

FOOD, NUTRITION, AND CONSUMER SERVICES

**Statement of Kevin Concannon, Under Secretary for
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 the opportunity to present the Administration's fiscal year 2013 budget request for USDA's Food, Nutrition, and Consumer Services (FNCS). Joining me is Audrey Rowe, the Administrator of the Food and Nutrition Service (FNS). Administrator Rowe has years of public and private sector experience in FNS program policy, design and financial management issues. Also here today is Dr. Rajen Anand, who has served in multiple Administrations as the Executive Director of the Center for Nutrition Policy and Promotion. Their testimony provides more detail on the request for each agency.

The nutrition assistance programs remain critically important to millions of low-income Americans. There have been hopeful signs recently that the worst of the economic downturn may be over. Unemployment has declined for five straight months, and jobs are growing even in the manufacturing sector. Nonetheless, we have a long way to go to reach full recovery from the economic dislocation of recent years. Programs like the Supplemental Nutrition Assistance Program (SNAP), the school meals programs, and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) improve nutritional intake while they continue to play an essential role in bridging the gap for families in need while the economy recovers, and preventing hunger or extreme hardship. Our budget fulfills the longstanding bipartisan commitment of the past several Administrations and Congress in providing the funding

necessary to fully support participation in these programs for all eligible people who wish to participate. In addition, the budget makes targeted investments to:

- Maintain FNS' long standing emphasis on program integrity and payment accuracy.
- Improve school food equipment so that schools are better positioned to improve food safety, serve healthier meals, reduce costs by improving energy efficiency, and establish or expand breakfast programs;
- Support States' efforts to modernize technology and build the foundation for WIC EBT;
- Support and promote breastfeeding through WIC; and
- Support community efforts to combat hunger.

It is also important to note that our budget reflects tremendously low overhead costs for the administration of the major nutrition assistance programs. Indeed, Federal funding for administrative costs accounts for about nine percent of Federal spending for WIC, about four percent for SNAP and less than three percent for school meals. This positive aspect of our programs was recently confirmed in a report by the independent, nonpartisan Center on Budget and Policy Priorities.

We meet at a time of scarce resources, with agencies across the Federal government facing significant reductions in their operating budgets. Secretary Vilsack recently led a Department-wide review of operations which resulted in the Blueprint for Stronger Service, a plan to reduce costs, increase administrative efficiency and optimize the use of our employees. The Blueprint includes plans to reduce supplies, travel and printing costs, and to close more than 250 offices over the next several months – including 31 at FNS. We have a long history of managing decreased administrative resources through reengineering and process improvements, because we know that if we do not manage our resource challenges, they will manage us.

Ensuring Effective Stewardship of Federal Resources

With this budget request, we are asking the Nation to entrust us with over \$115 billion of the taxpayers' money. We are keenly 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. Without that commitment, we risk undermining public confidence in the value of the nutrition assistance programs and jeopardize their continued existence as we know them. For that reason, fighting waste, fraud and abuse is fundamental to the mission of these vital programs.

We have seen steady improvements in these efforts. In SNAP, the largest nutrition assistance program, over the past decade, the accuracy of eligibility and benefit determination steadily improved. In 2010, SNAP achieved its lowest ever combined (both under and over issuances) payment error rate, 3.81 percent, less than half the rate from 10 years ago when it was 8.91 percent. This lower error rate reduced improper payments by \$3.3 billion in 2010 as compared to the higher rate. But we are not satisfied with this positive trend. Our budget requests additional resources for integrity-focused activities and related information technology systems. USDA will continue to work with our partners, the State agencies who administer the program, to achieve further improvements.

We have also kept a strong focus on reducing the prevalence of trafficking -- the illegal selling of SNAP benefits for cash. Over the last 15 years, we succeeded in reducing trafficking from 4 percent down to its current level of 1 percent. But we are mindful that any level of fraud can undermine the program, so we simply do not tolerate it. Over the last decade, more than 8,300 retail stores were permanently disqualified due to trafficking. Further improvements, building on authority in the 2008 Farm Bill, are underway, including prohibitions on dumping

liquids purchased with SNAP to get container deposits and on selling food purchased with SNAP benefits. We are further upgrading our Anti-fraud Locator Using Electronic Benefit Transfer Retailer Transactions (ALERT) system, to stay in step with state-of-the-art technology that helps us detect suspicious SNAP redemption activity across the country. And we will propose tougher financial penalties for violating retailers this year to further discourage store owners who may be thinking about making a quick buck at the taxpayers' expense.

USDA works through our State partners to investigate recipient fraud and hold bad actors accountable. Recipients who purposely commit fraud to get benefits can be disqualified, fined and criminally prosecuted. In fiscal year 2010, States disqualified almost 45,000 individuals. And USDA recently issued new policy to clarify that the *intent* to sell benefits, for example, by offering a SNAP card for sale on Craigslist, can lead to disqualification from the Program. We have also issued guidance to encourage States to use USDA data regarding disqualified retailers for further investigation of client households suspected of trafficking at those same retailers. We have recently reminded States of the need to use data matching to ensure that benefits are not issued inappropriately.

Administrator Rowe will describe in more detail the range of new actions we've undertaken in fighting SNAP fraud over the past year. Let me leave these topics by observing that fraud is neither a new nor a static concept. While the vast majority of SNAP retailers and participants abide by the rules, we know that where there is a will to commit malfeasance, bad actors will try to find new ways to exploit the program. As in cybersecurity, we must remain constantly vigilant and continuously update our systems to identify and thwart new fraud efforts. The Department will continue to make improvements that keep us ahead of the curve and protect

taxpayers' investment in this critical lifeline. We will continue to crack down on individuals who violate the program and misuse taxpayer dollars.

With regard to the school meals programs, we know that accountability challenges remain. There are additional tools and strategies that we are bringing to bear to promote accuracy and prevent program abuse without compromising access for those in need or overburdening local schools that operate the program. We have recently clarified and broadened the application of program policy on how local schools can take action to verify incomes for school meals applicants that appear to be potentially ineligible. We continue to promote direct certification, which allows schools to provide free meals to children participating in SNAP and other mean-tested programs without an additional application. This eases access for eligible families while reducing paperwork for schools, and errors that can result. The bipartisan Healthy, Hunger-Free Kids Act of 2010 provides innovative ways to expand direct certification and incentives for States to improve performance.

The Role and Importance of SNAP

Part and parcel to maintaining the confidence of the American people is making sure we are vigilant in correcting the record and laying out the facts about who our programs serve. It is no secret that SNAP has experienced significant growth over the last ten years. Some have suggested in recent months that eligibility requirements have been relaxed or eliminated in favor of an "anything goes" policy that allows wealthy people to take advantage of the program. This is not correct. While eligibility has expanded to some degree over the past decade, most notably through bipartisan congressional action, the program maintains and enforces national standards for eligibility and benefits. The growth that we have seen in recent years reflects both the expansion of the population in need and our increasing success in reaching higher proportions of

those in need, Americans that are eligible for the program by virtue of their low incomes.

Increased costs also reflect the fact that the poor not only grew in number, but got poorer, with the proportion of households receiving the maximum benefit level – because their income was particularly low – nearly doubling between 2001 and 2010, to 40 percent.

Fortunately, the program is designed not only to expand to meet such increased needs as they emerge, but also to contract as circumstances improve. Our budget projects that starting next year the number of participants in SNAP will decline with each passing year, with an estimated quarter of a million fewer participants in fiscal year 2013. This is exactly the way the program is designed to work. As the economy continues to grow and create jobs, the number of families who need nutrition assistance will fall.

In addition to questions about the growth in the program, others have leveled more indirect claims that SNAP is being managed by USDA, and used by clients, as an attractive alternative to a paying job. Let me say that the circumstances of clients tell a very different story. The majority are, in fact, children and elderly people. And one of the most important changes among SNAP clients over the last 20 years is a fundamental shift in income from welfare to work. In 1990, 42 percent of all SNAP households received cash welfare benefits and only 19 percent had earnings. In 2010, only 8 percent received cash welfare, while 30 percent had earnings, and about 40 percent of all SNAP clients lived in households with earnings. Just a quarter of SNAP participants are adults who are not already working, disabled, or responsible for pre-school-aged children. That said, for too many Americans, jobs are still not available. Many participants have never enrolled in the program before, and never expected to face circumstances that would make SNAP necessary for them. What I have *not* seen is recipients joining in order to avoid work, or as an alternative to a job. Rather, clients have recognized the importance of

SNAP in meeting their families' basic nutritional needs until work was available. Let me offer as an example a recent letter that Iowa's SNAP agency received from a client – the kind of success story that the program is designed to foster:

Dear Iowa Department of Human Services: I was awarded food assistance in the amount of \$200.00 per month due to the loss of my job I have accepted a position [, and] I will no longer be in need of food assistance...I will not need benefits again in the foreseeable future... This program is invaluable to those that truly need help during hard times. I cannot express my thanks in words... I used to be very critical of social assistance programs such as this... But this experience has taught me that everyone needs help at some points during their lifetime, and I hope this will be the only time during my life that I require such assistance. Your program is a very valuable part of our social structure, and I encourage you to continue helping those in need.

There is little I can add to the eloquence of this statement in underscoring the value and importance of SNAP for millions of Americans. With regard to the Department's position, the Secretary has shared his commitment to President Obama's vision for an economy that builds, creates and innovates. And I not only agree but confirm without hesitation that nothing makes us happier than for clients to be able to leave the program because they have secured good paying jobs. But until such opportunities are available for all who need them, we must make the program available to the eligible people who rely on it while they get back on their feet – a critical support in a nation where everyone gets a fair shot at success.

Improving Nutrition and Health

USDA's budget request for nutrition assistance programs is intended not only to support providing food to those who need it, but also promoting better diets and long-term health. Our key priority in this area is implementation of the historic Healthy, Hunger-Free Kids Act of 2010, which reauthorized and improved USDA's major child nutrition programs. Timely implementation is part of ensuring that all children have the nutrition they need to learn, to grow, and to pursue their dreams, and advancing our goal to end the epidemic of childhood obesity within a generation.

The Department is working closely with State agencies and local program operators to move swiftly to make these reforms a reality across the country. In January, the First Lady and Secretary Vilsack announced the new school meal standards, which were largely based on recommendations from nutrition experts at the Institute of Medicine. The final standards do what is right for children's health in a way that is responsible and achievable in schools across the nation. They seek to make the same kind of changes many parents are already trying to teach their children at home, such as substantially increasing offerings of fruits, vegetables, and whole grains; reducing saturated fat, trans fats and sodium; and setting sensible calorie limits based on the age of children served. In return for meeting these higher standards, they will receive increased Federal meal reimbursements – the first real increase in over 30 years.

The Healthy, Hunger-Free Kids Act of 2010 makes a wide range of historic changes to the school nutrition environment. It supports community efforts to establish local farm to school networks, create school gardens, and source more local foods into their cafeterias. It strengthens local school wellness policies, the foundation for a healthier school environment, while still permitting local flexibility to tailor policies to their particular needs. And soon USDA will bring

healthy choices beyond the lunch line for all foods sold in school – including vending machines and the *a la carte* line – so that we make the healthy choice the easy choice.

The nation's nutrition objectives are also the central mission of the Center for Nutrition Policy and Promotion. Its work not only supports the nutrition assistance programs but also addresses the need to improve the diets of all Americans. Last June, the Center released *MyPlate*, the widely-acclaimed successor to the *MyPyramid* food guidance system. *MyPlate* is a new generation icon designed to prompt consumers to think about building a healthy plate at meal times, and to seek more information to support that effort through ChooseMyPlate.gov. The new icon is supported by a comprehensive communications plan that engages hundreds of public and private sector partners and focuses on transmitting Dietary Guidelines messages to consumers wherever they make food decisions. Reaction to *MyPlate* from educators, media, advocates, food producers and growers, and consumers alike has been extremely positive; it is in high demand from educators around the country. The Center expanded its reach with the release of the Spanish-language *MiPlato* as part of a suite of tools for the Hispanic community to stay healthy, active and fit, and recently launched the SuperTracker, which offers consumers access to customized nutrition information based on their food intakes. Since its release in late December, 6,000 to 10,000 new users have registered with the SuperTracker.

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

Supplemental Nutrition Assistance Program (SNAP)

The President's Budget requests almost \$82 billion for SNAP, enough to serve an average of 46.9 million people each month in fiscal year 2013 – a decrease from the number of participants estimated for fiscal year 2012. We've also included a proposal in this year's budget that builds on our current program integrity efforts to prohibit 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.

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 \$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 institutions, and summer recreation programs. The request includes \$35 million to provide school meals equipment grants to school districts to purchase the equipment needed to serve healthier meals, improve food safety, expand access, and reduce costs by improving energy efficiency. These equipment grants would 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.

WIC

The President's Budget includes over \$7.0 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 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. Recognizing the established benefits of breastfeeding for both mothers and infants, the budget sustains the investment in breastfeeding peer counseling at \$60 million.

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.

In closing, let me say that the 2013 Budget reflects the critical role of nutrition assistance in promoting the nutrition and health of our people as we continue on the path to economic recovery. It makes the right investments for the programs to meet their missions effectively, while avoiding waste and sustaining a focus on integrity. Thank you and I would be happy to take your questions.