



The Food Stamp Program Encourages Fraud by Not Acknowledging Household Realities

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KEY FINDINGS



FOOD STAMP ENROLLMENT JUMPED FROM 17 MILLION IN 2000 TO MORE THAN 42 MILLION IN 2023.



THE PROGRAM'S COST TO TAXPAYERS SURGED FROM \$17 BILLION IN 2000 TO MORE THAN \$119 BILLION IN 2022—A RECORD HIGH.



ALLOWING UNMARRIED INDIVIDUALS LIVING TOGETHER TO CLAIM THEY PURCHASE AND PREPARE MEALS SEPARATELY WITHOUT EVIDENCE OPENS THE DOOR TO FRAUD.



CONGRESS SHOULD ADD LANGUAGE TO THE FOOD STAMP PROGRAM THAT WOULD PRESUME THAT INDIVIDUALS WHO LIVE TOGETHER ARE MEMBERS OF THE SAME HOUSEHOLD FOR FOOD STAMP BENEFIT PURPOSES.

THE BOTTOM LINE:

TO REDUCE FRAUD IN THE BLOATED FOOD STAMP PROGRAM, PEOPLE WHO LIVE TOGETHER SHOULD BY DEFAULT BE CONSIDERED MEMBERS OF THE SAME HOUSEHOLD FOR BENEFIT PURPOSES.

Overview

Food stamp enrollment and costs have soared over the past two decades, especially during the COVID-19 pandemic.¹ Part of this growth is the result of fraud, which is encouraged by policies of the United States Department of Agriculture (USDA).

USDA allows people living together to receive food stamp benefits individually rather than as a household by claiming that they purchase and prepare meals separately.² This increases costs to taxpayers in two ways. First, individuals claiming benefits separately can receive higher benefit amounts than they would in a two-person household. Second, individuals can claim benefits they would not be eligible for if their income was combined with the other people they live with. This type of fraud is common, but rarely prosecuted.³

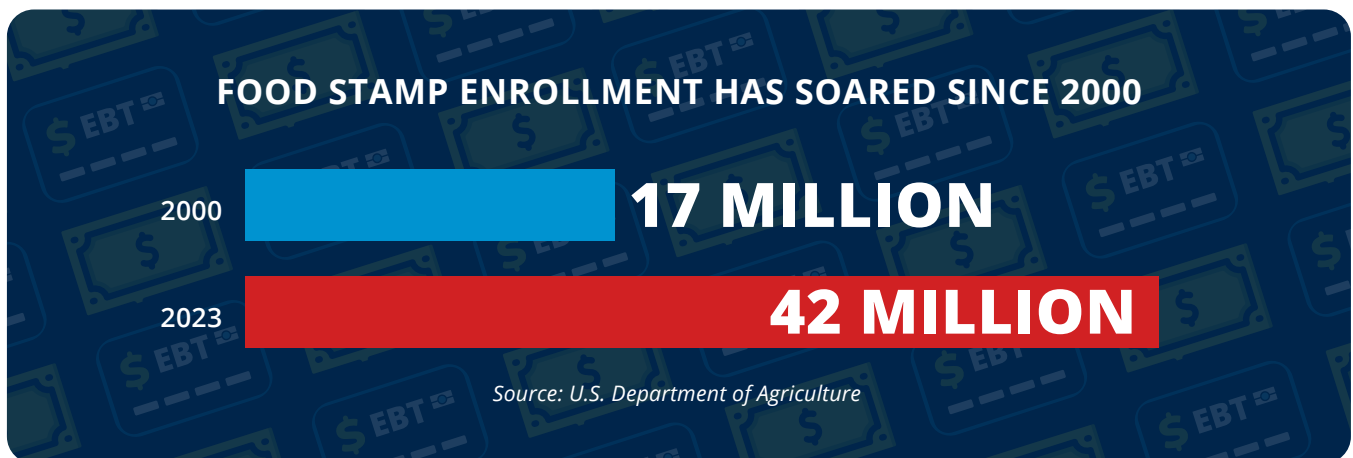


FOOD STAMP ENROLLMENT AND COSTS HAVE SOARED OVER THE PAST TWO DECADES, ESPECIALLY DURING THE COVID-19 PANDEMIC.

To reduce the incentive to commit welfare fraud, Congress should require that USDA consider people who live together as part of a single household for benefit purposes. Cohabiting individuals who do purchase and prepare their own meals may refute this notion with evidence such as a lease or other written contract.⁴

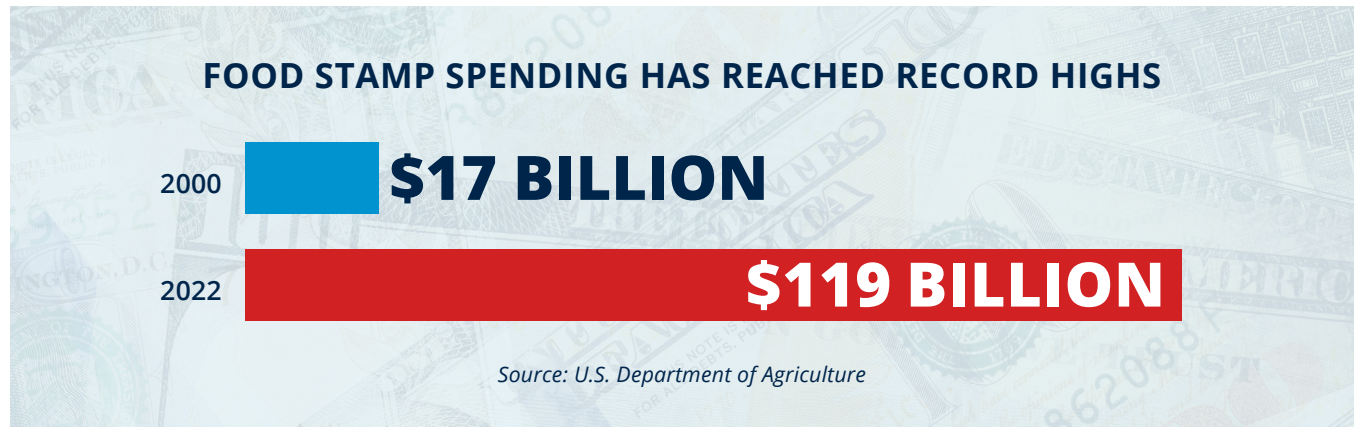
Food stamp enrollment and costs have exploded since 2000

The food stamp program is on an unsustainable path. Enrollment was just 17 million at the turn of the century but has since more than doubled to more than 42 million.⁵ A program designed for the truly needy is now providing benefits for an eighth of the total population.⁶



The spike in enrollment has been especially steep in the last few years. In 2019, 35 million Americans were on food stamps, seven million fewer than are enrolled in the program today.⁷ This means that program enrollment has jumped by an alarming 20 percent in just four years.⁸

With the increased enrollment comes increased costs for taxpayers. Back in 2000, the total costs of the food stamp program amounted to only \$17 billion.⁹ By 2019, this number increased to \$60 billion, almost a fourfold increase in less than two decades.¹⁰ A mere three years later this number had doubled again to more than \$119 billion—a record high.¹¹ This growth is unsustainable for any program and if the food stamp program is to survive to help the truly needy without bankrupting taxpayers, changes are needed.



Pandemic policies contributed to this growth. Congress suspended work requirements for able-bodied adults without dependents during the public health emergency.¹² During this period, individuals were able to keep collecting food stamps without working, training, or volunteering 20 hours per week.¹³ President Biden also increased benefits by \$95 per month through legally questionable executive guidance.¹⁴ This came at a cost to taxpayers of at least \$90 billion.¹⁵ Finally, the administration unilaterally and illegally increased benefits by 27 percent by adjusting the Thrifty Food Plan.¹⁶ This increase will remain in effect unless Congress is willing to act.¹⁷

Another major driver of spending growth is the amount of fraud in the food stamp program. A Government Accountability Office report from 2019 estimated that between \$1 billion and \$4.7 billion in food stamp benefits are trafficked annually.¹⁸ With the recent spike in benefits, this number is likely much higher. Another report pointed to 20 cents out of every dollar in the program being fraudulent.¹⁹ Many of these fraud schemes are not small scale but rise to more than one million dollars stolen from taxpayers.²⁰

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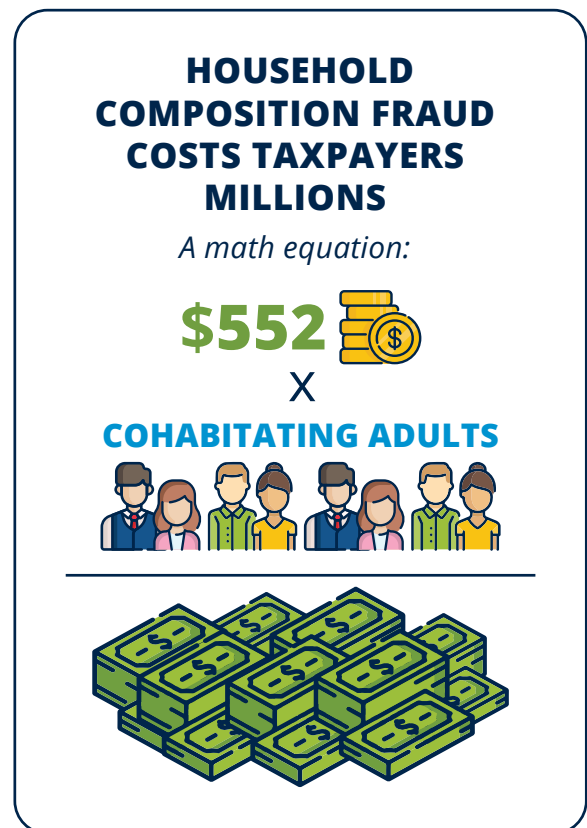
To put the program on a more sustainable path and ensure funds are available for the truly needy, changes must be made. One area that is especially ripe for reform is how USDA handles benefits for people living together.

A household composition loophole opens the door to fraud

Food stamps are distributed to households rather than individuals, so what constitutes a household is extremely important.²¹ For food stamp purposes, individuals who live together and purchase and prepare meals together are grouped together in a single household.²² Spouses and children under 22 are included in the same household if they live together, even if they purchase and prepare meals separately.²³ This leaves wiggle room for unmarried cohabitants to claim they purchase and prepare meals separately, even if they do not. This is fraud, but without needing to present evidence otherwise, individuals can assert they cook separately with little risk of repercussions.

People may be tempted to game the system because two individuals can often receive higher food stamp benefits by claiming to be two separate households, rather than one. For example, a two-person household would max out its benefits at \$516 per month.²⁴ But if they claimed that they purchase and prepare food separately, their maximum monthly benefit would jump to \$562.²⁵ This adds up to an extra \$552 every year.²⁶

Another way people can exploit the loophole is when one individual works and the other is either unemployed or has a minimum income. If two unmarried people live together and one has a gross income of \$2,000 a month and the other has no income, they would not be eligible for food stamps unless they claim that they purchase and prepare their meals separately.²⁷ If, without evidence, they attest otherwise, the individual without income would become eligible for up to \$281 in food stamp benefits each month, \$3,372 over a year, based on claiming to be their own separate household.²⁸



USDA essentially invites fraud by allowing cohabitators to claim, without proof, that they purchase and prepare meals separately. In 2022, there were more than 20 million unmarried cohabitators in the United States, so the number of people who may be exploiting the loophole is not trifling.²⁹ If even a small fraction of these individuals commits one of these types of fraud, it would cost taxpayers millions of dollars annually.

Closing this loophole would reduce fraud, save taxpayers' money, and ensure that funds are available and used by only the truly needy.

People living together should by default be treated as households

The more than 42 million Americans enrolled in food stamps are members of 22 million different households.³⁰⁻³¹ But this is an overcount of the actual number of distinct households because of the people who live together but claim to cook separately, and thus are treated as separate households by USDA. But it is rare that people living together would purchase and prepare meals separately, especially if they are in a relationship or are on the same lease together.



THE MORE THAN 42 MILLION AMERICANS ENROLLED IN FOOD STAMPS ARE MEMBERS OF 22 MILLION DIFFERENT HOUSEHOLDS.

The federal government should acknowledge this reality and treat people who live together as a single household by default. In instances where a lease or other contract shows differently, they can be treated as separate households. But this should be the exception—not the rule.

Congress should require USDA to take this position, and it would be a simple legislative fix. All it would require is a change in definitions to clarify that absent a binding contract, individuals living together constitute a single household for food stamp benefits purposes. This would ensure that federal law matches reality.

Once this change is implemented, USDA should use other available tools like data cross-checks to uncover instances of fraud. This would discourage individuals who live together from claiming to live separately in order to collect greater food stamp benefits. Additionally, cross-checking other federal and state databases would help to prosecute those individuals attempting to defraud the food stamp program.

THE BOTTOM LINE: To reduce fraud in the bloated food stamp program, people who live together should by default be considered members of the same household for benefit purposes.

Food stamp enrollment has skyrocketed to more than 42 million people, and taxpayers are left footing the \$119 billion annual bill.³²⁻³⁴

To reel back spending and halt future increases, USDA must get serious about pursuing and reducing fraud. One effective way to do this is by closing the household composition loophole that invites fraud. By acknowledging the reality that most people who live together are purchasing and preparing meals together, USDA will be a better steward of taxpayer money.

Congress should add language to the food stamp program that would presume that individuals living together constitute a household for benefit purposes absent a binding contract to the contrary.

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