

**SUPPLEMENTAL NUTRITION ASSISTANCE  
PROGRAM FRAUD**

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**JOINT HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
INTERGOVERNMENTAL AFFAIRS  
AND THE  
SUBCOMMITTEE ON HEALTHCARE,  
BENEFITS, AND ADMINISTRATIVE RULES  
OF THE  
COMMITTEE ON OVERSIGHT  
AND GOVERNMENT REFORM  
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# CONTENTS

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Hearing held on September 26, 2018 .....	Page 1
WITNESSES	
Ms. Ann Coffey, Assistant Inspector General for Investigations, USDA Inspector General	
Oral Statement .....	5
Written Statement .....	9
Mr. Thomas Roth, Director, Fraud Investigation and Recovery Unit, Maine Department of Health and Human Services	
Oral Statement .....	16
Written Statement .....	18
Mr. Tarren Bragdon, President and CEO, Foundation for Government Accountability	
Oral Statement .....	21
Written Statement .....	23
Dr. Craig Gundersen, Soybean Industry Endowed Professor in Agricultural Strategy, University of Illinois	
Oral Statement .....	37
Written Statement .....	39



## SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM FRAUD

Wednesday, September 26, 2018

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

The subcommittee met, pursuant to call, at 10:19 a.m., in Room 2154, Rayburn House Office Building, Hon. Gary Palmer [chairman of the subcommittee] presiding.

Present: Representatives Duncan, Issa, Jordan, DesJarlais, Massie, Meadows, Walker, Grothman, Mitchell, Norton, Watson Coleman, Krishnamoorthi, Raskin, Cartwright, DeSaulnier.

Mr. PALMER. The Subcommittee on Intergovernmental Affairs and the Subcommittee on Healthcare, Benefits, and Administrative Rules will come to order. Without objection, the chair is authorized to declare a recess at any time. I will now recognize myself for my opening statement.

The Supplemental Nutrition Assistance Program, known as SNAP, offers assistance to millions of Americans who cannot afford nutritional food for themselves and their families. The Food Nutrition Service, known as FNS, administers the program in partnership with state agencies, but nearly all funding comes from the federal government.

In 2017, SNAP provided almost \$70 billion in benefits to over 42 million Americans in need, more than half of whom were children and elderly. Efficient and effective program administration is critical for a program that size, for an expenditure that size, and a program that is that important.

To this end, the subcommittees are holding this hearing to examine fraud in SNAP, which can take a variety of forms. Fraud can consist of SNAP recipients providing misinformation about eligibility requirements, such as income, and the number of household members.

For example, in Wisconsin, a woman was charged with hiding income from a live-in boyfriend to fraudulently collect more than \$25,000 in benefits. Fraud can also consist of SNAP retailers lying about meeting authorization requirements.

For example, the USDA Inspector General found about 3,400 retailers applied for SNAP authorization using the Social Security Numbers of deceased people, allowing them to fraudulently redeem about \$2.6 million in benefits.

SNAP recipients and retailers can also commit fraud by trafficking SNAP benefits, a crime that involves exchanging SNAP benefits for anything other than eligible food, usually cash. For example, in my home state of Alabama, a grocer trafficked more than \$5.2 million in SNAP benefits.

Today, we may hear how SNAP fraud is not extensive, but the truth is FNS does not actually know how common fraud is, because it is not appropriately measured. The USDA inspector general reported in 2012 FNS has not established how states could compile, track, and report fraud in a uniform manner. Even today, the federal government still cannot fully grasp the scope and frequency of fraud in the program. However, we can use other sources to obtain a sense of scale.

In 2016, state investigation data identified almost \$600 million in recipient fraud. Further, FNS data shows SNAP retailers traffic about \$1 billion in benefits every year. That is 1.6 billion, combined.

In addition, some state agencies are contributing to fraud by manipulating SNAP's national payment error rate, the nationwide measure of improper payments, an issue this committee has worked on to expose, and, hopefully, resolve. This includes FNS providing state agencies with bonuses for having low error rates, and penalizing those with high ones.

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, agreeing to repay the \$16 million of bonuses they fraudulently claimed.

Despite these obvious signs of abuse, FNS has not followed through on commonsense steps to reduce fraud. For example, FNS has not followed through on their own proposed rules to tighten requirements related to retailer trafficking. Similarly, FNS has not followed through on the USDA inspector general's 2013 recommendations to close loopholes, allowing retailers who traffic SNAP benefits to remain active. FNS has proposed weaker alternatives instead.

Also, FNS has ignored the Government Accountability Office's 2016 recommendation to help states improve data matching processes to detect potential fraud and improper payments. In contrast, state agencies are actively responding to the need to fight fraud.

In 2016, state prosecutions increased 14 percent, to over 9,000 cases, and administrative disqualifications increased 23 percent, to over 49,000 cases. I believe the states can offer insight into ways in which FNS can assist states in fighting fraud, as well as ways FNS can make its own fight against SNAP fraud more effective.

Make no mistake, our fellow Americans deserve help in times of need, but fraud takes this assistance straight out of the hands of those who need it. Fortunately, we have with us today a panel that can speak to the role that Congress can play in the prevention of further fraud through the SNAP program.

I thank the witnesses for being here. And I will now recognize the ranking member of the—Mr. Krishnamoorthi, for his opening statement. Healthcare, Benefits, and Administrative Rules Subcommittee. How is that?

Mr. KRISHNAMOORTHY. You got it.

Mr. PALMER. Thank you.

Mr. KRISHNAMOORTHY. Thank you.

Mr. PALMER. I recognize the gentleman.

Mr. KRISHNAMOORTHY. Hey, good morning. Thank you to our witnesses for being here today, and thank you to Mr. Chairman for holding today's hearing.

The Supplemental Nutritional Assistance Program, SNAP, is America's primary anti-hunger program. In 2017, the SNAP program fed over 42 million Americans who face hunger and food insecurity. In my State of Illinois, SNAP provided about \$3 billion in food benefits, to a monthly average of over 1 million recipients. I am proud to say that the program served 100 percent of those eligible for benefits in that same fiscal year.

In my district, over 50 percent of the households that receive SNAP benefits have a child or several children under the age of 18 years. SNAP is vital to American children. No other nutritional or income support program reaches as many at-risk children, or contributes as much to helping very low-income households with children.

The average SNAP benefit is very small. It is \$1.40 per person, per family. And every federal dollar spent on SNAP generates \$1.79 in economic activity. In 2015, SNAP lifted more than 2 million children out of extreme poverty, and kept an additional 8.4 million Americans out of poverty.

As a former SNAP recipient, myself, I take very seriously the issue of fraud in the SNAP program. The 2017 rate of 6.3 percent of improper payments is very troubling, and Congress has an oversight duty to ensure that the USDA and state authorities are doing everything possible to make sure that all SNAP benefits go to those who deserve it.

The only acceptable rate of SNAP fraud is zero percent. Any fraud in the program means taking away food from those families who desperately need the assistance.

That being said, as we work to eliminate SNAP fraud, we have to make certain that any proposed fixes do not result in more harm to children and families by reducing eligibility or making it harder for families to get the food they need.

It is possible to eliminate any SNAP fraud without reducing the number of eligible people who receive food. In fact, this is the only moral way to reduce fraud. SNAP is fundamentally an essential health program for this country. It promotes healthy children, well-fed families, and better health outcomes for communities as a whole.

As such, we should keep the first commandment of healthcare in mind when addressing SNAP. First, do no harm. My colleagues on the other side of the aisle will spend today's hearing trying to justify cutting SNAP benefits. Their proposals, whether by design or by accident, would result in hungry children and families forced to decide between paying for food or other basic necessities.

The republican farm bill would create administrative barriers to enrollment by significantly changing policy that automatically enrolls households in SNAP when they qualify for temporary assistance for needy families. It would increase requirements for SNAP beneficiaries, and would impose new work reporting requirements

on top of existing work requirements. There are already existing work requirements to receive SNAP.

Reading their bill, one could be forgiven for assuming that the whole aim of these provisions is to cut the number of people who may receive SNAP benefits. SNAP feeds millions of children, seniors, and people with disabilities, including veterans. SNAP is efficiently run. If SNAP did not exist we would have to create a program to do what SNAP does.

I look forward to hearing your testimony, and thank you so much again for everyone attending today's hearing.

Mr. PALMER. I now recognize the chairman of the Healthcare, Benefits, and Administrative Rules Subcommittee, Mr. Jordan, for his opening statement.

Mr. JORDAN. I thank the chairman for putting this hearing together. The previous speaker talked about republicans want to cut benefits. No, we don't. We don't want to cut benefits. We just want to have a work requirement in place that doesn't get waived, so that people who get fellow American citizens' hard-earned tax dollars have to do something in order to—if they are able-bodied, have to do something to get those tax benefits.

Understand what is happening in this program. At a time when we have 4.2 percent economic growth, lowest unemployment in 20 years, the food stamp population is at 40 million people. Ten years ago, it was at 26 million.

So if this doesn't need some reform—I mean if this isn't a program that needs reforms, someone is going to have to show me what would. I mean this is crazy. So that is all we are focused on. And where there is fraud and abuse in the program, we want to get at that as well. So this is real simple. \$68 billion spent a year on a program where you have millions of people who are able-bodied adults, who don't have to do a darn thing to get taxpayer benefits. That is just crazy.

And every constituent I talked to says that is not commonsense. And you know what? Here is amazing. This is like an 85 percent issue, requiring a work component for able-bodied people that doesn't get waived by the federal government for respective states. Requiring that is like an 85 percent issue across the board. Republicans, democrats, independents, everyone says this is good. The only people who are against it are democrats in Washington.

So this makes all the sense in the world. I am glad the chairman is having this hearing. I look forward to hearing from our witnesses about the fraud and abuse that is going on in this program, and how we can pass a simple commonsense measure that says don't waive the work requirement concept for something where 40 million people are getting a benefit from the taxpayer.

With that, I yield back.

Mr. PALMER. I thank the gentleman.

I now recognize the ranking member of the Intergovernmental Affairs Subcommittee, Mr. Raskin, for his opening statement.

Mr. RASKIN. Mr. Chairman, thank you very much, and I want to thank all the witnesses for coming today, and participating in the hearing, which examines fraud and waste in the program that provides a modest, but critical benefit to over 20 million low-income households.

SNAP pays, on average, \$1.40 per person, per meal. Before that tiny stipend is released, Congress requires recipients to prove their eligibility, and to work or get training in order to continue receiving SNAP benefits.

The incidents of trafficking fraud, according to the USDA, is 1 percent. If we can get it down to zero percent, then, by all means, let us do it. But I am afraid that the purpose of today's hearing relates more to the intervention by my friend, Mr. Jordan, who invites us to believe that the whole purpose of the program is suspect, because we have got low unemployment in America today, and so why are there millions of people still receiving SNAP benefits?

I think the answer to that is simple, which is that people are not making enough money in their jobs. A lot of people are working not just one, but two, or three jobs, and still cannot support their families on it. And that is what the SNAP program is about, making sure that our people have decent, good nutrition, and are able to feed themselves and their families.

Our hearing today is about waste, fraud, and abuse. Are we focused on rooting out waste, fraud, and abuse? Well, the most extreme incidences of it are found across the river at the Pentagon, but we haven't had any hearings on that subject this year. An internal report issued by the independent Defense Business Board found \$125 billion in immediate savings that would be available by cutting spending in waste at the Pentagon.

That is almost twice the entire annual budget of SNAP. But apparently, we are not interested in the chronic problem of Pentagon waste and bloat. Why hasn't this committee held a single hearing devoted to eliminating waste, and fraud, and abuse at the Pentagon, which is so huge that it eclipses the entire budget of the anti-hunger program this hearing is examining?

It is hard to believe that the constant attacks on the SNAP program reflect a focus on fiscal responsibility, when the majority's tax policies are, of course, producing unprecedented and staggering budget deficits.

According to Maya MacGuineas, of the Committee for Responsible Federal Budget, the \$1.9 trillion cost of the tax cuts were disingenuously sold as the key to such massive growth that they would pay for themselves. But the proof is in the pudding, or in this case, the national debt. A realistic prediction of the tax cuts is they will provide a short-term boost, the sugar high that is flooding a strong economy which additional money creates, but that deficit finance boost won't last, and it will leave us with a predictably large mountain of debt that comes with all the borrowing.

It is irresponsible and incontrovertible to pass tax cuts to the super wealthy that we cannot afford, and then to put the whole spending spree on a credit card, which our children will pay for for the rest of their lives.

Mr. Chairman, I am told this might be our last week in Washington for a bit, and I would hope that as members of the Oversight Committee we would be using our time more wisely than this. Instead of spreading rumors about SNAP fraud to justify draconian cuts to this necessary program, we should be looking into the real

waste, fraud, and abuse that costs the American people billions of dollars a year.

I yield back. Thank you.

Mr. PALMER. I thank the gentleman. I just say that if you think this is a waste of time you are welcome to not participate.

You know, for the witnesses that I am about to introduce, despite the opening statements, this hearing is about fraud in the SNAP program. It is not about eliminating the SNAP program. It is not about work requirements. It is not about waste at the Pentagon.

So with that, I am pleased to introduce our witnesses. Ms. Ann Coffey, Assistant Inspector General for Investigations at the U.S. Department of Agriculture, Office of Inspector General; Mr. Thomas Roth, the Director, Fraud Investigation and Recovery Unit, at the Maine Department of Health and Human Services; Mr. Tarren Bragdon, President, CEO of the Foundation for Government Accountability; and Dr. Craig Gunderson, Soybean Industry Endowed Professor in Agricultural Strategy, at the University of Illinois.

Welcome to all you. Pursuant to committee rules, all witnesses will be sworn in before they testify. Please stand and raise your right hand.

Do you solemnly swear or affirm the testimony you are about to give is the truth, and the whole truth, and nothing but the truth, so help you God?

(A chorus of ayes.)

Mr. PALMER. The record will reflect that the witnesses answered in the affirmative. Please be seated.

In order to allow time for discussion, please limit your testimony to 5 minutes. Your entire written statement will be made part of the record. As a reminder, the clock in front of you shows you the remaining time. The light will turn yellow when you have 30 seconds left. And unlike traffic lights, you can speed up when it turns yellow. And red when your time is up. Please also remember to press the button to turn your microphone on before speaking.

The chair now recognizes Ms. Coffey for her testimony.

## **WITNESS STATEMENTS**

### **STATEMENT OF ANN COFFEY**

Good morning, Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and members of the subcommittees. Thank you for the opportunity to testify about the Department of Agriculture Office of Inspector General's work regarding the Supplemental Nutrition Assistance Program.

SNAP is USDA's largest program in terms of both dollars spent and numbers of recipients. In fiscal year 2017, recipients redeemed close to \$63 billion in benefits. The latest available information shows that through June of 2018 more than 41 million people redeemed \$46 billion in SNAP benefits.

In providing oversight of SNAP, OIG employs a two-pronged approach, involving audits and criminal investigations. OIG audit staff conducts reviews of SNAP intended to improve FNS's overall management controls for the program. Investigation staff conducts criminal investigations into alleged fraud perpetrated against the program.

We utilize specific law enforcement authorities, tools, and techniques to conduct these investigations. This work is intended to result in appropriate actions to resolve allegations, and to prevent and deter instances of illegal and fraudulent acts or misconduct.

OIG devotes about 43 percent of its investigative resources to SNAP-related criminal investigations. Our main focus is on fraud committed by retailers, primarily because FNS is responsible for directly reimbursing retailers.

States are responsible for ensuring that individual recipients are eligible to receive benefits and that they use those benefits appropriately. OIG allocates considerable resources to help FNS ensure the integrity of SNAP as part of our mission to promote integrity, efficiency, and effectiveness of USDA programs and operations.

Our investigations yield tangible results and direct benefits to the government. In the past 5 years, we have completed 857 SNAP investigations that resulted in 2,302 indictments, and 2,335 convictions. During that time, our monetary results have totaled nearly half-a-billion dollars.

Often, prosecuting a SNAP case is a collaborative effort between OIG and other agencies. By sharing information about SNAP recipients who illegally exchange their benefits for cash with relevant law enforcement agencies, we help states pursue prosecution or disqualify recipients from the program.

OIG also works with federal, state, and local law enforcement agencies to investigate SNAP fraud due to violations and other laws—of other laws. OIG's primary investigative jurisdiction pertains to violations of law involving USDA programs.

When there are other violations of laws involving drugs or firearms we work jointly with the appropriate agency to pursue those other violations in addition to SNAP fraud. Through our various collaborative efforts, we work to identify and resolve potential vulnerabilities in the processes that allow bad actors to participate in SNAP.

One of the most common abuses OIG investigates is the trafficking of benefits, which is essentially the illegal exchange of food assistance benefits for cash. In this scheme, retailers will pay recipients for their SNAP benefits. Recipients, of course, are then able to spend the cash however they like.

The types of fraud we are seeing in SNAP are changing. In particular, with the use of electronic benefits, the fraud schemes are becoming more advanced, and relying upon information technology. To counteract these schemes, OIG works with FNS to develop ways of detecting and investigating retailers at high risk of committing various kinds of fraud.

We also utilize OIG's Office of Data Sciences to help identify anomalies that could not easily be identified, and provide new perspectives for examining data. These techniques ultimately assist us in making critical decisions in the allocation of investigative resources. When trafficking occurs unchecked, families do not receive nutritional assistance, and dishonest retailers profit at the expense of the American public.

This concludes my statement. Again, I want to thank the subcommittees for the opportunity to testify today, and I welcome any questions you may have.

[Prepared statement of Ms. Coffey follows:]

UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL

**STATEMENT OF  
MS. ANN COFFEY  
ASSISTANT INSPECTOR GENERAL FOR  
INVESTIGATIONS**

Submitted to

The Subcommittees on Intergovernmental Affairs  
and Healthcare, Benefits, and Administrative  
Rules

House Committee on Oversight and Government Reform

U.S. House of Representatives

September 26, 2018



Good morning, Chairman Jordan, Chairman Palmer, Ranking Member Krishnamoorthi, Ranking Member Raskin, and Members of the Subcommittees. Thank you for the opportunity to testify about the Department of Agriculture's (USDA) Office of Inspector General's (OIG) work regarding the Supplemental Nutrition Assistance Program (SNAP). My testimony today will provide an overview of SNAP, outline the role of OIG Investigations, highlight collaborative efforts between OIG and other agencies to combat SNAP fraud, and discuss several trends regarding SNAP fraud.

#### *SNAP Overview*

SNAP is USDA's largest program in terms of both dollars spent and number of recipients. In fiscal year 2017, recipients redeemed close to \$63 billion in benefits. The latest available information shows that, through June 2018, more than 41 million people redeemed \$46 billion in SNAP benefits. SNAP is also an important part of the food safety net for Americans, especially in times of economic hardship.

Much of the public still knows SNAP as "the food stamp program," even though it was renamed officially in 2008. The Food and Nutrition Service (FNS), which administers SNAP, moved away from using the paper coupon system to providing benefits through electronic benefit transfer (EBT) system in the 1990s. Under the EBT system, recipients receive a plastic card, similar to a bank card, which they may use at FNS-approved retailers to redeem their benefits. In addition to eliminating cumbersome paper food coupons, EBT creates an electronic record that may indicate the potential misuse of SNAP benefits. As of July 2004, all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam have all operated State-wide, city-wide, and territory-wide EBT systems to issue food assistance and benefits.

#### *OIG Oversight of SNAP*

In providing oversight of SNAP, OIG employs a two-pronged approach involving audits and criminal investigations. OIG Audit staff conducts reviews of SNAP intended to improve FNS' overall management controls for the program, while Investigations staff conducts criminal

investigations into alleged fraud perpetrated against the program. The Office of Investigations utilizes specific law enforcement authorities, tools, and techniques to conduct these investigations, and this work is intended to result in appropriate actions to resolve allegations and to prevent and deter instances of illegal or fraudulent acts or misconduct.

Given the importance of ensuring SNAP's integrity, OIG devotes about 43 percent of its investigative resources to SNAP-related criminal investigations. Our main focus is on fraud committed by retailers, primarily because FNS is responsible for directly reimbursing retailers, while States are responsible for ensuring that individual recipients are eligible to receive benefits and that they use those benefits appropriately. Our investigations of retailers, however, often disclose individual recipients who have violated SNAP requirements, and we work with State and local prosecutors to respond to these violations. While it is ultimately FNS' responsibility to take administrative action against bad actors and keep such persons from re-entering the program, OIG devotes considerable resources to help FNS ensure the integrity of SNAP as part of our mission to promote the integrity, efficiency, and effectiveness of USDA programs and operations.

Our investigations yield tangible and direct benefits to the Government, including criminal prosecution, significant fines and penalties, restitution, and asset forfeiture. In the past 5 years, we have completed 857 SNAP investigations that have resulted in 2,302 indictments and 2,335 convictions. During that time, our monetary results have totaled \$463 million.

#### *OIG Investigations*

OIG receives information regarding allegations of criminal activity, including SNAP fraud, from three primary sources: (1) USDA agencies that have identified potential fraud and refer it to OIG for further investigation; (2) allegations from other Federal, State, and local law enforcement agencies; and (3) information from the public. When those allegations are received, preliminary work is done to assess the validity of the allegation. Preliminary work may include discussions with USDA program agencies, database checks, and interviews. These steps assist us in determining whether to initiate an investigation.

One key factor in determining whether to initiate an investigation involves discussions with the respective U.S. Attorney's Office or other prosecutors to determine their willingness to prosecute an individual if the allegations of criminal activity can be proven. Each U.S. Attorney's Office and other prosecutors across the country have differing requirements and thresholds for prosecution. If the investigation is declined for prosecution, OIG refers the matter to the corresponding USDA agency to determine if it is able to pursue administrative action against the individual or company.

When a SNAP investigation is initiated, we coordinate our investigative activities and share information with the U.S. Attorney's Office or prosecuting office. There are a number of techniques that can be employed to help obtain evidence of the crime. By working with the prosecuting office, OIG can establish probable cause and execute search warrants to obtain additional evidence. If enough evidence is obtained, the subject will be charged and ultimately arrested. The results of our investigative work are shared with FNS. FNS may be able to pursue additional administrative action against the subjects of the investigation, such as disqualification from the program or debarment from other Government programs.

#### *Collaborative Efforts*

Prosecuting a SNAP case does not always involve OIG alone. Many times, prosecuting a SNAP case is a collaborative effort between OIG and other agencies. For example, in certain circumstances, we investigate SNAP recipients who illegally exchange their benefits for cash. By sharing this information with relevant law enforcement agencies, we help States pursue prosecution or disqualify recipients from the program. We also sometimes investigate recipients who provide false information to receive benefits. For instance, two individuals were the employees of an individual who owned a number of businesses. The owner and employees created a series of fictitious companies, then filed fraudulent tax returns for nonexistent employees. The owner and employees also applied for unemployment benefits using stolen Social Security Numbers and falsified SNAP applications to receive benefits to which they were not entitled. In July 2017, the owner was sentenced to 75 months in prison and ordered to pay

\$894,000 in restitution. In August 2017, one employee was sentenced to time served in prison and ordered to pay \$278,603 in restitution, and the other employee was sentenced to 27 months in prison and ordered to pay \$2,852 in restitution in November 2017. Of the restitution ordered in this matter, \$50,714 was for USDA violations. This case was worked jointly with the Internal Revenue Service—Criminal Investigation; the Department of Labor OIG and Office of Investigations, Labor and Racketeering and Fraud; the Kansas Department of Children and Families; the Department of Housing and Urban Development OIG; the Department of Education OIG; and the Kansas Department of Labor.

OIG also works with other Federal, State, and local law enforcement agencies to investigate SNAP fraud due to violations of other laws. OIG's primary investigative jurisdiction pertains to violations of law involving USDA programs. When there are other violations of law such as drugs or firearms, we work jointly with the appropriate agency to pursue those other violations in addition to SNAP fraud. In one investigation of a store in Pennsylvania, the owner of the store exchanged SNAP benefits for crack cocaine, heroin, and firearms. This investigation was conducted jointly with the Department of Homeland Security, U.S. Immigrations and Customs Enforcement, Homeland Security Investigations, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the Drug Enforcement Administration. The owner of the store was sentenced to 30 months of probation in April 2017, and the owner's husband, who worked at the store, was sentenced to 90 months of incarceration in August 2015.

An ongoing example of our joint work is our participation on the Bridge Card Task Force to investigate criminal violations in SNAP and the Special Supplemental Nutrition Program for Women, Infants, and Children. Team members include the Michigan State Police and the Internal Revenue Service Criminal Investigations. During the first half of fiscal year 2018, we also worked with the Federal Bureau of Investigation and Homeland Security Investigations. Since 2007, our teamwork has resulted in 197 arrests and service of 318 search warrants. The United States Attorney's Offices for the Eastern and Western Districts of Michigan and the Michigan Attorney General's Office have pursued multiple criminal prosecutions, resulting in 199 guilty pleas, lengthy prison terms, and over \$48 million in court-ordered fines and restitution. An investigation by this task force was recently concluded. In April 2018, two store

owners were each sentenced to 36 months of supervised release and ordered to pay \$440,000 in restitution. The store employees exchanged SNAP benefits for cash, cigarettes, lottery tickets, and other ineligible items.

Through our various collaborative efforts, we work to identify and resolve potential vulnerabilities in the processes that allow retailers to participate in SNAP.

#### *Trends in SNAP Fraud*

One of the most common abuses OIG investigates is the trafficking of benefits, which is essentially the illegal exchange of food assistance benefits for cash. In this scheme, retailers will pay recipients for their SNAP benefits. For instance, by giving a recipient \$50 in cash for \$100 in benefits, an unscrupulous retailer can make a significant profit. Recipients, of course, are then able to spend the cash however they like, and retailers profit after USDA has reimbursed them. For example, in a recently concluded investigation in Florida, the owners of a convenience store were sentenced for trafficking SNAP benefits. The owners exchanged SNAP benefits for cash, alcoholic beverages, and tobacco products. In December 2017, they were each sentenced to 33 months of imprisonment and ordered to pay \$3.3 million in restitution.

While recipients have exchanged benefits for drugs, weapons, and other contraband, these cases are not the majority. The types of fraud we see in SNAP are changing. In particular, with the use of electronic benefits and information technology, the fraud schemes are also becoming more advanced and reliant upon information technology. To counteract these schemes, OIG continues to work with FNS to develop new ways of detecting and investigating retailers at high risk of committing various kinds of fraud. We also utilize OIG's Office of Data Sciences to help identify anomalies that could not easily be identified and provide new perspectives for examining data. These techniques ultimately assist us in making critical decisions in the allocation of investigative resources. As OIG identifies fraud schemes, that information is shared with FNS to identify effective ways of combating fraud. When trafficking occurs

unchecked, families do not receive nutritional assistance and dishonest retailers profit at the expense of the American public.

*Conclusion*

This concludes my written statement. Again, I want to thank the Subcommittee for the opportunity to testify today. I welcome any questions you may have.

Mr. PALMER. Thank you for your testimony.  
The chair recognizes Mr. Roth for his testimony.

#### **STATEMENT OF THOMAS ROTH**

Mr. ROTH. Chairman Palmer, Chairman Jordan, Ranking Members Raskin and Krishnamoorthi, and members of the committee, thank you for the privilege of testifying and representing the State of Maine.

I am Tom Roth, the Director of the Fraud Investigation and Recovery Unit for the Maine Department of Health and Human Services. My job is to oversee the daily operations of the unit, a group of 35 dedicated employees. I enjoyed a 27-year law enforcement career before taking my current position.

I am a certified Welfare fraud investigator, and in addition to supervising Maine's fraud unit, I work an active caseload. So I see firsthand the fraud schemes in the SNAP program in Maine.

We receive thousands of tips each year from citizens alleging fraud in the Welfare system. In addition to tips from the public, we receive information from eligibility workers, law enforcement, and other government agencies. Additionally, our overpayment specialists identify hundreds of intentional program violations committed by recipients.

Our unit has two focuses. Investigators work cases for criminal prosecution. These are large theft cases occurring over many years. Our overpayment specialists examine administrative cases that are not prosecuted criminally, as well as conduct disqualification hearings.

In 2017, we submitted more than 100 criminal cases for prosecution, which totaled more than \$1.4 million. In that same year, our overpayment specialists identified nearly 5,000 overpayments, totaling \$4.1 million.

One of our largest criminal cases to date was adjudicated this spring. This case involved a Welfare recipient who scammed the system for more than 10 years. This client lived comfortably with her husband, making more than a decent living by Maine standards.

She failed to report that her husband lived in the household. She did not report his income, and she did not report her assets or income. Together, she and her husband had a six-figure income. Her case involved the theft of more than \$229,000 from the system. She is currently in jail.

Another massive case investigated by our unit, along with the OIG, involved a retail store in Portland, Maine. In this case, two brothers routinely took in customers' electronic benefits transfer, or EBT cards, and provided benefit recipients with cash. The brothers would pocket a certain percentage of the money, with no food or groceries ever being purchased.

Additionally, the brothers were involved in an illegal WIC benefits redemption scam. Their deceitful efforts took in more than \$1.4 million in SNAP and WIC benefits that never went to the intended recipients for the intended purpose. These brothers are both in jail.

While these two cases are extremely large, we routinely work cases in which recipients provide false information and fraudulently receive tens of thousands of dollars. On a smaller scale, we

also investigate cases involving the misuse of EBT cards. These typically involve someone selling or trading their EBT cards for drugs. While individually these cases may only represent \$100 or \$200 in theft, they add up quickly, and show another mechanism used to commit Welfare fraud.

Almost weekly we see a new scam involving EBT cards. One trick involves recipients returning purchased food items for cash. The cash is then used to purchase illegal drugs. Another has a scammer weighing beer on a scale at a self-checkout register, but entering in bananas as produce, so the user can purchase beer with their EBT card. Another scheme involves a recipient buying cases of bottled water, and then dumping the water out in the parking lot, and returning the empties for the 5-cent deposit per bottle. We get regular reports of the active use of a deceased person's EBT card as well. These are all schemes we have seen in Maine.

My point in providing you with a very brief overview of the type of fraud cases we work is to illustrate the fact that fraud exists, and when you look for it, you find it. I constantly asked what percentage of fraud is occurring out there. I can't answer that question. What I can tell you is how many people we are discovering, and what that dollar amount represents.

I also routinely get asked if our fraud efforts are paying for themselves. Does the operating cost of the unit justify the amount of money we are recovering? Again, that is hard to answer. I strongly believe the deterrent effects of our efforts is invaluable. We try to publicize our indictments and convictions so other see that if you commit Welfare fraud, you may get discovered, fined, and even jailed. I wish I could know how many people see those press releases and think twice before gaming the system.

Maine utilizes a host of mechanisms to detect fraud. We have diligent investigators and overpayment specialists working cases. We rely heavily on tips and information from the public. We do data mining, and we look for fraudulent trends, and we scan data bases, looking for unreported income or assets.

Maine is successful in finding fraud because we take an active role in looking for it. We publicize things, and we solicit tips from the public.

Again, thank you for the opportunity to testify before you today, and I am happy to answer any questions you may have.

[Prepared statement of Mr. Roth follows:]



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PAUL R. LEPAGE  
GOVERNOR

BETHANY L. HAMM  
ACTING COMMISSIONER

Testimony

of  
Thomas J. Roth  
Director, Fraud Investigation and Recovery Unit  
Maine Department of Health and Human Services  
before the  
House Committee on Oversight and Government Reform  
Subcommittee on Intergovernmental Affairs  
Subcommittee on Healthcare, Benefits, and Administrative Rules  
September 26, 2018

Chairman Palmer, Chairman Jordan, Ranking Members Raskin and Krishnamoorthi, and Members of the Committee, thank you for the privilege of testifying and representing the State of Maine. I am Tom Roth, the Director of the Fraud Investigation and Recovery Unit for the Maine Department of Health and Human Services. I oversee the daily operations of 17 Fraud Investigators statewide and present their criminal cases to our Attorney General's office for prosecution. I enjoyed a 27-year law enforcement career before taking my current position. I am a Certified Welfare Fraud Investigator and in addition to supervising Maine's Fraud Unit, I work an active case-load, so I see firsthand the fraud and abuse in our public benefit system.

Although Maine is relatively small in terms of population, with 1.3 million residents, we have more than 250,000 persons receiving welfare benefits in our state. That is slightly more than 18 percent of our population. Annually we receive thousands of tips from citizens alleging fraud in the welfare system. In addition to tips from citizens, we receive information from eligibility workers, law enforcement, and other government agencies. Additionally, our Overpayment Specialists, who assist Investigators by calculating identified losses to the system, identify hundreds of intentional program violations committed by recipients.

Our Unit has two focuses. Investigators primarily work cases for criminal prosecution. These are large-scale theft cases occurring over multi-year periods. Our Overpayment Specialists primarily examine administrative cases that are not prosecuted criminally, as well as our disqualification hearings. Each of these groups has a different burden of proof requirement. Criminal cases require proof beyond a reasonable doubt, and administrative disqualification hearings require clear and convincing evidence.

In 2017 we submitted more than 100 criminal cases for prosecution, which totaled more than \$1.4 million. That same year, our Overpayment Specialists identified nearly 5,000 overpayments totaling \$4.1 million.

One of our largest criminal cases to date was adjudicated this spring. This case involved a welfare recipient who scammed the system for more than ten years. This client lived comfortably with her husband, making more than a decent living by Maine standards. She failed to report that her husband lived in the household, did not report his income, and did not accurately report her assets or income. Together, she and her husband had over a six-figure income. Her case involved the theft of more than \$229,000 from the system. She is now incarcerated.

Another massive case investigated by our Unit was the Ahrum Halal Market case. In this case, two brothers routinely took in customers' Electronic Benefit Transfer (or EBT) cards and provided the benefit recipients with cash. The brothers would pocket a certain percentage, with no food or groceries ever being purchased. Additionally, the brothers were involved in an illegal WIC benefits redemption scam. Their deceitful efforts took in more than \$1.4 million dollars in SNAP and WIC benefits that never went to the intended recipients who truly depend on this assistance. The brothers are now incarcerated.

While these two cases are extremely large, we regularly work cases in which recipients provide false information and fraudulently receive tens of thousands of dollars. On a smaller scale, we also investigate cases involving the misuse of EBT cards. These typically involve someone selling or trading their EBT card for drugs. While individually these cases may only represent one or two hundred dollars in theft, they have significant cumulative effect and represent another mechanism to commit welfare fraud.

Almost weekly we see a new scam involving EBT cards. One trick involves recipients returning food items for cash. Another has a scammer weighing beer on a scale at a self-checkout register but entering in bananas as produce so that the user can purchase beer with their EBT card. Another scheme involves the recipient buying cases of bottled water and then dumping the water out in the parking lot and returning the empties for the 5-cent deposit per bottle. We also get regular reports of the active use of a deceased person's EBT card and have to track those thieves down. These are all schemes we have seen in Maine.

My point in providing you with a very brief overview of the type of fraud cases we work is to illustrate the fact that fraud exists and when you look for it, you find it. I constantly get asked "what percentage of fraud is occurring out there?" That is the proverbial "64-thousand-dollar question" and I have no way of quantifying the answer. I cannot tell you how many people are committing fraud and have not been caught. What I can tell you is how many people we are catching and the dollar amount that represents. I also routinely get asked if our fraud efforts are paying for themselves—does the operating cost of the Unit justify the amount of money we are recovering? One incalculable component of these questions is "what is the deterrent effect of our cases?" We try to publicize our indictments and convictions so others see that if you commit welfare fraud, you may get discovered, fined, and even jailed.

Maine utilizes a host of mechanisms to detect fraud. We have diligent Investigators and Overpayment Specialists working cases, we rely heavily on tips and information from the public, we do data mining and look for fraudulent trends, and we scan various databases looking for unreported income or assets. Maine is successful in finding fraud because we take an active role

in looking for it, we solicit tips from the public, and we publicize our results. When crimes like these are committed, it is Maine's neediest that go without. I take great pride in the work we do to keep our welfare programs safe from fraud and abuse.

Again, thank you for the opportunity to testify before you today, and I am happy to answer any questions you may have.

Mr. PALMER. Thank you for your testimony.  
The Chair now recognizes Mr. Bragdon for his testimony.

**STATEMENT OF TARREN BRAGDON**

Mr. BRAGDON. Chairman, ranking member, and members of the committees, thank you.

I am Tarren Bragdon, president and CEO of the Foundation for Government Accountability, a nonprofit research organization that primarily focuses on health and Welfare reform in the States, and in Washington, D.C.

I have worked on this issue for about two decades, from when I was a Maine State legislator in the late 1990s, until now, where, at FDA, we are directly engaged in Welfare reform, including in SNAP, in more than 30 states.

I am grateful for the committee's work. It is imperative that we find solutions to fraud and program integrity to protect the program for the truly needy, who rely on it, and the taxpayers who fund it. Today, nearly 40 million are on food stamps, and almost half are able-bodied adults, and this is where the fraud happens. As a Jacksonville, Florida, detective told me, no elderly or disabled person tried selling their EBT card during his sting operation.

Some states are leading the way in protecting the food stamp program from fraud. At least 13 states are moving forward with laws and initiatives specifically designed to root out fraud, but it should be mandatory for all. Close to 20 states have put into place asset limits to make sure that only those without sufficient resources are on the program. All should. Food stamps is a federal program, almost all funded by federal money, and Congress is right to provide this oversight to get rid of fraud.

My written testimony lists ten areas with recommended solutions, but I will just highlight the three most significant. One, broad-based categorical eligibility, or BBCE; two, real verification; and three, real-time income reporting.

BBCE is the income and asset eligibility loophole that was created through regulation, but it allows people with incomes nearly double the poverty limit to be on food stamps simply if they are eligible for a TANF-funded non-cash benefit. Could be a brochure.

In addition, it effectively waives the asset test. First, this loophole allows rich people, even millionaires, to become food stamp eligible. For example, this Minnesota millionaire, who was on the program. Tennessee has an asset test, and doesn't allow millionaires to be on food stamps. Why shouldn't New Jersey?

Second, this is now the most common way to get onto food stamps. Therefore, since it doesn't matter what individual assets people have, states don't have to check on individual's assets for things like bank accounts, vehicles, homes, or other real property. And this makes it much easier to hide unreported income or other working members of the household.

This loophole does not reduce errors, as promised, as GAO also concluded. This income and asset loophole should be curtailed, preserving food stamps for the truly needy who rely on it, those with low incomes and limited assets.

Two, real verification of income assets and household members. Most states are short-changing this, and they are relying on self-

attestation, or believe what I say on the application. This is particularly a problem for people who report zero income, because these applications are fast-tracked. Since no income was reported, there is nothing to verify. More than a third of all applicants report zero income, and no one checks.

For example, as you heard Mr. Roth reference, this Maine woman, who didn't report her or her husband's income. The fix is states should be required to use reliable up-to-date, often state data, to quickly verify income assets and household members. Some states are doing this now, with success, but it is optional. And the House Farm Bill addresses both of these loopholes.

The last is so-called simplified reporting. This allows only large changes in individual's incomes or households to be reported when it makes them totally ineligible for food stamps. Traditional reporting, or change reporting, is required for all changes to be reported to the agency within ten days.

The idea was that this simplified reporting would have lower administrative costs, but in reality, admin costs for food stamps have doubled since 2001, and error rates are higher. States should use quarterly reporting, or change reporting, for able-bodied adults, in particular, and face-to-face interviews with able-bodied adults would also give states both another opportunity to spot fraud, but also to point recipients towards work and training to get out of poverty.

So often we read stories about food stamp fraud. It is not just trafficking. It is happening in consistent, predictable, and large ways. Fraud is real, but it can be stopped, and Congress can lead the way. My testimony shows ten ways how, and I am happy to answer any questions.

[Prepared statement of Mr. Bragdon follows:]



TESTIMONY ON FRAUD AND PROGRAM INTEGRITY IN THE FOOD STAMP PROGRAM

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

September 26, 2018

Tarren Bragdon  
President and CEO  
Foundation for Government Accountability

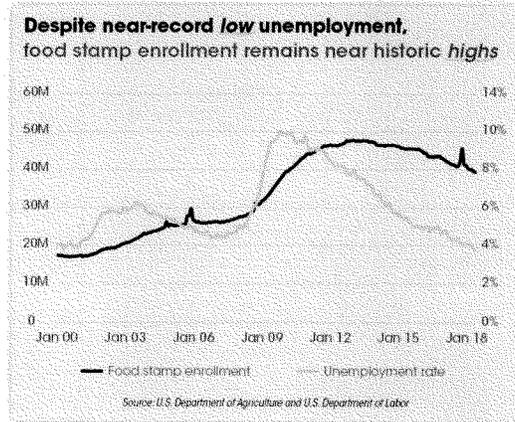
Chairman Jordan, Chairman Palmer, Ranking Members Raskin and Krishnamoorthi, and members of the committee, thank you for the privilege of testifying. I am Tarren Bragdon, and I serve as the President and CEO at the Foundation for Government Accountability (FGA). FGA is a non-profit research organization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

Since I was a state legislator focused on health and human services in the late 1990s I have worked at the state level on welfare policy. At FGA we are directly engaged in welfare policy discussions, including in the Supplemental Nutrition Assistance Program, in more than 30 states. For those of us on the ground at the state policy level, it is encouraging to see Congress, your committee, shining a spotlight on problems in the food stamp program. It is imperative that we find solutions to fraud and integrity problems in the food stamp program to protect the program for the truly needy who rely on it, and for the taxpayers who fund it.

The recent history of massive expansion and associated fraud problems in the food stamp program is alarming. The program grew unchecked for nearly two decades, and that growth has only just begun to level off in large part thanks to the improvements in the economy under President Trump and this Congress. In 2000, there were just 17 million people on food stamps.<sup>1</sup> Today, there are nearly 40 million.<sup>2</sup> Half are able-bodied adults.<sup>3</sup> This comes at a time when there is a record number of job openings and record, or near-record, low unemployment in states across the country.<sup>4</sup> There are 6.9 million open jobs in the country.<sup>5</sup>

Advocates of increased enrollment in food stamps typically argue that increases in program enrollment are directly connected to the state of the economy. However, in recent years, food stamp growth and sustained record enrollment have diverged from the economy as you can see from Chart 1 below.<sup>6</sup>

Chart 1



This demonstrates that growth in the food stamp program is not simply a factor of the changes in the economic conditions of the country. Record enrollment is a result of deliberate policy decisions over the past two decades at the federal and state level. The majority of those decisions have skewed towards ease of access and lessening the “burden” on state workers and recipients. These policy goals come with concerning side effects—a focus on unfettered access leaves the program wide open to fraud and integrity problems.

There are often intense debates about whether, or how much, fraud exists in the food stamp program. How prevalent fraud is depends partially on how it is defined. Some groups exclude things like “errors” because the error and overpayment do not include definitive proof that someone broke a state or federal law. That narrow view of “fraud” understates the problem. No matter your definition, there are major problems in the food stamp program.

A recent report by Congressional Research Services (CRS) acknowledges that, “There is no single measure that reflects all the forms of fraud in SNAP,” making it easy for some to say that fraud is rare.<sup>7</sup> However, CRS points out in the same report that there was more than \$2 billion in annual food stamp overpayments.<sup>8</sup>

A more recent release of the National Payment Error Rate (NPER) by the United States Department of Agriculture (USDA) showed a 5.19 percent overpayment rate in the food stamp program. Two states had overpayment rates higher than 10 percent.<sup>9</sup> At this rate, the total annual overpayment is closer to \$3.5 billion based on an annual expenditure of \$68 billion.<sup>10,11</sup> Even assuming this amount accounts for all the fraud out there, which is doubtful, it is a staggering number. No one should accept \$3.5 billion in welfare waste as being acceptable.

Fortunately, some states have taken leadership on this issue and have reoriented their policies towards protecting the food stamp program from fraud, making sure only those that are truly eligible are on the program. For example, 13 states have moved forward with laws and initiatives specifically designed to root out fraud in their food stamp programs.<sup>12</sup> Another 19 states have put limits in place to make sure only those without sufficient resources are on the program.<sup>13</sup>

These types of state policy decisions have helped to draw down enrollment in the food stamp program and protect the safety net for the truly needy. Despite this success, federal law and decisions made in the bureaucracy at the USDA continue to expose the program to fraud and inappropriately high enrollment levels, especially for able-bodied adults. There are several specific categories where fraud and program integrity problems are most acute:

- Income and assets
  - Income and asset eligibility loophole (Broad-Based Categorical Eligibility)
  - Verification
- Reporting requirements
- Length of certification periods
- Residency and duplicate enrollment
- Deceased individuals

- Recipients trafficking benefits
- Retailers trafficking benefits
- Uneven state efforts on fraud
- Able-bodied adults expansion

This is not an exhaustive list of fraud issues in the food stamp program. However, each of these areas represents a significant challenge in the program that has led to real problems and are major drivers in both unnecessary growth in the program and program integrity failures.

### Problem Areas

Most of these problem areas have viable solutions that can be readily implemented. In many cases, the rules, regulations, and practices at the federal agency level are responsible for creating the problems. In other cases, state options—allowed by federal law—create vulnerabilities in the program. Too often, overpayments are discounted as “errors” that are not driven by fraud. What is ignored is that the errors are allowed to occur because of the integrity of the program design.

#### Income and Assets

- **Income and asset eligibility loophole (Broad-Based Categorical Eligibility)** - A hallmark of the food stamp program is that its primary purpose is to help feed the truly needy— poor families, disabled individuals, and the poor elderly. The authorizing law includes a “congressional declaration of policy” that states that the program is intended for “raising levels of nutrition among low-income households.”<sup>14</sup>

Despite this clear intended purpose, changes in federal law, regulations, and policy guidance through the years has dramatically shifted the program away from this core objective. Broad-Based Categorical Eligibility (BBCE), a policy that was entirely a creation of the administrative state, allows people with incomes nearly double the poverty level to gain eligibility by simply being eligible to receive TANF-funded, non-cash benefits, which are available to much higher income individuals, who are up to 185 percent of federal poverty.<sup>15</sup>

Another hallmark of BBCE is that it effectively waives the asset test. This has a two-fold consequence. First, it allows rich people, even millionaires, to become eligible for the food stamp program.<sup>16</sup> While this is a major integrity problem, BBCE has an even more direct connection to fraud. BBCE is now the most common eligibility for the program,<sup>17</sup> meaning that for most people on food stamps, it does not matter what assets they possess. Since assets do not matter for eligibility, states are not doing checks for things like bank accounts, vehicles, homes, and other real property. This is a problem because it makes it much easier to hide unreported income or other members of the household who may be earning income.

This is not a hypothetical problem. Rachel Dolezal<sup>18</sup> was recently charged with welfare fraud in the state of Washington. Dolezal is accused of stealing more than \$8,000 in welfare benefits

after she lied about the resources she had available to her. This included thousands of dollars in bank accounts the state of Washington never bothered to look for,<sup>19</sup> likely as a result of BBCE. Often times, BBCE has been promoted as a way to simplify work for state government workers who are processing food stamp applications. There have also been many claims made, primarily by state governments and liberal think tanks, that BBCE "reduces errors."<sup>20</sup> Even more notably, USDA itself in an Obama-era 2009 memo signed by Associate Administrator Jessica Shahin, tells regional administrators that they should get more states to use BBCE to "increase SNAP participation." Shahin goes on to write that USDA would, "encourage you to continue promoting expanded categorical eligibility." The memo then promises that BBCE can benefit states by "reducing errors."<sup>21</sup>

However, BBCE does not reduce errors. The United State Government Accountability Office (GAO) found in a 2012 report that, "both our analysis of USDA data and our discussions with SNAP staff suggest that BBCE may, in fact, contribute to more payment errors."<sup>22</sup> What it obviously and effectively does is increase enrollment for people who are traditionally over the income or asset limit.

*SOLUTION: To address this problem, Broad-Based Categorical Eligibility should be eliminated. This will ensure that the program is preserved for the truly needy individuals that rely on it—those with low incomes, and limited assets. Taxpayers should not be asked to fund food stamps for millionaires.*

- **Verifying Income, Assets, and Household Members** – Verifying the information reported by those applying for food stamps is a basic step in the administrative process. However, most states are shortchanging this process and instead of doing thorough checks, defaulting instead to self-attestation of the applicant. A particular problem occurs when someone reports they earn zero income. This triggers a requirement that the state issue the benefit on an expedited basis. By law, benefits have to be issued with seven days to someone with very low, or no income.<sup>23</sup> This leaves the state scrambling to issue the benefit quickly to avoid being penalized for late processing of benefits. Since no income was reporting, there is nothing to "verify" and the state moves on. The states should be using databases to check these cases, in particular, when "no income" is claimed, but the little data they are using is outdated and ineffective.

There is a similar gap in the process of verifying who is living in the household. When someone reports that there is no other wage-earner in the household, the state is left trying to verify a negative. In the distant past, states made home visits to determine who was in a household. That does not happen today. Since states are not checking assets, they do not see if there are other adults in the household listed on bank accounts, vehicles, or credit report associated with the address. This leaves a major gap in the verification process.

This is also not a hypothetical problem. Recently, a massive fraud case in Maine was the result of a woman not reporting that her husband was living with her and that she earned a nearly six-figure salary. The state failed for years to do proper verification or checks of her life situation,

leading to the theft of a quarter-million in welfare benefits.<sup>24</sup> Another massive case out of New Jersey saw more than 15 people, mostly couples, arrested for a total of more than \$2 million in fraud that included food stamps.<sup>25</sup> This case was a direct result of a lack of checking and verifying the resources available to these individuals.

*SOLUTION: To address this problem, states should be required to use reliable, up-to-date third-party data that will quickly verify what income, assets, or household members are part of each case. Some states use these databases now with success, but it is optional for states in the food stamp program.*

#### Reporting requirements

One of the most basic problems in the food stamp program that facilitates fraud is the lack of regular reporting by recipients. So-called Simplified Reporting allows most recipients to only report changes in their income or household if they make them ineligible for benefits. Traditional reporting, or change reporting, requires that all changes be reported to the food stamp agency within ten days. Simplified reporting was pushed broadly in the early 2000s through changes in a Farm Bill and by regulation. At the time, the primary idea behind Simplified Reporting was that it would require less work for states and recipients, lower errors rates, and expand access.<sup>26</sup> It certainly has expanded access, as evidenced by the growth in the program. It is debatable whether it requires less work for states, as state administrative costs have increased right along with enrollment, more than doubling since 2001.<sup>27</sup> What we know for certain is that it did nothing to achieve the key supposed benefit of lowering error rates in SNAP. Overpayment error rates were 5.09 percent in 2003 after Simplified Reporting became popular,<sup>28</sup> and they are 5.19 percent now.<sup>29</sup> Forty-nine states currently operate Simplified Reporting. Maine, however, requires traditional Change Reporting, which requires that changes be reported within ten days of occurring.<sup>30</sup>

This facilitates fraud and integrity issues because as individuals on food stamps become used to infrequent or no reporting requirements, they are more likely to fail to report information that affects their eligibility even when they are required to, leading to higher overpayments and wrongful eligibility. Another factor that contributes to fraud is the lack of face to face interviews with clients. In-person interviews are generally waived in most states, and home visits are effectively non-existent. 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.

*SOLUTION: Allowing individuals on food stamps to only report changes at their annual review or once every six months is not sufficient to properly guard against fraud. Two other options available to states, quarterly reporting and change reporting, are rarely used but are much more effective in catching fraud earlier. Able-bodied adults, in particular, should always have to report meaningful changes when they happen, or at least every few months. Face to face interviews with able-bodied adults would also give states another good opportunity to spot fraud and stop it.*

#### Certification period lengths

Coupled with Simplified Reporting is the issue of lengthy certification periods. Simplified Reporting allows individuals to avoid reporting most changes when they occur and, instead, wait for their annual

recertification. As a result of policy decisions at the administrative level, the vast majority of the food stamp population only has to report their changes once a year or even less frequently. Current regulations require that households with "unstable circumstances such as households with zero net income" should have certification periods "consistent with their circumstances."<sup>31</sup> The regulation exists because households in this category have regularly shifting income and household composition. Therefore, the certification period should be shorter than other households like those with an elderly or disabled individual. However, 37 percent of SNAP recipients are currently in the "zero net income" category, but 98 percent of all households are certified for six months or longer, and 71 percent are certified for 12 months or longer.<sup>32</sup> This means that the individual only has to check in with the food stamp agency once a year.

This lengthy certification period is problematic because it provides the state with far fewer opportunities to catch intentional fraud, or mistakes made, by the benefit recipient. One reason the states may be assigning such lengthy periods is that they want to use Simplified Reporting that is "easier" for the state workers to administer. Regulations require that the state agency can only use Simplified Reporting for, "any household certified for at least four months."<sup>33</sup>

*SOLUTION: USDA and states should be held accountable to federal regulations and require able-bodied adults, and those with zero income, to report much more frequently than once or twice each year. The laws and regulations should be adjusted to make sure more regular checks are done to catch problems in the cases.*

#### Residency and Duplicate Enrollment

According to federal regulations, in order to be eligible for food stamps in a particular state, a person must reside in that state. Unfortunately, there are many cases of individuals spending their food stamp funds entirely outside of the state and continuing to receive food stamp benefits from the state.

A recent example of this problem was highlighted by the State Auditor of Missouri, who found 3,837 cases where Missouri food stamp recipients "used their EBT cards exclusively outside the state during the entire 2-year audit period."<sup>34</sup> And it was not just in neighboring states either. The auditor found multiple instances of usage in California, Texas, Florida, New York, Hawaii, and the Virgin Islands.<sup>35</sup> Maine had a similar story, finding \$15 million a year in total EBT transactions,<sup>36</sup> food stamps and TANF funds, that were spent outside of Maine, and many in faraway places such as Disney World.<sup>37</sup> Federal law allows food stamp users to spend their money in another state. That is often referenced by states when they are asked about checking the data on food stamp expenditures. While that is true, they are not allowed to live in another state, and states can use transaction data, like the Missouri auditor, to pinpoint those bad actors. This should be a requirement for states.

Another issue exposed in the Missouri audit is that federal law exacerbates this problem on two fronts. First of all, simplified reporting does not require someone to report a change in residency. This has to change. Secondly, Missouri has a state law that requires them to temporarily suspend a food stamp account if the user spends funds exclusively in another state for 90 consecutive days. They cannot implement this commonsense state law because federal regulations do not allow it. Another issue around residency occurs when an individual receives food stamps in two or more states.

The Public Assistance Reporting Information System (PARIS) is supposed to catch this type of duplicative enrollment, but it does not work well, and many states do not use it for food stamps.<sup>38</sup> Recently, a five-state group in the southeastern U.S. ran a pilot using a private vendor to improve on the PARIS system to catch duplicative enrollment in their regional area. USDA estimates that implementing this National Accuracy Clearinghouse program nationwide would save taxpayers \$1 billion over the next decade.<sup>39</sup>

**SOLUTION:** *There should be an improved national database to make sure there is no duplicate enrollment – people getting food stamp benefits in more than one state.*

*States should be required to review their EBT card food stamp transactions on a regular basis and act on cases where cards are used exclusively outside of the state for two or three consecutive months.*

*USDA should allow states to temporarily suspend accounts until the issue is resolved.*

#### Deceased Individuals

Another area of grave concern in the food stamp program is the prevalence of dead individuals continuing to receive food stamp benefits after they expire. While federal law requires states to operate systems to avoid this problem, it continues to rear its ugly head around the country. In their recent audit of the Missouri food stamp program, the auditor found 3,668 cases where food stamp benefits were used 30 or more days after the recipient died.<sup>40</sup> Pennsylvania found a similar problem in 2016 when he reviewed their food stamp rolls and found 2,324 deceased individuals still receiving benefits at least 60 days after their death costing the state \$693,161 during that time.<sup>41</sup>

A 2014 change to food stamp law requires state to report annually to the Secretary of the United States Department of Agriculture to verify that the state agency, "did not issue benefits to a deceased individual,"<sup>42</sup> but it is unclear whether those reports have been filed, or how states are verifying that they are improving in this area.

**SOLUTION:** *There is a law on the books now to require states to demonstrate they are making sure there are no deceased individuals on their rolls. Those reports were due in 2017, and USDA should make sure that states are complying.*

*States should be required to crosscheck their eligibility rolls at application and, each month, against the state death registry.*

#### Recipients Trafficking Benefits

Trafficking is often considered the most serious form of food stamp fraud, in no small part because it often spills over into other criminal elements. There is significant crossover between food stamp trafficking and the drug underworld.<sup>43</sup> This type of trafficking involves trading or selling the EBT card, loaded with food stamps, for cash or drugs. As mentioned earlier, there is debate about how large a problem recipient fraud is in the program. The Congressional Research Service acknowledges that no one really knows the exact recipient fraud rate because there is no uniform measure for this.<sup>44</sup> They point out that the USDA Office of Inspector General pointed out in a 2012 report that, "FNS cannot

estimate a recipient fraud rate because it has not established how States should compile, track, and report fraud in a uniform manner."<sup>45</sup>

Even beyond the variance in how state food stamp agencies, OIG's, and other entities might count this fraud is that there are often other organizations prosecuting these cases. For example, some states have trained their local law enforcement to prosecute welfare fraud, so it is difficult to capture the full scope of recipient fraud. The director of the award-winning Fraud Unit at the Allen County Department of Job and Family Services, who found intentional violations in four percent of cases they were able to look at, estimates that the rate of misuse is probably as high as 20 percent.<sup>46</sup> One of the reasons that fraud numbers are artificially low is that states often choose to avoid a Fraud Prosecution, since the burden of proof is high, and it may be easier to simply process the case administratively. We consider any "intentional program violation" an example of fraud.

Regardless of the debate over the exact percentage, we know from nearly daily news stories that recipient trafficking of benefits is a regular occurrence. There are long lists of examples,<sup>47</sup> like this one from California where nine people were arrested for welfare fraud in late August of this year.<sup>48</sup>

*SOLUTION: Only an authorized user of the card should be allowed to use the card. This should be limited to two or three users who must be on file with the state agency. Currently, there are no restrictions.*

*Individuals can also sidestep investigations by stonewalling. Law and regulation should require cooperation with fraud investigators as a condition of eligibility.*

#### Retailers Trafficking Benefits

On the other side of the trafficking coin are the SNAP approved retailers around the country. One of the primary ways that benefits are trafficked is when a store conspires with a food stamp recipient to run a scam that turns the benefit to cash for the recipient and puts extra funds in the accounts of the retailer. There are many high-profile examples of this type of trafficking, many of them highlighted in May congressional testimony by Sam Adolphsen of the Foundation for Government Accountability.<sup>49</sup>

These diverse examples, from Alabama, Maine, Wisconsin, and Massachusetts, show that SNAP retailer fraud is a major issue. The most recent shocking example, which uncovered fraud of staggering magnitude, saw 198 people arrested for allegedly committing \$3.7 million in food stamp trafficking in Jacksonville, Florida.<sup>50</sup> The investigation was called "Operation Half-Back" because the scam included SNAP retailers giving recipients fifty cents in cash in exchange for a dollar in SNAP benefits.<sup>51</sup>

There are more than 263,000 SNAP retailers across the country.<sup>52</sup> This staggering number represents a challenge to USDA and state partners to properly oversee the integrity of these retailers. In fact, Food and Nutrition Services (FNS) only reviewed the food stamp transactions in 9 percent of these retailers in 2016.<sup>53</sup> In particular, so-called "convenience" stores and small markets represent a major challenge in the program. These stores represented 36 percent of the program in 2007, which jumped to 46 percent in 2017.<sup>54</sup> Concerning is that the trafficking rate for these stores is 18 percent, a rate which has increased in the last decade.<sup>55</sup>

One of the primary ways that this fraud can be combatted is by regularly reviewing EBT card data. However, primary responsibility for retailer monitoring is left up to USDA, and as discussed, they are only reviewing a small portion of stores. USDA also has exclusive authority to sanction or remove an offending retailer from the program. This largely cuts states out of the process, and as a result, many states are not focused at all on reviewing their SNAP retailers or monitoring them.

***SOLUTION:** It is clear that USDA/FNS cannot handle the workload of policing SNAP retailers. States should be empowered to remove bad actor stores from participation in the program. They know their local stores better than FNS and are in a better position to partner with local law enforcement to enforce rules and stop fraud.*

*When there is a legitimate claim of fraud at a SNAP retailer, it should be temporarily suspended from operating.*

#### *Uneven state efforts on fraud*

With so many areas of the program prone to fraud, it is critical that the administering agencies are doing everything they can to combat the problems. The challenge is that the food stamp program is almost entirely federally funded, but operated at the state level, with many state policy options. The states are not properly incentivized to find and stop fraud, and it shows in the disparity between states on their level of effort in this area.

For example, as my colleague pointed out in his May testimony, Kentucky in 2016 disqualified nearly 2,000 people from food stamps for inappropriate activity, including 100 who were criminally prosecuted. Massachusetts, a state with 2 million more residents than Kentucky, removed only 365 individuals, and only prosecuted two.<sup>56</sup> The examples go on. Wisconsin removed 2,000 offenders, while Washington state removed just 200, even though Washington state is much larger. It is not just the results either, but the level of effort where we find massive variance. Michigan completed more than 40,000 investigations into cases in 2016, but New Mexico did just 40 such investigations.<sup>57</sup> In 2016 North Carolina, a state with about 10 million people, established \$7.5 million in fraud claims, while New Jersey, a state with a similar population of 9 million, established just \$381,000 in fraud claims against recipients.<sup>58</sup>

These disparities demonstrate and suggest a couple of different problems. First of all, the "rate of fraud" typically reported cannot be trusted because it is clear that many states are not actually looking for fraud at all. Until there is a uniform and sufficient effort placed on finding and stopping fraud, we will not know the true fraud rate. Secondly, it highlights that states are not properly incentivized to fight fraud. States should be held more accountable for allowing fraud into the program, or for letting it linger.

***SOLUTION:** USDA/FNS needs better reporting from states on how they are fighting fraud, and how many cases they are prosecuting.*

*States should be required to operate a baseline level of fraud program that provides a more standard approach and assurance that a minimum level of anti-fraud work is being done.*

*Congress should eliminate the \$48 million in annual "bonus payments" given to states and re-allocate it specifically for fraud efforts at the state level and should allow states to keep 50 percent of fraud recoveries instead of the current 35 percent.*

#### *Able-Bodied Adults Expansion*

One of the biggest issues with the food stamp program is the staggering number of able-bodied adults that continue to reside on the program meant for the disabled, elderly, and poor families. Nearly half the program is comprised of able-bodied adults, and 12 million of these are able-bodied parents. Half of these parents do not work at all.<sup>59</sup> These adults have a basic work requirement in law,<sup>60</sup> but most states have not implemented this requirement at all. It is unclear if states are following the letter of the law as it pertains to able-bodied adults and the basic work requirements they are subject to.

Along with these 12 million parents, several million additional able-bodied adults are on the food stamp program, in no small part thanks to massive loopholes in state waivers for able-bodied adults without dependents. These state waivers allow them to avoid work requirements, and linger on the program for years without working, despite a booming economy and a record number of jobs.<sup>61</sup>

This is especially important as it relates to fraud because the best way to prevent fraud in food stamps is to get people off food stamps and back to work. The decades of the rolls swelling full of able-bodied adults has accompanied the many fraud problems that plague the program. The disabled and poor children are not the issue here. We know from daily news stories and first-hand accounts from state officials around the country that able-bodied adults between 18-60 are the most likely to commit fraud in the program. They are also the most likely to come to the program through the fraud-prone process of BBCE, use simplified reporting, and be involved in many of the other problem areas of the program discussed above.

***SOLUTION:** Ensure that work requirements for able-bodied adults are implemented properly to help move millions of adults from food stamps into work, reducing the number of individuals on the program and reducing the overall prevalence and potential for fraud.*

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Mr. PALMER. I thank the gentleman for his testimony.  
The chair recognizes Dr. Gundersen for his testimony.

**STATEMENT OF DR. CRAIG GUNDERSEN**

Dr. GUNDERSEN. Thank you very much for this kind invitation to testify this morning. It is an honor. I am Craig Gundersen, the Soybean Industry Endowed Professor in Agricultural Strategy, in the Department of Agriculture and Consumer Economics, at the University of Illinois.

In addition, I am on the Technical Advisory Group for Feed America, the lead researcher on Feed America's Map the Meal Gap Project, a Round Table member of the Farm Foundation, a faculty affiliate of the Wilson Sheehan Lab for Economic Opportunities at the University of Notre Dame, and a research fellow at the Texas Hunger Initiative, at Baylor University. For over 20 years, my research has concentrated on the causes and consequences of food insecurity and on the evaluation of food assistance programs.

For over 50 years, SNAP has been a shining example of a successful government program. Of greatest importance, it has asked to reduce food insecurity in the United States, and it does. Study after study has demonstrated this success. By reducing food insecurity, research has clearly demonstrated that this leads to improvements in health, and reductions in mortality and healthcare costs.

In addition, SNAP leads directly to improvements over multiple other dimensions of well-being, including through reductions in poverty, improvements in health, reductions in anemia, et cetera, et cetera.

SNAP's success is achieved through the redemption of benefits at authorized food retailers, ranging from super-stores and large grocery stores, to military commissaries and farmers markets. This public-private partnership avoids the need to support a parallel government, food distribution bureaucracy, and helps retailers remain economically viable, especially in rural America.

Given the profound success of SNAP, it is no surprise that this program has received such strong bipartisan support for decades. I could spend the full allocated time by covering in greater detail all the amazing things SNAP does, and has done, and will do for tens of millions struggling Americans, and in the process, reducing government expenditures in healthcare and other services.

Instead, due to this hearing's focus, I will address the unfortunate perception that SNAP is a program beset with fraud. Without a doubt, one could tell anecdotes about fraud in SNAP, and these should be met with anger, and forcefully prosecuted. But, of course, we shouldn't make public policies based on anecdotes. Instead, we should carefully consider those safeguards in place to prevent fraud, and despite these, whether there is extensive evidence or fraud in SNAP.

I stated in testimony before this committee in May of this year on a similar topic. There are two primary types of frauds that USDA has implemented safeguards against.

The first is to prevent individuals from intentionally misrepresenting their household's financial resources in an effort to qualify for SNAP, or to increase their benefit levels. Individuals who are

found guilty by their state of residence are banned from receiving SNAP for 12 months, and if this happens three times, for life.

These safeguards have proven remarkably successful. In 2016, only about 1 percent of SNAP recipients were found to be in violation of these rules, and consequently, they were punished accordingly.

The second type of fraud is trafficking on the part of SNAP recipients and retailers. This occurs when retailers give cash rather than food to SNAP recipients in exchange for benefits. To prevent this, the USDA closely monitors SNAP redemptions and alerts the relevant authorities when trafficking is suspected. The introduction of EBT made this process easier and more effective than when paper coupons were used.

In addition, the USDA has established extensive partnerships with local law enforcement to address trafficking. Like with fraud, the vigilance of law enforcement and the USDA, and the threat of serious penalties, has led to extraordinarily low rates of trafficking. In 2016, about 1.5 percent of SNAP benefits are trafficked.

The primary lesson we can learn from current regulations is (a) they work, and (b) we should be careful about making changes that would hinder the success of SNAP. With respect to changes, we should be aware of ideas promoted in the name of program integrity that would undermine effectiveness.

For example, shorter recertification periods would impose burdens on working families, who would then need to take time off work to recertify. Or, for example, putting client's pictures on EBT cards would hinder persons with disabilities, seniors, and those in multi-person households from using their benefits. In addition, checking photos in

grocery lines puts an undue burden on cashiers, and lengthens checkout lines.

SNAP works, in terms of improving the wellbeing of tens of millions of Americans in multiple ways, and it does so while maintaining low rates of fraud and trafficking. I support efforts to continue current investments and the tools that USDA and states need to reduce fraud and trafficking. This is a critical important aspect of program oversight.

To conclude, we should all be proud of the profound successes that SNAP has achieved over the past 50 years, and in the process, has become a model for other government services. It truly is a program that all of us can count on in our times of need.

In some future hearing I hope to discuss with you all the exciting ways that SNAP can be made even better for Americans of all ages. In the meantime, I thank you all again for the opportunity to speak with all of you today, and I welcome any questions you all may have.

[Prepared statement of Dr. Gunderson follows:]

**Testimony of Craig Gundersen**

**Soybean Industry Endowed Professor in Agricultural Strategy, Department of Agricultural and Consumer Economics, University of Illinois**

**Before the Subcommittees on Intergovernmental Affairs and Healthcare, Benefits, and Administrative Rules for the Committee on Oversight and Government Reform on “Supplemental Nutrition Assistance Program (SNAP) Fraud”**

**September 26, 2018**

Thank you very much for this kind invitation to testify this morning; it is an honor. I am Craig Gundersen, the Soybean Industry Endowed Professor in Agricultural Strategy in the Department of Agricultural and Consumer Economics at the University of Illinois. In addition, I am on the Technical Advisory Group for Feeding America, the lead researcher on Feeding America’s Map the Meal Gap project, a Round Table Member of the Farm Foundation, a Faculty Affiliate of the Wilson Sheehan Lab for Economic Opportunities (LEO) at the University of Notre Dame, and a Research Fellow at the Texas Hunger Initiative at Baylor University. For over twenty years, my research has concentrated on the causes and consequences of food insecurity and on the evaluation of food assistance programs.

For over fifty years, SNAP has been a shining example of a successful government program. Of greatest importance, it is asked to reduce food insecurity in the United States and it does – study after study has demonstrated this success<sup>1</sup>. By reducing food insecurity, research has clearly demonstrated that this leads to improvements in health<sup>2</sup> and reductions in mortality<sup>3</sup> and health care costs<sup>4</sup>. In addition, SNAP leads directly to improvements over multiple other dimensions of well-being including through reductions in poverty, improvements in health, reductions in anemia, etc.<sup>5</sup>. SNAP’s success is achieved through the redemption of benefits at authorized food

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<sup>3</sup> Gundersen C, Tarasuk V, Cheng J, de Oliveira C, Kurdyak P. Food insecurity status and mortality among adults in Ontario, Canada. *PLoS ONE* 2018;13(8): e0202642.

<sup>4</sup> Berkowitz S, Basu S, Meigs J, Seligman H. Food insecurity and health care expenditures in the United States, 2011-2013. *Health Services Research* 2018;53(3):1600-1620; Tarasuk V, Cheng J, Oliveira C, Dachner N, Gundersen C, Kurdyak P. Association between household food insecurity and annual health care costs. *Canadian Medical Association Journal* 2015;187(14):E429-E436.

<sup>5</sup> For a discussion of some of these see Bartfeld J, Gundersen C, Smeeding T, Ziliak J. Editors. *SNAP Matters: How Food Stamps Affect Health and Well Being*. Redwood City, CA: Stanford University Press. 2015.

retailer, ranging from superstores and large grocery outlets to military commissaries and farmers' markets. This public-private partnership avoids the need to support a parallel government food distribution bureaucracy and helps retailers remain economically viable, especially in rural America. Given the profound success of SNAP, it is no surprise that this program has received such strong bi-partisan support for decades.

I could spend this full allocated time by covering in greater details all the amazing things SNAP does, has done, and will do for tens of millions of struggling Americans and, in the process, reducing government expenditures on health care and other services. Instead, due to this hearing's focus, I will address the unfortunate perception that SNAP is a program beset with fraud. Without a doubt, one can tell anecdotes about fraud in SNAP and these should be met with anger and forcefully prosecuted. But, of course, we shouldn't make public policies based on anecdotes. Instead, we should carefully consider the safeguards in place to prevent fraud and, despite these, whether there is extensive evidence of fraud in SNAP.

As stated in testimony before this committee in May of this year on a similar topic<sup>6</sup>, there are two primary types of frauds that USDA has implemented safeguards against. The first is to prevent individuals from intentionally misrepresenting their household's financial resources in an effort to qualify for SNAP or increase benefit levels. Individuals who are found guilty by their state of residence are banned from receiving SNAP for 12 months and, if this happens three times, for life. These safeguards have proven remarkably successful – in 2016, only about one percent of SNAP recipients were found to be in violation of these rules and, consequently, they were punished accordingly.

The second type of fraud is trafficking on the part of SNAP recipients and retailers. This occurs when retailers give cash, rather than food, to SNAP recipients in exchange for benefits. To prevent this, the USDA closely monitors SNAP redemptions and alerts the relevant authorities when trafficking is suspected. (The introduction of EBT made this process easier and more effective than when paper coupons were used.) In addition, the USDA has established extensive partnerships with local law enforcement to address trafficking. Like with fraud, the vigilance of law enforcement and the USDA and the threat of serious penalties has led to extraordinarily low rates of trafficking – in 2016, about 1.5% of SNAP benefits were trafficked.

The primary lesson we can learn from the current regulations is (a) they work and (b) we should be careful about making changes that would hinder the success of SNAP. With respect to changes, we should be wary of ideas promoted in the name of program integrity that would undermine effectiveness. For example, shorter recertification periods would impose burdens on working families who would then need to take time off work to recertify. Or, for example, putting clients' picture on EBT cards would hinder persons with disabilities, seniors, and those in multi-person households from using their benefits. In addition, checking photos in grocery lines puts an undue burden on cashiers and lengthens check-out lines.

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<sup>6</sup> Dean S. *Program Integrity for the Supplemental Nutrition Assistance Program*. Testimony 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. 2018.

SNAP works in terms of improving the well-being of tens of millions of Americans in multiple ways and it does so while maintaining low rates of fraud and trafficking. I support efforts to continue current investment in the tools that USDA and states need to reduce fraud and trafficking. This is an important aspect of program oversight.

We should all be proud of the profound successes that SNAP has achieved over the past fifty years and, in the process, has become a model for other government services. It truly is a program that all of us can count on in our times of need. In some future hearing, I hope to discuss with you all the exciting ways that SNAP can be made even better for Americans of all ages<sup>7</sup>. In the meantime, I thank you all again for the opportunity to speak with all of you today and I welcome responding to any questions you may have.

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<sup>7</sup> Proposals to expand SNAP with respect to recipients and benefit levels include Gundersen C, Kreider B, Pepper J. Reconstructing SNAP to more effectively alleviate food insecurity in the U.S. *RSF: The Russell Sage Foundation Journal of the Social Sciences* 4(2). 113-130. 2018; Waxman E, Gundersen C, Thompson M. How far do SNAP benefits fall short of covering the cost of a meal? *Urban Institute, From Safety Net to Solid Ground*. 2018.; Ziliak J. *Modernizing SNAP Benefits*. Policy Proposal 2016-06, The Hamilton Project. Washington DC: Brookings Institution. 2016.

Mr. PARKER. I thank the witnesses for their testimony. Before we get into questions, there was an issue raised about whether or not this committee is investigating waste at the Pentagon. And we did have a hearing on that, and I must admit that I forgot, and it is even more embarrassing, because I was in the chair for part of it. But we held that hearing March 21st, 2017, and identified \$125 billion of potential savings at the Pentagon.

And there is a report that the GAO put out this week on it that shows that the Department of Defense has missed their mark on what they agreed to do. And I think we are looking at doing a follow-up hearing on that in November, and we will encourage all the members of the committee to participate.

With that, I now recognize Chairman Jordan for his questions.

Mr. JORDAN. Mr. Roth—thank you, Mr. Chairman. So let me start with you, how much were we spending on—how much were we spending on the SNAP program, the food stamp program, today?

Mr. ROTH. In the State of Maine?

Mr. JORDAN. Overall, just nationally. Do you know?

Mr. ROTH. I don't know. My unit strictly deals with the —

Mr. JORDAN. Ms. Coffey, how much are we spending on the overall, do you know?

Ms. COFFEY. The latest results were about \$46 billion. Probably the end of the year, the average has been around \$60 billion or so.

Mr. JORDAN. \$60 billion. How much were we spending about 10 years ago, do you know?

Ms. COFFEY. That, I don't know.

Mr. JORDAN. What are the numbers—how many recipients today in the food stamp program?

Ms. COFFEY. Approximately 41 million, give or take, on average.

Mr. JORDAN. Is that moving up? Is that trending up or trending down right now?

Ms. COFFEY. It's trending down right now.

Mr. JORDAN. What kind of decline from last year?

Ms. COFFEY. I don't have that specific information in terms of what the—because it is an average. Folks go on the rolls, come off the rolls. I just don't have that specific information.

Mr. JORDAN. What percentage of the 39, 40 million individuals, and I assume some of those are, you know, counting children, what percentage of recipients, let's just say it this way, have been found guilty of some kind of fraud?

Ms. COFFEY. So that would be difficult for me to respond to, simply because we focus on the retailer side of the investigations, so our statistical data is really more towards retailers —

Mr. JORDAN. Who can answer that? Mr. Bragdon, can you answer that? What percentage of this 40 million population have been found guilty of fraud?

Mr. BRAGDON. We don't know that, Mr. Chairman. I think this points to the lack of reporting that this committee and this Congress has on just basic information about the program.

Mr. JORDAN. Well, I read some number of 11 percent. Is that fair? I read it in our —

Mr. BRAGDON. It depends on what you're looking at. If you are looking at individuals, are they the payment error rates, or if you are looking at trafficking —

Mr. JORDAN. Let's go to Mr. Roth then. Mr. Roth, in your state, what percentage of the food stamp recipients are found guilty of some kind of fraud?

Mr. ROTH. Again, I can't provide that number. I can only tell you how many people we catch in a certain calendar year for committing fraud. These are allegations we bring forth for prosecution.

Mr. JORDAN. What percentage is that?

Mr. ROTH. Again, I don't have those numbers. We deal strictly with the investigation. That would be a question perhaps for our eligibility people.

Mr. JORDAN. This might be important information for us to have if we are doing a hearing. I probably would kind of like to know how many have been found guilty of some kind of fraud, which would beg the next question, once they have been found guilty of some kind of fraud in the system, are they allowed to continue in the system, or are they kicked off?

Mr. ROTH. In Maine, we have—the criminal prosecution goes through, and there is usually a penalty of that. We also then have a disqualification. If a person is found guilty, they are disqualified for a year. Second conviction, 2 years. Third time, lifetime. So we follow through with that in Maine.

Mr. JORDAN. Someone could be found guilty in a court of fraud, defrauding the system, defrauding taxpayers, but they are allowed to get back on the program?

Mr. ROTH. That is correct.

Mr. JORDAN. Well, that seems kind of strange, too.

Ms. Coffey?

Ms. COFFEY. So that is a little bit different on the retailer side. If the retailer is found to have committed fraud and—retailer is found to have committed fraud and trafficking through EBT benefits, they are disqualified from the program. They are prosecuted and disqualified from the program.

Mr. JORDAN. So would a work requirement help us cut down on the percentage of fraud, even though we don't know what that is. Mr. Bragdon, do you think a work requirement would help us deal with fraud?

Mr. BRAGDON. I think it would, because individuals would be working and getting themselves out of poverty and off the program. And so if you have fewer people on the program, because the need is less, then you would have less fraud.

Mr. JORDAN. Yeah. Mr. Roth, do you think that is—a work requirement would help? You guys have one in your state, right?

Mr. ROTH. Yes. Again, I can't comment on that. We deal strictly with the investigations. That is something that our policy people work on.

Mr. JORDAN. Well, the example you gave, you said there was someone who was deceased whose card was being used. It seems to be if that deceased person, prior to being deceased, was able-bodied, and they were working, that would prevent fraud in that situation at least, right?

Mr. ROTH. Yeah. And I can speak to the fact that, you know, a lot of these people that we investigate and prosecute are actually working. They are just not reporting that work to us.

Mr. JORDAN. All right. Mr. Bragdon?

Mr. BRAGDON. I can speak to, I live in Florida. The State of Florida had about half-a-million childless adults on food stamps, and restored its work requirement in January of 2016. Today, enrollment for those childless adults is down 94 percent as a result of that work requirement.

Mr. JORDAN. Yeah. It seems to me it works. Seems commonsense, so it is certainly something we have to get done, and I wish the Farm Bill would pass with that requirement in it. With that, Mr. Chairman, I yield back.

Mr. PALMER. I thank the gentleman.

The chair now recognizes the ranking member, Mr. Raskin, for 5 minutes for his questions.

Mr. RASKIN. Thank you very much.

I actually want to start by following up on Mr. Jordan's line of questioning. I don't know where the 11 percent number comes from, but if 10 or 11 percent of 40 million people were being convicted of fraud under the program, if my math is right, that would be more than 4 million people.

Is there anything like that number of people being convicted of fraud under the program, Dr. Gundersen?

Dr. GUNDERSEN. No, there is not. I mean there is oftentimes confusion between error rates, which can arise, because a case worker errs, or people making relatively minor mistakes in their statements about their income, and other things. That is one—and that may be where that 11 percent— but even that sounds high to me.

If you look at cases of fraud, as defined by the USDA, as defined by them, it is about 1 percent.

Mr. RASKIN. Okay. Ms. Coffey, let me just come to you. Did I hear you just say that the most common form of fraud is retailers giving people money instead of food, and then they get some kind of kickback, or that they keep a percentage of it? Is that the most common form of fraud we are finding?

Ms. COFFEY. That is correct.

Mr. RASKIN. Okay. And do we have any tabulation of how many cases of that are taking place?

Ms. COFFEY. I can only speak to what we have reported on. We had about 897 over the last 5 years of retailer fraud cases.

Mr. RASKIN. Uh-huh. So the most common form, there is around 900 cases over the last 5 years. So that is something less than 200 cases per year.

Ms. COFFEY. On average.

Mr. RASKIN. Is that right? So what happens to the retailers that are doing this? Because obviously it is a rip-off of the system, and it shouldn't be taking place.

Ms. COFFEY. So in those instances where we have identified that the retailer has engaged in food stamp fraud, trafficking of benefits, they are prosecuted. And when they are prosecuted they receive imprisonment potentially, restitution. There are a number of sanctions that are issued by the court when that occurs. And then

ultimately, they are disqualified from participating in the program by FNS.

Mr. RASKIN. But their store, in other words, no longer could participate.

Ms. COFFEY. That is correct.

Mr. RASKIN. I see. Okay. Can you just describe—give us a prototypical case of how this would—how this fraud takes place?

Ms. COFFEY. So normally we receive allegations that come in from a number of sources. We also have an OIG hotline. We get referrals from law enforcement officials, other agencies, the public telling us of potential fraud. We will initiate an investigation of a particular retailer. Obviously, data analytics plays a significant role in us being able to identify where there is potential fraud.

We investigate. We will do a number of investigative techniques, which I probably won't get into here.

Mr. RASKIN. Mm-hmm. But basically, are they printing it out as though somebody had just bought groceries, but in reality, they are giving them money at a discount, so they can keep money, is that

Ms. COFFEY. Basically, the person will walk into the store, the card will be swiped, cash will be given to that recipient, and the full amount of the swipe of the card is redeemed back from the government.

Mr. RASKIN. Okay.

Ms. COFFEY. So if they do a \$100 swipe, the person may get \$50. The benefit from the government is \$100 to the retailer.

Mr. RASKIN. Gotcha.

Dr. GUNDERSEN, don't we have work requirements now?

Dr. GUNDERSEN. So we do have work requirements now across different dimensions. But if I may, though, I do want to say there is this perception that SNAP discourages work. That perception is false, is because for each additional dollar you earn with SNAP you only lose—I am sorry. With each additional dollar you earn in earnings, you only lose 24 cents in benefits. So people may not be working for a number of different reasons, but the existence of SNAP, as study, after study, after study has shown, does not discourage work.

So thinking about work requirements in that context of SNAP begs a question about whether or not it really is a problem. But I will also say that there are work requirements in many states with respect to able-bodied adults without dependents.

Mr. RASKIN. I am reading that 93 percent of SNAP spending goes directly into the purchase of food. But if we added more administrative requirements, then that is going to divert money away from food, and put it into more bureaucracy. Can you describe—I mean is that intuition correct, that if we impose more massive bureaucracy on the process, then we are diverting money from getting food to people.

Dr. GUNDERSEN. Right. So any bureaucratic hurdles that are put in place is, as with any bureaucratic hurdles, will discourage people from participating in the program. And research has shown that those who would be most discouraged by these bureaucratic hurdles are those who are most in need, and will be least likely to be able to get over these bureaucratic hurdles.

Mr. RASKIN. Why is that?

Dr. GUNDERSEN. Oftentimes people who with very low education levels, or chaotic homes, or other issues, or their children are having difficulties, or people with disabilities, mental health challenges may have difficulty dealing with this. So as you make the bureaucratic hurdles higher, and higher, and higher for individuals, you put more and more people into hunger and food insecurity. And moreover, it is the most vulnerable in our society who will be hurt by this.

Mr. RASKIN. My time is up. I yield back, Mr. Chairman. Thank you.

Mr. PALMER. I thank the gentleman. The chair recognizes the vice-chairman of the Intergovernmental Affairs Subcommittee, Mr. Grothman, for 5 minutes.

Mr. GROTHMAN. Thank you.

I will ask any one of you. People, of course, aren't supposed to sell their SNAP benefits, but we all know they do. We have people from four different places around the country here, I guess, three different places around the country. Could you all tell me how much SNAP benefits are sold for in your area? We will start with Mr. Gundersen, and work our way across. How much in the Champaign-Urbana area do you get when you sell your SNAP —

Dr. GUNDERSEN. For various reasons there is a lot of variability across the country. What we see is generally —

Mr. GROTHMAN. There's generally no variability, but go ahead.

Dr. GUNDERSEN. It is generally about 50 cents on the dollar is approximately what they are being sold for.

Mr. GROTHMAN. Okay. Mr. Bragdon?

Mr. BRAGDON. The easiest way to find this out is just going on Craigslist, because people have ads to sell them, and it is about 50 cents on the dollar. But you can look up every location.

Mr. GROTHMAN. In Maine, what do they go for?

Mr. ROTH. We have seen 50 cents on the dollar. And the market I talked about in Portland, that was about 20 cents on the dollar, so it varies. But generally, 50 cents on the dollar is a good benchmark. Yeah.

Ms. COFFEY. Yes. Generally, what we see is 50 cents —

Mr. GROTHMAN. Yeah.

Ms. COFFEY.—on the dollar.

Mr. GROTHMAN. Everywhere I ask in Wisconsin, they are selling them 50 cents on the dollar.

Can we draw any conclusions from the fact that the necessity of some of these benefits are whether people are getting them that shouldn't need them, that you are selling food, in essence, for 50 cents on the dollar? Mr. Bragdon, can we draw any conclusions from that?

Mr. BRAGDON. I think if somebody is selling their benefits for cash on the dollar, there is a question of whether or not they need the benefits for food, or whether they are prioritizing getting cash for some other purpose over buying food for themselves and their family.

Mr. GROTHMAN. Okay.

Next question. This is for Dr. Gundersen. You said that SNAP was not discouraging people from work, because it only took 24

cents off of every additional dollar you have. But I want to point out there are a lot of programs out of there. We have an earned income tax credit that disappears the harder you work.

We have low-income housing. The harder you work, the more rent you have to pay. Daycare. Just taxes itself. You know, we have the Social Security taxes right from the top. You know, you are taking money away.

And when you add them up, don't you easily get, or can you easily get to situations in which for every, you know, work expenses, too, you are taking 70, 80 cents for every additional dollar you work. Don't you think that discourages people from working?

Dr. GUNDERSEN. So I think it's worthwhile in this context to separate out the effect of SNAP on work versus the effect of other programs on work. You know, as an economist, this is what we do all the time, is to figure out the tax rates on various things, and whether or not it impedes work.

SNAP itself does not discourage work, as I mentioned —

Mr. GROTHMAN. How about all of them together?

Dr. GUNDERSEN. That is another question. I can't speak exactly, but I do—you know, at certain levels, there can be very high tax rates, because of the way other programs are being run. So I guess I would say is that if that is the case, and there are some programs which encourage work, whether it be EITC. There are some programs that don't discourage work, like SNAP. There are other programs that may, especially with the so-called cliff, that they may discourage work. But SNAP —

Mr. GROTHMAN. I'll point at EITC, that is one you said doesn't discourage work. That is phased out, depending on how many people in the family. And it most definitely discourages work.

I would strongly encourage you, Dr. Gundersen, when you get back to Champaign-Urbana, to talk to people who hire people in the \$9- to \$14-an-hour range, and you will have no problem finding people who are turning down raises, that sort of thing, because it discourages work.

But I will come back to another question. And my good buddy, Congressman Jordan, kind of alluded to this already. We are right now in a situation in which we are as close to full unemployment as I have seen in my lifetime. Okay? Nevertheless, the number of people on SNAP benefits is up 50 percent. It is gone down lately, but it is up 50 percent over where it was 10 years ago.

Now normally one would say if we have the strongest economy I have seen in my lifetime, the need for SNAP ought to be the lowest. Could anybody give an explanation as to how there could be 50 percent more people on SNAP than, say, 12 years ago, than now? Sure, Mr. Bragdon.

Mr. BRAGDON. I think if you look at some of these loopholes identified in my testimony, where you essentially widen the front door, and don't check on individuals' eligibility, you are going to have a lot of people enter, and then stay on the program for a long period of time. Because once you are in, there is very little checking on an ongoing basis.

You also have more than a third of individuals who report zero income not being verified. They are fast-tracked. I think the tragedy is we want people to get out of poverty, not make it simple for

them to stay in poverty. And that is what could happen with a strong work requirement.

Mr. GROTHMAN. I am always interested in you, Mr. Gundersen.

Dr. GUNDERSEN. Okay. So I mean there has been —

Mr. GROTHMAN. Why is it —

Dr. GUNDERSEN. There is extensive research that has been done by many economists, including myself, on just this topic, as to why the SNAP caseloads rose. The main thing is that while—I should also note that they have been declining the past 2 years. The strong economic growth of the past 2 years has really led to sharp declines in SNAP, the number of SNAP participants.

We have to remember, though, is that the Great Recession was the largest recession we have had perhaps since the Great Depression. Substantial increases then. But the benefits of the end of the recession didn't accrue to people for a long time, and hence, caseloads remained high.

However, if the current economic expansion continues, in 2 years we will find caseloads roughly what they were 12 years ago. I have no doubt about that. Study, after study, after study has shown this.

Mr. GROTHMAN. Okay. I guess my time is up, but thank you for indulging me with an extra 30 seconds.

Mr. PALMER. I thank the gentleman for his questions. The chair recognizes Mr. Krishnamoorthi for 5 minutes for his questions.

Mr. KRISHNAMOORTHI. Thank you for allowing me to make some remarks and additional questions. First of all, Ms. Coffey, can you tell us what the decline has been in the SNAP rolls over the last couple of years?

Ms. COFFEY. I don't have that specific information, but I know, just from our investigative perspective, that we have seen a decrease in our investigative resources. As the population of individuals who are participating in SNAP increased over the last few years, we saw an increase in our investigative resources working those investigations, and we are starting to see a downward trend at this time in the amount of percentage of work that we have relative to SNAP.

Mr. KRISHNAMOORTHI. Okay. Dr. Gundersen, can you comment on that? You started talking about it, but what has been the decline in the rolls in the last 2 years?

Dr. GUNDERSEN. I mean over the past 2 years I believe they have declined, by total expenditures, maybe 5 to 10 percent, and the number of people on the caseload has declined by roughly—by about approximately that same number. So over the past few years there has been these substantial declines, and we—we know that it is going to go down again.

The other thing is we need to be careful about the 50 percent of what it—increase. I mean there has also been population growth over this time period, so what the appropriate comparison would be, would be the number of participants amongst eligible households in comparison at two different time periods. That would be the more appropriate comparison.

Mr. KRISHNAMOORTHI. And do you know the numbers for that? What is that comparison?

Dr. GUNDERSEN. I mean the proportion out of people who are eligible for SNAP has remained relatively steady over this time pe-

riod. There hasn't been major increases in the proportion of eligible households participating. What has mainly driven the increase is there is a lot more people who are eligible for the program for various reasons, and that is what has been driving the—we had a Great Recession, and then for a long time the situation improved for millions of Americans.

Mr. KRISHNAMOORTHI. Ms. Coffey, what is the current work requirement for SNAP?

Ms. COFFEY. That is not something that I am able to comment on, in terms of—we handle the investigation side of the house. My colleagues and I have done work in that area, but we do not address that. For our purposes, we focus specifically on whether or not an individual is trafficking their benefits, or other fraud.

Mr. KRISHNAMOORTHI. Dr. Gundersen, isn't there a work requirement today for SNAP recipients, even before any additional work requirements are imposed, and what is it?

Dr. GUNDERSEN. So I mean currently it is that for able-bodied adults without dependents, between the ages of 18 and 50, if they are not working for any three-month time period within 36 months, or not in employment, or training, or something else, are considered to be ineligible for SNAP. So there are work requirements basically in the entire country. Of course, state and local areas can get waivers for this, but there are work requirements already being imposed.

Mr. KRISHNAMOORTHI. Okay. So if there was any supposition that there aren't requirements, that is, in fact, untrue. There are work requirements today, and the fraud rate I think you said could be as low as 1 percent. And what do you have to back up that percentage?

Dr. GUNDERSEN. So two things about that. First, I really want to dispel this notion that work requirements are in any way connected to fraud. Those are two completely different issues, and I think we—if we want to have a discussion about work requirements, fantastic. But it is very different from what is going on with fraud. Those are two—and that in terms of the information about the extent of fraud in terms of the percentages is, I just got that from previous testimony, where it is about, you know, about—up to 1.5 percent of cases of fraud. As fraud is appropriately defined as people misusing their benefits, it is about 1.5 percent.

Mr. KRISHNAMOORTHI. Okay. So if we currently have work requirements, and the fraud rate may be as low as 1.5 percent, then, you know, Dr. Gundersen, can you give us an explanation of what you believe to be motivating the desire to impose further work requirements in SNAP?

Dr. GUNDERSEN. I don't know. I don't know why we want further—leaving aside the issue of work requirements, even if we impose work requirements, that is not going to make any difference in terms of fraud rates at all. So they should be two completely

Mr. KRISHNAMOORTHI. Yeah. Why do you think they are separate issues?

Dr. GUNDERSEN. Why do I think they are separate issues?

Mr. KRISHNAMOORTHI. Yeah.

Dr. GUNDERSEN. Because there is no evidence that imposing or not imposing work requirements is at all connected to the extent of fraud. I haven't seen any evidence that those that would have to face work requirements are any more or less likely to commit fraud. In other words, I don't know where this is coming from. It is baffling to me.

Mr. KRISHNAMOORTHY. Okay. How about this? What would you do to further limit fraud in the system? We don't want any fraud in SNAP, whatsoever. So what would you do?

Mr. KRISHNAMOORTHY. Keep on going along the path we are going on. It is all great that everybody has talked about some of the neat things they are doing. Let's continue along those paths.

We should also note, SNAP is a model. We should be having these discussions about how great SNAP is, and maybe some other programs could learn from SNAP, including the IRS, or something. Yeah.

Mr. KRISHNAMOORTHY. Okay. But you said keep doing what we are doing. What are you talking about? What are you referring to?

Dr. GUNDERSEN. Well, some of the efforts—for example, one of the advantages, now that we are using EBT, is it is more easy to track when you see anomalies in stores, in terms of their redemptions, which may be an example of trafficking. Or with more and more information available online regarding people's salaries, regarding people's housing costs in an area is that that is what is going on.

I should also note, one thing I want to come back to is, when people at zero income, that means they have zero net income. It does not mean they have zero gross income, necessarily, and it is really important to make that distinction. But there is many ways to get information about people.

Mr. KRISHNAMOORTHY. Thank you. Thank you, Mr. Chair.

Mr. PALMER. I thank the gentleman for his questions.

The chair now recognizes the gentleman from Michigan, Mr. Mitchell, for his questions for 5 minutes.

Mr. MITCHELL. Thank you, Mr. Chairman.

It may be tough to get it all in 5 minutes, so help me here, Mr. Bragdon, and if you can be brief.

How many states last year had a waiver from the work requirement?

Mr. BRAGDON. It is important to look at it at the county level. And about 37 —

Mr. MITCHELL. Right.

Mr. BRAGDON.—percent of Americans are—jobless adults on food stamps are waived from any work requirement. Almost the entire State of Illinois, where the Doctor is from, almost the entire State of California. So you have wide swaths where there is low unemployment, but the state chooses to waive —

Mr. MITCHELL. Michigan had a state-wide waiver for —

Mr. BRAGDON. They did, but they are restoring it now.

Mr. MITCHELL. They are just restoring it now.

Dr. Gundersen, we are going to have fun, because I went to school in economics and public policy. Michigan State. Not Illinois.

I would agree with you that work requirements and fraud really don't have much of a relationship. So we have something that we

agree on. But let's start with it is a cost to the taxpayer, whether the people aren't working, and could be, and should be, or where there is fraud, it is still a cost to the taxpayer, which often matters here.

You need to explain to me why it is that you don't believe work requirements will have an impact, when, in fact, the unemployment rate in Michigan, or nationwide, let's take that, is 3.9 percent, and Michigan is about 4.2.

The highest percentage of people not participating in the labor force are able-bodied men, 25 to 45, 50. By the way, before we get to stereotypes, mostly Caucasian males. So explain to me how it is that a work requirement saying if you can work, you should work, if you need skills, you should get training, why that isn't something that makes sense to you as an economist.

Dr. GUNDERSEN. So I say this for a couple reasons. First of all, I want to get back to this thing. You know, we are all taxpayers here. We have to remember that SNAP recipients also are taxpayers.

Mr. MITCHELL. Dr. Gundersen, I have 5 minutes.

Dr. GUNDERSEN. Okay.

Mr. MITCHELL. I asked you a question. I would appreciate it if you answer it.

Dr. GUNDERSEN. No. No. I was just clarifying this thing about the taxpayers.

So why shouldn't we have this is that work requirements are that, the ones that we have in place now is, that, for whatever reason, some people are or are not working. The point I want to make about this, though, is that if I truly believe that SNAP was discouraging people from working —

Mr. MITCHELL. The question isn't whether they are discouraging. That is the wrong assessment to make. The question is whether they are—there is an expectation to work, and there is an incentive to work, not whether they are being discouraged.

Our systems, our support systems—and Mr. Krishnamoorthi is leaving, but I know we have talked about it, is that we should not say are we doing something to discourage people from working. We should say it is an expectation to work. This program is not intended as a lifestyle for long-term.

Dr. GUNDERSEN. Well, if I could—it is not a lifestyle for the long-term. The average length of time on SNAP is 9 months. So in other words, most people cycle on and off the program.

Mr. MITCHELL. Multiple times.

Dr. GUNDERSEN. Right. That is true. Off work, on to work, and these are the things that—so rather or not work— and we still—we already have work requirements. And I am not making the argument we should get —

Mr. MITCHELL. Well, we have work requirements, but as Mr. Bragdon noted, 37 percent of the country last year weren't covered by work requirements for one reason or not, despite historically low unemployment rates.

Second, the work requirements we have don't apply to a great number of people, many of which would fit in the category you expect to work, able-bodied working adults that are young males. So while we have them, they are not working.

Dr. GUNDERSEN. Right. You know, 37 percent of counties is, we would have to look carefully at each of those counties. If you look at Illinois —

Mr. MITCHELL. I think he said 37 percent of the population.

Dr. GUNDERSEN. Thirty-seven percent of the population. So it is worthwhile to have a discussion why is a particular county not getting—why is a particular county getting a waiver, and other counties not. That is definitely something we should be pursuing.

Mr. MITCHELL. Well, then let us not say, as we testify, or answer questions, that we have work requirements, so they don't matter, because the reality is last year 37 percent of the population on SNAP were not affected by work requirements under the current law. That is fact.

Dr. GUNDERSEN. I am not denying that. No.

Mr. MITCHELL. And it matters. Let me change topics, because I have one minute left, so we will let—if I can.

We make a distinction, which I think is artificial, between the error rate and fraud. The question is, I guess, what do we do with states, Ms. Coffey, that have some extraordinary error rates? What is the penalty for states? Because ultimately, it still costs the taxpayers. Whether it is fraud or whether it is errors, the reality is it is money out of our pocket that should not be.

Ms. COFFEY. In terms of what the states—what the penalty is for the states, that is not something for investigations that we necessarily focus on. That is something that my audit colleagues have had—work that has been completed relative to the error rates, with respect to SNAP. And the state —

Mr. MITCHELL. Let me stop you a second. There are some states, I've noted, that have some significant error rates. They are not minor. But we don't have any process by which to take action with the state in terms of a significant percentage and ongoing error rates? It is, "Gee, we hope you do better?"

Ms. COFFEY. I don't believe that is the case. I just can't articulate what that process is at this time.

Mr. MITCHELL. Could you ask back at your agency to get the report to the committee —

Ms. COFFEY. Absolutely.

Mr. MITCHELL.—what the process is for dealing with states that fail to, under the current regulations even, properly manage their program and error rates? Because, in fact, there should be, in some manner, sanctions upon states that fail to manage their program, because it is other people's money. That is not acceptable outcome.

Ms. COFFEY. Absolutely, I will do that, sir.

Mr. MITCHELL. Thank you for your consideration, Mr. Chair. I yield back.

Mr. PALMER. I thank the gentleman for his questions. The chair now recognizes the gentlewoman from New Jersey, Ms. Watson Coleman, for her questions.

Ms. WATSON COLEMAN. Thank you, Mr. Chairman. I take an opportunity to contextualize our being here today.

I do have some information that might be helpful. In 2018, fiscal year 2018, approximately 40,834 people were on SNAP, representing 20,000-plus thousand—million—I'm sorry—million, let us talk about million, families, at a total cost of \$46,253,741,494,

\$125.88 per person, represents, assuming three meals a day, about \$1.50 an hour. Just want to contextualize this, because we are having such a long hearing on this.

Because at the very same time this—my republican colleagues in this Administration offered an unprecedented tax cut bill that represented 83 percent of the benefit, representing more than \$84 billion of money going to less than 1 percent of the people in this country. And now we are proposing, we understand, even an additional tax incentive to ensure that those very same people get \$105,000 more each year. I just want to contextualize that, because I think there is an absurdity in this undertaking that we have here today.

In May, there was a report that was done and submitted to the U.N. by an American, actually, who said that the United States has the highest rate of youth poverty, infant mortality, incarceration, income equality, obesity among all countries in the developed world, and as well as 40 million people living in poverty.

So there is no question about whether or not individuals who are on SNAP can work, do work. The issue is that if they get a chance to work, they might have to work six jobs in order to make enough money not to qualify for SNAP. They are still in poverty.

And it says that the policies here, this is Mr. Austin's findings, over the past year seem deliberately designed to remove basic protections from the poorest, and punish those who are not in employment, and make even basic healthcare into a privilege, as opposed to a right. It just seems to see where our priorities are, they certainly aren't for the everyday working families, hard-working families, and poor families, and disabled families. They are for the very, very wealthy. And the hypocrisy of that is overstated in this hearing today.

Not only do we have how badly we are treating Americans, but we have found that over the weekend the Department of Homeland Security announced a proposed draft regulation that targets poor immigrants seeking a better life. This rule will deny green cards to immigrants trying to provide food for their families with SNAP assistance. That is about \$1.50-some-cents a meal, given the possibilities of having three meals a day per person.

My republican colleagues would like to focus in this hearing a flaw within the SNAP program. It is imperative that we discuss the implications of the proposed rule.

I want to thank you for your testimony, because you are talking about a whole range of issues, from the fraud that takes place from the individual perspective, the fraud that takes place from the provider's perspective, the store, and the errors that are made in the system. And this all adds up to less money than is given to the very, very, very wealthy in this country.

But the proposed rule as it relates to immigration—our immigration system to benefit the rich, crowding out so many who have long contributed to America's vitality. This proposed rule would force families to make impossible choices, the choice between staying together in the country they already call home, and providing food, healthcare, housing, and other necessities to their loved ones. Families on Medicaid, SNAP, Medicare, Part D, or public housing families will face new hurdles to getting permanent residency.

So let us put this hearing in context. Let us understand that my republican colleagues and this republican administration doesn't give a good damn about those who are the neediest in our country, the 90 percent of the hard-working people that try to make the ends work, those who can't work because of disabilities, or for other reasons, those who need to be able to provide food for their children. They don't give a damn about them.

They give a damn about the 1 percent, the very, very, very, very hungry, greedy wealthy. They are not asked to create not one damn job, or not go to work for not one damn day. They just need to be rich, and if they are rich, they will be enfranchised even more by this republican-controlled Congress, and this administration.

This hearing should never even be taking place today, with all the priorities that we have at stake right now, that fall under the jurisdiction of the Oversight Committee. Give me a break. America, pay attention.

I yield back.

Mr. PALMER. The chair recognizes the gentleman from North Carolina, Mr. Walker, for his questions.

Mr. WALKER. Thank you, Mr. Chairman. I think that last, I don't know what it was, but I think it was damn preposterous.

Let's look at the facts here. Mr. Tarren, I am going to come to you in just a second.

In North Carolina, 2016, we had 2,000 people that were recipient or disqualified, because of fraud, and we lost over \$4 million. So I want to address that a little bit, but I want—I actually want to start with Dr. Gundersen, kind of clear a couple things up here.

With Representative Mr. Mitchell, in your testimony there, I believe you said that within 2 years these numbers would go down for people that were on the SNAP program. Is that what you are saying?

Dr. GUNDERSEN. I am saying given current trajectories, if the economy stays strong, and the current trajectories that we are seeing with this, as I expect, SNAP caseload will continue to decline over the next 2 years. All the evidence regarding the connection between a strong economy and SNAP caseloads will continue to hold, in my opinion.

Mr. WALKER. So you are saying due to the strength of the economy, if it stays as strong as it is right now.

Dr. GUNDERSEN. Right. A strong economy is critical. Research has clearly demonstrated that the main driver of SNAP caseloads is the economic health.

Mr. WALKER. Yeah. I am glad to hopefully continue the policies that keep that economy strong with our team here. The problem is, is that we have seen since 2001 the increases of SNAP recipient programs have gone from 17 million to right at 42 million. That should be concerning. And listen, we are not coming at this from a position of judgment. My question to you is: How do you measure the success of a program?

Dr. GUNDERSEN. So I measure a—here is how we, as economists, measure the success of a program, is we compare participants with eligible non-participants. Are people better off over multiple different dimensions if they get SNAP, as opposed to if they are eligible and not receiving SNAP.

And as I mentioned in my testimony, study after study has demonstrated how successful SNAP is at achieving that goal. That is how we define the success of SNAP. And it is one of the most well-researched programs out there in literature.

The other thing I should note is that I agree. I think it is a problem that more people are receiving SNAP. It is bad that our economy is not—that not everybody is able to have a high enough income that they can't be on the program. I agree. But I also agree that I am glad that SNAP is there, given all the proven benefits of it, and let's hope with the continued economic strength those caseloads will fall.

Mr. WALKER. My concern is that your perception as well as many in the federal government is that we measure the success of a program by how many people we are adding to it, as opposed to how many people we are transitioning off. Isn't that the ultimate goal in all of this?

Dr. GUNDERSEN. The ultimate goal in all of this in America is that nobody would need SNAP. I am in complete agreement. I am not in Washington, D.C. I am at University of Illinois.

Mr. WALKER. I see the sign.

Dr. GUNDERSEN. I do not define the success of a program as to how many people are on it. That is not how —

Mr. WALKER. But if we are unwilling to make the changes necessary to transition people off, specifically able-bodied adults, and others, despite the testimony that you just heard, nobody is going after people with disabilities, or anything of that nature, gross exaggerations again.

Mr. BRAGDON, the pilot results from five states show how successful a state-to-state data-sharing program. I know you have done some research on this, how it can be successfully reducing improper payments, and saving states and federal taxpayers hundreds of millions of dollars. Based on these pilot results and other available data, do you consider implementing a program such as the NAC, or the National Accuracy Clearinghouse, a priority, in order to reduce recipient SNAP frauds, specifically dual participation?

Mr. BRAGDON. Yes. And USDA estimated that it would save a billion dollars. I think this is why it was a priority in the House Farm Bill.

Mr. WALKER. Okay. What do you think the drawbacks would be, if any, to implementing this program on a nationwide scale?

Mr. BRAGDON. I don't think there are drawbacks. I think it would require states to change how they do business, but not impose an administrative burden. We haven't seen that from the pilot states, so it has been more difficult to do then.

Mr. WALKER. Mr. Roth, I do have a question for you. Earlier this year I introduced the SNAP Abuse and Fraud Prevention Act of 2018 that would require the USDA to implement the National Accuracy Clearinghouse on a nationwide basis to limit interstate dual participation in SNAP. Is dual participation in SNAP a problem in Maine?

Mr. ROTH. It is. It is not looked at through my unit. We just handle the criminal investigations and overpayments, but there is a unit within the state that does that. They compare out-of-state

transaction use, and they do catch those people, so to speak, quite regularly.

Mr. WALKER. And the same question to you, would the drawbacks to implementing this program, do you anticipate any?

Mr. ROTH. I am not a policy person, so I couldn't comment on that, but I see it as, you know, certainly something that we would be interested from an investigative standpoint.

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

Mr. PALMER. I thank the gentleman.

The chair now recognizes the gentleman from Pennsylvania, Mr. Cartwright, for his questions for 5 minutes.

Mr. CARTWRIGHT. And I thank you, Chairman Palmer.

Well, I want to start with you, Dr. Gundersen. I wrote down what I thought you said. This is a hearing about SNAP fraud, right? That is the title of the hearing, SNAP Fraud, Supplemental Nutrition Assistance Program Fraud. And what I thought you said, Dr. Gunderson, is something that I strongly agree with, that fraud should be met with anger, and forcefully prosecuted. Did you say that?

Dr. GUNDERSEN. Yes, I did.

Mr. WALKER. Mr. Bragdon, do you agree with that?

Mr. BRAGDON. I do.

Mr. WALKER. All right. We are off to a good start.

So what I found was that there was recently an article in Mathematica Policy Research, actually from this month, September 6, 2018, that said that, "New work requirements on SNAP food recipients would cause 2 million participating households to lose their eligibility for SNAP. Among those households, 34 percent include senior citizens."

And Dr. Gundersen, what would putting senior citizens to work do to combat SNAP fraud?

Dr. GUNDERSEN. As I indicated earlier, is there really is no connection between fraud —

Mr. WALKER. So nothing.

Dr. GUNDERSEN.—and work requirements. So —

Mr. WALKER. So nothing.

Dr. GUNDERSEN.—it is an ancillary issue. And I think —

Mr. WALKER. Nothing, right?

Dr. GUNDERSEN. It would have no impact on fraud.

Mr. WALKER. Okay. And then it says, "Twenty-three percent would include children." What would putting children to work do to combat SNAP fraud," Dr. Gundersen?

Dr. GUNDERSEN. It would have no impact on SNAP fraud.

Mr. WALKER. Nothing. And it says, "Eleven percent would include a person with a disability." Dr. Gundersen, what would putting people with disabilities to work do to combat SNAP fraud?

Dr. GUNDERSEN. It would have no impact.

Mr. WALKER. No impact. Okay.

And now back to you, Mr. Bragdon, you are here representing the Foundation for Government Accountability, is that correct?

Mr. BRAGDON. Correct.

Mr. WALKER. And that is a conservative think tank that you started yourself, is that correct?

Mr. BRAGDON. Correct.

Mr. WALKER. All right. You founded it in 2011, am I correct in that?

Mr. BRAGDON. Correct.

Mr. WALKER. And you are a young man. I think I have socks older than you, and I want to congratulate you on your success.

Mr. BRAGDON. I am 42, so you have some old socks.

Mr. WALKER. You founded it in 2011. First-year revenue was \$212,000. Second-year revenue was \$731,000. In 2016, your foundation's revenue had shot up to \$4.8 million that year. Am I correct in that?

Mr. BRAGDON. Correct.

Mr. WALKER. Again, congratulations.

Mr. BRAGDON. Thank you.

Mr. WALKER. Your foundation is a 501(c)(3) corporation, correct?

Mr. BRAGDON. Correct.

Mr. WALKER. And your foundation advocates about things like SNAP eligibility requirements, like we are talking about today, right?

Mr. BRAGDON. Correct.

Mr. WALKER. Your foundation advocates against Medicaid expansion, right?

Mr. BRAGDON. Correct.

Mr. WALKER. Your foundation advocates about Welfare requirements as well, correct?

Mr. BRAGDON. Work requirements in Welfare for able-bodied adults. Correct.

Mr. WALKER. All right. Has your foundation taken a position on last year's tax bill, the one that gives 83 percent of the tax revenue back to the 1 percent of Americans? Have you taken a position on that?

Mr. BRAGDON. We have not. We focus on getting individuals from Welfare to work, and reducing barriers to work.

Mr. WALKER. Now has your foundation been audited to make sure you are not doing more lobbying than you are allowed to do under the rules under 501(c)(3)?

Mr. BRAGDON. Sir, great question, and I appreciate you are asking it. We have an audit every year. We also have a separate 501(c)(4) organization, where if we are doing lobbying, it is done under a separate organization that is not tax deductible.

Mr. WALKER. That is where I was going. The people who are giving you money, you have to list their identity.

Mr. BRAGDON. Do we have to list the identity of —

Mr. WALKER. Of your donors.

Mr. BRAGDON.—our donors?

Mr. WALKER. Right.

Mr. BRAGDON. No. We are not required by law to do that.

Mr. WALKER. You don't list your donors. And these are people who get a tax deduction for every dollar they give you, don't they?

Mr. BRAGDON. Correct. Just like individuals who give to a church, or any other 501(c)(3) organization.

Mr. WALKER. You are not a church, are you?

Mr. BRAGDON. No. No. But anyone in that (c)(3) category is tax deductible.

Mr. WALKER. Okay. But let me ask you this. Would it be a matter of complete indifference to you if your revenue started to decline because your donors don't like your message?

Mr. BRAGDON. I am not sure —

Mr. WALKER. Do you like it that your donors like your message and keep giving you more, and more, and more money every year?

Mr. BRAGDON. So we partner with our donors to get more people back to work. So they voluntarily give money for us to do research and outreach on these issues. So it is a partnership with them.

Mr. WALKER. Do you like it?

Mr. BRAGDON. Do I like having donors? Sure. It funds our work.

Mr. WALKER. Those are all my questions. Yield back, Mr. Chairman.

Mr. PALMER. If the gentleman from North Carolina would like to be recognized, and I would kind of like to get back to the topic of fraud in SNAP. And I recognize the gentleman for additional questions.

Mr. WALKER. Mr. Bragdon, I would like to see the 435 House members answer that same question, do they like their donors? But we will move on to the courtesy of the chairman's wishes.

Ms. Coffey, you note in your written testimony that the types of SNAP fraud are changing. How has your office worked with FNS to deter these new instances of retailer fraud? Could you share a thought on that?

Ms. COFFEY. So when we identify potentially new fraud schemes that are arising based on information technology, we come across them as we are doing our investigative work. So it is critical for us to be able to go back to FNS and have those discussions with the agency to say, "This is what we are seeing. This is a potential loophole. And this is something that FNS is going to have to make a policy change or a change in regulation in order to address those."

I can't go into specifics, due to some of them are sensitive in nature, and we don't want to disclose those publicly to bad actors out there, but that is our general practice. If we see some sort of scheme that is out there, we will notify FNS, and work with them to try to address that.

From your perspective, are retailers engaging in criminal trafficking of SNAP benefits more or less than they used to, and what explains this trend? We are getting information that some of the gangs are doing the 50 cents on the dollar, and some of the stuff that we are hearing. Tell me a little bit. Are you seeing some of the same things, or specifically, don't want to lead you. You tell me what you are seeing.

Ms. COFFEY. So in terms of what we are seeing, it is typically the retailers who are still doing your standard trafficking, in terms of exchanging cash for the benefits. There may be other—we are, you know, anecdotally seeing some—typically, we do not see trends where we have had drugs, or firearms, or other types of offenses in the stores themselves. We are seeing a little bit more of that. That is a little bit on the increase now. But in terms of, you know, what we are seeing, we are still seeing our typical standard trafficking.

Mr. WALKER. This question, I will start with you, but also want to get Mr. Roth's input on it. From your perspective, what has been the most effective strategy to combat retailer fraud within the SNAP program?

Ms. COFFEY. I think in terms of what has been the most effective strategy, I know that we partner with other agencies to work these investigations. I think in terms of the fraud that we are seeing, by taking the retailer out, you are only addressing one side of the problem. You have to really address both sides of the problem, in terms of making sure that there are penalties for individuals who are trafficking their benefits, as well as the retailers.

Because if you take the retailer out of the program, folks can take their benefits and go somewhere else to traffic them.

Mr. WALKER. Mr. Roth?

Mr. ROTH. I would agree with that. And oftentimes when comparing it, I liken this to a drug dealer and the users. If you take out the drug dealer, you still have a user component. You still have a problem, and they are going to transfer it to another dealer.

I was recently at the United Council on Welfare Fraud's annual meeting, and some of the states were presenting mechanisms for which they would look at the after successful investigation into a store, how they would deal with the recipients. And that is certainly something we are interested in doing in Maine.

Mr. WALKER. Okay. Would these strategies be useful for state law enforcement agencies, in cases where they have statutory authority? Mr. Roth?

Mr. ROTH. Yes. Again, and any state that has the ability to conduct these investigations, they are lengthy, but we partner with OIG USDA. We find it works a lot better.

Mr. WALKER. Sure.

Mr. ROTH. They've got a lot more resources. We also partner with other federal agencies. But they are certainly a worthwhile focus.

Mr. ROTH. What about FNS, do you think they could help? Any steps to assist?

Mr. ROTH. Absolutely. They help in identifying stores that are on that fringe, are conducting themselves in what should be looked at, in a manner that should be looked at.

Mr. ROTH. Ms. Coffey, you agree?

Ms. COFFEY. I do agree, and I think FNS plays a critical role in when, through our investigative work, we identify an issue that needs to be addressed. Because sometimes there are loopholes. A number of years ago the definition of trafficking prevented us from being able to pursue prosecution in certain instances as the schemes became a little bit more convoluted.

I think you heard Mr. Roth mention dumping water. That wasn't something that was prosecutable, because that wasn't considered trafficking. So in response to our concerns, FNS moved forward to change the definition of trafficking. So yes, FNS definitely has a role to play.

Mr. WALKER. Dr. Gundersen, do you believe that somehow by reducing the total number of people that are on the SNAP program would also help reduce the fraud?

Dr. GUNDERSEN. It would have no impact on the proportion of households that are engaging in fraud. In terms of the absolute

numbers, if you took—you know, almost by definition, if you take away, yes, the numbers will fall if there is fewer people on SNAP, but the proportion —

Mr. WALKER. That wasn't my question. If we somehow can provide hope, and opportunity, fulfillment for many people, 40-something million, if we were able to—let's just say if we are able to reduce that in half, you tell me that that would not also have a chance to reduce the fraud as well?

Dr. GUNDERSEN. Well, right. By definition, is if you have fewer people on a program, as the economy expands, then the opportunities for fraud decline. But there are lots of ways you can —

Mr. WALKER. I think that was a yes.

I yield back, Mr. Chairman.

Mr. PALMER. I thank the gentleman.

And I am going to recognize myself.

Mr. PALMER. First of all, I want to try to clean up some of the mess that has come out of this hearing, and I want to congratulate the witnesses for hanging in there with us, despite this hearing going all over the road.

First of all, in terms of the work requirements on the Farm Bill, it only impacts about 29 percent of the people who are on SNAP benefits at the time. It is age 18 to 59, so this idea of forcing the elderly to get a job is not applicable. It doesn't apply to people with disabilities, or the elderly, or for caregivers with children under 6 years old. There are waivers out of that.

It increases the amount of assets that individuals can have. I mean we haven't increased the value of an automobile since the 1970s, and that goes from, I think, 4,000 to 12,000. So people who want to get a job will want to be able to get to work. And when they get a job, they can continue to collect their benefits.

And Mr. Gundersen, I appreciate your answers to the questions. I think what will reduce fraud, because most of it has to do with retailers, Mr. Roth, I believe, that is the biggest number I saw, is about a billion dollars, is the retailers. I think you are going to have bad actors

regardless the number of people you have on SNAP benefits.

And it is an effective program. I grew up dirt poor. I get it. And I mean I lived in a house my dad built himself, in a room that had cardboard between the two-by-fours, in a bedroom I shared with my brother. So I understand that people need a hand-up. And I think this program has been beneficial, but at the same time, we want to encourage people to rise above their condition.

That is not what the hearing is about. It is not about abuse and waste at the Department of Defense. Although, we had a hearing on that in March of 2017. We are looking into that. This is about reducing the amount of money that is lost in the program because of bad actors, fraud.

And in many cases, particularly on the retail side, Mr. Roth, the retailers are taking advantage of people by offering them cash for their SNAP benefit card. They are taking advantage of people. And I think that is not just the loss of the money, it is what happens to the folks who give up that card. They are not buying food, in many cases. Sometimes they are buying drugs. Sometimes they are buying lottery tickets. It is not benefiting them or their families.

So that is what we want to try to focus on, is how do we eliminate the fraud.

Mr. Bragdon, I apologize for the last series of questions directed at you. It has been my experience in the past, having run a think tank for 25 years, that when people start trying to undermine the legitimacy of your work by questioning who is contributing to your work, it tells me that you have already won the argument. So I commend you for your work.

With that, Mr. Roth, it was mentioned that if you want to get an idea about the trafficking of SNAP benefit cards, just go on Craigslist. Is there any way in your investigations into these that you have looked at a sting operation, any way to combat that type of fraud on Craigslist?

Mr. ROTH. We haven't seen a lot of the Craigslist ads in Maine. They have come up very sporadically. But it is a difficult operation to do. It requires, from a safety standpoint, extra investigators. But we do pursue those things when we have them. We have had some other tips come in from people that heard of people trading their cards, but, again, those are very difficult investigations to make. We get a lot of allegations, but they are hard to work.

Mr. PALMER. Well, I have also heard that they advertise in papers for SNAP benefit cards, and marketing them that way. But are there also cases where retailers are kind of networked in terms of what they are willing to offer, so that there may not be the same group, but they reach some kind of an agreement that they won't pay more for a card than the other guy.

Mr. ROTH. Ironically, we got a complaint from one retailer that the other one was undercutting him on what he would pay for the cards. So it does happen, believe it or not.

Mr. PALMER. So wait a minute. What you are saying is, is one retailer literally turned themselves in by complaining that another retailer was offering more for the cards than they were.

Mr. ROTH. Yes.

Mr. PALMER. Well, that goes on another list.

Mr. Bragdon, in your experience at FGA, Foundation for Government Accountability, what have you observed in terms of successful ways to reduce fraud?

Mr. BRAGDON. I think one of the things is just, at the state level, the verification of actually following up on individuals, and requiring regular check-ins. I think that we all want people to move off the program, get back to work, and out of poverty, and that requires a certain kind of engagement, both on the front door, and on an ongoing basis by the state. And that is really key.

Mr. PALMER. Yeah. I know the inspector general's office has really focused on the retailer side of it. Have you looked into the data analytics to determine if that is helpful in reducing the amount of fraud, Ms. Coffey?

Ms. COFFEY. So we have. Actually, that is a critical piece of any of the investigations that we do. With the onset of the benefits being electronically available, we actually have a whole host of data that we are able to utilize for the purposes of data analytics, to help us identify where potential fraud is occurring, how it is occurring, when it is occurring. And that really has given us an opportunity to really move forward on some of these investigations,

where prior to the electronic benefits, it would have been very challenging to try to pursue food stamp coupons.

Mr. PALMER. Have you seen, in terms of the retailer trafficking, is that on the rise, or is it fairly steady?

Ms. COFFEY. It is hard to say in terms of if it is on the rise. What I can say is we have initiated fewer investigations, relative to retailer trafficking, within the last year. Now there could be any number of reasons for that. But it is difficult for us to say if it is on the rise.

Mr. PALMER. Have you made recommendations to FNS in regard to ways to combat the trafficking?

Ms. COFFEY. There are a number of things that we have put forward to FNS that we are working with them on currently, to basically identify—where we have identified concerns, FNS is aware of that, and we are working to try to figure out the best way to address those concerns.

Mr. PALMER. Have they implemented any of your recommendations?

Ms. COFFEY. We are not quite there yet, but I know they are definitely working on it.

Mr. PALMER. I want to get back to how we close some of the loopholes. I know the Foundation for Government Accountability has done a lot of work on that. And I read a number of your—I read all of your recommendations in your written testimony, but can you just highlight a couple of—a couple of them that you think would really have the biggest impact, Mr. Bragdon?

Mr. BRAGDON. Sure. I think just to punch the point and the stat that you started off the hearing with, with the increase in the number of prosecutions, and administrative actions, this is an area where if you don't look, you won't see it, but if you do look, you will see a lot of different things.

I list off in the testimony ten different areas. A lot of them have to do with the certification period, how long before somebody has to check back in. Life is dynamic, as you heard from the doctor. And so if people are on the program for a short period of time, but you are not checking in with them for a year-plus, if they go back to work, that is not going to be caught.

A lot of the federal data bases that states are required to use are not regularly updated. So if states use their own data, they could have more real-time analysis. Even with the retailers, more than half of all stores that take EBT cards are convenience stores, and yet, we know from the Congressional Research Service that only 9 percent of those stores are looked into. Yet, it is only 5 percent of the total transactions, but it is 20 percent likely chance that each transaction is trafficking. And so this is an area where aggressive oversight from this committee and from the agencies is really key.

Mr. PALMER. We have been talking about fraud, but we have also got the issue of the payment error rate nearly doubling. That has been a big, big issue with me. The improper payments issue. We sent out \$141 billion last year in improper payments.

Every agency and every program is required by law to report their improper payment rate, and I think for 2 years, the SNAP program did not report. I think they reported last year.

Ms. Coffey, can you give us any idea of why that rate would have doubled?

Ms. COFFEY. Recently, our office had done work relative to the quality control process, which helps in the calculation of the error rates, and had made several recommendations to FNS, in terms of how to improve that particular calculation.

My understanding is, and I would have to basically talk to my audit colleagues, that that is really the basis for what the changes you are seeing, that some of those, I guess, changes in the algorithms they use to calculate that information have been implemented. And so you are seeing an increase in the error rate at this time.

Mr. PALMER. You know, it is one of those things that, having run a think tank, and being into data and numbers, when I first got here and got on this committee, and the comptroller general came in a hearing and testified that we were sending out \$141 billion a year in improper payments, that you have that moment where you think your head might explode. Considering that we are in deficit, that is 141 billion that we had to borrow to send out improperly. And then there were 18 federal programs that didn't even bother to report. I think it is a huge issue.

It is not only a fiscal issue for the federal government in trying to manage our fiscal situation, but it also—for instance, on Medicaid, 36.3 billion in improper payments. That is money that is not getting to the people that need to get it. Not to, again, reinforce the fact, we had to borrow that money to send it out to somebody who is not supposed to get that money. And some of that, not all of it, but a part of that was fraud as well.

I think it is an issue that we need to crack down on, because we have an oversight responsibility to be fiscally responsible for the resources that we are putting out there. We have a responsibility to provide a program that maximizes the benefit to the people who need it. It is not about tax cuts for anybody, or any of that.

I mean, like I said, I grew up dirt poor. I am thankful that there are wealthy people out there that started a business, and were willing to give me a job, give me a chance to be the first person in my family to ever go to college. I have never been given a job by a poor person. That would be just be brutally honest.

But at the same time, I have a very strong desire to see people do well, and to give people a hand-up, help them to get where they need to be, particularly those who are in the most difficult circumstances, the disabled and the elderly.

So with that, I appreciate the witnesses for appearing before us today. The hearing record will remain open for 2 weeks for any member to submit written opening statement, or question for the record.

If there is no further business, without objection, the subcommittees stand adjourned.

[Whereupon, at 11:56 a.m., the subcommittees were adjourned.]

