

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 2015 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).

I'm pleased to join you at a time when the economy is recovering to the benefit of more and more Americans. The official unemployment rate has been at 7.5 percent or below for the past twelve months, and has been under seven percent since December. It also appears that these economic improvements are helping to slow and indeed reverse the trend of rising participation in the Supplemental Nutrition Assistance Program. Data from December 2013 shows that that the SNAP rolls were lower in more than 80 percent of the States and Territories that operate the program as compared to September 2013. The Federal nutrition assistance programs have helped millions of Americans meet their nutritional needs during tough economic times. While the economic recovery has not yet reached every American, there are encouraging signs.

I am also mindful that we are meeting during the fiftieth anniversary year of the War on Poverty. As you know, President Johnson worked together with the Congress to launch a range of strong safety net programs that remain an important part of our country's social compact. It is important to remember that the establishment and sustenance of the Federal nutrition assistance programs represents bipartisan effort. It was President Nixon who convened the 1969 White House Conference on Hunger, and established the Food and Nutrition Service at USDA.

Senators Robert Dole and George McGovern, along with others from both parties, fought for the expansion of the food stamp and WIC programs in the 1970's. And the commitment to these programs has endured and grown under bipartisan leadership from both ends of Pennsylvania Avenue, as is evident in the passage of the Agricultural Act of 2014 (2014 Farm Bill).

We're making good progress on the economic front, but despite the many people who have benefited from the recovery, there remain millions of American families in need. The nutrition assistance programs remain vitally important to help these struggling families put food on the table, and the President's 2015 budget request fully supports the ability of the major programs to meet anticipated needs.

Let us pause and look at the accomplishments of the nutrition assistance programs. The evidence is clear that:

- SNAP lifts millions of people out of poverty. The cornerstone of the nutrition safety net, SNAP kept 4.7 million Americans – including 2.2 million children – out of poverty, according to the Census Bureau. The Supplemental Poverty Measure, based on recommendations from the National Academy of Sciences, includes SNAP and other benefits in income, and shows that SNAP reduced child poverty by 3 percentage points in 2012—the largest child poverty impact of any safety net program other than refundable tax credits. SNAP administrative data suggests that its anti-poverty effect is even greater.
- SNAP is effective in its mission to mitigate the effects of poverty on food insecurity. A recent USDA study found that participating in SNAP for six months is associated with a significant decrease in food insecurity.
- SNAP supports work. Today, half of SNAP households that contain children have earnings. This includes 41 percent of female-headed, single-parent households, and 70 percent of married-couple households receiving SNAP. This reflects a dramatic transformation over the past 20 years. In 1992, 40 percent of all SNAP households received cash welfare and only 20 percent had earnings. In 2012, only seven percent received cash welfare, while 31 percent

had earnings. As most of you are aware, SNAP requires able-bodied adults to register for work, allows a deduction for earned income so that households are financially better off if they secure employment, and provides employment and training services to help participants prepare for and get jobs. In addition, a 2013 National Bureau of Economic Research report found that access to SNAP in early childhood led to an increase in economic self-sufficiency among adult women. The recently-enacted 2014 Farm Bill also provided additional funding to test new employment and training strategies in up to 10 States, to further improve outcomes for SNAP households.

- School meals give children the nutrition they need to develop and grow. The vast majority of children eating school lunches and breakfasts are receiving meals that meet or exceed the dietary standards for fat, cholesterol, protein, vitamins A and C, calcium, and iron. Lunches consumed by program participants are more nutrient-dense than those consumed by nonparticipating children, and school lunch participants have higher intakes of milk, meat, and beans. Among low-income children, school lunch participants have higher levels of fruit consumption. The presence of a School Breakfast Program means that low-income students are more likely to start their school day with a substantial breakfast, ready to learn. I am pleased to report that the average number of students eating a school breakfast each day has increased by almost 25 percent, from 10.6 million in 2008 to 13.2 million in 2013.
- Participation in WIC leads to better pregnancy outcomes—fewer infant deaths, fewer premature births, and increased birth weights—and saves money. Infants born to women who received 5 – 7 months of postpartum benefits had higher average birthweights and birthlengths, and were at lower risk for maternal obesity and had higher average hemoglobin levels. A recent CDC study found that obesity rates among low-income U.S. preschool children had stabilized or improved in a number of States, suggesting that recent changes to the WIC food packages may have contributed to this positive trend. With the recent publication of the final rule implementing the science based changes to the WIC food packages, we can expect this vital program will continue to contribute to the health of infants and pregnant women.

- USDA Foods make positive contributions to the diets of program participants. The Department has significantly improved the nutrition profile of its USDA Foods by reducing sodium, fat, and added sugars across a range of products, increasing the variety of fruits and vegetables available, and offering only whole grain options to help schools meet the meal pattern requirements in School Year (SY) 2014-15.

These are important results that Congress and the executive branch have achieved together. I am committed to building on them with ongoing initiatives to integrate science and evidence-based improvements into all programs for which I am responsible. I am further committed to making continued improvements in the integrity of these programs – one of my, and the Department’s, most important responsibilities.

As I have testified to previously before Congress, Americans expect and fundamentally deserve a government that ensures that the tremendous public investment in nutrition assistance is managed wisely. We must earn and maintain the public’s trust through the proper administration of these programs—including accurate payments and appropriate use of benefits. Without that, we risk undermining public confidence, and threaten the programs’ very survival. Our 2015 budget request includes additional investments to improve integrity, especially in SNAP, the largest program. Administrator Rowe will speak to you in more detail on this request. I would like to touch briefly on some of the ongoing efforts we are making to improve integrity.

Maintaining payment accuracy is a nationwide commitment between USDA and our State partners and supports President Obama’s Executive Order to reduce improper payments. To find payment errors in SNAP – which can result from administrative mistakes or intentional violations – the Department uses a rigorous quality control process to determine if households are getting the right amount of benefits. If not, States must recover over-issued benefits and provide under issued benefits. In 2012, we achieved the highest payment accuracy rate in the program’s history - 96.58 percent. The SNAP rate is among the best in the Federal government. That said, we are working to do even better. That is the kind of government the American taxpayer deserves.

With regard to trafficking – the sale of SNAP benefits for cash – we are actively investigating and punishing this illegal activity. The penalties for trafficking are severe, ranging from program disqualification and monetary fines, to criminal prosecution. Over the last 15 years, FNS has implemented measures to reduce trafficking dramatically, from an estimated four percent down to about 1.3 percent currently. And new rules now being finalized at USDA will stiffen penalties so that the fine is truly reflective of the harm done. We hope this serves as a disincentive for retailers who may be thinking about trying to make a quick buck off the program.

We are also working closely with our State partners to fight SNAP recipient fraud. Recipients who commit fraud are subject to disqualification and repayment of any benefits. In fiscal year 2012, States conducted nearly 730,000 investigations, disqualified over 42,000 individuals, and collected over \$72 million in fraud claims from households. Since 1992, the Federal government has collected more than \$1.3 billion in delinquent SNAP recipient claims. But we know this is not enough. Technology has a way of creating new loopholes that were never envisioned at the time the program was created, and government has to adapt to these new challenges in order to make sure that the public investment in SNAP is protected. This year, our joint SNAP initiative with Inspector General Fong’s team is drawing on our respective offices and the strengths and responsibilities of Federal, State and local law enforcement partners to identify and prosecute SNAP fraud, and to prevent it in the first place, among both retailers and recipients.

Congress recently passed the Agricultural Act of 2014, which preserves the fundamental structure of the nutrition assistance programs while also making some needed improvements and reforms. This includes substantial investments in innovative projects to improve the ability of the programs to promote healthful choices, to improve efficiency and integrity, and to test best practices to help SNAP participants work and increase their income. It also includes a significant increase (\$125 million) over the next 5 years in funding for TEFAP food purchases, a program which provides the network of food banks with food to distribute to local organizations, such as soup kitchens and food pantries that directly serve low-income households. As you

know, prompt and robust implementation of the Act is a top Departmental priority, and we are working energetically with our State partners to implement the provisions of Title IV as quickly as possible.

Let me turn my attention as well to the school meals programs. We continue to implement historic changes to the Child Nutrition programs that were enacted through the Healthy, Hunger-Free Kids Act of 2010. The latest data shows that a year after implementation, almost 90 percent of lunches have been certified as meeting the updated, science-based meal standards, allowing schools that serve them to receive six cents in additional reimbursement. This means that the great majority of students who participate are being served lunches with more whole grains, fruits and vegetables, and low fat milk, with reductions in the amounts of sodium, *trans* fats, and calories. In addition, a recent study offers evidence that the updated meal patterns are having positive impacts on fruit and vegetable consumption, and are not resulting in greater plate waste.

We remain committed to reducing improper payments in the school meals programs. Roughly half of the payment errors in these programs result from problems with certifying children for the correct level of benefits, and half result from problems in making appropriate claims for the number and type of meals that earn reimbursement. We know there are no simple solutions to these problems, as we must not compromise access for low-income families or unduly increase the burden on schools. FNS has been working to reduce school meals improper payments for several years, and the Healthy, Hunger-Free Kids Act of 2010 provided new tools in this effort. These include:

- Improving application-based eligibility determinations by clarifying school districts' ability to verify applications "for cause" and require high-risk school districts to conduct a second review of applications for accuracy, prior to providing free or reduced price benefits.
- Supporting improved direct certification with State continuous improvement plans and other strategies, resulting in a substantial improvement in the rate of children directly certified. In

SY 2012-13, 89 percent of children receiving SNAP were directly certified for free school meals, up from 69 percent in SY 2007-08.

- Improving oversight of school districts by implementing a 3-year review cycle (instead of 5-year), and revamping the State administrative review process to develop a streamlined and, unified process for conducting reviews.
- Providing funding to support improved oversight and data analysis through annual grants to States for administrative reviews and training.

Several additional actions that will support improved program integrity are underway, including a proposed rule that provides States the authority to impose fines for egregious or ongoing program compliance issues. We expect the proposed rule to be published later in 2014. And we will have a new assessment of improper payments—our first since SY 2006—in late 2014.

With the funding provided by this Committee, we are creating a specific federal integrity unit focused on improving the Federal oversight of the WIC program and the development of analytic tools to deploy in the oversight of vendor activities.

I truly believe Americans support putting healthy food on the table for struggling individuals and families – but they also want to know taxpayer funds are being used wisely. That’s why we will continue to confront error and abuse head-on to make sure the programs will continue to be there for those who truly need them. The taxpayers that make the program possible deserve nothing less than that kind of steadfast commitment.

As I noted previously, Administrator Rowe’s testimony describes the details of our budget request in more detail. But I’d like in closing to note a few items of particular interest:

- Our 2015 budget request makes a substantial new investment in SNAP integrity to build on the significant progress we have made. We are requesting an increase of \$9 million which

would allow FNS to expand monitoring and investigations of the growing population of SNAP retailers to achieve even greater gains as a result of the recent reengineering of the retailer authorization and oversight process, and to maximize its investments in technology and enhanced policies associated with retailer integrity. We are also requesting \$3 million to increase the depth and frequency of management reviews of State SNAP administration.

- We propose to extend and expand the Summer EBT for Children projects with an additional \$30 million investment. The summer EBT pilots funded by this Committee in 2010 have proven successful in reducing food insecurity and improving nutrition among participating children during the summer, and the budget proposes to build on that success.
- We are seeking additional support for schools as they work to implement improved meals. The request 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.
- We propose additional resources to advance the use of up-to-date technology and business processes in WIC. The request includes \$30 million to continue the work with State agencies, food retail vendors and the payments industry to implement WIC EBT nationwide by 2020.
- And we propose an additional \$2 million to promote the Dietary Guidelines and *MyPlate*, and to develop Federal dietary guidance for Americans from birth to two years old.

I appreciate the opportunity to appear before you today, and I look forward to any questions.