

FOOD, NUTRITION, AND CONSUMER SERVICES

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Before the Subcommittee on Agriculture, Rural Development,

Food and Drug Administration, and Related Agencies

Thank you, Mr. Chairman, and members of the Subcommittee for the opportunity to present the Administration's fiscal year 2014 budget request for USDA's Food, Nutrition, and Consumer Services (FNCS).

I am pleased to join you at a time when the economy shows promising signs of recovery. New jobs are added each day and caseloads in the Supplemental Nutrition Assistance Program (SNAP), the cornerstone of the Nation's nutrition assistance safety net, are forecasted to decline. Indeed, in some States, SNAP caseloads have already begun to drop – Utah has seen a participation drop of 10.1 percent and North Dakota has seen a participation decrease of 2.9 percent from February 2012 to February 2013. This news is encouraging, but I remain concerned for the large number of families who still struggle to put nutritious food on the table. The latest data from the U.S. Census Bureau shows that almost 49 million families remain in poverty, and the U.S. Bureau of Labor Statistics reports that 11.7 million Americans are looking for work. Of particular concern, our own administrative data shows that the families participating in SNAP are much poorer than those ten years ago; in 2011, 43 percent of SNAP recipients had gross income at or below 50 percent of the Federal poverty level and 33 percent had no net income. In 2001, 38 percent had gross income at or below 50 percent of the Federal poverty level and 18 percent had no net income.

Many of these poor families are in the workforce. Over the past 20 years, the source of SNAP households' income has shifted from welfare to earnings, showing that SNAP is serving as an important support for working families. In 1991, 41 percent of all SNAP households received cash welfare and only 20 percent had earnings. In 2011, only 8 percent of SNAP households received cash welfare, while 31 percent had earnings. Further, when you look at

employment both before entering SNAP, as well as after exiting the program, 80 percent of SNAP participants who can reasonably be expected to work do in fact work. I am pleased that these families have found employment, but am troubled that their income is not sufficient to meet their needs. As we continue to ensure that working families can get the nutrition assistance support that they need, I am committed to improving work services for SNAP recipients through the employment and training program, which fills a critical gap in workforce training services and helps SNAP recipients obtain and retain jobs.

These circumstances underscore that while we are steadily recovering from the economic downturn, the nutrition assistance programs managed by the Food and Nutrition Service remain critically important to millions of low-income Americans. Programs like SNAP, the school meals programs, and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) help bridge the gap for families in need by preventing hunger or extreme economic hardship as they regain self-sufficiency.

At the same time we are fighting food insecurity and hunger in our nation, we are also tackling an unprecedented obesity epidemic that threatens our nation's health, budget, and national security. It is important to understand that these two problems, hunger and obesity, are connected. We are working to solve them both, too often in the same person.

The President's budget request for nutrition assistance reflects the ongoing need for these programs, and the longstanding commitment of Congress and various Administrations over the years to fully meet anticipated funding needs for the major nutrition assistance programs. The budget also makes targeted investments to:

- Focus additional resources on program integrity and payment accuracy;
- Extend the enhanced SNAP benefits provided through the American Recovery and Reinvestment Act (ARRA) until March 31, 2014;
- Support implementation of the Healthy, Hunger-Free Kids Act of 2010 with school equipment grants; and
- Continue to modernize technology and build the foundation for WIC EBT.

Improving the Way Federal Dollars are Spent

I recognize that this budget request asks the Nation to entrust us with over \$102 billion of taxpayer money to maintain a robust nutrition safety net, at a time when resources across

government are tightly constrained. I am profoundly aware of the depth of this responsibility, and the imperative to manage these hard-earned tax dollars with the highest accountability, efficiency and integrity. Now more than ever, we must ensure that every dollar helps to feed a person in need, and is not wasted or misused, in order to maintain public confidence in the programs. I am committed to good stewardship, reducing inefficiency and increasing cost-effectiveness. USDA has reduced its costs through the Department's Blueprint for Stronger Service, which is modernizing and accelerating service delivery while improving the customer experience through use of innovative technologies and business solutions. FNCS has methodically reviewed its policies and procedures, maximized our limited resources, and saved Federal dollars by centralizing SNAP retailer operation functions. Reengineering the authorization process of retailers in SNAP into one nationalized, integrated structure provides stronger oversight, greater consistency, better communication, and improved quality of operations. This streamlining process consolidated 31 field offices in 28 States into a single national office. The newly formed national retailer management organization continues to take full advantage of available technology and improved policies and procedures to better fight fraud and protect Federal dollars.

Americans expect and deserve a government that operates with integrity and efficiency, and we are committed to fighting error and waste. Over the past decade, SNAP successfully reduced the payment error rate from 8.9 percent in 2000 to 3.8 percent in 2011 – the lowest-ever payment error rate in the history of the program. The result of the error rate reduction from FY 2000 to FY 2011 is a decrease in erroneous benefits of more than \$3.67 billion had the FY 2000 rate stayed the same for FY 2011. However, we are not satisfied with this historic achievement and remain engaged and committed to collaborating with our State partners in order to identify additional strategies to improve the program's accuracy even further.

FNCS has also made substantial strides in reducing the prevalence of trafficking, the illegal selling of SNAP benefits for cash. We have strengthened procedures, established a stronger front-end retailer screening process, toughened sanctions, and acted to better hold retailers that violate program rules accountable. Through state-of-the-art technology and collaboration with law enforcement partners, FNCS succeeded in reducing trafficking from 4 cents of every benefit dollar to about 1 cent of every benefit dollar over the last 15 years. Along with these efforts, FNCS permanently disqualified the owners of 8,300 retail stores for

trafficking during the last 10 years, and sanctioned or disqualified the owners of almost 2,100 stores in 2012 alone.

Since trafficking involves both the retailer and the recipient, FNCS is working with State agencies to identify client households that have suspicious transaction patterns for further investigation of potential recipient trafficking violations. In fiscal year 2011, State agencies conducted nearly 798,000 fraud investigations and disqualified over 46,000 individuals for intentional program violations. Additionally, FNCS has focused on and successfully worked with States to reduce the number of multiple replacement cards requested by each household. While many replacement requests are legitimate, repeated and frequent requests for replacement cards may indicate fraudulent activity. I am happy to report that the majority of States now use the model letter as a trigger to warn clients with this suspicious behavior that they are being monitored; these efforts have resulted in a reduction in multiple replacement card requests nationally.

Our strategies are working, but there is more to be done. While rare, fraud undermines public confidence and jeopardizes the ability of SNAP to serve the tens of millions of struggling families who need it the most. Despite these achievements, any amount of fraud cannot be allowed in a program that is the cornerstone of our efforts to reduce food insecurity. We cannot and do not tolerate it. Our budget includes additional resources for integrity-focused activities and related information technology systems to enhance our program integrity efforts further. Fraud is not a static. FNCS and our State partners must remain vigilant, ready to identify those few bad actors that try to exploit the program in new ways and ready to make the necessary technological or systems changes that will thwart those efforts. FNCS is committed to ensuring the integrity of all of our nutrition assistance programs. We have been working to reduce improper payments in the school meals programs for several years, while making sure that these efforts do not compromise access for low-income children or unduly burden schools. We continue to implement new program integrity tools provided by the Healthy, Hunger-Free Kids Act of 2010. We are restructuring and increasing the frequency of oversight program reviews, strengthening direct certification, and implementing rules that provide additional oversight and integrity tools for the schools meals program. Direct certification not only reduces administrative costs for schools, but also reduces the burden on eligible families. FNCS has provided States with extensive technical assistance and grants to improve direct certification

systems to certify children receiving SNAP for free meals without an additional application from their families.

FNCS is also committed to ensuring program integrity in WIC. Nationwide data show that payment accuracy is relatively high in WIC—certification errors were approximately 3 percent and vendor charging errors were about 1.1 percent of food spending. But as with the other programs, no level of improper payments is acceptable. When WIC vendor management problems were discovered in a few States last year, we took quick, decisive action, investigating these issues thoroughly and working to develop solutions that did not impair program operations for clients. FNCS continues to monitor these States to ensure the problems are resolved.

Preventing Hunger and Supporting Healthy Eating

This budget request sustains the nutrition assistance safety net and provides support to improve the eating habits of participants in its programs and of all Americans. The support of healthy eating is perhaps best observed in our implementation of the provisions of the Healthy, Hunger-Free Kids Act of 2010. This past year, we have worked closely with our State partners to implement new science-based school meals nutrition standards that provide meals high in nutrients, adequate in calories, and reflecting appropriate portion sizes to help children lead healthy lifestyles. Some schools have implemented these changes with ease, such as those that were already following approaches similar to the new nutrition standards, while other schools have had to make greater changes to improve the nutrition quality of meals they provide each day. FNCS has provided extensive technical assistance to these schools, including offering increased flexibilities as the schools make this important transition.

The Department also recently published a proposed rule implementing new authority to set nutrition standards for foods sold in vending machines and a la carte lines in schools. In the coming years, FNCS will develop educational and training standards for school nutrition professionals and will help schools strengthen their local wellness policies.

Additionally, FNCS works to help improve the diets of all Americans. Almost every household in this Nation – of any income level – could make substantial improvements in their diet to better protect their health. The Center for Nutrition Policy and Promotion (CNPP) works hard to provide Americans with information and tools to make their food and physical activity choices more consistent with the Dietary Guidelines for Americans. We are pleased with the

success of the popular website, MyPlate SuperTracker, which allows all Americans to track their food intake, physical activity, and weight online. More than two million people regularly use the program. MyPlate SuperTracker uses the new MyPlate icon, which prompts consumers to think about building a healthy plate with fruit, vegetable, grains, proteins, and dairy food groups.

The mission of FNCS provides us with a powerful opportunity to promote healthy diets, physically active lives, and healthy weights for those we serve. Our strong commitment to improve the health of Americans can be found in our work with MyPlate, which educates Americans about healthy diets, and in our nutrition assistance programs, which provide eligible low-income families in need with access to healthy foods. The efforts of FNS and CNPP thus complement each other; both are critical to the health and future success of our people.

Let me turn now to a few highlights of the budget request:

Supplemental Nutrition Assistance Program (SNAP)

The President's Budget requests almost \$78.4 billion for SNAP, enough to serve an average of 44.7 million people each month in fiscal year 2014. This is a projected 2.4 million person decrease from the number of participants estimated for fiscal year 2013. We've included a proposal in this year's budget to extend the Recovery Act portion of the SNAP benefit for an additional 5 months until March 31, 2014. We currently estimate that on November 1, a family of four will see their SNAP benefit reduced by about \$37. This proposal will enable SNAP to continue to provide an enhanced benefit to low-income American families as they continue the effort to get back on their feet.

In addition, because rooting out fraud, waste and abuse is a top priority for this Administration, the budget builds on our current program integrity efforts by seeking additional funds to invest in compliance specialists, investigators, quality assurance and data mining efforts as well as more frequent integrity reviews, management evaluations and fraud investigations. Fraud and trafficking – and even unintentional errors that allow SNAP assistance to be provided to households that do not need it – risk undermining the credibility of the program and distract attention from the real needs of low-income Americans who turn to SNAP to put food on the table.

The Budget also fully supports authorized food purchases for the Emergency Food Assistance Program (TEFAP). Local food banks, soup kitchens and food pantries have seen

increased demand for food assistance, and TEFAP plays a critical role in ensuring that these organizations have a stable source of food and administrative funds to get food to those in need.

Child Nutrition Programs

The Budget requests about \$20.5 billion for the Child Nutrition Programs, to assist State and local governments in serving nutritious meals to children in public and private schools, child care institutions, and summer recreation programs. The Budget renews a request for \$35 million to provide school meals equipment grants to school districts to purchase the equipment needed to serve healthier meals as required by the Healthy, Hunger-Free Kids Act (HHFKA), improve food safety, and expand access. The need for updated equipment is great; FNS has received requests totaling \$600 million from states and school districts around the country and the current budget request will be an important step toward addressing this need. These equipment grants also support the establishment or expansion of the School Breakfast Program since our prior experience shows that lack of adequate kitchen equipment is a prime reason why many schools are not able to initiate or expand their breakfast programs. The budget also includes a request for \$3 million in increased resources for Child Nutrition integrity efforts including support for State integrity efforts and technology solutions to local program management and monitoring challenges.

WIC

The President's Budget includes over \$7.1 billion for the Special Supplemental Nutrition Program for Women, Infants and Children, or WIC, to ensure that all eligible persons seeking to participate can be served. The request will allow local communities to provide food, nutrition education and a link to health care to 8.9 million women, infants and children expected to participate in the program in an average month. The budget request also includes \$30 million to continue the work with State agencies, food retail vendors and the payments industry to implement WIC EBT nationwide by 2020. Recognizing the established benefits of breastfeeding for mothers and infants, the budget sustains the investment in breastfeeding peer counseling at \$60 million. The budget also maintains a \$125 million Contingency Fund and includes an additional \$5 million in Federal Administration and Oversight for additional program integrity efforts including providing direct technical assistance to States on vendor management,

monitoring competitive price criteria and maximum allowable reimbursement rates; performing in-depth, targeted reviews of high-risk program areas; and development of model software to assist State agencies in preventing and identifying program abuse.

Commodity Assistance Program

The President's Budget includes \$272 million for the Commodity Assistance Program, including an increase of almost \$16 million for the Commodity Supplemental Food Program (CSFP). Funding for CSFP continues to support the current caseload by providing supplemental food assistance to many low-income seniors and others struggling to meet their monthly food needs. The request also includes over \$51 million for The Emergency Food Assistance Program (TEFAP) administrative costs. This funding enables hundreds of regional food banks, soup kitchens and food pantries to provide food to families who need it. Of the \$51 million requested, \$2 million would fund oversight activities such as management evaluation reviews and technical assistance for state and local TEFAP operations, to help ensure that program funds are being spent in accordance with law and regulation.

Nutrition Programs Administration

Finally, the President's Budget requests \$146.6 million to fund Nutrition Programs Administration and the Center for Nutrition Policy and Promotion. The request includes \$2 million to complete Phase I of developing unified, Federal dietary guidance for infants and very young children from birth to 2 years of age. To date, the Dietary Guidelines for Americans have focused on Americans over the age of 2 because of the complexity of assessing the scientific evidence on the dietary needs and health outcomes of children in this age group. However, in light of emerging science on the importance of early nutrition on long term health outcomes, unified Federal guidance is needed. The budget request also includes \$2 million for promotion of the Dietary Guidelines and MyPlate.

In conclusion, the President's Budget supports the Nation's nutrition assistance programs so that they can fulfill their vital missions and provide benefits to eligible families who wish to participate. This budget makes smart investments that will improve the way Federal dollars are spent, while avoiding waste and focusing on program integrity. It also focuses resources on

promoting better eating choices, both among program clients and the general population, to support a healthier future. I look forward to your questions.