

Food, Nutrition, and Consumer Services

Statement of Roberto Salazar, Administrator
Food and Nutrition Service
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies

Thank you, Mr. Chairman, and members of the Subcommittee for allowing me this opportunity to present testimony in support of the fiscal year 2007 budget request for the Food and Nutrition Service (FNS).

FNS is the agency charged with administering the fifteen Federal nutrition assistance programs which create the Nation's nutrition safety net and providing Federal leadership in America's ongoing struggle against hunger and poor nutrition. Our stated mission is to increase food security, reduce hunger and improve health outcomes in partnership with cooperating organizations by providing children and low-income people access to nutritious food and nutrition education in a manner that inspires public confidence and supports American agriculture. The budget request clearly demonstrates the President's continuing commitment to this mission and our programs as well as strengthens the Federal nutrition assistance safety net in a time of competing priorities and limited resources.

Balancing program access, good nutrition, and program integrity, this budget makes tough choices to meet our key commitments:

- To ensure that low-income people have access to food by ensuring sufficient funding for the major nutrition assistance programs.

- To promote healthful diets and active lifestyles by making nutrition education an integral part of nutrition assistance programs
- To manage prudently and efficiently so that every dollar invested has the maximum positive benefit for those truly in need

A request of \$57 billion in new budget authority is contained within the fiscal year 2007 budget to fulfill this mission through the FNS nutrition assistance programs. These critical programs touch the lives of more than 1 in 5 Americans over the course of a year. Programs funded within this budget request include the National School Lunch Program (NSLP), which will provide nutritious school lunches to 30.9 million children each school day, the WIC Program, which will assist with the nutrition and health care needs of 8.2 million at risk pregnant and postpartum women, infants and children each month, and the Food Stamp Program (FSP), which will ensure access to a nutritious diet each month for an estimated 25.9 million people. The remaining programs include the School Breakfast Program (SBP), the Summer Food Service Program (SFSP), the Child and Adult Care Food Program (CACFP), The Emergency Food Assistance Program (TEFAP), the Food Distribution Program on Indian Reservations (FDPIR) and the Farmers' Market Programs.

We are proposing, with this budget request, the elimination of the Commodity Supplemental Food Program (CSFP). The priority of the Administration, as reflected in the President's budget request, is to ensure the continued integrity of the national nutrition assistance safety net. CSFP is only available in limited areas. It operates in

parts of 32 States, two Indian Tribal Organizations, and the District of Columbia. Its benefits and target populations to a great extent, overlap with two of the largest nationwide Federal nutrition assistance programs – Food Stamps and WIC. FNS seeks to serve the children and low-income households of this Nation. We believe the President’s budget request, allows us to focus scarce resources on addressing the diverse ways which hunger and nutrition-related problems present themselves through the core programs of the nutrition safety net

The resources we are here to discuss represent an investment in the health, self-sufficiency, and productivity of Americans who, at times, find themselves in need of nutrition assistance. Under Secretary Bost, in his testimony, has outlined the three critical challenges which the Food, Nutrition and Consumer Services team has focused on under his leadership: promoting access and awareness of the Federal nutrition assistance programs; addressing the growing epidemic of obesity; and, improving the integrity with which our programs are administered. In addition to these fundamental priorities specific to our mission, the President’s Management Agenda provides an ambitious agenda for management improvement across the Federal government as a whole. I would like to report on our efforts to address three specific items under this agenda: reducing improper payments and enhancing the efficiency of program delivery, building partnerships with faith and community-based organizations, and systematically planning for the human capital challenges facing all of the Federal service.

The Challenge of Improper Payments

Good financial management is at the center of the President's Management Agenda. As with any Federal program, the nutrition assistance programs require sustained attention to program integrity. We cannot sustain these programs over the long term without continued public trust in our ability to manage them effectively. Program integrity is as fundamental to our mission as program access or healthy eating. Our efforts to minimize improper program payments focus on 1) working closely with States to improve food stamp payment accuracy; 2) implementing policy changes and new oversight efforts to improve school meals certification; and 3) improving management of CACFP providers and vendors in WIC. We have identified these 4 programs as ones susceptible to improper payments and will continue to enhance the efficiency and accuracy with which these programs are delivered.

I am happy to report that in fiscal year 2004, the most recent year for which data is available, we have achieved a record level of food stamp payment accuracy with a combined payment accuracy rate of 94.12 percent. This is the sixth consecutive year of improvement, making it the lowest rate in the history of the program. With this budget request, we will continue our efforts with our State partners toward continued improvement in the payment accuracy rate. We will continue efforts to address the issue of proper certification in the school meals programs in a way that improves the accuracy of this process without limiting access of eligible children. Analytical work has begun to better assess the accuracy of eligibility determinations in the CACFP.

Faith-based and Community Organizations Outreach

Faith-based and community organizations have long played an important role in raising community awareness about program services, assisting individuals who apply for benefits, and delivering benefits. President Bush has made working with these organizations an Administration priority, and we intend to continue our outreach efforts in fiscal year 2007. The partnership of faith-based and community organizations and FNS programs, including TEFAP, WIC, CACFP and NSLP is long-established. Significant numbers of faith-based schools participate in the NSLP and many child care providers and sponsors are faith-based and community organizations. In addition, the majority of food pantries and soup kitchens that actually deliver TEFAP benefits are faith-based and community organizations. Across the country, faith-based organizations have found over the years that they can participate in these programs without compromising their mission or values. They are valued partners in an effort to combat hunger in America. I am happy to report we have provided eight grant awards of approximately \$2 million to community and faith-based organizations to test innovative food stamp outreach strategies to reach underserved, eligible individuals and families.

Human Capital Management

We currently estimate that up to 80 percent of our senior leaders are eligible to

retire within five years, as is nearly 30 percent of our total workforce. FNS must address this serious challenge by improving the management of the agency's human capital, strengthening services provided to employees, and implementing programs designed to improve the efficiency, diversity, and competency of the work force. With just nominal increases for basic program administration in most years, the FNS has reduced its Federal staffing levels significantly over time.

We have now reached a critical point within our agency staffing levels; we simply must have the ability to develop the resources necessary to continue to assure appropriate access to the agency programs while maintaining stellar integrity outcomes. While we have compensated in the past by building strong partnerships with the State and local entities which administer our programs and taking advantage of technological innovations, the President's budget proposes the addition of 40 staff years to perform fundamental program integrity activities for the Food Stamp Program.

It is also important that we have the ability to conduct research on our programs and we ask that we not be prohibited from doing so. We are extremely proud of what we have accomplished. In order to continue to achieve improvements in program integrity and program access; I believe full funding of the Nutrition Program Administration (NPA) request in this budget is vital.

Now, I would like to review some of the components of our request under each program area.

Food Stamp Program

The President's budget requests \$37.9 billion for the Food Stamp account including the Food Stamp Program and its associated nutrition assistance programs. These resources will serve an estimated 25.9 million people each month participating in the Food Stamp Program alone. Included in this request is the continuation of the \$3 billion contingency reserve provided for the program in fiscal year 2006. While we anticipate improvement in the general economy, the turning point of participation continues to be challenging to predict.

To better meet this challenge, we have proposed, as an alternative to the traditional contingency reserve, indefinite funding authority for program benefits and payments to States and other non-Federal entities. These contingency resources are important to not only ensuring the availability of basic program benefits, but also to ensuring that adequate funds are available in the event of disasters. The Food Stamp Program is designed to respond, not only to the economy but also to disaster-related food assistance needs. Our recent experience with the Gulf Coast disasters made this very clear when over \$900 million in food stamp benefits have been issued to date to over 1.9 million households affected by Hurricanes Katrina, Rita and Wilma in the fall of 2005. In addition, we have made a concerted effort to encourage working families, senior citizens and legal immigrants to apply for benefits.

The President's budget request contains three legislative proposals for the Food Stamp Program. These proposals work together to strengthen the national framework of the Food Stamp Program by setting national standards that better target benefits to low-

income persons. They support the priorities of access and nutrition assistance for those in need while ensuring integrity in the program.

The budget proposes to exclude the value of tax-preferred retirement accounts from the Food Stamp certification asset test. This exclusion strengthens retirement security policy and enables low-income people to get nutrition assistance without depleting their retirement savings. It also simplifies food stamp resource policy and makes it more equitable because under current law, some retirement accounts are excluded while others are not. This proposal is consistent with the President's *Ownership Society Initiative*, by increasing the ability of low-income people to save for retirement.

Our budget once again proposes to eliminate categorical Food Stamp eligibility for Temporary Assistance for Needy Families (TANF) participants who receive only non-cash TANF services. Fully implemented in fiscal year 2008, this change is estimated to affect approximately 300,000 individuals and save \$658 million over five years. We believe this proposal ensures that food stamp benefits will go to the individuals with the most need and retains categorical eligibility for the large number of recipients who receive cash assistance through TANF, Supplemental Security Income and General Assistance.

Also included in the budget is a proposal to add the Food Stamp Program to the list of programs for which States may access the National Directory of New Hires. Access to this national repository of employment and unemployment insurance data will enhance States' ability to quickly and accurately make eligibility and benefit level

determinations, supporting continued program integrity. The budget also requests a continuation of a policy included in last year's appropriations act to exclude special military pay received by members of the armed forces serving in combat zones when determining food stamp benefits for their families back home.

Finally, the Administration remains committed to proposing a name change for the program to Congress. We will continue the process that began in 2006 to gather information related to a proposed name change for Congressional consideration.

Child Nutrition Programs

The budget requests \$13.6 billion for the Child Nutrition Programs, which provide millions of nutritious meals to children in schools and in childcare settings every day. This level of funding will support an increase in daily NSLP participation from the current 30.2 million children to approximately 30.9 million children. Requested increases in these programs reflect rising school enrollment, increases in payment rates to cover inflation, and proportionately higher levels of meal service among children in the free and reduced price categories. To ensure that Child Nutrition Programs respond to unforeseen increases in participation, the request provides \$300 million in contingency funding. This contingency reserve would make supplemental funding requests unnecessary at times of budgetary shortfalls. Similar to the Food Stamp Program, such a shortfall could result from larger than anticipated program participation growth, responses to natural disasters or other national emergencies.

We are continuing to implement program changes and new activities resulting from the 2004 reauthorization of these programs including the Fruit and Vegetable Program. We are also continuing our efforts to promote healthy behaviors by supporting the implementation of local wellness policies. We created the *HealthierUS* Schools Challenge to encourage communities to improve the foods offered at school and other aspects of a healthy school nutrition environment and to recognize schools that made improvements.

FNS is continuing to integrate the 2005 *Dietary Guidelines for Americans* recommendations into the school meal programs. By law, school meals are required to be consistent with the *Guidelines*. Meals in the NSLP must provide one third of the Recommended Dietary Allowances (RDAs), while meals in the School Breakfast Program must provide one fourth of the RDAs. An FNS workgroup is reviewing the new *Guidelines* as well as the Dietary Reference Intakes (DRIs) nutrient standards to identify potential changes in the meal patterns within the existing meal reimbursement structure.

The workgroup will make recommendations based on its review. USDA will publish a proposed rule with changes to the meal patterns and actively seek public comment. Federal, State and local staff will work together to implement the new requirements, plan improved recipes and menus, modify contracts to obtain the needed ingredients or modified products, and train staff who prepare and serve the food.

Special Supplemental Nutrition Program for Women, Infants and Children
(WIC)

The President's budget request includes \$5.2 billion for the WIC Program. This request will provide food, nutrition education, and a link to health care to a monthly average of 8.2 million needy women, infants and children during fiscal year 2007, including former CSFP participants.

The budget contains a two-part proposal that reflects our commitment to both support core activities of the WIC Program and reduce Federal discretionary spending. We are proposing to cap the level of Nutrition Services and Administration (NSA) funding to no more than 25 percent of the total WIC State grant amount for fiscal year 2007. We continue to believe the reduction in NSA funding will not have a significant impact on the delivery of core WIC services. States will be encouraged to work with Federal program staff to seek efficiencies in the delivery of the program to ensure that the reduction in NSA funding does not impact core services.

Looking forward to fiscal year 2008, the budget proposes to replace this NSA cap with a 20 percent State match requirement. WIC is currently one of the few Federal programs that do not require State matching funds for administrative purposes. The proposal is not effective until fiscal year 2008 so that States are provided adequate notification to allow their legislatures to appropriate funds.

The President's budget request contains a proposal which limits automatic (adjunctive) eligibility based on participation in Medicaid to those individuals whose incomes are below 250 percent of Federal poverty guidelines. In the WIC Program, applicants can currently receive automatic (adjunctive) eligibility for benefits based on their participation in other means-tested programs such as the FSP and Medicaid. However, in some States, Medicaid permits participation of individuals with incomes higher than those established for eligibility for WIC (185 percent of the Federal poverty level). This proposal will better target WIC benefits to those most in need and, if enacted, the proposal will affect six States (California, Maryland, Minnesota, Vermont, New Hampshire and Rhode Island).

The \$125 million contingency fund provided in the fiscal year 2003 appropriation and replenished in fiscal year 2005, continues to be available to the program. We currently do not anticipate using the reserve in either fiscal year 2006 or 2007, as available resources in fiscal year 2006 and the President's budget request will fully meet our projected program need for those two years.

FNS is continuing its efforts to review and consider revisions to the WIC food package. In September 2003, FNS contracted with the National Academies of Sciences' Institute of Medicine (IOM) to independently review the WIC food packages. The IOM recommendations on the WIC Food Packages were published in a final report in April, 2005. FNS has used these recommendations along with comments received on the public notice soliciting comments on food package changes to develop a proposed rule to update

the WIC food packages. This proposed rule is in clearance and is expected to be published in late Spring 2006.

The President's budget also requests the continuation of the moratorium on the authorization of new WIC-only stores. The current moratorium was put in place through the fiscal year 2006 appropriations bill and will expire at the end of this year. We believe it is important to continue this moratorium due to the uncertainty that States encountered concerning the status of our regulations implementing new management controls on WIC vendor authorizations. This uncertainty arose as a consequence of a law suit filed by the National Women, Infants, and Children Grocers Association and the subsequent Temporary Restraining Order (TRO) issued by the Federal District Court. Although the law suit was resolved in favor of the government, States, particularly those covered by the TRO, were delayed several months in moving ahead with the implementation of new requirements. Therefore, to give States reasonable opportunity to put into place approved plans effecting these new cost control requirements, we believe continuation of the moratorium is prudent.

Commodity Supplemental Food Program (CSFP)

CSFP serves elderly persons and at risk low-income pregnant and post-partum and breastfeeding women, infants and children up to age six. The budget does not request funding for this program which is not available nationwide and duplicates two of the Nations' largest Federal nutrition assistance programs – Food Stamps and WIC. This program operates in selected areas in just 32 States, the District of Columbia, and two

Indian Tribal Organizations. The populations served by CSFP are eligible to receive similar benefits through other Federal nutrition assistance programs that offer them flexibility to meet their individual needs. The Administration has proposed this change to better target limited resources to those major programs that are available nationwide, promoting equity and effectiveness.

The President's budget does include a request for funds to support the transition of CSFP participants to nationally available FNS nutrition assistance programs such as WIC and FSP. USDA will work closely with CSFP State agencies to ensure that any negative effects on program participants are minimized. We plan to implement a transition strategy to encourage those women, infants and children that are eligible for WIC to apply for that program, and to encourage elderly CSFP recipients to apply for the Food Stamp Program.

The budget request includes \$2 million to provide outreach and to assist individuals enrolling in the FSP. Elderly participants who are leaving the CSFP upon the termination of its funding and who are not already receiving FSP benefits will be eligible to receive a transitional benefit of \$20 per month. This transition benefit will end in the first month following enrollment in the FSP under normal program rules, or in 6 months, whichever occurs first. CSFP women, infants, and children participants who are eligible for WIC benefits will be referred to that program. Commodities obtained under agriculture support programs that would be used to support CSFP will be donated for use in other nutrition assistance programs, such as TEFAP.

The Emergency Food Assistance Program (TEFAP)

As provided for in the Farm Bill, the budget requests \$140 million for commodities in this important program. Our request for States' storage and distribution costs, critical support for the Nation's food banks, is \$50 million. The Food and Nutrition Service is committed to ensuring the continuing flow of resources to the food bank community including directly purchased commodities, administrative funding, and surplus commodities from USDA market support activities. Much of this funding is provided, at the local level, to faith-based organizations. Surplus commodity donations significantly increase the amount of commodities available to the food bank community from Federal sources.

Seniors' Farmers Market Nutrition Program (SFMNP)

The President's budget request includes two provisions that improve the value of the SFMNP benefits. The first provision prohibits farmers selling eligible foods under the SFMNP from charging sales tax on fresh fruits and vegetables that are purchased using SFMNP checks or coupons, or that are provided to eligible recipients through community supported agriculture. The second provision ensures that the value of benefits provided to eligible recipients is not considered as income in the process of determining eligibility for any other Federal or State programs, such as food stamps, TANF, energy assistance, and housing assistance. It would also ensure that the value of the SFMNP benefit would not be considered as income in calculating the recipients'

Federal or State tax obligations. These proposals are consistent with the way benefits are treated in all other Federal nutrition assistance programs.

Nutrition Programs Administration (NPA)

We are requesting \$160.4 million in this account, an increase of \$18.6 million over our fiscal year 2006 level. This increase will partially offset personnel-related costs of the FNS workforce in fiscal year 2007. Our request for Federal administrative resources is needed to sustain the program management and support activities of our employees nationwide. The NPA account supports both FNS' administration of the nutrition assistance programs and CNPP's nutrition policy development and promotion activities targeted at the general population. Specific requests for this account include \$2 million to support continuing work on MyPyramid; \$4 million to support initiatives to improve program integrity within the Food Stamp Program and \$3 million to improve the coordination of nutrition education efforts across all of the our programs.

Our request for \$6 million to fund critical research and evaluation activities examining program integrity issues and ways to improve the delivery of program services is essential to the management of our programs, as is the \$3.5 million request to fund FNS' participation in Office of Management and Budget's initiative to modernize and better integrate financial management system across the government. I firmly believe we need this increase in NPA funding in order to maintain accountability for our \$57 billion portfolio and to assist States to effectively manage the programs and provide access to all eligible people.

Thank you for the opportunity to present this written testimony.