

**FOOD STAMP  
PROGRAM INTEGRITY  
MEASURES WILL  
LOWER COSTS  
FOR STATES**

**AND PRESERVE  
RESOURCES FOR  
THE TRULY NEEDY**

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# *Key Findings*



1

FOOD STAMP ENROLLMENT AND COSTS **HAVE EXPLODED.**

2

WASTE, FRAUD, AND ABUSE PLAGUE THE FOOD STAMP PROGRAM, **AND PAYMENT ERROR RATES ARE SKY HIGH.**

3

REPORTED FOOD STAMP ERROR RATES ARE **UNDERSTATED.**

4

THE ONE, BIG, BEAUTIFUL BILL REQUIRES STATES TO **MANAGE THEIR ERROR RATES** OR PAY FOR A PORTION OF FOOD STAMP BENEFIT COSTS.

## **THE BOTTOM LINE:**

**TO AVOID A STEEP COST INCREASE, STATES MUST LOWER THEIR ERROR RATES AND RESTORE PROGRAM INTEGRITY IN FOOD STAMPS.**

## Overview

The food stamp program has ballooned in size. Since 2000, costs have increased by 488 percent, and the number of enrollees has more than doubled.<sup>1</sup> Today, there are roughly 42 million enrollees, with annual federal costs exceeding \$100 billion.<sup>2</sup> Intentional policy decisions—like broad-based categorical eligibility, waiving the work requirement, and lengthy certification periods—are responsible for the program’s growth.<sup>3-4</sup>

### FOOD STAMP ENROLLMENT AND COSTS HAVE EXPLODED



Source: U.S. Department of Agriculture

The food stamp program is jointly administered by states and the federal government. Historically, states have not been responsible for the cost of food stamp benefits.<sup>5</sup> States pay a share of the administrative costs, while the federal government covers the remaining administrative costs in addition to the full benefit amount.<sup>6</sup> Benefits account for nearly all, 95 percent, of federal food stamp spending.<sup>7</sup>

Waste, fraud, and abuse are rampant in the food stamp program. States’ food stamp error rates are exorbitant. What’s worse, policy gimmicks result in artificially low error rates. The published error rates are severely understated.

Fortunately, Congress passed, and President Trump signed into law, the One, Big, Beautiful Bill, which requires states to manage their excessive error rates or pay for a portion of the benefit costs.<sup>8</sup> With reform, states can take back control of their food stamp programs. If states implement program integrity measures, they will pay less, or continue to pay nothing, for the benefit amount.

## Waste, fraud, and abuse plague the food stamp program, and payment error rates are sky high

Spending in the food stamp program has skyrocketed.<sup>9</sup> As the program grows, so does waste, fraud, and abuse. In fiscal year 2023, \$10.5 billion in food stamp payments were improper.<sup>10</sup>

Improper payments do not include retailer trafficking and other scams.<sup>11</sup> The official measurement for food stamp improper payments, the National Payment Error Rate, only measures states’ improper issuance of benefits.<sup>12</sup> This includes fraud, enrollee errors, and state agency errors.<sup>13</sup> State agencies are responsible for certifying households and administering food stamps. Improper payments are driven by states not fully verifying enrollees’ eligibility for the program.<sup>14</sup>

With the enactment of the One, Big, Beautiful Bill, states with error rates of six percent or higher will be on the hook for a portion of food stamp benefit costs.<sup>15</sup> As recently as fiscal year 2014, the national average error rate was 3.66.<sup>16</sup> In that year, only six states had error rates at or above six

percent.<sup>17</sup> Since then, the average error rate has tripled.<sup>18</sup> The national average error rate in fiscal year 2024 was 10.93.<sup>19</sup> Error rates now range from 24.66 in Alaska to 3.28 in South Dakota.<sup>20</sup> A whopping 42 states have error rates at or above six percent.<sup>21</sup>

The lack of incentive for states to properly administer their programs has contributed to sustained high error rates, and program integrity has taken a back seat. The new law addresses troublesome error rates and implements a cost-sharing requirement for states with high error rates. With the new enforcement mechanism, states will have to assume accountability over their programs and take action to reduce waste.

## Reported food stamp error rates are understated

Reported food stamp error rates are sky high, but they do not tell the whole story. Error rates are grossly understated for several reasons.

The U.S. Department of Agriculture (USDA) allows improper payments up to an error tolerance threshold, which is subject to inflation.<sup>22</sup> In fiscal year 2026, this threshold is \$58, **meaning payment errors up to \$58 are not reported.**<sup>23</sup> This threshold ignores a significant portion of errors. The Government Accountability Office analyzed data from 2013 and found that errors below the tolerance threshold totaled 38 percent of misspent food stamp dollars.<sup>24</sup>

At times, USDA has even waived error reporting altogether. In fiscal years 2015 and 2016, USDA reported “data quality issues” that prevented it from reporting a national error rate.<sup>25-26</sup> In fiscal years 2020 and 2021, USDA suspended reporting requirements, citing the public health emergency as the reason for suspension.<sup>27</sup> Without accurate data tracking, there is no accountability. Worse, state agencies have actively falsified their data, hiding errors rather than reporting them.<sup>28</sup> In 2017, the Department of Justice found that at least three states—Alaska, Virginia, and Wisconsin—actively hid error data.<sup>29</sup>

Another vehicle for error rate exploitation is the use of no-good-cause exemptions. States can use these exemptions to excuse **up to eight percent of their able-bodied adults without dependents from work requirements for any reason.**<sup>30</sup> Because states can apply these exemptions retroactively, they can cover up mistakes, like failing to assign an able-bodied adult to work, which would typically increase the state’s food stamp error rate.<sup>31</sup>

“ Without accurate data tracking, there is no accountability. Worse, state agencies have actively falsified their data, hiding errors rather than reporting them.”<sup>28</sup>

Other issues plague the food stamp program, driving up the program’s cost and improper spending. The program has been flooded with able-bodied adults, individuals enrolled in multiple states at the same time, and deceased individuals.<sup>32-33</sup> Loopholes like broad-based categorical eligibility allow more than five million individuals into the program who do not meet eligibility requirements.<sup>34</sup>

Prior to the passage of the One, Big, Beautiful Bill, states had little incentive to clean up their programs. By maintaining low error rates, states can continue without paying for any of the food

stamp benefit costs. And by keeping their overall program cost down, states can preserve program dollars for the truly needy.

## To reduce their financial burden, states must maintain low error rates

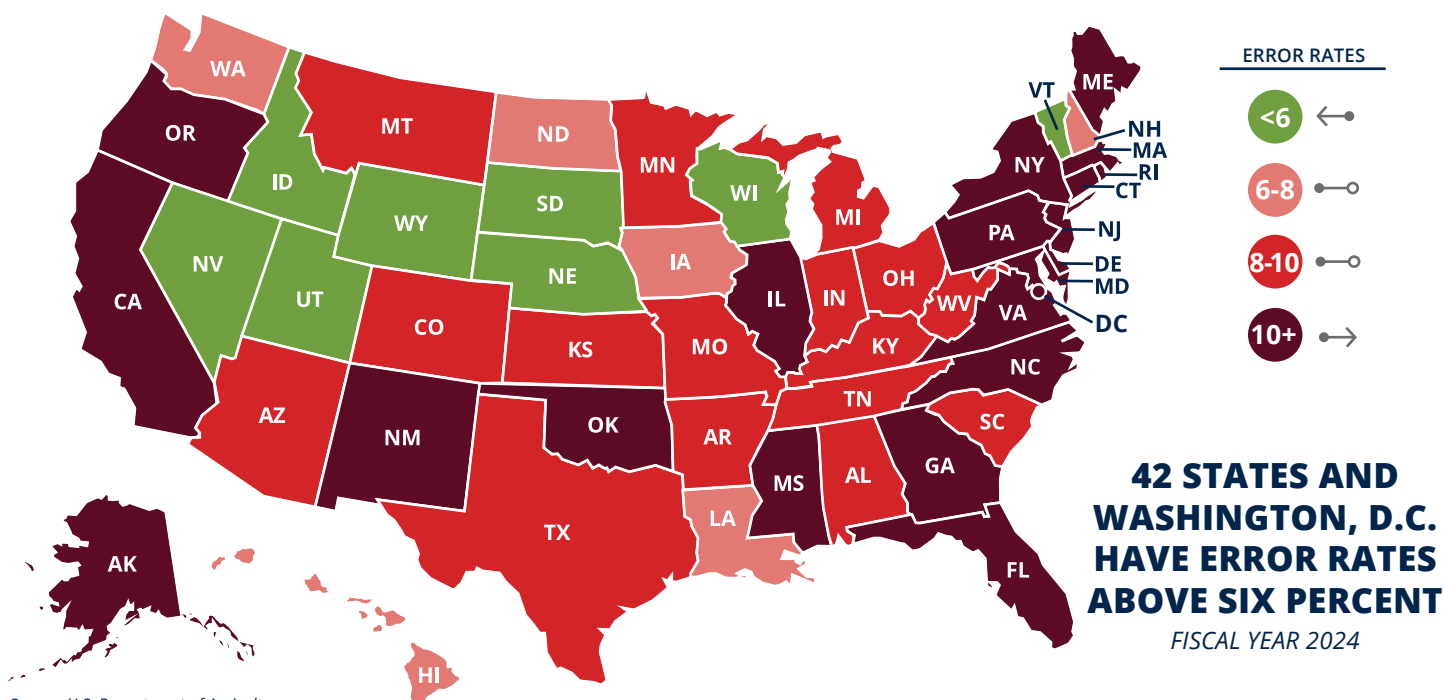
States currently pay for half of the administrative costs of food stamps, which they share with the federal government. Historically, states have not been responsible for the cost of food stamp benefits.<sup>35</sup>

The new law now requires states to pay a portion of their food stamp benefit costs.<sup>36</sup> The state's share depends on its payment error rate. For error rates below six percent, states will continue to pay nothing for food stamp benefits.<sup>37</sup> States with error rates between six and eight percent will be on the hook for five percent of the benefit costs.<sup>38</sup> For error rates from eight to 10 percent, states will pay 10 percent of the benefit costs.<sup>39</sup> And for error rates of 10 percent or higher, states will pay 15 percent of the benefit costs.<sup>40</sup>

These are potentially significant financial costs to states. For example, without taking steps to ensure program integrity, New York, with its error rate north of 14 percent, would be on the hook for \$1.1 billion of its food stamp benefit costs.<sup>41</sup> North Carolina could be required to pay \$440 million in food stamp benefit costs.<sup>42</sup> Texas would need to pay \$721 million if the state does not lower its payment error rate.<sup>43</sup> Without change, Florida would be on the hook for \$990 million.<sup>44</sup>

Implementation of the cost-sharing requirement is delayed for states with egregiously high error rates. Even so, all states should work to comply with requirements as soon as possible to reduce their overall costs.

Given the high error rates of most states, states should begin implementing program integrity measures to curb error rates and reduce their cost-sharing burden.



Though much smaller in comparison to the benefit-cost changes, the federal government is also reducing its share of the administrative burden from 50 percent to 25 percent. States will now have to pay 75 percent, rather than 50 percent, of their administrative costs for food stamps.<sup>45</sup>

## **THE BOTTOM LINE: To avoid a steep cost increase, states must lower their error rates and restore program integrity in food stamps.**

Recent history has seen a massive expansion of the food stamp program. Efforts by state and federal bureaucrats to maximize enrollment have resulted in increased fraud. States flush with federal cash for food stamps are incentivized to keep participants on welfare longer. But the best way to prevent fraud and to preserve resources for the truly needy is to move able-bodied adults from welfare to work and to remove all ineligible enrollees from the program.

The provisions in the One, Big, Beautiful Bill should motivate states to reduce dependency and give states an incentive to reduce their error rates. States should take immediate steps to lower their error rates by implementing commonsense program integrity measures, including requiring frequent cross-checks of available data and tighter certification periods, prohibiting waivers of the work requirement, and closing the broad-based categorical eligibility loophole.

### **HOW STATES CAN ENSURE PROGRAM INTEGRITY IN FOOD STAMPS**

- Close broad-based categorical eligibility loopholes that expand eligibility and costs.
  - Require agency to conduct recertifications for able-bodied adults more frequently.
  - Require agency to verify exemptions and prohibit self-attestation.
  - Prohibit agency from waiving work requirements without legislative approval.
- REQUIRE AGENCY TO CROSS-CHECK:**
- Wage, hiring, and tax records for applicants and enrollees
  - Returned mail and change of address information to identify enrollees who have moved out of state
  - Out-of-state EBT transactions
  - State vital statistics data and the Death Master File to identify deceased enrollees
  - Corrections data to identify incarcerated enrollees
  - Lottery winnings to identify ineligible enrollees

The One, Big, Beautiful Bill brought historic reforms that address the systemic challenges in food stamps. By implementing program integrity reforms and reducing waste, states can regain control of their programs and put food stamps back on a sustainable trajectory. These commonsense reforms will lower costs for states and preserve resources for the truly needy.

# APPENDIX: STATES COULD BE ON THE HOOK FOR MILLIONS IF THEY DO NOTHING

STATE	FOOD STAMP BENEFIT COST	POTENTIAL COST-SHARING REQUIREMENT	STATE	FOOD STAMP BENEFIT COST	POTENTIAL COST-SHARING REQUIREMENT
ALABAMA	1,733,693,703	\$173,369,370	MONTANA	169,446,871	\$16,944,687
ALASKA	249,618,195	\$37,442,729	NEBRASKA	331,710,248	\$0.00
ARIZONA	2,015,185,004	\$201,518,500	NEVADA	1,006,689,627	\$0.00
ARKANSAS	521,505,948	\$52,150,595	NEW HAMPSHIRE	154,254,645	\$7,712,732
CALIFORNIA	12,377,175,489	\$1,856,576,323	NEW JERSEY	1,925,845,112	\$288,876,767
COLORADO	1,303,172,697	\$130,317,270	NEW MEXICO	1,028,090,754	\$154,213,613
CONNECTICUT	892,819,650	\$133,922,948	NEW YORK	7,353,983,677	\$1,103,097,552
DELAWARE	254,854,243	\$38,228,136	NORTH CAROLINA	2,934,626,410	\$440,193,962
DISTRICT OF COLUMBIA	319,119,173	\$47,867,876	NORTH DAKOTA	111,448,901	\$5,572,445
FLORIDA	6,604,797,454	\$990,719,618	OHIO	3,177,571,738	\$317,757,174
GEORGIA	3,181,329,856	\$477,199,478	OKLAHOMA	1,506,326,652	\$225,948,998
HAWAII	731,331,421	\$36,566,571	OREGON	1,596,585,242	\$239,487,786
IDAHO	281,230,283	\$0.00	PENNSYLVANIA	4,268,081,855	\$640,212,278
ILLINOIS	4,469,341,818	\$670,401,273	RHODE ISLAND	342,796,538	\$51,419,481
INDIANA	1,435,952,329	\$143,595,233	SOUTH CAROLINA	1,293,584,986	\$129,358,499
IOWA	528,905,499	\$26,445,275	SOUTH DAKOTA	180,195,817	\$0.00
KANSAS	408,410,165	\$40,841,017	TENNESSEE	1,623,231,075	\$162,323,108
KENTUCKY	1,150,201,172	\$115,020,117	TEXAS	7,210,895,950	\$721,089,595
LOUISIANA	1,902,455,806	\$95,122,790	UTAH	382,660,017	\$0.00
MAINE	363,838,898	\$54,575,835	VERMONT	147,196,800	\$0.00
MARYLAND	1,498,978,722	\$224,846,808	VIRGINIA	1,765,640,540	\$264,846,081
MASSACHUSETTS	2,617,666,701	\$392,650,005	WASHINGTON	1,920,375,025	\$96,018,751
MICHIGAN	3,061,361,572	\$306,136,157	WEST VIRGINIA	565,647,589	\$56,564,759
MINNESOTA	856,342,155	\$85,634,216	WISCONSIN	1,363,921,863	\$0.00
MISSISSIPPI	842,267,063	\$126,340,059	WYOMING	56,701,860	\$0.00
MISSOURI	1,512,570,795	\$151,257,080			

Source: Author's calculations and U.S. Department of Agriculture

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