

ECONOMIC RESEARCH SERVICE

Statement of Dr. Katherine R. Smith, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to present the Economic Research Service's (ERS) budget recommendations for fiscal year (FY) 2012. The President's FY 2012 budget request for ERS's research programs is \$85,971,000, which is a net increase of \$3,493,000 above the agency's FY 2010 funding level. The budget we are proposing reflects the difficult choices we need to make to reduce the deficit while supporting targeted investments that are critical to long-term economic growth and job creation.

ERS's FY 2012 budget request proposes an increase of \$8,400,000 for new and expanded research initiatives in behavioral economics, administrative data pilot projects, improved user access to statistical data through increased sharing of protocols and tools, and analysis of community access to local foods. Offsetting ERS's requested increases are \$4,907,000 in proposed reductions to ongoing research programs, reflecting the need to reallocate ongoing research programs within increasingly constrained resources in order to fund the highest priority needs and curtail Federal spending.

Proposed Increases (Salaries and Expenses)

The specific priority research initiatives that ERS proposes for FY 2012 are:

- Create a Center of Excellence for Behavioral Economics -- \$2,400,000

Strong evidence suggests that USDA policy choices and program design can be made more efficient and effective through the application of behavioral economics. Behavioral economics is a state-of-the-art scientific approach to understanding decision making by individuals, groups, firms, and agencies that is providing new and valuable insights on a range of government programs and actions, including lending and credit, risk management and resource conservation, as well as food and nutrition assistance. ERS has developed a program to apply this new approach, mainly to nutrition assistance program effectiveness. To strengthen Departmental policy and program development across a broader range of priorities, ERS proposes creation of a Center of Excellence for Behavioral Economics aimed at increasing the efficiency of food, farm, natural resource, and rural development programs, supporting all Secretarial priorities and addressing government-wide efforts to improve program integrity and innovation. The Center would create a focal point within USDA to engage policy makers and use a now well recognized, science-based approach to provide technical assessments to USDA agencies. The Center would be able to make research investments on a sufficient scale to provide timely and science-based input to policy design.

The new Center of Excellence builds on ERS leadership in the application of behavioral economics. Previous ERS investments examined how the National School Lunch and Breakfast Program could better address diet quality, nutrition, and health objectives. This research confirmed the potential for using behavioral approaches to improve policy design and led to a working partnership among USDA's Food and Nutrition Service, ERS, and Cornell University to conduct additional research on child nutrition programs. The proposed Center of Excellence would apply learning from these earlier successes to extend beyond nutrition programs the application of behavioral economics in food, agricultural, natural resource and rural development programs and policies. The Center would be a focal point for behavioral economics funding and the requested increase would permit USDA to leverage funds from other USDA and Federal agencies, such as NIH and NSF, that are also investing in the theory and application of behavioral economics but do not directly address the function of USDA programs.

- Administrative Data Pilot Projects - \$2,000,000

Administrative data (i.e., those data collected in conjunction with administering government programs, including the provision of benefits) provide an unparalleled opportunity for efficiently strengthening our statistical system's ability to understand and address critical policy issues. Making administrative data more available for statistical use would avoid the substantial costs of collecting similar data via statistical surveys. However, significant legal and structural barriers often prevent the use of such data for statistical purposes, including policy analyses and program evaluations. This pilot project is designed to address existing

barriers to the use of administrative data while at the same time contributing to our knowledge of the factors that determine dietary and health outcomes.

The goal of this initiative is to better understand how nutrition assistance and other government assistance programs work together to provide a social safety net, to better assess how nutrition assistance and health care policy work together to improve dietary and health outcomes, and to help demonstrate the value of linked data (especially Supplemental Nutrition Assistance Program – SNAP- data) for policy-oriented research and program evaluation, with the eventual goal of motivating Federal-level activity to address anticipated data quality and data availability concerns. This project would also contribute to the statistical system’s linkage infrastructure.

An expectation is that the opportunity to link data on other social safety net programs with data on the SNAP will benefit USDA’s Food and Nutrition Service by illuminating options for increasing SNAP participation by eligible individuals and families. Better data utilization through linkage will also be of value to agencies outside of USDA. For example, linking data on unemployment and food assistance might reveal patterns that suggest options for improved coordination and provision of services at the State and local level. Such information may allow better and more efficient targeting of program delivery, resulting in savings to the government.

- Improve User Access to Statistical Data through Increased Sharing of Protocols and Tools (Statistical Community of Practice and Engagement - SCOPE) – \$2,000,000

Increased sharing of statistical protocols and tools for the collection, storage, analysis, and dissemination of statistical data provides opportunities for improving data quality, ease of use, information security, and system-wide operating efficiency. Improvements would come in the form of data interoperability (including harmonizing definitions, formats, and means of access) and pooling scarce professional skills and IT resources across the participating statistical agencies.

These funds would support the establishment of a voluntary, self-selected SCOPE, with the Economic Research Service acting as the Program Management Office. This would provide a structure in which to address standing recommendations from key data user constituencies about differences ranging from substantive to trivial in the dissemination of economic statistics across statistical agencies; improve the interoperability of Federal data collections – either directly or through linkages; identify existing validated data collection and processing software tools that could be shared across statistical agencies, and conduct pilot projects that support Data.gov’s role of increasing the utility of Federal data to users.

The institution of SCOPE will reduce spending on statistical software and data systems through economies of scale. Centralized purchase of software across the statistical agencies will result in savings due to high volume purchasing at lower per unit prices than can be achieved with each agency’s smaller order. Also, developing common protocols for data processing and quality measurement will, for example, preclude the need for each statistical agency to invest separately in the same kind of effort.

- Community Access to Local Foods - \$2,000,000

Food choices are critically important to health outcomes, and these choices are shaped by community characteristics. The availability of local, healthy foods in the home depends to a large extent on the local food environment. The achievement and maintenance of good nutritional health is especially vital for low-income populations. These populations typically have restricted access to health care and other resources, and face greater vulnerability to poor nutritional health, increased morbidity, and a greater burden of disease. Previous research has documented an important association between dietary outcomes and the local food environment--the type of food retail outlets, food prices, and the availability of fresh, local food sources. Under this initiative ERS will develop data and conduct economic research on the access to affordable and nutritious food, particularly local foods, by low-income communities. ERS will also be working with other agencies in the Department to support the new multi-year government-wide Healthy Food Financing Initiative.

ERS has made an investment in data in FY 2010 and 2011 to better understand food purchase and acquisition behavior by low income households through the National Household Food Purchase and Acquisition Survey (FoodAPS). This nationally representative survey of households will be the first to obtain data on foods purchased and consumed from all sources-- their prices, quantities, and nutrition attributes. Such data, together with household demographics, health knowledge, and eligibility and participation in food assistance

programs, will support economic analysis of how food purchases and food assistance programs relate to dietary quality and food security.

The proposed new initiative for FY 2012 would build on this new data collection effort to go beyond basic economic analysis for a full understanding of how USDA can better support sustainable and healthy communities. Additional data would be obtained through linking spatial characteristics available in federal and proprietary data sets. These data would include community factors such as race/ethnicity; unemployment rates; public transportation systems; crime rates; school characteristics; USDA food assistance program delivery and participation; local food prices; food store and fast food access and availability; local costs of healthy diets; and other environmental factors of interest (e.g., park and recreation availability). These data can then be used in conjunction with the FoodAPS to better understand the determinants of food choices and diet outcomes such as obesity or food security.

This proposed community level data linkage effort will enable ERS to provide policy makers with answers to questions such as:

- How do access, retail outlet choice, and the availability of local foods, influence food purchases and the resulting dietary quality of purchases?
- How does food assistance program participation influence food access and food choices?

- How do community-level characteristics interact with the food environment to shape food access and food choices?
- How would programs or policies (e.g., economic development initiatives for retail food market development, including supermarkets, small grocery stores, and farmers markets) mitigate the effects of low access to affordable and nutritious foods? Could such programs foster the development of local sources for healthy food?
- How would the development of local sources for healthy food affect food choices and diet quality? Could local sourcing for food assistance programs create market opportunities for producers?

The funds for this initiative will enable ERS to provide the best possible analysis of how USDA policies and programs can better support healthy food choices, healthy consumers, and healthy communities.

Proposed Decreases (Salaries and Expenses)

Due to the need to allocate very limited resources to the highest priority needs, the difficult choice was made to identify \$4.9 million of ongoing ERS programs for reduction or termination to help offset costs for the proposed enhancements. Specific reductions have been identified for areas of lower priority for the Agency's research program and where efficiencies and cost savings can be achieved by reallocation of resources. These reductions include the following decreases: \$515,000 from the Consumer Data Information Program, \$1,000,000 from the Food Assistance and Nutrition Research Program, \$500,000 to reduce the scope of ERS Commodity Outlook programs, \$750,000 to eliminate economic analysis of specific biotechnological technologies, \$315,000 to eliminate ERS funding of the Bureau of Labor Statistics' American

Time Use Survey, \$200,000 for macroeconomic analysis, \$200,000 for analysis of non-EU Eastern European agriculture, \$132,000 by reducing agricultural productivity measurement activities, \$150,000 by eliminating situation and outlook reporting for fertilizer, \$200,000 through staff streamlining in the overall ERS situation and outlook program, \$507,000 to reduce Cooperative Agreements and Collaborations, \$165,000 by reducing intramural research on the economics of invasive species, \$225,000 in ERS purchases of IT equipment, and \$48,000 by stopping production of print copies of *Amber Waves*.

Mr. Chairman, this concludes my statement of ERS' budget recommendations for FY 2012. I will be happy to answer any questions that the Subcommittee may have.