



Alberta Darling
Wisconsin State Senator
Member, Joint Committee on Finance

Senate Committee on Health and Human Services
Public Hearing on Senate Bill 78
March 26, 2013

Thank you Chair Vukmir and committee members. I appreciate the opportunity to testify in favor of Senate Bill 78, trafficking in food stamp benefits.

Our job as lawmakers is to be good stewards of the taxpayer's hard-earned money another of our charges is to help make sure people are able to get some assistance to get them back on their feet. Right now, we are failing in both of these tasks when it comes to our FoodShare program.

FoodShare benefits are supposed to help feed the hungry, but too often they are being used to scam the system and taxpayers are footing the bill.

Fraud hurts taxpayers and the people who rely on these benefits. People who follow the rules are being punished by those who break the rules and that must change. FoodShare trafficking has been a frequent topic in news reports and legislative committees recently.

A Fox 6 Milwaukee news report, which ran on May 25, 2011, found FSP recipients selling Quest cards for cash to retailers. Another report in the Milwaukee Journal Sentinel on June 4, 2011, revealed how benefit cards are trafficked on social networking sites like Facebook. Trafficking occurs when a recipient sells or trades benefits for cash or anything that is not food.

The bill offered by Representative Kerkman and myself will give a clear definition of trafficking food stamp benefits. This bill adds trafficking benefits to the list of welfare benefit offenses that are subject to penalties under current law. Under our bill, a person traffics benefits if they do any of the following:

- Buy, sell, 'steal, or otherwise exchange benefits issued and accessed through the electronic benefit transfer program, or manually, for cash or other consideration.
- Exchanges firearms, ammunition, explosives, or controlled substances for benefits.
- Use benefits to purchase food that has a container deposit for the sole purpose of returning the container for a cash refund.
- Resell food purchased with benefits for cash or other consideration.
- Purchase, for cash or other consideration, food that was previously purchased from a supplier using their benefits.

Capitol Office:

P.O. Box 7882
Madison, Wisconsin 53707-7882
Phone: 608-266-5830
Fax: 608-267-0588

Toll-free: 1-800-863-1113

Email: sen.darling@legis.wisconsin.gov

Web page: www.legis.wisconsin.gov/senate/sen08/news/

District Office:

N88 W16621 Appleton Avenue, Suite 200
Menomonee Falls, Wisconsin 53051
Phone: 262-250-9440
Fax: 262-250-8510



Alberta Darling

Wisconsin State Senator

Member, Joint Committee on Finance

Our bill provides real penalties for real crimes. Depending on the value being trafficked, a person could face up to \$25,000 in fines and be sentenced to jail for up to 10 years. That's a substantial penalty which hopefully will decrease the market for fraud and save substantial money for taxpayers.

Currently, Foodshare trafficking is essentially an administrative rule at the federal level. It can be used to deny benefits, but few – if any – are ever prosecuted.

In fact, TMJ4's I-team investigated a man who was pretending to sell frozen steaks to the homeless. He swiped their Quest cards and gave them cash instead of food – pocketing the FoodShare dollars in exchange. The state warned the USDA two years before it took action. Making matters worse, they replaced his card reader twice. The man collected nearly \$800,000 before he was stopped.

The Wall Street Journal reported that there are only 40 inspectors to oversee 200,000 merchants that accept food stamps nationwide. The feds won't allow us to prosecute vendor fraud in Wisconsin. At the same time, we have seen first-hand in Wisconsin what happens if we wait on the federal government to enforce the law. It's just not going to happen.

However, we can make it harder for vendors to commit fraud by discouraging people to let their cards be used in illegal transactions.

By adding this crime to state statutes, prosecutors will be able to get more convictions. When criminals see that Wisconsin is serious about prosecuting these crimes, there should be fewer offenses. Our bill clears up any uncertainty and tells both taxpayers and recipients that we are careful with the money taxpayers provide and we will not tolerate abuse of our already generous benefits.

My office contacted Waukesha District Attorney Brad Schimel, about our changes. He said expanding the definition of trafficking will be a valuable resource in prosecuting these crimes. This bill will be especially valuable in stopping the "creative criminals" who are always looking for new ways to scam the system.

Thank you Chairwoman Vukmir. I will answer any questions you may have at this time.

Capitol Office:

P.O. Box 7882
Madison, Wisconsin 53707-7882
Phone: 608-266-5830
Fax: 608-267-0588

Toll-free: 1-800-863-1113

Email: sen.darling@legis.wisconsin.gov

Web page: www.legis.wisconsin.gov/senate/sen08/news/

District Office:

N88 W16621 Appleton Avenue, Suite 200
Menomonee Falls, Wisconsin 53051
Phone: 262-250-9440
Fax: 262-250-8510



State of Wisconsin
Department of Health Services

Scott Walker, Governor
Kitty Rhoades, Secretary-Elect

Senate Committee on Health and Human Services
Public Hearing on Senate Bill 78
Testimony of Kevin Moore, Deputy Secretary, Department of Health Services
March 26, 2013

Good Morning Chairwoman Vukmir, Committee Members and thank you for the opportunity to provide informational testimony on Senate Bill 78.

As you know, the Department of Health Services administers the FoodShare Program (FSP) with oversight by the US Department of Agriculture. FoodShare is Wisconsin's name for the Supplemental Nutritional Assistance Program (SNAP). The FoodShare Program is a benefit for those in Wisconsin who need assistance to purchase food. The program is run through an Electronic Benefits Transfer (EBT) system that allows the recipient to authorize the transfer of their government benefits from a federal account to a retailer account to pay for products received. In Wisconsin, FoodShare recipients receive an EBT card, called a QUEST card that can be used to buy groceries at authorized stores. This card has the recipient's name, card number and the Wisconsin Quest logo on it. EBT is currently used in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam. In February 2013, there were 857,805 FoodShare recipients in Wisconsin.

The Department of Health Services takes fraud very seriously. In October 2011, Governor Walker created the Office of the Inspector General (OIG) to protect taxpayers from the misuse of public assistance programs. In an effort to detect and prevent fraud, OIG monitors the FoodShare and Medicaid Programs. In 2012 OIG staff and county fraud units worked together to generate \$14.5 million in savings for these two programs combined.

2013 Senate Bill 78 will add language to the statutes that mirrors federal SNAP trafficking regulations. These regulations were recently finalized and became effective March 25, 2013. The language in this bill will expand the definition of trafficking to include the following:

- Using FSP benefits to purchase products that have container deposits and subsequently discarding the product and returning the container(s) in exchange for cash refund deposits
- The re-sale of products purchased with FSP benefits for purposes of obtaining cash or consideration other than eligible food
- The purchase of products originally purchased with FSP benefits
- Exchanging FoodShare benefits for firearms, ammunition, explosives, or controlled substances

Trafficking of FoodShare benefits, as defined in SB 78, was previously allowed by omission in federal regulations. After the rules were finalized, the USDA encouraged states to adopt these regulations in state statute in order to prosecute trafficking cases.

Thank you for your time and I would be glad to take any questions you may have.