



# Dave Yost • Auditor of State

## House Community and Family Advancement Committee

**Shawn Busken, Policy Director  
Ohio Auditor of State**

**House Bill 50  
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Chairman Ginter, Vice-Chair Conditt, Ranking Member Boyd and members of the House Community and Family Advancement Committee, thank you for allowing me to testify today in support of HB 50.

The Supplemental Nutrition Assistance Program (“SNAP”) or food stamp program as it is sometimes called, is an essential safety net for millions of Americans. By and large this vital program works well – serving the needs of the most vulnerable among us – children and the elderly, in addition to others. We must always bear in mind that none of us are immune to the economic difficulties and hardships of life and the potential hunger consequent to such circumstances. At the same time, it is our responsibility to ensure this program is administered in such a way that benefits go to those in need.

Last year the Auditor of State (“AOS”) issued a report identifying program integrity weaknesses in the SNAP program as administered in Ohio. The purpose of the audit was not to find fraud, but rather, to identify structural weaknesses that heighten risk and to point out examples of potential fraud that require further investigation. This was the second such report issued by our office; the first provided actionable recommendations which ODJFS, to their credit, implemented with great success.

We know that fraud and poor management undermine public support for this program. To briefly recap our report, we looked at a 6-month period in 2015. I have attached the entire report to my testimony, but in the interest of time, I will point out a few of the more troubling findings.

We identified 36 instances where dead people received benefits more than a year after their death. In some cases, someone was still using the card. Federal law requires at least an annual comparison of death records against the list of beneficiaries -- so the number should have been zero. (There were actually more than 1,862 people who continued to receive benefits after death, but for a period of less than a year.)

We also found 1,337 recipients with balances greater than \$2,300 – about twice the maximum benefit for a family of eight. Some 173 had balances of more than \$5,000 – including one with

more than \$20,000. If you can bank thousands of dollars, you are not in immediate need. States may only expunge benefits after an entire year of dormancy. But if the card is used just once – even for a can of soda – that one-year clock resets and balances can continue to grow.

How often have you checked out at the grocery store at precisely the same time every month and had the exact same total every month, 6 months in a row? We found that. We also found multiple purchases by one person from the same retailer within the same hour. A person we've dubbed Recipient # 9 used their card to make six purchases for \$1,555 – all within one hour! When did you last spend that much on groceries?

Recipients can use their benefit card in other states, and we expected to see usage in our neighboring states. But we didn't expect to find usage in states as far away as Florida, Texas and Minnesota. We found \$28.7 million dollars spent outside of Ohio, more than a third of it spent in far-flung states. Are these recipients living in other states or selling benefits in other states? The federal Public Assistance Reporting Information System (PARIS) uses datamatching to identify people who might receive duplicate benefits in two or more states. But the states only have to submit information once a year and are not required to report on SNAP. This important program needs to be strengthened

I realize the photo requirement will not solve all the problems I have just outlined, however it is an important step towards greater program integrity in SNAP.

Subsequent to our report, the Auditor testified before the House Agriculture Committee in Washington relative to our findings. During testimony, the Auditor was asked how we could prevent SNAP cards from being used for drug purchases and other fraudulent use. The Auditor replied that a simple way would be to require the photo ID of the recipient on the card. When asked by the committee if that was permissible, Jessica Shahin, Acting Administrator for Food and Nutrition Services, USDA, explicitly stated that federal regulations allow a state to put pictures on SNAP cards. This was news to our office and we immediately set about researching the idea.

Law enforcement will readily tell you when they make a drug bust they usually find four things: guns, drugs, cash, and SNAP cards. Why is this the case? We know that some individuals use SNAP cards as currency, often selling the benefit for cash (cents on the dollar) or trading for drugs. These cards are then reported lost, stolen or missing by the recipient and a new card is issued. In fact, soon after a bust, recipients will immediately make calls reporting their card as "lost," in an effort to avoid detection. Law enforcement also routinely get complaints from retailers alleging that cards are passed down the line, from customer to customer, each using the same card for a transaction.

Requiring a photo ID on SNAP cards will have a significant deterrent effect on the selling of cards for cash or drugs. Under current federal regulations governing SNAP, possession of the card plus the PIN equals authorized use. It doesn't take much imagination to understand how such a system could be abused. Essentially the cards are endlessly transferable. I need only give my card and PIN to anyone and they can purchase food. There is no guarantee benefits are going to the intended recipients.

This requirement is not a new idea. In August of 2013, Massachusetts passed this very legislation, with the same photo requirement and exemptions. The legislation was fully implemented by January 2014, about 5 months later. The new initiative cost approximately \$1.5 million at inception, with an ongoing \$200,000 cost as new cards are brought online. The photo requirement is still the law in Massachusetts and the state prides itself on its forward thinking approach to welfare reform. SNAP is a 2.5 billion dollar program in Ohio. The error rate (including both over and under payments) is 4.7% which results in approximately \$116 million in errors. While it is impossible to say how much of that \$116 million is fraud, if even a small part is, perhaps 25-50%, that still represents millions of dollars in fraud.

Maine has also adopted a voluntary version of this measure. Reports from Maine suggest that they no longer find SNAP cards (at least not SNAP cards with pictures on them) at drug raids. They have also found this provision helps protect the benefits of senior and the disabled. In fact, in Maine, of the 59,000 with a photo ID, 53% are age 50 and above and 40% of the cards requested are for disabled persons. In Ohio, we could easily allow those exempted from the legislation to “opt-in” should they wish to have this added layer of protection.

A version of this measure has been passed in both Georgia and Kansas, but not yet implemented. It has been proposed in California, Washington, Illinois, Pennsylvania, Tennessee, and Rhode Island.

With regard to other members of a household accessing a benefit, there are a variety of approaches to address this issue. First, multiple users can access the benefit assigned to a single account. Either multiple cards will be issued (each with a picture ID), tied to a single account, or multiple pictures could be placed on a single card to ensure access to the benefit. Another option would be for the head of household to designate proxies who are able to access the benefit on his/her behalf. The proxies would then be listed on the card and could be verified via ID. In Massachusetts, one card is issued per household. They believe having fewer cards in the system is better than more cards, and they are probably right from a fraud standpoint. In any event, the beneficiary will need to authorize other users to access his or her benefit.

In practice, cashiers need only examine the card to ensure the person accessing the benefit is authorized to do so. If a cashier suspects the user of the card is not the beneficiary, or an authorized beneficiary, he or she may report the issue to ODJFS for further investigation by County Boards of Jobs and Family Services. A cashier is not permitted to deny the transaction if the photo does not match the person accessing the benefit. No one will be denied purchases under this legislation.

When you and I use a credit card, a retailer may, at any time ask to see proof of ID (i.e. driver's license). They can deny my purchase if I don't comply. I can't use my brother's credit card under these circumstances, even if I have his ID. The card and ID must match. How is it unlawful to require the same proof for a SNAP recipient? This is not special treatment.

There is no explicit requirement that cashier's check for photo ID. However, experience in other states has shown a significant deterrent effect to fraud when the picture ID is required on the

card. Further, what beneficiary does not want to protect his or her benefit from fraudulent use? A picture ID will make it less likely that a stolen card can be used by an unauthorized user.

As drafted, the language provides exemptions for individuals 60 years and older, blind, disabled, those who are victims of domestic violence, and those with religious objections to a photo. Any Head of Household that is not included in the household benefit calculation is exempt from the requirement of a photo on an EBT card. These individuals are not clients, but are caretakers of clients unable to serve as a Head of Household.

The costs associated with implementing this legislation can be alleviated by using existing photos on file with the BMV. Massachusetts and Maine have used this method to bring costs down.

Protecting tax dollars and the benefits of the needy are not mutually exclusive. They're mutually inclusive. By protecting those in need, we are also protecting the interests of taxpayers.

While fraud may not be rampant in Ohio it does exist, and it is significant. Food stamp fraud hardens the hearts of good people and deafens their ears to the sound of hunger. Every dollar wasted or fraudulently spent is a dollar that could be used for its intended purpose: to feed the poor. For those who hunger, and for those who pay the bill, we owe a greater effort toward integrity.

Thank you for the opportunity to testify in support of HB 50. Our office would like to thank Representative Schaffer for his leadership on this issue. Thank you Chairman Ginter and members of the committee, I would be happy to answer any questions you may have at this time.