

Food, Nutrition, and Consumer Services

Statement of Eric M. Bost, Under Secretary
Food, Nutrition, and Consumer Services
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies

Thank you, Mr. Chairman, and members of the subcommittee for this opportunity to present the Administration's fiscal year 2007 budget request for USDA's Food, Nutrition, and Consumer Services (FNCS).

I would like to begin my testimony by introducing the members of the FNCS leadership team joining me at the table this morning. Accompanying me are Kate Coler, Deputy Under Secretary for Food, Nutrition, and Consumer Services; Roberto Salazar, Administrator of the Food and Nutrition Service (FNS), and Dr. Eric Hentges, Executive Director of the Center for Nutrition Policy and Promotion (CNPP).

I am here today to discuss with you the President's budget request which demonstrates the Administration's steadfast commitment to our Nation's nutrition assistance programs. These programs ensure a nutrition safety net for the Nation's children, elderly and low-income households and, in conjunction with the Center for Nutrition Policy and Promotion, inform all Americans about the importance of good nutrition and physical activity. I am proud of our accomplishments and honored to work for a President who provides clear and continued support for these programs that protect

our children and low-income households from hunger, and help to prevent the health risks associated with poor nutrition and physical inactivity for all our citizens.

Our Federal nutrition assistance programs are there to meet the needs of Americans, not just in their everyday life, but also in times of disaster. I am so proud of my staff's efforts in the aftermath of the recent hurricanes. When the victims of Hurricanes Katrina, Rita and Wilma needed our programs, we responded immediately. Cutting through red tape, simplifying requirements, trucking and airlifting food, expediting services, working around the clock, our staff worked side by side with State and local staff and volunteers to help the evacuees get the food they needed. We even negotiated with other States to borrow eligibility workers to help meet high program demand within disaster States. Over \$900 million in Food Stamp benefits were provided to over 1.9 million affected households. For situations where food stamps could not meet the needs, we worked in cooperation with the Agricultural Marketing Service, made commodity purchases; sped up planned deliveries already in the pipeline; and diverted product from other parts of the country to move commodities where they were most needed. In total, we provided over 22 million pounds of baby food, formula, meats, pasta products, fruits and vegetables for congregate feeding and also for distribution to households for home consumption.

I am proud to report to you today that the Federal nutrition assistance programs staff, at every level, succeeded in providing a timely and robust nutrition response to these devastating storms. This response underscores the value and high level of

performance of these programs and the people at the Federal, State and local level who make them work across the country, every day. These programs truly operated as a safety net in the days and months immediately following these disasters. The President's budget is committed to keep these vital programs strong.

Mr. Chairman, this budget, more than any other I have presented to you, reflects the fundamental challenge of this Administration: ensuring that the needs of all eligible persons seeking to participate in our programs are met while at the same time protecting the interests of current and future generations who must accept the consequence, both economic and social, of the unsustainable levels of deficit spending and Federal debt. Not all of our existing programs are funded in this request, but we have been very careful to make certain to provide access to nutrition assistance programs for all eligible populations we serve.

We have made tough choices and developed a budget request that makes every dollar produce maximum benefit for the vulnerable populations served by our programs and for the Nation as a whole. This is the first budget request I have presented to you that includes an overall decrease in resources requested. That decrease, however, in no way represents a wavering in the Administration's demonstrated, consistent support for the Nation's nutrition safety net. Funds requested within the budget fully support our best estimates of demand for program services and cost for the major nutrition assistance programs in fiscal year 2007.

- This includes a monthly average participation of 25.9 million persons in the Food Stamp Program. This represents a decrease of approximately 1 million from fiscal year 2006, the first projected decrease in participation in five years. This reduction results, in large part, from sustained strong economic performance and the transition of Gulf Coast disaster participants to self-sufficiency.
- Participation in the WIC program is expected to rise slightly in fiscal year 2007 from 8.17 million participants a month to 8.22 million.
- In the School Meals Programs, daily meal service to our youth will reach 30.9 million students in the National School Lunch Program and 10.3 million students in the School Breakfast Program.

Three principle objectives guide our administration of these programs, 1) to ensure that low-income people have access to food by ensuring sufficient funding for the major nutrition assistance programs; 2) to promote healthful diets and active lifestyles by making nutrition education an integral part of the nutrition assistance programs; and 3) to manage prudently and efficiently so that every dollar invested has maximum benefit for those truly in need. The President's budget request for fiscal year 2007, like all prior requests submitted by this Administration, reflects these prime objectives.

Ensuring Low Income Persons have Access to Food

At its most basic level, ensuring program access must begin with making certain that sufficient resources are available so all who are eligible and in need can have ready access to benefits. The President's fiscal year 2007 budget requests funds to support anticipated participation in the Food Stamp Program, the Child Nutrition Programs and the WIC Program. The Administration's strong commitment to adequately fund these critical programs acknowledges the inherent difficulties in anticipating future demand for program services, and provides for contingency funding should program costs exceed our estimates. Should our estimates of program participation or costs prove too low, we have continued to protect program access for all eligible persons, a key objective of the President and myself, through properly funded contingency reserves. In the Food Stamp Program we have continued the funding for the contingency reserve of \$3 billion. These funds are especially important as the program transitions out of a period of growth and begins to reflect the benefits of strong economic performance the Nation has been enjoying. In the WIC Program, approximately \$125 million remains available to ensure that the essential food, nutrition education, and health care referral services remain available to all who need them.

For the first time, the President has proposed a contingency reserve for the Child Nutrition Programs. The reserve, proposed at \$300 million, will ensure that sufficient resources are available to fully fund the mandatory entitlement payments to our State and local partners who make certain that nutritious, appealing meals are available to all our children in schools and many childcare settings.

Promoting Healthful Diets and Active Lifestyles

Our programs provide nutrition assistance, including both access to healthy food and nutrition education and promotion to support and encourage a healthy lifestyle. With this nutrition mission in mind, and the Center for Nutrition Policy and Promotion's (CNPP) focus on the broader population, we play a critical role in the integrated Federal response to the growing public health threat posed by overweight and obesity which affects well over half of adult Americans.

The Federal nutrition assistance programs play a critical role in combating this epidemic by providing not just access to healthful food, but also promoting better health through nutrition education and promotion of physical activity. These FNS program services, along with the work of the CNPP to improve the diets of all Americans, are a key component of the President's *Healthier US Initiative*. I believe the American public is served well by USDA's contributions to addressing the critical nutrition- and health-related issues facing us today. This budget request provides approximately \$675 million in resources tied specifically to improving the diets, nutrition knowledge and behavior and promoting the importance of physical activity among the people we serve.

The CNPP continues to have an integral role in the development and promotion of updated dietary guidance and nutrition education. The *Dietary Guidelines for Americans* (Guidelines), published jointly every 5 years by the USDA and the U.S. Department of Human Services (HHS), is the cornerstone of Federal nutrition policy, allowing the Federal government to speak with one voice. This request features an

increase of \$2 million to support the efforts of the CNPP to maintain and enhance the extremely well-received food guidance system, *MyPyramid.gov*, which is one of the most frequently visited of all Federal websites for the public. In addition, base funding will allow CNPP to begin preparations for the 2010 update to the Dietary Guidelines for Americans for which USDA is the lead Federal agency.

Managing Prudently and Efficiently

With this budget request, we are asking the Nation to entrust us with over \$57 billion of public resources. We are keenly aware of the immense responsibility this represents. To maintain the high level of public trust that we have earned as good stewards of the resources we manage, we will continue our ongoing commitment to program integrity as an essential part of our mission to help the vulnerable people these programs are intended to serve.

This is not a new commitment. As I noted earlier, in fiscal year 2004, the most recent year for which data is available, the Food Stamp Program achieved a record high payment accuracy rate of 94.1 percent, up 0.7 percent points from the fiscal year 2003 level of 93.4 percent. Our budget request included an increase of \$4 million in the Nutrition Program Administration account focused on sustaining the momentum we have achieved to improve the Food Stamp payment accuracy and overall program integrity.

We have proposed elimination of restrictive language that prohibits the use of funds appropriated in the program accounts for the purpose of studies and evaluations.

This proviso has limited our capacity to support and assess program innovations, many of which are initiated by our State and local partners. Lifting this restriction will help us to document results more effectively, and contribute to better program management.

We also continue to develop strategies to improve the accuracy of eligibility determinations in our school meals programs – an issue of mutual concern to all those that care about these programs. The Federal administrative resources provided for in this budget will allow us to advance our close work with our State and local program partners on both of these essential integrity initiatives – continuing both our successes in the Food Stamp Program and our intensified efforts in school meals.

In the remainder of my remarks, I'd like to discuss in greater detail a few of the key proposals contained in the President's fiscal year 2007 request.

Food Stamp Program

The Food Stamp Program is fully funded in the President's budget at \$37.9 billion. This will support an anticipated average monthly participation of 25.9 million persons, about 1 million persons lower than expected in fiscal year 2006. This displays a key strength of the Food Stamp Program: its ability to respond dynamically to the changing levels of need within American society. We responded to the hurricanes in the Gulf Coast this past fall, providing benefits to 1.9 million affected households. Elsewhere, the program is now responding to the strength of the economy, and is no longer growing as it did in recent years.

Should our estimate of fiscal year 2007 program participation or cost prove to be too low, the program continues to be protected by a contingency reserve, proposed at \$3 billion in new budget authority for fiscal year 2007. As an alternative to the contingency reserve, the President's request offers a proposal of indefinite authority. This form of appropriation would eliminate the need for an annual contingency reserve appropriation, while at the same time guaranteeing that sufficient funds will be available to meet the entitlement components of the program.

We continue to aggressively promote the message that Food Stamps Make America Stronger, in the sense that the program puts healthy food on the tables of low-income families and has a positive effect on local economies. The President's budget features proposals targeted at ensuring those in need can access benefits without sacrificing their retirement savings, making certain that all persons in need face the same program eligibility requirements regardless of where they live, and improving the ease and accuracy of the certification process so each household receives the proper benefit level. Given tough budget constraints, the food stamp proposals focus on those who are most needy.

The President's budget proposes to expand and make mandatory the exclusion, first made a State option for 401(k) and Keogh accounts in the 2002 Farm Bill, of the value of tax-preferred retirement accounts from the asset test. This exclusion strengthens retirement security policy and enables low-income people to get nutrition assistance

without depleting their retirement savings. It also simplifies food stamp resource policy and makes it more equitable because under current law some retirement accounts are excluded and some are included. This proposal supports the President's *Ownership Society Initiative*, by increasing the ability of low-income people to save for retirement. It is expected, when fully implemented, to add approximately 100,000 persons to the program and to increase benefits by \$592 million over 5 years. The majority of the new participants will be workers and their families, most with children. On average, each new household will get \$122 in benefits each month.

While we seek to encourage all who are eligible and in need to participate in the program, we feel strongly we must also ensure that access to the program is administered in an equitable manner across all States. For this reason we have once again included a proposal to eliminate categorical food stamp eligibility for Temporary Assistance for Needy Families (TANF) participants who receive only services and not cash benefits. The people affected by this proposal have income or assets that exceed the program's regular limits. When fully implemented in fiscal year 2008, this change is estimated to affect approximately 300,000 individuals and save \$658 million over five years. The President's proposal restores equity among participants and ensures that food stamp benefits go to individuals with the most need while retaining categorical eligibility for the much larger number of recipients who receive cash assistance through TANF, Supplemental Security Income and General Assistance.

Also included in the budget request is a proposal to add the Food Stamp Program to the list of programs for which States may access the National Directory of New Hires. Access to this national repository of employment and unemployment insurance data will enhance States' ability to quickly and accurately make eligibility and benefit level determinations, improving program integrity. This proposal is expected to produce a net savings of \$1 million annually beginning in fiscal year 2008.

Finally, the budget request reflects our continued commitment in two important areas. First the President's request includes a proposal to exclude special military pay received by members of the armed forces deployed in combat zones when determining Food Stamp Program eligibility and benefit amounts for their families back home. This proposal has been provided for in appropriations law in previous years, where it is requested again. Second, the Administration remains committed to working with Congress on a name change for the program. The President's request continues the process that began in 2006 to gather information related to a proposed name change for Congressional consideration.

Child Nutrition Programs

A base increase of \$685 million is requested to fully fund the Child Nutrition Programs including our three largest programs serving children, the National School Lunch Program, the School Breakfast Program, and Child and Adult Care Food Program. This increase will support the continuing growth in meal service in these programs with more than 9 billion appealing, nutritious meals provided to all of our children in schools

and many childcare settings. Since fiscal year 2000, average daily participation in the National School Lunch Program has climbed from 27.2 million to an estimated 30.9 million in fiscal year 2007. In the School Breakfast Program, 10.3 million children will be served each day in fiscal year 2007, up from 7.8 million in fiscal year 2000.

Should this increase not prove sufficient to fully cover program costs, the budget request proposes an additional increase of \$300 million to, for the first time, fund a contingency reserve for the Child Nutrition Programs. This reserve will serve to ensure access to these important services to all children and make certain that funds are available to meet our mandatory obligations to our State and local partners in the administration of the Child Nutrition Programs.

Improving both the nutrition of children and their awareness of the role that healthy food choices and physical activity play in promoting overall well being are core goals of these programs. The Food and Nutrition Service is reviewing the new *Dietary Guidelines*, as well as the *Dietary Reference Intakes*, and working to incorporate their recommendations into our nutrient standards and meal patterns. Additional resources requested under the Nutrition Program Administration for Cross-Program Nutrition Education will help us to incorporate family-based approaches to nutrition education into the Child Nutrition Programs and to leverage those messages and materials to improve nutrition education and promote smart food choices and physical activity across all of the nutrition assistance programs. We also are continuing efforts to promote healthy

behaviors through support for implementation of local school-based wellness programs required by the Child Nutrition and WIC Reauthorization Act of 2004.

WIC

In fiscal year 2007, the President's budget request of \$5.2 billion anticipates supporting critical services to a monthly average participation of 8.2 million women, infants and children through the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). While this request is a small decrease from the enacted fiscal year 2006 level, in combination with available prior-year resources it will support a slight increase from anticipated fiscal year 2006 participation levels. The \$125 million contingency reserve appropriated in fiscal year 2003 and replenished in fiscal year 2005, remains available to the program should participation or food costs exceed our projections. We currently do not anticipate the need to access the contingency reserve in either fiscal year 2006 or fiscal year 2007.

In all of the Federal nutrition assistance programs, the Administration is committed to ensuring that benefits are targeted to those most in need. WIC applicants can currently receive adjunctive or automatic eligibility for benefits based on their participation in other means-tested programs such as the Food Stamp Program and Medicaid. However, in some States, individuals with incomes higher than those established for participation for WIC are eligible for Medicaid. Included in the budget request is a proposal to limit adjunctive eligibility based on participation in Medicaid to those individuals whose incomes are below 250 percent of Federal poverty guidelines.

The budget also reflects the Administration's dual commitment to both support the WIC Program and to control discretionary spending growth. We are committed to working with our State partners to manage program costs to ensure future access to this critical program for all who are eligible and seek its services. The President's budget contains a two-part proposal that will allow us to reduce Federal expenditures on Nutrition Services and Administration (NSA) with the participation of the States. WIC is currently one of the few Federal programs that do not require matching funds for administration funds. The President's budget proposes a 20 percent State matching on NSA funds that would take effect in fiscal year 2008. The one-year delay in implementation is essential so that the States can incorporate this new requirement into their fiscal plans. As a transitional step, we are renewing our proposal to cap the level of NSA funding at 25 percent of the total level grants to States in fiscal year 2007. We will also continue our long successful partnership with the States in containing food package cost growth through sharing of best practices and providing technical assistance in the implementation of food cost containment strategies.

Commodity Supplemental Food Program (CSFP)

The President's fiscal year 2007 budget request does not fund CSFP. We face difficult challenges and decisions with regard to discretionary budget resources and have chosen to not request funding for this program for several reasons. First, CSFP is not available in all States. It currently operates in limited areas of 32 States, two Indian reservations, and the District of Columbia. Second, its benefits, to a great extent, overlap those available through other nutrition assistance programs. Finally, we believe our

limited resources are best focused on those programs that are universally available to serve these needy populations. The priority of the Administration is to ensure the continued integrity of the national nutrition assistance safety net, including the Food Stamp Program and WIC. However, we want to acknowledge our CSFP partners at the State and local level who have worked on behalf of this program.

USDA will work closely with CSFP State agencies to ensure that any negative effects on program participants are minimized, and that they are transitioned as rapidly as possible to other nutrition assistance programs for which they are eligible. The budget request includes funds to support the transition of CSFP participants to nationally available FNS nutrition assistance programs such as WIC and FSP. The budget requests \$2 million to provide outreach and to assist individuals to enroll in the Food Stamp Program. Elderly participants who are not already receiving food stamp benefits will be eligible to receive a transitional benefit worth \$20 per month ending in the first month following enrollment in the Food Stamp Program under normal program rules, or 6 months, whichever occurs first. CSFP women, infants, and children participants who are eligible for WIC benefits will be referred to that program. Commodities obtained under agriculture support programs will be redistributed for use in other nutrition assistance programs, such as TEFAP.

The Emergency Food Assistance Program (TEFAP)

TEFAP plays a critical supporting role for the Nation's food banks. This support takes the form of both commodities for distribution and administrative funding for States'

commodity storage and distribution costs. Much of this funding flows from the States to faith-based organizations, a cornerstone of the food bank community. The President's budget requests the fully authorized level of \$140 million to support the purchase of commodities for TEFAP. Additional food resources become available through the donation of surplus commodities from USDA's market support activities. State and local administrative costs, which support the food bank community, are funded at \$49.5 million in the President's request.

Nutrition Programs Administration

We are requesting \$160.4 million in our Nutrition Programs Administration account, which reflects an increase of \$18.6 million in our Federal administrative funding. This account supports Federal management and oversight of a portfolio of program resources totaling \$57 billion, almost 60 percent of the USDA budget.

A key component of this year's request is a \$4 million increase to support additional program integrity and accountability efforts in the Food Stamp Program. These resources would support up to 40 additional staff dedicated to continuing our strong record of results in improving payment accuracy and improving our ability to provide oversight and technical assistance to our State partners. While I am very proud of our accomplishments in program integrity, maintaining those gains and achieving further improvement in payment accuracy is a daunting challenge. This request represents a small investment that will pay big dividends in our continuing efforts to make certain we get the right benefits to the right people.

The budget also requests an increase of \$2 million to support the efforts of the Center for Nutrition Policy and Promotion. These resources will continue the Center's work on *MyPyramid* and will support up to an additional 4 staff years dedicated to this initiative.

Also included in the President's request is \$6 million to support important program assessment and evaluation activities examining program integrity issues and ways to improve the delivery of benefits and services with the Food Stamp Program.

Other increases contained in the budget request include the \$3 million for Cross-Program Nutrition Education efforts, \$3.5 million to support FNCS' participation in the OMB's government-wide initiative to modernize and better integrate financial management systems, and \$2.8 million to support base pay cost increases.

The increases requested within this budget are essential to ensuring that FNCS can continue to successfully execute its basic program administration, oversight and fiscal stewardship duties. We understand the difficult budgetary circumstances the Federal Government now faces and support and have participated in the tough choices that must be made. However, it is essential that FNCS address the serious challenge posed by both the accumulated effect of over a decade of staffing reductions and the loss of critical skills and experience inherent in the impending retirement of close to 30 percent of its workforce over the next five years.

I have begun that process by improving the management of human capital planning processes, strengthening services provided to employees, and implementing programs designed to improve the efficiency, diversity, and competency of the work force. With just nominal increases for basic program administration in most years, FNCS has reduced its Federal staffing levels significantly over time. We have compensated for these changes by working smarter – re-examining our processes, building strong partnerships with the State and local entities which administer our programs, and taking advantage of technological innovations. We are extremely proud of what we have accomplished and continue to seek new ways to meet the challenges before us. However our ability to continue to reliably meet these challenges will be in question if staffing levels continue to decline.

Mr. Chairman, I appreciate the opportunity to present to you this budget and what it means for the millions of Americans that count on us for nutrition assistance. I would be happy to answer any questions you may have.