

Background

This is the fifth report in a series of periodic analyses to estimate the extent of trafficking in the Supplemental Nutrition Assistance Program (SNAP).¹ Trafficking – selling SNAP benefits to food retailers for cash – impedes the mission and compromises the integrity of SNAP. While not a cost to the Federal Government, trafficking diverts benefits from their intended purpose of helping low-income families access a nutritious diet. The Food and Nutrition Service (FNS) aggressively acts to control trafficking by using SNAP purchase data to identify suspicious transaction patterns, conducting undercover investigations, and collaborating with other investigative agencies.

Approach

Estimates of trafficking are based on information from about 38,000 stores subject to administrative surveillance or undercover investigation from January 1, 2006, through December 31, 2008. Both data sources focus on retailers that exhibit suspicious behavior. If estimates were calculated simply by comparing the number of violating stores or value of trafficked benefits with the total number of suspicious stores or transactions, they would exaggerate the extent of trafficking. In order to correct for at least some of this bias, estimates in this and prior reports adjust the trafficking figures to reflect the full population of

SNAP redemptions and stores authorized to redeem them.

This report contains three sets of trafficking estimates. While the statistical procedures are the same for each set, the available information on surveillance and on all forms of investigation has expanded over time. In order to provide the most comprehensive assessment, one set of estimates for 2006–2008 relies on all the relevant information now available. These are referred to as “current estimates.” They include data on investigations conducted not only by FNS, but also by the U.S. Department of Agriculture’s Office of the Inspector General, the U.S. Department of Justice, and State law enforcement agencies. The current estimates also incorporate a broader population of stores with suspect redemption patterns that have been identified through FNS’s automated screening system, the Anti-fraud Locator using the electronic benefit transfer (EBT) Retailer Transactions (ALERT) data.

Two other sets of trafficking estimates are included to support consistent comparisons over time. The “original estimates” are based only on in-store investigations conducted by FNS staff; these data have been available since the first estimates were made in 1993. The “revised estimates” rely on both FNS in-store investigations and trafficking determinations based on suspect transaction records. First calculated for 1999–2002 as EBT systems were being implemented nationwide, the revised estimates were also computed for 2002–2005 and for 2006–2008.

¹ The 1999–2002 report included activity occurring between January 1999 and October 2002; the 2002–2005 report included activity occurring between November 2002 and December 2005.

Each set of estimates includes the following indicators:

- Total value of SNAP redemptions that were trafficked;
- Trafficking rate or the proportion of SNAP redemptions that were trafficked; and
- Store violation rate or the proportion of active, authorized stores that engaged in trafficking.

Findings

Based on the most comprehensive current estimate, **trafficking diverted an estimated \$330 million annually from SNAP benefits – or about one cent of each SNAP dollar – between 2006 and 2008.** About 8.2 percent of all stores trafficked.

A variety of store characteristics and settings were related to the level of trafficking. Although large stores accounted for 87.3 percent of all SNAP redemptions, they only accounted for about 5.4 percent of trafficking redemptions. Trafficking was much less likely to occur among publicly owned than privately owned stores and was much less likely among stores in areas with less poverty rather than more.

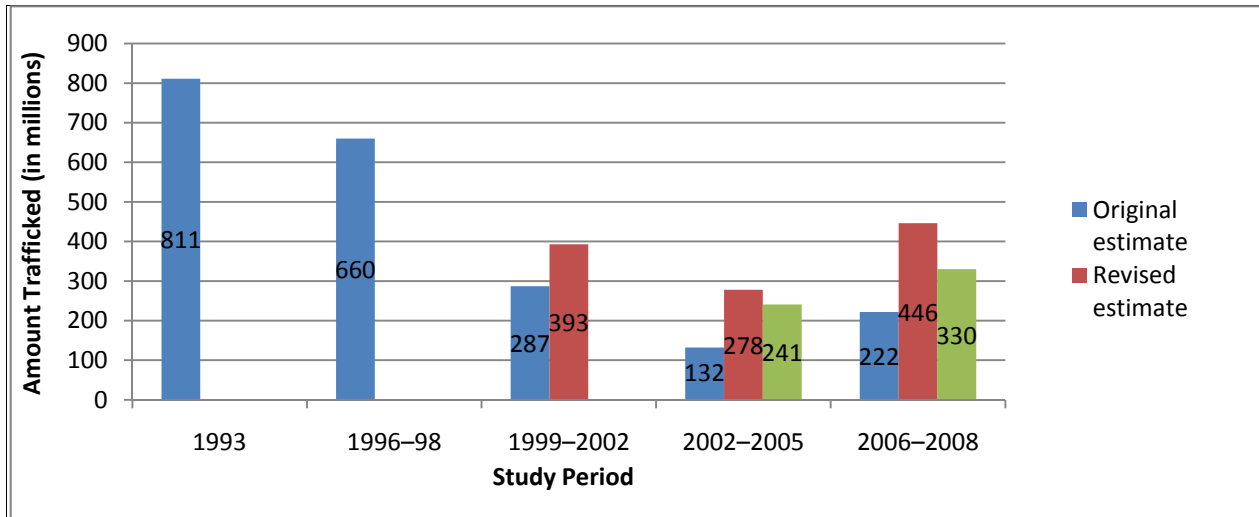
The total annual value of trafficked benefits increased – but at about the same rate as overall program growth. The current estimate of total SNAP dollars trafficked is higher than observed in the previous 2002-2005 time period. This increase is consistent, however, with the almost 37 percent growth in average annual SNAP benefits from the 2002-2005 study period to the most recent one.

The methodology used to generate these estimates has known limitations. However, given available data and resources, it is the most practical approach available to FNS. Further improvements to SNAP trafficking estimates would require new resources to assess the prevalence of trafficking among a random sample of stores.

For More Information

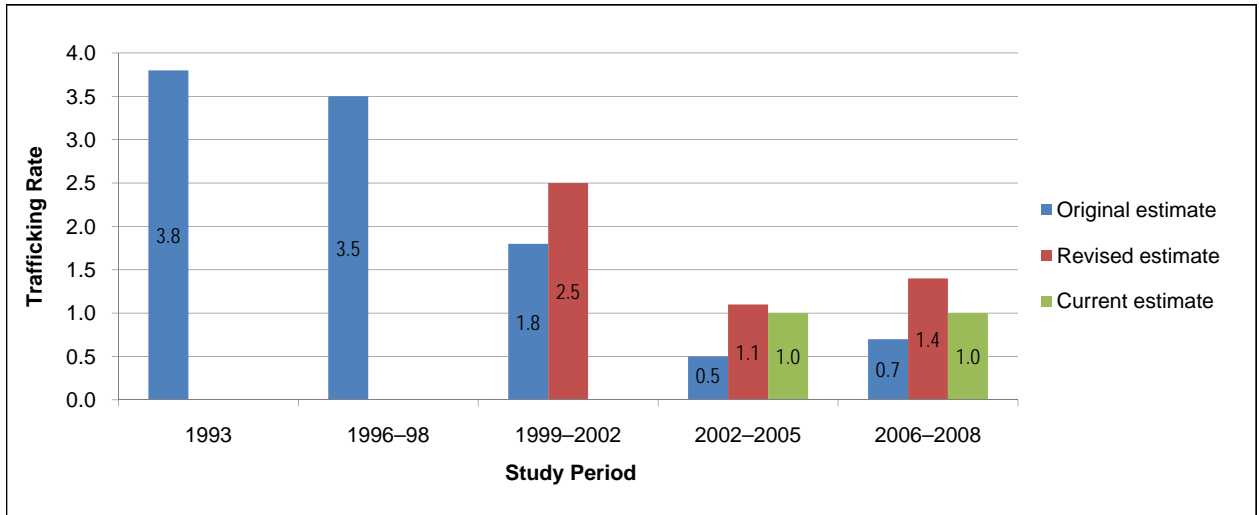
The U.S. Department of Agriculture, Food and Nutrition Service, Office of Research and Analysis, Alexandria, VA. *The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2006–2008*, by Richard Mantovani, Ph.D. and Hoke Wilson, Ph.D. Alexandria, VA: 2011. www.fns.usda.gov/ora

Exhibit 1: Amount of Trafficking by Study Period and Data Source



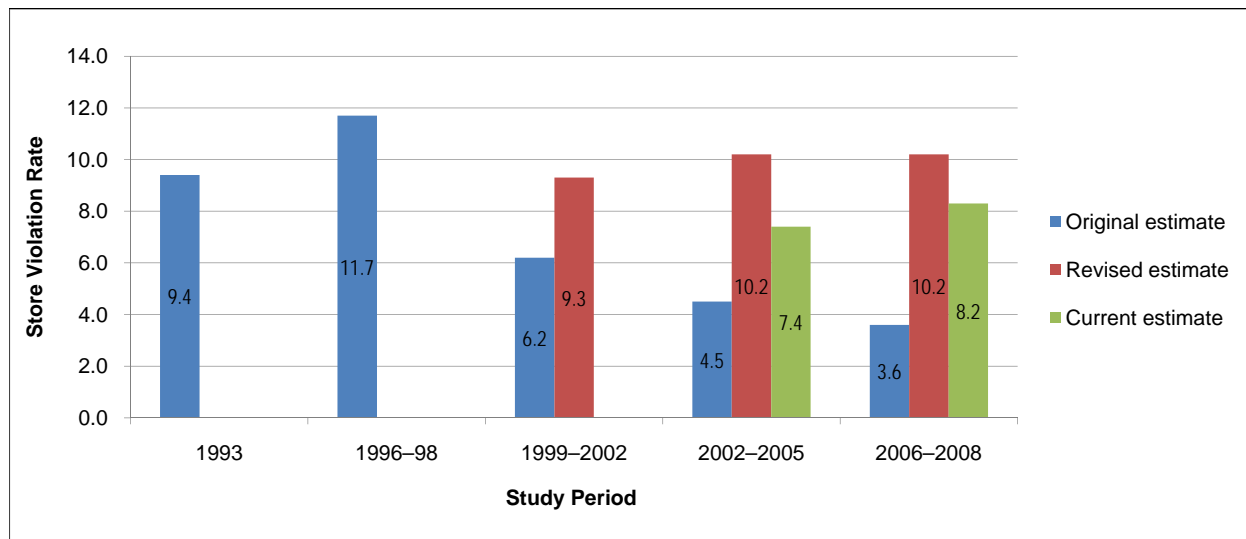
NOTE: Trafficking totals have been annualized

Exhibit 2: Trafficking Rate by Study Period and Data Source



NOTE: Trafficking rate = percentage of total SNAP redemptions trafficked.

Exhibit 3: Store Violation Rate by Study Period and Data Source



NOTE: Store Violation rate = percentage of SNAP authorized retailers trafficking

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410, or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay).