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POLICY SPOTLIGHT

Reducing Waste and Fraud in SNAP

Why SNAP fraud persists—and how to stop it

KEITH HALL | SEPTEMBER 2025

The levels of waste, fraud, and abuse in federal programs have never been higher. Improper payments, as measured by payment error rate—underpayments plus overpayments as a share of total benefits paid—have consistently been a significant government-wide problem. One federal program with an extremely high payment error rate is the Supplemental Nutrition Assistance Program (SNAP), the government’s largest nutritional welfare program.¹

The Basics of the Supplemental Nutrition Assistance Program

The federal government pays 100 percent of SNAP benefit costs. States administer and monitor the program. Before the pandemic, the federal government covered about half of the administrative costs. During the pandemic, the federal share of those costs increased significantly.

SNAP is broadly available to low-income households. Eligibility rules and benefit levels are set at the federal level, though states may tailor some aspects of the program. This allows some states to set up more generous income and asset limits and confer broader eligibility by adopting broad-based categorical eligibility, increasing both the number of participating households and the federal cost of the program without raising their own costs.

Moreover, SNAP benefits are provided through electronic benefits transfer (EBT) cards issued by states, which function like debit cards but lack built-in security protections, increasing the likelihood of misuse that raises the costs of benefit paid by the federal government.

¹ See Keith Hall, “Reducing Waste and Fraud in SNAP” (Mercatus Policy Research, Mercatus Center at George Mason University, May 13, 2025) for the full analysis, including sources.



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Improper Payments in SNAP

Federal oversight of SNAP includes estimating improper payments and pushing states to take actions to reduce them. According to the Government Accountability Office, most improper payments occur because recipients' program eligibility is not properly verified.

Overpayments have always dominated the program error rate. States are responsible for recovering overpayments, and they assess penalties in fraud cases. Unfortunately, specific states' recovery rates depend on their policies and enforcement efforts, which are very low. In FY 2023, for example, the overall average recovery rate was less than 4 percent.

Federal Control over Payment Errors

Federal controls over SNAP payment errors are very weak. While the federal government oversees the program, the states must verify that accurate benefits are provided. A portion of the SNAP budget is dedicated to program integrity activities, but there is no summary of how much these activities cost. Some federal leverage exists because SNAP measures state-level payment error rates: SNAP is required to calculate a penalty amount when a state error rate exceeds the national payment error rate and meets additional statutory criteria. Overall, though, the federal government has little say in how SNAP is administered.

The federal government could use several tools to improve SNAP's efficiency. One such tool is developing and calculating the return on investment (ROI) in funding specific program integrity activities. By assessing ROI, agencies could determine the cost-effectiveness of their efforts to prevent waste, fraud, and abuse.

Recommendations to Reduce Waste and Fraud in SNAP

1. Implementing the proposed SNAP changes in the draft 2023 Farm Bill addressing waste and fraud:
 - a) Create an Office of Program Integrity within the Food and Nutrition Service (FNS).
 - b) Require states to disclose payment errors of any size.
 - c) Allow states to retain more of the funds they recover when they detect fraud.
 - d) Permit states to disenroll retailers that are taking advantage of SNAP.
 - e) Implement the National Accuracy Clearinghouse, which helps prevent duplicative enrollment, in all 50 states.
2. Requiring states to move to safer SNAP EBT cards with chips.
3. Requiring recipients to notify the program if they move to another state.
4. Enhancing ROI evaluation by improving data systems and metrics.
5. Improving the methodology the program uses to estimate trafficking in SNAP benefits.
6. Implementing the 2020 rule, finalized but never implemented by FNS, to require more than minimal TANF-funded benefits to confer automatic eligibility for SNAP benefits.
7. Requiring states to bear more of the costs of SNAP. If states covered some of the benefit costs, they would have an increased incentive to enact program reform aimed at reducing overpayments.
8. Allowing the FNS to require states with persistently high error rates to pay a portion of the benefit costs of SNAP.

The goal of these recommendations is to enable the program to estimate the ROI in integrity efforts and thereby reduce both current and future waste and fraud.