CONGRESS SHOULD RESTORE PROGRAM INTEGRITY TO FOOD STAMPS BY REQUIRING ENROLLEES TO REPORT OUT-OF-STATE MOVES

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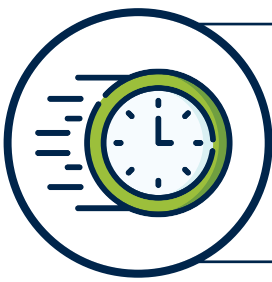
KEY FINDINGS

MILLIONS OF AMERICANS CHANGE THEIR STATE OF RESIDENCE EVERY YEAR.

FOOD STAMP ENROLLEES FREQUENTLY FAIL TO REPORT CHANGES, INCLUDING OUT-OF-STATE MOVES, THAT AFFECT THEIR ELIGIBILITY.

STATES HAVE WEAK REPORTING REQUIREMENTS AND ANTI-FRAUD EFFORTS, OPENING THE DOOR TO COSTLY FRAUD.



FOOD STAMP ENROLLEES HAVE USED BENEFITS FOR YEARS AFTER MOVING OUT OF STATE.

SOME FOOD STAMP ENROLLEES RECEIVED BENEFITS IN MULTIPLE STATES AT THE SAME TIME.

THE BOTTOM LINE:

CONGRESS CAN RESTORE PROGRAM INTEGRITY TO FOOD STAMPS BY REQUIRING INDIVIDUALS TO REPORT OUT-OF-STATE MOVES WITHIN 10 DAYS, PRESERVING RESOURCES FOR THE TRULY NEEDY.

Overview

Americans are on the move. In 2021, nearly eight million individuals moved to a new state.[1] Food stamp enrollees are among those moving.

The food stamp program allows purchases to be made across state lines using an electronic benefits transfer (EBT) card, which functions like a debit card. Food stamp applicants are required to apply for benefits in their home state. But when enrollees change their state of residence, they must cancel food stamp benefits in one state before re-applying in their new state.[2] Out-of-state purchases are permitted to uncomplicate interstate travel.[3] They are not meant to become the default method for an individual or family with a differing state of residence.

THE FOOD STAMP PROGRAM ALLOWS PURCHASES TO BE MADE ACROSS STATE LINES USING AN ELECTRONIC BENEFITS TRANSFER (EBT) CARD, WHICH FUNCTIONS LIKE A DEBIT CARD.

Though food stamp benefits are federally funded, states administer the benefits and pay for some of those costs. And without robust reporting requirements, state agencies are unable to keep up with food stamp enrollees' out-of-state moves. Congress addressed this issue in 2017 but left it up to the U.S. Department of Agriculture (USDA) to define specific reporting requirements, which they have yet to do.[4]

Unfortunately, excessive use of food stamps out of state or out-of-state use for an extended period could indicate intentional misuse. Ensuring enrollees actually live in the state through which they receive benefits would ensure states are paying only for their residents. It would also curb fraud, prohibiting those who would game the system from keeping benefits active in their former state while applying for benefits on top of that in their new state of residence—a type of fraud called dual participation.

EXCESSIVE USE OF FOOD STAMPS OUT OF STATE OR OUT-OF-STATE USE FOR AN EXTENDED PERIOD COULD INDICATE INTENTIONAL MISUSE.

Moreover, food stamp spending has exploded, reaching a record high in 2022.[5] In the four years between 2019 and 2022, food stamp spending nearly doubled.[6] With that, fraud also surged.[7] In 2020, more than 22,000 administrative disqualification hearings were held on eligibility fraud alone (not including trafficking fraud) where individuals intentionally made false or misleading statements.[8]

Curbing fraud in the food stamp program is necessary to reduce the program's cost. Billions of dollars in food stamps are spent fraudulently that should have gone to the truly needy.[9-10] Congress has an opportunity to stop the abuse by requiring food stamp enrollees to report their out-of-state moves within 10 days.

Millions of Americans change their state of residence every year.

The COVID-19 pandemic shook up the workforce, causing many Americans to move. Some of these individuals are dependent on food stamps or other welfare programs. In 2021, nearly eight million people moved to a new state.[11] Moves between states made up nearly 19 percent of all moves in 2021, an increase credited to COVID-19's effect on workforce mobility.[12]

Roughly one-third of Americans moved for a new job or a job transfer.[13] **And nearly one in four interstate moves were individuals below 150 percent of the poverty level**.[14] The unemployed were nearly two times as likely to move to a new state in 2022 than the employed.[15] This has large implications for welfare programs, particularly food stamps, which are managed by states.

Food stamp enrollees frequently fail to report changes, including out-of-state moves, that affect their eligibility.

The federal government pays for food stamp benefits with taxpayer dollars but shares administrative costs with states.[16] The federal government covers approximately 50 percent of the administrative costs, and states pay the other half, totaling $4.38 billion in 2020.[17]

But states do not enforce requirements to report out-of-state moves immediately after moving. And thanks to simplified reporting, there is hardly any reporting required of food stamp enrollees at all. This opens the door to widespread fraud. States cannot keep up with the many moves if they are not being reported.

In 2022, the food stamp program's reported error rate was more than 11.5 percent, a 4.18 percentage point increase from 2019.[18-19] But the true error rate is likely much higher as the food stamp program ignores payment errors valued below a certain threshold.[20] A review by the Government Accountability Office found that nearly 40 percent of cases had payment errors, but most of these were excluded from the official, reported error rate.[21]

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Worse yet, states have a long history of gaming the system in order to artificially lower their error rates. USDA pays states for having the lowest and most improved error rates, incentivizing botched data. In Virginia, USDA paid the state performance bonuses for their low rates.[22] But later, Virginia was found to have cooked the books, reporting errors as correct.[23] Several states have issued retroactive waivers to cover up prior mistakes, further underscoring USDA's attempts to reduce their reported error rates.[24]

States have weak reporting requirements and anti-fraud efforts, opening the door to costly fraud.

Unfortunately, states do little to enforce out-of-state reporting, leading to more fraud. The reporting methodology called simplified reporting is used by most states. This method allows households on food stamps to avoid reporting most changes in income or other eligibility factors.[25] Individuals are only required to report changes when their household income rises above the federal eligibility level.[26] Change reporting, on the other hand, requires that individuals report all changes (income and other eligibility factors) within 10 days.[27]

Simplified reporting is essentially an honor system. It tells individuals to request that the state stop sending them money once their income reaches an ambiguous level—a highly unrealistic expectation. The result is a culture of non-verification at the state agencies where most enrollees are assumed to be eligible, and enrollees do not have to report any changes.

Most states use simplified reporting.[28] Others use a combination of simplified and change reporting based on the household type.[29]

Requiring enrollees to report changes, including out-of-state moves, within 10 days would ensure that people only receive benefits for which they are eligible.

REQUIRING ENROLLEES TO REPORT CHANGES, INCLUDING OUT-OF-STATE MOVES, WITHIN 10 DAYS WOULD ENSURE THAT PEOPLE ONLY RECEIVE BENEFITS FOR WHICH THEY ARE ELIGIBLE.

State agencies are directly responsible for detecting and prosecuting food stamp fraud.[30] Unfortunately, states do not effectively detect or prosecute fraud. Instead, they often alter information and data to manipulate and reduce error rates.[31-32] Worse still, USDA prohibits states from automatically denying an applicant that self-declares information that makes them ineligible.[33]

Following the money can often reveal a program's priorities. The case is no different here: USDA's Food and Nutrition Service spends just 0.005 percent of appropriations on anti-fraud efforts.[34] Fraud is happening—and it too often goes unreported.

Food stamp enrollees have used benefits for years after moving out of state.

Excessive out-of-state food stamp spending is cause for concern. Out of the total food stamp benefits issued in 2017, nearly $2 billion was spent out of state.[35] And nearly one out of every three dollars spent out of state was spent in a non-border state.[36] Though some out-of-state food stamp purchases may be legitimate, the numbers are striking.

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- A state audit revealed that 15,000 Pennsylvania families used an excessive number of benefits out of state. Their accounts were subsequently closed, saving $22 million.[37]
- During a two-year period, out-of-state EBT spending occurred in each of the 50 states.
- Out-of-state activity has exceeded $70 million annually.
- $5.2 million in benefits (nearly 95,000 transactions) were used out of state in just one month.[38-39]

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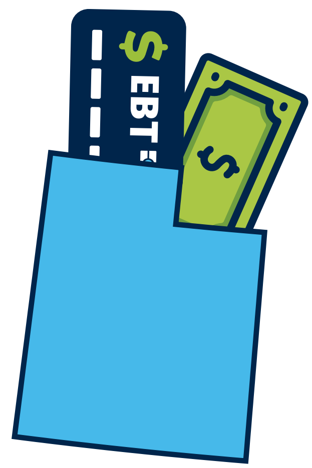
- A state audit called into question more than 600 food stamp enrollees for purchases made exclusively out of state for six months or longer, costing taxpayers nearly $1.4 million.[40]
- 455 of the more than 600 cases examined likely live in another state.
- In 148 of the cases, enrollees used their EBT cards exclusively outside of Utah for a year or more.
- One enrollee used his EBT card exclusively in California for nearly 18 months, while another enrollee used food stamp benefits in Missouri for three years.



Generally, excessive out-of-state use is not a single mistake, as some individuals used food stamp benefits for years after moving.

Some food stamp enrollees received benefits in multiple states at the same time.

Oftentimes excessive out of state use points to another type of fraud: enrollees receiving benefits in multiple states at the same time. Countless examples of this type of fraud exist across the country.

In Missouri, one woman received food stamp benefits in four states at the same time.[41] She filed 71 food stamp applications and fraudulently received more than $20,000 in benefits over more than two years.[42] This was all done using her own name.[43]

A Wisconsin audit revealed multiple enrollees who were receiving food stamps in other states in addition to Wisconsin-issued benefits.[44] The same audit identified Wisconsin-issued EBT cards used in all 50 states and each U.S. territory.[45]

A Utah audit found one recipient received benefits from both Utah and Nevada for multiple years.[46] The recipient used his Utah EBT card exclusively outside of Utah for nearly all transactions. He applied for Utah benefits in September of one year and applied for Nevada benefits just three months later.[47]

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In 2011, a grant to USDA funded a searchable database program that spanned five southern states: Alabama, Florida, Georgia, Louisiana, and Mississippi.[48] This database, the National Accuracy Clearinghouse (NAC), was a tool to curb duplicative enrollment in food stamps across states. The 2018 Farm Bill mandated all states to actively participate in NAC by the end of 2021.[49] Unfortunately, USDA has ignored the law, circumventing it by constructing a new tool and thereby delaying the national NAC implementation until 2027.[50-51] This six-year delay will cost $1.85 billion according to the United Council on Welfare Fraud.[52]

The NAC pilot program was an overall success. **After just one year, a report found a 46 percent reduction in food stamp enrollees receiving benefits in more than one pilot state.**[53] Each of the five states saw a reduction in dual participation. For example, the percentage of duplicate participants fell from 21 percent to zero percent in Alabama and 51.4 percent to 17.8 percent in Florida.[54] In Alabama after implementing NAC, fewer than one percent of those flagged for dual enrollment were still enrolled two months later and none were still enrolled four months later.[55]

The NAC pilot's success is proof that out-of-state food stamp fraud is a real issue.

THE BOTTOM LINE: Congress can restore program integrity to food stamps by requiring individuals to report out-of-state moves within 10 days, preserving resources for the truly needy.

Using false pretenses to collect food stamps in a place an individual does not live should never go unchecked. This wastes taxpayer resources and diverts them from the truly needy.

Congress should require that food stamp enrollees report their out-of-state moves within 10 days, the original eligibility requirement in federal law.[56]

Food stamps are a lifeline for truly needy families. But with duplicates and ineligible individuals on the rolls, resources are wasted. And that is the responsibility of the state. The states pay for those added administrative expenses. These ineligible enrollees and double dippers stifle the truly needy. Already, food stamp spending is out of control. Requiring enrollees to report out-of-state moves would stem the tide of spending and restore program integrity.

> **These ineligible enrollees and double dippers stifle the truly needy. Already, food stamp spending is out of control. Requiring enrollees to report out-of-state moves would stem the tide of spending and restore program integrity.**

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