

FOOD, NUTRITION, AND CONSUMER SERVICES

Statement of Audrey Rowe, Administrator Food and Nutrition Service 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 testify on the programs and services administered by the Food and Nutrition Service (FNS). FNS' mission is to increase food security and reduce hunger in partnership with States and other cooperating organizations by providing children and low-income Americans with access to sufficient food, a healthful diet, and nutrition education. FNS has long been committed to managing the Federal nutrition assistance programs with an eye to efficient and effective use of the resources available. I am pleased to be here today to discuss our recent efforts.

As you know, this year is the 50th anniversary of the War on Poverty and the passage of the Food Stamp Act of 1964, and the nutrition assistance programs remain critically important to millions of Americans. We have made great strides over the last 50 years; however, food security is still a significant issue with a myriad of both short and long-term consequences. We, as a Nation, are facing a growing health crisis in the form of diet and obesity-related diseases. At FNS, we are working to provide the tools to create a change in nutrition and help this generation of children to grow up healthier and stronger than the last.

Although the economy is gaining strength and unemployment rates are falling, many are still struggling to put nutritious food on the table. Programs like the Supplemental Nutrition Assistance Program (SNAP), the National School Lunch and Breakfast programs, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) are essential to millions of families facing economic hardship. Their positive impacts can be felt in schools, food banks, child and adult care centers, food pantries, soup kitchens, and family tables across our country. Their reach and their success reflect the dedication of the State and local agencies that operate them. These agencies have had to operate through times of increased demand, economic uncertainty and shrinking administrative resources. I am grateful that they have

sustained effective delivery of benefits to those who need them the most, while ensuring the integrity of program operations.

Increasing Access to Healthy Food in the Summer Months

One area where we have been concentrating our efforts to reduce food insecurity is in the Summer Food Service Program (SFSP). We know that millions of eligible low-income children are not yet reached by the SFSP. On an average day during the school year, about 21 million children receive a free or reduced price lunch at school. However, less than 3 million children are served on a daily basis during the summer months. As a result, USDA data continue to show that very low food insecurity among children is a serious problem for households in the summer. In 2013, FNS implemented a new model for SFSP promotion by providing intensive technical assistance to expand the reach of the SFSP in five targeted States – Arkansas, California, Colorado, Rhode Island and Virginia – with the goal of increasing the number of summer meals served by 5 million. The efforts exceeded expectations with an additional 7 million meals served and with participation rates increasing – most dramatically in Arkansas where participation increased by almost 38 percent. This summer, we are expanding the model to an additional six States including Alabama, Illinois, Mississippi, Missouri, Nevada and Texas.

While we are encouraged at the increase in meals served in the traditional SFSP, we are also very excited by the results we are obtaining from the Summer Electronic Benefit Transfer for Children (SEBTC) demonstration projects. These projects, which were authorized in the fiscal year (FY) 2010 appropriations act, have been testing the viability and impacts of providing either a SNAP-like or a WIC-like electronic benefit to low-income families with school-aged children during the summer months, when school meals are not available. The projects have operated in select sites in 10 States and Indian Tribal Nations. Our evaluations of these projects show exciting results – for example, that SEBTC reduced the prevalence of food insecurity among children by 19 percent, and the prevalence of very low food security among children, the most severe category, by 33 percent. These impressive results were present in sites utilizing both the WIC EBT and the SNAP EBT models. To further build on these results, FNS has included a request for an additional \$30 million in FY 2015 to expand the demonstration projects to

additional areas, including the possibility of implementing on a State-wide basis in one or two small States.

Program Integrity

As with any Federal program, the nutrition assistance programs require sustained attention to program integrity, which is fundamental to our mission. With this budget request, we are asking the Nation to entrust us with over \$112 billion of the taxpayers' money. We are acutely aware of the immense responsibility this represents. Americans expect and deserve a government that ensures their hard-earned tax dollars are managed with accountability and integrity. For that reason, fighting waste, fraud and abuse is fundamental to the mission of these vital programs.

SNAP

Over the past decade, FNS and our State partners have worked vigilantly to ensure SNAP eligibility and benefit determinations achieve high rates of accuracy. Improper payments draw scarce program resources away from the children and low-income people who need them the most. I'm pleased to report that the rate of improper payments in SNAP in FY 2012 reached a historic low of 3.42 percent, reduced by more than half since 2000, and among the lowest in the federal government.

In addition to payment accuracy, we're focused on improving State oversight for the Federal nutrition programs by strengthening our Management Evaluation System Reviews (MEs) which enable us to identify and address program vulnerabilities, identify customer service issues, help States draft and implement corrective actions, and to provide technical assistance to help States improve their business processes. During FY 2013, FNS kicked off several initiatives to strengthen the ME system. These included increasing the number, scope, and quality of reviews, providing targeted training and technical assistance to reviewers and implementing technology to support the review process.

Last year, I spoke to you about our reorganization of SNAP retailer operations. In FY 2013, FNS reengineered and centralized retailer operations to maximize use of resources, gain

efficiencies, and improve efforts to fight fraud and ensure integrity. Centralization into one national, integrated structure allows for better oversight, greater consistency, better communication, and improved quality of operations. Improving our efficiency and oversight of retailers is especially important since the number of authorized retailers is skyrocketing. At the end of FY 2013, over 250,000 retailers were authorized to accept SNAP benefits – an increase of over 40 percent in a four-year time period. In FY 2013 alone, FNS staff authorized or reauthorized over 52,000 retailers to participate in SNAP. In this same period, almost 22,000 firms were withdrawn from participation because of changes in ownership, business closings or nonconformance with authorization criteria. In addition, 2,000 stores were fined or disqualified temporarily or permanently for noncompliance with either the law or SNAP regulations.

Last August, FNS released a report that showed that the estimated rate of trafficking is very low, just over one percent in the 2009-2011 time period, and finding that the vast majority of trafficking occurs in smaller stores. But any amount of trafficking or fraud is too much – which is why we are redoubling our retailer integrity efforts with funding provided in the FY 2014 appropriations act, the Agriculture Act of 2014, and with the funding proposed in this budget request. In addition to reengineering our retailer authorization and oversight process, we're adding analysts, undercover investigators and other retailer integrity staff and increasing our focus on high risk geographical areas and high risk retailers. This is a high-yield investment since each additional investigator produces approximately 100 undercover cases per year.

Realizing it takes two to tango, when FNS uses EBT data to disqualify a retailer, it also has knowledge of the clients suspected of trafficking at the store. To address trafficking holistically, we refer clients with suspicious transaction patterns at disqualified retailers to States for further investigation for potential trafficking violations. States conduct investigations of client activity and if a client is found guilty, the client is held accountable. Penalties for recipient trafficking include administrative disqualification, criminal penalties, and claims to recoup the loss to the government. In FY 2012, States conducted nearly 730,000 investigations resulting in over 42,000 disqualified individuals. During that same year, States collected over \$72 million in fraud claims from households. State agencies are entitled to retain 35 percent of the amount they collect on fraud claims, and the remaining 65 percent is returned to SNAP.

FNS is also working with States on new and innovative approaches to identify and address recipient fraud. In September 2013, SNAP awarded a contract to Accenture Federal Services to provide expert services and technical assistance in the area of recipient fraud prevention and detection for seven State agencies. Accenture will evaluate how each State or county handles fraud and will help them determine what strategies and best practices meet their individual needs. The primary objective is to improve how effectively recipients suspected of trafficking SNAP benefits are identified and investigated. Accenture will then help the State implement those strategies or improvements and measure the impact of the business process re-engineering activities. The goal of the project is to have a set of practices and analytical approaches that can be implemented across the country to improve fraud prevention and detection. The project launched in New York in January and is expected to span through September 2015.

Child Nutrition

Improper payments in the school meals programs are a concern. FNS has been taking numerous steps to address improper payments such as supporting improvements and expansion of direct certification, allowing schools to increase their verification of applications “for cause,” and providing funding to support improved oversight and data analysis by States. Direct certification provides automatic eligibility for low-income children through data-matching with other agencies, without relying on information submitted on household applications. Allowing school districts to increase their verification sample size “for cause” enables them to conduct a second review of applications for accuracy where warranted. In addition, we have improved oversight of school districts by implementing a three-year review cycle in place of the former five-year review cycle and we are targeting and focusing resources on areas at-risk for non-compliance. We anticipate that the impact of these and similar actions will be reflected in the results of a survey of improper payments which should be available later this year.

In addition, FNS has been working with a limited number of States to implement Community Eligibility, as provided for in the Healthy Hunger-Free Kids Act of 2010. Under Community Eligibility, FNS provides Federal reimbursement to eligible schools based on the

percentage of low-income students; schools must offer free meals to all enrolled students and cover any costs above what is provided in Federal reimbursement. Community Eligibility can help reduce the incidence of improper payments because it eliminates the need for individual households to apply for free meals and significantly reduces burdensome paperwork for both households and schools.

WIC

The WIC Program is one of the most effective and efficient Federal programs. While food inflation has increased by about 85 percent since 1990, the average food package cost in WIC has increased by only 49 percent. FNS has long been working with State agencies to implement cost containment measures such as infant formula rebate contracts and use of generic and lowest cost brands. As a result, State agencies have more cost-effective vendor peer groups, participants are purchasing more reasonably priced food items, WIC rebates are higher, and net food costs are lower. Currently, the \$1.7 billion in annual formula rebates supports an estimated 1.8 million WIC participants.

In addition to focusing on cost containment, FNS has been working with States to provide oversight and technical assistance focusing on vendor management. The final report from the WIC Vendor Management Study, which was released in November 2013, indicates that nationwide, vendor charging errors represent 1.1 percent of the WIC Program's food expenditures. To address this, FNS now requires that a targeted Management Evaluation focusing on WIC vendor management be conducted in every State before the end of this fiscal year. While these evaluations are still underway, preliminary trends are being identified that will shape future review policy and training efforts at both the Federal and State levels.

Focus on Making FNS “The Employer of Choice”

While we are focusing on reducing food insecurity and improving program integrity, we are also focusing on making FNS the Employer of Choice in the Federal government by providing leadership and supervisory training as well as a healthy work environment that values diversity and promotes a focus on the mission of the Agency. We are continuing to reduce costs

through improvements in contracting and space utilization while maintaining our commitment to employee development and customer service.

All of these efforts – the changes we are making in FNS operations, our support for and partnership with States, and our continued action on integrity – are critical to making sure that every taxpayer dollar that we invest in these programs yields the greatest possible results for the people we serve. Americans deserve, and should expect, nothing less.

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

Child Nutrition Programs

The budget requests \$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 centers and family day care homes as well as summer recreation programs. This level of funding will support an expected increase in average daily lunch participation from 30.2 million children in FY 2014 to 30.4 million children in FY 2015. In addition, breakfast participation is expected to grow by almost 3 percent from 13.6 million to 14 million children per day. In addition, the percentage of meals projected to be reimbursed at free and reduced price rates has leveled off after high growth in the past few years, and is expected to decline slightly in FY 2015 from historic highs in FY 2014.

The budget request also includes \$35 million for School Meals Equipment Grants, which will make a significant investment to help meet the need for equipment assistance. These grants will allow school districts to purchase the tools needed to serve healthier meals, improve food safety, close the access gap at breakfast, and reduce costs by improving energy efficiency.

Finally, as discussed above, the President's Budget requests \$30 million for the Summer EBT Demonstration projects. With the proposed funding, FNS will begin to expand the demonstration projects and may be able to implement on a State-wide basis in one or two small States.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

The President's Budget includes \$6.8 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 provide supplemental food, nutrition education, including breastfeeding promotion and support, and a link to health care to a monthly average of 8.66 million low-income women, infants and children during FY 2015 – about the same number as participated in FY 2014. The requested level fully supports recent revisions to the food package – such as increases in fruits and vegetables, whole grains and low-fat dairy – that are designed to improve the nutrition and health of program participants by providing more healthy choices to meet their nutritional needs during critical periods of growth and development.

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. There are currently 68 State agencies in various stages of WIC EBT implementation, including 11 States and Indian Tribal Organizations where EBT is operating state-wide. These include Michigan, West Virginia, Kentucky, Texas, New Mexico, Wyoming, and Nevada. The budget request also continues to support and promote breastfeeding as the best form of nutrition for infants. WIC offers support and encouragement, including peer counseling and a more substantial food package, to women who choose to breastfeed their infants. The emphasis seems to be working because based on the 2012 WIC Participant and Program Characteristics data, for the first time, the proportion of WIC breastfeeding women was higher than the proportion of non-breastfeeding, postpartum women. FNS has been working to provide the tools that States need to implement and manage research-based peer counseling programs and, as a result, State agencies are currently implementing plans that institutionalize peer counseling as a core service for WIC. To continue to support this important effort, the budget maintains the amount available for breastfeeding peer counseling at \$60 million.

Supplemental Nutrition Assistance Program (SNAP)

The President's Budget requests about \$84 billion for SNAP, enough to serve an estimated average of 46.9 million people each month in FY 2015, a projected decline benefit

costs and in participation from FY 2014. The projected decline in participation is largely a reflection of the predicted improvement in economic conditions. The request also includes \$5 billion in SNAP contingency funds, which less than one month's worth of benefits.

To conform the treatment of SNAP with other direct spending programs subject to appropriations that serve low-income individuals, such as Medicaid, SSI, Child Support, and Foster Care, the Budget would provide an advance appropriation for FY 2016 and enhanced flexibility in the fourth quarter.

Building on our budget requests in FY 2014, the FNS request for other program costs includes \$9 million to allow FNS to continue to increase its staff of investigators and compliance analysts to monitor the growing population of SNAP retailers. In addition, the budget includes \$3 million to support new staff focused on Management Evaluation reviews of State agency administration of the program including financial management. Currently, even with the additional staff investments in FY 2014, more manpower is needed to perform adequate State-level oversight.

Finally, the request includes \$3 million within other program costs to provide technical assistance to States in designing and operating Employment and Training (E&T) programs. The President's Budget focuses on investments in workforce training to strengthen the middle class and reduce poverty. This emphasis is also present in the recent passage of the Farm Bill that provides significant funding to operate E&T pilot programs in a handful of States. Everyone can agree that having sufficient and sustainable earnings is key to reducing poverty and eliminating food insecurity. Through successful E&T programs, SNAP can help prepare people for and connect them to employment. FNS currently has very limited staff devoted to E&T issues. Additional staff would focus on activities such as collecting and disseminating best practices in the field of E&T services, generating guidance on evidence-based strategies for improving E&T services and providing technical assistance to State agencies and community partners on expanding and enhancing E&T services. This funding is critical to ensuring the success and longevity of the new emphasis on E&T programs.

Turning to the Food Distribution Program on Indian Reservations (FDPIR), the budget includes an additional \$10 million to support increased participation and \$5 million to enhance the food package with regionally preferred foods such as bison, wild rice and blue corn meal utilizing local sources, to the extent practicable.

Commodity Assistance Program

The President's Budget includes \$275 million for the Commodity Assistance Program, including an increase of \$6 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.

Nutrition Programs Administration

We are seeking \$155 million to support the work of FNS. The budget request includes an increase of almost \$13 million to support the decentralization of the Department's GSA Rental Payments and DHS Security Payments account. In addition, the budget includes an increase of \$2 million for the Center for Nutrition Policy and Promotion (CNPP). Of the requested increase for CNPP, \$1 million would be used to implement proven strategies to target vulnerable populations with programming designed to improve eating and physical activity behaviors. The other \$1 million would be targeted toward development of unified Federal dietary guidance for Americans from birth to 2 years old as directed by the recent Farm Bill.

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to present this budget request to you. I would be happy to address any questions you may have.