
HOW CONGRESS CAN PROTECT THE TRULY NEEDY AND RESTORE PROGRAM INTEGRITY TO FOOD STAMPS BY ENDING BROAD-BASED CATEGORICAL ELIGIBILITY



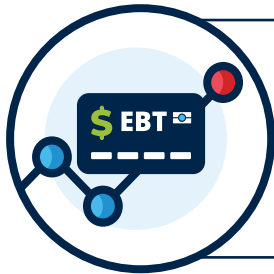
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KEY FINDINGS



STATES **ABUSE LOOPHOLES** TO EXPAND
FOOD STAMP ELIGIBILITY.



5.4 MILLION FOOD STAMP RECIPIENTS
ENROLLED THROUGH BROAD-BASED
CATEGORICAL ELIGIBILITY (BBCE)
DO NOT MEET ELIGIBILITY REQUIREMENTS.



THE BBCE LOOPHOLE OPENS THE DOOR
TO **WASTE, FRAUD, AND ABUSE.**



CLOSING THE BBCE LOOPHOLE WOULD
SAVE TAXPAYERS NEARLY \$112 BILLION.

THE BOTTOM LINE:

**CONGRESS SHOULD CLOSE
THE BBCE LOOPHOLE.**

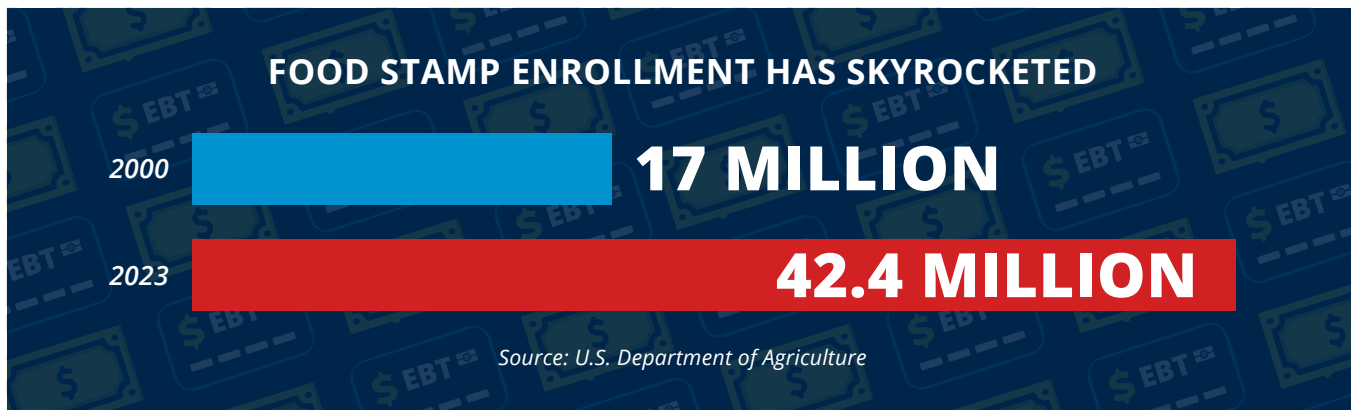
Background

The food stamp program was designed to help the truly needy by supplementing money for food purchases.^{1,2} Federal law aims to preserve food stamps for the truly needy by limiting eligibility to individuals without sufficient financial resources. The federal food stamp statute purposefully sets income eligibility limits and requires that states check the financial assets of those applying for benefits.³

Asset tests are common in welfare programs. Yet the tests only apply to liquid assets—readily available money.⁴ The tests exclude homes, personal goods, retirement and pension plans, life insurance, one or more vehicles, and assets from enrollees receiving cash welfare from another program like supplemental security income.⁵

But states have used federal loopholes to essentially eliminate these requirements, expanding eligibility to millions who otherwise would not qualify for food stamps.

As a result, the food stamp program has exploded. The number of people on food stamps has more than doubled since 2000.⁶ The program's cost to taxpayers has risen by nearly 600 percent.⁷



Unless Congress takes action to close these loopholes and restore program integrity, the situation will only get worse.

States abuse loopholes to expand food stamp eligibility

There are two general ways to qualify for food stamps. The first method uses federal eligibility requirements, including income and asset thresholds.⁸ The second method is categorical eligibility, where an individual or household can become eligible for food stamps based on their eligibility for another welfare program, like the Temporary Assistance for Needy Families (TANF) program.



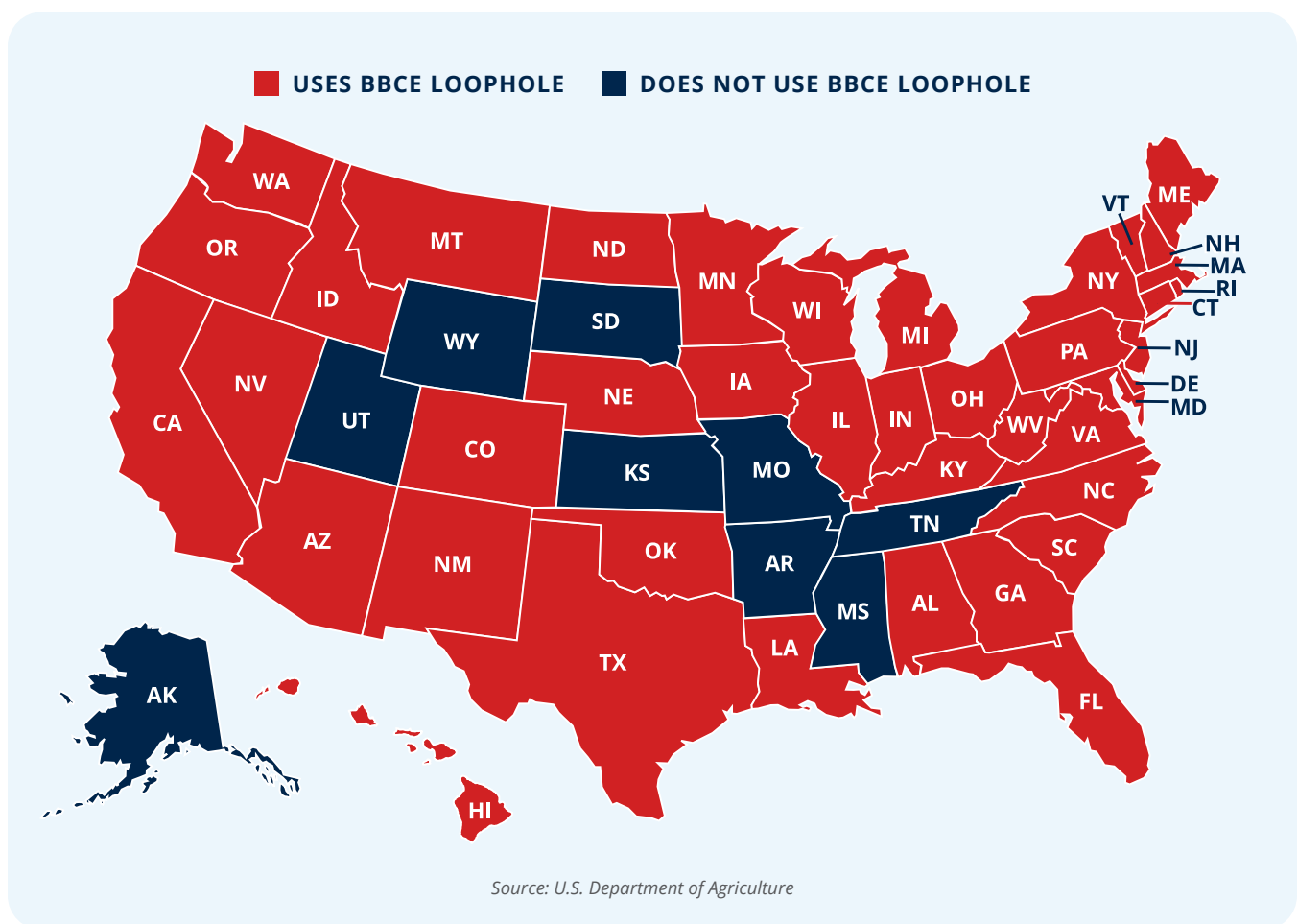
UNLESS CONGRESS TAKES ACTION TO CLOSE THESE LOOPHOLES AND RESTORE PROGRAM INTEGRITY, THE SITUATION WILL ONLY GET WORSE.

The stated purpose of categorical eligibility was to avoid duplication.⁹ It was not intended to expand eligibility. Yet welfare reforms adopted by the Clinton administration, then further expanded and pushed by the Obama administration, have created loopholes allowing states to expand categorical eligibility far beyond administrative simplification.¹⁰ States have expanded categorical eligibility to include receipt of a TANF non-cash “benefit,” eliminating the need for asset tests.¹¹

Here’s how this works in practice: States receive money from the federal government for their cash welfare program in block grants. States then use that money to print welfare brochures and pamphlets or make referrals to a toll-free hotline providing information about the program. States deem the brochure or hotline a “benefit” and deliver it to food stamp applicants, making them “beneficiaries” of the state welfare program. These households are then “categorically eligible” for food stamps.

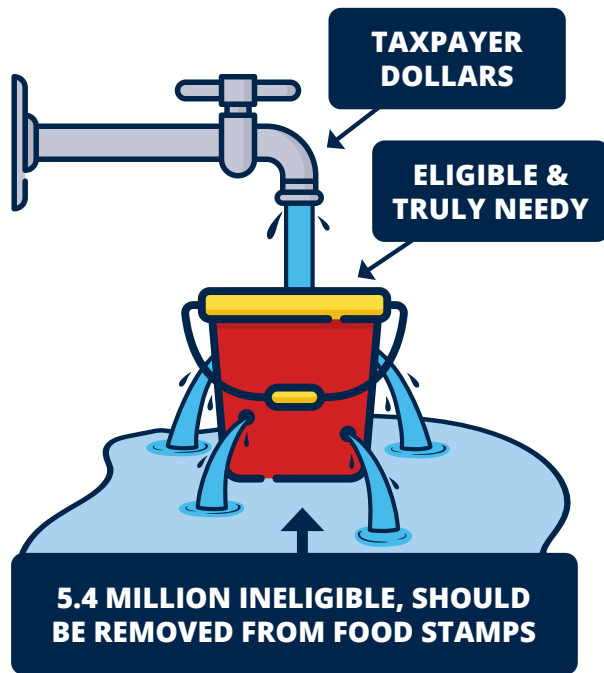
Worse yet, states can even grant eligibility to those who never receive the non-cash benefits, so long as they are “authorized to receive” the benefit.¹² This is broad-based categorical eligibility. An individual may be deemed eligible without ever having received a TANF benefit.

Forty-one states and Washington, D.C., now use the BBCE loophole, siphoning resources from the truly needy.¹³



5.4 million food stamp recipients enrolled through BBCE do not meet eligibility requirements

More than 5.4 million enrollees on food stamps do not meet federal eligibility criteria, yet they have been enrolled through BBCE.¹⁴⁻²¹ Among those that do not meet eligibility requirements, more than 1.4 million individuals had incomes above the federal limit for their eligibility category, with the remainder having assets above federal limits.²² This diverts resources away from the truly needy.



Instead of focusing on the truly needy, food stamp benefits are going to millionaires. In Minnesota, millionaire Rob Undersander intentionally accepted food stamps to expose the system's flaws.²³ He collected \$6,000 from the government in 19 months.²⁴ Minnesota uses the BBCE loophole, allowing caseworkers to forgo asset checks.

But Mr. Undersander is not alone. An estimated one in five enrollees with assets above the federal asset limit have countable assets of \$100,000 or more.²⁵ And more than a third have countable assets worth at least \$50,000.²⁶

Food stamp dollars spent on millionaires and other ineligible enrollees siphon resources away from the truly needy.

The BBCE loophole opens the door to waste, fraud, and abuse

The food stamp program serves an important purpose. Yet with so many ineligible enrollees, the program is not working as intended. Limited taxpayer dollars should not be spent on ineligible enrollees, and BBCE opens the door for misuse. In 2012, for example, more than 15 million households never had their eligibility adequately assessed due to BBCE.²⁷

Assuming eligibility can also lead to fraud. Households eligible under BBCE were nearly three times as likely to have payment errors than other households.²⁸ Caseworkers reported a reduction in their level of verification using BBCE, as BBCE reduces their ability to check for inconsistencies.²⁹

Waivers issued in response to the COVID-19 pandemic put program integrity for food stamps even further on the back burner, with improper payments not reported for several years.³⁰⁻³¹

Congress defined eligibility rules purposefully to safeguard against misuse. State exploitation of the BBCE loophole renders the standard meaningless. The BBCE loophole must be closed to restore integrity to the food stamp program.

Closing the BBCE loophole would save taxpayers nearly \$112 billion

Food stamp spending is projected to exceed \$1 trillion over the next decade.³² Closing the BBCE loophole would save nearly \$112 billion during that time.³³⁻³⁶

CLOSING THE BBCE LOOPHOLE WOULD SAVE TAXPAYERS BILLIONS

BUDGET INFORMATION <i>by Fiscal Year, Billions of Dollars</i>	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2033
BASELINE TOTAL BENEFITS <i>Budget Authority</i>	109.4	111.0	109.4	110.5	109.1	108.4	108.1	108.1	111.4	111.6	1,096.9
INCREASES OR DECREASES (-) IN DIRECT SPENDING <i>Estimated Budget Authority</i>	(11.6)	(11.5)	(11.3)	(11.4)	(11.1)	(11.0)	(10.9)	(10.7)	(11.0)	(11.0)	(111.7)

Source: Author's Calculations

Closing the BBCE loophole would deliver significant savings to taxpayers and safeguard the food stamp program for the truly needy.

THE BOTTOM LINE: Congress should close the BBCE loophole.

The federal food stamp statute intentionally created income and asset limits to preserve program resources for the truly needy, but the BBCE loophole allows states to willfully disregard them. The BBCE loophole is nothing more than a charade, allowing for an unintended expansion of the program.



THE FEDERAL FOOD STAMP STATUTE INTENTIONALLY CREATED INCOME AND ASSET LIMITS TO PRESERVE PROGRAM RESOURCES FOR THE TRULY NEEDY, BUT THE BBCE LOOPHOLE ALLOWS STATES TO WILLFULLY DISREGARD THEM

In 2019, the U.S. Department of Agriculture under Secretary Sonny Perdue issued a proposed rule to close the BBCE loophole, which was later withdrawn by the Biden administration.³⁷⁻³⁸

Bureaucrats in the Biden administration show no signs of decelerating the push to expand welfare programs beyond their intended purpose, moving individuals away from self-sufficiency.³⁹ Blue states, too, want to end asset tests and trap more people in dependency.⁴⁰

Meanwhile, other states have introduced bills to protect the truly needy and close the BBCE loophole.⁴¹ Mississippi was successful in rolling back BBCE, saving taxpayers \$117 million per year.⁴²⁻⁴³

Congress has an opportunity to follow the lead of states that have acted to roll back BBCE. If Congress steps up and closes the BBCE loophole, it can restore program integrity, protect the most vulnerable, and save taxpayers up to \$112 billion over the next decade.



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