



## **Senate General Government and Agency Review Committee**

### **Auditor of State Keith Faber**

#### **Senate Bill 165 October 2, 2019**

Chairman Schuring, Vice Chair Rulli, Ranking Member O'Brien, and members of the Committee, thank you for the opportunity to provide testimony in favor of Senate Bill 165.

The state of Ohio has an obligation to deter fraud in the Supplemental Nutrition Assistance Program (SNAP) and Senate Bill 165 offers a simple, yet impactful solution to help us meet it.

This legislation was prompted by a 2016 audit, conducted under the direction of my predecessor, in which the Auditor of State's office identified weaknesses in Ohio's SNAP program.

The audit, which has been attached to this testimony, looked at a six-month period in 2015 and found several concerning patterns that may not have occurred if account-holder photos were on the Electronic Benefit Transfer, or EBT cards. These included:

- 1,862 instances where people continued to receive benefits after death, including 36 instances occurring more than a year after death. The worst part? Some of those cards were still being used. Federal law requires at least an annual comparison of death records against the list of beneficiaries - so the number should have been zero.
- \$28.7 million spent outside of Ohio, with more than a third of it spent in states as far away as Florida, Texas, and Minnesota. These recipients could be traveling a lot, or they could be selling their benefits in other states.
- Unusual card activity at neighborhood corner stores where an entire month's benefits were spent in a single transaction.
- More than \$28.5 million spent in "even dollar" transactions, amounts that are not typical and are indicators of fraud.
- Multiple transactions worth hundreds of dollars that occurred within minutes of each other.

Make no mistake, a photo requirement will not solve all of the problems in the SNAP program, however it will deter would-be fraudsters from "trafficking," in which recipients swap their benefits for cash (usually pennies on the dollar), drugs, or other items of value.

As members of law enforcement have already testified in previous years, when drug busts are made, they usually find four things: guns, drugs, cash, and SNAP cards. This is because “trafficked” SNAP cards are easy to use - under current federal regulations, possession of the card plus the PIN equals authorized use.

Law enforcement also routinely receive complaints from retailers alleging that cards are passed down the line, from customer to customer, each using the same card for a transaction. Right now, I need only give my card and PIN to a non-recipient and they can use it without hesitation.

As we speak, SNAP card trafficking is on the rise. According to a recent [report](#) issued by the U.S. Government Accountability Office, trafficking, particularly among retailers, accounts for at least \$1 billion in fraud per year and could be upwards of \$4.5 billion.

While the amount to which adding photos to SNAP cards will reduce retailers from engaging in trafficking is uncertain - as the United States Department of Agriculture’s Food Nutrition Services maintains responsibility for investigating fraud related to retailers - the state’s focus of deterring recipients from trafficking will surely be bolstered by doing so.

And Ohio would not be alone. Massachusetts implemented photos on SNAP cards in 2013 with this same legislation. Maine has also adopted a voluntary version of this measure, with reports suggesting that law enforcement no longer find SNAP cards (at least not SNAP cards with pictures on them) at drug raids.

The most recent numbers for fiscal year (FY) 2019 show that SNAP is a \$2 billion dollar program in Ohio. The FY 2018 error rate in Ohio was 7.46%, up from 4.67% in FY 2014, which results in approximately \$150 million in errors. That number doesn’t represent \$150 million in fraud, but a portion of it certainly is. If just a small percentage of Ohio’s error rate is deterred through this legislation, it would result in millions of dollars in savings.

Any costs associated with implementing this legislation will be reduced by deterring fraud as well as through the 50% reimbursement of administrative costs picked up by the federal government. Using existing photos on file with the BMV will also help reduce costs.

This bill is not about punishing SNAP recipients. To the contrary, it is designed to protect SNAP recipients from those who would steal their benefits. This is about upholding the integrity of our safety net and stopping bad actors from taking advantage of those who are not in a position to protect themselves. Additionally this bill will help ensure that SNAP dollars are being used for their intended purpose – to feed the hungry and protect the poor.

I’d like to thank Senator Schaffer for his leadership on this issue and the committee for the opportunity to testify in support of SB 165. At this time I would be happy to answer any questions.