

**HEARING TO REVIEW QUALITY CONTROL  
SYSTEMS IN THE SUPPLEMENTAL  
NUTRITION ASSISTANCE PROGRAM**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON DEPARTMENT OPERATIONS,  
OVERSIGHT, NUTRITION, AND FORESTRY  
OF THE  
COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

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**HEARING TO REVIEW QUALITY CONTROL  
SYSTEMS IN THE SUPPLEMENTAL  
NUTRITION ASSISTANCE PROGRAM**

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**WEDNESDAY, JULY 28, 2010**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON DEPARTMENT OPERATIONS,  
OVERSIGHT, NUTRITION, AND FORESTRY,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 1300, Longworth House Office Building, Hon. Joe Baca [Chairman of the Subcommittee] presiding.

Members present: Representatives Baca, Kagen, Schrader, Dahlkemper, Fortenberry, and Lummis.

Staff present: Liz Friedlander, Tyler Jameson, John Konya, Clark Ogilvie, James Ryder, Lisa Shelton, Rebekah Solem, Pam Miller, Mary Nowak, Jamie Mitchell, and Sangina Wright.

**OPENING STATEMENT OF HON. JOE BACA, A  
REPRESENTATIVE IN CONGRESS FROM CALIFORNIA**

The CHAIRMAN. I would like to now call to order the Subcommittee on Department Operations, Oversight, Nutrition, and Forestry to review the quality control systems in the Supplemental Nutrition Assistance Program.

I will begin with an opening statement, and then I will turn it over to the Ranking Member for his statement.

Good morning. I want to thank you for being here with the Subcommittee to examine quality control systems within SNAP programs. With a record number of Americans relying on the vital nutritional safety net, it is important that we ensure SNAP is meeting the needs of those who depend on it. It is also important that we ensure that the program is operating efficiently and cost-effectively.

As we anticipate the farm bill's reauthorization in 2012, what we learn here today may inform us on long-term policies or decisions that we have to make. These are tough economic times. While our economy is showing some signs of recovery, we still face a significant deficit and other challenges that have slowed the economy's growth. The truth of the matter is, we will most likely have no new funding available for the Agriculture Committee on programs for the next farm bill.

The difficult situation only underscores the urgency of making careful accounting—and I state careful accounting—of SNAP,

which is the largest program in USDA. We are very fortunate in the 2008 Farm Bill to have the resources to strengthen and modernize nutritional programs like SNAP and TEFAP. I am also proud of those changes, and, gratefully, they were in place during the recent economic crisis.

But, again, these are very difficult times. Today, we face a huge challenge by serving a record number of SNAP beneficiaries. Over 40 million people per month depend on the supplemental support program, and there are many others that are still eligible that have not even utilized the SNAP program.

On top of the individual pressure, the unprecedented number of enrollees places tremendous stress on USDA and the states so that, although we are stretched, we must take time to carefully examine how these programs function under duress.

In fact, this is the ideal time to be certain every dollar that we spend on SNAP is getting full value—and we state full value—used effectively, and for the right purpose. Because, right now, there is simply no margin for error. We must adequately meet the needs of those Americans who are struggling to put food on the table, as we still see the unemployment very high in many of the states. And in my State of California, unemployment is still around 12.3 percent.

But as a father and a grandfather, I also know that we must not leave our current budgetary mess for future generations to deal with. And that is why we are having this hearing, to look and examine ways that we can be cost-effective and still provide services.

Again, I want to thank all of you for your willingness to participate in today's hearing. I want to thank the panelists for being here this morning. Thank you very much. It is important that you share your candid thoughts with us. We are here to listen and learn so that we can make the best policies, possible choices.

And now I am pleased to yield to my Ranking Member, Jeff Fortenberry, for opening comments. And I just want to state for the record that there may be times where Jeff Fortenberry and I will have to leave, but there will be someone else who will be here. Because there are so many committee meetings that are going on right now, it is important that we be at most of those that we can. But we also believe that this is very important for us, as well.

[The prepared statement of Mr. Baca follows:]

PREPARED STATEMENT OF HON. JOE BACA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Good morning, and thank you for being here before this Subcommittee—to examine quality control systems within the SNAP program.

With a record number of Americans relying on this vital nutrition safety net, it is important that we ensure SNAP is meeting the needs of those who depend on it.

It is also important that we ensure the program is operating efficiently and cost-effectively.

As we anticipate farm bill reauthorization in 2012, what we learn here today may inform long-term policy decisions.

These are tough economic times. While our economy is showing some signs of a recovery—we still face a significant deficit and other challenges that have slowed economic growth.

The truth of the matter is—we will most likely have *no new funding* available for Agriculture Committee programs for the next farm bill.

This difficult situation only underscores the urgency of making a careful accounting of SNAP, which is the largest program at USDA.

We were fortunate in the 2008 Farm Bill to have the resources to strengthen and modernize nutrition programs like SNAP and TEFAP.

I am proud of those changes and grateful they were in place during this recent economic crisis.

But, these are different times.

Today, we face a huge challenge by serving a record number of SNAP beneficiaries—over 40 million people per month depend on this supplemental support.

On top of individual pressures, this unprecedented number of enrollees places tremendous stress on USDA and the states.

So, although we are stretched, we must take the time to carefully examine how this program functions under duress.

In fact, this is the ideal time to be certain every dollar we spend on SNAP is getting full value.

Because, right now there is simply no margin for error.

We must adequately meet the needs of those Americans who are struggling to put food on the table.

But as a father and a grandfather—I also know we must not leave our current budgetary mess for future generations to deal with.

Again, I thank all of you for your willingness to participate in today's hearing.

It is important that you share your candid thoughts with us.

We are here to listen and to learn so we can make the best policy choices possible.

I am now pleased to yield to our Ranking Member, Rep. Jeff Fortenberry for his opening comments.

The CHAIRMAN. So, at this time, I would turn it over to our Ranking Member.

**OPENING STATEMENT OF HON. JEFF FORTENBERRY, A  
REPRESENTATIVE IN CONGRESS FROM NEBRASKA**

Mr. FORTENBERRY. Thank you, Mr. Chairman.

The Chairman is right. We are all heading home for our district work periods shortly, so time has become very compressed. So we beg your indulgence if we have to go back and forth.

But I thank you for holding the hearing today on the Supplemental Nutrition Assistance Program, or, as we like to call it, SNAP. I appreciate the witnesses' time, as well, and look forward to your testimony.

The SNAP program is one of USDA's programs that enables vulnerable individuals to access food supplies for themselves and their families. Without the support of programs like SNAP, many families encountering a season of challenges might go without food. For this reason, I applaud all of you who participate in implementing this program for your public service, as you provide valuable information about this program to communities.

One important aspect of SNAP is the need for careful allocation of Federal funds, as the Chairman emphasized. I raise this issue because of the Government Accountability Office, GAO, report which stated that, in Fiscal Year of 2009, \$2.2 billion of SNAP funds were spent on improper payments. Of that amount, \$1.8 billion, or 82 percent, was in the form of overpayments.

According to GAO, SNAP payment errors are caused by various factors, such as case workers failing to act on new information, or the misapplication of program rules at the state and community level, or by beneficiaries failing to report required information without intervention by caseworkers. On this point, I am hopeful that this hearing will address any solutions to any future mismanagement of SNAP funds, and I look forward to hearing your suggestions.

Additionally, I am interested in protecting the good health of our program beneficiaries. In America today, obesity is an epidemic, rising at almost pandemic rates, and it affects  $\frac{1}{3}$  of our population. I understand this is similarly the case among SNAP participants. Because obesity is a forerunner to national killers and chronic diseases like diabetes, heart disease, stroke, and various cancers, I am curious to know if there is a possible method to protect and improve SNAP beneficiaries' nutrition quality while participating in these programs, perhaps through prevention of these lifestyle-related diseases, ideally through preventing obesity. Any suggestions or insight as to the nutritional quality of the SNAP program would be very interesting to hear.

Like all of our witnesses here today, I want to maintain the integrity of the SNAP program. I believe we can have a program that serves those who are most vulnerable among us who temporarily need assistance, while maintaining sound program eligibility standards and improving efficiencies in its administration.

I recognize that the use of the electronic benefit transfer card, the EBT card, was one very successful implementation to achieve these objectives. And I am impressed and pleased that error rates have been reduced significantly since EBT cards were implemented.

I would like to hear proposals for further methods to reduce inefficiencies, either through electronic means or through improved systems of case working. Like all Federal programs, SNAP is paid for by the taxpayers, and we have a responsibility to them, as well as to those who do need food assistance. I look forward to hearing from you, our witnesses, today to learn more about how the quality control measures have been operating and how we can further improve the program.

Thank you, Mr. Chairman, and I yield back.

[The prepared statement of Mr. Fortenberry follows:]

PREPARED STATEMENT OF HON. JEFF FORTENBERRY, A REPRESENTATIVE IN  
CONGRESS FROM NEBRASKA

Mr. Chairman, thank you for holding this hearing today to review the Supplemental Nutrition Assistance Program, or SNAP. I appreciate the witnesses' time and testimony on this important subject, and I look forward to today's discussion.

The SNAP Program is one of the USDA programs that enables vulnerable individuals to access food supplies for themselves and their families. Without the support of programs like SNAP, many families encountering a season of challenges might go without food. For this reason, I applaud those of you who participate in implementing this program, and who provide valuable information about this program to communities.

One important aspect of SNAP is the need for careful allocation of Federal funds. I raise this issue because of the Government Accountability Office (GAO) report which stated that in FY 2009, \$2.2 billion of SNAP funds were spent on improper payments. Of that amount, \$1.8 billion, or 82 percent, was in the form of overpayments to SNAP beneficiaries. According to the GAO, SNAP payment errors are caused by various factors, such as caseworkers failing to act on new information, or the misapplication of program rules at the state and community levels, or by beneficiaries failing to report required information without intervention by caseworkers. On this point, I am hopeful this hearing will address solutions to any future mismanagement of SNAP funds, and I look forward to hearing your suggestions.

Additionally, I am interested in protecting the good health of our program beneficiaries. In America today, obesity is an epidemic rising at almost pandemic rates, and affects at least  $\frac{1}{3}$  of the population. I understand this is similarly the case among SNAP participants. Because obesity is a forerunner to national killers and



chronic diseases like diabetes, heart disease, stroke, and various cancers, I am curious to know if there is a possible method to protect and improve SNAP beneficiaries' nutrition quality while participating in this program, perhaps through the prevention of these lifestyle-related diseases, ideally through preventing obesity. Any suggestions or insight as to the nutrition quality of the SNAP program would be very interesting to hear.

Like all of our witnesses here today, I want to maintain the integrity of the SNAP program. I believe we can have a program that serves those who are most vulnerable among us, who temporarily need assistance, while maintaining sound program eligibility standards and improving efficiencies in its administration. I recognize that the use of the electronic benefit transfer (EBT) cards was one very successful implementation to this end, and I am impressed and pleased that error rates have been reduced since EBT cards were implemented. I would like to hear proposals for further methods to reduce inefficiencies, either through electronic means, or through improved systems of case working.

Like all Federal programs, SNAP is paid for by the taxpayers and we have a responsibility to them as well as those who need food assistance. I look forward to hearing from our witnesses today to learn more about how the quality control measures have been operating and how we can further improve the SNAP program, and prevent waste, fraud and abuse.

Again, Mr. Chairman, I thank you for holding this hearing, and I look forward to the insight our witnesses will provide on this topic.

The CHAIRMAN. Thank you very much.

At this point, I would like to recognize any other Members for opening statements.

Mrs. Dahlkemper?

Okay, at this time, I am going to turn the chair over to Mr. Kagen, who will conduct the rest of the meeting in order of the agenda here.

And if you have an opening statement, you can begin with an opening statement.

Mr. KAGEN. [presiding.] Thank you, Chairman Baca. It is an honor to be sitting in your chair. It is good to hear your interest in obesity. Jeff and I have this ongoing battle of who is going to lose the most weight. We won't reveal the results yet until it is all over. So it is always a work in progress.

Thank you for being here on this most important issue of the nutrition of those who need it most, those who are in need of our assistance.

There has been an enormous demand for services and foods in the Food Stamp Program and in SNAP, an enormous increase in this countercyclical policy, which is probably one of the finest in the world in terms of guaranteeing adequate nutrition to people who require it.

It really is an honor for me to say that, not just as a physician, not only as a Member from Wisconsin, whose state has had a great record of accuracy and improvements recently in the SNAP administration, but now is the time that we need the most judicious use of our tax dollars. And I can't think of a better way to spend the morning than listening to how we are going to improve an already great program.

With that, I would ask that Members submit their opening statements for the record so we can begin the testimony and have ample time for questions.

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN  
CONGRESS FROM MINNESOTA

Thank you, Chairman Baca, for holding today's hearing to look at the control measures currently in place to ensure effective and efficient use of Federal funding for the Supplemental Nutrition Assistance Program quality. The economic downturn has increased the use of SNAP and other Federal nutrition assistance, making them more important than ever for the 40 million Americans who use these programs every month.

Nutrition assistance programs receive the lion's share of this Committee's budget authority, and they are the largest programs administered by the U.S. Department of Agriculture.

This Committee increased the baseline for nutrition assistance programs significantly in the 2008 Farm Bill. Now, I want to hear how implementation of these changes is proceeding and how we can continue to improve USDA's nutrition programs.

Today's hearing is especially timely given our country's current budgetary conditions. As a nation, we no longer have the luxury of ignoring our deficits, and I do not expect to see any increases in the 2012 Farm Bill baseline. Therefore, it is important to hear from our witnesses today about how we can better serve those using these programs using the money we have.

Again I look forward to the testimony and thank the witnesses for taking the time to be here today.

Mr. KAGEN. And, at this time, I will recognize Ms. Paradis from USDA.

**STATEMENT OF JULIE PARADIS, ADMINISTRATOR, FOOD AND  
NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE,  
WASHINGTON, D.C.**

Ms. PARADIS. Good morning, Mr. Chairman, Ranking Member Fortenberry, and the other Members of the Committee. As the Administrator of the Food and Nutrition Service at USDA, I am pleased to be here to discuss our work to ensure the integrity of SNAP, and our commitment to reach all eligible families with the assistance that they need.

SNAP is the largest program in the U.S. nutrition assistance safety net. It enables over 40 million low-income people in this country to buy nutritious food with EBT cards at nearly 207,000 authorized retail stores. And while SNAP is operated by state governments, as you know, the Federal Government pays the full cost of SNAP benefits, more than \$50 billion for 2009, as well as approximately half of the expenses incurred by states to administer the program.

I have spent most of my career working to promote and improve our nation's nutrition assistance programs, including my work at the Department, in the nonprofit sector, and as a staff member in support of this Committee back in the 1990s. I know the critical importance of these programs to the lives of millions of low-income people across our country and their reflection of America's commitment to ensure that, whatever other hardships they face, our people should not have to experience hunger.

I want to talk to you about program integrity in that context. I have long recognized that the ongoing mission of SNAP, and other nutrition assistance programs, is not separable from strong and sustained attention to program integrity and stewardship of Federal funds. Waste and abuse draw scarce program resources away from the people who need them the most, and we cannot afford such losses. These programs are ultimately unsustainable without continued public confidence that we manage with integrity those

benefits that go to those who qualify for them, that they are used appropriately, and that they achieve their intended purposes. This matter is one of FNS's fundamental responsibilities, and one of my top priorities.

Our discussion of these issues, as the Chairman mentioned, comes at a time of new challenges. There has been a substantial increase in participation in SNAP over the last few years. In April 2010, more than 40.4 million people, one in eight people in this country, received SNAP benefits. The number of people receiving SNAP benefits has grown by more than 12 million in the last 24 months alone, an increase of nearly 44 percent.

The program is designed to respond to economic conditions, and the increase in participation reflects that it is, indeed, responding as intended. However, these increasing caseloads have made it quite challenging for our partner state agencies, many of whom have been coping with staffing reductions and dramatic budget cuts to meet the demands.

In spite of these tremendous challenges, on June 24th Secretary Vilsack announced that the SNAP national payment accuracy rate for Fiscal Year 2009 had reached an all-time high of 95.64 percent. In fact, payment errors are less than half what they were 10 years ago, dropping from 9.86 percent in 1999 to 4.36 percent last year. Kudos to the states for this historic achievement.

It is critical that SNAP payments are correct and that those who are eligible for the benefits receive the proper amount. For the most part, resolving errors is not about eliminating benefits to the wrong people; it is about getting the amount of the benefit correct. In fact, 98 percent of those certified for SNAP are eligible for some level of benefit.

When errors do occur, SNAP also has systems in place to aggressively recover erroneously issued benefits from SNAP recipients. In fact, in Fiscal Year 2009, states established a total of over \$367 million in new claims for over-issuances to households. The Treasury Offset Program offers another way to recover over-issuances by reducing income tax refunds or other Federal payments to repay delinquent SNAP debt.

Trafficking, the illegal sale of SNAP benefits for cash, has also decreased. It has decreased significantly over the past 15 years. It has decreased from \$811 million in 1993 to \$241 million in our most recent review. This dramatic decrease in trafficking is largely credited to the replacement of paper coupons with EBT cards.

Mr. Chairman, our Department is very proud of the progress we have made in ensuring that SNAP benefits provide nutrition assistance, and are efficiently and accurately delivered to the nation's needy families. We appreciate our very strong working relationship with the Department's Office of Inspector General in fighting SNAP fraud and abuse. And we are also thankful for our relationship with GAO, which has provided useful recommendations on how to improve our strategies to combat trafficking.

We continue to seek opportunities and strategies that result in improved program administration, and we look forward to working with you as preparations get under way for the 2012 Farm Bill.

And, as intended in the President's recent Executive Order on improper payments, USDA is doing this in a way that is responsive

to the President's directive that emphasizes transparency, accountability, and strong compliance incentives, while also continuing to focus on removing barriers and increasing access for those who are eligible but not yet participating.

Mr. Chairman, this concludes my remarks. Thank you so much. And I would be happy to answer any questions at the appropriate time.

[The prepared statement of Ms. Paradis follows:]

PREPARED STATEMENT OF JULIE PARADIS, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Good morning, Mr. Chairman and Members of the Committee. As the Administrator of the Food and Nutrition Service (FNS) at the United States Department of Agriculture (USDA), I am pleased to be here to discuss our work to ensure the integrity of the Supplemental Nutrition Assistance Program (SNAP) and our commitment to reach all eligible families with the assistance that they need and to which they are entitled.

SNAP is the largest program in the United States nutrition assistance safety net. It enables low-income families to buy nutritious food with electronic benefit transfer cards (or EBT cards) at authorized retail stores. SNAP ensures access to a more nutritious, healthful diet for over 40 million Americans each month. In addition, SNAP provides nutrition education to those eligible for and participating in the program. The goal of SNAP's nutrition education component is to improve the likelihood that persons eligible for SNAP will make healthy food choices within a limited budget and choose physically active lifestyles consistent with the Dietary Guidelines for Americans and MyPyramid.

While SNAP is operated by state governments, the Federal Government pays the full cost of SNAP benefits, more than \$50 billion for FY 2009, as well as approximately half of the expenses incurred by the states to administer the program. Given this substantial national investment, one of FNS's primary responsibilities is to ensure that SNAP benefits are accurately directed in the correct amounts to those, and only those, who are eligible for them. FNS manages a nationwide Quality Control system that measures state performance for payment accuracy, provides bonuses for high-performing states, and directs corrective action for those with accuracy problems. Through this system of performance measurement and incentives, as well as other ongoing payment accuracy initiatives, FNS works actively with states to protect and maximize the impact of the taxpayer investment in this program.

#### **The Critical Role of Public Confidence**

Those of you who know me are aware that I have spent much of my career working to promote and improve our nation's nutrition assistance programs, including my work at the Department, in the private nonprofit sector, and in support of this Committee. I know the critical importance of these programs to the lives of millions of low-income people across our country, and their reflection of America's commitment to ensure that, whatever other hardships they face, our people should not have to experience hunger.

I want to talk to you about program integrity in that context. For I have long recognized that the ongoing mission of SNAP and other nutrition assistance programs is not separable from strong and sustained attention to program integrity and stewardship of Federal funds. Waste and abuse draw scarce program resources away from the children and low-income people who need them the most—and we cannot afford such losses. Just as importantly, these programs are ultimately not sustainable without continued public confidence that their benefits go to those who qualify for them, are used appropriately, and achieve the purposes for which they are intended. My tenure as Administrator has only reinforced my conviction in this area. We simply cannot sustain the nation's commitment to these programs without honoring and fulfilling the expectation that we can manage them with integrity. I recognize this matter is one of my, and one of our Agency's, fundamental responsibilities.

#### **The Challenge of Rising Caseloads**

Our discussion of these issues comes at a time of new challenges. There has been a substantial increase in participation in SNAP over the last few years. In April 2010, more than 40.4 million people received SNAP benefits, an increase of approximately 310,000 people from March. April is the seventeenth consecutive month that more people received SNAP benefits than at any time previously in the history of

the program. The number of Americans receiving SNAP benefits has grown by more than 12 million in the last 24 months alone, an increase of nearly 44 percent. SNAP served more than one in eight Americans in April 2010.

The Program is designed to respond to economic conditions, and the increase in participation reflects that it is responding as intended. That is the good news; however, these increasing caseloads have made it quite challenging for state agencies—many of whom have been coping with staffing reductions and budget cuts—to meet the demands. Yet, on June 24, Agriculture Secretary Tom Vilsack announced the SNAP national payment accuracy rate for FY 2009 had reached an all time high of 95.64 percent. The Secretary remarked that “program integrity is critical as participation in SNAP continues to grow to meet the nutrition needs of the most vulnerable Americans, and these results deliver on President Obama’s directive to decrease improper payments and protect taxpayer dollars . . . We are improving the accuracy and efficiency of program delivery while working to deliver on Obama Administration efforts to reduce hunger and improve nutrition for people across the country.”

We are pleased to share this historic achievement with our state partners who are committed, along with FNS, to ensuring those who are eligible to participate in this critical nutrition assistance program receive the correct amount of benefits—not too much, not too little.

In fact, payment errors are less than half what they were 10 years ago, dropping from 9.86 percent in FY 1999 to 4.36 percent in FY 2009. For the second straight year, SNAP’s national negative error rate also improved. Negative error rates measure whether states correctly deny, suspend, or terminate benefits.

Also on June 24, the Secretary awarded \$30 million in performance bonuses to eleven states for exemplary achievement in payment accuracy in FY 2009. The eight states with the best payment accuracy rates and the two states with the most improved payment accuracy rates received a total of \$24 million. An additional \$6 million was provided to the four states with the lowest negative error rates and the two states with the most improved negative error rates.

This morning, I would like to give you an overview of how FNS and the states work together to prevent misuse of program benefits, while making every effort to make them readily accessible to eligible households. I will begin by describing our quality control process—this looks at how accurately states calculate the eligibility and benefits of households seeking SNAP help. Then, I will discuss the Administration’s and USDA’s current focus in ensuring quality control and payment accuracy. Finally, I will address our work with state partners related to intentional program violations by recipients as well as how we monitor retailers and guard against trafficking, the illegal exchange of benefits for cash or other non-allowable items.

### **Quality Control**

The SNAP payment accuracy rate is developed from a long-standing program integrity process called Quality Control (QC), a system mandated by the Food and Nutrition Act to determine the accuracy of the benefits authorized. In fact, in terms of eligibility, 98 percent of those certified for SNAP in FY 2009 were eligible for some level of benefit.

Every year, each state conducts a QC review of a random sample of its participating SNAP households and reports the findings to FNS. A QC review consists of a detailed examination of household non-financial and financial circumstances, including income, resources and deductions, to determine whether benefits were accurately authorized for active cases or improperly denied or terminated for negative cases. Subsequent Federal subsample reviews of a subsample of the states’ reviews verify the accuracy of the states’ determinations. A statistical adjustment uses both the Federal and state data to establish the error rates for each state. The National payment error rate is determined by calculating the weighted average of all of the individual state error rates.

FNS and organizations such as the National Association for Program Information and Performance Measurement (NAPIPM), an affiliate of the American Public Human Services Association (APHSA), work together to improve and enhance the QC performance measurement system.

As I mentioned earlier, both over-issuances and under-issuances are important concerns to FNS. It is critical that payments are correct and that those who are eligible for the benefits receive the proper amount—not too much and not too little. So, for the most part, resolving errors is not about eliminating benefits to the wrong people, it is about getting the amount right. And that is where our payment accuracy initiatives come into play. The National Payment Accuracy Work Group, a group of subject matter experts from FNS headquarters and regional offices, monitor and evaluate payment accuracy progress, analyze error rate data, and exchange

information on payment accuracy best practices and program improvement strategies. The group makes timely and useful payment accuracy-related information and tools available across regions and states.

An early detection system targets states that may be experiencing a higher incidence of payment errors based on preliminary QC data. States are arrayed based on error rate performance so that FNS can effectively and consistently deploy limited FNS resources for intervention and technical assistance to specific states in most need.

State partners must continue and renew their leadership commitment to excellence in payment accuracy. USDA provides leadership through interactions with state policy makers, including participation in meetings with state leaders; presentations at national, regional, and state conferences; and sponsoring regional meetings with state commissioners and SNAP directors with a direct focus on payment accuracy.

The State Exchange Program provides funds for states to travel to see where ideas for improvement have been successfully implemented and to participate in conferences where such ideas are presented.

When errors do occur, SNAP also has systems in place to aggressively recover erroneously issued benefits from SNAP recipients. Claims are established by state agencies against households which have received more SNAP benefits than they should have. Households may pay back overissued benefits through reductions in their SNAP allotments or in a lump sum. In Fiscal Year 2009, states established a total of over \$367 million in new claims for over-issuances to households and collected just under \$300 million. The Treasury Offset Program (TOP) offers another way to recover over-issuances by reducing income tax refunds or other Federal payments to repay the SNAP debt. Since the establishment of TOP in 1992, FNS has collected more than \$1.2 billion in delinquent SNAP recipient claims.

#### **Improper Payments**

On November 20, 2009, President Obama issued an Executive Order on Improper Payments intended to rein in improper payments while making sure that those who are eligible for government assistance continue to have access to these important Federal programs. One of the key messages of the Executive Order recognizes the interaction between program access and integrity. At USDA, we have a long standing commitment to these twin goals.

In addition, the Administration is committed to improved communication and collaboration among Federal agencies and departments which ultimately benefits clients who receive multiple Federal benefits and state workers who administer multiple benefit programs.

We are also working with the Office of Management and Budget, as well as many other Federal agencies and other stakeholders, on the Partnership Fund for Program Integrity Innovation (the Partnership Fund). The purpose of the Partnership Fund is to identify and test pilot projects to improve service delivery, payment accuracy and administrative efficiency for Federal assistance programs, including those administered by states or local agencies, while protecting access for program beneficiaries. The Partnership Fund will transfer resources to lead Federal agencies to execute selected pilots, and the results will be carefully evaluated. OMB has already set up a website called "*Partner4Solutions.gov*" where states, organizations, and members of the public can submit their best practices and innovative ideas.

#### **Intentional Program Violations**

Only a very few households engage in intentional program violations (IPVs), such as purposely under-reporting their income or overstating their household size in order to qualify for more benefits than they are entitled to receive. Such IPVs occur when a recipient intentionally makes false or misleading statements; misrepresents or withholds facts when applying for benefits; or commits any act that constitutes a violation of the Food and Nutrition Act, the SNAP regulations, or any state statute for the purpose of using or trafficking benefits. States are responsible for investigating and prosecuting IPVs. When state investigators find evidence of an IPV, a disqualification action against the accused is initiated. Individuals found to have committed an IPV are disqualified from participation in SNAP for a period of time ranging from 12 months to permanently, depending on the type of offense or number of offenses committed. Overpayments as a result of IPVs must be returned and the recipient is subject to criminal or administrative penalties. In Fiscal Year 2009, 50,145 recipients were disqualified from SNAP for IPVs. In Fiscal Year 2009, more than \$60 million in claims associated with IPVs were collected by state agencies. To defray their administrative costs and as an incentive to pursue IPVs, state agencies are allowed to retain 35 percent of the amount they collect for such claims.

### **Trafficking**

Trafficking, the illegal sale of SNAP benefits for cash or other non-allowable items, has decreased significantly over the past 15 years. The first trafficking assessment determined that \$811 million in program benefits were trafficked during Fiscal Year 1993. The most recent estimate, for the period 2002–2005, determined that trafficking diverted \$241 million in program benefits annually, or roughly, 1¢ of each benefit dollar. USDA is currently updating the trafficking study to cover the period 2006 through 2008. This study will be complete in Fiscal Year 2011.

The national implementation of electronic benefit transfer (EBT) as the issuance system for SNAP instead of paper coupons is credited in large part for the decrease in trafficking. While the overall rate of trafficking has declined, USDA has increased the number of retailers disqualified for trafficking. From 2000–2009, USDA permanently disqualified 7,677 retailers for trafficking—a 44 percent increase from the previous 10 year period, 1990–1999, when 5,338 retailers were permanently disqualified for trafficking.

SNAP uses a retailer fraud detection system, the Anti-Fraud Locator for EBT Retailer Transactions (ALERT) system, to monitor electronic transaction activity and identify suspicious retail grocers for analysis and investigation. To continue strengthening our retailer fraud detection capabilities, USDA has begun moving toward a next generation ALERT system with new, more advanced technology and analytical tools available in the private sector. FNS has hired a contractor to develop this system and engage in continuous data mining efforts. The first phase of the next generation system, a database redesign which will support all other efforts, is expected to debut in calendar year 2011. Eventually, higher level analytics, such as link analysis, predictive models, and geo-spatial analysis will be introduced in subsequent steps.

The authorization of retail food stores for participating in SNAP and the oversight of these stores is a direct Federal function conducted by USDA. As of March 2010, there were close to 207,000 authorized retailers nationwide. In addition, USDA SNAP has a team of investigators across the country that conduct undercover investigations of stores suspected of trafficking or of not complying with program rules. Annually, over 4,000 investigations are conducted. Over 30 percent of these investigations result in civil monetary penalties and/or disqualifications for the sale of ineligible items or trafficking in benefits. Investigators inform overall USDA retailer integrity efforts with intelligence gathered on the ground, thereby helping USDA to further gauge the types of fraud found in the universe of licensed retailers.

FNS has a strong working partnership with the Department's Office of Inspector General (OIG) in fighting SNAP fraud and abuse. Their help and commitment has been and continues to be invaluable to our work protecting the program's integrity and public confidence in the program.

In 2006, the Government Accountability Office (GAO) conducted a study of SNAP trafficking. In the study, GAO acknowledged FNS for having taken advantage of EBT and technology to detect trafficking and disqualify retailers. GAO recommended however, that USDA better target its limited compliance monitoring resources by developing criteria to identify stores most likely to traffic, and to use this criteria to conduct risk assessments and provide more targeted and earlier oversight of stores most likely to engage in trafficking. Since this report was published, USDA began implementing a risk-based approach to the licensing, reauthorization, and monitoring of SNAP retailers. GAO also recommended that USDA develop a strategy to increase the penalties for trafficking. The statutory penalty at the time for trafficking was permanent disqualification. As a result of GAO's recommendation, USDA pursued and received authority through Section 4132 of the 2008 Farm Bill to assess significant monetary penalties in addition to the permanent disqualification of trafficking retailers.

Finally, GAO recommended that USDA promote state efforts to pursue recipients suspected of trafficking. States are required to follow up on all cases of suspected recipient trafficking; however, the state determines whether or not they can make a case against a recipient for trafficking. FNS field offices work with states to share suspected recipient trafficking information and encourage states to use the EBT transaction data to follow up on suspected traffickers. Many states, however, struggle to devote scarce resources to investigating suspected traffickers. FNS continues to work with state partners to emphasize the importance of program integrity at every opportunity.

### **Conclusion**

Mr. Chairman, our Department is very proud of the progress we have made in ensuring that SNAP benefits provide nutrition assistance and are well targeted and efficiently and accurately delivered to the nation's needy families. We appreciate our

partnerships with state agencies and USDA's OIG to meet our goals in proper administration of the Program. We continue to seek opportunities and strategies that result in improved program administration and look forward to working with you as preparations get underway for the 2012 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. And, as intended in the President's Executive Order, we are doing this in a way that is responsive to the President's directive that emphasizes transparency, accountability, and strong compliance incentives while also continuing to focus on removing barriers and increasing access for those who are eligible but not yet participating, especially those from underrepresented populations such as seniors and Latinos. Throughout the history of SNAP, USDA has been committed to achieving both access and integrity in the program and that commitment remains strong today.

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

Mr. KAGEN. Thank you very much. And please do hang around. There will be questions in due course.

Ms. Kay Brown, Director of the Education, Workforce, and Income Security Issues of the United States Government Accountability Office, thank you for joining us. And you have 5 minutes.

**STATEMENT OF KAY E. BROWN, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, D.C.**

Ms. BROWN. Mr. Chairman, Ranking Member, and Members of the Subcommittee, thank you for inviting me here today to discuss our work on the integrity of the Supplemental Nutrition Assistance Program.

SNAP has experienced remarkable growth in recent years, responding to increased demand during a recession. And, true to its design, the program has played a critical role in assisting families facing hardships. Given this growth, along with the boost in benefit size that is funded through the Recovery Act, this is an important time to focus on the integrity of this \$50 billion program.

My remarks are based on updates of three GAO reports: the first on erroneous payments to SNAP participants; trafficking of SNAP benefits; and, finally, categorical or automatic eligibility tied to TANF services.

First, regarding erroneous payments: USDA and the states have made nearly continuous progress over the last decade in decreasing their rate of payments made in error. The steps they have taken are consistent with internal control practices that are known to reduce improper payments. For example, USDA has sent a clear message from the top that states will be held accountable, levied financial penalties and awarded progress, and also shared lessons learned about the causes and ways to correct errors.

In addition, states have taken advantage of options to simplify the process for determining eligibility. Complex eligibility requirements increase the risk that caseworkers will make errors, so efforts to simplify the process can help bring down the error rate.

However, despite this encouraging process, SNAP's rate of improper payments is still among the highest in the government, highlighting the need for continued commitment to further improvements.

Next, regarding trafficking: We know that the estimated rate of trafficking declined from the early 1990s to 2005. In 2007, we made multiple recommendations to USDA to improve its use of EBT data



to detect trafficking, and the Department has implemented almost all of these.

For example, it has taken steps to develop a more sophisticated analysis of SNAP transactions, and to assess each retailer's risk of trafficking. As retailers develop new schemes to avoid detection, these actions can help USDA more quickly identify them. Also, consistent with our recommendation, USDA received in the last farm bill authority to impose larger financial penalties on stores that traffic.

USDA has not estimated the rate of trafficking since 2005, but when a new estimate is available, hopefully next year, it will be important to carefully assess progress and lessons learned.

Third, regarding automatic eligibility tied to TANF services: States have the option to grant automatic SNAP eligibility to households when they are found eligible for TANF services. Some of these TANF services are available to a fairly broad population, and may simply include receipt of an informational brochure or toll-free number. USDA has encouraged states to take advantage of this option, and 39 have done so, so far.

It is important to note that, even though these households are automatically eligible, states must still determine their SNAP benefit amount. Some may receive the minimum benefit amount or no benefit at all. However, because of the differences between TANF and SNAP eligibility criteria, some households that may not otherwise be eligible for SNAP benefits could receive them.

This option is another way to simplify or streamline the eligibility process, and USDA believes it has resulted in reduced administrative burdens, increased access, and could potentially reduce payment errors. However, we don't yet know enough about the extent of these results, or how these automatically eligible participants compare to more traditional SNAP participants.

In conclusion, at this time of fiscal stress and looming deficits, it is more important than ever to ensure that benefits are paid in the right amount, and that scarce resources are targeted to those most in need.

This concludes my prepared statement. I would be happy to answer any questions you may have.

[The prepared statement of Ms. Brown follows:]

PREPARED STATEMENT OF KAY E. BROWN, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, D.C.

***Supplemental Nutrition Assistance Program—Payment Errors and Trafficking Have Declined, but Challenges Remain***

***Highlights***

Highlights of GAO-10-956T (<http://www.gao.gov/new.items/d10956t.pdf>), a report to the House Subcommittee on Department Operations, Oversight, Nutrition, and Forestry, Committee on Agriculture.

***Why GAO Did This Study***

The U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (SNAP) is intended to help low-income individuals and families obtain a better diet by supplementing their income with benefits to purchase food. USDA's Food and Nutrition Service (FNS) and the states jointly implement SNAP. Participation in the program has risen steadily over the last decade to an all time high of more than 33 million in Fiscal Year 2009, providing critical assistance to families in need.

This testimony discusses GAO's past work on three issues related to ensuring integrity of the program: (1) improper payments to SNAP participants, (2) trafficking of SNAP benefits, and (3) categorical eligibility for certain individuals or households.

This testimony is based on prior GAO reports on categorical eligibility (GAO-07-465), payment errors (GAO-05-245), and food stamp trafficking (GAO-07-53), developed through data analyses, case file reviews, site visits, interviews with officials, and a 50 state survey. GAO also updated data where available and collected information on recent USDA actions and policy changes.

#### **What GAO Recommends**

FNS generally agreed with GAO's prior recommendations to address SNAP trafficking and categorical eligibility issues and has taken action in response to most of them.

View GAO-10-956T or key components (<http://www.gao.gov/products/GAO-10-956T>).

For more information, contact Kay Brown at [redacted].

#### **What GAO Found**

The national payment error rate reported for SNAP, which combines states' overpayments and underpayments to program participants, has declined by 56 percent from 1999 to 2009, from 9.86 percent to a record low of 4.36 percent. This reduction is due, in part, to options made available to states that simplified certain program rules. In addition, FNS and the states GAO reviewed have taken several steps to improve SNAP payment accuracy that are consistent with internal control practices known to reduce improper payments such as providing financial incentives and penalties based on performance. Despite this progress, the amount of SNAP benefits paid in error is substantial, totaling about \$2.2 billion in 2009 and necessitating continued top-level attention and commitment to determining the causes of improper payments and taking corrective actions to reduce them.

FNS estimates indicate that the national rate of food stamp trafficking declined from about 3.8¢ per dollar of benefits redeemed in 1993 to about 1.0¢ per dollar during the years 2002 to 2005 but that trafficking occurs more frequently in smaller stores. FNS has taken advantage of electronic benefit transfer to reduce fraud, and in response to prior GAO recommendations, has implemented new technology and categorized stores based on risk to improve its ability to detect trafficking and disqualify retailers who traffic. FNS also received authority to impose increased financial penalties for trafficking as recommended; however, it has not yet assessed higher penalties because implementing regulations are not yet finalized. FNS is considering additional steps to encourage states to pursue recipients suspected of trafficking but limited state resources are a constraint.

Categorically eligible households do not need to meet SNAP eligibility requirements because their need has been established under the states' Temporary Assistance for Needy Families (TANF) program. As of June 2010, 36 states have opted to provide categorical eligibility for SNAP to any household found eligible for a service funded through TANF and, in 35 states, there is no limit on the amount of assets certain households may have to be determined eligible, according to FNS. Households can be categorically eligible for SNAP even if they receive no TANF funded service other than a toll-free telephone number or informational brochure. However, the amount of assistance eligible households receive is determined using the same process used for other SNAP recipients. According to FNS officials, increased use of categorical eligibility by states has reduced administrative burdens and increased access to SNAP benefits to households who would not otherwise be eligible due to asset or income limits. However, little is known about the extent of its impact on increased access or program integrity.

SNAP has played a key role in assisting families facing hardship during the economic crisis, but given fiscal constraints and program growth, it is more important than ever to understand the impact of policy changes, and balance improvements in access with efforts to ensure accountability.

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss issues related to the integrity of the U.S. Department of Agriculture's (USDA) Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp Program. SNAP is intended to help low-income individuals and families obtain a better diet by supplementing their income with benefits to purchase food. Participation in SNAP has risen steadily over the last decade in response to economic conditions and has played a critical role in assisting families facing hardship. In Fiscal Year 2000, SNAP provided about \$15 billion in benefits to about 17 million individuals while in Fiscal Year 2009, it provided

more than \$50 billion in benefits to nearly 34 million individuals. The recent economic crisis has sharply increased demand for such assistance, with participation in SNAP increasing by 22 percent from June 2008 to June 2009 alone. Currently, almost one in every 11 Americans participates in the program. Further, the American Recovery and Reinvestment Act of 2009 provided a temporary across-the-board increase to the SNAP benefit amount.<sup>1</sup> This recent growth highlights the importance of ensuring program integrity. Every year, more than \$1 billion in benefits are paid incorrectly. Further, SNAP recipients exchange hundreds of millions of dollars in benefits for cash instead of food with authorized retailers across the country, a practice known as trafficking. In addition, concerns have been raised about a policy option allowing state to give households automatic eligibility for SNAP if they are eligible for minimal services financed with Temporary Assistance for Needy Families (TANF) funds (a type of categorical eligibility).

The information I am presenting today is based on past work, updated with current information where available, on three issues related to ensuring integrity of the program: (1) improper payments to SNAP participants, (2) trafficking of SNAP benefits, and (3) categorical eligibility for SNAP benefits.<sup>2</sup> The payment error and trafficking findings are based on past analyses of program quality control data, case file reviews, data analysis of the Food and Nutrition Service (FNS) retailer database, and interviews and site visits with program stakeholders, including Federal agency and state and local officials. The categorical eligibility findings are based on a 2007 survey of state SNAP administrators, an analysis of household characteristic data collected from 21 states, and interviews and site visits with Federal and state officials. More complete information on the scope and methodology for our prior work is available in each published report. In addition, we updated data where available, reviewed recent USDA policy changes and actions taken in response to our recommendations, and discussed the implications of these actions and changes with USDA officials. We also reviewed relevant Federal laws and regulations. We conducted this work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

### Background

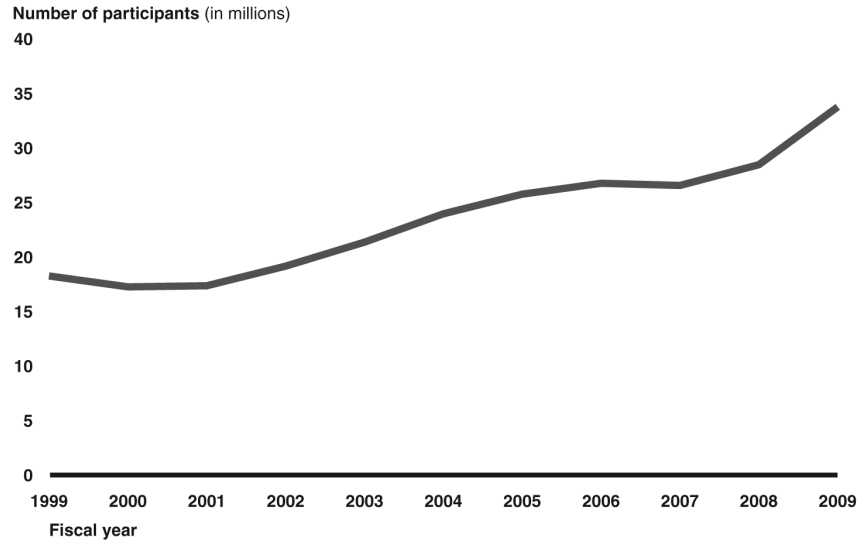
SNAP is jointly administered by FNS and the states. FNS pays the full cost of SNAP benefits, shares the states' administrative costs, and is responsible for promulgating program regulations and ensuring that state officials administer the program in compliance with program rules. States administer the program by determining whether households meet the program's eligibility requirements, calculating monthly benefits for qualified households, and issuing benefits to participants through an Electronic Benefits Transfer (EBT) system.

#### *Program Participation*

As shown in *Figure 1*, program participation has increased sharply from Fiscal Years 1999 to 2009, and indications are that participation has continued to increase significantly in Fiscal Year 2010. According to FNS, the downturn in the U.S. economy, coupled with changes in the program's rules and administration, has led to an increase in the number of SNAP participants.

<sup>1</sup>Pub. L. No. 111-5, § 101 (2009).

<sup>2</sup>GAO, *Food Stamp Program: States Have Made Progress Reducing Payment Errors, and Further Challenges Remain*, GAO-05-245 (<http://www.gao.gov/new.items/d05245.pdf>) (Washington, D.C.: May 5, 2005); GAO, *Food Stamp Trafficking: FNS Could Enhance Program Integrity by Better Targeting Stores Likely to Traffic and Increasing Penalties*, GAO-07-53 (<http://www.gao.gov/new.items/d0753.pdf>) (Washington, D.C.: Oct. 13, 2006). GAO, *Food Stamp Program: FNS Could Improve Guidance and Monitoring to Help Ensure Appropriate Use of Noncash Categorical Eligibility*, GAO-07-465 (<http://www.gao.gov/new.items/d07465.pdf>) (Washington, D.C.: Mar. 28, 2007).

**Figure 1: SNAP Participation Has Increased Over the Last Decade**

Source: GAO analysis of FNS data.

#### *Determination of Eligibility and Benefits*

Eligibility for SNAP is based primarily on a household's income and assets. To determine a household's eligibility, a caseworker must first determine the household's gross income, which cannot exceed 130 percent of the Federal poverty level for that year as determined by the Department of Health and Human Services. A household's net income cannot exceed 100 percent of the poverty level (or about \$22,056 annually for a family of four living in the continental United States in Fiscal Year 2010). Net income is determined by deducting from gross income a portion of expenses such as dependent care costs, medical expenses for elderly individuals, utilities costs, and housing expenses.

A household's assets are also considered to determine SNAP eligibility and SNAP asset rules are complex. There is a fixed limit, adjusted annually for inflation, on the amount of assets a household may own and remain eligible for SNAP. Certain assets are not counted, such as a home and surrounding lot. There are also basic program rules that limit the value of vehicles an applicant can own and still be eligible for the program.

#### *Categorical Eligibility for SNAP*

Federal regulations require states to make households categorically eligible for SNAP if the household receives certain cash benefits, such as TANF cash assistance or Supplemental Security Income. States must also confer categorical eligibility for certain households receiving, or authorized to receive, certain TANF non-cash services that are funded with more than 50 percent Federal or state maintenance of effort (MOE) funds and serve certain TANF purposes.<sup>3</sup> In addition, in certain circumstances, states have the option to confer categorical eligibility using TANF non-cash services funded with less than 50 percent Federal TANF or state MOE funds. The intent of categorical eligibility was to increase program access and reduce the administrative burden on state agencies by streamlining the need to apply means tests for both TANF and SNAP.

<sup>3</sup>TANF funding includes both TANF block grant and state maintenance of effort (MOE) funds—non-Federal funds that states are required to spend in order to receive the entire Federal TANF block grant. FNS regulations state that households in which all members are receiving benefits or services from a program designed to meet the program goals of TANF and which are funded with more than 50 percent of Federal TANF or state maintenance of effort funds are generally categorically eligible for SNAP. A state may, at its discretion, in certain circumstances, confer categorical eligibility to households in which all members are receiving similar benefits or services from a program funded with less than 50 percent Federal TANF or state maintenance of effort funds.

### *FNS's Quality Control (QC) System*

Improper payments (or payment errors) occur when recipients receive too much or too little in SNAP benefits. FNS and the states share responsibility for implementing an extensive quality control system used to measure the accuracy of SNAP payments and from which state and national error rates are determined. Under FNS's quality control system, the states calculate their payment errors annually by drawing a statistical sample to determine whether participating households received the correct benefit amount. The state's error rate is determined by dividing the dollars paid in error by the state's total issuance of SNAP benefits. Once the error rates are final, FNS is required to compare each state's performance with the national error rate and imposes financial penalties or provides financial incentives according to legal specifications.<sup>4</sup>

### *Trafficking and FNS Authorization and Monitoring of Retailers*

Trafficking occurs when SNAP recipients exchange SNAP benefits for cash instead of food with authorized retailers.<sup>5</sup> Under the EBT system, SNAP recipients receive an EBT card imprinted with their name and a personal account number, and SNAP benefits are automatically credited to the recipients' accounts once a month. In legitimate SNAP transactions, recipients run their EBT card, which works much like a debit card, through an electronic point-of-sale machine at the grocery checkout counter, and enter their secret personal identification number to access their SNAP accounts. This authorizes the transfer of SNAP benefits from a Federal account to the retailer's account to pay for the eligible food items. The legitimate transaction contrasts with a trafficking transaction in which recipients swipe their EBT card, but instead of buying groceries, they receive a discounted amount of cash and the retailer pockets the difference.

FNS has the primary responsibility for authorizing retailers to participate in SNAP. To become an authorized retailer, a store must offer, on a continuing basis, at least three varieties of foods in each of the four staple food categories—meats, poultry or fish; breads or cereals; vegetables or fruits; and dairy products—or over 50 percent of its sales must be in a staple group. The store owner submits an application and includes relevant forms of identification such as copies of the owner's Social Security card, driver's license, business license, liquor license, and alien resident card. The FNS field office program specialist then checks the applicant's Social Security Number against FNS's database of retailers, the Store Tracking and Redemption System, to see if the applicant has previously been sanctioned in the SNAP program. The application also collects information on the type of business, store hours, number of employees, number of cash registers, the types of staple foods offered, and the estimated annual amount of gross sales and eligible SNAP sales.

In addition to approving retailers to participate in the program, FNS has the primary responsibility for monitoring their compliance with requirements and administratively disqualifying those who are found to have trafficked SNAP benefits. FNS headquarters officials collect and monitor EBT transaction data to detect suspicious patterns of transactions by retailers. They then send any leads to FNS program specialists in the field office who either work the cases themselves or refer them to undercover investigators in the Retailer Investigations Branch to pursue by attempting to traffic SNAP benefits for cash.

### **States Have Made Significant Progress in Reducing Payment Errors**

#### *The SNAP Payment Error Rate Has Declined to a Record Low*

The national payment error rate—the percentage of SNAP benefit dollars overpaid or underpaid to program participants—has declined by about 56 percent over the last 11 years, from 9.86 percent in 1999 to 4.36 percent in 2009, in a time of increasing participation (see *Figure 1*).<sup>6</sup> Of the total \$2.19 billion in payment errors in Fiscal Year 2009, \$1.8 billion, or about 82 percent, were overpayments. Overpayments occur when eligible persons are provided more than they are entitled to re-

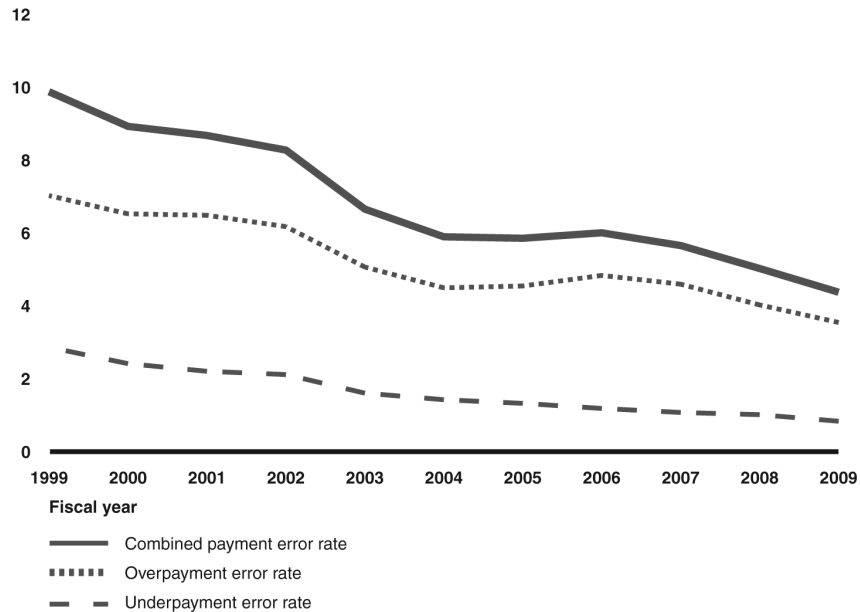
<sup>4</sup>The SNAP error rate is calculated for the entire program, as well as every state, and is based on overpayments to those who are eligible for smaller benefits, overpayments to those who are not eligible for any benefit, and underpayments to those who do not get as much as they should.

<sup>5</sup>In Fiscal Year 2009, about 190,000 retailers were authorized to accept SNAP benefits.

<sup>6</sup>Our 2003 analysis of FNS' quality control data found that almost  $\frac{2}{3}$  of SNAP payment errors are caused by caseworkers, usually when they fail to act on new information or when they make mistakes when applying program rules, and  $\frac{1}{3}$  are caused by participants, when they unintentionally or intentionally do not report needed information or provide incomplete or incorrect information. (GAO-05-245 (<http://www.gao.gov/new.items/d05245.pdf>)) We did not update this analysis for this testimony.

ceive or when ineligible persons are provided benefits. Underpayments, which occur when eligible persons are paid less than they are entitled to receive, totaled \$412 million, or about 18 percent of dollars paid in error, in Fiscal Year 2009.

**Figure 2: SNAP Payment Errors Have Dropped to a Record Low**



Source: GAO analysis of FNS data.

The decline in payment error rates has been widespread despite the significant increase in participation. Error rates fell in almost all states, and 36 states reduced their error rates by over 50 percent from Fiscal Years 1999 to 2009. In addition, 47 states had error rates below six percent in 2009; this is an improvement from 1999, when seven states had error rates below six percent. However, payment error rates vary among states. Despite the decrease in many states' error rates, a few states continue to have high payment error rates.

*Program Simplification Has Been Shown to Reduce Error Rates, but the Program Remains Complex*

State use of simplified reporting options has been shown to have contributed to the reduction in the payment error rate. Several options are made available to the states to simplify the application and reporting process, and one such option is simplified reporting.<sup>7</sup> Of the 50 states currently using simplified reporting, 47 have expanded it beyond earned income households, according to a recent FNS report. Once a state has elected to use simplified reporting, eligible households in the state need only report changes occurring between certification and normally scheduled reporting if the changes result in income that exceeds 130 percent of the Federal poverty level.<sup>8</sup> This simplified reporting option can reduce a state's error rate by minimizing the number of income changes that must be reported between certifications and thereby reducing errors associated with caseworker failure to act, as well as participant failure to report changes.

<sup>7</sup>The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) also gave states the option of adopting provisions that could simplify program administration and possibly reduce error rates. These options include simplifying income and resources, housing costs, deductions, reporting requirements, and utility allowances. Pub. L. No. 107-171, Title IV (2002). See GAO, *Food Stamp Program: Farm Bill Options Ease Administrative Burden, but Opportunities Exist to Streamline Participant Reporting Rules among Programs*, GAO-04-916 (<http://www.gao.gov/new.items/d04916.pdf>) (Washington, D.C.: Sept. 16, 2004).

<sup>8</sup>Households subject to reporting on a periodic basis must submit reports not less often than once every 6 months.

Despite these simplified reporting options, program eligibility requirements remain complex. This complexity increases the risk that caseworkers will make errors when considering all the factors needed to determine eligibility. Our previous work has shown that the financial eligibility of an applicant can be difficult to verify in means-tested programs, further increasing the risk of payment to an ineligible recipient.<sup>9</sup> For example, caseworkers must verify several types of household assets to determine eligibility and benefit amounts, such as bank accounts, property, and vehicles. While additional efforts to simplify the program may further reduce payment error, it could also reduce FNS' ability to target the program to individual families' needs. Moreover, participant-caused errors, which we earlier reported constitute 1/3 of the overall national errors, are difficult to prevent.

*FNS and States Have Taken Steps to Increase Payment Accuracy*

We found that FNS and the states we reviewed have taken many approaches to increasing SNAP payment accuracy, most of which are consistent with internal control practices known to reduce improper payments.<sup>10</sup> Often, several practices are tried simultaneously, making it difficult to determine which have been the most effective.

- *Tracking state performance.* FNS staff use Quality Control (QC) data to monitor states' performance over time; conduct annual reviews of state operations; and where applicable, monitor the states' implementation of corrective action plans.<sup>11</sup> FNS, in turn, requires states to perform management evaluations to monitor whether adequate corrective action plans are in place at local offices to address the causes of persistent errors and deficiencies. In addition, in November 2003, FNS created a Payment Accuracy Branch at the national level to work with FNS regional offices to suggest policy and program changes and to monitor state performance. The branch facilitates a National Payment Accuracy Work Group with representatives from each FNS regional office and headquarters who use QC data to review and categorize state performance into one of three tiers.<sup>12</sup> Increased intervention and monitoring approaches are applied when state error rates increase and states are assigned to tier 2 or tier 3.
- *Penalties and incentives.* FNS has long focused its attention on states' accountability for error rates through its QC system by assessing financial penalties and providing financial incentives. However, since 2000, USDA leadership has more explicitly established payment accuracy as a program priority. High level USDA officials visited states with particularly high error rates, and FNS has collected a higher percentage of penalties from states compared with prior years. For example, from Fiscal Year 1992 to 2000, FNS collected about \$800,000 in penalties from states. In the next 5 years, FNS collected more than \$20 million from states. In Fiscal Year 2009, three states (Maine, West Virginia, and New Mexico) were notified that they had incurred a financial liability for having a poor payment error rate for at least 2 consecutive years. An additional nine states and territories (Connecticut, Maryland, Indiana, Wisconsin, Louisiana, Texas, Iowa, Alaska, and Guam) were found to be in jeopardy of being penalized if their error rates do not improve. Ten states and territories received bonus payments for the best and most improved payment error rates in Fiscal Year 2009 (Delaware, Florida, Georgia, Guam, Maine, Nebraska, Ohio, South Dakota, Washington, Wisconsin).
- *Information sharing.* FNS also provides and facilitates the exchange of information gleaned from monitoring by training state QC staff, presenting at conferences, publishing best practice guides, supporting the adoption of program simplification options, and providing states policy interpretation and guidance.

<sup>9</sup> See GAO, *Improper Payments: Progress Made but Challenges Remain in Estimating and Reducing Improper Payments*. GAO-09-628T (<http://www.gao.gov/new.items/d09628t.pdf>). Washington, D.C.: April 22, 2009.

<sup>10</sup> See GAO, *Strategies to Manage Improper Payments: Learning From Public and Private Sector Organizations*, GAO-02-69G (<http://www.gao.gov/new.items/d0269g.pdf>) (Washington, D.C.: October 2001).

<sup>11</sup> States with error rates of six percent or more are required to develop and implement corrective action plans to improve payment accuracy that are monitored by the FNS regional offices.

<sup>12</sup> Tier 1 states have an error rate under six percent, and tier 2 states have an error rate of six percent or greater but do not fall into tier 3. States are assigned to tier 3 when the lower limit of their error rate estimate at the 90 percent confidence level is higher than 105 percent of the national error rate estimate.

At the time of our 2005 study, states we reviewed adopted a combination of practices to prevent, minimize, and address payment accuracy problems, such as:

- Increasing the awareness of, and the accountability for, payment error. For example, some states set error rate targets for their local offices and hold staff accountable for payment accuracy.
- Analyzing quality control data to identify causes of common payment errors and developing corrective actions.
- Making automated system changes to prompt workers to obtain complete documentation from clients.
- Developing specialized change units that focus on acting upon reported case changes.
- Verifying the accuracy of benefit payments calculated by state SNAP workers through supervisory and other types of case file reviews.

Despite this progress, the amount of SNAP benefits paid in error is substantial, totaling about \$2.2 billion in 2009. This necessitates continued top-level attention from USDA management and continued Federal and state commitment to determining the causes of improper payments and taking corrective actions to reduce them.

#### **Estimates Suggest Trafficking Has Declined, but FNS Could Further Enhance Program Integrity**

##### *FNS Estimates Suggest That the Rate of SNAP Trafficking Has Declined*

The national rate of SNAP trafficking declined from about 3.8¢ per dollar of benefits redeemed in 1993 to about 1.0¢ per dollar during the years 2002 to 2005, as shown in *Table 1*. However, even at that lower rate, FNS estimates that about \$241 million in SNAP benefits were trafficked annually in those years. FNS has not completed an updated estimate of trafficking since 2005.

**Table 1: FNS Estimates Suggest That the Trafficking Rate Has Declined**

Millions of dollars

Calendar year period	Estimated trafficking rate percentage	SNAP benefits issued annually	Estimated amount of benefits trafficked annually
1993	3.8%	\$21,100	\$812
1996–1998	3.5	<sup>a</sup> 19,627	657
1999–2002	2.5	<sup>a</sup> 16,139	393
2002–2005	1.0	<sup>a</sup> 23,213	241

Source: FNS studies and GAO calculation.

<sup>a</sup>FNS reported that it annualized redemption data over the period of the study but did not provide the annualized figures. We calculated the 3 and 4 year average of benefits redeemed for comparative purposes.

Note: The data from 2002–2005 are the most recent available.

Overall, we found that the estimated rate of trafficking at small stores was much higher than the estimated rate for supermarkets and large groceries, which redeem most SNAP benefits. The rate of trafficking in small stores was an estimated 7.6¢ per dollar and an estimated 0.2¢ per dollar in large stores in 2005.

##### *FNS Has Used EBT Data to Improve Retailer Monitoring*

With the implementation of EBT, FNS has supplemented its traditional undercover investigations by the Retailer Investigations Branch with cases developed by analyzing EBT transaction data. The nationwide implementation of EBT, completed in 2004, has given FNS powerful new tools to supplement its traditional undercover investigations of retailers suspected of trafficking SNAP benefits. FNS traditionally sent its investigators into stores numerous times over a period of months to attempt to traffic benefits. However, in 1996 Congress gave FNS the authority to charge retailers with trafficking in cases using evidence obtained through an EBT transaction report,<sup>13</sup> called “paper cases.” A major advantage of paper cases is that they can be prepared relatively quickly and without multiple store visits.

These EBT cases now account for more than half of the permanent disqualifications by FNS. Although the number of trafficking disqualifications based on undercover investigations has declined, these investigations continue to play a key role in combating trafficking. However, as FNS’s ability to detect trafficking has im-

<sup>13</sup>Pub. L. No. 104–193, § 841 (1996).



proved, the number of suspected traffickers investigated by other Federal entities, such as the USDA Inspector General and the U.S. Secret Service, declined, according to data available at the time of our review. These entities have focused more on a smaller number of high-impact investigations. As a result, retailers who traffic are less likely to face criminal penalties or prosecution.<sup>14</sup>

*FNS Has Taken Action to Improve Retailer Monitoring and Increase Trafficking Penalties*

In response to our prior recommendation that FNS improve analysis and monitoring, FNS has implemented new technology to improve its ability to detect trafficking and disqualify retailers who traffic, which has contributed to more sophisticated analyses of SNAP transactions and categorization of stores based on risk. Specifically, FNS implemented a revised store classification system to systematically compare similar stores in order to better identify fraudulent transaction activity for investigation. FNS also increased the amount of data available to review and changed its monitoring of transaction data from reviewing monthly data to reviewing these data on a daily basis. FNS also implemented a new tool that assesses each retailer's risk of trafficking. FNS reports that these changes have assisted with early monitoring and identification of violating stores and allocation of its monitoring resources.

Consistent with our recommendation that FNS develop a strategy to increase penalties for trafficking, FNS received new authority to impose increased financial penalties for trafficking. The Food, Conservation, and Energy Act of 2008 expanded FNS authority to assess civil money penalties in addition to or *in lieu of* disqualification.<sup>15</sup> It also provided authority for FNS, in consultation with the Office of the Inspector General, to withhold funds from traffickers during the administrative process, if such trafficking is considered a flagrant violation. Regulations to implement this provision are being developed and FNS expects the proposed rule to be published in July 2012. According to FNS, the rule that will address addition of monetary sanctions to disqualification is targeted for publication in September 2011. Until the policy is implemented, the impact of this change will not be known.

*Despite Progress, Vulnerabilities Still Exist*

Despite the progress FNS has made in combating retailer trafficking, the SNAP program remains vulnerable.

- *Limited inspection of stores.* FNS authorizes some stores with limited food supplies so that low-income participants in areas with few supermarkets have access to food, but may not inspect these stores again for 5 years unless there is some indication of a problem.
- *Varied state efforts.* Some states actively pursue and disqualify recipients who traffic their benefits while inaction by other states allow recipients suspected of trafficking to continue the practice. We recommended in our October 2006 report that FNS promote state efforts to pursue recipients suspected of trafficking by revisiting the incentive structure to incorporate additional provisions to encourage states to investigate and take action against recipients who traffic. We also recommended that FNS ensure that field offices report to states those recipients who are suspected of trafficking with disqualified retailers. However, FNS officials told us they have taken few recent steps to increase state efforts to pursue recipients suspected of trafficking, in part because of state resource constraints, but will continue to examine the impact of financial incentives in preparation for the expected upcoming program reauthorization.

**States Can Provide Automatic SNAP Eligibility to Individuals Authorized to Receive TANF Services**

*Many States Confer Categorical Eligibility Using No Asset Limit and Income Limits Above Regular SNAP Rules*

States that confer TANF non-cash categorical eligibility use a variety of TANF services to qualify participants for SNAP benefits. According to FNS, as of June

<sup>14</sup>On top of civil penalties, retailers who traffic may be permanently disqualified from participating in the program. A civil penalty may be imposed *in lieu of* permanent disqualification, however, in certain circumstances in which the store owner was not aware of and was not involved in the trafficking. In addition, individuals who are determined to have intentionally committed an act in violation of the SNAP statutes (such as by trafficking) lose eligibility to participate in the program for a specified period of time, depending on the circumstances. There are also potential criminal penalties (including fines and possible imprisonment) for knowingly trafficking.

<sup>15</sup>Pub. L. No. 110-234, § 4132 (2008).

2010, 36 states are using broad-based policies that could make most, if not all, TANF non-cash households categorically eligible for SNAP because the households receive TANF/MOE funded benefits, such as brochures or information referral services. This is an increase from the 29 states that conferred this type of categorical eligibility at the time of our 2007 report. Other states have more narrow policies in place that could make a smaller number of households categorically eligible for SNAP because they receive a TANF/MOE funded benefit such as child care or counseling.

These categorically eligible households do not need to meet SNAP eligibility requirements such as the SNAP asset or gross income test because their general need has been established by the TANF program. For example, in 35 of the states that confer categorical eligibility for all TANF services, there is no limit on the amount of assets a household may have to be determined eligible, according to a FNS report. In addition, the gross income limit of the TANF program set by these states ranged from 130 to 200 percent of the Federal poverty level, according to a FNS report. As a result, households with substantial assets but low income could be deemed eligible for SNAP under these policies.

Even though households may be deemed categorically eligible for SNAP, the amount of assistance households are eligible for is determined based on each household's income and other circumstances using the same process used for other SNAP recipients. Some families determined categorically eligible for the program could be found eligible for the minimum benefit. However, FNS noted in a recent report that families with incomes above 130 percent of the Federal poverty level and high expenses (shelter costs, dependent care expenses, and medical costs) could receive a significant SNAP benefit.

Households can be categorically eligible for SNAP even if they receive no TANF funded service other than a toll-free telephone number or informational brochure. For example, one state reported to FNS that it included information about a pregnancy prevention hotline on the SNAP application to confer categorical eligibility. Other states reported providing households brochures with information about available services, such as domestic violence assistance or marriage classes, to confer categorical eligibility. Receipt of the information on the SNAP applications or on the brochures can qualify the household to be categorically eligible for SNAP benefits. However, the amount of the SNAP benefit is still determined in accordance with SNAP rules by the eligibility workers using information on income and expenses.

In 2007, we reported that six states may not have been following program regulations because they were not using certain TANF noncash services to confer SNAP categorical eligibility.<sup>16</sup> These services included child care, transportation, and substance abuse services, which may have been funded by more than 50 percent Federal TANF or state MOE funds. In addition, some states reported that they did not specifically determine whether an individual needs a specific TANF noncash service before conferring SNAP eligibility. We recommended that FNS provide guidance and technical assistance to states clarifying which TANF noncash services states must use to confer categorical eligibility for SNAP and monitor states' compliance with categorical eligibility requirements. In September 2009, USDA released a memorandum encouraging states to continue promoting noncash categorical eligibility. FNS reported that four of the six states currently are using the required noncash services to confer categorical eligibility.

#### *FNS and States Cite Several Advantages to Use of Expanded Categorical Eligibility*

FNS has encouraged states to adopt categorical eligibility to improve program access and simplify the administration of SNAP. According to FNS officials, increased use of categorical eligibility by states has reduced administrative burdens and increased access to SNAP benefits to households who would not otherwise be eligible for the program due to SNAP income or asset limits. Adoption of this policy option can provide needed assistance to low-income families, simplify state policies, reduce the amount of time states must devote to verifying assets, and reduce the potential for errors, according to FNS. FNS recently also encouraged states that have implemented a broad-based categorical eligibility program with an asset limit to exclude refundable tax credits from consideration as assets.

In our previous work, we found that many of the states' SNAP officials surveyed believed eliminating TANF non-cash categorical eligibility would decrease participation in SNAP.<sup>17</sup> Many of the states' SNAP officials we surveyed also believed that

<sup>16</sup>GAO-07-465 (<http://www.gao.gov/new.items/d07465.pdf>).

<sup>17</sup>Our analysis of data from states in 2006 showed that a vast majority of TANF noncash households may remain eligible for SNAP benefits without noncash categorical eligibility because their income and/or asset levels are within the regular SNAP limits. Other households

eliminating TANF non-cash categorical eligibility would increase the SNAP administrative workload and state administrative costs. Some common reasons state officials indicated for the increase in SNAP administrative workload were:

- increase in verifications needed,
- increase in error rates as required verifications increase,
- changes to data systems,
- increase in time to process applications, and
- changes to policies and related materials.

While FNS and the states believe categorical eligibility has improved program access and payment accuracy, the extent of its impact on access and program integrity is unclear.

#### **Concluding Observations**

Over the past few years, the size of the Supplemental Nutrition Assistance Program has grown substantially, both in terms of the number of people served and the amount paid out in benefits, at a time when the slow pace of the economic recovery has left many families facing extended hardship. At the same time, due largely to the efforts of FNS working with the states, payment errors have declined and mechanisms for detecting and reducing trafficking have improved. However, little is known about the extent to which increased use of categorical eligibility has affected the integrity of the program. Further, improper payments in the program continue to exceed \$2 billion and retailer fraud remains a serious concern, highlighting the importance of continued vigilance in ensuring that improvements in program access are appropriately balanced with efforts to maintain program integrity. As current fiscal stress and looming deficits continue to limit the amount of assistance available to needy families, it is more important than ever that scarce Federal resources are targeted to those who are most in need and that the Federal Government ensure that every Federal dollar is spent as intended.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or Members of the Subcommittee may have.

#### **Contact and Acknowledgements**

For future contacts regarding this testimony, please contact Kay Brown at [redacted]. Key contributors to this testimony were Kathy Larin, Cathy Roark, and Alex Galuten.

#### **Related GAO Products**

*Domestic Food Assistance: Complex System Benefits Millions, but Additional Efforts Could Address Potential Inefficiency and Overlap among Smaller Programs.* GAO-10-346 (<http://www.gao.gov/new.items/d10346.pdf>). Washington, D.C.: April 15, 2010.

*Improper Payments: Progress Made but Challenges Remain in Estimating and Reducing Improper Payments.* GAO-09-628T (<http://www.gao.gov/new.items/d09628t.pdf>). Washington, D.C.: April 22, 2009.

*Food Stamp Program: FNS Could Improve Guidance and Monitoring to Help Ensure Appropriate Use of Noncash Categorical Eligibility.* GAO-07-465 (<http://www.gao.gov/new.items/d07465.pdf>). Washington, D.C.: March 28, 2007.

*Food Stamp Program: Payment Errors and Trafficking Have Declined despite Increased Program Participation.* GAO-07-422T (<http://www.gao.gov/new.items/d07422t.pdf>). Washington, D.C.: January 31, 2007.

*Food Stamp Trafficking: FNS Could Enhance Program Integrity by Better Targeting Stores Likely to Traffic and Increasing Penalties.* GAO-07-53 (<http://www.gao.gov/new.items/d0753.pdf>). Washington, D.C.: October 13, 2006.

*Improper Payments: Federal and State Coordination Needed to Report National Improper Payment Estimates on Federal Programs.* GAO-06-347 (<http://www.gao.gov/new.items/d06347.pdf>). Washington, D.C.: April 14, 2006.

*Food Stamp Program: States Have Made Progress Reducing Payment Errors, and Further Challenges Remain.* GAO-05-245 (<http://www.gao.gov/new.items/d05245.pdf>). Washington, D.C.: May 5, 2005.

*Food Stamp Program: Farm Bill Options Ease Administrative Burden, but Opportunities Exist to Streamline Participant Reporting Rules among Programs.* GAO-04-916 (<http://www.gao.gov/new.items/d04916.pdf>). Washington, D.C.: September 16, 2004.

may lose eligibility for SNAP because their income and/or asset levels are too high. GAO-07-465 (<http://www.gao.gov/new.items/d07465.pdf>).

*Food Stamp Program: States Have Made Progress Reducing Payment Errors, and Further Challenges Remain.* GAO-05-245 (<http://www.gao.gov/new.items/d05245.pdf>). Washington, D.C.: May 5, 2005.

Mr. KAGEN. Thank you very much.

Next, we have the Honorable Phyllis Fong, Inspector General, the Office of Inspector General in the U.S. Department of Agriculture.

Thank you for joining us.

**STATEMENT OF THE HON. PHYLLIS K. FONG, INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.**

Ms. FONG. Thank you, Mr. Chairman, and Members of the Subcommittee. We appreciate the opportunity to testify today about the OIG's oversight of the SNAP program.

As you may know, IG investigators conduct criminal investigations into alleged fraud perpetrated against the program, while IG auditors look at reviews of SNAP that are intended to improve FNS overall management controls of the program. So let me start with a brief summary of our investigative work overseeing SNAP.

As long as USDA has been providing food assistance, there have been individuals who have sought to exploit the program for their own gain. Because of the importance of ensuring the integrity of the program, we devote about 35 percent of our investigative resources to SNAP-related criminal investigations. Our main focus is on fraud that is committed by retailers; although, when we find that individual recipients have violated the program requirements, we do work with state and local prosecutors to address those violations.

Over the past 2½ years, our investigations of the SNAP program have led to 472 convictions and monetary results of over \$77 million. Some of the most significant kinds of SNAP-related misconduct that we look at involve trafficking and abuse of point-of-sale equipment. In addition, we have seen cases that involve funneling stolen money outside the United States. We have seen cases involving employee abuse of SNAP, cases involving retailers who are involved in multiple types of criminal activity, and we have seen recipient fraud.

Let me spend a moment on the trafficking and abuse of point-of-sale equipment.

One of the most common abuses that we investigate involves the trafficking of SNAP benefits, which is the illegal exchange of food assistance benefits for cash. In this kind of scheme, retailers will pay recipients for their SNAP benefits. For instance, they may pay recipients \$50 in cash and then charge the EBT card for \$100 in sales. Recipients are then free to spend the cash any way they like, while retailers profit because they are reimbursed by USDA for these so-called sales. This kind of illegal exchange harms the program because it prevents FNS from accomplishing its main objective of feeding needy families.

Our investigations of these schemes have led to multiple positive outcomes. There was a recent case in Florida involving some store owners who illegally trafficked SNAP benefits for cash. And we recently received a conviction there of 74 months' imprisonment for

the two store owners, and an order of restitution of \$3.2 million to be repaid to USDA.

With respect to abuse of point-of-sale equipment, many times we find that store owners and others who are not authorized retailers may work in conspiracy, or in conjunction, with authorized retailers to defraud the program.

We had a recent case in Chicago, where a store owner conspired with five other retailers, which involved relocating the point-of-sale equipment from an authorized store to an unauthorized location and swiping multiple transactions. As a result of our investigation, the store owners were sentenced to serve over 83 months in prison and pay \$6.3 million to USDA in restitution.

I want to note here that OIG is very appreciative of the close collaboration that we receive from our FNS colleagues, GAO, state and local prosecutors, and our colleagues at the Department of Justice in bringing these cases to fruition.

In addition, as you may know, we conduct audits of the SNAP program. We have done audits in the last few years of the electronic systems that USDA depends on to run the program, namely the ALERT and the STARS systems. We are also engaged—under the Improper Payments Act, we are required to look at FNS's plans to address improper payments. And we will be reporting to the Secretary and the Congress on those efforts within the next 6 months.

Under the Recovery Act, because SNAP receives substantial increases in funds for that program, we are required, as the IG office, to oversee and look at the delivery of those benefits. We have a significant number of audits ongoing in that program, and we have produced four reports recently. We expect to produce numerous more reports in the next few years.

So that concludes my remarks, and I welcome any questions.

[The prepared statement of Ms. Fong follows:]

PREPARED STATEMENT OF HON. PHYLLIS K. FONG, INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Good morning, Mr. Chairman, Ranking Member Fortenberry, and Members of the Subcommittee. Thank you for the opportunity to testify about the Office of Inspector General's (OIG) work on the Supplemental Nutrition Assistance Program (SNAP). My testimony today will provide background concerning SNAP, and then summarize a number of our most significant audits and investigations.

#### **Overview of the Supplemental Nutrition Assistance Program**

SNAP is USDA's largest program, both in terms of the dollars spent and the number of recipients who participate in the program. In Fiscal Year (FY) 2009, recipients redeemed close to \$50 billion in benefits—up 45 percent from 2008. The latest available data show that in April 2010 more than 40 million people received \$5.4 billion in SNAP benefits. SNAP is also an important part of the food safety net for Americans, especially during times of economic hardship. During the recent recession, SNAP participation increased by about 20,000 persons daily—the program helped feed one in eight Americans and one in four children.

In order to receive SNAP benefits, potential recipients may visit their local SNAP office to apply, or they may apply online in 25 states. As part of their application, they submit information regarding their income and resources<sup>1</sup> and, if they are determined to be eligible, they can begin receiving food assistance. SNAP recipients can receive up to \$200 monthly, though the average benefit a recipient receives is

<sup>1</sup>Including cash in a bank account

about \$125 per month.<sup>2</sup> Once new recipients are enrolled in the program, they can exchange their benefits at thousands of FNS-authorized retailers for breads and cereals; fruits and vegetables; meats, fish, and poultry; and dairy products. They cannot use SNAP benefits to buy alcohol, tobacco, or non-food merchandise such as household items.

To be eligible to become an authorized retailer in SNAP, a retailer must sell a variety of qualifying staple food items or 50 percent of its sales must be in a staple group such as meat or bakery items. After retailers apply to participate in SNAP, FNS then visits their store to determine if they meet the program's requirements. About 85 percent of all SNAP benefits are used at supermarkets and big-box stores, though they make up only 20 percent of all authorized retailers. Many smaller stores also accept SNAP benefits, and FNS allows recipients to use their benefits at non-traditional authorized retailers, such as gas stations, convenience stores, and farmers' markets.

FNS administers SNAP in partnership with the states. While FNS develops overall program policies such as eligibility thresholds for recipients and reviews how programs are being run in individual states, the states themselves administer their own programs by determining if households meet SNAP eligibility requirements and by calculating and issuing monthly benefits to recipients. Not only does the Federal Government pay the full cost of the benefits, but it also shares with the states the administrative costs of the program. FNS officials see this approach as providing flexibility for administering SNAP—they acknowledge that each state is different and has unique needs that the states themselves best understand. OIG agrees that FNS' decentralized approach is flexible, but we note that with decentralization come potential control problems. Even preventing a recipient from receiving benefits from two states can be difficult when FNS does not gather all recipients' information from each state.

SNAP is still known as the "food stamp program" to many in the public, although it was officially renamed in 2008. FNS has also moved away from using paper food coupons to providing benefits through Electronic Benefits Transfer (EBT) systems. Under EBT systems, recipients receive a plastic card, similar to a bank card, which they may use at FNS-approved retailers to redeem their benefits. In addition to eliminating cumbersome paper food coupons, EBT creates an electronic record that makes it easier to identify trends that may indicate the potential misuse of SNAP benefits. As of July 2004, all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam operated state-wide, city-wide, and territory-wide EBT systems to issue food assistance benefits.

#### **OIG Oversight of SNAP**

In providing oversight of the SNAP program, OIG employs a two-pronged approach involving audits and criminal investigations. OIG Investigations staff conducts criminal investigations into alleged fraud perpetrated against the program, while OIG Audit staff conducts reviews of SNAP intended to improve FNS' overall management controls for the program.

#### **OIG Investigations**

As long as USDA has been providing food assistance, there have been individuals who have sought to exploit the program for their own gain. In fact, the first retailer was caught abusing food stamps in October 1939, just a few months after the program started. As the Food Stamp Program (and later SNAP) evolved over the years, there have been high-profile cases of fraud against FNS. Concerns about food stamp abuse prompted movements to cut or reform the program in the 1980s and 1990s.

Given the importance of ensuring the integrity of SNAP, OIG devotes about 35 percent of its investigative resources to SNAP-related criminal investigations—this is our largest allocation of investigative resources. Our main focus is on fraud committed by retailers, primarily because FNS is responsible for directly reimbursing retailers while states are responsible for ensuring that individual recipients are eligible to receive benefits and that they use those benefits appropriately. Our investigations of retailers, however, often disclose individual recipients who have violated SNAP program requirements, and we work with the states and local prosecutors to respond to these violations. With few exceptions, our investigations yield tangible and direct benefits to the government, including criminal prosecution, significant fines and penalties, restitution, and asset forfeiture. From FY 2008 to the first half FY 2010, as a result of SNAP investigations, OIG obtained 472 convictions and mon-

<sup>2</sup>FNS assumes that a household should be spending 30 percent of its income on food, so it therefore adjusts a recipient's maximum benefit based on his or her income. Our calculations are based on a one person household.

etary results totaling \$77.1 million. Detailed below are examples of the most significant types of SNAP-related misconduct that we investigate.

*Trafficking in SNAP benefits*

One of the most common abuses OIG investigates is the trafficking of benefits, which is essentially the illegal exchange of food assistance benefits for cash. In this scheme, retailers will pay recipients for their SNAP benefits; for instance, they might exchange \$50 in cash for \$100 in benefits. Some recipients prefer to sell their benefits in this way because they are then free to spend the cash however they like, while retailers profit after they have been reimbursed by USDA. This illegal exchange harms SNAP because it prevents FNS from accomplishing its main objective of feeding needy families.

Recent investigations of these sorts of schemes have resulted in significant positive outcomes for USDA and the Federal Government. In early 2008, the owner of a convenience store in St. Paul, Minnesota, was sentenced in Federal court to serve 2 years in prison, and was ordered to pay more than \$750,000 in joint restitution<sup>3</sup> for exchanging almost \$850,000 in SNAP benefits for cash—his employees also faced prison time and significant penalties.<sup>4</sup> Similarly, an OIG investigation in Miami, Florida, revealed that two store owners illegally exchanged SNAP benefits for cash at an estimated loss to USDA of \$3.3 million. In December 2008, a Federal court in the Southern District of Florida sentenced the store owners to a total of 74 months of imprisonment and ordered them to pay \$3.2 million in restitution.<sup>5</sup>

*Abuse of EBT Point of Sale Equipment*

OIG has found that EBT systems provide an important oversight tool for our investigators and auditors; however, the point of sale devices used to electronically redeem benefits can also be abused by criminals intent on illegally profiting from SNAP. As part of our ongoing efforts to combat large-scale SNAP benefit trafficking in Chicago, Illinois, we found that a store owner and clerk—who were not authorized by FNS to participate in the program—conspired with at least five other retailers to defraud the program of approximately \$6.3 million. This scheme involved relocating point of sale devices from authorized stores to an unauthorized store where SNAP recipients would sell their benefits. The subjects of our investigation were ultimately indicted on wire fraud and criminal forfeiture charges, and were sentenced to serve a total of 83 months of imprisonment and pay \$6.3 million in restitution.<sup>6</sup>

*Funneling Stolen SNAP Funds Outside the United States*

Retailers who abuse SNAP sometimes funnel their illegal proceeds out of the United States. A joint investigation between OIG and the FBI identified a small Somali-owned store in Ypsilanti, Michigan, that was trafficking in SNAP and Women, Infants, and Children (WIC) benefits, and then transferring money overseas, generally to persons located in the Middle East and the Horn of Africa. The store owners and employees pled guilty to over \$750,000 in SNAP and WIC fraud. In May 2010, they were sentenced to spend a total of 48 months in prison and pay almost \$2 million in restitution.<sup>7</sup>

*Employee Abuse of SNAP*

On occasion, state employees take advantage of their positions and commit fraud against SNAP benefit programs—OIG continues to investigate and seek prosecution of such persons. For example, a caseworker with the Missouri Department of Social Services pled guilty and was sentenced for accepting bribes in exchange for authorizing ineligible persons to receive SNAP and other welfare benefits. This individual was sentenced to serve a year and a day in Federal prison, and was ordered to pay \$2,058 in restitution.<sup>8</sup>

*Retailers Involved in Other Criminal Activities Related to SNAP Trafficking*

Individuals engaged in SNAP benefit fraud often participate in other criminal activities as well. For example, one investigation focused on gang activity, drug activity, fencing operations, and SNAP fraud in Greenville, North Carolina. The investigation resulted in the arrest and indictment of six individuals on Federal

<sup>3</sup> This penalty was shared with the store's manager.

<sup>4</sup> KC-2748-0817.

<sup>5</sup> AT-2748-1952.

<sup>6</sup> CH-2747-0784.

<sup>7</sup> CH-2748-1450.

<sup>8</sup> KC-2741-0065.

conspiracy charges for the interstate transportation of stolen property and theft of government program funds. Four of these individuals pled guilty and were sentenced to prison terms of between 6 and 20 months.<sup>9</sup> Also as a result of our investigation, the three stores used to facilitate this illegal activity were taken over temporarily by the city and eventually closed permanently.<sup>10</sup>

*Crimes Committed by SNAP Recipients*

As I have mentioned, the preponderance of OIG's investigative work does not focus on recipients, although we occasionally investigate recipients who illegally exchange their benefits for cash. By sharing this information with the relevant state law enforcement agencies, we help states pursue prosecution or disqualify recipients from the program. We also sometimes investigate recipients who provide false information to receive benefits. As an example of this type of case, OIG found that a man living in Arlington, Virginia, failed to accurately report his income and therefore received thousands of dollars in SNAP, Medicaid, and other Federal assistance. He was sentenced to 60 days in prison and ordered to pay \$97,865 in restitution to USDA, the U.S. Department of Housing and Urban Development, and the U.S. Department of Health and Human Services.<sup>11</sup>

In a similar vein, OIG continues to run Operation Talon, a law enforcement initiative made possible by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.<sup>12</sup> This Act includes a provision that individuals who are fleeing to avoid prosecution, custody, or confinement after conviction are ineligible to receive Federal program benefits, including SNAP benefits. The Act authorizes state social service agencies to provide addresses of SNAP recipients to any Federal, state or local law enforcement officer for official purposes. Operation Talon matches law enforcement agencies' outstanding felony fugitive files with the social service agencies' SNAP records. As a result, law enforcement officers are able to locate and apprehend fugitives who may also be illegally receiving SNAP benefits. As of September 20, 2009, Operation Talon has resulted in 14,645 arrests of fugitive felons wanted for a wide variety of offenses, including murder, arson, assault, burglary, motor vehicle theft, assorted drug charges, robbery, fraud, forgery, driving under the influence, extortion and blackmail, sex offenses, domestic violence, larceny, stolen property, and weapons violations. In the second half of FY 2009, OIG agents conducted Talon operations in five states, making a total of 264 arrests.

Criminal investigations of the sort described are OIG's "bread and butter" when it comes to overseeing SNAP. Through our collaborative efforts, we work cohesively to identify and resolve potential vulnerabilities in the processes that allow retailers to participate in the SNAP program. Such collaboration is often very fruitful, as when we worked with FNS and the Department of Justice to include language in the 2008 Farm Bill that would enable FNS to suspend, during an ongoing investigation, retailers involved in especially flagrant program abuse.

As we look to identify potential future problems, OIG notes that FNS has recently changed its process for certifying retailers to participate in SNAP, and now allows them to complete this certification process online. In the past, store owners who wished to participate in SNAP were required to attend a training program which outlined program requirements and retailer responsibilities. Direct, face-to-face attendance also ensured that FNS verified the owners' identity and required the owners to certify that they understood the program's requirements. Since FNS now conducts these training programs online, store owners do not certify in person that they understand how the program is designed to work. This development concerns OIG because some prosecutors have indicated reluctance to charge retailers with fraud when the retailers did not certify their understanding of program requirements face-to-face.

In another effort to prevent future problems, we are currently monitoring non-traditional retailers—such as gas stations, convenience stores, and farmers' markets—and their involvement in SNAP to help reduce the potential for illegal benefit trafficking.

**OIG Audits**

OIG performs audits of FNS' management controls that are designed to improve how the agency delivers benefits to recipients and oversees authorized retailers.

<sup>9</sup> Legal action is pending against the fifth, and charges against the sixth were dropped.

<sup>10</sup> AT-2748-2015 and AT-2748-2016.

<sup>11</sup> HY-2749-0378.

<sup>12</sup> Public Law 104-193, August 22, 1996.



Prior to the American Recovery and Reinvestment Act of 2009 (Recovery Act),<sup>13</sup> OIG had completed audits related to improving two of the automated systems FNS relies on to administer SNAP. One review found that the watch list FNS uses to monitor retailers could be improved to help in the detection of fraud by adding information such as the type of store.<sup>14</sup> Another review found that FNS needed to strengthen the information system it uses to store data on retailers who redeem SNAP benefits, including improving physical security and updating its contingency plan for its computer facility.<sup>15</sup> For both audits, OIG and FNS agreed on the necessary actions to correct these problems.

OIG has also been actively auditing FNS and state implementation of EBT systems. Most states have adequately implemented EBT, but one audit found that Colorado did not use available management reports to monitor its program for improper activity, and did not establish fraud detection units to assist in prosecuting benefit trafficking. FNS and OIG reached agreement on the actions necessary to correct these problems.<sup>16</sup>

When Congress passed the Recovery Act, it provided for a 13.6 percent increase in the maximum Thrifty Food Plan amount provided to SNAP recipients, which resulted in participating households of four receiving an increase of \$80 in benefits monthly. The Recovery Act also required OIG to oversee how FNS uses the additional funds. The overall objectives of OIG's audit oversight of the Recovery Act monies have been to ensure that: (1) USDA Recovery Act-related programs are timely and effectively implemented; (2) proper internal control procedures are established; (3) program participants meet eligibility guidelines; (4) participants properly comply with program requirements; (5) agencies establish effective compliance operations; and (6) performance measures are properly established and supported to ascertain whether program objectives have been achieved.

To meet these objectives, OIG has initiated four audits in the SNAP area. We have also established a reporting process for expeditiously notifying agency managers of problems identified in our audits. The products of this expedited reporting process are known as FAST reports.

One of our Recovery Act audits reviewed the Thrifty Food Plan (TFP), which FNS uses to establish the maximum SNAP benefits families can receive. Essentially, TFP incorporates food consumption data, food price data, and dietary guidelines to establish "market baskets"—a selection of foods that reflects current dietary recommendations. Our review of this plan found no reportable concerns with the data inputs, constraints, and modeling used in developing TFP. We also found that the Recovery Act legislative increase in SNAP benefits was not related to an update or an adjustment of TFP.<sup>17</sup>

Also as part of our Recovery Act audit work, OIG evaluated how well FNS is monitoring state fraud detection units to ensure that they can effectively prevent fraud, waste, and abuse. We found that neither state we visited—New Jersey and Florida—had developed a fully effective fraud detection unit, and that FNS had not conducted periodic reviews of the states' fraud detection efforts to verify their effectiveness. According to FNS, such reviews were not necessary because information collected by states for the annual State Activity Report was sufficient for agency officials to ensure that states were devoting sufficient resources to their fraud detection efforts. Since FNS' assessment of state fraud detection activities could be limited by the accuracy of the state-reported information, OIG recommended in a FAST report that FNS identify and implement a process for periodically and independently assessing the states' fraud detection units. FNS and OIG are working to reach agreement on this recommendation.<sup>18</sup>

Another audit found that FNS was not being fully transparent concerning the costs associated with the Recovery Act and SNAP. The agency did not timely report on its Recovery Act website that the estimated cost of the additional Recovery SNAP benefits would increase from \$19.8 billion to \$48 billion—FNS did not update its website until January 2010, even though the revised figure was determined in June 2009. In our FAST report, we recommended that USDA work with the Office of Management and Budget and the Recovery Accountability and Transparency Board to establish a process for consistently and timely reporting changes in budget esti-

<sup>13</sup> Public Law 111-5, February 17, 2009.

<sup>14</sup> 27099-32-SF, "Food and Nutrition Service Food Stamp Program—ALERT Watch List," July 2006.

<sup>15</sup> 27501-02-HY, "Application Control Review of the Food and Nutrition Service's Store Tracking and Redemption System II," March 2008.

<sup>16</sup> 27099-68-HY, "Electronic Benefits Transfer System, State of Colorado," June 2008.

<sup>17</sup> 27703-01-KC, "SNAP Benefits and the Thrifty Food Plan," December 2009.

<sup>18</sup> 27703-02-HY (1), "State Fraud Detection Efforts for the Supplemental Nutrition Assistance Program," July 2010.

mates for all USDA programs that received Recovery Act funding. USDA officials generally agreed with this recommendation.<sup>19</sup>

OIG is also initiating a review of FNS' compliance with the Improper Payments Improvement Act of 2002.<sup>20</sup> Like other executive agencies, FNS is required to identify any of its programs that are susceptible to improper payments, estimate the annual amount of improper payments, and submit those estimates to Congress. The Office of Management and Budget has determined that several of FNS' largest programs—including SNAP and the National School Lunch Program—are at high risk of improper payments. Executive Order 13520 requires Inspectors General to assess the level of risk associated with such programs, determine the extent of oversight warranted, and provide the agency head a report with recommendations for modifying the agency's methodology, improper payment reduction plans, program access, and participation plans.<sup>21</sup>

In FY 2009, FNS reported improper payments totaling \$3.86 billion, including \$1.7 billion within SNAP, or a five percent improper payment rate. To reduce SNAP's rate of improper payment, FNS intends to require states that have high improper payment rates to develop a quality control corrective action plan addressing their deficiencies. Our review will determine if FNS' steps to decrease these improper payments are reasonable.

On July 22, 2010, President Obama signed into law the Improper Payments Elimination and Recovery Act.<sup>22</sup> This legislation focuses more attention on improving management controls and recovering identified improper payments. It also requires Inspectors General to perform an annual compliance review to ensure that agencies are in compliance with the Act. We anticipate that our future compliance reviews of FNS will assist the agency in its efforts to decrease its rate of improper payments.

This concludes my written statement. I want to again thank the Chair and the Subcommittee for the opportunity to testify today. We welcome any questions you may have.

Mr. KAGEN. Thank you. That was almost exactly 5 minutes. You must have been practicing. Either that or you have been doing this too long.

Our next is Don Winstead, Deputy Secretary, Florida Department of Children and Families, on behalf of the American Public Human Services Association.

Thank you for joining us.

**STATEMENT OF DON E. WINSTEAD, JR., DEPUTY SECRETARY,  
FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES,  
TALLAHASSEE, FL; ON BEHALF OF AMERICAN PUBLIC  
HUMAN SERVICES ASSOCIATION**

Mr. WINSTEAD. Thank you, Mr. Chairman, and Members of the Subcommittee. I appreciate the opportunity to testify this morning about the SNAP program.

My name is John Winstead, and I am Deputy Secretary of the Department of Children and Families. And we are the state agency that administrators SNAP, as well as other programs serving low-income and vulnerable children, adults, and families.

As you said, Mr. Chairman, I am appearing this morning on behalf of the American Public Human Services Association. My written statement includes APHSA's assessment of the current status of SNAP and quality control, as well as some of Florida's experiences in improving the performance integrity of this vitally important program.

<sup>19</sup> 27703-02-AT (1), "Recovery Act Impacts on the Supplemental Nutritional Assistance Program," March 2010.

<sup>20</sup> Public Law 107-300, November 26, 2002.

<sup>21</sup> Executive Order No. 13,520, 74 *Federal Register* 62201, November 25, 2009.

<sup>22</sup> Public Law 111-204, July 22, 2010.

We appreciate the opportunity to make recommendations for re-authorization of SNAP that supports sound program integrity, administration, and customer service.

In my written statement, I provide a more detailed discussion of recent trends in SNAP, as well as the success that states have had in improving payment accuracy, program integrity, and program performance in the face of unprecedented increases in participation and declines in state resources. I have also included a comprehensive set of recommendations from the people who administer this program on your behalf, the local and state administrators of APHSA. For the sake of time, I will summarize my comments with a few key points.

SNAP has seen unprecedented growth in the number of people qualifying for benefits. Nationally, the number of people served has increased by over 50 percent in the past 3 years. In my state, the number of people has more than doubled, growing from 1.2 million people in April 2007, to over 2.7 million people last month.

In spite of the growth of the program, payment accuracy is at an all-time high. Nationally, payment errors declined to 4.36 percent in 2009. And I am proud to tell you that Florida had the highest payment accuracy in the nation for each of the past 2 years. And, in 2009, our payment error rate was  $\frac{7}{10}$  of 1 percent.

The positive changes in the quality control system made in the 2002 legislation have worked. Providing incentives for high performance and encouraging improvement has been a success, and suggests that even greater success could be achieved by expanding that approach.

States take the challenge of improved performance very seriously. In my written testimony, I described Florida's automated quality management system that has been an important part of our success. This is but one example of the innovative ways that states are improving program management and program results. In our state, we diligently and persistently track performance from the individual worker level to statewide. We can spot error trends in real-time and quickly take action to correct them.

Increased automation has improved both access and integrity. Over 90 percent of SNAP applications in Florida are submitted electronically, and we provide 24/7 access to the program. We have processed over 298,000 electronic data exchanges each month to assure that information is known and correctly counted.

States are learning from one another. Through state exchange funds, FNS has encouraged the transfer of best practices. We have visited a number of other states to learn from them, and over 40 states have visited Florida to see our automated systems.

Policy reforms have worked. States have used the policy options and administrative flexibility that you have provided to simplify, modernize, and improve the operation and administration of the program.

But much more can be done. Among many steps I could name, a more sustained method of supporting state administrative investments, such as those supplied last year through the Recovery Act and the DOD appropriations bill, must be put in place. Speaking more broadly, through providing more options to states, we can

achieve even greater levels of program access, program performance, and public credibility.

The SNAP quality control program is important to our success, but even more critical are the continuing simplification of program rules, having better ways to work in concert with other public programs, and having a more rational mix of financial supports and incentives.

Mr. Chairman, thank you for the opportunity to share our thoughts on these important issues. We at APHSA stand ready to work with you and with FNS to continue to improve the nation's most important nutrition assistance program.

[The prepared statement of Mr. Winstead follows:]

PREPARED STATEMENT OF DON E. WINSTEAD, JR., DEPUTY SECRETARY, FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES, TALLAHASSEE, FL; ON BEHALF OF AMERICAN PUBLIC HUMAN SERVICES ASSOCIATION

Chairman Baca, Ranking Member Fortenberry, and Members of the Subcommittee, thank you for the opportunity to testify this morning about the Supplemental Nutrition Assistance Program (SNAP), including its quality control policies. My name is Don Winstead and I am Deputy Secretary of the Florida Department of Children and Families, the state agency that administers the Supplemental Nutrition Assistance Program as well as other programs serving low-income and vulnerable children, adults, and families.

I am appearing this morning on behalf of the American Public Human Services Association (APHSA). My statement includes APHSA's assessment of the current state of SNAP and quality control, as well as some of Florida's experience in improving the performance and integrity of this vitally important program. We appreciate the opportunity to make recommendations for the upcoming reauthorization of SNAP that will support sound program integrity, administration, and customer service.

APHSA is an 80 year old nonprofit, bipartisan organization representing the nation's state and local public human service agencies. As those who administer and implement public human service programs, including SNAP, we have an important and highly relevant point of view we urge the Subcommittee to consider. APHSA has testified about SNAP before Congress on a number of occasions, but we are especially concerned about the 2012 reauthorization of this essential nutrition assistance program. We strongly believe SNAP is one of the most important means of supporting the well-being of low-income individuals and families, and that it must remain a viable way to help those in need. To continue this good record, SNAP law must support sensible and cost-effective administration and review of the program.

SNAP (the new name for the Food Stamp Program) is supervised by the U.S. Department of Agriculture (USDA) and administered by the state and local human service agencies. In Federal Fiscal Year 2009 it served an annual average of 33.7 million persons, an increase of nearly 19 percent over FY 2008. In April 2010 (the most recent month available), participation reached 40.4 million persons, another all-time record, and 42 percent higher than the FY 2008 average.

The number of states experiencing caseload increases of 25 to 40 percent is unprecedented, with some states more than doubling their caseloads since April 2007. In the past 3 years, the number of people served nationally grew by over 50 percent. In my state, Florida's SNAP served 1.2 million individuals in April 2007 and now, as of June 2010, is serving more than 2.7 million individuals—an extraordinary increase of 126 percent. At the same time states have and continue to face extreme pressures on finances resulting in cutbacks in human service staffing—hiring freezes, furloughs, and layoffs. Florida experienced a reduction of 43 percent of its staff between FY 2003 and 2006. Considering these conditions, it is a testament to the commitment of public human service agencies that we have achieved the highest payment accuracy level in the history of the program for FY 2009 at 95.64 percent. How was this possible? It involved the joint efforts of Congress, the Department of Agriculture, and state and local administrators as well as the commitment of thousands of dedicated front-line staff.

In Florida, we have worked aggressively to improve program access and integrity. We learned early on that technology was the key to reaching large numbers of people and assuring quick and accurate eligibility determinations. Over 90 percent of our applications are received electronically from customers' homes, businesses, agen-

cy offices and a network of over 3,000 community partners. Through a great partnership with USDA, we developed new policies, procedures, and waivers to get the right amount of benefits to people quickly, while saving taxpayers more than \$83 million in recurring annual costs for program administration. We use telephone interviews in concert with electronic data exchanges to assure program integrity. We process over 298,000 data exchanges each month from sources such as the Social Security Administration and state unemployment agency to assure income is known and correctly counted. We match all our customers against the Social Security database to confirm Social Security Numbers and identity, enabling us to find and validate other income and prevent duplicate payments. This spring, our legislature authorized expanded access to the Department of Motor Vehicles database, enabling eligibility staff to view driver's license data, signatures, and customer photographs. These combined uses of technology have helped us achieve our objectives in payment accuracy and proper stewardship of public funds.

#### **Improved Payment Accuracy in SNAP**

SNAP has a remarkably successful history in reducing improper payments. Payment accuracy is measured through a quality control system operated by the states and monitored by the Food and Nutrition Service (FNS). Policy options, simplifications, and administrative practices affect payment accuracy in the program. Although states were making great progress in increasing payment accuracy in the decade before the 2002 Farm Bill, the reforms made by that bill in both policy and performance measurement, plus its incentive bonuses for high performance, greatly enhanced program performance. States have reduced the SNAP error rate (a rather broad label for the total of over-issuances plus under-issuances) from 6.64 percent in FY 2003 to 4.36 percent in FY 2009. At the same time, program participation has increased from 60.4 percent of those eligible in 2004 to 67 percent in 2008. This approach dramatically demonstrates that, with the right mix of policies, it is possible to both reduce improper payments and protect program access.

My state provides an excellent example of what can be achieved. As a national leader in eligibility modernization, DCF turned its attention to accuracy and quality of service in 2006 and targeted key components necessary for improvement. Florida, the fourth largest state in the nation, achieved the best payment accuracy in the nation for the last 2 years, reducing the error rate from over eight percent to 0.85 percent and then 0.70 percent. In addition to improving accuracy, each year we have also improved the timeliness of eligibility decisions in spite of rising caseloads.

Florida's emergence as the most successful state in the nation when it comes to improving SNAP performance was not attained by sleight of hand. Rather it is due to persistent and thorough analysis of program performance, followed by immediate corrective action. We combined the Quality Control and Quality Assurance functions to enhance state oversight, align focus, and improve policies and casework. We believe case review and analysis are critical to managing program performance and developed an electronic web-based case reading tool, Quality Management System (QMS), to combat errors. This tool uses technology to select cases for review using an error-prone profile that can be adjusted based on new data and trends. It allows the state to track, in real time, error trends among all levels, *i.e.*, worker, unit, circuit, region, and state. The data is continually analyzed at the local, regional, and state levels to detect problems and fix cases immediately—before benefits are issued incorrectly. This proactive approach enabled Florida to rapidly and dramatically improve program accuracy and maintain our standing as a national leader in program performance.

The QMS case reading tool has been supported by FNS and introduced to and shared with several other states. Just like Florida, many states have discovered the direct link of case reviews to accuracy improvement and maintenance. Florida has recognized the increased need to keep a pulse on performance during stressful caseloads to avoid a breakdown in program integrity. The commitment to this effort statewide resulted in 3 consecutive years of enhanced funding bonus payments. FNS has also actively supported the sharing of innovative practices through state exchange funds. Our staff have visited other states to learn their best practices, and over 40 states have visited Florida to learn about our improvements in technology and practice; in this time of rapid growth and sparse funding, we and other states know the necessity of fresh and effective new avenues to continue assuring program integrity.

#### **Policy and Process Reforms**

The groundwork for these remarkable achievements was laid in the significant policy reforms of the 2002 and 2008 Farm Bills. Prior to the 2002 bill, the program was overburdened with requirements that caused some states to adopt procedures

such as monthly reporting to capture all the detailed household information the law required about household circumstances. In addition, excessive Federal micro-management, a lack of state flexibility, and conflicts with the Temporary Assistance for Needy Families (TANF) program and Medicaid were among the problems that contributed to a sharp decline in SNAP participation from 1995 to 2001, to high administrative costs, and to increased QC errors.

The 2002 and 2008 laws' nutrition titles included many important changes designed to improve SNAP administration and enhance access for applicants and recipients. They reflected many of the reforms that APhSA had advocated for years, particularly simpler procedures and additional administrative options. Some of the significant changes included allowing states to exclude certain types of income and resources in conformity with TANF or Medicaid; providing for a simplified utility standard; providing an option for semi-annual reporting available to most households, with requirements to report only significant changes during the 6 month period; and transitional benefits for families moving from welfare. Several of these options were extended to cover additional households and circumstances in 2008. The USDA has augmented these and other important policy and process reforms through flexibility in providing waivers and through sharing and encouraging use of policy and administrative options such as categorical eligibility. Its recent support of the use of telephone interviews has been particularly helpful to states in handling the increased caseload.

In Florida, this has been an exceptionally important process and we are thankful for the great relationship we have with the regional and national offices of the Food and Nutrition Service. We have worked collaboratively to understand issues and create real solutions to real problems. Several Federal options, waivers, and demonstrations were used to improve customer service and accuracy. Real and active communication has been vital to exceptional performance.

As a leader of a state human service agency, I naturally take the greatest pride in what states have done to take advantage of the policy options and administrative flexibility available to us as well as to develop modern administrative practices. Fifty states and jurisdictions have adopted semi-annual reporting; 39 have implemented broad-based categorical eligibility; 40 have adopted a simplified utility standard; 36 have adopted simplified definitions of income and resources; and 19 have adopted transitional benefits with more expected following the recent publication of regulations that provide greater flexibility for the option. In addition, over half the states currently use telephone interviews waivers—a prime example of a policy that should be changed to a state option. States have also made a significant commitment to redesigning their business processes to take advantage of technology as resources permit. States are adopting both internal and external web applications; electronic case files through the use of document imaging; call centers; closer relationships with community partners that support the program; and business process redesign to eliminate redundancies, obsolete requirements, and unnecessary activities.

Florida led the way for the now-national move to modernize program services, with a complete redesign of an antiquated service delivery model. Florida used strong technology innovations, waived old processes and policy constraints, and built a community partner relationship that has been modeled by other states. Florida created a 24/7 accessible web application, virtual case files via document imaging, specialized call centers for information, change reporting portals, and web-based systems for use by internal staff and community partners. Without this modern system and the badly needed American Recovery and Reinvestment Act administrative funding, we would have been unable to provide anywhere near timely services during the recession. With the system, we were able to withstand an unprecedented increase in our caseload as we improved accuracy and speed of determinations. Not just one option, but the full package of all options and opportunities, was employed to build this strong and effective system.

#### **Program Performance Reforms**

Prior to the 2002 program reauthorization, the quality control system was the only program performance measure that received major attention. The QC system required precise prediction and tracking of participants' income and circumstances despite the volatility of those factors among low-income families. The system was particularly unsuited for fairly evaluating earned income, which often fluctuates for this population and is therefore difficult to forecast and report. States that exceeded the error tolerance were subject to significant penalties. Those that were below the error tolerance were rewarded with an enhanced administrative match. These factors drove states to adopt policies like monthly reporting, short certification periods, and strict verification of all eligibility factors, which made the program complex and

time-consuming for both staff and households and created a significant barrier to participation and effective administration.

The 2002 legislation established a program performance system that included several positive changes to the QC system and created a new system of bonuses for states with high performance in not only benefit accuracy but also other activities including application timeliness, program access, and administrative processing of “negative actions” (denials, closures, and benefit suspensions). This served to broaden the focus of the program to include areas of client service in addition to benefit accuracy. This broadened approach plus reforms made to the QC system have resulted in a welcome expansion of focus—at both the Federal and state levels—on access and customer service and not just the error rate. This more inclusive approach to program assessment has in turn reinforced much of the program’s recent policy and process simplification.

The most welcome QC system reform provided that only states with persistently high error rates would face liabilities (in general, those states where the error rate exceeds 105 percent of the national average for 2 consecutive years). Also, USDA was given the ability to waive all or part of a liability, and/or require up to 50 percent to be reinvested in the program, and/or require 50 percent to be set aside and either paid or forgiven depending on state performance. In addition, the 2002 law provides \$48 million in bonuses to be awarded each year to the states with high performance in the established measures. Over half of the amount is directed to states with the best and most improved payment accuracy (\$24 million) and correctness of negative actions (\$6 million); the remainder is divided among the best states in application processing timeliness (\$6 million) and program access (\$12 million). These changes have achieved their purpose of sanctioning only “outliers” while encouraging steadily better performance, and are surely a major factor in the remarkably improved program integrity record states have turned in since then.

#### **Current Challenges**

While the farm bills achieved substantial simplification, additional changes are needed if we are not only to maintain but enhance these remarkable achievements and keep errors low. For example, states could benefit greatly from optional standardization in the area of expense deductions. The program also needs other reforms designed to reach the elderly and disabled, who remain a severely underserved population. One of the most useful would be making the Combined Application Projects (CAPs), under which SSI recipients can automatically receive SNAP benefits, a nationally available option rather than the currently approved small number of demonstration projects. The existing CAP projects are simple, inexpensive, and far more accessible to the elderly and disabled than the regular SNAP program. Many of them have been in place for years, and this highly successful model should no longer be considered experimental. For example, Florida has been a successful CAP state for years, yet is still required to perform separate evaluative reviews and provide reports to FNS, and these cases are also subject to the Quality Control sample. The documented success of the program should now alleviate the states from persistent and ongoing excessive reviews and yearly reports.

The program’s continuing complexities also contribute to the fact that SNAP still reaches just 67 percent of eligibles despite the recent dramatic surge in the caseload. One of the major high performance bonus categories in which states now compete is the increase in their participation rate, yet even the best outreach efforts still run headlong into SNAP’s numerous eligibility requirements and ongoing administrative burdens.

#### **Performance Measures and Administrative Support**

The high performance bonus system is insufficiently funded; it provides only \$48 million for all measures, an amount that is less than the pre-2002 enhanced funding system had been paying out for low errors alone. It also remains too entwined with process measures. For example, the \$6 million for the negative error rate primarily measures paperwork and administrative processes rather than the true validity of denials to ineligible persons. States should also always be allowed to choose reinvestment of any sanction, rather than leaving that option to USDA.

Further reforms in SNAP administrative requirements and performance measurement must be accompanied by corresponding improvements in SNAP administrative cost reimbursement policy. The program’s overall administrative costs remain among the highest of any government program due to its complexity and stringent QC oversight. Before 1998, the Federal Government reimbursed states 50 percent of these costs. However, enactment of cost-allocation provisions that year (which were made permanent in the 2008 Act) have since cut the average nationwide reimbursement of SNAP administrative costs to about 47 percent, and some states re-

ceive barely above 40 percent. Since 1998, states have lost nearly \$200 million per year—a cumulative total so far of over \$2 billion—in SNAP administrative reimbursements compared to previous policy. These losses have greatly exacerbated the difficulty states have in administering this program. The fresh infusions of administrative funds in ARRA and in last year’s Defense Appropriations measure were most welcome and necessary, but only began to make up for this deficit.

Another particularly important need in SNAP administrative cost reform is modernization of the program’s automated systems. While other major human service programs enjoy enhanced match for automation—as high as 90 percent—there has been no enhanced SNAP match since the early 1990s. In that time, states have lost ground in their ability to upgrade their SNAP information systems and take full advantage of new technology that is far superior to the legacy systems still in place in many states. The most common reason states report being unable to take full and prompt advantage of simplification options and process redesign is their lack of automation capacity and funding. Another critically necessary step in automated system reform is a simple, uniform, and responsive cross-agency procedure for approving Advance Planning Document requests.

#### **Our Vision for SNAP**

The combination of unprecedented demand and declining state and local capacity further highlights the need for program improvements that APHSA has advocated for many years. While Congress and the Department of Agriculture have made many significant SNAP reforms in recent years, we strongly recommend additional program simplification and removal of access barriers; additional administrative support, such as that provided last year in ARRA and the Department of Defense appropriations measure; a focus on accuracy in outcomes rather than process; additional linkages with and coordination among other Federal assistance programs; stronger support for nutritious food choices and nutrition education; and far greater encouragement of program innovations.

Our recommendations for your consideration follow. While they are grouped into categories, many serve multiple purposes; for example, changes that reduce administrative barriers improve program access, streamline the workload for program administrators, and enhance payment accuracy. We also believe that simplified program rules and less red tape will help families access more of the benefits to which they are entitled and thus choose costlier but more nutritious foods, something that will help in the fight against childhood obesity.

We appreciate the opportunity to provide this testimony and will be pleased to answer any questions you have. We look forward to working closely with the Subcommittee and full Committee as you develop legislative proposals for SNAP reauthorization, and will be pleased to assist you in any way to help make this critically important safety net program stronger, more responsive, and more manageable.

#### ATTACHMENT

### ***Supplemental Nutrition Assistance Program—APHSA Recommendations for the 2012 Farm Bill***

#### **Enhancing Program Access**

- Amend SNAP law and provide funding so that states can conduct pilot programs to test a variety of innovative methods and alternative application strategies that remove additional barriers and further streamline the eligibility and benefit determination process, including a single portal for accessing multiple programs or a human services electronic home.
- Incorporate the Combined Application Projects into SNAP law as a standard state option rather than continuing them as demonstration projects; allow states to test CAP for additional categories of households; and provide the funding necessary for the Social Security Administration to support projects where automated approval of the standardized SNAP benefit is based on information shared electronically by SSA.
- Restore eligibility for legal non-citizens by reinstating the non-citizen policies in effect prior to the enactment of welfare reform in August 1996.
- Make permanent the state option in the American Recovery and Reinvestment Act to suspend the 3 month participation limit on Able-Bodied Adults without Dependents.
- Allow up to 36 month certification periods for elderly/disabled households with no earned income.



### **Reducing Program Complexity**

- Authorize a significant number of new demonstration projects that drastically simplify the eligibility and benefit calculation, including such examples as coupling presumptive eligibility to new health care reform eligibility tests; basing the benefit on income with only a deduction from earned income and using an altered benefit reduction rate or an additional standard deduction based on household characteristics; an option patterned on the Minnesota Family Investment Plan to allow a standardized SNAP benefit to TANF cash assistance recipients; and optional use of a standard medical expense and a standard deduction for medical insurance premiums for all households.
- Remove barriers in current law that prevent the exchange of data among public assistance programs that would streamline application processing and simplify multi-program administrative requirements.
- Adjust the law to allow flexible interview requirements that will support successful business process redesigns which may currently be implemented only under waiver authority.
- Establish a process of regular and systematic collaboration among FNS, ACF, and CMS on projects that coordinate administrative processes and projects, including a project to rationalize income policy in four areas: (1) definitions of countable income, including what is treated as earned or unearned income; (2) verification of income; (3) budgeting income (prospective, retrospective, period of income to use); and (4) calculation of self-employment income, including agreement on self-employment disregards or establishment of a standard percentage deduction for self-employment disregards.

### **Supporting Nutritious Food Choices and Nutrition Education**

- Assure that SNAP nutrition education (SNAP-Ed) funding continues to be available at current usage and projected growth levels, and that no SNAP-Ed funding is used to offset increases in other programs; and align nutrition education requirements across all Federal nutrition programs so that they provide a consistent nutrition message.
- Expand the initiatives in the 2008 Farm Bill to identify and implement positive incentives for recipients to choose nutritious foods, particularly those that will impact the problem of childhood obesity.
- Provide strong positive incentives for health care programs and providers to include nutrition counseling as a part of well-child care and for persons suffering from obesity-related illnesses.
- Encourage non-traditional food providers to accept SNAP benefits by developing or identifying funding to provide EBT equipment and by eliminating current rules that discourage these types of providers from applying to be authorized retailers.
- Increase the annual funding for the USDA Community Food Projects Competitive Grant Program and require USDA to actively solicit projects that have a plan for involving SNAP recipients as both customers and project participants.

### **Providing Adequate Funding for Nutrition Benefits**

- Retain the ARRA provision that continues the increased SNAP benefit until the regular annual inflation adjustment exceeds the 13.6 percent benefit increase.
- Adopt the pre-1996 inflation adjustment formula that set benefits at 103 percent of the cost of the Thrifty Food Plan the previous June.

### **Strengthening Support for Administration and Systems Improvement**

- Continue annual allocations of 100 percent Federal administrative funds, as has been done in 2009 ARRA and the DOD appropriations legislation, as long as the present severe fiscal conditions require.
- Restore the normal SNAP administrative match rate to its historic 50 percent level in place prior to the 1998 Balanced Budget Act cost-allocation reductions.
- Provide an increased, standard Federal match for automation for SNAP and all other human service programs.
- Direct FNS, ACF, and CMS to immediately and thoroughly streamline and reform the badly outdated Federal Advance Planning Document requirements.
- Ensure that electronic benefit transfer and other electronic payments will continue to be exempt from Regulation E requirements and from any other mandates that would increase costs for program recipients or for state and local agencies.

- Increase funding for SNAP performance bonuses to allow more states to be rewarded for exemplary performance and to shift the performance oversight system toward one based on positive incentives.
- Provide a mechanism for funding state-private partnerships to provide inexpensive equipment to nonprofits that assist people to apply for human services benefits online.

Mr. KAGEN. Thank you very much.

I appreciate all of your testimonies.

Let me begin with a question to Madam Fong. You had mentioned in your written remarks that there was an error rate of about five percent of improper payments, to the tune of about \$1.7 billion.

And let me give you a little backdrop to this. When I travel around my Congressional district, if I want to check the pulse of the economy, I go into the grocery store and I talk to the manager. And I ask him or her to compare for me this year *versus* last year, what percent of your overall business is on food stamps through the SNAP program?

And you just pointed out, Mr. Winstead, that in Florida it has gone up dramatically. Well, in my Congressional district, one store went from 22 percent of overall business to 50 percent; another store, from 25 percent to 48 percent. So, more and more districts and rural areas, particularly in Wisconsin and elsewhere, people are much more dependent now on gaining their nutrition from this program.

So there will always be a highlight not in how well it is working, but to focus—which is the oversight committee's responsibility—to focus on what can be improved. So can you make a few comments about the way in which we can improve and prevent the improper payments, what you are doing, what you think should be done?

It is an open microphone.

Ms. FONG. Well, we have done some audit work in the SNAP area, and we have focused primarily on looking at the EBT systems that SNAP uses to deliver the program. We have made some recommendations to FNS on how the ALERT system and the STARS system can be tightened up and improved. We are working with FNS to deal with those kinds of issues and are optimistic about that.

We also are going to be starting a significant effort in the improper payments arena, as I mentioned earlier. Under those laws—one was just enacted last week—we have to work in conjunction with FNS to help make recommendations on how improper payments can be addressed, how they can be reduced, what effective ways there are going to be to really get to that problem. Because if we can deal with improper payments in the program, that just makes more money available to truly needy families.

Mr. KAGEN. Let me direct that same question to Ms. Paradis and also Mr. Winstead.

Ms. PARADIS. Thank you, Congressman.

Well, there are a number of things that can be done and that we are doing. And we are very grateful to both OIG and GAO for giving us the kind of support and guidance and recommendations that can be very helpful. They have a fresh view and a different view from ours on occasion, and so we find that actually very helpful.

But we already do things within FNS. For example, we have a national payment accuracy working group. They are reviewing all of the states. We get QC data month to month, and so this group actually takes a look at that. And when they see a state that is starting to get into trouble on payment accuracy, we can jump in right away with our staff to work with that state and make sure we can get the error rate down. And that has actually been quite successful.

We have a State Exchange Program, where we actually have some funds, a limited amount of funds, where we can actually cover the costs of state officials to go to other states to see what they are doing, go to conferences to see what they are doing in the area of payment accuracy. So we have found that to be extraordinarily useful, as well.

Of course, our biggest thing is the carrot and stick of our QC system. We give performance bonuses to those states that are at the very top, in terms of success. We also give bonuses to the two top states that are most improved. And we have the stick of liabilities for those states that are really continuing to struggle and just aren't operating up to par.

We are actively working with states on business process re-engineering so that they can become more effective in what they are doing and more efficient, and find ways to reduce errors. We constantly are reminding them of ways that they can make administrative differences, simplification policies that we allow, and waivers.

And, of course, this Administration has done a number of things that I think are going to help us to even focus better, and that is the President's Executive Order on improper payments. There are eight working groups now very, very aggressively looking at these issues. FNS is on seven of those working groups.

And there is also something called the Partnership Fund for Program Integrity, about \$37 million that is going to be made available to various agencies. We are seeking suggestions from anyone in any quarter, from individuals to organizations, to make recommendations in terms of how we might be able to improve our processes.

And so, there is a lot going on. This is something that is very important to FNS, and we are excited about the potential.

Mr. KAGEN. Mr. Winstead, this state and Federal partnership, how well is it working?

Mr. WINSTEAD. Thank you, Mr. Chairman.

I think it is working very well. And, as I mentioned in my testimony and as the Administrator indicated, I think the state exchange and collaboration and partnership, both between the Federal agency and states as well as states helping each other, are important.

But, the way that we leverage that and the way we make it consistent is we have to go from top to bottom and bottom to top.

And to give you a quick illustration, for example, in quality control in Florida, we pull a little over 1,000 cases in the active roles, about 800 negative cases, so maybe 1,800 cases are in an annual sample. We have 4,000 eligibility staff. So if I am an eligibility worker, I may or may not get a case pulled by quality control this

year. So, in terms of my performance, I need something else to give me good feedback.

And in our quality management system last year, we reviewed, second-party reviewed in validation, 149,205 cases. This year so far through June, we have reviewed 82,358. You can see those large numbers. That way we are able to take the trends that we learn about from the national trends from our state analysis at QC, particularize it, and make sure that it touches the day-to-day work of every eligibility worker and supervisor in our state and guides their action in the assessment of their performance throughout the month.

Mr. KAGEN. Thank you very much.

Mr. Fortenberry?

Mr. FORTENBERRY. Thank you.

Ms. Fong, I would like to start with you. In fact, I like the phrase—it is an unfortunate reality—about the trafficking of SNAP benefits. You had suggested that there is money being funneled overseas.

Two questions, is the trafficking of SNAP benefits more pronounced in a particular area of our country, or is it a widespread problem, geographically diverse? And which countries are involved in money being transferred or funneled overseas?

Ms. FONG. I would say that we don't necessarily see trafficking in any particular identifiable locations. We do see it across the country. We have big investigations going on in the Midwest, in Florida, on the West Coast, up in the Northeast. So I don't think it is confined to any particular region of the country. Wherever there are stores and retailers, we are going to probably see those kinds of issues.

Mr. FORTENBERRY. Well, I was hopeful you would say this doesn't happen in a place like Nebraska.

Ms. FONG. I can't think of a big case in Nebraska.

Mr. FORTENBERRY. Okay. Thank you.

Ms. FONG. You are welcome.

In terms of monies going overseas, we don't know exactly where they end up, but we do see them moving to countries in the Middle East, around the Horn of Africa, and some of the lesser-developed countries across the ocean.

Mr. FORTENBERRY. Is there some different criminal process, other than simply selling the SNAP card for cash, as you suggested in your earlier testimony? Is there some other way of conniving the benefit to be transferred overseas?

Ms. FONG. Well, what we have seen, the kinds of schemes we have seen involve trafficking, where people will bring their card in, swipe it for cash, and then the retailer will take that money, and sometimes that will get funneled overseas.

There are also situations involving the use of *Hawala*, which are money transfer systems—it is a way of transferring funds from one country to another without using the formal banking system. And in those kinds of situations, we coordinate with the FBI and with the Department of Justice to work those cases.

Mr. FORTENBERRY. So this is just another manifestation of the original type of theft that is going on at the retail level, where you

have two people conniving to basically get the benefit for cash at some discount agreed upon by the retailer?

Ms. FONG. Right. They are all variations on the same thought.

Mr. FORTENBERRY. Okay.

Mr. Winstead, you had talked about Florida having the highest payment accuracy rate in the nation?

Mr. WINSTEAD. Yes, sir.

Mr. FORTENBERRY. Now, why is that?

Mr. WINSTEAD. I think there are multiple reasons, and the chief among those is the really diligent hard work of a whole lot of people. But, as I indicated, I think our quality management system is an important part of that. I think we have worked very closely with FNS on program simplifications.

And another big reason is our automated system. We have completely retooled our automated system so that we have good controls and good responsiveness, and we are able to do a lot of electronic exchanges. We do external data checks with about 20 other systems to verify the accuracy of the information that people are telling us. I think all of those are part of the improved accuracy.

Mr. FORTENBERRY. Ms. Paradis, would you consider Florida to be an optimal model for state implementation, in terms of reducing errors?

Ms. PARADIS. Oh, yes, I absolutely do. One of the things that I think works so terribly well, as Mr. Winstead mentioned, is that we actually do have the ability to have states share their good news with other states around the nation. And I dare say state exchange has been a significant factor in terms of bringing the payment accuracy rate up and the improper payment rate down, because states have been able to get together.

I have been at meetings with the various states when they get together, and there is great collaboration, respect, and understanding. And so, I think that Florida can, indeed, be a model and is a model.

Mr. FORTENBERRY. Other than goodwill and people who are acting with integrity in their efforts at public service, what incentive is there for a state to implement more aggressive programs that ensure the integrity of the delivery of the benefit?

Ms. PARADIS. Well, our traditional QC system, which has been in existence for decades, as I mentioned earlier, does provide both a carrot and a stick. States get performance bonuses if they are among the top, if they have great success at the top. And even those who are *most improved* get bonuses.

States who are at the very bottom, who are not as successful in keeping their error rates down, actually are assessed penalties. And over a course of time, if they are not able to improve, we do collect those monies. And so that is a very powerful incentive for states.

Mr. FORTENBERRY. All right. Thank you.

Mr. WINSTEAD. Mr. Chairman, if I could quickly add, just as an illustration, in 2006 we received one of those penalty letters telling us if we didn't do better, that we were going to face stiff financial penalties. And that certainly got our attention.

And then, as a result of the actions that we implemented, we received \$5.48 million in 2007, over \$7 million in bonus recognition

in 2008, and in 2009 we received \$11.5 million. That not only gets our attention in a very positive way, but also the attention of the Florida Legislature as they consider the job we are doing.

Mr. FORTENBERRY. Good. Thank you.

Mr. KAGEN. The chair now recognizes Mr. Schrader.

Mr. SCHRADER. Thank you, Mr. Chairman. I appreciate it.

I would like to follow up on Congressman Fortenberry's line of inquiry. How many states now currently have the type of automated system that Florida does?

I direct that to Ms. Paradis or Mr. Winstead, if he knows.

Ms. PARADIS. I am sorry, I am not able to answer that question. We will be happy to take a look and do a review of our states and get that information back to you.

Mr. SCHRADER. Mr. Winstead, any—

Mr. WINSTEAD. I also need to check. I don't know how many specifically. I know that there are a number of states, over 40 states, that have visited our state to look at our systems and learn. And there are a couple of states that my staff have gone to where they say that what they are doing is even farther advanced than what we are doing.

So, there are a number of states, and the ones that don't have these systems are rapidly moving in that direction. As much as—I mean, the limitation there is, of course, many states are in very deep difficulty right now, financially, and that is a concern.

Mr. SCHRADER. Well, the reason I raise that is that, perhaps one of the incentives, I don't know if you are empowered to do it now—would be to provide a bonus if one does go to a more automated system, so that the states might be able to find some money, as long as there is Federal assistance, as part of your bonus program. I am just trying to be thoughtful.

With the study that is going on right now about the 2006, 2008 errors in trafficking and stuff, what does the Department expect to find? I mean, I guess that is coming due next year. Do you have any idea? I mean, it has gone down dramatically. Do you have a feel for where you are going to end up?

Ms. PARADIS. We don't know yet. But we are really looking forward to what we can learn from that study. You know, we constantly are studying across a whole range of these issues, constantly trying to study what we can learn about them, so that we can better respond and improve the effectiveness and the efficiencies of these systems.

Mr. SCHRADER. When was the EBT card system put in place? I don't know that. I am a new—

Ms. PARADIS. Oh, it started many years ago. It took some time for all of the states to come onboard. I think the final state came onboard in 2004. And just about a year ago, we disbanded any possible use of any remaining food coupons that are out and about.

Mr. SCHRADER. Okay. So then I would optimistically assume that the rate would come down even further than in your more recent study, hopefully.

Ms. PARADIS. We are certainly hopeful.

Mr. SCHRADER. Is there a tipping point, if you will? I mean, error rates are error rates, and errors do happen. Florida seems to be exceptional; having an error rate at less than one percent is amazing.

Is there a point at which you get diminishing returns in terms of the amount of money either Congress or the state spends trying to reduce errors? Is there a goal that the Department has in mind?

Ms. PARADIS. I appreciate that question. We have for the entire history of the Food Stamp Program tried to find the proper balance between accessibility—making sure that eligible people are participating—and program integrity.

I will tell you that I was absolutely stunned when I learned that our payment inaccuracy rate had gone down to 4.36 percent. I never dreamed I would see it below five percent. When we reached that, I thought, “We have gone about as far as we can go.” So I am now wondering what might happen next year, if we can maintain that same level of success.

If you look at the participation rate, which is about 66 percent of those people who are eligible—and that is a major part of what we are about, is trying to make sure that every single eligible person in this country gets the nutritional benefits that they deserve—we really have a lot of work to do on that side of the shop, as well.

I think we have it in pretty good balance right now. We have had a lot of practice at it. But it is something that we are constantly mindful of.

Mr. SCHRADER. Last question, and I know it will come up at some point, but what percentage of problems do you have with unauthorized immigrants in this country accessing SNAP benefits, given the new system you have?

Ms. PARADIS. Well, of course, you know that illegal immigrants are not eligible. They never have been eligible for this program. And President Bush, working with Chairman Baca and the Congress in 2002, did restore eligibility to legal immigrants, who had been removed from the program in 1996.

Just like when any other applicant tries to defraud the system, the states are empowered to investigate those cases if the concern comes up as the application is being looked at by a certification worker. It can also come up, perhaps, in a QC review of ongoing cases. And then those recipients can be prosecuted at the state level.

Mr. SCHRADER. Thank you.

I yield back.

Mr. KAGEN. Thank you very much.

Mrs. Lummis?

Mrs. LUMMIS. Thank you, Mr. Chairman.

Ms. Brown, you mentioned that, in spite of some states like Florida that have extraordinary accuracy rates, that there are still inaccuracy rates that exceed what should be acceptable. Do you make recommendations on how states that are under-performing can accelerate their level of accuracy?

Ms. BROWN. Well, first, I would like to say that one of the things we have noticed over time as the error rate has gone down is that the spread between the states in the error rate has become smaller. When we first started looking at this, some states had 10–12 percent error rates, and now I believe only five states have higher than six percent, and it is just a little above six. I think that is an important thing to note, as far as the progress goes.

The recommendations that we make are typically recommendations to USDA, and recognizing that they then have the responsibility to work with the states to try to improve, continue to improve the error rate.

Mrs. LUMMIS. Thank you.

So, turning then to USDA, who is primarily responsible, who is on the front lines of accuracy in eligibility? Is it the states, or is it the USDA?

Ms. PARADIS. The people on the front line, of course, are those thousands of caseworkers across our country who have the responsibility of taking those applications and making those certification decisions.

Mrs. LUMMIS. So it is the states.

Ms. PARADIS. But we have the responsibility to give every type of assistance that we possibly can to the states. So, we actually see it as a very robust partnership.

It is important to us. The American people are our bosses, and we have responsibility for those Federal taxpayer dollars, and we take it extraordinarily seriously. And so we are very aggressive in working with the states, and have been for many, many, many years, in terms of giving them every kind of assistance we possibly can to get those error rates down.

Mrs. LUMMIS. But is it fair to say that because the states are subject to carrots or sticks for under-performance or exceptional performance, that it is the states that are really on the front lines?

Ms. PARADIS. I think that is fair to say.

Mrs. LUMMIS. Okay. Then I want to turn a question to Mr. Winstead.

Are you familiar with the National Governors Association's Center for Best Practices?

Mr. WINSTEAD. Yes, Congresswoman, very familiar.

Mrs. LUMMIS. And could you explain why you are familiar, and whether Florida has participated as a state that uses best practices with regard to this particular program to help other states with their compliance?

Mr. WINSTEAD. As your question indicates—first of all, there are two aspects of it that I would underscore. First of all, the National Governors Association does have a Center for Best Practices that helps bring states together and learn from one another and facilitate that action. Of course, my agency, the Department of Children and Families, we administrator multiple human services programs, and we have worked with the NGA Center on Best Practices in a number of those programs.

The other thing I would add, too, is that the organization that I am a member of and represent today, the American Public Human Services Association, performs a similar function for states. This is the association of the folks who run the human services agencies in each state.

We at APhSA link very closely with the National Governors Association because the Governors are our bosses, so we work hand in hand. And APhSA and through our various affiliates, including the directors of the SNAP programs around the country, all work very closely together on improving program performance, and including idea-sharing in that agenda.



Mrs. LUMMIS. And for all the panelists, I am still a little baffled by the fact that expanding eligibility from TANF to SNAP actually improves accuracy. In some ways, that is a little counterintuitive because, in my mind, I am thinking maybe a double-check would ferret out mistakes that may have been made in determining, initially, eligibility for TANF. Could you help disabuse me of my thinking?

Ms. PARADIS. They are all looking at me, so I guess I have to take the first crack at that.

The way that it can affect error rates and bring error rates down is because it is a significant simplification of the application process, both for the recipient as well as the caseworker. Occasionally, we will have recipients who make unintentional errors when they are applying for the program. And we have caseworkers who also unintentionally make mistakes. Those kinds of errors can be reduced quite dramatically by this categorical eligibility.

And it also does simplify the program in a way. For years, we have been looking for ways to simplify the program. There been any number of people who have called for many years that we take a look at the wide range of Federal programs that we offer to low-income people here. And this is a way where TANF and the SNAP program are working very well together.

Mrs. LUMMIS. Thank you, Mr. Chairman. I yield back.

Mr. KAGEN. Thank you. Mrs. Dahlkemper from Pennsylvania.

Mrs. DAHLKEMPER. Thank you, Mr. Chairman. Thank you all for joining us today. I have a number of different questions, but I am very interested, as I know all of us are, in trying to improve the nutritional quality of the SNAP program. One of those things that we have been trying to do is increase access to farmers markets. So I want to start with Ms. Brown, because in your findings I know you said errors have been higher, more frequent in smaller stores. And nothing—I didn't really see anything about farmers markets. And so has there been any study on the farmers market issue?

Ms. BROWN. We haven't done any studies on farmers markets in error rates. I don't know if you have any information.

Mrs. DAHLKEMPER. Does anyone else have any information on farmers markets?

Ms. PARADIS. I don't have that information with me this morning, I am sorry. I am more than happy to take a look at what data we do have and share that with you.

Mrs. DAHLKEMPER. Because I know one of the issues obviously is trying to get EBT available in farmers markets. If you have any of that information I would be very interested.

Ms. PARADIS. I would be happy to share that with you. As you probably already know, in the President's proposed budget for 2011 we had requested \$4 million for equipment for farmers markets. Our goal is to have every farmers market in the country participating.

Mrs. DAHLKEMPER. Another question I wanted to ask, I have a number of questions, but, Mr. Winstead, you had mentioned in your testimony that the elderly and disabled are those who we are having most difficulty reaching who are currently eligible. And so if you can maybe expand a little bit on what you think could be done to try to reach them.

Mr. WINSTEAD. Sure. Yes, ma'am. I think, and particularly coming from Florida, where we have such a large elderly population, this is a particular concern for us.

Mrs. DAHLKEMPER. I am from Pennsylvania and I think we are like number two after you.

Mr. WINSTEAD. A couple of things there. And of course we work very closely with our colleagues in the Florida Department of Elder Affairs that helps us with a lot of outreach. They also administer a number of feeding programs for the elderly. Two things that we have done that are important. First of all, we have the SUNCAP waivers, what we call it, a waiver so that individuals can get SNAP benefits as part of their application for SSI. I think that is a way to make it easier for people to be able to access the program.

Many states use that strategy. That is also an area where we feel it would be a step forward, because that is a waiver that we have to renew periodically, and we have to meet certain cost neutrality requirements and all. I think if that were just more of an option rather than a waiver program that would be a step forward in improving access.

The other thing that we do is we partner very closely with over 3,000 community partners who provide automated access to the program, including aging resource centers and programs that serve the elderly and disabled to try to make sure that we reach everybody who is potentially eligible. We want to make sure they understand the benefits of the program in a context that is familiar to them, and doesn't involve coming to another government office and filling out another piece of paper.

Mrs. DAHLKEMPER. Thank you. I want to ask Ms. Paradis, the question is sort of a little bit off of what we have been talking about today, but it has to do with education and SNAP-Ed. And that on the website you have a recipe finder database and a guide, *Eat Right When Money's Tight*. But I am concerned that not enough of our SNAP recipients would have access to this. I am from the Commonwealth of Pennsylvania, a state with a lot of elderly. Many of them do not have access to the Internet. Those who are low-income often do not have access to the Internet.

So what I am wondering is perhaps if there could be some way to better reach these beneficiaries, and have you thought about that? Maybe offering something in the grocery stores where you have a large number of SNAP recipients. And so maybe you can let me know if there is anything going on in that regard.

Ms. PARADIS. I am happy to. We provide millions of dollars to states so that they can conduct SNAP education in various communities. It has been very, very successful. Every single state has a SNAP-Ed program. And that is the way to sort of get this into communities. I think some states do exactly as you have suggested, have things in grocery stores. I am always amazed when I go and meet with folks who are engaged in our SNAP-Ed program at the state and local level at the wide range of activities that they are engaged in.

So we are very, very pleased with our SNAP-Ed efforts. It is a big part of what we do at FNS, it is a big part of what we focus on, working with those organizations that get those funds to make sure that the kind of activities, and the type of education that they

are involved in and providing, are appropriate, follow the dietary guidelines, and follow the nutritional guidance. We believe that that is a powerful way to make sure that SNAP recipients are indeed making the most nutritious purchases possible.

Mr. KAGEN. Thank you very much, and your time has expired. And if any panel member has any other questions they can submit them in writing. I am sure that our guests and witnesses would be happy to respond. Thank you very much, panel one. You are hereby excused.

I now call to the panel Mr. James Weill, Scott Faber, and Jennifer Hatcher. Thank you for joining us this morning. We will first hear from James Weill, President of Food Research and Action Center, Washington, D.C. Welcome, Mr. Weill.

**STATEMENT OF JAMES D. WEILL, PRESIDENT, FOOD  
RESEARCH AND ACTION CENTER, WASHINGTON, D.C.**

Mr. WEILL. Thank you. We appreciate the opportunity to testify here this morning. The Food Research and Action Center is committed to ending hunger in this country. And last year 18 percent of households reported to Gallup that there had been times in the last 12 months when they didn't have enough money to buy the food that they or their family needed.

So a strong SNAP program is absolutely essential to reduce hunger, and the role of SNAP has become even more essential as the recession has continued. There are now more than 40 million recipients, a majority of them children and seniors, and that is up nearly a third from 2 years ago.

SNAP delivers benefits in a very efficient way because it relies on regular commerce. Recipients use EBT cards at regular grocery outlets. And economists report that dollar for dollar SNAP is almost certainly the strongest countercyclical anti-recession program the nation has, as you alluded to earlier.

Thus, SNAP is fundamentally a strong program. But keeping it strong requires that the public policymakers and beneficiaries have confidence in its integrity. The quality control system, especially with the modifications made in the 2002 Farm Bill and since, is an effective tool to create a basis for any needed corrective actions, and also to assure the public and policymakers of SNAP's fundamental integrity.

States partnering with USDA have made great progress in reducing errors. Indeed, the 2009 payment accuracy rate, as indicated earlier, was at an all time high. And I want to give you a different number, an additional number, from that 2009 report. The percentage of benefit dollars that went to eligible people was 98.81 percent, almost 99 percent. And even among the relatively few incorrect payments, many of course are not overpayments but are underpayments or incorrect denials of eligibility. When hungry people don't receive benefits that they need, that hurts health and productivity and children's development and learning.

There are also other quality problems that don't fall within the ambit of the definition of quality control, strictly defined, but nevertheless have an equally important impact on program performance and access among eligible people.

Despite progress in recent years, SNAP still is missing  $\frac{1}{3}$  of eligible people. You asked, Representative Kagen, earlier how the program can be improved. We need continued efforts to address barriers to access. Earlier the question of diminishing returns also came up, but simplification of the program can produce more returns in terms of both access and integrity. More simple criteria and processes are essential under both Federal and state rules.

States need to be more responsive in taking the many options they have under current law to reduce red tape and unnecessary steps, and simplify the program. And delays in making eligibility determinations are another serious problem. Federal rules require states to process SNAP applications within 30 days, 7 days for the neediest households, and states have to do better. But this also requires more administrative support, adequate numbers of case workers and adequate computer systems.

Congress can help on all this in important ways now, and in the farm bill coming up. One key step is addressing the adequacy of benefits. The monthly SNAP allotment is predicated on the Thrifty Food Plan, which was developed in the 1930s. It is a restricted diet for emergency use. It typically carries even the most careful families only about  $\frac{3}{4}$  of the way through the month. Our written testimony lays out a number of steps to make benefits more adequate. But among them are maintaining the value of the boost and benefit amounts that was included in the Economic Recovery Act, not letting that higher level erode with food cost inflation, and also certainly not letting the boost be rolled back, as some want to do, to use the money as an offset for other purposes.

Other key steps on the benefit front include increasing the minimum benefit and improving earnings disregards. And there are also ways to get better access to healthy, reasonably priced food through development of supermarkets and other outlets in food deserts, and by equipping farmers markets with EBT capability.

Our testimony also addresses a number of access problems that should be dealt with in the coming years, including several strategies. I will only mention two here. One is allowing all states to use the CAP model that seamlessly enrolls elderly and disabled SSI recipients into SNAP that Florida is using. All states should be allowed to use it.

And second, providing adequate resources to states and community partners for outreach in nutrition education.

So we thank the Committee for the opportunity to testify this morning.

[The prepared statement of Mr. Weill follows:]

PREPARED STATEMENT OF JAMES D. WEILL, PRESIDENT, FOOD RESEARCH AND ACTION CENTER, WASHINGTON, D.C.

Chairman Baca and Members of the Subcommittee, thank you for the opportunity to testify here today.

I am Jim Weill, President of the Food Research and Action Center ("FRAC"). The Food Research and Action Center has been working for 40 years to reduce poverty and end hunger in this country. Through research, policy advocacy, outreach, public education, and training and technical assistance for state and local advocates, public agencies, officials and providers, we seek to strengthen the nation's public nutrition programs—have them reach many more people in need and do so with adequate benefits that support health and well-being.

FRAC has been instrumental in helping to launch, improve and expand the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), WIC, school breakfast, after school food, summer food and other nutrition programs.

We appreciate your oversight hearing today to review SNAP Quality Control (QC) provisions and will offer views on payment accuracy as well as other related indicators of SNAP effectiveness.

Program access and integrity are important to SNAP's success in addressing hunger and food insecurity and promoting good nutrition and healthy outcomes for vulnerable Americans. We all are well-served when a program is not over-utilized or underutilized, and when the public, policymakers and beneficiaries have confidence in the integrity of the workings of a program.

The SNAP QC system assesses the degree to which payments are going correctly to eligible people and in the correct amounts. The SNAP QC system—especially with the program modifications from the 2002 Farm Bill and since—is one effective tool Federal and state policymakers and administrators have to evaluate SNAP's delivery of benefits as intended under program rules, and on which to base corrective actions as warranted.

In the 2002 Farm Bill, Congress made a series of improvements to the Food Stamp Program (the name changed to SNAP in 2008), including: improving QC tests for payment accuracy measurement; prioritizing the imposition of QC sanctions onto states that register persistently high payment error rates; directing USDA to provide a total of \$48 million in bonus awards to states for effective program administration; and giving states greater options to streamline application certification procedures and better coordinate certification rules with those in other means-tested benefit programs.

Since the 2002 Farm Bill, states, partnering with USDA, have continued to make considerable progress in reducing errors in benefits issuance and keeping error rates low, and fewer states have been in a liability-for-sanction status. Indeed, in June USDA announced that the FY 2009 SNAP rate of payment accuracy was 95.64 percent, an all-time high. More progress is especially needed to lower the “negative error rate” (which measures the percentage of households improperly denied or terminated), but the trend in that measure also is encouraging. For FY 2009, the negative error rate declined for the second year in a row.

#### **Strengthening SNAP is Important for Needy Households and the Nation as a Whole**

Strengthening SNAP is important because the program is so important to struggling households and to the nation and its economy. Hunger in our midst offends Americans of every party, religion, ethnicity, and income. But hunger also is, in its practical effect, one of the most fundamental problems our nation faces. It adversely affects health, early child development, educational opportunities, productivity and family dynamics. Americans can't learn, live, grow and prosper if they don't have adequate, healthy nutrition.

Even before the recession began there was widespread food insecurity in the U.S. The recession obviously has made this situation far worse. According to Census Bureau/U.S. Department of Agriculture official data, 36 million people in the U.S. lived in “food insecure households” in 2007, before the recession, and 49 million did so in 2008 (2009 data are not yet available)—a big jump in the first full year of the downturn. The government classifies households as “food insecure” when they cannot afford to purchase a minimally adequate diet on a consistent basis. Many, but not all, of them are skipping meals and frequently experience hunger.

Moreover, there are more recent data, from Gallup polling analyzed by FRAC, which show that 18 percent of American households (24 percent of households with children) reported in 2009 that there had been times in the past twelve months when they did not have enough money to buy food that they or their family needed. This “food hardship” is found in every congressional district in America. In 311 Congressional Districts 15 percent or more households answered “yes” to Gallup's question. (For a breakdown of food hardship by state, metropolitan statistical area, and Congressional district, see [http://frac.org/pdf/food\\_hardship\\_report\\_2010.pdf](http://frac.org/pdf/food_hardship_report_2010.pdf).)

SNAP is the largest nutrition program and the nation's best defense against hunger. Even before the recession the program was among the largest and strongest public programs that provide economic and nutrition support to low-income Americans. But the role of the program has become even more essential as the recession has deepened. In April 2010 (the latest month for which there are data) there were more than 40.4 million SNAP/food stamp recipients, compared to 28.2 million 2 years earlier.

SNAP also boosts the economy. Dollar-for-dollar, it is almost certainly the strongest countercyclical program the nation has. The money goes to very needy people

who have trouble paying their food and other bills, and who therefore spend these funds quickly, so that they go immediately into the economy with very positive multiplier effects. Based on USDA research, every Federal SNAP dollar generates nearly twice that in economic activity.

Most SNAP beneficiaries are children (49 percent) or persons 60 years of age or older (9 percent). They are in households with very low incomes: Only 13 percent of all SNAP households have income above the Federal poverty line; nearly 41 percent have incomes at or below half of the poverty line.

Many are in working families. In 2008, 40 percent of SNAP participants lived in households with earnings, double the percentage of working households in 1989.

USDA reports that SNAP benefits comprise nearly 24 percent of the monthly funds available to the typical SNAP household (gross income plus SNAP). Less than 11 percent of all SNAP households receive cash benefits through the Temporary Assistance for Needy Families (TANF) Program; another five percent receive cash benefits through General Assistance (GA). Programs targeted to elderly persons and persons with disabilities also assist SNAP participants. Twenty-six percent receive Supplemental Security Income (SSI), 25 percent receive Social Security, and ten percent receive both of those benefits.

SNAP delivers vital benefits in an efficient manner in large part because it relies on regular streams of commerce. SNAP shoppers spend their benefits at regular grocery stores. Moreover, their benefits are loaded onto Electronic Benefit Transfer (EBT) cards that operate much like the other debit and credit cards that other customers use to make their purchases at food retailers. This public-private partnership aspect of SNAP is valuable: relying on existing private sector retailers and EBT processing systems saves the government from having to develop and maintain separate distribution systems for getting food to more than 40 million needy people each month and allows SNAP recipients more dignity in their use of the benefits.

These and other strengths of SNAP have earned broad bipartisan public and policymaker support. Indeed, a couple of years ago, the *National Journal* ran a lengthy piece on “10 Successes [and] 10 Challenges” in American society—major issues in the public and private sectors. Alongside cleaner air, American entrepreneurship, and seven other successes was food stamps, described as “A Government Reform That Worked.”

SNAP is very important and very effective, but its reach is undermined by gaps in access and adequacy of benefits as well as by administrative burdens. Even with the boosts provided in the American Recovery and Reinvestment Act (ARRA), the average SNAP benefit per person per day is only about \$4.50. And only two in three eligible people actually participate in the program.

**Maintaining Low Error Rates and Getting Accurate Data to Policymakers and the Public is Key to Maintaining Confidence in the Value of the Program**

Public confidence in program integrity—and ultimately in the worth of the program—depends on maintaining low error rates and on having accurate facts about SNAP and its operations. QC helps lower error rates and publicize these facts, and shows there is a high level of program integrity.

Unfortunately, there is an all-too common misimpression that even the relatively small number of cases in the SNAP QC error rate all represent “fraud.” This equivalence is misplaced.

The QC payment accuracy rate measures whether SNAP payments go to eligible people and whether payments are in correct amounts (not too high, and not too low). Moreover, erroneous payments count toward the error rate whether they are the result of unintentional or intentional mistakes. And the errors do not belong to beneficiaries alone. Far from reflecting client mistakes, many SNAP payment errors result from unintentional mistakes by caseworkers. Overall, the breakdown in SNAP cases between agency-caused errors and client-caused errors is 70 percent to 30 percent.

Similarly, almost all clients who receive SNAP benefits are eligible for some amount, so that even many QC-countable errors that favor clients are simply computational errors in benefits to eligible people. In FY 2009 98.59 percent of SNAP cases were eligible for a benefit. The percentage of benefit dollars that went to eligible people was even higher (98.81 percent).

Moreover, SNAP benefit overpayments can lead states to recoup the excess amounts by deducting benefits from clients’ future allotments. This is so (1) even if the clients did not cause the errors intentionally, and (2) even if the caseworkers, not the clients, caused the errors. The amounts at issue can be large, and first notifications clients receive about the problems and the recoupments can come long after errors have occurred. The recoupment of past benefits can be an unsettling

process for SNAP households struggling to make their current benefits last through the month.

Finally, benefits are used overwhelmingly for the purpose for which they are distributed—food purchases. This has become even truer with the advent of EBT in place of paper coupons. That transition in distribution method has had positive ramifications for curtailing the illegal sale of SNAP benefits for cash (so called “trafficking”). New technologies have given Federal and state administrators tools to identify unusual patterns of EBT redemptions and to target investigative resources for maximum impact.

#### **Many Errors Disadvantage SNAP Clients**

As noted above, the notion that SNAP clients always or typically benefit from erroneous payments when errors occur is far from the case. A significant portion of the overall SNAP payment error rate reflects *underpayments*, Federal funds that were intended for needy eligible people and instead were not expended. While that result may be lower Federal expenditures, it is hardly a happy—or appropriate—result for SNAP households or the program itself. Some of those clients abandon the process and never receive benefits; others are forced to go through the application process again. In the meantime they miss out on benefits for weeks or months while their renewed applications are being processed.

Nor are negative errors good news for states. A preliminary USDA review of improperly denied or terminated cases suggests that within 6 months of denial, approximately half of the denied or terminated households reapply and are found eligible. This results in 1½ times the work for offices to process those same households, duplicative effort few if any SNAP agencies can afford in light of tight state budgets and the enormous demands for assistance driven by severe economic need.

We appreciate the focus USDA and its state partners are placing on reducing the too high negative error rate and identifying best practices for making progress on this front.

#### **Other Indicators of Program Operations**

There are other quality control problems—small “q” and small “c”, as it were—that aren’t within the traditional SNAP QC definition *per se* but have important impacts on payment accuracy and overall program performance. They include too-complicated rules built into the program or maintained by some states, despite options to do otherwise; delays in state action; problems caused by under staffing; and other similar problems.

Congress and USDA agree that we must tackle these problems as well. Pursuant to the 2002 Farm Bill authority, USDA’s bonus payments to states for program performance include not only “best” and “most improved” in payment accuracy and “best” and “most improved” on negative error rate, but also “best” and “most improved” on the percentage of eligible low-income residents participating in SNAP, and best on state processing SNAP benefits in a timely manner.

Options to simplify and streamline eligibility determinations and determinations of benefit amounts, such as the 2002 Farm Bill provisions which allow states to align various benefit program definitions for income and assets, help address some of the factors that lead to errors. States need to be more responsive in taking the many options they have under current law to simplify the program. But more simple criteria and processes are needed—a strategy to improve the situation for states, hungry people and taxpayers. As GAO has noted, “multiple variations in approaches to identifying recipients’ income for determining program eligibility [in different means-tested benefit programs] are likely contributing factors” to payment errors.” (Testimony before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate, *Progress Made but Challenges Remain in Estimating and Reducing Improper Payments*, Statement of Kay L. Daly, Director Financial Management and Assurance, GAO (delivered 4/22/09), GAO-09-628T, at p. 6.)

Correct outcomes in case processing—eligibility and benefit determinations that are correct and timely—also entail having sufficient administrative support, adequate numbers of trained caseworkers, and adequate computer systems. The additional administrative funding provided in both the American Recovery and Reinvestment Act and the FY 2010 Defense spending bill were important to assist states in processing SNAP applications at a time of acute economic need and rapid increases in requests for SNAP. Ensuring adequate supports to states for SNAP administration should remain a high priority for achieving goals in both the access and integrity areas. This is true both in the short and medium term as unemploy-

ment and SNAP applications are likely to remain high, and in the longer term since many of these problems predate the recession in many states.

Timeliness is one key piece of this. Federal rules require states to process SNAP applications within 30 days (or within 7 days for expedited benefits for households with very few other resources to purchase food). These standards are in recognition of the reality that food is a basic need and delays in access to it spell less adequate health and nutrition and more hunger for vulnerable people. In recent months, the depth of economic need has led to record numbers of SNAP applications and record high enrollment, but in many areas that also has contributed to delays in states and counties getting SNAP benefits out to eligible people. Some of the delays have led USDA to work with the states on corrective steps; and some have led to litigation and court remedies.

Processing delays leave clients without benefits for weeks or months when they should be receiving them, add to state and county administrators' workloads as increased calls about the status of applications stream into SNAP assistance offices and call centers, and deprive local economies of the immediate boosts that the missing Federal dollars could be providing. We encourage USDA and states to continue to identify and implement options and practices that reduce unnecessary questions on applications, reduce unnecessary verification, and otherwise streamline the certification process and reduce workload as part of the effort to achieve timeliness in processing. Moreover, we urge states to invest in additional staffing where needed to reduce backlogs in applications and to provide more adequate client service.

Once a household is certified for SNAP, that household may become disconnected at recertification for what often is coded as "procedural reasons." Unfinished or lost paperwork and difficulty in scheduling or making recertification interviews—not an improvement in financial circumstances that render the household no longer needy and eligible—are common factors in SNAP households becoming disconnected from the program. As mentioned with respect to the negative error rate, a household that is denied or loses SNAP certification even though it is eligible is highly likely to reapply as a new case, leading to more work for the clients and the caseworkers. Investing in adequate staffing and procedures at recertification can help reduce case "churning" (on, off, on again) that affects SNAP Program effectiveness, including the resources to ensure payment accuracy, and harms families.

Finally, another way to measure SNAP "qc" is the extent to which SNAP overall is reaching those who are eligible, not just applicants, as measured by USDA. Participation rates among eligible people dropped precipitously in the last half of the 1990's, a trend that has partially been turned around. Still, despite progress in recent years, SNAP is missing  $\frac{1}{3}$  of eligible people. Continued efforts to address barriers to access are vital. These include eliminating unnecessary paperwork and trips to assistance offices, eliminating arbitrary rules and procedures, streamlining eligibility through Categorical Eligibility and SSI Combined Application Projects, and supporting outreach and application assistance (such as through community-based organization partnerships).

Congress can help in important ways now, and in the upcoming farm bill. One key step is addressing the adequacy of the benefit. The monthly SNAP allotment is predicated on a food plan (the "Thrifty Food Plan") which was developed during the Depression in the 1930s "as a restricted diet for emergency use." The allotment typically carries even the most careful of families only  $\frac{3}{4}$  or  $\frac{4}{5}$  of the way through the month. The amount of the Federal Government's own Low-Cost Food Budget—the lowest of three government budgets for normal use—is approximately 25 percent higher than the Thrifty Food Plan, and should be the basis for SNAP allotments. That Low-Cost Food Budget is generally in line with what low and moderate-income families report that they need to spend on food, as opposed to the lower amount a food stamp allotment would provide. Steps to address benefit adequacy include:

- maintaining the value of the ARRA benefit boost and not allowing that level to erode with food cost inflation; this includes rejecting any effort to roll back the boost and use the money—literally food taken out of the mouths of beneficiaries—as an offset for other purposes;
- adjusting benefit amounts in a timely manner; while the benefit allotment is adjusted for inflation each year, the increases come only after a time lag, so the allotment reflects not current prices but the prices of the (already inadequate) Thrifty Food Plan from between 4 and 16 months earlier;
- increasing the minimum benefit (\$16 per month under the ARRA boost) so that elderly households receive at least an amount that is equivalent in value to the floor set in the 1970s;
- fully allowing SNAP benefits to be adjusted when high housing costs consume more of a family's income; and



- improving earnings disregards and other benefit computation rules.

In addition to steps to improve benefits, other changes are important to help reach more households in need. Congress should:

- extend the program to needy people now excluded from benefits by arbitrary eligibility rules, including by restoring eligibility to all legal immigrants, dropping the lifetime ban on benefits for drug felons who are making a new start in society, and removing time limits on receipt of SNAP by certain jobless adults seeking work;
- allow all states to operate the SSI CAP model that seamlessly enrolls SSI recipients into SNAP, and encourage other data matching initiatives;
- provide adequate resources to states and community partners for administration of SNAP and outreach and nutrition education (these should include restoring a greater Federal share in administrative expenses and enhanced Federal matches for state investments in operational improvements); and
- promote increased access by low-income people to nutritious food in neighborhoods, including by fostering development of supermarkets and outlets in “food deserts,” and by equipping all farmers’ markets with EBT capability.

Mr. KAGEN. Thank you for your testimony. We look forward to partnering with you to improving the farm bill and the SNAP program.

Now, Mr. Faber.

**STATEMENT OF SCOTT E. FABER, VICE PRESIDENT FOR FEDERAL AFFAIRS, GROCERY MANUFACTURERS ASSOCIATION, WASHINGTON, D.C.**

Mr. FABER. Thank you, Mr. Kagen, and thank you for the opportunity to testify on the Supplemental Nutrition Assistance Program. GMA strongly supports SNAP and we look forward to working with you to ensure that SNAP meets the hunger and nutritional needs of low-income Americans.

As we have heard, SNAP has never been more important than during the current recession. The program is currently supporting the nutritional needs of more than 40 million Americans in more than 18 million households, an all-time high. And the reach of the program is extraordinary. One in four children rely on SNAP to meet their basic food needs. And yet despite this rapid growth in SNAP expenditures, food stamp error rates are at an all-time low, and that is because SNAP has one of the most rigorous quality control systems of any public benefit program.

As Jim has just alluded to, USDA has found that more than 98 percent, nearly 99 percent, of benefits are issued to eligible households, and recently announced the national error rate was just 4.36 percent, which of course includes underpayments as well as overpayments.

Clearly SNAP is the cornerstone of America’s nutrition safety net, but the food industry also has an important role to play as we struggle to address hunger. Each year food manufacturers donate more than 310 million pounds of food to national and local food banks through the Feeding America network. In 2010 our members committed to increase our donations by 20 percent, or by 60 million pounds.

The food industry also has an important role as we struggle to promote healthy diets and lifestyles, and that is why we share the Administration’s goals of both eliminating childhood hunger by 2015, and ending childhood obesity within a generation.

Just as we are doing our part to address hunger, our industry is doing our part to promote healthy diets and lifestyles. In recent years we have changed the ingredients in more than 10,000 of our products to reduce calories, fats, sugars and sodium without sacrificing the taste, convenience and affordability that consumers demand. We are also working with the Administration to devise new food labels that will make information about calories and other nutrition facts clearer for consumers, including low-income consumers.

Government has an important role to play as well. For example, government can do much more to promote physical activity in school, as Chairman Baca has proposed in H.R. 4457. Government can also set science-based standards for the foods that are sold in the school environment, as has been proposed in child nutrition legislation. Government can do much more to promote nutrition education, not only in our schools, but in the marketplace and the workplace. And government can do much more to promote greater access to healthy foods by bringing grocery stores and farmers markets to underserved areas.

Increasing nutrition knowledge and providing more healthy choices, not limiting choices, should be the focus of our efforts to build healthy diets and lifestyles. And SNAP can be an important tool in this effort. Studies have found that children in low-income households have a far lower risk of being overweight if they participate in certain Federal nutrition programs. However, limiting SNAP choices, as some have proposed, would not reduce the risk of obesity and would dramatically increase program cost and complexity. Instead, policymakers should expand SNAP education efforts and support incentives to encourage healthier choices such as the Healthy Incentives Pilot created by the 2008 Farm Bill. Studies have shown that a 20 percent reduction in the price of fruits and vegetables would reduce daily consumption to 2.2 cups.

In conclusion, the Grocery Manufacturers Association strongly supports SNAP, we applaud the temporary increase in benefits made through the Recovery Act, and we look forward to working with this Committee and the Administration to ensure that SNAP contributes to the nutritional needs of low-income Americans. Thank you.

[The prepared statement of Mr. Faber follows:]

PREPARED STATEMENT OF SCOTT E. FABER, VICE PRESIDENT FOR FEDERAL AFFAIRS,  
GROCERY MANUFACTURERS ASSOCIATION, WASHINGTON, D.C.

Thank you for the opportunity to testify on the Supplemental Nutrition Assistance Program.

My name is Scott Faber and I am Vice President for Federal Affairs of the Grocery Manufacturers Association (GMA), which represents more than 300 food, beverage, and consumer product manufacturers and retailers. GMA strongly supports the Supplemental Nutrition Assistance Program (SNAP) and we look forward to working with you to ensure that SNAP meets the hunger and nutritional needs of low-income Americans.

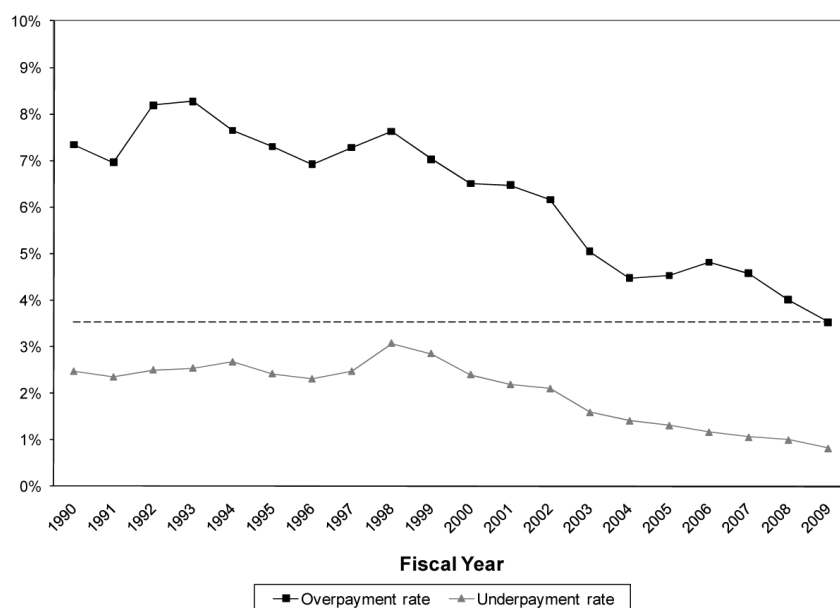
SNAP has never been more important than during the current recession. As you know, the program is currently supporting the nutritional needs of more than 40 million Americans in more than 18 million households—an all-time high. The reach of the program is extraordinary—one in four children rely on SNAP to meet their basic food needs. Unprecedented growth in the SNAP program is not only meeting the nutritional needs of millions of additional Americans impacted by the recession but has also provided a significant stimulus for the economy. For every dollar spent

on SNAP benefits, GDP is increased by nearly \$2<sup>1</sup>—one of the strongest economic stimulus provisions included in the American Recovery and Reinvestment Act.

Despite rapid growth in SNAP expenditures, food stamp error rates are at an all-time low. SNAP has one of the most rigorous Quality Control systems of any public benefit program. As you know, states review the accuracy of the eligibility and benefits of a representative sample of SNAP recipients and are subject to penalties if error rates remain above the national average. USDA has found that more than 98 percent of benefits are issued to eligible households and recently announced that the national error rate was just 4.36 percent, which includes underpayments as well as overpayments.

### Food Stamp Error Rates

Fiscal Years 1990–2009



Source: Quality Control Branch, Food and Nutrition Service.

In addition, the use of Electronic Benefit Transfer (EBT) cards to provide benefits to SNAP recipients has significantly reduced food stamp trafficking. Retailers or recipients who defraud the program by trading food stamps for money or non-food items face tough criminal penalties, and sophisticated programs have been established to monitor transactions for patterns that may suggest abuse.

SNAP is the cornerstone of America's nutrition safety net. But, the food industry also has an important role to play as we struggle to meet nutritional needs of hungry Americans. Each year, food manufacturers donate more than 310 million pounds of food to national and local food banks through the Feeding America network—more than 80 percent of the donations made to Feeding America. In 2010, our members have committed to increase our donations by 20 percent—or by 60 million pounds.

Food and beverage manufacturers and retailers share the President's goal of eliminating childhood hunger by 2015 and share the First Lady's goal of ending childhood obesity within a generation.

In particular, our industry is doing our part to promote healthy diets and lifestyles. In recent years, we have changed the ingredients in more than 10,000 of our products to reduce calories, fats, sugars and sodium without sacrificing the taste, convenience and affordability that consumers demand. We are also working with the Administration to devise new labels that will make information about calories and

<sup>1</sup> Hansen and Golan, *Effects of Changes in Food Stamp Expenditures Across the U.S. Economy*, Food Assistance and Nutrition Research Report 26-6, USDA, August 2002.

other nutrition facts clearer for consumers. And, we have changed the messages we deliver to promote healthier diets and active lifestyles.

Government also has an important role to play. Government can do more to promote physical activity in school and after school, as Chairman Baca has proposed in H.R. 4557. Government can do more to promote nutrition education—not only in school, but in the marketplace and the workplace as well. Government can set science-based standards for foods sold in the school environment, as has been proposed in Child Nutrition legislation. And, government can do more to promote greater access to healthy foods by bringing grocery stores to underserved areas.

To end childhood obesity in a generation, we must provide parents and children with more healthy choices, promote healthy diets and provide new opportunities for physical activity. As the First Lady has said, “This is not like a disease where we’re still waiting for a cure to be discovered—we know the cure for this. We have everything we need, right now, to help our kids lead healthy lives.” Everyone has a role to play in this fight: the public sector, private industry and parents. We pledge to do our part by continually changing the way we develop and market our products.

Providing more healthy choices—not limiting choices—and enhancing nutrition knowledge should be the focus of efforts to build healthy diets and lifestyles. SNAP can be an important tool in this effort. Studies have found that children in low-income households have a lower risk of being overweight if they participated in certain Federal nutrition programs.<sup>2</sup> However, limiting SNAP choices, as some have proposed, would not reduce the risk of obesity and would dramatically increase program costs and complexity.<sup>3</sup> Instead, policymakers should expand SNAP education efforts and support incentives to encourage healthier choices, such as the Healthy Incentives Pilot created by the 2008 Farm Bill.

In conclusion, the Grocery Manufacturers Association strongly supports SNAP and USDA’s sound oversight of taxpayer dollars through this programs. We applaud the temporary increase in benefits made through ARRA and look forward to working with this Committee and the Administration to ensure that SNAP continues to meet the nutritional needs of low-income Americans. We look forward to working with you to better address the nation’s hunger and health needs.

#### ATTACHMENT

### USDA—Food and Nutrition Service

March 1, 2007

#### *Implications of Restricting the Use of Food Stamp Benefits—Summary*

By most standards, almost all American diets are in need of improvement. Given interest in using Federal nutrition assistance programs to promote healthy choices, some suggest that food stamp recipients should be prohibited from using their benefits to buy foods with limited nutritional value. However, there are serious problems with the rationale, feasibility and potential effectiveness of this proposal.

#### **No clear standards exist for defining foods as good or bad, or healthy or not healthy.**

- Federal dietary guidance uniformly applies to the total diet—there are no widely accepted standards to judge the “healthfulness” of individual foods.
- Foods contain many components that can affect health, and diets contain many foods. As a result, it is challenging to determine whether—and the point at which—the presence or absence of desirable nutrients outweighs the presence of nutrients to be avoided in ruling a food “in” or “out”.

#### **Implementation of food restrictions would increase program complexity and costs.**

- There are more than 300,000 food products on the market, and an average of 12,000 new products were introduced each year between 1990 and 2000. The task of identifying, evaluating, and tracking the nutritional profile of every food available for purchase would be substantial. The burden of identifying which products met Federal standards would most likely fall on an expanded bureauc-

<sup>2</sup> Jones S., Jahns L., Laraia B.A., Haughton B. *School-aged food insecure children who participate in food assistance are less likely to be at risk of overweight: Results from the Panel Study of Income Dynamics Child Development Supplement*. ARCH. PEDIATR. ADOLESC. MED. 2003; 157:780–784.

<sup>3</sup> USDA, Food and Nutrition Service, *Implications of Restricting the Use of Food Stamp Benefits*, March 2007 (attached).

racy or on manufacturers and producers asked to certify that their products meet Federal standards.

- Responsibility for enforcing compliance would rest in the hands of employees at check-out counters in 160,000 stores across the nation. While many have modern scanning and inventory control systems, others—especially small stores and specialty markets—do not.
- New effort would be needed to help participants avoid the rejection of purchases at the check-out counter, an event with the potential to reduce productivity at the register and stigmatize participants.

**Restrictions may be ineffective in changing the purchases of food stamp participants.**

- About 70 percent of all food stamp participants—those who receive less than the maximum benefit—are expected to purchase a portion of their food with their own money. There is no guarantee that restricting the use of food stamps would affect food purchases—other than substituting one form of payment (cash) for another (food stamps).

**No evidence exists that food stamp participation contributes to poor diet quality or obesity.**

- There is no strong research-based evidence to support restricting food stamp benefits. Food stamp recipients are no more likely than higher income consumers to choose foods with little nutritional value; thus the basis for singling out low-income food stamp recipients and restricting their food choices is not clear.

There are better ways to work towards the goal of healthier diets that do not require such restrictions. Incentives—rather than restrictions—that encourage purchases of certain foods or expanded nutrition education to enable participants to make healthy choices are more practical options and likely to be more effective in achieving the dietary improvements that promote good health.

***Implications of Restricting the Use of Food Stamp Benefits***

**Introduction**

By most standards, almost all American diets are in need of improvement, and obesity has emerged as the nation's most pressing health and nutrition issue. Because of concerns about poor diet, overweight, and obesity among low-income Americans, there is considerable interest in using Federal nutrition assistance programs to promote healthy choices. Some argue that food stamp recipients should be prohibited from using their benefits to buy foods with limited nutritional value (commonly described as “junk” foods).<sup>1</sup> The Food Stamp Act currently places few limits on the use of food stamp benefits, as long as they are used to buy food to eat at home.

The idea of restricting the use of food stamp benefits may be appealing on its face. However, upon closer examination, serious concerns emerge regarding the feasibility and rationale for the proposed restriction.

- No clear standards exist to define foods as good or bad, or healthy or not healthy;
- Food restrictions would pose major implementation challenges and increase program complexity and costs;
- Restrictions may not change the nature of participants' food purchases;
- No evidence exists which indicates that food stamp benefits directly contribute to poor food choices and negative dietary outcomes, such as obesity.

**Making Distinctions among Foods**

It is not a simple task to draw a bright line between foods that contribute to a healthy diet and those that do not. Common sense suggests avoiding foods that are low in nutrients but high in some combination of calories, fats, added sugars, and salt. In practice, however, drawing the distinction between healthy and unhealthy foods is far more difficult.

The *Dietary Guidelines for Americans, MyPyramid*, the American Dietetic Association, and most nutritionists take a total diet approach to communicate healthful eat-

<sup>1</sup> This suggestion actually has a rather long history. The House Committee on Agriculture considered and rejected an amendment to eliminate foods with negligible or little nutritional value in its deliberations that led to the Food Stamp Act of 1977, saying that the amendment was “a cure worse than the disease of so-called ‘junk food’” (House Report No. 95-464, page 333, June 24, 1977).

ing advice, placing emphasis on the overall pattern of food eaten, rather than any one food or meal. Mainstream nutrition guidance embodies the concept that “there are no bad foods, only bad diets.” Thus, the most common advice is to “go easy” on or limit foods with limited nutritional value and stay physically active to maintain a healthy weight.<sup>2</sup> If food stamp policy is to move away from the consensus of the nutrition community and instead draw a line between good foods and bad foods, decisions are needed on several difficult issues. For example:

- **Should standards for a healthy diet be applied to individual foods?** The *Dietary Guidelines for Americans* and the Dietary Reference Intakes provide benchmarks for determining nutritional adequacy in the United States. All of these standards apply to the total diet, however. It is not clear that the same standards should apply to individual foods, nor how such a thing could be done. There are recommended limits, for example, on the amount of fat in a healthy diet. Yet there are individual foods—such as some meats and nuts—that are generally recognized as making positive contributions to a balanced diet, but which have a high proportion of fat. To simply eliminate such foods would not necessarily result in a net improvement in a person’s diet.<sup>3</sup>
- **If the standards for individual foods are different than the standards for the total diet, how does one determine the appropriate benchmarks?** Key issues to be resolved include:
  - **Which nutrients or ingredients should be considered?** Scientists have identified dozens of vitamins, minerals, amino acids, fatty acids, and other nutrients that play an essential role in human nutrition. The larger the number of ingredients or nutrients considered, the more difficult it may be to find foods that simultaneously satisfy multiple criteria for “healthfulness”. Although it may be more practical to limit consideration to a handful of nutrients of public health concern—assuming a consensus on which nutrients qualify as public health concerns—such limits may unintentionally exclude foods high in nutrients not considered.
  - **Are “healthy” foods characterized by the absence of nutrients to be avoided, the presence of desirable nutrients, or a combination of both?** The choice here is not straightforward. Diet sodas, for example, may pass a test based only on the absence of undesirable nutrients: they have no fat or sugars, are low in calories, and contain little sodium. Based on these criteria alone, they would appear preferable to orange juice. Similarly, some brands of potato chips have less sodium per serving than some popular brands of breakfast cereal. Characterizing foods based on the presence of desirable nutrients can be similarly problematic. Doughnuts are not often a source of desirable nutrients, but at least one manufacturer offers a “SuperDonut” fortified with protein, vitamins, and minerals—along with significant calories, fat, and added sugars. Finally, if both characteristics are important, one needs to determine the point at which the benefit of desirable nutrients outweighs the presence of nutrients to be avoided or consumed in moderation. Some fortified breakfast cereals, for example, contain relatively high levels of added vitamins and minerals, but are also high in added sugars and sodium. (See *Appendix A* for more examples). The question then becomes which foods should be permitted, and which should not?
  - **What is the most appropriate means of assessing the nutritional value of any given food?** In general, the basis for classifying foods must be sufficiently sophisticated to make objective distinctions based on the nutritional value of the vast number of foods available for sale. It must also be sufficiently simple to be workable. A number of options are available: common sense, expert or stakeholder opinion, and formula-driven assessments of ingredients or nutrient content (see *Appendix B* for more detail). None is without significant shortcomings.

<sup>2</sup>Specifically, the *Dietary Guidelines for Americans* urge consumption of a variety of nutrient-dense foods and beverages within and among the basic food groups while choosing foods that limit the intake of saturated and *trans* fats, cholesterol, added sugars, salt, and alcohol.

<sup>3</sup>Various local, state, and national organizations have established criteria to control individual foods sold in competition with meals provided through the National School Lunch and Breakfast Programs. However, there are some fundamental differences between voluntary guidelines that limit foods in school and statutory limits on food stamp purchases. Most importantly, the number and range of “competitive” foods available in schools is much smaller than the variety of foods in grocery stores.

Some have suggested giving each state the option to develop its own definition of allowable foods. This option is problematic for several reasons. First, there is no scientific basis for allowing nutrition standards to vary from place to place within the United States. Second, a state option does not eliminate special-interest pressures; it simply shifts the location of the debate and gives greater weight to local—sometimes parochial—interests. And third, variation in state requirements will complicate retail industry compliance and increase the cost of doing business.

### Implementation Challenges

Even if decisions could be made that distinguish allowable foods from restricted foods, there are still difficult implementation challenges. Part of the difficulty stems from the enormous variety and scale of the American food sector. The typical supermarket carries about 40,000 products on its shelves. There are more than 300,000 food products available in the marketplace nationwide; an average of about 12,000 new food items were introduced each year between 1990 and 2000.<sup>4</sup> Program participants make roughly one billion food purchase transactions each year.<sup>5</sup>

The scale of the food sector creates three types of administrative and implementation problems: identifying the specific foods (or food categories) that are allowed or excluded, supplying current information on allowable foods to retailers and participants in a form that enables them to comply with the rule, and monitoring and enforcing compliance.

- **Identifying, evaluating, and tracking the nutritional profile of every food product available for purchase in the constantly changing market would be an enormous undertaking.** Taken literally, the task would require judgments about the nutritional quality of every existing and new food product. There is no existing data base—one that uniquely identifies every food product and links it to a nutritional profile (through the Nutrition Facts panel, for example)—that could support this operation; new data—and the resources and capacity to process these data—would be needed. This implies a significant expansion of government responsibility and associated bureaucracy, at a significant cost.

The burden and cost for the Federal Government could be reduced, but only by shifting it to private business and, ultimately, consumers. For example, food manufacturers and producers could be required to certify that their product meets the Federal standard for food stamp purchases. These entities would be expected to pass the cost of complying with this requirement on to consumers in the form of higher prices. It also raises the question of whether—and if so, how—the Federal Government should monitor and verify such certifications. And unless certified products are labeled as such, there is still need to inform authorized retailers in a manner that enables them to update their point-of-sale systems.

In addition, one could choose to declare entire food categories—such as carbonated beverages, candy and gum, salty snack foods—as unallowable rather than individual foods.<sup>6</sup> Unless the boundaries between categories are sharply drawn, however, this approach would simply shift the burden and responsibility of determining which products fall into the broad categories and which do not to retailers and their employees. Some boundaries—the distinctions between some candy bars and fortified energy bars, or between carbonated soft drinks and flavored sports drinks, for example—may never be as sharp as they need to be.

- **New restrictions on the use of food stamps place the burden of enforcing compliance in the hands of store employees at check-out counters across the nation.** This may be feasible in stores with modern scanning and inventory control systems. However, some of the 160,000 stores authorized to accept food stamps—especially small stores and specialty markets—do not have such system, posing a major employee training challenge for those entities.

<sup>4</sup>Harris, J. Michael. “Food Product Introductions Continue to Decline in 2000.” *FoodReview*, Volume 25, Issue 1, 24–27, Spring 2002.

<sup>5</sup>Olander, Carol, Erika Jones, and Steven Carlson. *An Analysis of Food Stamp Benefit Redemption Patterns*. Report prepared by the Food and Nutrition Service, USDA, June 2006. Available at [www.fns.usda.gov/oane](http://www.fns.usda.gov/oane).

<sup>6</sup>National School Lunch Program regulations, for example, prohibit the sale of food of minimal nutritional value (FMNV) in competition with school meals. Foods are prohibited by category: soda water (carbonated beverages), water ices, chewing gum, and certain candies. The definition of FMNV focuses on eight nutrients: protein, vitamin A, vitamin C, niacin, riboflavin, thiamine, calcium, and iron. FMNV can be exempted from the prohibition if they provide more than five percent of the Reference Daily Intakes per serving and per 100 calories (foods that are artificially sweetened are assessed only on nutrients per serving).

Even in those stores with modern scanning equipment, implementation would require development of means to periodically notify retailers of allowable foods and modification of in-store systems to implement the distinctions. Moreover, confusion at the register about allowable items (by either employees or recipients) would reduce productivity at the register.

- **Food stamp recipients would face increased complexity and potential for embarrassment if restrictions on the use of benefits are substantially expanded.** The imposition of new food restrictions would require more effort by recipients to understand which foods are allowed and which are not—suggesting that substantial resources would be needed to educate participants on allowable food choices. Even with such efforts, however, it is likely that some recipients will not always be able to keep track of which foods are allowed, thus increasing the chances that some purchase transactions will be rejected at the check-out counter. This has the potential to stigmatize participants by singling them out as food stamp recipients, and may discourage some eligible low-income persons from participating in the program.
- **Finally, a new definition of ineligible items increases the likelihood of compliance violations.** Retailers that sell ineligible items can be disqualified from the program or assessed a monetary penalty. Recipients that purchase ineligible items may be sanctioned. Expanding the pool of ineligible items increases opportunities for non-compliance, expands the need for oversight, and may increase the number of retailers or recipients found in violation of program rules.

#### **Effects of Restricting Food Stamp Benefits on Food Purchases**

It is not clear that a limit on the acceptable uses of food stamp benefits would actually change the nutrition profile of food purchases. Restricting the use of food stamps would not limit consumer choice at all if food stamp recipients continue to purchase any food they want using their own money. While food stamp benefits make up a substantial share of the food budget in most food stamp households, they do not necessarily provide the entire food budget, nor are they expected to do so.<sup>7</sup> There is no way to know—other than through carefully designed and evaluated pilot tests—to what extent the proposed restriction would have the desired effect of reducing purchases of foods with limited nutritional value. But it is difficult to justify the substantial cost and other burdens associated with identifying and enforcing new food restrictions given the very real possibility that individuals would simply substitute one form of payment (cash) for another (food stamps) in order to purchase unallowable foods.

One should also be wary of the possibility of unanticipated or unintended consequences. Limits on the definition of allowable foods may create incentives for manufacturers to reformulate products to satisfy the new rule. This may be a positive development if the industry finds ways to improve the nutritional profile of the American food supply. It is not clear, however, that simply fortifying more foods is a desirable response to the obesity epidemic.<sup>8</sup> Similarly, blanket restrictions on the purchase of higher fat foods may not serve the needs of families with young children. Dietary advice to reduce the level of fat in food consumed does not apply to very young children (who need fat for healthy development).

#### **Relationship between Food Stamps, Food Consumption, and Dietary Outcomes**

The body of research on the Food Stamp Program does not support the view that restricting food choices will result in more healthful food purchases and consumption or improved dietary outcomes. Research clearly indicates that participation in the program increases household spending on food. Food stamp recipients shop frequently and use careful shopping practices—such as comparing prices across stores, looking for store specials and stocking up on bargains—in order to stretch their food

<sup>7</sup>Roughly 70 percent of all food stamp households receive less than the maximum food stamp benefit, and so are **expected** to contribute a portion of their cash income to food purchases (see Table A-1 in *Characteristics of Food Stamp Households: Fiscal Year 2005*). According to the Consumer Expenditure Survey, average food expenditures by low-income households (for both food at home and away from home) exceeded the average food stamp benefit by about 40% in FY 2004. While not all low income households are necessarily food stamp recipients, this data does suggest that some food stamp households have money for food expenditures which could be used for purchase of prohibited items.

<sup>8</sup>There are instances when fortified foods may be advantageous. These include providing additional sources of certain nutrients that might otherwise be present only in low amounts in some food sources, providing nutrients in highly bioavailable forms, and where the fortification addresses a documented public health need.



buying resources. A majority of benefits are spent on basic food items: vegetables, fruits, grain products, meat and meat alternatives account for nearly  $\frac{3}{4}$  of the money value of food used by food stamp households.<sup>9</sup>

Preliminary findings from a forthcoming USDA analysis of national food consumption data indicate that food stamp recipients are somewhat less likely to have adequate intakes of many key nutrients—including Vitamins A, B<sub>6</sub>, C, and E; thiamin; riboflavin; folate; magnesium; iron, and zinc—than are higher-income individuals. But these differences are not the result of greater consumption of foods which would be likely targets for restrictions. For example, food stamp recipients are no more likely to consume soft drinks than are higher-income individuals, and are *less* likely to consume sweets and salty snacks.<sup>10</sup>

Food Category	Percent of Food Stamp Program Participants Consuming at Least Once per Day	Percent of Persons with Income over 130% of Poverty Consuming at Least Once per Day
Soft Drinks (Regular and Sugar-Free)*	61.0	59.2
Sweets	61.6	72.1
Salty Snacks	29.6	36.5

Sweets include jello, candy, ice cream, pudding, Ice/popsicles, muffins, sweet rolls, cake/cupcakes, cookies, pies/cobblers, pastries and doughnuts. Salty snacks include corn-based salty snacks, pretzels/party mix, popcorn, and potato chips.

\*Difference is not statistically significant.

Finally, no evidence exists that Food Stamp Program participation causes obesity. While poverty is associated with obesity in some population groups and Food Stamp Program participation is closely linked with poverty, the independent effect of program participation on obesity is unknown.<sup>11</sup>

Taken together, this research suggests that achieving dietary improvement among food stamp recipients is a complex challenge. It is not likely to be met by prohibiting use of benefits for a group of foods perceived as having limited nutritional value. Low-income consumers and food stamp recipients are subject to the same factors that influence food choices throughout our society—including marketing strategies, cultural preferences, the value of convenience, and personal tastes. Restricting the use of food stamp benefits would change only one variable in the complex calculus that results in a more—or less—healthful diet. More fundamentally, as the problems of poor food choices, unhealthy diets, and excessive weight characterize all segments of American society, the basis for singling out low-income food stamp recipients and imposing unique restrictions on their food choices is not clear.

### Conclusion

The idea of restricting the food choices of food stamp recipients as a means of promoting dietary improvement among low-income Americans has serious conceptual and practical flaws. There are better alternatives for promoting healthier diets. One could, for example, consider incentives—rather than restrictions—to encourage purchases of selected foods (fruits and vegetables or whole grains, for example) by food stamp participants. Or one could expand and strengthen nutrition education and promotion to make sure that participants have the knowledge, skills, and motivation they need to make healthy choices. These approaches are more practical, and likely to be more effective than restricting choice in achieving the dietary improvements that promote good health.

USDA's 2007 Farm Bill proposals include a \$100 million investment to establish a 5 year competitive grants demonstration program targeted at developing and testing solutions to the rising rates of obesity. These efforts would include rigorous independent evaluations to identify effective approaches, such as incentives at point-of-sale for purchases of fruits and vegetables by food stamp participants, grants to connect food stamp shoppers with farmers markets, and integrated communication and education programs to promote healthy diets and physical activity.

<sup>9</sup>U.S. Department of Agriculture, Food and Nutrition Service. *Making America Stronger: A Profile of the Food Stamp Program*. September 2005. Available at [www.fns.usda.gov/oane](http://www.fns.usda.gov/oane).

<sup>10</sup>Special preliminary tabulations of 1999–2002 data from the National Health and Nutrition Examination Survey prepared for the Food and Nutrition Service by Abt Associates.

<sup>11</sup>Linz, Paul, Michael Lee, and Loren Bell. *Obesity, Poverty, and Participation in Nutrition Assistance Programs*. Report prepared by Alta Systems for the Food and Nutrition Service, USDA, February 2005. Available on-line at [www.fns.usda.gov/oane](http://www.fns.usda.gov/oane).

## APPENDIX A: THE SLIPPERY SLOPE OF CHARACTERIZING FOODS

Why is it so hard make distinctions among individual foods?

Part of the problem is that foods contain many components that singly or collectively can affect health, and diets contain many foods. Attention paid to the presence or absence of single nutrients and to the relationship between those nutrients and particular diseases often comes at the expense of attention to the overall dietary pattern. For example, at the substantial risk of oversimplification, concerns about obesity may lead one to focus on calories and added sugars; concerns about chronic heart disease may lead to a focus on saturated fats, *trans* fats, and cholesterol; and concerns about hypertension may lead to a focus on sodium. Too narrow a focus, however, can lead one onto a slippery slope with puzzling results.

Consider these examples, derived from information on the Nutrition Facts panel:

- Soft drinks have less total fat, saturated fat, and sodium per serving than some granola bars.
- One manufacturer markets a low-calorie carbonated beverage fortified with calcium and real fruit juice that has fewer calories and total sugars (though more added sugars) per serving than a typical serving of orange juice.
- Some brands of potato chips have less sodium per serving than some of the most popular brands of breakfast cereal.
- Some candy bars have a lower percentage of calories from fat and less saturated fat than a serving of cheddar cheese.

At least two cautions apply to these comparisons. First, each is based on the serving size listed on food labels. While subject to regulation, serving sizes do not always reflect consumption patterns; comparisons of food as actually consumed may produce different results. Second, some of the foods listed here have other beneficial nutrients, and some do not. Drinkable yogurts, for example, can provide 25 percent or more of a wide range of vitamins and minerals in each serving; most soft drinks are not a significant source of any nutrient other than sugars.

## APPENDIX B: MEANS OF ASSESSING NUTRITIONAL VALUE

Even if agreement can be reached in principle on a conceptual approach to distinguish allowable foods from restricted foods, there remains the challenge of putting such definition into practice. Several approaches could be considered; however, each has significant drawbacks.

- **Expert and/or Stakeholder Opinion:** One could rely on “common sense” or the judgment of expert panels made up of dietetics professionals, physicians, public health researchers, and other stakeholders (consumers, producers, manufacturers, retailers). The problem with common sense and expert or stakeholder panels is that both can be influenced by a number of factors, not all of which are necessarily related to the nutritional value of the food under consideration. It is also unlikely that expert panels could render judgment on over 300,000 separate food items; they are more likely to recommend exclusion of broad categories (soft drinks, cookies, cakes, salty snacks, for example). This simply defers the item-by-item decisions that need to be made to implement a restriction at the check-out counters.
- **Foods of Minimal Nutritional Value:** National School Lunch Program regulations prohibit the sale of food of minimal nutritional value (FMNV) in competition with school meals. Foods are prohibited by category: soda water (carbonated beverages), water ices, chewing gum, and certain candies (including hard candies, jellies and gums, marshmallow candies, fondant, licorice, spun candy, and candy-coated popcorn). The definition of FMNV focuses on eight nutrients: protein, vitamin A, vitamin C, niacin, riboflavin, thiamine, calcium, and iron. FMNV can be exempted from the prohibition if they provide more than five percent of the Reference Daily Intakes per serving and per 100 calories (foods that are artificially sweetened are assessed only on nutrients per serving). This approach is a conservative one, identifying a limited set of foods that make the least contribution to a healthy diet.
- **A 5/20 Rule:** The Food and Drug Administration advises consumers to limit certain nutrients listed on the Nutrition Facts panel while consuming adequate amounts of others.<sup>12</sup> Foods providing five percent or less of the daily value (DV) are considered low in particular nutrients; foods that have 20 percent or more

<sup>12</sup>Food and Drug Administration. (2004). *How to Understand and Use the Nutrition Facts Label*, available on-line at [www.cfsan.fda.gov](http://www.cfsan.fda.gov).

of the DV are considered high in the nutrient. Thus, for example, an allowable food could be defined as one which contains no more than 20 percent of the DV of total and saturated fats, cholesterol or sodium and no less than five percent of the DV of at least one of these nutrients: dietary fiber, vitamin A, vitamin C, calcium, and iron.<sup>13</sup> One serious limitation of this approach is the absence of a daily reference value for added sugars and *trans* fats.<sup>14</sup> In addition, some nutrients of concern across the lifespan are not required on the food label (such as potassium). Application of this approach may also conflict with current health recommendations for certain foods (such as certain nuts and fish high in omega-3 fatty acids). In practice, relatively few snack foods would fail the 20 percent threshold for total fats and for saturated fat, and many of those that pass the five percent threshold would do so on the basis of their fiber content.

- **Food Composition Rules:** An analysis of foods under this approach would assess the level of selected ingredients contained in foods. This approach directly addresses the association between over consumption of certain food components and current public health problems. In practice ingredients could be assessed by their relative position on the ingredient list. Foods in which selected ingredients—including, for example, caloric sweeteners (including sugar and high-fructose corn syrup), hydrogenated oils, or salt—appear among the primary listed ingredients would fall onto the restricted list. This approach gives no weight to the presence of desirable nutrients. In addition, because ingredients are listed by weight, some foods that provide a relatively large proportion of the daily value of nutrients that should be avoided or consumed in moderation—the salt in potato chips, for example—may not fall onto the restricted list.
- **Nutrient Density Measures:** Drewnowski (2005) reviews various attempts to define and quantify the nutrient density of foods. Past efforts to quantify nutrient density have been based on a variety of calories-to-nutrient scores, nutrients-per-calorie indexes, and nutrient-to-nutrient ratios. Drewnowski proposes a naturally nutrient rich score based on the mean percentage daily values for 14 nutrients in 2000 kcal of food.<sup>15</sup> In addition to requiring significant computational resources, the measure as defined is limited by the exclusion of all fortified foods. In addition, saturated fat, sodium, and other nutrients whose consumption should be limited, do not enter into the score.

Mr. KAGEN. Thank you for going under 5 minutes. I appreciate all that you are doing.

Ms. Hatcher.

**STATEMENT OF JENNIFER HATCHER, SENIOR VICE PRESIDENT, GOVERNMENT RELATIONS, FOOD MARKETING INSTITUTE, WASHINGTON, D.C.**

Ms. HATCHER. Good morning. On behalf of the Food Marketing Institute and the families served by the 26,000 food stores operated by our members, thank you for the opportunity to testify about SNAP. SNAP EBT is a very positive example of a public-private partnership that works and that has added efficiency for all stakeholders in the program. Supermarket retailers are proud of our partnership with USDA and the state agencies to deliver safe, healthy and affordable foods to customers in need of assistance.

FMI testified before this Subcommittee in 1999 and urged that you pass the Interoperability and Portability Act to ensure that EBT recipients could use their benefits across state lines, just as they had been able to use paper coupons. You passed this provision, and it was successfully tested and was critically important to the thousands of people displaced by Hurricanes Katrina, Rita, Ike, and Isabel.

<sup>13</sup>Note that this is intended only as an illustration, and alternate levels of the thresholds and combinations of nutrients could be considered.

<sup>14</sup>Note also that the sugars listed on the Nutrition Facts label include naturally occurring sugars (like those in fruit and milk) as well as those added to a food or drink.

<sup>15</sup>Drewnowski, A. "Concept of a nutritious food: toward a nutrient density score." *American Journal of Clinical Nutrition*, Vol. 82, No. 4, 721–732. October 2005.

In the previous reauthorization of the farm bill you protected the SNAP program from expensive but unnecessary interchange fees. The SNAP program is now 100 percent electronic and runs successfully without any interchange fees charged to the state, merchants or consumers, and serves as a strong model for other government programs.

One of the greatest efficiencies in the SNAP program has been the conversion to electronic benefits transfer, as EBT transactions reduce the time in lane and cut down on the potential for human error. EBT has also been a positive development in the fight against SNAP fraud. Prior to EBT, paper vouchers were easily exchangeable for cash or other goods since they could be used anonymously. One area in need of improvement in the EBT system would be to lessen the number of processor or carrier outages by utilizing redundant systems. When a carrier who helps to facilitate the processing of SNAP transactions experiences technical issues, retailers cannot run the transactions at the checkout and the merchant is put at greater risk for fraud.

If all SNAP customers were issued benefits on the first day of the month stores would have significant inventory issues with widely purchased perishable products like milk and bananas. Thankfully, all but ten states have staggered issuance of benefits over a period of days. We encourage all states to provide enhanced staggered issuance of benefits each month, looking at models like those in Missouri and New Mexico, which spread their issuance over 20 days.

Food choice: Another area that could work to decrease efficiency would be limiting food choices for SNAP recipients. An average store contains in excess of 40,000 items. Roughly half of these items are currently eligible to be purchased with SNAP benefits. All items are coded electronically as either eligible or ineligible, and there is very little confusion about what is eligible and what is not.

We are beginning to collect survey data from our members on the purchasing habits of customers paying for their groceries with SNAP benefits *versus* all payment types. The initial results show that the purchasing habits are very similar. While our current data is based on the periods of time that are not the same for each company, and are thus not able to be consolidated, our initial findings are worth reporting. We believe a more comprehensive study on the buying habits of customers controlled for time of month, time of year, and how better to incent them to healthier choices should be initiated, and we intend to try to do this.

Two products were on every list for both SNAP and non-SNAP customers, bananas and milk. Other product purchases were similar. Strawberries, cucumbers, corn and avocados were on several lists for both SNAP and non-SNAP customers. Rather than imposing penalties, or a ban on a particular food or category of food, we believe in educating and encouraging positive choices. It would cause much confusion and inconsistency to impose food limitations without a USDA-managed, comprehensive, real-time Universal Product Code database that could be downloaded directly into a retailer system to ensure a continued integrity of product selection. A SNAP database would be an expensive and challenging under-

taking. USDA is, however, beginning the setup of the Healthy Incentive Pilot that has encouraging positive choices as its goal, and they will announce the location of the pilot in August. Several of our member companies are working on ways that they can participate in the pilot of this program.

In closing, thank you for inviting FMI to share our thoughts on the SNAP program. I would be pleased to answer your questions. [The prepared statement of Ms. Hatcher follows:]

PREPARED STATEMENT OF JENNIFER HATCHER, SENIOR VICE PRESIDENT,  
GOVERNMENT RELATIONS, FOOD MARKETING INSTITUTE, WASHINGTON, D.C.

Good morning. Chairman Baca and Ranking Member Fortenberry, on behalf of the Food Marketing Institute and the families served by the 26,000 stores operated by our retail and wholesale members, I want to thank you for the opportunity to testify today on the Supplemental Nutrition Assistance Program (SNAP).

My name is Jennifer Hatcher and I am Senior Vice President of Government Relations at the Food Marketing Institute (FMI). I have served as the primary staff contact for FMI's Electronic Payments Systems Committee for the past 11 years through the transition from paper Food Stamps to electronic benefits transfer and now the new program name, SNAP.

SNAP EBT is a very positive example of a public-private partnership that works and that has added efficiency for all stakeholders in the program—the state agencies, the retailers and the customers. Supermarket retailers are proud of our partnership with USDA and the state agencies to deliver safe, healthy and affordable foods to customers in need of assistance.

FMI testified before this Subcommittee in 1999 and urged that you pass the Interoperability and Portability Act to ensure that EBT recipients could use their benefits across state lines, just as they had been able to use paper coupons in any state. You passed this provision, and it was successfully tested and was critically important to hundreds of thousands of people displaced by Hurricanes Katrina, Rita, Ike and Isabel.

In the previous reauthorization of the farm bill, you protected the SNAP program from expensive, but unnecessary interchange fees. The SNAP program is 100% electronic and runs successfully without any interchange fees charged to the state, merchants or consumers and serves as a strong model for other government programs. This was yet another step this Committee took to ensure continued efficiency.

Our analysis of the SNAP program is that it is working very efficiently, particularly when you consider the many new and first time recipients who have received benefits in the past 2 years. With one in eight Americans currently enrolled in the SNAP program—more than ever before in the history of our nation—it is critical that we continue to increase efficiencies in this already smoothly operating program in order to ensure low benefit administration costs, and most importantly to continue to ensure access to healthy and affordable foods for participants enrolled in the SNAP program.

Today in my testimony, I will highlight examples of the efficiencies that have been achieved, and I will share some recommendations on ways to continue to improve the retail operations side of the SNAP program.

**Electronic Benefit Transfer**

One of the greatest efficiencies in the SNAP program has been the conversion to Electronic Benefit Transfer (EBT) delivery systems as EBT transactions reduce the time in lane and cut down on the potential for human error by cashiers.

Additionally, EBT is an affordable payment solution that helps keep costs low throughout the system compared to other electronic payments, such as credit and debit cards, which have high-cost fees associated with them.

EBT has also been a positive development in the fight against SNAP fraud because it creates an electronic record for each transaction that makes fraud easier to detect. Prior to EBT, paper vouchers were easily exchangeable for cash or other goods since they could be used anonymously. SNAP EBT transactions are protected by a user's personal identification numbers (PIN) so they are much more secure than paper or even credit cards, which do not require this added level of identification.

One area in need of improvement in the EBT system would be to lessen the number of processor or carrier outages. When a carrier, such as AT&T, who helps facilitate the processing of SNAP transactions, experiences technical issues, or their sys-

tems fail to remain up, retailers have problems running EBT transactions at the checkout. Problems with system uptime, or availability, and lack of a back-up solution puts merchants at greater risk for fraud. We would encourage the enforcement of 99.99% uptime standards and the implementation of a back-up solution by the state to help correct this inefficiency. A retailer would ensure availability by running redundant systems, and a processor or carrier should be required to do the same.

#### **Portability and Interoperability**

One of the greatest benefits to SNAP EBT users is that they have the flexibility of shopping across state borders. Take for example, the D.C., Maryland and Virginia area. A working mom on SNAP benefits may live in Maryland, but commutes to Virginia for work. If right after work is the only time that day she can run to the grocery store, she will still be able to use her SNAP benefits in Virginia. Portability in the SNAP program provides a great convenience to SNAP benefit users, and puts SNAP customers on a level playing field with customers paying with every type of tender. Additionally, flexibility in shopping location also affords SNAP benefit users greater flexibility to shop in stores where they feel they are able to stretch their dollars the farthest.

Portability and interoperability are critical components of the SNAP program everyday, but they are also invaluable assets to the program when regions of our country deal with natural disasters, such as hurricanes, floods or snowstorms. For example, during Hurricane Katrina, SNAP benefit users from Louisiana were able to redeem benefits in Texas, Missouri or even Washington, D.C., where they were relocated or were staying with relatives.

A few additional steps would enhance the efficiency of these portable benefits in the event of a disaster:

1. Provide a floor limit of \$25 per day for SNAP EBT transactions with guaranteed payment to an authorized store when EBT systems are not functioning as a result of a disaster.
2. Provide an automatic hot food waiver for SNAP recipients in disaster relief areas. Without electricity, recipients can not cook many of the foods available in a retail food store, and waivers issued while computers or telecommunication systems are unavailable may not be effectively communicated.
3. Release SNAP benefits early to ensure that storm-impacted residents have an adequate food supply during the disaster aftermath and recovery period.

#### **Benefits Distribution**

If all SNAP customers were issued benefits on the first day of the month, stores would have significant inventory issues with widely purchased perishable products like milk and bananas.

To address this, many states issue benefits over staggered days on the first 7–10 days of the month based on the case number, a digit of the user's Social Security Number, a card number or by other means. All but ten states stagger benefits, and while the staggering of benefits distribution is helpful to retailers to spread inventory needs over a series of days, we encourage states to provide enhanced staggered issuance of benefits each month. Benefits in states such as Missouri and New Mexico are made available throughout a period of around 20 days every month, as opposed to just the first 7–10. This allows for greater convenience for SNAP participants and helps address retailers' inventory concerns. A chart detailing the current benefit distribution schedule by state is attached in the appendix of my written testimony.

#### **Food Choice**

Another area that could work to decrease efficiency would be limiting food choices for SNAP recipients. An average store contains in excess of 40,000 items; roughly half of those items are currently eligible to be purchased with SNAP benefits. All items are coded electronically as either eligible or ineligible and there is very little confusion about what is eligible and what is not eligible. We rarely have a customer—even a first time SNAP recipient—who comes through the line with an ineligible item. SNAP is at its core a hunger program and recipients need to be taught both how to stretch a dollar and how to do this in the most nutritious way possible.

We are beginning to collect survey data from our members on the purchasing habits of customers paying for their groceries with SNAP benefits *versus* all payment types. The initial results show that the purchasing habits are very similar. While our current data is based on periods of time that are not the same for each company and are thus not able to be consolidated, our initial findings are worth reporting. We also believe a more comprehensive study on the buying habits of customers, con-

trolled for time of month and time of year, and how to better incent them to healthier choices should be considered.

Two products were on every list for both SNAP and non-SNAP customers—bananas and milk. Some of the milk purchased was whole milk, which could be fine if it was purchased for a 1–2 year old child, but whole milk would not be the best choice for an adult. Strawberries, cucumbers, corn and avocados were on several lists for both SNAP and non-SNAP customers when the store reported data from a summer collection time period. An earlier collection time period produced a list that included canned green beans and canned corn. White bread was on a few of the lists for SNAP purchases, and while that may not be the most nutritious choice, it may be a very economical option for a family who is working to ensure that they are not hungry.

Rather than imposing penalties or a ban on a particular food or category of food, we believe in educating and encouraging positive choices. It would cause much confusion and inconsistency to impose food limitations without a USDA-managed, comprehensive, real-time Universal Product Code (UPC) database that could be downloaded directly into an authorized retailer's computer system. A SNAP database would be an expensive and challenging undertaking. For the last 10 years, USDA has been working on designing a UPC database for a much smaller list of eligible products for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and has not yet gotten the database to be fully operational. While USDA appears to be making significant progress now, the task has proved to be a significant and demanding project. USDA is beginning the set up of the Healthy Incentives Pilot that has encouraging positive choices as its goal, and they will announce the location of the pilot in August. Several of our member companies are working on ways that they can participate in the pilot of this program.

**Summary: Recommendations for Continued Efficiency**

1. Improve uptime and require redundancy for processors and carriers.
2. Establish \$25 floor limits for disasters.
3. Allow automatic hot foods waivers for disasters.
4. Release benefits early if a disaster is anticipated.
5. Encourage enhanced staggered issuance of benefits.
6. Incent/encourage/educate rather than penalize food choices.

In closing, thank you for inviting FMI to share our thoughts on our experiences with the SNAP program. Our industry is committed to ensuring a pleasant and smooth shopping experience for our SNAP customers, and we welcome the opportunity to work with the Committee to move toward additional efficiencies in the SNAP program. Thank you.

## ATTACHMENT

**Food Marketing Institute**  
July 2010

State	Day(s) of SNAP Distribution
Alabama	Benefits are made available from the 4th to the 18th of every month, based on the last two digits of the client's case number.
Alaska	Benefits are distributed on the first day of the month. Smaller supplemental issuances for new applicants and late recertifications occur daily throughout the month.
Arizona	Benefits are distributed over the first 13 days of the month by the first letter of the recipients' last name.
Arkansas	Recipients receive their benefits on the 4th, 5th, 8th, 9th, 10th, 11th, 12th or 13th of each month based on the last digit of the client's Social Security Number (SSN).
California	Benefits are made available over the first 10 days of every month, based on the last digit of the client's case number. Others ( <i>i.e.</i> , new applicants) get paid throughout the month depending on when they were accepted.
Colorado	Benefits are distributed on the first 10 days of the month by the recipient's last digit of their SSN.
Connecticut	Benefits and cash are distributed on the first three days of the month, by the first letter of the recipient's last name.
Delaware	Benefits are made available over 7 days, beginning with the 5th day of every month, based on the first letter of the client's last name.
Florida	Benefits are available the 1st to the 15th of every month, based on the 9th and 8th digits of the Florida case number, read backwards, dropping the 10th digit.
Georgia	Benefits are made available from the 5th to the 14th of every month, based on the last digit of the client's case number.
Hawaii	Benefits are made available on the 3rd and the 5th of every month, based on the first letter of the client's last name.
Idaho	Benefits are made available on the first day of every month.
Illinois	SNAP benefits are made available on the 1st, 3rd, 4th, 7th, 8th, 10th, 11th, 14th, 17th, 19th, 21st, and 23rd of every month, based on a combination of the type of case and the case name.
Indiana	Benefits are made available on the first 10 calendar days each month, based on the first letter of the recipient's last name.
Iowa	Benefits are made available over the first 10 calendar days of every month, based on the first letter of the client's last name.
Kansas	Benefits are made available over the first 10 calendar days of every month, based on the first letter of the client's last name.
Kentucky	Benefits are made available over the first 10 calendar days of every month, based on the last digit of the client's SSN.
Louisiana	Benefits are made available between the 5th and the 14th of every month, based on the last digit of the client's SSN.
Maine	Benefits are available the 10th to the 14th of every month, based on the last digit of the recipient's birth day.
Maryland	Benefits are made available from the 6th to the 15th of every month, based on the first letter of the recipient's last name.
Massachusetts	Distribution is based on the last digit of each recipient's Social Security Number and distributed over the first 14 days of the month.
Michigan	Benefits are made available from the 3rd to the 10th of every month, based on the last digit of the client's recipient ID number.
Minnesota	Benefits are made available from the 4th to the 13th of every month, based on the last digit of the client's case number.
Mississippi	Benefits are made available from the 5th to the 19th of every month, based on the last two digits of the client's case number.
Missouri	Benefits are made available over the first 22 days of every month, based on the client's birth month and last name.
Montana	Benefits are distributed by the last number of the recipient's case number, over a 5 day period.
Nebraska	Nebraska distributes benefits to individuals during the first 5 calendar days of the month. The day of distribution is based on the last digit of their SSN.
Nevada	Benefits are issued on the first day of each month.
New Hampshire	New Hampshire benefits are available on the 5th of every month.
New Jersey	The monthly allotment is available over the first 5 days of the month.
New Mexico	Benefits are made available over 20 days every month, based on the last two digits of the SSN.
New York	Benefits are generally made available over the first 9–14 days of every month, based on the last digit of the client's case number.
North Carolina	Benefits are made available from the 3rd to the 12th of every month, based on the last digit of the primary cardholder's SSN.
North Dakota	Benefits are made available on the first day of every month.
Ohio	Distribution is a staggered schedule between the first and tenth days of the month.
Oklahoma	Benefits issue on the 1st of each month.
Oregon	Benefits are distributed on the first 9 days of the month based on the last digit of the SSN.
Pennsylvania	Benefits are made available over the first 10 business days of every month.
Rhode Island	Benefits are made available on the first day of every month.



**Food Marketing Institute—Continued**  
July 2010

State	Day(s) of SNAP Distribution
South Carolina	Benefits are made available from the 1st to the 10th of every month, based on the last digit of the SNAP case number.
South Dakota	Benefits are made available on the 10th day of every month.
Tennessee	Benefits are made available on the first 10 days of the month, based on the last two digit's of the head of house hold's SSN.
Texas	Benefits are made available over the first 15 days of the month, based on the last digit of the client's SNAP case number.
Utah	Benefits are made available on the 5th, 11th, or 15th of every month, based on the first letter of the client's last name.
Vermont	Vermont benefits are available on the first of every month.
Virginia	All recipients are paid on the 1st of the month.
Washington	Benefits are staggered over the first 10 days of the month based on the last digit of the households' assistance unit number. Weekends and holidays do not affect the schedule.
West Virginia	Benefits are made available over the first 9 days of every month, based on the first letter of the client's last name.
Wisconsin	Benefits are made available over the first 15 days of every month, based on the eighth digit of the client's SSN.
Wyoming	Benefits are made available from the 1st to the 4th of every month, based on the first letter of the client's last name.

Note: **Highlighted** states are those that only distribute benefits on one day a month. There are ten that still do so.

Mr. KAGEN. Thank you all for your testimony. And I turn now to my colleague, the Ranking Member, Jeff Fortenberry.

Mr. FORTENBERRY. Thank you, Mr. Kagen, and thank you all for your testimony. The Healthy Incentive Pilot Program that was put in place in the last farm bill is not going to have data available for 2 years, from what I understand. So if there is a delay in implementation or a delay in getting the pilot up and running, there is going to be a delay in data, and that is unfortunate. Because it is related to the earlier point that many of us, Chairman Baca, Mr. Kagen and I, and a lot of others, are very, very interested in, the correlation between good nutrition and health care outcomes. When the food stamp program was started, the idea being to increase caloric—to have a high level of caloric intake in order to combat hunger was the main paradigm of the program. Now, as we are seeing with the epidemic in obesity and other lifestyle-related diseases that result from poor nutrition, I believe it is absolutely essential that we look at this very large government program as to how we can improve outcomes in health, in addition to its core purpose of preventing hunger in the United States.

So it is a bit difficult flying in the dark without data on the Healthy Incentive Pilot. But, Mr. Faber, you raised an interesting question, and your comments, Ms. Hatcher, were related, in regards to science-based standards on nutrition. Thinking a bit out loud about potential policy evolution that would reap the benefit to improved choice, either through incentives or rules, how could you foresee that being developed? In other words, instead of, and let's just take an example, a SNAP card having \$100 on it, a SNAP card would have 100 nutritional points. And that would also be measured as you buy certain foods. And therefore the market would then respond to develop food products that would fit easily into the nutritional categorizations. Or, as we do in the USDA, certify certain products as organic, could you foresee developing certain certified SNAP eligible products, because they are meeting the

science-based standards on nutrition, and then that is a part of the electronic evaluation system?

In my mind, these are creative policy ideas that could be potentially looked at as we begin to web the outcome of protecting people, protecting our country from hunger, and promoting the types of ideas which I think we all share in terms of good nutritional outcomes.

I would like both of you to respond to these concepts.

Ms. HATCHER. Sure. I think there are some good ideas that should be tested out there. The challenge is to make sure that they are operationally not so challenging that they can't be done within the time period.

Mr. FORTENBERRY. Let's just stop right there, because you mentioned that right now in the electronic benefits system there is a mechanism which flags or allows certain types of products to be purchased.

Ms. HATCHER. Right.

Mr. FORTENBERRY. So it seems like the technological hurdle for the most part has been overcome. It would have to be adjusted to achieve the ideas that I just said. But it seems that way to me.

Ms. HATCHER. We can flag products as either eligible or ineligible. When you start putting the additional parameters, at least in the Healthy Incentive Pilot, one of the ideas that have been proposed was similar to like the You Promise Program, where you get additional points on a separate type of card, and that those points—you get more points if you purchase a healthy product or a positive nutritional product. That is one way.

Perhaps the easiest way that has been done, there have been a couple of Healthy Incentive Pilots that have been successful in the WIC program. One of those was in New York State, there was another one in California, and they were very simple. I mean, it was a dollar amount, and it was limited to just fresh fruits and vegetables. And because it was not complex it could be initiated very quickly. Once they found and identified a source of funding for it, they put it in place and they could run it over the period of time that they had and just capture that data on the purchasing patterns of the customers.

I think you are right, there are some creative opportunities. The challenges, particularly in a pilot environment, if you do something that is too technologically challenging you may spend more funds than you want and more time on trying to build that program.

Mr. FORTENBERRY. This is a huge Federal program. We are spending \$50 billion. It is authorized up to \$80 billion. It is a huge program. And it seems like we have lagged in trying to rethink some of the parameters that would lead to healthy outcomes, particularly given, again, the pilot program that we are talking about is now just being implemented. That is unfortunate, but that is the reality.

Mr. FABER. And I would just add, we will certainly learn a lot from the pilot program. But we already know a lot about the elasticity of different kinds of foods and prices. And in particular we know that as we use coupons or bonuses to reduce the price of certain foods, including fruits and vegetables and dairy products, consumption will go up.

USDA's Economic Research Service, a few years ago, estimated that if we reduce the price of fruits and vegetables by ten percent then consumption of fruits and vegetables would go up by six or seven percent. If we reduced it by 20 percent, as I mentioned earlier, we would get closer to the 3½ to 5 cups a day of fruits and vegetables.

Mr. FORTENBERRY. So what foods are inelastic?

Mr. FABER. Some that are convenient and should be enjoyed occasionally, snack foods, for example, tend to be more inelastic than foods like dairy and fruits and vegetables. So the good news is there is an opportunity to provide a bonus or coupon to encourage consumers to increase their consumption of fruits and vegetables. I think the hardest challenge, as Jennifer alluded to, is trying to come up with a system that looks at hundreds of thousands of SIUs, and that change in the hourly—literally in the 2 hours we have all been here there are probably a handful of new products that have been put into the marketplace. And the most recent number we have is there are about 12,000 new products that are put into the marketplace every year. It would be virtually impossible for USDA to come up with a system that would be credible with nutritionists, and that could be used by retailers to sort through every conceivable product and say this product is healthy, this product is not. And it contradicts USDA policy, which has always been to focus on a whole diet approach, as opposed to an individual product approach.

Mr. FORTENBERRY. Well, that contradiction is part of the problem here. Again, it goes back to the original intent of the program where you increase caloric intake on starches primarily which are cheaper, and as people have to stretch food dollars that is what gets incentivized for them, and yet we will get the long-term cost in terms of health. There is going to be a shift in paradigm, or at least I hope there is.

Mr. FABER. Well, just two things and I will let Jim jump in here. One important point here is there is no evidence that low-income Americans who benefit from the SNAP program are any more susceptible to obesity than other Americans. I think that is an important point. Every review of the literature, of USDA's Economic Research Service and others, have found no correlation between obesity and SNAP participation.

Mr. FORTENBERRY. I am aware of that statistic. It is an American problem or a subset of an America problem.

Mr. FABER. And, the other thing we certainly have found is that where we have made a real investment in nutrition education we have seen change. And the best example is the shift from whole milk to low fat and skim. There are other examples. But clearly Americans are able to change their diets if they are presented with the right information.

Mr. FORTENBERRY. Mr. Weill, I am way over time, so I am going have to let you incorporate your comments to me in somebody else's question. Sorry. Thank you.

The CHAIRMAN [presiding.] At this time I would call on Mrs. Dahlkemper.

Mrs. DAHLKEMPER. Thank you, Mr. Chairman. Thank you all. It is a very interesting subject. I spent 20+ years as a dietitian, so

I dealt with a lot of individuals who received SNAP benefits over that time. And I also found education was the key. I actually used to work in early intervention, and I would work with the parents and take them directly to the grocery store. And not everyone—obviously, we can't do that with every person on SNAP, but once the education portion is brought in, as it is with people who aren't on SNAP, better choices are made along the way.

One concern I also have is that individuals are on different, they have different dietary needs who are on SNAP. A person with diabetes, for example, or the person who is gluten free, there are all sorts of issues that people are dealing with. And that is one of the complexities as we go forward.

So I have a couple different questions. But I guess one question I want to ask is how do we improve the education from your standpoint as marketers, grocers, manufacturers of product, how do we improve the education within this program? Obviously we need to do it for the whole country, but this is a subset of people that we actually may have some opportunity to do that with.

Ms. HATCHER. I think the one idea that you mentioned earlier is a very good idea, which is having more supermarket retailers partner with the SNAP-Ed programs in the states where we can put some of the information on healthy recipes, and some of the purchasing patterns right there in the store. That links the SNAP-Ed information that they may have received when they applied for the benefits to their purchase at the time of their purchases.

So that is an area that we are working on. That is something that we are already doing with the WIC program, so it would only be an extension of that. And it seems to make a lot of sense to also partner with the schools in some of those education programs where you involve the children and bring them into the shopping and cooking decisions. We have seen some evidence that that really starts to make some impact.

Mrs. DAHLKEMPER. Mr. Faber.

Mr. FABER. I would just add that clearly we need more resources for SNAP-Ed. We are concerned about proposals to cut SNAP-Ed that have been suggested in this session of the Congress.

I think there is also a big role here for industry. And as I mentioned in my testimony, we are working now with FDA and USDA on new labels that will be clearer for consumers. In order to make those labels ultimately more effective, we are also building a public education campaign that will apply to different demographics, including low-income Americans.

As you mentioned, people have very different diets, they are using nutrition facts panels in very different ways. We are working very closely with the Administration to design a public education strategy around our new labels that will reflect those differences.

Mrs. DAHLKEMPER. They need detail, but they also need simplification for people. People need to be able to get that immediate message just from that label. I mean, I was around as a dietitian when we did the last labeling and they have been great and helpful, but we still need improvements. I am glad to hear that.

Mr. WEILL. We do need more and better nutrition education. As Administrator Paradis said, the program is working well, it can be

made better, but also it needs not to have its funding cut as has been proposed recently on the Senate side.

But also to get families to have healthier nutrition requires education, but also requires them to have access to stores that provide healthy foods. It requires them to have adequate incomes and benefits so that they can afford a healthy diet.

Mrs. DAHLKEMPER. I did want to ask you a question on the issue of access to this, because I know that is certainly something you have some knowledge on. And in the previous panel I brought up the elderly and disabled having probably some of the biggest issues with access. Do you think some of that has to do with just public perception, the stigma?

Mr. WEILL. Yes. Although, I think the stigma in the program is far less than it was 5 or 10 years ago, which is great. And even before the recession there was much less stigma in the upsurge in participation with the recession. And policymaker support has further reduced stigma.

But if I can now use that question to circle back to your earlier point. Our concern from the recipient point of view is that having restrictions on food choice at the checkout counter is going to make the transaction, and your participation in SNAP, more visible and drive people out of the program by increasing stigma.

And the other thing I would say is that society thinks of beneficiaries as people—the only money they spend for food is through SNAP, when in fact we are talking about the senior citizen who gets \$16 a month from SNAP and is spending \$100 of her own money on food. And the working mom who is showing up with a SNAP card, that is half of her food budget. So when we talk about restricting food choice we have to think about the reality of people's lives, what portion of their food budget SNAP is, what stores they are going to, are there stores that are available to them that have these healthy choices, and so on.

Mrs. DAHLKEMPER. Thank you very much. I appreciate it.

The CHAIRMAN. Thank you very much. I have a couple of questions that I would like to ask Mr. Faber.

One of the questions: in your testimony you make it clear that you believe that the attempt to limit consumer food choices through SNAP are more harmful than helpful. Can you explain to the Subcommittee why you think eliminating SNAP choices is a bad idea.

Mr. FABER. I think there are four main points I would want to make. One is it is very hard to come up with a definition of which foods are healthy, and, therefore, should be eligible for SNAP; and which foods are unhealthy and should be ineligible. There are many foods, and Mrs. Dahlkemper is probably much more—can explain this much more elegantly than I can. That, for example, nuts that have certain nutritional benefits, that would be excluded from SNAP because of the amount of fat that they would have.

So it is very hard to simply say there are good foods and bad foods. We tend to think that there are good diets and bad diets. And administratively it would be very difficult to administer such a program.

The second point is that just the sheer amount of products that are in the marketplace, there are more than 300,000 different products that are in the marketplace. We are bringing in the last esti-

mate about 12,000 new products to the marketplace every year. That is a couple of products an hour. So it really is—in order for USDA to administratively grade each of these products over and over and over again would be an extraordinary administrative challenge.

But the real problem is the one that Mr. Weill alluded to, that the vast majority of SNAP recipients are spending their own money in addition to SNAP dollars. And so at the end of the day the most likely scenario is that they would simply use their dollars to purchase the things that should be enjoyed occasionally and SNAP dollars to purchase foods that would be considered healthy.

Ms. HATCHER. And just to add on what Scott was saying, we have many of our customers that do mixed basket transactions, so that you would have all of your items go through the line, and they would be coded as either SNAP eligible or ineligible. The cashier at the end of the line would ask for the additional payment for maybe the paper plates or paper towels, or other items that they would have purchased that would have been ineligible. So Scott is exactly right in terms of the mixed basket and the customer using additional forms of payment in addition to SNAP benefits.

Mr. FABER. So it would be extraordinarily complicated, extraordinarily costly, and ultimately wouldn't work because SNAP recipients would generally use their own dollars to buy the prohibited items.

The CHAIRMAN. I just heard all three of you make a statement here, and I agree to a degree, that we should have more SNAP education on nutritional education. All of us believe that is very important as we look at obesity and the problems that we are having with obesity. And yet, it becomes very difficult in telling someone the kind of foods that they should buy and shouldn't buy, because they are looking at rationing for a month before they are able to go back to a store.

Some discussions have been discussed, and give me your thoughts on it, besides the money that is needed there and not cutting the funds there and monies that are already there, for anyone who is in a SNAP program to have some kind of an orientation being done for any new eligible person, or if it is done through the Internet or some kind of mailing or something that is done, an orientation that needs to be done on what is good and what isn't, so this way they can make better choices with what is available. I don't know if that is being done right now to each and every one of the SNAP recipients. But that is something that I think we should consider, an orientation of some sort or another when they are eligible to receive the SNAP program. Because ultimately we end up paying at the end through obesity because the effects it has on diabetes, breast cancer, other forms of illness that come through diabetes to us, not to mention the life span of an individual as well.

So I throw the question back up to any one of you three, since all three of you mentioned nutritional education and SNAP-Ed.

Mr. WEILL. I think that most recipients probably receive some paper nutrition education material when they apply or when they receive a determination of eligibility. But it would be infrequent that they would receive a one-on-one counseling system. Their primary interaction with the agency of course is through a case work-

er with a very large caseload just trying to manage 400 cases. But then from the nutrition education side of the program there are often classes offered and they participate that way. It is not like WIC where at the point of participation and eligibility you get nutrition counseling. And, looking at a strategy that maybe doesn't go as far as WIC because the caseload is so much larger, but moves towards offering nutrition education when people are in the office is a good strategy.

The CHAIRMAN. Because it has to be affordable. We can say that we can get our educational systems or our manufacturers or stores, our grocery stores and others, to offer the educational programs. And I can only speak for myself. You know, I can be in an educational classroom, but coming from a large family of 15 the classroom taught me everything about nutrition, but when I got home my parents said this is all I can afford to give you. So, I am eating the tortillas, the frijoles, the butter, everything else I shouldn't have. And most of the kids now, because they are not actively involved with physical fitness and the kind of activities that we had, most of these kids are all on computers and using the Internet and spending all kinds of time, to us we had critical thinking just playing kick the can. You know, you had to hide, you had to think and you ran and you did something. But nowadays we are not doing any of that. And I can just imagine that we can have the educational programs, which are good and I think that they are needed, but when I got home my parents said this is all I can afford, we can't afford to give you anything else.

And I know that, Ms. Hatcher, you have a thing here that you wanted to recommend a floor limit of \$25 per day for a SNAP EBT transaction where EBT systems are not functioning as a result of a disaster. And I know that we should decrease it, but can you explain to this Committee what you mean by that and how do the limits benefit the SNAP recipient?

Ms. HATCHER. Sure. That suggestion was one that came out of some of the disaster preparation work that we did after the last series of hurricanes. And when the systems are down, I mean the beauty of the electronic system is they work really well when there is electricity up and running, but in the aftermath of a hurricane, when you are in the middle of a disaster and you don't have any communications or computer systems, it would be very helpful for the retailers to know that there was an automatic floor limit or a \$25 amount. This way a person could come in and get those basic items to be able to feed their family for the next day or a couple of days while the computer systems were down, and they may not be able to access their balance on their SNAP benefits.

The CHAIRMAN. Mr. Weill, I am interested in the \$2.2 billion in payment errors in the system. Can you make recommendations for FNS that will help reduce the \$2.2 billion in errors?

Mr. WEILL. Well, as discussed earlier, a lot of that is due to agency error, not client error or client fraud. And, part of it is due to agencies being terribly understaffed, which also was true before the recession but is more true now. So agencies need support, they need support in updating computer programs, many of the computers are vastly outdated, they need more staff. So that is one strategy. Simplifying the program in key ways is another strategy.

The CHAIRMAN. But why haven't we updated the equipment and why can't they talk to one another?

Mr. WEILL. Well, the states can speak better to that than I can. But certainly, as you know, states are in a terrible budget situation, and new expensive computer systems are last on the list often.

The CHAIRMAN. Mrs. Dahlkemper, do you have any additional questions you would like to ask?

Mrs. DAHLKEMPER. Thank you, Mr. Chairman. I just have one additional question. Mr. Faber, how can we reduce the cost of those foods that we know are most nutritious? I mean, if a person goes to the grocery store, it was mentioned, Ms. Hatcher, in your testimony, and they have a choice between white bread and whole wheat bread, we know the cost difference can be substantial, yet we know that the whole wheat bread is a healthier choice. If they have a choice between a gallon of milk and a large bottle of soda, pop as we call it in my region, but anyway, the choice that has to be made when you have a family back home with a bunch of hungry children, so you try to make those SNAP benefits spread along with whatever little income you might be bringing in. So how can we reduce the cost of fruits and vegetables, whole grains, dairy products, the things that we know are very healthy?

Mr. FABER. Well, that is a complicated question.

Mrs. DAHLKEMPER. On Federal policy.

Mr. FABER. Yes, I understand. You know, certainly there are levers in our farm and energy policies that are having an impact on the cost of ingredients and ultimately the cost of food. So, for example, we spend significant sums every year providing subsidies to certain farmers and not to other farmers. There may be opportunities in the next farm bill to provide incentives that ultimately increase the production of some crops at the expense of others, but those are complicated economic and, ultimately, political questions.

It is also the case that our energy policies are contributing to modestly higher commodity costs because a significant amount of corn is being diverted from our food supplies, and really our feed supplies, into fuel. And so there are some opportunities in the farm bill and the energy bill to invest in advanced biofuels that use other feedstocks ultimately than food ingredients.

But, the good news is that food inflation is very low right now. And because of the First Lady's leadership, and because consumers are simply demanding more and more healthy choices, we are living in a time when there are many, many more choices in the grocery store than ever before. And as someone who has worked on these issues for more than 20 years, I am sure you walk through the grocery store and notice many more low calorie, low sugar, low sodium products that are more affordable than ever.

Americans are spending a smaller share of their income on food than at any time in history. But there is certainly more progress that we can make. And the farm bill and our energy policy, and ultimately to some extent our tax policy, could drive us in that direction.

Mrs. DAHLKEMPER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. You know, a thought just came through my mind. I know that we are offering a lot more healthier



foods and we are making them a lot more available at a lot of our grocery stores and people have more choices. Is there a possibility to have some kind of—I know we have enterprise zones where we give tax incentives to enterprise zones, but to give the American farmers and farmers that are producing healthy foods some kind of incentive. This way it would help in buying an American product, but at the same time buying healthy products and from those farmers that are willing to produce those. Has that thought ever come up yet or not? I don't know.

Mr. FABER. In the last farm bill, and we do provide some fairly modest support to provide fruits and vegetables to schools. That is something that we could certainly expand in the next farm bill.

The CHAIRMAN. They can look at working with farmers because then that gives them the incentive to say I am going to produce fresh fruits and vegetables, since I am going to get some kind of a tax break just as we have done for businesses or someone else. I think I am willing to explore that and look at it. And we put our own incentive instead of saying an enterprise zone, we have a farm zone with tax incentives for those farmers that are producing the kind of healthy food that will reduce the price. Because ultimately we end up paying at the end in the area of obesity with the health costs, the effects it has on us, and the quality of life, too.

Mr. FABER. I think those are interesting ideas. Ultimately the array of subsidies and insurance programs that we have in place are not having a really significant impact on the acres that are ultimately planted to certain crops. That is certainly true in some parts of the country. But there is ample incentive to grow fruits and vegetables in California, and there is ample incentive to grow corn in Illinois and Iowa regardless of the mix of subsidies that we provide. There are certainly some parts of the country where if you restructured our farm safety net you might see a shift from some commodity crops to fruit and vegetable production, and that might have a marginal impact on the cost of fruits and vegetables, but probably not a very significant impact.

The CHAIRMAN. We should give an advantage to our domestic farmers *versus* importing fresh fruits and vegetables from outside the country, because we don't know the safety in terms of the products that we are getting *versus* our own personal farmers. And if we provided them that kind of an incentive people would feel a lot safer because they know that we have followed all of the CAL OSHA requirements and safety requirements that are there *versus* any other products you may get from somewhere else.

Mr. FABER. One of the great developments this Congress, and hopefully the Senate will act on this before the recess, is the passage of food safety legislation. That would set tough new standards, or allow FDA to set tough new standards for how we produce fruits and vegetables, not only in the U.S., but overseas.

The CHAIRMAN. But give the incentive to those that are compliant here and have those enterprise zones or whatever, farm zones.

Mr. FABER. Interesting idea.

The CHAIRMAN. With that, I want to thank each of the panelists for being here and taking the time. That concludes the hearing that we have.

Before we adjourn I just would like to again thank the witnesses for their participation in the hearing and your thoughtful testimony. Your knowledge, ideas, and experience I hope will be used by Congress to ensure adequate nutrition will be available to the neediest Americans in the most effective manner. Again, I want to thank you for being here.

With that, I would like to state before we adjourn and I hit the gavel, under the rules of the Committee the record of today's hearing will remain open for 10 calendar days to receive additional materials and supplement your testimony, and to receive any written responses from the witnesses to any question posed by Members.

The hearing of the Subcommittee on Department Operations, Oversight, Nutrition, and Forestry is adjourned.

Thank you very much for being here.

[Whereupon, at 11:55 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

## SUBMITTED QUESTIONS

**Questions Submitted by Hon. Frank D. Lucas, a Representative in Congress from Oklahoma**

*Response from Julie Paradis, Administrator, Food and Nutrition Service, U.S. Department of Agriculture*

*Question 1.* Have any of you looked at SNAP nutrition education to see what the results of these efforts have been? Do we know what tactics are working or not working?

*Answer.* The Food and Nutrition Service (FNS) has multiple initiatives to monitor SNAP nutrition education (SNAP-Ed) and to identify effective practices. In FY 2008, FNS introduced the Education Administrative Reporting System (EARS). EARS provided, for the first time, uniform data across states regarding who receives SNAP-Ed, what kinds of educational services are provided and how resources are allocated. While not a measure of dietary impacts, this reporting system makes it possible to profile the key features of SNAP-Ed both nationally and by state. FNS can use this information to examine efficiency, service coverage, and consistency with FNS policy priorities.

FNS is also evaluating a set of SNAP-Ed demonstration projects to assess dietary impacts. The demonstration projects were competitively selected for both their educational promise and their commitment to rigorous FNS evaluation requirements. Projects include a variety of approaches, such as Internet-based strategies, social marketing and classroom lessons. An impact report on the first round of demonstrations is expected in the fall of 2011.

FNS is sponsoring a review of existing research to assess the available evidence for alternative approaches to changing children's dietary behaviors. Pertinent studies are critiqued by a panel of technical experts to determine the availability of sound research and the associated results. A series of reports will be produced during 2011 to highlight what intervention features are found to be effective and what information gaps still exist.

Current FNS policy calls for states to pursue science-based SNAP nutrition education. Specifically, states are directed to incorporate a variety of features known to be effective. These include messages that are behaviorally focused and personally relevant to the target audience, use multiple channels of communication, actively engage the audience, and offer multiple exposure to the message.

The SNAP-Ed provision in the Child Nutrition Reauthorization bill further requires nutrition education activities be science-based and outcome driven; provides for accountability and transparency through state plans and collaboration among stakeholders; provides focus on the issue of obesity; and increases effectiveness of important nutrition education dollars across various nutrition programs via the connection to SNAP as a program that serves the low-income community.

*Question 2.* According to GAO, \$1.8 billion was issued in overpayments for Fiscal Year 2009. Your testimony says that states established a total of over \$367 million in new claims for over issuances and collected just under \$300 million. Does this mean USDA has only recouped less than \$300 million of the \$1.8 billion in overpayments?

*Answer.* The overpayment rate of \$1.8 billion for Fiscal Year (FY) 2009 is an estimate based on a random sample of approximately 52,000 households reviewed as part of the quality control process. It does not represent identification of actual cases of overpayments, but rather a statistical projection of possible overpayments to Supplemental Nutrition Assistance Program (SNAP) households nationwide.

The FY 2009 claims data represent the actual overpayments states identified and collected in that year. Overpayments can result from client household or agency errors, as well as recipient fraud. The states establish claims in accordance with the Food and Nutrition Act and SNAP regulations.

Legal factors that influence the establishment and collection of claims in any given fiscal year include:

- States can only collect from current SNAP households the greater of \$10 per month or 10 percent of the monthly SNAP allotment, unless it is a fraud claim which can be \$20 or 20 percent a month. This allotment reduction method of collection can often extend the collection period beyond the current fiscal year.
- States are not required to collect claims that are less than the Federal cost effectiveness threshold amount of \$125.
- Claims that are delinquent for 180 days must be referred to the Treasury Offset Program (TOP). TOP collections on claims go beyond the current fiscal year.

- A state agency may compromise a claim or any portion of a claim if it can be determined that a household's economic circumstances dictate that the claim cannot be paid in 3 years.
- In accordance with common debt collection practices, state agencies may terminate claims if they are no longer considered collectable.

*Question 3.* What do the states do with the performance bonus money? Does USDA have any ability to tell the states that receive these bonuses what it can and can't do with the money?

*Answer.* The Food and Nutrition Act does not provide USDA with authority to require that bonus money be used for a specific purpose. Therefore, states may use bonus money however they wish. Although funds do not have to be spent on SNAP or any other Federal program, some states do re-invest their bonus dollars into SNAP.

*Question 4.* Has the use of broad-based categorical eligibility played a large role in reducing error rates to an historic low in FY09?

*Answer.* Errors in the Supplemental Nutrition Assistance Program (SNAP) are overwhelmingly related to determining the right level of benefits, neither too much nor too little, for participants rather than the determination of basic eligibility. In fact, over 98 percent of all basic eligibility determinations are found to be correct. Categorical eligibility, both basic and broad-based, while easing eligibility requirements, still subjects participants to the standard benefit determination process.

Categorical eligibility is included as one of the many policies related to household circumstances that state agencies review as part of the Quality Control (QC) reviews that they annually conduct on a sample of their participating SNAP households. QC does not separate broad-based categorical eligibility from traditional categorical eligibility which makes households categorically eligible for SNAP because the household receives TANF, Supplemental Security Income (SSI) or general assistance cash benefits. As a result there is currently no mechanism to determine a specific effect that broad-based categorical eligibility may have on the error rate. Even so, as most errors are related to determination of the amount of benefits, not determination of eligibility, the Food and Nutrition Service (FNS) believes that broad-based categorical eligibility has not had a significant impact on the error rate.

*Question 5.* Which of the 36 states that use categorical eligibility have received bonus payments for low error rates?

*Answer.* As of October 25, there are currently 40 states with broad-based categorical eligibility (BBCE). In FY 2009, 29 states had BBCE. Five of the eight states that received bonuses that year for low error rates had implemented BBCE (Delaware, Georgia, Ohio, Washington, and Wisconsin).

*Question 6.* Does the Department have data on what SNAP participants are purchasing with their benefits?

*Answer.* USDA does not collect administrative data on the kinds of food that SNAP recipients purchase with their benefits or other food resources. (Most clients use a combination of SNAP benefits and their own money to purchase food.)

The Department does conduct periodic studies and analyses of data from national nutrition surveys to assess the diet quality of SNAP participants. The most recent analysis, examining data collected through the National Health and Nutrition Examination Survey between 1999 and 2001, found that the diet quality of SNAP participants, low-income nonparticipants, and higher-income consumers all fell far short of the *Dietary Guidelines for Americans*.

Overall, the similarities between the diets of these groups were more striking than the differences. All groups had very low intakes of whole grains, dark green and orange vegetables, and legumes, and high intakes of fat, saturated fat and added sugars. Among adults, both low income groups (SNAP participants and low-income nonparticipants) were less likely to consume foods from eight out of ten food groups than higher-income consumers. SNAP participants were less likely to consume fruits or vegetables than nonparticipants, however. Differences between SNAP participants and nonparticipants were more often observed for adults and older adults than for children. Over half of all foods consumed by all groups came from foods that should be consumed only occasionally; SNAP participants were somewhat more likely than both nonparticipant groups to consume foods recommended for occasional consumption and somewhat less likely to consume foods recommended for selective or frequent consumption.

It should be noted that available data cannot distinguish between foods that SNAP clients purchase with their benefits, and those they purchase with other resources.

*Question 7.* What is the projected cost of the ALERT system? Are there expectations that this will save the program money once it is fully implemented?

*Answer.* The projected overall 5 year cost for the ALERT system is \$10.5 million. Overall costs consist of development for a next generation system, operation and maintenance of the existing and future systems, data center consolidation, and data mining activities. Prior to the new contract, operations and maintenance cost \$1.5 million annually for the existing ALERT system with a projected 5 year cost of \$7.5 million. Operations and maintenance for the next generation ALERT system are projected to cost \$4.8 million over the next 5 years, resulting in an annual savings of 36 percent.

The next generation ALERT system is designed to utilize a robust data warehouse to support advanced data mining techniques to improve upon FNS' ability to identify and act upon fraudulent behavior more quickly and effectively than its current capabilities. Current data mining efforts allow FNS to move towards more advanced predictive models to better assess risk, allowing FNS to allocate its resources more effectively resulting in program savings.

*Question 8.* When the Department is considering the disqualification of a retailer, does it consider whether or not there are other retailers that will accept SNAP benefits in that area?

*Answer.* In all instances where violations leading to disqualification did not include trafficking (*i.e.*, exchanging SNAP benefits for cash or consideration other than eligible food) in benefits, FNS makes a determination as to whether client hardship exists before a disqualification is imposed. If there are not a sufficient number of stores that stock similar products in the area, a store subject to sanction is given the option to pay a hardship civil money penalty *in lieu of* serving a disqualification period.

If trafficking has occurred in a store, a hardship civil money penalty is not considered. Trafficking is the most egregious Program violation, and allowing stores to pay a monetary penalty and continue to participate is not allowed by regulation.

*Response from Kay E. Brown, Director, Education, Workforce, and Income Security Issues, U.S. Government Accountability Office*

October 1, 2010

Hon. FRANK D. LUCAS,  
*Ranking Minority Member,*  
House Committee on Agriculture,  
Washington, D.C.

Dear Representative Lucas:

The enclosed information responds to the post-hearing questions in your letter of September 21, 2010, concerning our testimony before your Committee on July 28, 2010, on quality control measures in the Supplemental Nutrition Assistance Program. If you have any questions or would like to discuss this information, please contact me at [redacted].

Sincerely yours,

*Kay E. Brown*

KAY E. BROWN,  
*Education, Workforce, and Income Security Issues,*  
U.S. Government Accountability Office.

Enclosure

The enclosure provides your questions and our responses for the record and supplements information provided to your Committee in our testimony, *Supplemental Nutrition Assistance Program: Payment Errors and Trafficking Have Declined, but Challenges Remain* (GAO-10-956T, Washington, D.C.: July 28, 2010).

*Question 1.* Have any of you looked at SNAP nutrition education to see what the results of these efforts have been? Do we know what tactics are working or not working?

*Answer.* We last reviewed USDA's nutrition education efforts, including SNAP nutrition education, in 2004. In our April 2004 report, we found that USDA programs' administrative structures hindered coordination among the USDA nutrition education efforts and that little was known about the outcomes of these services because of limited monitoring and evaluation. In response to this report, FNS reported taking steps to improve coordination, systematically collect reliable data, and identify and disseminate lessons-learned for its nutrition education efforts. Several years have passed since the time of this study, however, and we do not know whether

USDA's efforts were effective. We have not been asked to update our report. (GAO-04-528)

More recent information about SNAP nutrition education efforts can be found on this FNS website: <http://www.fns.usda.gov/ora/menu/published/NutritionEducation/NutEd.htm>

*Question 2.* Your testimony says that it is unclear what effect categorical eligibility has on QC rates, but if states are using categorical eligibility to give SNAP benefits to otherwise ineligible recipients does it not stand to reason that state error rates would be low?

*Answer.* State efforts to simplify program rules can reduce caseworker errors and reduce states' error rates. However, we are not aware of studies that have specifically looked at the effect of state use of expanded categorical eligibility on payment error rates.

*Question 3.* Your testimony states that households with substantial assets but low income could be eligible for SNAP under broad-based categorical eligibility policies. Do you know how many, or what percentage, of households have been deemed eligible for SNAP due to categorical eligibility that might not otherwise qualify under regular SNAP requirements?

*Answer.* We do not know how many, or what percentage, of households deemed eligible for SNAP due to categorical eligibility would otherwise not qualify under regular SNAP rules. We conducted an analysis of the potential effect of eliminating TANF noncash categorical eligibility in 2006, but this report doesn't specifically address your question. Further, state use of expanded categorical eligibility has increased in recent years, so circumstances may be much different now compared to the time we conducted this study. (GAO-07-465)

*Response from Hon. Phyllis K. Fong, Inspector General, Office of Inspector General, U.S. Department of Agriculture*

*Question 1.* Have any of you looked at SNAP nutrition education to see what the results of these efforts have been? Do we know what tactics are working or not working?

*Answer.* Food and Nutrition Service (FNS) data indicate that there has been significant growth in nutrition education over the last several years. The number of state agencies with approved Nutrition Education Plans increased from seven in 1992 to 52 in 2007. Federal funds approved for Food Stamp (now SNAP) Nutrition Education also grew from \$661,000 in 1992 to over \$270 million in 2007.

This is an area in which we have not performed any audits. Currently we are conducting a multi-phase audit of *Recovery Act Impacts on the Supplemental Nutrition Assistance Program*. In our second phase, we plan to review state plans for the use of funds authorized by the American Recovery and Reinvestment Act of 2009 (Recovery Act). OIG could include a review of state use of funds for nutrition education, after considering such factors as the amount of funding states have allotted for this purpose. This review will be conducted later in Fiscal Year (FY) 2011.

*Question 2.* From a December 3, 2009, OIG report titled, "Supplemental Nutrition Assistance Program Benefits and the Thrifty Food Plan" it states that, "We did not perform work to validate participant eligibility for SNAP benefits, nor did we verify the accuracy of benefits received by individual participants. Reviews of these participant aspects of SNAP will be conducted separately as part of our overall examination of Recovery Act fund expenditures." Is this work underway?

*Answer.* The work is not yet underway. As mentioned above, OIG is conducting a multi-phase audit of *Recovery Act Impacts on the Supplemental Nutrition Assistance Program*. The second phase of the audit, which will be conducted later in FY 2011, will include a review of participant eligibility and accuracy of benefits.

*Question 3.* With the increase in the amount of participants and SNAP benefits, have you seen an increase in waste and abuse in the program?

*Answer.* Yes, we have seen an increase in the amount of potential or alleged fraud within the program. Our OIG hotline, which is the vehicle commonly used by the public to report fraud, waste, and abuse in USDA programs, received approximately 1,000 complaints alleging SNAP fraud. This is a significant increase over the number of complaints we received last year. The complaints are referred to OIG Investigations or directly to FNS for appropriate action. Additionally, for every year since 2007, OIG Investigations has initiated approximately 140 investigations a year involving allegations of SNAP fraud. During FY 2010, however, that number rose to nearly 300, thus doubling the amount of SNAP fraud investigations opened in the past 3 years.

*Question 4.* You testified that the two states you audited for Recovery Act purposes did not have adequate or effective fraud detection units and that FNS had

not conducted periodic reviews of the states. Could this be a reason that the QC rates are historically low? Could it be that the QC rates are not accurate? Have you audited the QC rates?

*Answer.* OIG has not conducted a recent audit of the QC rates and therefore has no work upon which to answer your specific questions. We do plan, however, to include an evaluation of the QC process in our audit on SNAP improper payments starting later in FY 2011.

*Response from Jennifer Hatcher, Senior Vice President, Government Relations, Food Marketing Institute*

*Question 1.* Do retailers work with the states and others who carry out SNAP nutrition education to reach consumers at the point of sale and encourage healthier buying patterns?

*Answer.* Retailers are increasing efforts to address nutrition education and promote healthier buying habits with all their customers, not just SNAP customers. We would welcome additional opportunities to work with states and nonprofits on SNAP education projects. We are currently working on a large nutrition education project to coincide with the new front-of-package labeling system at FDA as it is developed. While education efforts at the store level are very effective, education outreach efforts are rarely, if ever, implemented specifically at the point of sale for a couple of reasons. First, reducing the time in the checkout lane is a top priority for retailers as low checkout wait time is considered a primary factor of customer satisfaction with their trip to the store. Additionally, by the time the customer is at the point of sale, they have completed their shopping and have made all their purchase decisions. Efforts to influence purchases when the customer enters the store, and throughout the shopping experience, are more likely to influence consumer behavior during that shopping trip.

*Question 2.* According to GAO, rates of trafficking SNAP benefits are higher in smaller stores. Why do you think rates of trafficking are higher in small stores as compared to large stores? Do you have suggestions for reducing or eliminating trafficking in smaller stores?

*Answer.* We have no knowledge of any of our member companies large or small being implicated in any trafficking investigations. Should there be a rogue employee involved in one of these schemes, we would fully support USDA in prosecuting these crimes. The EBT card has eliminated most all of the fraud and related crimes we were seeing under the paper system and has dramatically improved the integrity of the program for vendors and customers alike.

*Response from James D. Weill, President, Food Research and Action Center*

*Question.* You mentioned that states need to be more responsive in taking the many options they have to simplify the program. Do you think state options should be eliminated and instead have the Department setting the policies for administering the program?

*Answer.* In many respects the SNAP program is strengthened by its roots both in federalism and the public-private partnership it entails. A mix of Federal and state policy action generally improves the effectiveness of SNAP in serving needy people.

In some instances, however, Federal standards have been or would be helpful. Whether a Federal standard rather than a state option may be more appropriate depends on the particular program aspect at issue.

For example, Federal mandates established by Congress and administered by the Department of Agriculture ensure that SNAP Electronic Benefit Transfer (EBT) cards are interoperable across state lines (previously not a mandate) and that the foods that are eligible for purchase with those benefits are the same across state lines. Those national standards help to promote the efficient delivery of assistance through regular channels of private sector commerce—both through grocery retailers and through EBT processing systems.

We recognize that some discretion for states to adapt SNAP policies and practices to fit particular state circumstances can be useful. For example, caseworker intake models often vary from state-to-state. In some cases these variations reflect different needs to establish cooperation with other Federal and state benefits programs operating in states. An example, however, where a Federal standard might be more appropriate than leaving policy to state discretion is the certification period for elderly and disabled households, whose financial circumstances are very stable. States now have discretion to set those periods anywhere from 3 to 24 months. Making 24 months the standard time for the certification period for those households could promote continuity of benefits for a very vulnerable population and reduce the drain

on the Federal and state administrative costs entailed with shorter certification periods and more frequent case processing.

