

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 present the Administration's fiscal year 2013 budget request for the Food and Nutrition Service (FNS). When Secretary Vilsack and Under Secretary Concannon asked me to serve as FNS Administrator, I was extremely pleased to have the opportunity to put my experience in the private sector as well as in leading programs at the State level to work to effectively manage the Federal nutrition assistance programs. As the Under Secretary noted, these programs continue to be a critical support for millions of American families impacted by the recent economic crisis and help them keep food on the table as they get back on their feet.

Strengthening Service in a Time of Limited Resources

Like other Federal agencies and, importantly, our State partners, we have faced twin challenges of rising demand for program services and declining administrative resources. Secretary Vilsack has made clear to the entire USDA team that whatever constraints we face, providing world-class performance in meeting our mission is the only option. I want to describe some of the key initiatives we have undertaken to meet this charge – to become a leaner, more effective organization that provides the best value for the American taxpayer.

The Under Secretary mentioned the Secretary's Blueprint for Stronger Service. As part of this effort, FNS is undertaking a number of changes to increase efficiency and reduce costs:

- We reviewed field operations across the country and are moving forward with plans to close 31 offices in 28 states. Advances in cloud technology provide an opportunity for the seamless transition of affected FNS employees from the closed field offices to other existing offices or virtual locations that provide the same level of service to which their clients have become accustomed. USDA stands to save over \$800,000 annually as a result.
- We have implemented a position control process that ensures a thorough review and careful consideration of proposed hiring actions to ensure that limited staff resources are focused strategically on mission critical functions.
- We are training staff to implement continuous process improvement methodologies to reengineer our discretionary grants function, resulting in a streamlined process that will reduce processing times and improve communication within FNS and with grantees. We are also exploring options to reengineer the process for authorizing and overseeing retailer participation in SNAP to maximize resources, gain efficiency, and improve our efforts to fight fraud and ensure integrity.
- Over the past year, we have cut the travel and supply budgets by 20 percent. We're also reducing the number and costs of printed materials and telecommunications devices for employees. These reductions in FY 2012 are allowing FNS to maintain staff and direct resources to the highest priorities and most effective investments.

There is much left to do, and we plan further reductions in 2013 to comply with the President's Executive Order on Promoting Efficient Spending. I am confident that the changes we're making will strengthen our organization and improve our ability to deliver value to the American people.

Supporting State and Local Partners – A Mission-Critical Responsibility

In addition to making operational reforms within FNS, much of our work has focused on helping State agencies manage their operations effectively in the face of substantial reductions in administrative resources. Even with record SNAP caseloads, for example, some human service agencies have been forced to implement staff layoffs or furloughs because of State budget limitations. Since every benefit we deliver is through partnership with a State agency, to meet our mission we must support States in responding to these challenges, while ensuring they provide good customer service to clients and meet national standards for eligibility, benefit levels, and client rights. Key initiatives in this area include:

- Promoting the use of administrative flexibilities in SNAP, including certain waivers and State options, to assist States with workload management while easing the burden of the application process for recipients, many of whom are new to the program. Strategies that allow States to align some SNAP eligibility requirements with other means tested programs; streamlined interview processes to target worker time to critical cases; and increased use of telephone interviews can ease burdens for States and clients.
- Facilitating business process improvements and reengineering, highlighting best practices and working with States to find efficiencies without compromising customer service or program integrity. We use Federal State Exchange funds to support State to State travel to share innovative processes.
- Establishing a one stop “Modernization Central” page on our State partner intranet which provides information on policy options, waivers, technology and workload reduction strategies, and administrative process improvements.

- Continuing to promote direct certification in the school meals programs, which allows schools to provide free meals to children participating in SNAP and other means-tested programs without another application. This reduces red tape for the schools and parents and potential errors for schools while easing access for eligible families. The Healthy, Hunger-Free Kids Act of 2010 provides new ways to improve direct certification and incentives for States to improve performance.
- Improving low-income children's access to healthy food during the summer, when school is not in session. FNS is promoting the use of waivers to simplify Summer Food Service Program operations for State and local providers, including eliminating meal time restrictions, easing application rules for experienced sponsors, and simplifying requirements for site visits so sponsors can target their resources on sites that need additional oversight.
- Working with WIC State agencies to support the transition to electronic benefit transfer technology. Statewide EBT implementation in WIC increased from one State in 2002 to 10 in 2011. Currently, seven additional State agencies are in the implementation phase of WIC EBT and 39 State agencies are in the planning phase.

As someone who has led these programs at the State level, I am keenly aware of the importance of doing all that we can to enable the States to succeed – for their success is our success. By pairing flexibility in how programs are operated with strong accountability for outcomes such as customer service and payment accuracy, FNS can foster a partnership that delivers excellence for our clients, and for the American people.

Keeping the Public Trust with Strengthened Integrity

As Under Secretary Concannon observed, we cannot accomplish the mission of these programs without a strong and sustained effort to ensure that we minimize waste, and fight to

eliminate or prevent fraud and abuse. To that end, we have made improving integrity a top priority in program administration.

At a time of historic and unprecedented growth in SNAP, our program integrity efforts continue to yield results. Our most recent measure of errors, 3.81 percent in FY 2011, is another record low, representing an overpayment rate of just over 3 percent and an underpayment rate of 0.75 percent. While this is a significant accomplishment and demonstrates that the right amounts are getting to the right people, we're not resting. We are stepping up efforts to focus on States with error problems, provide technical assistance and promote best practices.

Trafficking, the sale of SNAP food benefits for cash, has decreased significantly over the past 15 years, falling from roughly four cents to just one cent of each benefit dollar between our first assessment in 1993 and the most recent estimate for 2006-2008. But no level of this illegal activity is acceptable to us. The Under Secretary mentioned some of the changes that we have made and are pursuing in our retailer policies. I want to report that these improvements are matched with updated surveillance systems and business processes to stay ahead of bad actors:

- USDA is redesigning the Anti-Fraud Locator for Electronic Benefit Transfer Transactions (ALERT) system with more advanced technology and analytical tools drawn from the best of the private sector. ALERT monitors electronic transaction activity and identifies suspicious retail grocers for analysis and investigation. The new system will allow FNS to quickly implement advanced detection scans as new fraud schemes are identified, utilize GIS mapping to better target high risk areas, and build new complex data models. USDA is on track to implement these improvements by June 2012.
- We are and will continue to distribute policy guidance to States on additional steps available to them to combat trafficking among recipients. Some States would like to take stronger

investigative actions against households that request an excessive number of replacement benefit cards. USDA is offering examples of what States are currently doing in this area and what is possible within current policy limitations. Our guidance also underscores States' responsibility to use the results of FNS retailer actions to investigate and penalize recipients that may have been involved in trafficking with that retailer.

- We are finalizing rules that expand and clarify the definition of trafficking to include abuse of container deposits and the sale of benefits. A proposal was published in June 2011 for public review and comment – a final rule will be published shortly. We have also clarified that intent to sell benefits, such as by posting on social networking sites, can result in disqualification.
- We are strengthening sanctions and penalties for retailers to allow USDA to take more aggressive action against those that violate program rules and give responsible retailers a bad name. USDA will publish a proposed rule for public comments in Spring 2012.
- We are taking action to prevent disqualified SNAP retailers from doing business with other Federal agencies. FNS is participating with the General Service Administration's Excluded Parties List System (EPLS), and is putting procedures in place to file information on disqualified stores with the EPLS so other agencies will know to avoid contracting with them.
- We are strengthening our partnership efforts with States to increase and improve our collective efforts against trafficking – both from the retailer side and the recipient side. USDA is sharing State best practices regarding program integrity and listening to what they have to say about possible policy changes that would help in this effort.

- And as I noted, we are reengineering FNS retailer management to improve efficiency, integrity and coordination. This will further strengthen FNS's ability to combat abuse in the future.

These improvements build on a robust program of enforcement activity. In FY 2011, FNS analysts and investigators reviewed over 15,000 stores and conducted nearly 5,000 undercover investigations. I had the opportunity to join FNS investigators in an undercover operation as part of a thorough review of our enforcement activities, and I can personally attest to their courage and skill. Their efforts resulted in more than 1,200 retailers permanently disqualified from SNAP for trafficking in 2011, and another 760 retailers sanctioned for lesser violations. And we recently announced results for the first quarter of FY 2012 – FNS took action against over 500 violating stores. Our new strategies will make future efforts even more effective.

We are also working to improve management and reduce improper payments in the child nutrition programs, without compromising access for eligible children. The Healthy, Hunger-Free Kids Act of 2010 provided FNS a variety of new tools to strengthen integrity and oversight. For example, the Act increased the frequency of administrative oversight reviews from once every 5 years to once every 3 years. In addition, the Act provides alternatives to application systems in low-income areas that reduce the number of paper applications that are processed manually. The Act establishes criteria and procedures for local school districts that demonstrate high levels of administrative error by having an individual or entity independently review the initial eligibility determinations for free and reduced-price school meals for accuracy. These new strategies build on our ongoing efforts to support and encourage schools and State education agencies to focus on correcting problems that lead to error:

- The agency has issued guidance to States and schools on the certification process to promote rigorous and careful review of applications and proper determination of eligibility;
- FNS has trained staff in every State agency to ensure effective monitoring of schools operating the programs, so that problems are identified early and corrective action is focused on poor-performing schools; and
- FNS has directed State agencies to make more thorough use of annual verification data to focus corrective action in school districts with evidence of certification problems.

As implementation of these management improvements proceeds, we are also preparing to repeat a study to measure the level of improper payments, last conducted in School Year 2005-06. Data collection will get underway during the next school year.

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 \$19.7 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 32.0 million children in FY 2012 to 32.4 million children in FY 2013. In addition, breakfast participation is expected to grow from 12.7 million to 13.1 million children per day. While participation is still rising, 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 2013 from historic highs in FY 2012.

The budget request also includes \$35 million for School Meals Equipment Grants, which will make a significant investment in meeting unmet needs for equipment assistance. The 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.

WIC

The President's Budget includes \$7.04 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. This year's request will allow local communities to provide food, nutrition education and a link to health care to the 9.1 million women, infants and children expected to participate in the program. 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 55 State agencies in various stages of WIC EBT implementation, including 6 States and a number of Indian Tribal Organizations where EBT is operating state-wide. These include Michigan, Kentucky, Texas, New Mexico, Wyoming, and Nevada. The budget request also continues to support and encourage breastfeeding. The scientific information on the benefits of breastfeeding for both the mother and the infant continues to grow, so as an investment toward supporting women who choose to breastfeed and helping children get the most healthful start in life, the budget maintains the amount available for breastfeeding peer counseling at \$60 million.

Supplemental Nutrition Assistance Program (SNAP)

The President's Budget requests about \$82 billion for SNAP, enough to serve an average of 46.9 million people each month in fiscal year 2013, which is a reduction from the estimated number of participants in FY 2012. This reduction in participation is a reflection of the predicted improvement in the unemployment rate from an average of 9 percent in FY 2012 to 8.6 percent for next year, based on economic conditions that prevailed in mid-November. We've also included a proposal in this year's budget that builds on our current program integrity efforts and prohibits millionaires from receiving SNAP benefits. Leaving open loopholes that could potentially allow SNAP assistance to be provided to households that do not need it risks undermining the credibility of the program and distracts attention from the real needs of low-income Americans who turn to SNAP to put food on the table.

Commodity Assistance Program

The President's Budget includes \$254 million for the Commodity Assistance Program, including an increase of \$10 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 \$143.5 million to support the work of FNS.

The budget request includes a very modest increase of \$2.5 million to allow FNS to maintain a steady staffing level in the face of increased need for oversight and technical assistance. At a time of continued dramatic growth in nutrition assistance programs, there has been a serious erosion of FNS staffing levels – from a level of 2,500 staff years in 1980 to 1,600

staff years in 2000, to fewer than 1,400 staff years today. Agency staff has declined by 9 percent since 2002, while the overall Federal civilian workforce grew by over 17 percent in the same period. At the same time, the programs have become more complex with increasing requirements to improve integrity, quality, timeliness, access and outreach.

Robust Federal oversight, monitoring and technical assistance are essential to the identification, prevention and resolution of problems needed to maintain the high levels of program integrity and fiscal stewardship that are essential in preserving the public's confidence and support for the nutrition assistance programs. FNS' administrative expenses from all sources represent about two-tenths of 1 percent of the total program dollars for which we have responsibility. This modest \$2.5 million increase is an investment that will allow us to continue effective stewardship of \$115 billion in nutrition program resources.

Finally, the request for NPA includes \$2 million for the Congressional Hunger Center, the same as in FY 2012, to ensure it can continue its important work.

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.