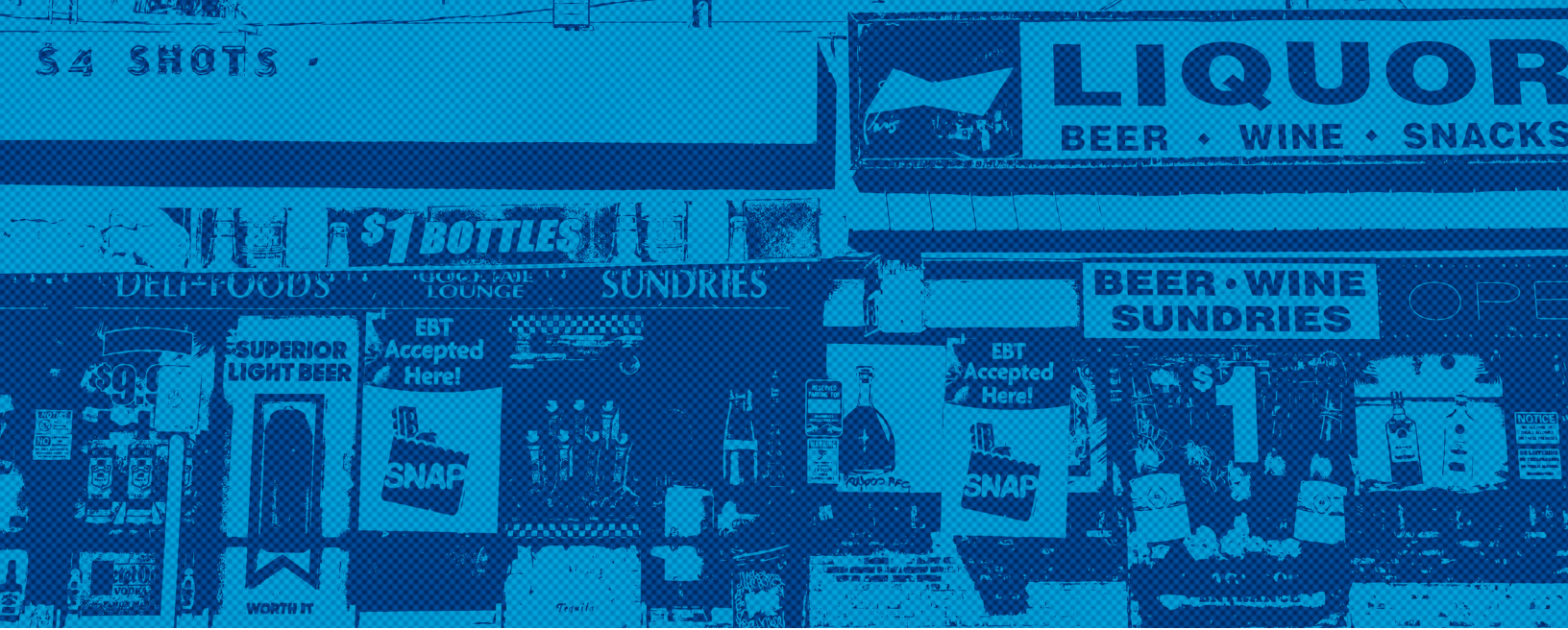


# THE TRUMP ADMINISTRATION IS CRACKING DOWN ON RETAILER FOOD STAMP TRAFFICKING



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# Key Findings



1

SINCE 2000, FOOD STAMP SPENDING HAS INCREASED MORE THAN SIXFOLD, **NOW TOTALING MORE THAN \$100 BILLION.**

2

AN ESTIMATED **\$2 BILLION OF TAXPAYER MONEY IS LOST** EVERY YEAR TO FOOD STAMP TRAFFICKING.

3

MOST OF THIS TRAFFICKING OCCURS AT CONVENIENCE STORES, **WITH ONE-FIFTH OF THOSE PARTICIPATING STORES TRAFFICKING BENEFITS.**

4

THOUSANDS OF **LIQUOR STORES AND SMOKE SHOPS** ARE AUTHORIZED RETAILERS IN THE FOOD STAMP PROGRAM.

5

THE TRUMP ADMINISTRATION IS PROPOSING RULES TO **STRENGTHEN AUTHORIZED RETAILER STANDARDS.**

## **THE BOTTOM LINE:**

**THE FOOD STAMP PROGRAM IS RIFE WITH FRAUD, WITH MORE THAN 5,000 APPROVED RETAILERS THAT ARE PRIMARILY LIQUOR STORES OR SMOKE SHOPS. THE TRUMP ADMINISTRATION IS ACTING TO END THIS ABUSE.**

## Overview

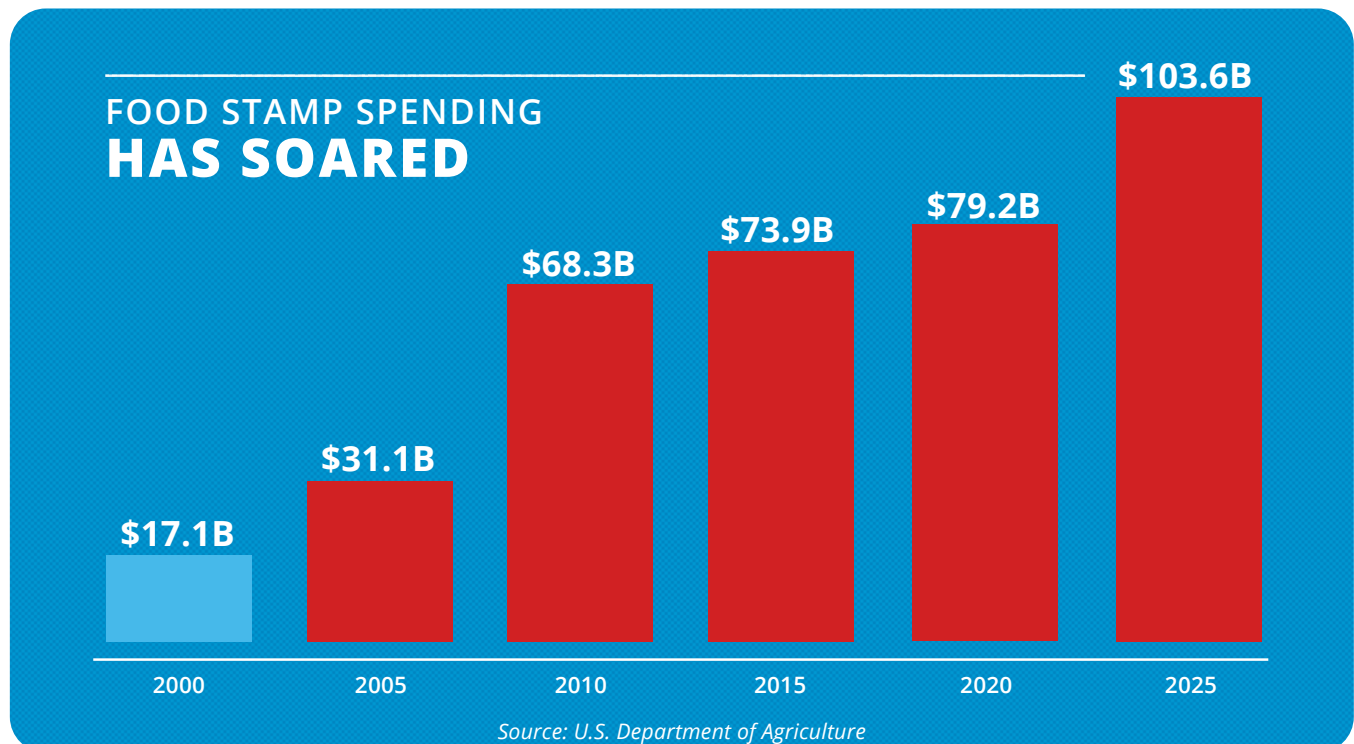
Taxpayer spending on the food stamp program has skyrocketed in recent decades.<sup>1</sup> Part of this growth is due to the high prevalence of fraud in the program, including retailer trafficking.<sup>2</sup> The most common form of this is recipients selling their food stamps to retailers for a discounted amount of cash.<sup>3</sup> This type of fraud costs taxpayers nearly \$2 billion every year.<sup>4-6</sup>

**Suspiciously, liquor stores and smoke shops across the country are registered to accept food stamps.**<sup>7</sup> These types of stores have a low likelihood of providing customers with healthy food options and a high likelihood of participating in trafficking and other types of fraud.<sup>8</sup>

The U.S. Department of Agriculture (USDA) is proposing rules that will help to stamp out this trafficking and abuse in the food stamp program. USDA should continue its work to help ensure that taxpayer money goes to the truly needy and that food stamp retailers effectuate the purpose of the program.

## Food stamp spending has skyrocketed

Spending on food stamps has increased more than sixfold since 2000.<sup>9-13</sup> In that year, the program cost taxpayers slightly more than \$17 billion.<sup>14</sup> Just 25 years later, program costs have exploded to nearly \$104 billion.<sup>15-16</sup>



As taxpayer costs have soared, the number of stores participating in the food stamp program has nearly doubled.<sup>17-19</sup> This is especially true among convenience stores. The number of authorized retailers in this category has nearly quadrupled since 2003.<sup>20-21</sup> By 2022, nearly half of all stores accepting food stamps were convenience stores.<sup>22</sup>



More and more taxpayer-funded food stamp benefits are being spent at convenience stores, with a nearly fifteenfold increase in the last two decades.<sup>23-26</sup>



Unsurprisingly, this growth in spending, especially at convenience stores, is accompanied by fraud.<sup>27</sup>

## One in seven food stamp retailers is trafficking benefits

Much of the focus on fraud and waste in the food stamp program is on the double-digit overpayment rate and waiver abuse throughout the program.<sup>28-29</sup> But trafficking of food stamps by retailers is also prevalent. This type of fraud costs taxpayers more than \$2 billion annually, more than 10 times the trafficked amounts just two decades ago.<sup>30-36</sup>



**Convenience stores, which are typically open long hours and usually sell a large variety of ineligible products like alcohol or tobacco, are especially susceptible to trafficking fraud.**<sup>37-38</sup>

More than one in every five convenience stores that are authorized to accept food stamps are trafficking benefits.<sup>39</sup> In fact, nearly three-quarters of all retailers that are trafficking food stamp benefits are convenience stores.<sup>40</sup> Additionally, nearly 80 percent of stores that are permanently disqualified from participating in food stamps are convenience stores.<sup>41</sup>

This amount of fraud is not surprising given the ease of applying to be a food stamp retailer. The Food and Nutrition Service’s website claims that the online process can take as little as 15 minutes.<sup>42</sup>

Approved retailers are supposed to either sell at least 36 staple foods across a variety of food types or have staple foods account for more than half of their total sales.<sup>43</sup> But some of the types of stores that are eligible food stamp retailers raise questions about how closely these requirements are followed.

## Thousands of liquor stores and smoke shops are approved to accept food stamps

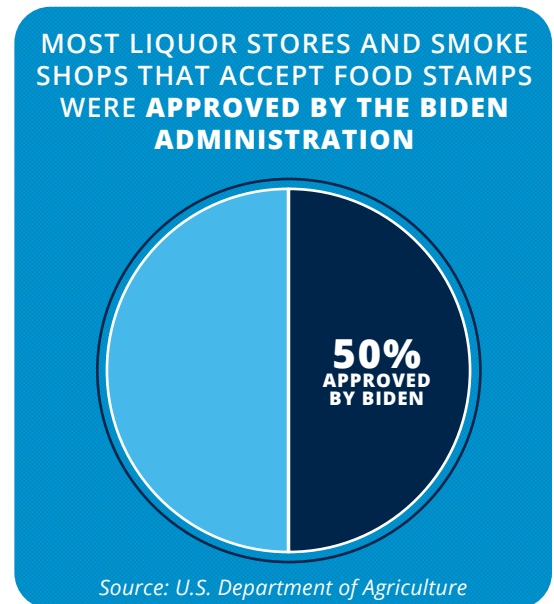
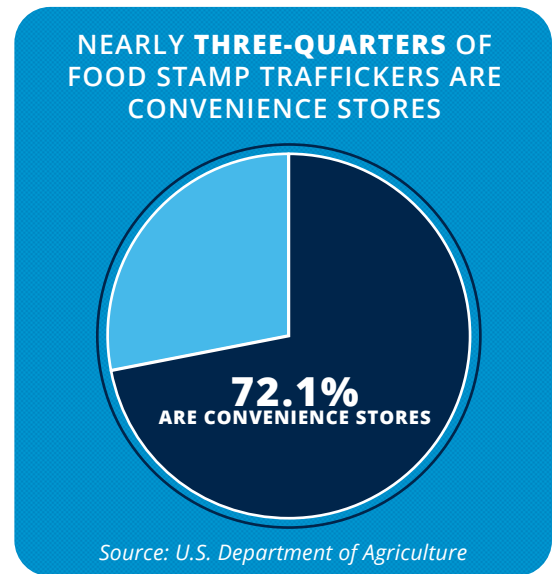
Across the country, more than 5,000 liquor stores and smoke shops are eligible to accept food stamps.<sup>44</sup> This includes more than 4,000 who advertise that they primarily sell alcohol, and there are nearly 1,000 that advertise that they mainly sell tobacco products.<sup>45</sup> This is a conservative count where stores put the restricted products they are selling in their name.

This is a relatively new phenomenon. Half of the liquor stores and smoke shops that are authorized food stamp retailers were approved under President Biden.<sup>46</sup>

Most of these stores are in California, but states like Michigan and Illinois also have hundreds of liquor stores and smoke shops that are authorized to accept food stamps.<sup>47</sup> In fact, liquor stores or smoke shops are eligible to accept food stamps in every single state but North Dakota.<sup>48</sup>

Besides the increased risk of trafficking fraud that these types of convenience stores have, **they would also seem to offer a low likelihood of offering nutritious food, instead offering products like candy, chips, and soda.** This runs counter to the recent movement from states and the federal government that seeks to remove junk foods like these from the food stamp program.<sup>49-50</sup>

Liquor stores and smoke shops are a known issue in the food stamp program. From 2018 to 2021, nearly 100 liquor stores or smoke shops faced disqualifications or civil penalties for their actions in the program.<sup>51</sup> California was the biggest offender, representing a significant portion of these penalties.<sup>52</sup>



## The Trump administration is proposing rules to rectify this problem

Only stores that USDA determines to effectuate the purpose of the food stamp program are authorized to participate.<sup>53</sup> The purpose of the program is to help low-income families obtain a more nutritious diet.<sup>54</sup> USDA has the legal authority and the obligation to ensure that only stores that meet this requirement are authorized to participate.

The Trump administration is proposing rules that are meant to crack down on retailer fraud and ensure that only those that effectuate the purpose of the food stamp program are authorized to participate.<sup>55</sup>

USDA recently proposed a rule to update the stocking standards for authorized retailers in the food stamp program.<sup>56</sup> The proposed rule more than doubles the variety of staple foods that a retailer must provide to food stamp participants to be an authorized retailer in the program.<sup>57</sup> The proposed rule also closes loopholes that have allowed some snack foods to count as staple foods and simplifies how foods are classified, making it easier to enforce the standards.<sup>58</sup>

The administration also published a notice of its intent to amend the definition of eligible foods in food stamps to better align with the program's purpose.<sup>59</sup> This action is likely to bring into further scrutiny how thousands of liquor stores and smoke shops can become and remain authorized retailers.

USDA should continue its work of cleaning up how stores become and remain authorized food stamp retailers. USDA should prohibit liquor stores, smoke shops, and other retailers that do not effectuate the purpose of the program from accepting food stamps, remove those stores from the program, and continue to strengthen standards.

### **THE BOTTOM LINE: The food stamp program is rife with fraud, with more than 5,000 approved retailers that are primarily liquor stores or smoke shops. The Trump administration is acting to end this abuse.**

As food stamp spending has skyrocketed this century, retailer fraud has accelerated.

Why are more than 5,000 liquor stores and smoke shops eligible to accept food stamps? Besides a higher risk of fraud, these types of stores have a low likelihood of providing nutritious food, all while highlighting the sale of products that are not eligible for food stamps.

USDA officials should continue their work to ensure that these stores are legitimate providers of staple foods and that they effectuate the purpose of the program. Doing so will help protect taxpayer money by preventing waste, fraud, and abuse throughout the food stamp program.

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