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Before the House Sub-Committee on Nutrition and Horticulture

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Madam Chairwoman, Ranking Member Baca, and Members of the Committee, thank you for the opportunity to be here today to discuss the United States Department of Agriculture's (USDA) nutrition programs and the progress we have made since enactment of the Food, Conservation and Energy Act of 2008 – the 2008 Farm Bill.

I want to begin by commending the Committee for its hard work in crafting the 2008 farm bill. I understand that this Committee had to go through a lot of hard-fought battles and make some really tough decisions, and the end result was a strong, bipartisan piece of legislation that passed by overwhelmingly large margins in both the House and Senate. We understand how hard it was to accomplish that task, and the Food and Nutrition Service at USDA is strongly committed to ensuring that the legislation is administered in accordance with the intent and vision of Congress.

I also want to express my appreciation for the bipartisan approach that this Committee has taken over the years when it comes to supporting USDA nutrition assistance programs. No matter which party holds the gavel, there has always been a shared commitment to working across the aisle and with the Administration to ensure that these programs are successful.

The goal of ensuring success in the programs under your jurisdiction is at the heart of the 5-year reauthorization cycle for farm bill programs, which offers Congress and the Administration a great opportunity to take stock of where we are at today, what we did in the last farm bill, and what we need to do in this farm bill to get where we need to be. Like you all, we in the Administration appreciate very much the political and budgetary climate in which we find ourselves as the reauthorization process gears up. Federal programs are under heightened scrutiny right now. Members of Congress, the public, and this Administration all want to know that scarce resources are being used wisely.

I understand that context as the Administrator of the Food and Nutrition Service, where I am responsible for the operations of the Federal nutrition assistance programs. I bring with me over 20 years of experience in both State government and the private sector working in human services policy development, fiscal management, program design, service delivery and marketing with a particular focus on vulnerable populations, low income women, children and youth. That background inevitably shapes and guides my thinking about administering USDA nutrition programs, which work both individually and in concert with one another to reduce and prevent hunger and improve the diets of children and low-income households. While about 1 in 4 Americans currently participate in Federal nutrition programs over the course of a year, these programs are a critical safety net for every American, designed to ensure that, whatever other challenges they face due to economic disruption, natural disaster, or personal challenges such as disease and disability, they need not experience food insecurity and hunger.

We see the vital importance of these programs today. Even as signs emerge that the economy is beginning to recover, families across the country continue to struggle with the aftermath of three years of recession. The unemployment rate is down substantially from the recent peak of 10.1 percent in since October 2009, but remained unacceptably high at 9.2 percent as of June. Census Bureau figures shows that the poverty rate in 2009 was 14.3 percent, the highest rate since 1994. There were 43.6 million people in poverty in 2009 – the largest number in the 51 years for which poverty estimates are available.

And demand for the nutrition assistance programs remains extremely high. In April 2011, 44.6 million people received SNAP benefits. Participation in the school meals programs remains at near-record levels, with about 32 million children receiving a meal through the school lunch program on an average school day, and two out of three served free or at reduced price.

Who are today's nutrition assistance clients? The answer may surprise you. In SNAP, about half of all clients are children, and about three-quarters of benefits go to households with at least one child. Nearly one-third of participants are in households that include elderly people or people with disabilities. And the SNAP clientele has undergone a major shift in its focus from welfare to work over time. Many are hardworking families who may be facing furloughs or underemployment in these difficult times. All need assistance with money for food until they can get back on their feet.

These sobering statistics underscore the fact that the nutrition assistance programs have never been more important to our Nation. Title IV of the 2008 Farm Bill resulted in changes that

improved access and accountability in many of these programs, including the Supplemental Nutrition Assistance Program (SNAP), the Fresh Fruit and Vegetable Program (FFVP), Food Distribution Program on Indian Reservations (FDPIR), the Commodity Supplemental Food Program (CSFP), the Emergency Food Assistance Program (TEFAP), and the Senior Farmers Market Nutrition Program (SFMNP). In my statement I will describe our progress in implementing these changes as I review some of the key issues facing our programs today.

I also want to underscore at the outset my strong focus on proper management of resources – a fundamental strategy in ensuring both program access and integrity. Secretary Vilsack has charged all the USDA mission areas to ensure our services are accessible and properly administered; to work collaboratively with our partners; and to seek opportunities for efficiency and effectiveness in all our programs. Additionally, Undersecretary Concannon recently testified before the Senate that Americans deserve excellence from their government. That is not just a slogan. The leadership team at USDA Food, Nutrition and Consumer Services takes that charge seriously when it comes to effective accountability in the nutrition assistance programs. We are committed to a long-term, sustained effort, working closely with our program partners, and my team and I are seeking every opportunity to build on our successes with new strategies to tackle the challenges that remain. I believe that we can improve accountability without compromising service to those in need, and we look forward to working with you in this effort.

Supplemental Nutrition Assistance Program (SNAP)

Let me begin with SNAP – the largest and most widely used nutrition program authorized in the Farm Bill, the former Food Stamp Program, which received its new name as part of the 2008 Farm Bill, supplements the food purchasing power of low income individuals and families by providing an electronic debit card which is used at authorized stores. Benefits are 100 percent Federally-financed, while administrative costs are shared between Federal and State governments.

One of the most important aspects of SNAP is that it is structured to respond quickly to the needs of the hardest-hit households, based on national eligibility standards. Benefits flow into communities as economic conditions worsen, providing an economic boost even as they meet the nutrition needs of low-income people. Research shows that every \$5 in new SNAP benefits generates as much as \$9 in economic activity. Every time a family uses SNAP benefits to put food on the table, it benefits the store and the employees where the purchase was made, the truck driver who delivered the food, the warehouses that stored it, the plant that processed it, and the farmer who produced the food.

I raise this in part to underscore that while this flexible, responsive program structure leads the program to expand when need is greatest, it also causes program participation, and expenditures, to contract as conditions improve and needs lessen. We see this dynamic at work in SNAP. When the economy takes a downturn, more families struggle, and more families look to SNAP until they can get back on their feet. When that happens, the program responds to make sure that families do not go hungry. The opposite is also true though. As the economy

improves, and more Americans find jobs, fewer families need the program in the first place. When that happens, our investment tends to decrease. This efficient and effective aspect of SNAP is one of the keys to its success.

State agencies are responsible for the administration of the program according to national standards set by Federal law and regulations. Applicants must meet certain financial, non-financial and citizenship or immigration status requirements, including gross and net income tests, and resource limits. States have the flexibility to modify some of these requirements to align SNAP with their Temporary Assistance for Needy Families (TANF) policies. Forty-two State agencies have implemented an optional policy called broad-based categorical eligibility (BBCE), which allows States to utilize their TANF income and resource limits for their SNAP applicants, providing administrative simplification for States, and allowing the same gross income and resource policy to apply for both programs.

The SNAP eligibility and certification changes made in the 2008 Farm Bill were implemented quickly after passage starting on October 1, 2008 by all States via an implementation memorandum; a proposed rule which promulgates these provisions into regulation was published in the Federal Register in May, and the comment period closed July 5. A final rule is expected to be published by the end of this calendar year. These changes were important for program access and integrity.

With regard to work requirements, able-bodied adults without dependents (ABAWDs) between 18 and 50 who do not have any dependent children can get SNAP benefits only for 3

months in a 36-month period if they do not work or participate in a workfare or employment and training program other than job search. This requirement is waived in some locations in accordance with unemployment rates and job availability triggers determined by the Department of Labor. With some exceptions, all adults participating in SNAP between 16 and 60 must register for work, accept suitable employment, and take part in an employment and training program to which they are referred by the local office. Failure to comply with these requirements can result in disqualification from the program.

It is worth noting in this regard that a large proportion of SNAP households are working families. In fact, the primary source of income among SNAP participants has shifted from welfare to work over time. For these working poor households, SNAP provides an important resource to see them through tough economic times.

In cooperation with FNS, each State agency is responsible for monitoring and improving its administration of SNAP. As a part of this requirement, SNAP's Quality Control System is used to measure the accuracy of the States' certification process. The Quality Control system is part of a payment accuracy approach which uses bonuses and sanctions to encourage States to continuously improve performance. This approach has helped to deliver real results, and payment accuracy in SNAP is at an all-time high – over the last decade participation among eligibles has gone from 57% to 66%, while payment errors have gone from 8.91% to a record-low of 3.81%. Over 98 percent of those receiving SNAP benefits are eligible to receive benefits; the overall payment accuracy in FY 2010 was 96.19 percent. Payment error rates are less than half what they were ten years ago, which has reduced improper payments by \$3.3 billion. That

said, any error is too much, and for that reason we do not intend to rest on this success. The President's November 2009 Executive Order directed all agencies to further rein in improper payments while making sure that those eligible for government assistance continue to have access to these programs, and we are working with States to meet his ambitious goals for ongoing improvement.

SNAP Retailer Operations

Our program responsibilities do not end once the benefits have been issued; SNAP must also manage the program so that benefits are used effectively and with integrity. FNS authorizes retailers to accept and redeem SNAP benefits in accordance with federal statute and regulations, monitors them through ongoing systems analysis and undercover on-site investigations, and manages an administrative review of those firms that contest a disqualification or civil money penalty. Over 220,000 retailers are currently authorized to redeem SNAP benefits through electronic benefit transfer (EBT). EBT works like a debit transaction--SNAP participants scan their EBT card at the point of sale and the funds are deducted from the food account on the card. Eighty-three percent of all SNAP transactions happen at super markets, super stores, and large grocery stores, while the majority of the stores authorized are smaller stores.

FNS is also responsible for monitoring participating retailers for compliance with SNAP rules. The sale or purchase of SNAP benefits for cash is called trafficking, an illegal activity punishable by criminal prosecution. Over the last 15 years, FNS has aggressively implemented a number of measures to reduce the prevalence of trafficking in SNAP from about 4 percent down to its current level of about 1 percent. Despite this significant decline in trafficking USDA

continues to implement aggressive measures to improve program integrity and to detect and stop fraud. SNAP uses a fraud detection system, the Anti-Fraud Locator for Electronic Benefit Transfer Transactions (ALERT), to monitor electronic transaction activity and identify suspicious retail grocers for analysis and investigation. FNS also works closely with its State and Federal partners to investigate and prosecute trafficking.

The 2008 Farm Bill provided some significant tools for SNAP in this area including revised definitions of trafficking that provide for disqualification of recipients for such activities as selling food purchased with SNAP benefits, and dumping contents of return deposit bottles in order to get cash; as well as new sanction authority for non-compliant retailers. These provisions are in various stages of implementation, but all provided strong tools to deal with misuse and abuse of program funds.

SNAP and Food Choices

We are also charged with ensuring that the program does all that it can to promote good nutrition and reduce or prevent obesity among its clients. As we all know, the “N” in SNAP is for nutrition, and it is essential that we make use of its great reach to promote better nutrition and reduce the risk of diet-related disease.

It is important to recognize in this context that almost every American’s diet is in need of improvement. Virtually all of us eat too few whole grains, dark green and orange vegetables, and too much fat and added sugar. Our SNAP-specific nutrition strategies must complement and reinforce efforts directed to foster healthy diets across the general population.

The 2008 Farm Bill codified nutrition education as a component of the program. Recently, the Healthy, Hunger-Free Kids Act (HHFKA) of 2010 reformed the nutrition education component of SNAP (known as SNAP-Ed) to provide for a focus on obesity prevention and nutrition education, expanding reach and providing States increased flexibility. FNS has spent the months since the passage of the HHFKA meeting with State partners, nutrition education providers, public health officials, universities, the Health and Human Services' Center for Disease Control and Prevention, the White House Task Force on Childhood Obesity, and others to get input into the implementation of this important provision. A rule is scheduled to be published in January 2012.

As this Committee knows, some have suggested that SNAP rules should restrict the use of benefits so that only "healthy" foods can be purchased. USDA has long held a preference for strategies to support and encourage healthy choices rather than restricting access to particular foods. Congress has also preferred this approach, and most recently spoke to this issue in the 2008 farm bill by authorizing and funding a demonstration and rigorous evaluation of the impact of financial incentives at the point of sale on purchases of fruits and vegetables. We have been working carefully to design and implement this project – the Healthy Incentives Pilot – to maximize the chance of its success, and to ensure that, whatever the results, the test will provide clear evidence that will support policy decisions made by Congress and the Administration. Operations will begin in Massachusetts later this year.

The Department is also working to increase the number of farmers' markets that accept SNAP benefits. These outlets help introduce low-income households to a variety of fresh and nutritious foods, and expand opportunities for small farmers. Our goal is to authorize an additional 200 farmers or farmers' markets and increase redemptions by \$750,000 each year. In addition, a number of farmers' market incentive projects work in coordination with SNAP by providing privately-funded bonus dollars to clients for purchases made with SNAP benefits.

We think that these positive and proactive strategies are the most effective way for USDA and its partners to address the challenges of poor diets and obesity. We look forward to working with the Committee to advance and strengthen these strategies into the future.

Let me turn now to the other nutrition assistance programs authorized under the Farm Bill.

Fresh Fruit and Vegetable Program (FFVP)

The Fresh Fruit and Vegetable Program (FFVP) provides free fresh fruits and vegetables in elementary schools with high percentages of children receiving free and reduced price school meal benefits to help children develop positive dietary habits during their formative years. FFVP began as a pilot program authorized by the 2002 Farm Bill, operating in 25 schools in each of 4 states and seven schools in one Indian Tribal Organization (ITOs). Following nationwide expansion under the 2008 Appropriations Act, the 2008 Farm Bill permanently authorized FFVP and increased its funding from \$40 million in 2008 to \$150 million in 2011. USDA was able to get this increased funding out timely, and is working to publish a regulatory proposal on the

program in the near future. The 2008 Farm Bill also mandated and funded an evaluation to assess the impact of the FFVP on fruit and vegetable consumption. The project is underway, and we expect the results to be available in 2012.

Food Distribution Program on Indian Reservations (FDPIR)

The Food Distribution Program on Indian Reservations (FDPIR) was first authorized in 1977 as an alternative to SNAP for low-income households living on Indian reservations, and was subsequently expanded to include American Indians living in other approved areas near reservations or in Oklahoma. The program provides a monthly package of USDA Foods, including fresh fruits and vegetables, to participating households. Households may not participate in FDPIR and SNAP in the same month. FDPIR currently serves about 77,000 individuals each month.

The 2008 Farm Bill directed USDA to study the nutritional quality of the FDPIR food package. Our review concluded that the package provides a nutritious variety of foods, and sufficient calories to meet the energy needs of most sedentary individuals and many moderately active children. While as for American diets in general, there is room for improvement in the quantities of fruits, vegetables, low-fat dairy products and whole grains, the nutritional content of the package is considerable. Individuals consuming FDPIR foods in the quantities provided would achieve a Healthy Eating Index score, which measures consistency with the *Dietary Guidelines*, of 81 out of 100, considerably better than Americans in general (58 out of 100) and SNAP participants (52 out of 100).

The 2008 Farm Bill also authorized the purchase of bison and traditional and locally-grown foods for FDPIR participants, but specific appropriations have not yet been made for these items.

Commodity Supplemental Food Program (CSFP)

CSFP was first authorized under the Agriculture and Consumer Protection Act of 1973 to distribute USDA-purchased food to low-income women, infants, and children to supplement their nutritional needs. Legislation permitted individuals age 60 or more to participate beginning in the 1980s, and with the expansion in available of WIC, the program's caseload transitioned so that today, almost 97 percent of the over 580,000 individuals that participate in CSFP each month are elderly.

As of 2011, 39 States, two Indian Tribal Organizations (ITOs), and the District of Columbia are participating in CSFP. CSFP monthly food packages are good sources of the nutrients typically lacking in the diets of participants. The 2008 Farm Bill removed the priority status for women, infants, and children in receiving CSFP service; USDA published a final rule to implement this provision in February 2010.

The Emergency Food Assistance Program (TEFAP)

The Emergency Food Assistance Program (TEFAP) began in 1981 as a means of reducing stocks of surplus food held by the Federal government by distributing it to households in need. In 1998, Congress authorized appropriations for USDA to purchase food specifically for TEFAP. Through TEFAP, USDA provides food and administrative funds to state agencies

which distribute them to local emergency feeding organizations such as food banks, soup kitchens and food pantries.

The 2008 Farm Bill increased funds for TEFAP food purchases to \$250 million annually, indexed to inflation. The 2008 Farm Bill also authorized up to \$100 million annually for administrative costs and up to \$15 million annually for TEFAP infrastructure grants. In addition, the Secretary has authority to provide food that USDA acquires through certain price or market support activities (i.e., bonus food) to TEFAP. TEFAP currently operates in all 50 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands.

While USDA has provided the 2008 Farm Bill's increased appropriated funding for TEFAP, market conditions have limited the availability of surplus food for TEFAP in recent months. USDA will continue to provide surplus food to TEFAP should more become available and the President's FY 2012 budget requests the authorized level for TEFAP food purchases. Legislation provided \$6 million in 2010 for TEFAP infrastructure grants which USDA awarded to 39 emergency feeding organizations in rural and urban areas to help improve their ability to provide food to low-income individuals. USDA also published a final regulation in November 2009, to implement the 2008 Farm Bill requirement to make TEFAP state plans permanent; this rule has streamlined TEFAP operations.

Senior Farmers' Market Nutrition Program

The Senior Farmers' Market Nutrition Program (SFMNP) was created as a pilot program in FY 2001; it was established by Congress as a permanent program through the 2002 Farm Bill, and has been reauthorized through 2012 under the 2008 Farm Bill. The program provides low-income seniors with coupons that can be used to purchase fresh fruits, vegetables, honey and herbs from farmers at authorized farmers' markets or roadside stands, or with shares in community supported agriculture (CSA) programs for regularly distributed bags or boxes of eligible foods. Fifty one State agencies and federally recognized Indian tribal governments received grants to operate the SFMNP in FY 2011. Over 20,000 farmers at 4,600 farmers' markets as well 3,800 roadside stands and 163 CSAs participated in the program in FY 2010, enabling over 844,000 seniors to receive fresh fruits and vegetables during the 2010 market season.

Conclusion

Let me conclude by thanking you all again for this opportunity and by reiterating that the mission and the work of the nutrition assistance programs have never been more important to our nation. The Administration is committed to a more responsible government that maximizes transparency, accountability, and integrity. I am committed to ensuring that we live up to those expectations as we continue to manage these programs to meet the needs of the eligible people who rely on them, especially in these times of fiscal and economic challenges.

I should also mention that I have never come into a job at the State level where budgets were not tight, so I guess I should not be surprised that in this new Federal role I come together

with you all at a moment where budgets are extremely tight, and when substantial and significant changes are being considered for many Federal programs. As the Committee begins its work in writing the next farm bill, it is important to recognize that such changes can have both intended and unintended consequences. That is what is so valuable about the reauthorization process. It allows us to carefully work through and consider those impacts before we move forward so that we can preserve our successes while moving to meet new challenges and improve performance. In that light, I am particularly appreciative of the opportunity to join you today and review these programs, and I look forward to any questions that you may have.