States expand SNAP, federal taxpayers pay price: Cato economist flags deep structural flaws

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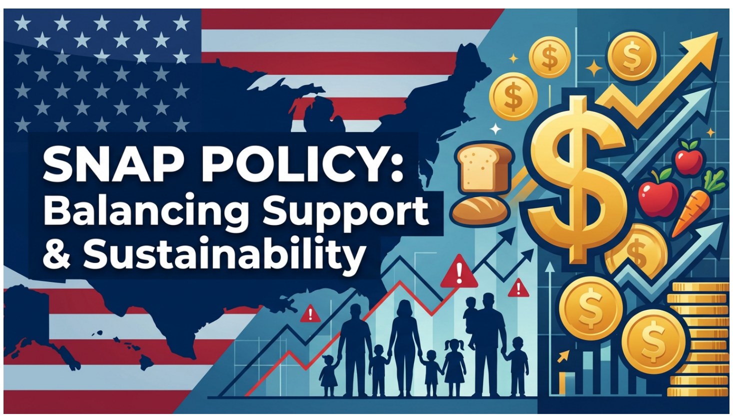
In an exclusive interview with AgroSpectrum, Romina Boccia, Director of Budget and Entitlement Policy at the Cato Institute, reinforced the core argument of her recent paper, â??The SNAP Loophole That Lets Millionaires Receive Food Stampsâ?•: that Broad-Based Categorical Eligibility (BBCE) has fundamentally eroded SNAPâ??s policy safeguards by allowing states to sidestep federal income and asset limits. Citing evidence that 43 states and DC have adopted BBCEâ??most eliminating asset tests entirelyâ??she noted that the loophole now enables millions of households with significant financial resources to qualify for SNAP, including more than 5 million participants whose assets exceed federal thresholds.



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assets exceed federal thresholds.

While sensational cases of millionaire or lottery-winner beneficiaries are statistically rare, Romina stressed that they symbolize a deeper structural problem: states can expand eligibility by linking SNAP to minimal TANF-funded services such as brochures or hotline numbers, yet Washington continues to pay 100 percent of SNAP benefit costs.

This misalignment of incentives, she argued, has contributed to long-term caseload expansion, improper payments, and a steady weakening of program integrity. Romina reiterated the articleâ??s call for restoring federal asset limitsâ??an approach supported by 73 percent of U.S. votersâ??but emphasized that tightening BBCE is only a partial fix. The larger flaw is fiscal: states enjoy the political upside of appearing generous, while federal taxpayers shoulder the financial burden. To realign incentives and ensure that nutritional assistance reaches the truly needy, she advocated for devolving SNAP to the states through block grants and gradually shifting benefit financing to state budgets.

According to Romina, think tanks like the Cato Institute play an essential role in exposing systemic inefficiencies in federal programs, quantifying the cost of loopholes such as BBCEâ??estimated to range from $10 billion to $112 billion over ten yearsâ??and advancing market-driven reforms that promote accountability, prudent fiscal management, and genuine economic mobility for vulnerable households.

Romina, your research highlights how Broad-Based Categorical Eligibility (BBCE) allows states to bypass federal asset limits, sometimes letting households with substantial wealthâ??including lottery winners and retirees with significant savingsâ??receive SNAP benefits. How widespread is this issue, and what are the broader implications for program integrity and taxpayer trust?â?¯

Millionaires and lottery winners on SNAP are rare, but the Foundation for Government Accountability (FGA) estimated in 2023 that ~5.4 million SNAP participants were enrolled through BBCE. This means that over 10 percent of SNAP participants did not meet the programâ??s own statutory income/asset standards, but still received benefits.

The millions of people on SNAP through BBCE is one of many factors, including looser state-level eligibility standards, that have contributed to SNAPâ??s massive caseload expansion since 2000. As a result, over 40 million Americans, or 1 in 8, rely on the federal government to help them pay for their groceries.

The BBCE loophole is emblematic of SNAP's lack of accountability. States share administrative costs with the federal government, giving them the incentive to simplify their paperwork with options like BBCE to streamline eligibility checks. However, they have little stake in controlling enrollment growth or enforcing eligibility standards because federal taxpayers, not the states, pay for the benefits that flow to those brought onto SNAP rolls through those looser rules.

Estimates suggest up to 4 million SNAP recipients under BBCE have assets above federal thresholds. From a policy standpoint, should the priority be enforcing stricter federal asset limits, or addressing the structural incentives that encourage states to expand eligibility?â?¯

Closing the BBCEâ?¯loophole to enforce SNAPâ??s eligibility standards is a good start, but it will not solve the problems embedded in SNAPâ??s financing structure that gave states the incentive to abuse BBCE in the first place.â?¯States have little incentive to enforce eligibility standards or cut costs because the federal government pays 100 percent of the programâ??s benefits. This leaves states insulated from the financial consequences of their policy choices. OBBBAâ??s matching fund requirements for states with high improper paymentsâ?¯wereâ?¯a good start, but the best way to resolveâ?¯SNAP's incentive problemsâ?¯is to fully devolve SNAP to the states and hold them accountable for their eligibility decisions.â?¯â?¯

BBCE links SNAP eligibility to participation in programs like TANF, even when TANF thresholds exceed SNAPâ??s statutory limits.â?¯Do you consider this a design flaw in SNAP itself, or a symptom of deeper federal-state misalignment in welfare policy?â?¯

BBCE was initially intended to streamline SNAP administration by eliminating duplicative paperwork for caseworkers, but states have used it to make federal taxpayers pay for backdoor benefit expansions. BBCE, however, is a symptom of a structural incentive misalignment in SNAP and the entire federal-state welfare system.

When authority and responsibility diverge, this creates a principal-agent problem. States reap the political benefits of appearing generous through broad benefit expansions but bear few of the financial consequences of paying for them. States further lack accountability for the improper payments and waste that result from inadequate program oversight. Devolving SNAP and other welfare programs to the states is the best way to align incentives with program integrity.

Fiscal conservatives have argued that devolving SNAP to the states via block grants could better align benefit authority withâ?¯financial responsibility. How realistic is this approach politically and economically, and what mechanisms could ensure that needy households are not disadvantaged under state discretion?â?¯

The 1996 welfare reforms showed that block-granting major assistance programs is not only politically achievable, but, more importantly, an optimal solution to help the economically disadvantaged. TANFâ??s remarkable success in increasing employment and reducing poverty for low-income families while drastically reducing caseloads proves that giving states the authority to design their programs empowers them to create assistance programs that are more responsive, targeted, and effective in meeting the local needs of their constituents.

Given that some states have abolished asset tests entirely under BBCE, what structural reforms would you recommendâ?¯to preventâ?¯high-asset households from receiving SNAP, whileâ?¯maintainingâ?¯flexibility for genuinely low-income, asset-rich households who might still need temporary support?â?¯

States should bear the full cost of their programs. States are abolishing asset tests to expand SNAP eligibility and have little incentive to prevent high-asset households from receiving benefits because Washington is paying for those benefits.

The best way to ensure SNAP benefits go to the truly vulnerable and, more importantly, help recipients achieve self-sufficiency, is to give states a financial stake in doing so. States should have the flexibility to experiment with their programs, including setting asset limits, to determine the best way to tailor assistance to meet the needs of individual recipients. But they should be the ones picking up the tab rather than passing the bill to federal taxpayers. Giving states fiscal responsibility for their welfare programs would incentivize them to either scale back their programs to empower private solutions, or design their assistance to help people rise out of poverty, rather than expanding benefits to capture more federal funding.

Analysts suggest potential savings from repealing BBCE range fromâ?¯$10 billionâ?¯toâ?¯$112 billionâ?¯over a decade. How should policymakers balance these savings against the potential risk of excluding households on the margin of need, particularly in economically vulnerable populations?â?¯

Repealing BBCE to prevent high-asset households from receiving SNAP benefits is a start, but policymakers should focus on getting welfare programs like SNAP out of Washington. When states bear the full fiscal responsibility for their programs, giving benefits to non-needy households to maximize enrollment becomes expensive, while assistance designed to reduce dependency becomes cost-efficient.

Devolving SNAP will also give states the incentive to target aid to the truly vulnerable (the elderly, disabled, and low-income families with children), and design assistance for able-bodied adults as a launchpad to economic independence. SNAPâ??s current structure, where states administer programs while Washington pays, does the opposite. States are incentivized to maximize enrollment and government dependency to draw more federal dollars, but they have little reason to prioritize self-sufficiency. Decentralizing SNAP is the long-term solution to fixing not just BBCE, but the entire broken incentive structure of federal-state welfare policy.

The current structure creates an incentive for states to expand benefits while federalâ?¯taxpayersâ?¯foot the bill. In your view, what concrete policy reforms could better align state incentives with fiscal responsibility, without compromising SNAPâ??s goal of supporting the most vulnerable populations?â?¯

Congress should convert SNAP from an open-ended entitlement program into a block grant and gradually reduce the federal governmentâ??s share of fundingâ?¯the programâ??s benefits. This will give states both the flexibility and the fiscal responsibility to determine which forms of support best help the most vulnerable. This includes empowering civil society, such as charities, nonprofits, and private organizations, to craft more responsive and effective forms of assistance than taxpayer-funded entitlements.

If states opt to run their own nutritional assistance or other welfare programs, they should have the flexibility to tailor services to support recipients' self-sufficiency. The 1996 welfare reforms to TANF, for example, gave states significant discretion to direct funds toward supports beyond cash benefits, such as work and training programs, childcare, and other services they judged most effective at helping low-income families become self-reliant. Policy reforms that break free from one-size-fits-all federal approaches and empower local, community-based solutions are the best way to promote upward mobility and empower individuals to lift themselves out of poverty.

Finally, what role do think tanks and independent policy research institutions like Cato play in shaping the national debate on SNAP reform, particularly regarding BBCE, asset verification, and the potential devolution of the program toâ?¯states?â?¯

The Cato Institute provides independent analysis that cuts through political narratives,â?¯highlights structural flawsâ?¯in federal policy,â?¯and offers concrete solutions for how to fix them toâ?¯government decision-makers in Congress and the Executive.â?¯We provide data-driven reforms grounded in the power of free markets, individual liberty, fiscal discipline, and constitutional federalism.

Shifting authority from the federal government to state and local levels offers a more effective framework for addressing poverty because local communities are better positioned to meet peopleâ??s specific needs and deliver more responsive, targeted assistance than federal programs. More importantly, removing government-created barriers to upward mobility and empowering free markets is a far more effective way to promote economic opportunity for low-income individuals than any top-down wealth redistribution program.

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