

103D CONGRESS  
1ST SESSION

# S. 1646

To amend the Food Stamp Act of 1977 to reduce food stamp fraud and improve the food stamp program, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 8 (legislative day, NOVEMBER 2), 1993

Mr. LEAHY introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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## A BILL

To amend the Food Stamp Act of 1977 to reduce food stamp fraud and improve the food stamp program, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Food Stamp Fraud  
5       Reduction Act of 1993”.

6       **SEC. 2. FINDINGS.**

7       (a) MAKING GOVERNMENT WORK FINDINGS.—In the  
8       findings of the report entitled “Making Government  
9       Work” regarding the electronic benefits transfer of food

1 stamps and other government benefits, the Office of Tech-  
2 nology Assessment found that—

3 (1) by eliminating cash change and reducing  
4 the opportunity for trafficking in benefits, a nation-  
5 wide electronic benefits transfer system might re-  
6 duce levels of food stamp benefit diversion by as  
7 much as 80 percent;

8 (2) electronic benefits transfer is likely to re-  
9 duce theft and fraud, as well as reduce errors, pa-  
10 perwork, delays, and the stigma attached to food  
11 stamp coupons;

12 (3) Congress and the President need to act  
13 quickly on electronic benefits transfer if opportuni-  
14 ties for integrating services and capturing economies  
15 of scale are to be realized;

16 (4) electronic benefits transfer is proven, reli-  
17 able, and easy to use;

18 (5) electronic benefits transfer can yield signifi-  
19 cant cost savings to retailers, recipients, financial in-  
20 stitutions, and government agencies;

21 (6) recipients, retailers, financial institutions,  
22 and local program administrators who have tried  
23 electronic benefits transfer prefer electronic benefits  
24 transfer to coupons; and

1 (7) food stamp recipients using electronic bene-  
2 fits transfer experience an added sense of dignity  
3 and security.

4 (b) OTHER FINDINGS.—Congress finds that—

5 (1) the food stamp program prints more than  
6 375,000,000 food stamp booklets per year, including  
7 2,500,000,000 paper coupons;

8 (2) food stamp coupons (except for \$1 coupons)  
9 are used once, and each 1 of the over 2,000,000,000  
10 coupons per year is then counted, canceled, shipped,  
11 redeemed through the banking system by the Sec-  
12 retary of the Treasury, stored, and destroyed;

13 (3) food stamp recipients can receive cash  
14 change in food stamp transactions if the cash does  
15 not exceed \$1 per purchase; and

16 (4) the printing, distribution, handling, and re-  
17 demption of coupons costs at least \$60,000,000 per  
18 year.

19 **SEC. 3. ELIMINATION OF FOOD STAMP COUPONS.**

20 Section 4 of the Food Stamp Act of 1977 (7 U.S.C.  
21 2013) is amended by adding at the end the following new  
22 subsection:

23 “(d)(1) Except as provided in paragraph (2) and not-  
24 withstanding any other provision of this Act, effective be-  
25 ginning on the date that is 3 years after the date of enact-

1 ment of this subsection, no State may participate in the  
 2 food stamp program if the State issues or uses food stamp  
 3 coupons to carry out the program.

4 “(2) Paragraph (1) shall not apply to the extent  
 5 that—

6 “(A) a use of food stamp coupons is specifically  
 7 authorized by section 7; or

8 “(B) the Secretary grants a waiver to a State  
 9 to delay implementation of electronic benefits trans-  
 10 fer for good cause shown by the State.”.

11 **SEC. 4. NATIONWIDE ELECTRONIC BENEFITS TRANSFER**  
 12 **FEASIBILITY TEST.**

13 (a) IN GENERAL.—The Secretary of Agriculture, in  
 14 coordination with the Secretary of the Treasury and the  
 15 Secretary of Health and Human Services, shall conduct  
 16 a nationwide coordinated feasibility test to—

17 (1) more fully evaluate technological options, in-  
 18 cluding on-line, off-line, and hybrid electronic bene-  
 19 fits transfer technologies, for replacing paper food  
 20 stamp coupons with electronic benefits transfer  
 21 systems;

22 (2) examine the advantages and disadvantages  
 23 of centralized, as opposed to decentralized, electronic  
 24 benefits transfer systems;

1           (3) determine the degree to which a nationwide  
2       electronic benefits transfer system could be inte-  
3       grated with commercial networks;

4           (4) ascertain the likely impact of a nationwide  
5       electronic benefits transfer system on recipients,  
6       State agencies, and local food stamp offices;

7           (5) examine the likely impact of a nationwide  
8       electronic benefits transfer system on the banking  
9       and retail food industries; and

10          (6) examine means of using laser scanner tech-  
11       nology with electronic benefits transfer technology so  
12       that only eligible food items can be purchased by  
13       food stamp participants in stores that use scanners.

14       (b) INITIAL REPORT.—Not later than 290 days after  
15       the date of enactment of this Act, the Secretary of Agri-  
16       culture, in coordination with the Secretary of the Treasury  
17       and the Secretary of Health and Human Services, shall  
18       report to the appropriate committees of Congress on—

19           (1) means of ensuring the confidentiality of per-  
20       sonal information in electronic benefits transfer sys-  
21       tems and the applicability of section 552a of title 5,  
22       United States Code, to electronic benefits transfer  
23       systems;

24           (2) the need for regulations to coordinate the  
25       electronic benefits transfer systems of agencies to

1 maximize the cost savings of electronic benefits  
2 transfer technology for Federal programs;

3 (3) the need for the National Institute of  
4 Standards and Technology to develop standards for  
5 card and terminal manufacture and standards for  
6 other aspects of electronic benefits transfer  
7 technology;

8 (4) the best approaches for maximizing the use  
9 of then current point of sale terminals and systems  
10 to reduce the costs of implementing a nationwide  
11 electronic benefits transfer system; and

12 (5) the best approaches for maximizing the use  
13 of electronic benefits transfer systems for multiple  
14 Federal benefit programs so as to achieve the high-  
15 est cost savings possible through the implementation  
16 of electronic benefits transfer systems.

17 (c) TWO-YEAR REPORT.—Not later than 2 years  
18 after the date of enactment of this Act, the Secretary of  
19 Agriculture shall report to the appropriate committees of  
20 Congress on the results of the feasibility test conducted  
21 under subsection (a).

22 **SEC. 5. IMPLEMENTATION OF NATIONWIDE ELECTRONIC**  
23 **BENEFITS TRANSFER SYSTEM.**

24 Section 7 of the Food Stamp Act of 1977 (7 U.S.C.  
25 2016) is amended—

1           (1) in subsection (i)(2)(A), by inserting after  
2           “startup costs” the following: “less estimated sav-  
3           ings achieved by reductions in fraud and other diver-  
4           sions of benefits”; and

5           (2) by adding at the end the following new sub-  
6           section:

7           “(j)(1)(A) The Secretary shall coordinate with, and  
8           assist, each State agency in the conversion from use of  
9           coupons to electronic benefits transfer technology.

10          “(B) The Secretary shall assist stores located in very  
11          rural areas, stores without access to electricity or regular  
12          telephone service, and farmers’ markets that are author-  
13          ized to accept coupons to continue to participate in the  
14          food stamp program after the conversion to electronic ben-  
15          efits transfer technology.

16          “(C) The Secretary may permit the use of coupons  
17          or other means of providing benefits to food stamp house-  
18          holds that use stores or markets described in subpara-  
19          graph (B).

20          “(D) The Secretary shall waive the application of any  
21          other provision of this Act, to the extent the waiver is nec-  
22          essary to carry out subparagraphs (B) and (C).

23          “(2) Not later than 18 months after the date of en-  
24          actment of Food Stamp Fraud Reduction Act of 1993,  
25          the Secretary shall—

1           “(A) determine whether using the then current  
2           Food and Nutrition Service regions, or other re-  
3           gional configurations of State agencies, would be the  
4           most cost-effective means of establishing a nation-  
5           wide electronic benefits transfer system; and

6           “(B) report to the appropriate committees of  
7           Congress on the determination made under subpara-  
8           graph (A).

9           “(3) Not later than 30 months after the date of en-  
10          actment of Food Stamp Fraud Reduction Act of 1993,  
11          the Secretary shall publish proposed regulations setting  
12          forth the rules and procedures for a nationwide electronic  
13          benefits transfer system to carry out the food stamp pro-  
14          gram.

15          “(4)(A) Not later than 3 years after the date of en-  
16          actment of Food Stamp Fraud Reduction Act of 1993,  
17          subject to subparagraph (B), the Secretary shall require,  
18          by regulation, a nationwide electronic benefits transfer  
19          system to carry out the food stamp program.

20          “(B) In establishing the system required under sub-  
21          paragraph (A), the Secretary—

22                  “(i) shall take into account the results of the  
23                  test, determination, and reports made under section  
24                  4 of the Food Stamp Fraud Reduction Act of 1993  
25                  and paragraph (2);

1           “(ii) may establish a national, regional, or State  
2 system;

3           “(iii) may use on-line, off-line, or hybrid elec-  
4 tronic benefits transfer technologies;

5           “(iv) may waive the application of any other  
6 provision of this Act to the extent the waiver is nec-  
7 essary to carry out this paragraph, except that  
8 household eligibility and benefit levels may not be re-  
9 duced as a result of a waiver; and

10           “(v) shall ensure that a personal identification  
11 number is issued with each electronic benefits trans-  
12 fer card in order to help protect the integrity of the  
13 food stamp program.

14           “(C) The regulations required under subparagraph  
15 (A) shall set forth standards regarding—

16           “(i) the required level of recipient protection re-  
17 garding privacy, ease of use, and access to and serv-  
18 ice in retail food stores;

19           “(ii) the terms and conditions of participation  
20 by retail food stores, financial institutions, and other  
21 appropriate parties;

22           “(iii) system security;

23           “(iv) system transaction interchange, reliability,  
24 and processing speeds;

25           “(v) financial accountability;

1           “(vi) the required testing of system operations  
2 prior to implementation; and

3           “(vii) rules prohibiting store participation un-  
4 less any special equipment necessary to permit  
5 households to purchase food with the benefits issued  
6 under this Act is operational—

7           “(I) in the case of a participating retail  
8 food store in which benefits are used to pur-  
9 chase 15 percent or more of the total dollar  
10 amount of food sold by the store (as determined  
11 by the Secretary), at all registers in the store;  
12 and

13           “(II) in the case of other participating  
14 stores, at a sufficient number of registers to  
15 provide service that is comparable to service  
16 provided individuals who are not members of  
17 food stamp households, as determined by the  
18 Secretary.

19           “(D) Administrative costs incurred in connection with  
20 activities under this subsection shall be eligible for reim-  
21 bursement in accordance with section 16, subject to the  
22 limitations in section 16(g).”.

23 **SEC. 6. CONFORMING AMENDMENTS.**

24           (a) Section 3 of the Food Stamp Act of 1977 (42  
25 U.S.C. 2012) is amended—

1 (1) in subsection (a), by striking “coupons” and  
2 inserting “benefits”;

3 (2) in the first sentence of subsection (c), by  
4 striking “authorization cards” and inserting “allot-  
5 ments”;

6 (3) in subsection (d), by striking “the provi-  
7 sions of this Act” and inserting “section 7(g)”;

8 (4) in subsection (e)—

9 (A) by striking “Coupon issuer” and in-  
10 sserting “Benefit issuer”; and

11 (B) by striking “coupons” and inserting  
12 “benefits”;

13 (5) in the last sentence of subsection (i), by  
14 striking “coupons” and inserting “allotments”; and

15 (6) by adding at the end the following new sub-  
16 section:

17 “(u) ‘Electronic benefits transfer card’ means a card  
18 issued to a household participating in the program that  
19 is used to purchase food.”.

20 (b) Section 4(a) of such Act (7 U.S.C. 2013(a)) is  
21 amended—

22 (1) in the first and second sentences, by strik-  
23 ing “coupons” each place it appears and inserting  
24 “electronic benefits transfer cards or coupons”; and

1           (2) by striking the third sentence and inserting  
2           the following new sentence: “The Secretary, through  
3           the facilities of the Treasury of the United States,  
4           shall reimburse the stores for food purchases made  
5           with electronic benefits transfer cards or coupons  
6           provided under this Act.”.

7           (c) The first sentence of section 6(b)(1) of such Act  
8           (7 U.S.C. 2015(b)(1)) is amended—

9           (1) by striking “coupons or authorization  
10          cards” and inserting “electronic benefits transfer  
11          cards, coupons, or authorization cards”; and

12          (2) in clauses (ii) and (iii), by inserting “or  
13          electronic benefits transfer cards” after “coupons”  
14          each place it appears.

15          (d) Section 7 of such Act (7 U.S.C. 2016) is amend-  
16          ed—

17          (1) by striking the section heading and insert-  
18          ing the following new section heading:

19                 “ISSUANCE AND USE OF ELECTRONIC BENEFITS  
20                 TRANSFER CARDS OR COUPONS”;

21          (2) in subsection (a), by striking “Coupons”  
22          and all that follows through “necessary, and” and  
23          inserting “Electronic benefits transfer cards or cou-  
24          pons”;

25          (3) in subsection (b), by striking “Coupons”  
26          and inserting “Electronic benefits transfer cards”;

1 (4) in subsection (f)—

2 (A) by striking “issuance of coupons” and  
3 inserting “issuance of electronic benefits trans-  
4 fer cards or coupons”;

5 (B) by striking “coupon issuer” and insert-  
6 ing “electronic benefits transfer or coupon is-  
7 suer”; and

8 (C) by striking “coupons and allotments”  
9 and inserting “electronic benefits transfer  
10 cards, coupons, and allotments”;

11 (5) by striking subsections (g) through (i); and

12 (6) by redesignating subsection (j) (as added by  
13 section 5(2)) as subsection (g).

14 (e) Section 8(b) of such Act (7 U.S.C. 2017(b)) is  
15 amended by striking “coupons” and inserting “electronic  
16 benefits transfer cards or coupons”.

17 (f) Section 9 of such Act (7 U.S.C. 2018) is amend-  
18 ed—

19 (1) in subsections (a) and (b), by striking “cou-  
20 pons” each place it appears and inserting “coupons,  
21 or accept electronic benefits transfer cards,”; and

22 (2) in subsection (a)(1)(B), by striking “coupon  
23 business” and inserting “electronic benefits transfer  
24 cards and coupon business”.

1 (g) The first sentence of section 10 of such Act (7  
2 U.S.C. 2019) is amended—

3 (1) by inserting after “provide for” the follow-  
4 ing: “reimbursing stores for purchases made with  
5 electronic benefits transfer cards and for”; and

6 (2) by inserting after “food coupons” the fol-  
7 lowing: “or use their members’ electronic benefits  
8 transfer cards”.

9 (h) Section 11 of such Act (7 U.S.C. 2020) is amend-  
10 ed—

11 (1) in the first sentence of subsection (a), by  
12 striking “coupons” and inserting “electronic benefits  
13 transfer cards or coupons,”;

14 (2) in subsection (e)—

15 (A) in paragraph (2)—

16 (i) by striking “a coupon allotment”  
17 and inserting “an allotment”; and

18 (ii) by striking “issuing coupons” and  
19 inserting “issuing electronic benefits trans-  
20 fer cards or coupons”;

21 (B) in paragraph (7), by striking “coupon  
22 issuance” and inserting “electronic benefits  
23 transfer card or coupon issuance”;

24 (C) in paragraph (8)(C), by striking “cou-  
25 pons” and inserting “benefits”;

1 (D) in paragraph (9), by striking “cou-  
2 pons” each place it appears and inserting “elec-  
3 tronic benefits transfer cards or coupons”;

4 (E) in paragraph (11), by striking “in the  
5 form of coupons”;

6 (F) in paragraph (16), by striking “cou-  
7 pons” and inserting “electronic benefits trans-  
8 fer card or coupons”;

9 (G) in paragraph (20)—

10 (i) by striking “their coupons” and in-  
11 sserting “the electronic benefits transfer  
12 cards or coupons of the households”;

13 (ii) by striking “a coupon issuer” and  
14 inserting “an electronic benefits transfer  
15 card or a coupon issuer”; and

16 (iii) by striking “face value of any  
17 coupons” and inserting “value of any bene-  
18 fits or coupons”;

19 (H) in paragraph (21), by striking “cou-  
20 pons” and inserting “electronic benefits trans-  
21 fer cards or coupons”;

22 (I) in paragraph (24), by striking “cou-  
23 pons” and inserting “benefits”; and

1 (J) in paragraph (25), by striking “cou-  
2 pons” each place it appears and inserting “elec-  
3 tronic benefits transfer cards or coupons”; and  
4 (3) in subsection (h), by striking “face value of  
5 any coupon or coupons” and inserting “value of any  
6 benefits or coupons”.

7 (i) Section 12 of such Act (7 U.S.C. 2021) is amend-  
8 ed—

9 (1) in subsection (b)(3), by striking “coupons”  
10 each place it appears and inserting “electronic bene-  
11 fits transfer cards or coupons”;

12 (2) in subsection (d)—

13 (A) in the first sentence—

14 (i) by inserting after “redeem cou-  
15 pons” the following: “and to accept elec-  
16 tronic benefits transfer cards”; and

17 (ii) by striking “value of coupons”  
18 and inserting “value of benefits and cou-  
19 pons”; and

20 (B) in the third sentence, by striking “cou-  
21 pons” each place it appears and inserting “cou-  
22 pons or benefits”; and

23 (3) in the first sentence of subsection (f)—

24 (A) by inserting after “to accept and re-  
25 deem food coupons” the following: “electronic

1 benefits transfer cards, or to accept and redeem  
2 food coupons,”; and

3 (B) by inserting before the period at the  
4 end the following: “or program benefits”.

5 (j) Section 13 of such Act (7 U.S.C. 2022) is amend-  
6 ed by striking “coupons” each place it appears ” and in-  
7 serting “benefits”.

8 (k) Section 15 of such Act (7 U.S.C. 2024) is amend-  
9 ed—

10 (1) in subsection (a), by striking “issuance or  
11 presentment for redemption” and inserting “issu-  
12 ance, presentment for redemption, or use of elec-  
13 tronic benefits transfer cards or”;

14 (2) in the first sentence of subsection (b)(1)—

15 (A) by inserting after “coupons, authoriza-  
16 tion cards,” each place it appears the following:  
17 “electronic benefits transfer cards,”; and

18 (B) by striking “coupons or authorization  
19 cards” each place it appears and inserting the  
20 following: “coupons, authorization cards, or  
21 electronic benefits transfer cards”; and

22 (3) in the first sentence of subsection (g), by in-  
23 serting after “coupons, authorization cards,” the fol-  
24 lowing: “electronic benefits transfer cards,”.

1 (l) Section 17 of such Act (7 U.S.C. 2026) is amend-  
2 ed—

3 (1) in the last sentence of subsection (a)(2), by  
4 striking “coupon” and inserting “benefit”;

5 (2) in subsection (d)(1)(B), by striking “cou-  
6 pons” each place it appears and inserting “benefits”;

7 (3) by striking subsection (f); and

8 (4) by redesignating subsections (g) through (k)  
9 as subsections (f) through (j), respectively.

10 (m) Section 21 of such Act (7 U.S.C. 2030) is  
11 amended—

12 (1) by striking “coupons” each place it appears  
13 (other than in subsections (b)(2)(A)(ii) and (d)) and  
14 inserting “benefits”;

15 (2) in subsection (b)(2)(A)(ii), by striking “cou-  
16 pons” and inserting “electronic benefits transfer  
17 cards or coupons”; and

18 (3) in subsection (d)—

19 (A) in paragraph (2), by striking “Cou-  
20 pons” and inserting “Benefits”; and

21 (B) in paragraph (3), by striking “in food  
22 coupons”.

23 (n) Section 22 of such Act (7 U.S.C. 2031) is amend-  
24 ed—

25 (1) in subsection (b)—

1 (A) in paragraph (3)(D)—

2 (i) in clause (ii), by striking “cou-  
3 pons” and inserting “benefits”; and

4 (ii) in clause (iii), by striking “cou-  
5 pons” and inserting “electronic benefits  
6 transfer benefits”;

7 (B) in paragraph (9), by striking “cou-  
8 pons” and inserting “benefits”;

9 (C) in paragraph (10)(B)—

10 (i) in the second sentence of clause  
11 (i), by striking “Food coupons” and insert-  
12 ing “Program benefits”; and

13 (ii) in clause (ii)—

14 (I) in the second sentence, by  
15 striking “Food coupons” and insert-  
16 ing “Benefits”; and

17 (II) in the third sentence, by  
18 striking “food coupons” each place it  
19 appears and inserting “benefits”;

20 (2) in subsection (d), by striking “coupons”  
21 each place it appears and inserting “benefits”;

22 (3) in subsection (g)(1)(A), by striking “cou-  
23 pon”; and

24 (4) in subsection (h), by striking “food cou-  
25 pons” and inserting “benefits”.

1       (o) Section 1956(c)(7)(D) of title 18, United States  
2 Code, is amended by inserting “electronic benefits transfer  
3 cards or” before “coupons having”.

4       (p) This section and the amendments made by this  
5 section shall become effective on the date that the Sec-  
6 retary of Agriculture implements a nationwide electronic  
7 benefits transfer system in accordance with section 7 of  
8 the Food Stamp Act of 1977 (7 U.S.C. 2016) (as amended  
9 by this Act).

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