USDA Food and Nutrition Service
U.S. DEPARTMENT OF AGRICULTURE

Research Summary September 2021

THE EXTENT OF TRAFFICKING IN THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM: 2015-2017 (Report Summary)

Background

The U.S. Department of Agriculture, (USDA), Food and Nutrition Service's Supplemental Nutrition Assistance Program (SNAP) benefits are intended for the purchase of eligible food. In general, trafficking is the exchanging of SNAP benefits for cash, often at a discount. It is a form of fraud that diverts program benefits from their intended purpose of helping low-income families access a nutritious diet. This report, the latest in a series of periodic analyses, provides estimates of the extent of trafficking during the period 2015 through 2017.

Key Findings

- During 2015 to 2017, the rate of trafficking was 2.0 percent of total SNAP benefits, a 33- percent increase from 1.5 percent in the 2012-2014 study.
- The total value of trafficked benefits increased to an estimated $1.3 billion annually from $1.1 billion annually in the 2012-2014 study.
- The percent of all authorized SNAP retailers that engaged in trafficking increased to about 14.3 percent.

Methods

The USDA, Food and Nutrition Service (FNS) uses information from administrative investigations of SNAP retailers to estimate the level of trafficking. Data are drawn from two types of investigations: those occurring covertly in stores and those based on SNAP electronic benefit transfer records, both of which focus on retailers that exhibit suspicious behavior. Because of the focus in these data on higher risk stores, estimates calculated using only these sources may be higher than in the retailer population as a whole. We therefore adjust the trafficking outcomes from investigation activity to reflect the characteristics of the overall population of SNAP retailers.

Two different sets of estimates are presented in the report. The **current estimates**[1] define a trafficking store as any store that was permanently disqualified from the program or was assessed a trafficking civil money penalty during the study period, even if the case was still open pending appeal. This methodology is consistent with prior trafficking estimates, and thus is useful for comparisons over time.

The **updated estimates** define a store as trafficking if the store was permanently disqualified for trafficking or was assessed a trafficking civil money penalty during the study period and a final judgment had been made (e.g., the case was no longer on appeal). This updated methodology is more consistent with how FNS defines trafficking in other reports.

Three measures are presented and apply to each definition of trafficking:

- 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 authorized stores that engaged in trafficking.

There is statistical uncertainty around these estimates. For more information, please refer to the tables in the final report and a further discussion of Simulated Limited of Estimation in Appendix H and Sensitivity Analyses in Appendix I.

[1] The term "current estimates" is used to distinguish this methodology from those used in reports prior to the 2002-2005 study period. The "Updated Estimates" (referred to as the "Updated Current Estimates in the report") use this same methodology, but apply a different definition of a 'trafficking store'. Both sets of estimates examine the 2015-17 period.

Findings

Current Estimates

During 2015 to 2017, the rate of trafficking was 2.0 percent of total SNAP benefits, a 33- percent increase from 1.5 percent in the 2012-2014 study

The total value of trafficked benefits increased to an estimated $1.3 billion annually from $1.1 billion annually in the 2012-2014 study, despite a decline in program dollars. The trafficking amount declined over time from $811 million annually in 1993 to a low of $241 million annually in 2002-2005, but has risen consistently since then due at times to overall growth in SNAP and an increasing rate of trafficking.

The percent of all authorized SNAP retailers that engaged in trafficking increased to about 14.3 percent. The rate of store violations has increased from 11.8 percent in the 2012-2014 study. The number of stores authorized to accept SNAP benefits also increased since the last study period. The majority of that growth has been in small retailers, specifically convenience stores. In prior studies, the proportion of SNAP retailers engaged in trafficking has ranged from 7.4 percent to 11.8 percent.

Updated Estimates

During the 2015-2017 study period, using the updated estimate of trafficking, the rate of trafficking was 1.6 percent, the value of total benefits trafficked was about $1.0 billion, and about 12.7 percent of all authorized SNAP stores engaged in trafficking. Because this was the first study that used this updated estimate of trafficking, a time-series comparison cannot be made.

In both sets of estimates, small stores, privately owned stores, stores located in areas with higher rates of poverty and stores in the most urbanized areas were more likely to engage in trafficking than large stores, publicly owned stores, stores in areas with less poverty and areas that were less urbanized. Based upon the current estimates, small stores accounted for about 15 percent of all redemptions, but accounted for 95 percent of all dollars trafficked. In the updated estimates, small stores (e.g., small grocery or convenience stores) accounted for about 15 percent of all redemptions, but accounted for 99 percent of all dollars trafficked. Trafficking occurred exclusively in privately owned stores. It also occurred more frequently among retailers located in neighborhoods with higher rates of poverty than those with less poverty, and in the most urbanized neighborhoods.

FNS continues to enhance and advance its retailer integrity and compliance efforts to help ensure taxpayer dollars are used properly. Due in part to a heightened data-driven retailer integrity and compliance effort, it is anticipated that additional trafficking may be uncovered in future reports and periodic analyses.

For More Information:

Wilson, Hoke. *The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2015-2017.* Prepared by Manhattan Strategy Group for the U.S. Department of Agriculture, Food and Nutrition Service, 2021. Available online at www.fns.usda.gov/research-and-analysis.