

**TESTIMONY OF
KATE COLER
DEPUTY UNDER SECRETARY
FOOD, NUTRITION, AND CONSUMER SERVICES
UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT
GOVERNMENT INFORMATION AND INTERNATIONAL SECURITY
COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**

UNITED STATES SENATE

JULY 12, 2005

Good afternoon, Mr. Chairman and Members of the Committee. I am Kate Coler, Deputy Under Secretary for Food, Nutrition, and Consumer Services (FNCS) at the United States Department of Agriculture (USDA). I am pleased to be here to describe to you how our hard work at USDA has significantly lowered the error rate of the Food Stamp Program (FSP) over the last five years. I believe our efforts will assist you in your oversight examination of the Improper Payments Information Act of 2002.

To begin, I would like to share some thoughts about the Food Stamp Program and the people it serves. The FSP ensures access to a nutritious, healthful diet for households through nutrition assistance and nutrition education. This access provides the opportunity for low-income recipients to consume a diet consistent with the Dietary Guidelines for Americans. It enables low-income households to obtain a more nutritious diet by issuing monthly allotments of benefits redeemable for food at authorized retail stores.

Eligibility and allotment amounts are based on household size, income, and expenses; eligibility is also based on assets, citizenship or legal immigration status, work requirements, and other factors. Benefit levels are based on the cost of the Thrifty Food Plan. The Federal Government pays the full cost of benefits -- \$24.6 billion for FY 2004 -- and funds approximately half of the expenses incurred by the States to administer the program.

Today's hearing focuses upon how important it is to make sure those benefits are accurately targeted and delivered in the correct amount. The Office of Management and Budget completed a Program Assessment Rating Tool (PART) review of the Food Stamp Program in 2003. The review showed that food stamp benefits are well targeted to low-income beneficiaries, and are virtually always spent for their intended purpose. The program achieves its annual performance goals to reduce payment error while still keeping the program accessible to eligible people.

Also, in May of this year, the Government Accountability Office issued a report on error reduction efforts in the Food Stamp Program. This report noted the significant recent decline in error rates and suggests that continued attention from top USDA management and on-going efforts by the Food and Nutrition Service will "...likely continue to be important factors in further reductions."

Who are the beneficiaries of the Food Stamp Program? USDA's most recent survey of food stamp household characteristics, conducted during 2003, indicates that nearly 60 percent of all participants are children (under 18 years of age) or elderly (age 60 or older). Nine out of ten households have income below the poverty level; more than one-third of all food stamp households have income at or below 50 percent of poverty. Eleven percent of food stamp households have no countable income of any kind. The proportion of households with earnings reached an all time high in 2003 while the proportion of households with public assistance income reached an all time low.

There has been an increase in participation in the Food Stamp Program over the last four years. This increase is the result of multiple factors including:

- Policy changes that simplified and streamlined the process of applying for benefits;
- Restoration of benefits for certain legal immigrants;
- Grants to States and non-profit organizations, including faith-based and community organizations, to improve access and provide outreach to those who are eligible, but not currently participating;
- Education efforts to help those who are eligible for the program know about the benefits so that they can make an informed choice about participating in this critical nutrition program that helps families put healthy food on their tables; and,
- The economy.

The first four factors I mentioned came in large part as provisions in the 2002 Farm Bill and were championed by President Bush as a part of his priority to ensure access to food stamp benefits for those who are eligible for the Program

However, increasing caseloads can make it quite challenging for State agencies to calculate eligibility with accuracy. And yet, I am proud to report that States are doing a better job than ever accurately determining benefits.

Three weeks ago, on June 24, Agriculture Secretary Mike Johanns announced that the Food Stamp Program has achieved an historic 94.12 percent overall payment accuracy rate—the best performance since the inception of the program and a 34 percent improvement from just five years ago. The result of the combined error rate reduction from FY 2000 to FY 2004 is an aggregate decrease in erroneous benefits of nearly \$1.4 billion. This improvement in payment accuracy is a result of strong partnerships with States administering the program as well as implementation of program simplifications and policy options provided in the 2002 Farm Bill.

The Farm Bill has enabled States to better simplify shelter cost deductions and reporting requirements, align food stamp income and resource policy with State TANF and/or Medicaid programs, implement a transitional benefits alternative, and employ other new program simplifications and options to streamline eligibility determinations and reduce errors.

On June 24, Secretary Johanns awarded \$30 million to 16 States for exemplary administration of the Food Stamp Program in FY 2004. The seven States with the best payment accuracy rates and the three States with the most improved payment accuracy rates will divide \$24 million. An additional \$6 million will be divided between the four States with the lowest negative error rates

and the two States with the most improved negative error rates. Negative error rates measure whether States correctly deny, suspend, or terminate benefits.

As noted in the FY 2004 Performance and Accountability Report, the food stamp error rate is developed from a long-standing program integrity process called Quality Control (QC), a system mandated by the Food Stamp Act to ensure program integrity. Each State selects and reviews a statistical sample of its participating food stamp households each year and reports the findings to FNS, where the findings are validated. The results are used to calculate a final error rate for each State agency and weighted to determine a national average combined error rate for the Food Stamp Program. Erroneous payments are at a record low—less than 4.5 percent overissued and less than 1.5 underissued—for a combined total of 5.88 percent. We regard both kinds of error—overissued or underissued—as equally important. It is critical that payments are correct and that those who are eligible for the benefits receive the proper amount—not too much, and certainly not too little. It is important to note in this discussion that 98% of the Food Stamp recipients are eligible for some benefit—the key is in getting the amount right.

State agencies are required to do corrective action planning whenever their payment error rate is six percent or greater. Current FSP regulations provide that corrective action planning shall also be done by a State agency when the State agency's negative case error rate exceeds one percent. Corrective action planning is also required based on the results of reviews, audits or investigations; when 5 percent or more of the QC sample being coded is incomplete; or when deficiencies that result in negative actions against households are caused by State agency rules, practices, or procedures.

The Food and Nutrition Service regional offices work directly with States to assist them in developing effective corrective action strategies to reduce payment errors and assure accurate negative case decisions. Regional offices provide technical assistance to States in data analysis, policy interpretation, training, development and monitoring of corrective action strategies, facilitating the information exchange with and among States through annual payment accuracy conferences, State exchange funding, and specific error reduction funds.

Additionally, FNS has and will continue to enter into QC settlement agreements that require poor performing States subject to QC liabilities to undertake targeted error reduction actions and to commit to specific improvement goals. FNS also focuses efforts on States with high issuance volume and high payment error rates. This ensures that special attention and technical assistance are available to States that have a significant impact on the national payment error rate.

The Food Stamp Program also has systems in place to recover erroneously issued benefits from food stamp recipients. Claims are established by State agencies against households who have received more food stamp benefits than they should have. A little over 12 years ago, FNS approached its State agencies and encouraged them to participate in TOP—the Treasury Offset Program. TOP offers a way to recover food stamp overissuances by reducing a delinquent food stamp debtor's income tax refund or other Federal payments. That partnership grew, and as a result, we have collected more than \$800 million in delinquent food stamp recipient claims.

All of these activities have proved to be very cost efficient and effective toward protecting the integrity of Federal dollars issued in the form of food stamp benefits.

Mr. Chairman, our Department is very proud of the progress we have made in ensuring that food stamp benefits provide nutrition assistance and are well targeted and efficiently and accurately delivered to the nation's needy families. I would like to point out at this time that the 2002 Farm Bill did make changes that could affect USDA's ability to ensure continued improvement in payment accuracy. Those changes reduced the penalties associated with payment errors and the incentives provided to States who excel in payment accuracy. We continue to work with States to ensure that these changes do not affect our mutual commitment to reducing improper payments in the Food Stamp Program.

With that in mind, we continue to seek opportunities and strategies that result in improved Program administration. For example, recent USDA efforts relating to program integrity in the Food Stamp Program include:

- Maintaining a National Payment Accuracy Work Group comprised of program experts from around the nation to ensure continued error reduction through increased monitoring and analysis of error rate data, improvements in State corrective actions, and increased technical assistance to States;
- Providing direct technical assistance to State agency personnel;
- Cosponsoring and participating in Regional and State conferences that address payment accuracy;
- Publishing and disseminating information on payment accuracy "best practices;"
- Structuring settlement agreements for poor performing States that include new investment of portions of the liability amount in activities specifically aimed at error reduction; and
- Managing a State Exchange Program that enables States to interact with and review successful error reduction strategies employed by other States.

Sharing "best practices" and information is critical to the future of our programs. But I would be remiss if I did not mention one of the key aspects to payment accuracy—leadership. This Administration has been clear in its expectations of States to properly administer government programs. That message has clearly been articulated from the Secretary and the Under Secretary to the States. The States have, in turn, taken greater ownership of the responsibility for improving payment accuracy in the Food Stamp Program. The partnership between the Food and Nutrition Service's Food Stamp Program and the State Administrators is critical to our continued success.

Finally, the Department will be holding listening sessions, beginning this summer, to gather public input on ways to further improve the Food Stamp Program in preparation for the 2007 Farm Bill. We are committed to maintaining public confidence in our nutrition assistance programs by ensuring that Federal dollars are used for the purpose for which they were intended.

Mr. Chairman, this concludes my remarks. I would be happy to answer any questions at this time.