost of \$15.4 billion to the U.S. economy.¹³ The Department of Justice found that 86% of identity theft victims experienced the fraudulent use of existing account information.¹⁴ A recent report found that identity fraud increased by 16 percent in 2016, with \$16 billion stolen from 15.4 million U.S. consumers.¹⁵ Identity theft continues to be the number one complaint to the FTC.¹⁶

Identity theft can completely derail a person’s financial future. Criminals who have gained access to others’ personally identifiable information can open bank accounts and credit cards, take out loans, and conduct other financial activities using someone else’s identity. Identity theft has severe consequences for consumers, including:¹⁷

- Being denied of credit cards and loans
- Being unable to rent an apartment or find housing
- Paying increased interest rates on existing credit cards

⁶ Online Trust Alliance, *Cyber Incident and Breach Trend Report*, (Jan. 25, 2018), https://www.otalliance.org/system/files/files/initiative/documents/ota_cyber_incident_trends_report_jan2018.pdf.

⁷ *Id.* See also, Thales, 2018 DATA THREAT REPORT, <https://dtr.thalesecurity.com/>.

⁸ Online Trust Alliance, *supra*, at 5.

⁹ Dan Goodin, *Call it a “Data Rupture”: Hack Hitting OPM Affects 21.5 Million*, ARSTECHNICA (July 9, 2015), <http://arstechnica.com/security/2015/07/call-it-a-data-rupture-hack-hitting-opm-affects-21-5-million/>.

¹⁰ *Id.*

¹¹ Alexandra Burlacu, *Teen Arrested Over DHS and FBI Data Hack*, TECH TIMES (Feb. 13, 2016), <http://www.techtimes.com/articles/133501/20160213/teen-arrested-over-dhs-and-fbi-data-hack.htm>.

¹² Thales, *2018 Thales Data Threat Report - Federal Government Edition* (February 2018), <https://dtr-gov.thalesecurity.com>.

¹³ Bureau of Justice Statistics, *17.6 Million U.S. Residents Experienced Identity Theft in 2014*, Press Release, (Sep. 27, 2015), <https://www.bjs.gov/content/pub/press/vit14pr.cfm>.

¹⁴ *Id.*

¹⁵ Javelin Strategy & Research, *Identity Fraud Hits Record High With 15.4 Million U.S. Victims in 2016, Up 16 Percent According to new Javelin Strategy & Research Study*, Press Release, (Feb. 1, 2017), <https://www.javelinstrategy.com/press-release/identity-fraud-hits-record-high-154-million-us-victims-2016-16-percent-according-new>.

¹⁶ Fed. Trade Comm’n, *FTC Releases Annual Summary of Consumer Complaints* (March 3, 2017), <https://www.ftc.gov/news-events/press-releases/2017/03/ftc-releases-annual-summary-consumer-complaints>.

¹⁷ Identity Theft Resource Center, *Identity Theft: The Aftermath 2017*, http://www.idtheftcenter.org/images/page_docs/Aftermath2017Finalv1.pdf.

- Having greater difficulty getting a job
- Suffering severe distress and anxiety

Cyber security is a concern at the USDA.¹⁸ According to the agency:

Cyber Security secures the business of USDA by managing the risks of cyber threats and vulnerabilities. We protect USDA agencies as they deliver IT services to their stakeholders and the American people.

That means our primary purpose is making sure USDA organizations and their employees have the knowledge and tools they need to fulfill their responsibilities and to create an environment of trust for their customers.

To that end, we focus as a service organization on delivering:

- Comprehensive leadership in developing and implementing an enterprise-wide, trusted environment in support of all USDA components
- A framework for tracking, reporting, and responding to events in an efficient and timely manner
- A centralized threat awareness and security analytics capability
- Effective outreach, communications, and reporting capabilities
- An enhanced enterprise security posture with technical guidance, engineering and operational services
- An architecture of security related products and solutions
- A complete Assessment and Authorization (A&A) function via the Risk Management Framework (RMF) process for all systems

If Congress decides to create this federal database, then the Department of Agriculture will be subject to Privacy Act obligations, including potential liability for breaches that may result.

We ask that this Statement from EPIC be entered in the hearing record. We look forward to working with you on these issues of vital importance to the American public.

Sincerely,

/s/ Marc Rotenberg

Marc Rotenberg
EPIC President

/s/ Caitriona Fitzgerald

Caitriona Fitzgerald
EPIC Policy Director

/s/ Christine Bannan

Christine Bannan
EPIC Policy Fellow

¹⁸ USDA, Office of the Chief Information Officer, *Cyber Security, Securing the Business of USDA*, <https://www.ocio.usda.gov/about-ocio/cyber-security>



May 8, 2018

The Honorable Jim Jordan
Chairman
Health Care, Benefits & Administrative
Rules Subcommittee
United States House of Representatives
2430 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Raja Krishnamoorthi
Ranking Member
Health Care, Benefits & Administrative
Rules Subcommittee
United States House of Representatives
2204 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Gary Palmer
Chairman
Intergovernmental Affairs Subcommittee
United States House of Representatives
2430 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jamie Raskin
Ranking Member
Intergovernmental Affairs Subcommittee
United States House of Representatives
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairmen Jordan and Palmer and Ranking Members Raskin and Krishnamoorthi:

Thank you for the opportunity to weigh-in on recent efforts in the Nutrition Title to incorporate employment and training initiatives. NETWORK Lobby for Catholic Social Justice, which has over 110,000 supporters nationwide, promotes policies that mend the economic gaps and bridge the social divides in our country. In our advocacy work we hold-up employment opportunities and fair wages as critical components of social and economic justice; we support effective, evidence-based employment and training programs. As a faith-based organization, we also believe in the moral imperative of ending hunger; we want to see programs like the Supplemental Nutrition Assistance Program (SNAP) protected and strengthened.

We find the House Agriculture and Nutrition Act of 2018 (H.R. 2) to be wholly unacceptable due to the drastic changes it would make to SNAP. This crucial and effective program prevents 1 in 8 Americans, 42 million people across the country, from going hungry. SNAP is a vital anti-hunger program for families and individuals—an estimated 84 percent of all SNAP benefits go to households which include a child, an elderly person, or a person with disabilities.¹ The draconian work requirements included in H.R. 2 would hurt our brothers and sisters living in poverty and would drastically increase food insecurity in our nation.

We see H.R. 2 as a tragic, missed opportunity to strengthen SNAP and to make meaningful investments in job training and education programs. Low-wage workers need real opportunities to move up the economic ladder. Instead, H.R. 2 diverts effective nutrition benefits funds into underfunded workforce development programs which are then delegated to states to build and manage. It will not only fail to provide real opportunities to SNAP recipients, but will result in loss of nutrition assistance in the process. What is currently an efficient, well-functioning anti-hunger program will become an ineffectual bureaucratic barrier to people that need food.

Below are some of the reasons NETWORK Lobby strongly opposes workforce solutions as proposed in H.R. 2.

¹ <http://frac.org/news/not-broken-fix-draft-farm-bill-puts-unnecessary-burdens-low-income-people>

- The funds diverted from effective nutrition assistance would be wholly insufficient to meet the needs of all those at risk of losing SNAP due to stricter work requirements. The new funding provided in the bill for job training and workforce development slots would amount to just \$30 per month for those recipients who need placement to retain SNAP benefits².
- Rather than investing dollars in the appropriate agency of jurisdiction to improve and support existing programs³, H.R. 2 proposes creating a new, poorly-funded skills and training program through USDA and paying for it with funds meant to provide food to the hungry.
- Requiring work by threatening to take away food assistance does not help people overcome what are often complex and difficult barriers to employment. Minimally funded employment training slots would fail to help substantial numbers of low-income people with various barriers to employment — such as very limited skills, undiagnosed disabilities, lack of child care and transportation, or family members with illness.
- SNAP already has work requirements. These existing requirements would be expanded to apply to parents of children over 7 years old and to older adults up to 59 years old and made more punitive. Those who can't comply would face harsh consequences — losing benefits for 12 months upon their first failure; each subsequent failure would lock individuals out of the program for 36 months.
- Most SNAP recipients who can work, already do work. By expanding work requirements and adding unnecessary red-tape to access nutrition assistance, this bill would create discouraging red-tape and unnecessary burdens for millions of Americans already struggling to get by.
- Eliminating the broad-based categorical eligibility option available, utilized by 42 states, would punish millions of low-income working households that would no longer qualify for assistance and face steep benefit cliffs.
- The objective of reducing food stamp rolls does not translate to people reaching self-sufficiency. While H.R. 2 will save \$9 billion over ten years from individuals losing SNAP, most of those savings would come from households having their benefits reduced or cut; from creating more hunger. “Opting-out” of the program implies a choice; barriers to employment aren't choices.
- SNAP is vitally important for local economies. For every \$5 of SNAP benefits that are used there is a \$9 increase in local economic activity. Cuts to and funds diverted from direct benefits have ripple effects through economies and directly impact retailers and workers in the food industry. Taxpayer dollars injected directly into local economies are more productive than dollars spent to build a new, bloated bureaucracy with unclear outcomes.
- In 2013, bipartisan policymakers provided \$200 million through 2014 Farm Bill for ten major state demonstration projects to test various approaches to employment services, work programs, and work requirements for people receiving SNAP. Those programs are currently underway and expected to provide data in 2019—they are in the midst of determining how best to help SNAP recipients move towards self-sufficiency. It's premature to move forward on this unprecedented scale before gleaning what these pilot programs have to show.

On the heels of the Tax Cuts and Jobs Act which provided massive tax cuts to corporations and the wealthiest in our nation, H.R. 2 adds insult to injury with deep cuts to basic human needs supports. The work requirement provisions in H.R.2's Nutrition Title are dangerously out-of-touch with the reality of 21st Century poverty and the challenges that low-income workers face in today's economy. We implore a more reasoned and less risky approach to workforce development founded on evidence-based policies.

Sincerely,

Sister Quincy Howard, OP
 Government Relations Fellow
 NETWORK Lobby for Catholic Social Justice

² https://www.cbpp.org/research/chairman-conaways-farm-bill-would-increase-food-insecurity-and-hardship#_ftn3

³ WIOA—the Labor Department's primary workforce development program has been chronically underfunded.

**Questions for the Record for Mr. Sam Adolphsen
Senior Fellow
The Foundation for Government Accountability**

**Submitted by Chairman Jim Jordan
Subcommittee on Healthcare, Benefits, and Administrative Rules
Committee on Oversight and Government Reform**

- 1.) The Committee wrote to FNS in April regarding their Advance Notice of Proposed Rulemaking (ANPRM) concerning the SNAP program and the ABAWD waiver request process. It is my understanding that the current time limit waiver process allows some states to perpetually skirt ABAWD work-requirements. For example, California has not had a work requirement for over a decade. How can we improve waiver criteria to ensure it does not unfairly benefit certain states?

Sam Adolphsen, The Foundation for Government Accountability, Response for the Record – August 1, 2018:

The current work requirements for Able-Bodied Adults Without Dependents (ABAWD), who receive Supplemental Nutrition Assistance Program benefits, also known as food stamps, has been undermined significantly by abuse of waivers of the requirement. The waiver authority originally granted by Congress to the Secretary of the United States Department of Agriculture was intended to be utilized only in regions with extreme economic difficulty, including the benchmark of having at least 10 percent unemployment for a period of time.

Instead, regulations promulgated in the food stamp agency have guaranteed at least some waivers of the work requirement will always exist, even during record-breaking times of economic prosperity like the country enjoys today.ⁱ There are currently 1,200 counties, cities, towns and other jurisdictions receiving a waiver from the work requirement currently, and just 42 of those have unemployment of at least 10 percent. More than half, 650, have unemployment at, or below 5 percent.ⁱⁱ

For example, as noted in the question, California continues to maintain a state-wide waiver of the requirement that ABAWD's work 20 hours per week, train, or volunteer. Despite a record-low state unemployment of about 4 percent, more than 800,000 able-bodied Californian residents ages 18-49 do not have to meet the work requirement to be eligible for their food stamp benefit. As a result, 78 percent of these individuals do not work at all.ⁱⁱⁱ

This is repeated in 33 states across the country. Loopholes and gimmicks are used to waive commonsense work requirements for millions of able-bodied adults on food stamps. States take advantage of the federal regulations to manipulate old data, gerrymander jurisdictions,

and game the timeline for the waiver, all with the intent of maximizing the number of able-bodied adults kept exempt from the requirement.

In order to correct this problem and restore work requirements for ABAWD's, the regulations devised by food stamp bureaucrats that flouted federal law, need to be corrected through administrative or congressional action. To improve the waiver criteria, the following changes should be made to the waiver rules:^{iv}

1. Stop Allowing States to Game the Timeline and Use Outdated Data

Current rules allow states to use data as old as four years old to demonstrate that areas have high unemployment rates. This ignores the current economic reality and means work requirements will always lag far behind the actual economic conditions. Only current economic conditions should be taken into account in the waiver approval process.

2. Stop Allowing States to Gerrymander Areas

Current rules allow states to gerrymander areas, allowing states to combine areas with relatively high unemployment with areas with record-low unemployment to waive the requirement for as many able-bodied adults as possible. Only areas that independently qualify for waivers should be eligible to receive them.

3. Stop Allowing Waivers in Low Unemployment Areas

Current rules allow states to qualify for waivers if their unemployment rates are somewhat higher than the national average, even if unemployment is at a record low and there are millions of open jobs. Congress set the statutory threshold at 10 percent to ensure only areas with objectively high unemployment waived the requirement. Only areas with unemployment rates above 10 percent should qualify to receive waivers.

An additional recommendation is that actual job data is used to determine "lack of sufficient jobs" as outlined in the federal law governing the waivers. This data is readily available and shows there are millions of jobs available nationally.

For More Details See Attached

For additional technical detail on suggested changes to the ABAWD waiver regulations, please see the comment I co-authored with Jonathan Ingram for the Opportunity Solutions Project and submitted in response to the Advanced Notice of Public Rulemaking, Docket FNS 2018-03752 (attached).^v

House Farm Bill Addresses Waivers

It is also worth noting that the House version of the Agriculture and Nutrition Act of 2018 (H.R. 2) effectively addresses the issues of states inappropriately waiving the ABAWD work

requirement. H.R. 2 would close the loopholes that enable states to receive waivers in low unemployment areas, reducing the number of ABAWD's exempt from the requirement by 87 percent.^{vi}

ⁱ Sam Adolphsen, "There has never been a better time for welfare reform," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/06/Its-Time-To-Get-To-Work-FINAL.pdf>.

ⁱⁱ Sam Adolphsen, Jonathan Ingram, Nic Horton, Victoria Eardley, Nick Stehle, "Waivers Gone Wild: How states have exploited food stamp loopholes," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/06/Waivers-Gone-Wild-6-5-18-update.pdf>.

ⁱⁱⁱ Ibid.

^{iv} Recommendations retrieved from: Sam Adolphsen et al., "Waivers Gone Wild: How states have exploited food stamp loopholes," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/06/Waivers-Gone-Wild-6-5-18-update.pdf>.

^v Jonathan Ingram and Sam Adolphsen, "Docket FNS 2018-03752," Opportunity Solutions Project (2018), <https://solutionsproject.org/wp-content/uploads/2018/04/OSP-public-comment-ANPR.pdf>.

^{vi} Jonathan Ingram and Nicholas Horton, "How the Agriculture and Nutrition Act of 2018 would rein in work requirement waivers gone wild," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/06/Agriculture-Nutrition-Act-Memo-FINAL.pdf>

**Questions for the Record for Ms. Stacy Dean
Vice President for Food Assistance Policy
Center on Budget and Policy Priorities**

**Submitted by Chairman Jim Jordan
Subcommittee on Healthcare, Benefits, and Administrative Rules
Committee on Oversight and Government Reform**

- 1.) *It is my understanding that your organization—CBPP—works with states on their request for waivers of ABAWD work requirements. It has been pointed out to me that one state, Minnesota, references CBPP's review of its waiver information in their state employment and training plan. Ms. Dean, can you detail what assistance your organization provides for states in applying for waivers for work requirements?*

States apply for waivers from the SNAP three-month time limit, not for waivers of ABAWD work requirements. This is an important distinction as states are not obligated to offer ABAWDs a work or training program slot, and most do not. SNAP recipients' benefits are generally cut off after three months irrespective of whether they are searching diligently for a job or willing to participate in a qualifying work or job training program.

The Center on Budget and Policy Priorities (CBPP) provides states with technical assistance to assess their eligibility for a waiver under 7 CFR 273.24(f).

CBPP assists states in three ways with respect to their waivers from the time limit:

1. We respond to individual states' requests for assistance. CBPP has been working with states on this issue since the rule's passage in 1996 and has significant experience on this issue. We help states determine which areas within the state qualify under federal waiver eligibility criteria. We also provide draft waiver request materials and make sure that they conform to federal and USDA guidelines.
2. At state request, we review the waiver analyses states undertake on their own and provide technical feedback.
3. We contact states and inform them of areas in the state that would qualify for a waiver under federal rules based on recent unemployment data.

It takes a significant amount of work to request waivers, and many state SNAP agencies do not have the capacity to do this work. Completing a waiver request for one state with a few areas typically takes a full day of analysis. For larger states, this can take up to three to four days of full-time work.

CBPP provides assistance to every state that requests support, regardless of political affiliation, and has a long history of providing support to both Democratic and Republican state administrations. We do not charge states nor do we receive compensation for these services. Our assistance saves states a significant amount of time and enables state agencies to shift their energy on other important implementation issues.

- 2.) *The waiver process allows counties and community districts to be pooled together as an aggregate area to qualify for a waiver by pulling in areas with low unemployment. Why should a county that doesn't meet the regulatory standards for a waiver based on unemployment rates be allowed to receive a waiver?*

In order to be waived, a county where the unemployment does not meet the regulatory standards for a waiver must be part of a larger region where the unemployment rate does meet those standards. A state may wish to waive such a county because it is targeting a region within its borders that does not conform to county lines, such as areas with employment and training programs or state human services operational areas. A 2016 audit report by the USDA's Office of Inspector General documented that some states seek waivers for eligible areas because the time limit rule is complicated, difficult to administer and error prone.¹

Most importantly, the time limit rule is harsh. The time limit provision does not require states to offer a job or training program to affected individuals nor does it provide enough funding to provide 20 hours of training for everyone subject to the rule. Consequently, there may not be enough employment opportunities for SNAP recipients subject to the time limit who are willing to work, and a state may decide that it is unfair to take food assistance away from such individuals. States use waivers to implement their own work requirements that are tailored to the states' local economies and labor markets without penalizing those SNAP recipients who are willing to work but cannot find jobs or needing to meet the 20-hour a week rule.

- 3.) *We have near record low unemployment, with a record high number of open jobs, and yet more than a third of the nation lives in an area exempt from the work requirement. With so many job opportunities available, shouldn't these broad waivers end, leaving states to focus on individual-level exemptions instead of waivers that don't account for personal characteristics?*

The national unemployment figures obscure the local realities of states and counties that are struggling. The persistence of high local unemployment in places such as rural parts of Alaska and the Appalachian region indicate that low unemployment has not uniformly reached all areas of the U.S. In many rural areas, the number of jobs in 2017 continued to remain below pre-recession levels. In addition, states with low unemployment rates may also have much weaker labor markets in parts of the state. Some population groups face higher unemployment, even in an economy that is doing well. Low-skilled workers, such as those lacking a high school diploma, or workers in the service industry, have unemployment rates that are consistently higher than the national average. So too do many

¹ U.S. Department of Agriculture Office of Inspector General, "FNS Controls Over SNAP Benefits For Able-Bodied Adults Without Dependents Audit Report 27601-0002-31," September 2016, <https://www.usda.gov/oig/webdocs/27601-0002-31.pdf>.

racial and ethnic minorities.² In these circumstances, states use waivers for specific economically distressed areas or to target specific populations. This enables low-income families living in places with insufficient jobs to receive food assistance beyond the three-month limit.

- 4.) *Under the current rules for time limit waivers, a state with 1.2% unemployment could receive a statewide waiver if the national unemployment rate was 1%. Why should areas with record low unemployment rates qualify for waivers that were originally meant for periods of economic crisis?*

While this example is technically accurate, it is hard to imagine it would ever happen. There has never been a single month with national unemployment rate at 1 percent, let alone 24 consecutive months. The lowest monthly unemployment rate since 1948 (the farthest back readily available BLS data go) was 2.5 percent in May and June of 1953. Noncomparable earlier estimates show a 1.2 percent unemployment rate in 1944.

Moreover, a 1% unemployment rate over a 24-month period almost certainly would be viewed by the Federal Reserve as an unacceptable inflation risk, leading to a tightening of monetary policy to slow employment growth. Unemployment rates many times higher than this hypothetical level have been met with restrictive monetary policy. In addition, there is always some level of “frictional” unemployment present in the economy, as people move between jobs.

Even when unemployment is low, there are still low-income individuals who cannot consistently meet a rigid hourly work requirement due to circumstances such as lack of transportation, illness and lacking paid sick leave, needing to care for an ill relative or other personal crises. Having the option to request a waiver provides states the needed flexibility to address these real-world circumstances, which are poorly addressed in the current SNAP work requirements and are a more fruitful area of policy change than concern about a theoretical unemployment rate never seen in the U.S.

² Ed Bolen and Stacy Dean, “Waivers Add Key State Flexibility to SNAP’s Three-Month Time Limit,” Center on Budget and Policy Priorities, February 6, 2018, <https://www.cbpp.org/research/food-assistance/waivers-add-key-state-flexibility-to-snaps-three-month-time-limit>

**Questions for the Record for Mr. Brandon Lipps
Administrator, Food and Nutrition Service
Acting Deputy Under Secretary of Food, Nutrition and Consumer Services
U.S. Department of Agriculture**

**Submitted by The Honorable Mark DeSaulnier
Committee on Oversight and Government Reform**

While ensuring effective oversight of the federal government is important, this hearing ignores the essential nature of the SNAP program. Across the United States, millions of people have no idea where their next meal is coming from. In California alone, 4.9 million people, including 1.9 million children, face food insecurity every day.

When a person doesn't know where their next meal is coming from it is hard to find work or focus on the task at hand. Children who go hungry cannot focus at school and act out more than their peers. We know these things, yet we continue to fight to erode the small amount of food support offered to people in need. In the most powerful nation the world has ever known this is unacceptable.

Yet the new Republican farm bill goes back on decades of bipartisanship to cut the already minimal benefits provided by SNAP. There is a false narrative being told by many that SNAP recipients are lazy and merely trying to game the system. This is a blatantly false narrative. SNAP is designed to save people from starvation. One constituent of mine put it best, "the fact that you don't have a high income doesn't make you less of a person...this program is a huge help for all, especially for our children. This way they only have to worry about studying and not about the fact that there is no food to eat at home." That is the essence and dire importance of this program.

Waste, fraud, and abuse certainly exist. Every large program, including those at the federal level, suffer from waste, fraud, and abuse, but this is not a reason to cut essential benefits of people in need. My colleagues across the aisle seem far less concerned about the billions of dollars of waste at the Department of Defense than they do about taking food away from children and the impoverished.

However, since we insist on focusing on fraud, waste, and abuse in the SNAP program, I would like to shift the conversation to fraud that is experienced by people receiving benefits. When your credit or debit card information is stolen and you did not lose your card, all of the money is refunded. However, for people who receive their SNAP benefits electronically on an EBT card this is not the case. Some of the most vulnerable people in our society lack the same basic protections that every American with a credit or debit card enjoy.

Mr. Lipps, given that federal regulations exempt SNAP beneficiaries using EBT cards from federal banking protections, I have several questions.

- What is the Department of Agriculture doing to monitor EBT phishing and skimming?

The Department takes all EBT transaction monitoring responsibilities seriously. EBT phishing and skimming have not been common practices as the method by which EBT benefits are accessed, debit with encrypted PIN, is not easily compromised.

Nevertheless, the Department continuously monitors transactions for anomalies and takes all recipient complaints seriously. In those rare instances where the possibility of counterfeit cards are suspected, the cases are referred to USDA OIG for further investigation.

- What is USDA and the Food and Nutrition Service in particular doing to ensure that SNAP recipients' benefits are restored when it is known that the beneficiary is a victim of theft?

There is no mechanism to restore SNAP EBT benefits that are lost or stolen prior to a household report of a compromised account. SNAP households are expected to protect their benefits by not sharing their PIN beyond the people needed to shop for their food. Because SNAP EBT is not subject to Regulation E¹ and the protection of benefits is critical for recipients, the Department has maintained SNAP EBT at the highest standard: requiring encrypted PINs for all transactions.

Should a recipient be a victim of theft, where the PIN has been compromised, it is expected that the recipient would report the theft to the proper authorities. State Agencies assume liability for benefits that are stolen *after* a household reports that their card or PIN needs to be replaced.

- In your opinion, should SNAP recipients have their benefits restored when their benefits are stolen?
 - If not, why not?

In very specific circumstances in which the client is determined to have had their benefits stolen despite properly protecting their PIN -- e.g., through some systematic attack on their account -- participants may be able to get their benefits replaced. Current statute at 7 U.S.C. 2016 (h)(7) limits benefit replacement to instances similar to those in effect for food stamp coupons; stealing benefits via card cloning was not contemplated or possible when food stamp coupons were in use. Federal regulations require that State Agencies

¹ Regulation E is a part of the Electronic Funds Transfer Act and provides a basic framework to establish the rights, liabilities, and responsibilities of participants in electronic fund transfer systems such as automated teller machine transfers and point-of-sale (POS) terminal transfers in stores.

Regulation E defines consumer liability for unauthorized transfers. Regulation E limits a consumer's liability for unauthorized electronic fund transfers, such as those arising from loss or theft of an access device, to \$50; if the consumer fails to notify the depository institution in a timely fashion, the amount may be \$500 or unlimited.

assume liability for benefits that are stolen *after* a household reports that their card or PIN needs to be replaced. In card cloning instances however, the household may not be aware that their card or PIN has been compromised and may not become aware until after benefits have been removed from their account. There is currently no statutory authority allowing replacement of benefits lost prior to a household report of a compromised account.