



THE VOICE OF FOOD RETAIL

Feeding Families  Enriching Lives

**Testimony of Jennifer Hatcher
Senior Vice President, Government and Public Affairs
Food Marketing Institute**

**Before the House Oversight and Government Reform Committee
Food Stamp Fraud as a Business Model: USDA's Struggle to Police Store
Owners"**

Thursday, March 8, 2012

Good Morning Mr. Chairman and Members of the Committee,

On behalf of the Food Marketing Institute¹ and the families served by the 25,000 stores operated by our retail and wholesale members, I want to thank you for the opportunity to testify today on preventing fraud in the Supplemental Nutrition Assistance Program (SNAP).

My name is Jennifer Hatcher and I am Senior Vice President of Government and Public Affairs at the Food Marketing Institute (FMI). I have served as the primary staff contact for FMI's members and our Electronic Payments Systems Committee for the past 13 years through the transition from paper Food Stamps to electronic benefits transfer (EBT) cards and now the new program name, SNAP.

SNAP EBT is a positive example of a public-private partnership that works and that adds efficiency and reduces fraud for all stakeholders in the program – the state agencies, the retailers and the customers. Supermarket retailers are proud of our partnership with USDA and the state agencies to deliver safe, healthy and affordable foods to customers in need of assistance.

Unfortunately, the number of customers in need of assistance is higher today than it has ever been. In large part due to the conversion to electronic delivery of benefits rather than paper Food Stamps, a significant portion of the fraud has been removed from the system. Many supermarkets remember vividly situations where paper Food Stamps were being sold by criminals in front of the store. Paper stamps provided anonymity for the perpetrators of these illegal transactions. EBT ties any fraudulent activity to a particular transaction, customer and store location. This has taken the criminal element out of store parking lots.

Electronic delivery has also provided state agencies with a better mechanism to compare transaction activity and look for duplication across state lines, particularly within states that share a common border. Some states have employed mathematicians to electronically identify potentially fraudulent patterns of sales with computer programs analyzing literally millions of transactions. EBT has also improved efficiency and cut down on the potential for human clerical error. SNAP EBT transactions are protected by a user's personal identification number (PIN) so they are much more secure than paper or even credit cards, which do not require this added level of identification.

FMI members take their responsibility as authorized food retailers for the delivery of SNAP benefits very seriously. Being an authorized SNAP retailer is part of their identity and reputation in the community, which is very important for them to protect. After reviewing the Scripps report and the associated list of disqualified retailers, we found no FMI members on the list and agree that those who impugn the integrity of the program should be removed.

Fighting fraud before it happens is critical and I thought I would share some of the steps our supermarket members take to prevent fraudulent activity in their stores.

First and most important is training. FMI member companies conduct on-site and off-site training for both associates and managers in the rules and regulations that govern SNAP transactions. There is a 76 page manual produced by USDA and made available on their web site that we consult frequently. There is also a 28 page guide for retailers and a 17 minute training video that can be utilized. Both are available in several languages and are available free on the web site. Several of our members have set up their own internal audit to insure they are in compliance and that each of their transactions is in compliance. The vast majority of our members utilize computer systems that allow them to program via UPC code eligible food items and ineligible items and then lock the point of sale purchase system should someone attempt to purchase an ineligible item with SNAP benefits. FMI also publishes and sends to our members on a regular basis, the names and contact information of the USDA FNS regional offices and the state administrators for SNAP EBT. Both FMI and our members make the USDA fraud hotline number available to their associates and managers through each of these training materials.

Benefits Distribution

There is one more issue I feel I need to raise in the context of this hearing and that is the extreme concentration of benefits issuance at the first of the month in a number of states. There are a number of issues that spreading the issuance of SNAP benefits across the entirety of the month could help accomplish, and a reduction in fraud may be an additional positive result of this change. If all SNAP customers were issued benefits on the first day of the month as some states continue to do, stores would have three significant problems: 1. Managing inventory for widely purchased perishable products 2. Labor issues like being able to hire full time instead of part time employees, and 3. Enabling a more positive customer experience by not having massive crowds and congestion on the first day of issuance in a month.

To address this issue, many states issue benefits over staggered days on the first 7-10 days of the month based on the case number, a digit of the user's social security number, a card number or by other means. All but ten states stagger benefits issuance, and the staggering of benefits distribution is helpful to retailers to spread inventory needs over a series of days. We encourage states to provide enhanced staggered issuance of benefits over the entirety of the month by looking at the last two digits of a case number or other identifier. Benefits in states such as Missouri and New Mexico are made available throughout a period of around 20 days every month, as opposed to just the first 7 -10 days or one day as some states still maintain. This allows for a fresher product for SNAP participants, helps address retailers' inventory concerns and helps to spread hours over a more standard timeframe. A chart detailing the current benefit distribution schedule by state is attached.

Thank you for inviting FMI to share our thoughts on identifying and reducing fraud in the SNAP program. Our industry is committed to ensuring a pleasant and efficient

shopping experience for all our customers, and we welcome the opportunity to work with the Committee and the Department to move toward additional efficiencies in the SNAP program. I would be pleased to try to answer any questions you may have.

Thank you.

ⁱ Food Marketing Institute (FMI) conducts programs in public affairs, food safety, research, education and industry relations on behalf of its nearly 1,250 food retail and wholesale member companies in the United States and around the world. FMI's U.S. members operate more than 25,000 retail food stores and almost 22,000 pharmacies with a combined annual sales volume of nearly \$650 billion. FMI's retail membership is composed of large multi-store chains, regional firms and independent operators. Its international membership includes 126 companies from more than 65 countries. FMI's nearly 330 associate members include the supplier partners of its retail and wholesale members.



THE VOICE OF FOOD RETAIL

Feeding Families  Enriching Lives

State-by-State Monthly SNAP Benefit Issuance Schedule

State	Day(s) of SNAP Benefit Distribution
Alabama	When a person is accepted into the SNAP program they are issued a case number. From this case number an issuance date is determined by computer. This date will range from the 4th of the month to the 18th. The monthly issuance is transferred to the card on the first of the month, but is not made available to the person until the issuance date. Any leftover balance carried on the card at the end of the month is rolled over to the following month.
Alaska*	The main SNAP issuance is all on the first day of the month. Smaller supplemental issuances for new applicants and late recertifications occur daily throughout the month.
Arizona	SNAP benefits are distributed over the first 13 days of the month by the first letter of the recipients' last name as such: 1 st : A, B; 2 nd : C&D; 3 rd : E&F; 4 th : G,H; et cetera. Cash is distributed on the first day of the month for all.
Arkansas	Arkansans receive their benefits on the 4th, 5th, 8th, 9th, 10th, 11th, 12th or 13th of each month.
California	California is different in that each county distributes SNAP to those who qualify. There is not one date in which SNAP are issued. The principal payments go out to all those who qualify between the 1-10 of the month. Others (i.e. new applicants) get paid throughout the month depending on when they were accepted.
Colorado	Food Stamp benefits are distributed on the first ten days of the month by the recipient's last digit of their social security number.
Connecticut	Food Stamp benefits and cash are distributed on the first three days of the month, by the first letter of the recipient's last name.
Delaware	Benefits are made available over 7 days, beginning with the 5th day of every month, based on the first letter of the client's last name.
Florida	Benefits are available the 1st to the 15th of every month, based on the 9th and 8th digits of the Florida case number, read backwards, dropping the 10th digit.
Georgia	Benefits are made available from the 5th to the 14th of every month, based on the last digit of the client's case number.
Hawaii	Benefits are made available on the 3rd and the 5th of every month, based on the first letter of the client's last name.
Idaho*	Benefits are made available on the first day of every month. (Prior to August 2009, benefits were distributed on five consecutive days at the beginning of each month.)
Illinois	SNAP benefits are made available on the 1st, 3rd, 4th, 7th, 8th, 10th, 11th, 14th, 17th, 19th, 21st, and 23rd of every month, based on a combination of the type of case and the case name.
Indiana	Benefits are made available on the first ten calendar days each month, based

	on the first letter of the recipient's last name.
Iowa	Benefits are made available over the first 10 calendar days of every month, based on the first letter of the client's last name.
Kansas	Benefits are made available over the first 10 calendar days of every month, based on the first letter of the client's last name.
Kentucky	Benefits are made available over the first 10 calendar days of every month, based on the last digit of the client's SSN.
Louisiana	Benefits are made available between the 5th and the 14th of every month, based on the last digit of the client's SSN.
Maine	Benefits are available the 10th to the 14th of every month based on the last digit of the recipient's birth day.
Maryland	Benefits are distributed the 6th thru the 15 th .
Massachusetts	Distribution is based on the last digit of each recipient's social security number and distributed over the first 14 days of the month.
Michigan	Benefits had been distributed from the 3 rd day of the month through the 10 th . Beginning January 1, 2011, the new distribution system will move every group back one day a month until full implementation is completed in Nov. 2011. From there on and moving forward, food stamp benefits will be distributed from the 3rd of the month to the 22 of every month.
Minnesota	Benefits are staggered over 10 calendar days, beginning on the 4th through the 13th of every month, without regard to weekends or holidays.
Mississippi	Benefits are made available from the 5th to the 19th of every month, based on the last two digits of the client's case number.
Missouri	Benefits are made available over the first 22 days of every month, based on the client's birth month and last name.
Montana	Benefits are distributed by the last number of the recipient's case number, from the 2 nd to the 6 th of every month.
Nebraska	Nebraska distributes food stamp benefits to individuals during the first 5 calendar days of the month. The day of distribution is based on the last digit of the social security number.
Nevada*	In Nevada, food stamp benefits are issued on the first day of each month.
New Hampshire*	New Hampshire benefits are available on the 5th of every month.
New Jersey	The monthly Food Stamp allotment is available over the first 5 days of the month. The day is based on the number in the 7th position of their case number. Some of the cases still received their benefits based on the assignment at the time the county was converted to EBT. The chart below identifies the days benefits are available. Cases that were active during each county conversion were staggered (identified in 2nd position of EBT status – AG/P07) into two days as follows: If the 7th position of Case number was 1, 2, 3, 4, or 5, then day = 1. If the 7th position of Case number was 6, 7, 8, 9, or 0 then day = 2. Thereafter, new/reopen case benefits are staggered across five days as follows: If 7th pos = 1 or 2, then day = 1; if 7th pos = 3 or 4, then day = 2; if 7th pos = 5 or 6, then day = 3; if 7th pos = 7 or 8, then day = 4; if 7th pos = 9 or 0, then day = 5.
New Mexico	Benefits are made available over 20 days every month, based on the last two

	digits of the SSN.																																																						
New York	The process is twofold as follows: New York City- recipients receive their SNAP benefits within the first 10 business days of the month, according to the last digit of their case number, not including Sundays or holidays; the remainder of New York State - recipients receive their benefits within the first 10 days of the month, also according to the last digit of their case number, including Sundays and holidays.																																																						
North Carolina	As of March 2011, the state finalized a plan to expand its current 10-day distribution schedule to a 19-day SNAP schedule effective July 1, 2011. Current Schedule through June 12, 2011: If the last SSN digit is: 1, 2, 3, 4, 5, 6, 7, 8, 9, 0; benefits are available on: 3 rd , 4 th , 5 th , 6 th , 7 th , 8 th , 9 th , 10 th , 11 th , 12 th . Schedule beginning July 3: If the last SSN digit is: 1, 2, 3, 4, 5, 6, 7, 8, 9, 0; benefits are available on: 3 rd , 5 th , 7 th , 9 th , 11 th , 13 th , 15 th , 17 th , 19 th , 21 st .																																																						
North Dakota*	Benefits are made available on the first day of every month.																																																						
Ohio	Distribution is a staggered schedule between the first and tenth days of the month.																																																						
Oklahoma	On April 1, 2011, the state expanded from a one day distribution date on the first of each month to three distribution dates. On the first of each month there is an approximate 40% distribution, on the 5th of the month there is an approximate 30% distribution and on the 10th is a 30% distribution.																																																						
Oregon	Food Stamp benefits are distributed on the first nine days of the month as such: social security numbers ending with "0" or "1" distribute on the 1st day of the month, numbers ending with a "2" are distributed on the 2nd day of the month and so on.																																																						
Pennsylvania	Benefits are made available over the first 10 business days of every month. Specifically, here is county disbursement: <table border="1" data-bbox="430 1192 1372 1873"> <tr> <td>Adams 5</td> <td>Allegheny 1-10</td> <td>Armstrong 4</td> </tr> <tr> <td>Beaver 3</td> <td>Bedford 2</td> <td>Berks 4, 9</td> </tr> <tr> <td>Blair 1-10</td> <td>Bradford 8</td> <td>Bucks 1-10</td> </tr> <tr> <td>Butler 2</td> <td>Cambria 1-10</td> <td>Cameron 7</td> </tr> <tr> <td>Carbon 3</td> <td>Centre 5, 7</td> <td>Chester 1-10</td> </tr> <tr> <td>Clarion 5</td> <td>Clearfield 6, 10</td> <td>Clinton 4, 9</td> </tr> <tr> <td>Columbia 3</td> <td>Crawford 8</td> <td>Cumberland 1, 7</td> </tr> <tr> <td>Dauphin 1-10</td> <td></td> <td>Delaware 1-10</td> </tr> <tr> <td>Elk 4</td> <td>Erie 1-10</td> <td>Fayette 1-10</td> </tr> <tr> <td>Forest 8</td> <td>Franklin 1, 7</td> <td>Fulton 4</td> </tr> <tr> <td>Greene 2</td> <td>Huntingdon 6</td> <td>Indiana 10</td> </tr> <tr> <td>Jefferson 6, 10</td> <td>Juniata 4</td> <td>Lackawanna 1, 7</td> </tr> <tr> <td>Lancaster 1-10</td> <td>Lawrence 4, 9</td> <td>Lebanon 6</td> </tr> <tr> <td>Lehigh 1-10</td> <td>Luzerne 6, 10</td> <td>Lycoming 4, 9</td> </tr> <tr> <td>McKean 6</td> <td>Mercer 1, 7</td> <td>Mifflin 5</td> </tr> <tr> <td></td> <td>Monroe 4</td> <td>Montgomery 1-10</td> </tr> <tr> <td>Montour 7</td> <td>Northampton 1-10</td> <td>Northumberland 9</td> </tr> <tr> <td>Perry 4</td> <td>Philadelphia 1-10</td> <td>Pike 6</td> </tr> </table>	Adams 5	Allegheny 1-10	Armstrong 4	Beaver 3	Bedford 2	Berks 4, 9	Blair 1-10	Bradford 8	Bucks 1-10	Butler 2	Cambria 1-10	Cameron 7	Carbon 3	Centre 5, 7	Chester 1-10	Clarion 5	Clearfield 6, 10	Clinton 4, 9	Columbia 3	Crawford 8	Cumberland 1, 7	Dauphin 1-10		Delaware 1-10	Elk 4	Erie 1-10	Fayette 1-10	Forest 8	Franklin 1, 7	Fulton 4	Greene 2	Huntingdon 6	Indiana 10	Jefferson 6, 10	Juniata 4	Lackawanna 1, 7	Lancaster 1-10	Lawrence 4, 9	Lebanon 6	Lehigh 1-10	Luzerne 6, 10	Lycoming 4, 9	McKean 6	Mercer 1, 7	Mifflin 5		Monroe 4	Montgomery 1-10	Montour 7	Northampton 1-10	Northumberland 9	Perry 4	Philadelphia 1-10	Pike 6
Adams 5	Allegheny 1-10	Armstrong 4																																																					
Beaver 3	Bedford 2	Berks 4, 9																																																					
Blair 1-10	Bradford 8	Bucks 1-10																																																					
Butler 2	Cambria 1-10	Cameron 7																																																					
Carbon 3	Centre 5, 7	Chester 1-10																																																					
Clarion 5	Clearfield 6, 10	Clinton 4, 9																																																					
Columbia 3	Crawford 8	Cumberland 1, 7																																																					
Dauphin 1-10		Delaware 1-10																																																					
Elk 4	Erie 1-10	Fayette 1-10																																																					
Forest 8	Franklin 1, 7	Fulton 4																																																					
Greene 2	Huntingdon 6	Indiana 10																																																					
Jefferson 6, 10	Juniata 4	Lackawanna 1, 7																																																					
Lancaster 1-10	Lawrence 4, 9	Lebanon 6																																																					
Lehigh 1-10	Luzerne 6, 10	Lycoming 4, 9																																																					
McKean 6	Mercer 1, 7	Mifflin 5																																																					
	Monroe 4	Montgomery 1-10																																																					
Montour 7	Northampton 1-10	Northumberland 9																																																					
Perry 4	Philadelphia 1-10	Pike 6																																																					

	Potter 3	Schuylkill 1-10	Snyder 3
	Somerset 9	Sullivan 7	Susquehanna 9
	Tioga 2	Union 8	Venango 4
	Warren 2	Washington 5, 7	Wayne 9
	Westmoreland 6, 8	Wyoming 8	York 1-10
Rhode Island*	Benefits are made available on the first day of every month.		
South Carolina	Benefits are made available from the 1st to the 10th of every month, based on the last digit of the SNAP case number.		
South Dakota*	Benefits are made available on the 10th day of every month.		
Tennessee	Benefits are made available on the first ten days of the month, based on the last two digits of the head of house hold's SSN.		
Texas	Benefits are made available over the first 15 days of the month, based on the last digit of the client's SNAP case number.		
Utah	Benefits are made available on the 5th, 11th, or 15th of every month, based on the first letter of the client's last name: A - G available on the 5th; H - O available on the 11th; P - Z available on the 15th.		
Vermont*	Vermont benefits are available on the first of every month.		
Virginia*	All recipients are paid on the 1 st of the month.		
Washington	EBT benefits availability is staggered over the first 10 days of the month based on the last digit of the households' assistance unit number. Weekends and holidays do not affect the schedule.		
West Virginia	Benefits are made available over the first nine days of every month, based on the first letter of the client's last name.		
Wisconsin	Benefits are made available over the first 15 days of every month, based on the eighth digit of the client's SSN.		
Wyoming	Food Stamp benefits are distributed on the first four days of the month as such: last names beginning with "A" to "D" distribute on the first day; names beginning with "E" to "K" on the 2nd day; "L" to "R" on the third and "S" to "Z" on the fourth.		

Current as of May 13, 2011; Elizabeth Tansing; Food Marketing Institute

Notes:

▶ States with asterisks are those that only distribute benefits on one day a month. There are nine that still do so.

▶ There is no limit on the number of days for stagger. The only condition in regulation is that no single household's issuance should exceed 40 days *between* issuances.

▶ Benefit recipients may only be issued their benefits one time a month, or within 40 days. The USDA regulation on issuance may be viewed here:

<http://www.fns.usda.gov/snap/rules/regulations/pdfs/041210.pdf>