

**AGRICULTURE, RURAL DEVELOPMENT, FOOD
AND DRUG ADMINISTRATION, AND RELATED
AGENCIES APPROPRIATIONS FOR 2011**

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED ELEVENTH CONGRESS
SECOND SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND
DRUG ADMINISTRATION, AND RELATED AGENCIES

ROSA L. DELAURO, Connecticut, *Chairwoman*

SAM FARR, California	JACK KINGSTON, Georgia
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MAURICE D. HINCHEY, New York	

NOTE: Under Committee Rules, Mr. Obey, as Chairman of the Full Committee, and Mr. Lewis, as Ranking
Minority Member of the Full Committee, are authorized to sit as Members of all Subcommittees.

MARTHA FOLEY, LESLIE BARRACK, ALEXANDER GILLEN, and MATT SMITH,
Staff Assistants

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**PART 3—AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION,
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**AGRICULTURE, RURAL DEVELOPMENT, FOOD
AND DRUG ADMINISTRATION, AND RE-
LATED AGENCIES APPROPRIATIONS FOR
2011**

WEDNESDAY, FEBRUARY 24, 2010.

SECRETARY OF AGRICULTURE

WITNESSES

HON. TOM VILSACK, SECRETARY, DEPARTMENT OF AGRICULTURE

KATHLEEN MERRIGAN, DEPUTY SECRETARY, DEPARTMENT OF AGRICULTURE

JOSEPH GLAUBER, CHIEF ECONOMIST, DEPARTMENT OF AGRICULTURE

W. SCOTT STEELE, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Ms. DELAURO OPENING REMARKS

Ms. DELAURO. The hearing is called to order. Let me welcome everyone here, excuse the sports analogy, on opening day of the 2011 appropriations process. I want to welcome our friends from USDA. I do not know, my staff said that this was good, by throwing out the first budgetary pitch. I am not so sure about these sports analogies anyway.

But I do want to welcome Secretary of Agriculture, Tom Vilsack, as well as the Deputy Secretary, Kathleen Merrigan, our Chief Economist, Joseph Glauber, and Scott Steele, who is the USDA's Budget Officer. Thank you for joining us today, and I look forward to hearing your insights. Again, I am pleased to welcome Ranking Member, Mr. Kingston, all of our colleagues on the Committee. In this year as in the years past, I look forward to our interaction, our collaboration together with all of you, and with you, Mr. Secretary, and with your team in the weeks and months ahead as we plow through this process.

Last year our bill was the second bill to get signed into law, something we are all proud of on this committee, and hopefully we can work together to make that happen again this year. That is the goal.

Secretary Vilsack, let me begin by commending you on the leadership that you have shown in the Department of Agriculture over the past year. Your executive experience as a former governor has clearly helped to begin that transformation of a department that was in dire need of a reform upon your arrival.

With last year's appropriations, we made important investments in meeting the core responsibilities of the Federal Government, including improving our food safety system, expanding opportunities in rural areas and strengthening our child nutrition programs. I hope we can continue these efforts in the year ahead to make sure that USDA has the capability and the resources that it needs to meet its responsibilities to the American people.

With that in mind, to the 2011 budget. First off, I should say that I harbor concerns, particularly still given the still-fragile state of our economy, about the dangers of a freeze in discretionary spending falling disproportionately on our most vulnerable Americans right now. Nonetheless, I am heartened to see that USDA's budget for the coming year includes strong investments in nutrition and supplemental food assistance, including \$351 million more for WIC and \$5 million for the Commodity Supplemental Food Program.

There is no question that we must act. The American people desperately need our help right now in this economic downturn, now 25 months long. One in eight Americans, one in five children, have been receiving food stamp assistance.

Now, there was a hearing in my district last week which the Speaker of the Connecticut General Assembly held. He is doing one in every one of the congressional districts. And it is about recession and its affect on children. A woman testified that her husband lost a job, she was looking for temporary employment. She has five children, and she talked about—and this is in New Haven, Branford, East Haven, Hamden. It has got some pockets of very poor people. New Haven is one of the poorest cities in the Nation. But nevertheless, the entire area one would regard as not having the poorest income statistics. She talked about rationing food to her five children and that she has two boys and they are older, and she provides a little bit more food to them. And the girls, you know, she manages a little bit less, and she says it is an awful thing to have to tell your child that they cannot have seconds and that they cannot have sleepovers because there is just not enough food in the house. That is the reality. That is the reality all over the country.

In America today, almost 14 million children, one in every five, live below the federal poverty level. The number is expected to rise to as high as 27 percent as a result of the recession. If you factor in that the poverty line is actually much lower than what families need to really get by, it is estimated that 41 percent of American kids live in a low-income household right now. And in fact, more than two out of every three children in our public school system, 69 percent, currently qualify for free or reduced school lunches. It is a staggering number, staggering number. So I am heartened to see that the Department is up to the challenge and is putting forth a good-faith effort to augment these crucial programs in the new budget. I look forward to hearing your thoughts on how we can best address the needs of families for food assistance and for better nutrition in the year to come.

In addition, I need to learn more about the proposed Healthy Food Financing Initiative which, as I understand it, will work to combat the problem of food deserts and provide healthier food options in underserved communities. I know these issues are a high

priority for the First Lady, and I look forward to working with USDA to make them happen.

Of course, our responsibility on the Subcommittee is not only to make sure that families have access to the food they need but also to ensure that the food in our cupboards and on our kitchen tables is safe. I am very proud of the fact that since assuming the Chair of this Subcommittee, we have consistently made stronger investments in our national food safety systems year after year. And yet, even with additional resources, the crucial job of food safety never gets any easier. We have already seen an unprecedented amount of food recalls in 2010, particularly with regard to contaminated meat, and we are only two months into this new year.

So with all of this in mind, I am concerned that the proposed budget for FSIS this year only provides less than 1 percent increase over last year's bill, aside from funding pay increases. Food safety is a very real matter of national security, and I hope that we are using our resources as wisely as possible to ensure that American families are protected from sickness and harm.

Also of concern to me is flat funding levels in the budget to Public Law 480 Title II program and the McGovern-Dole program. Because of higher food prices, a number of undernourished people in the world has increased by over 150 million over the past 2 years and now numbers over a billion. While recognizing that we have problems with hunger here at home, now does not seem a good time to pull back on our commitments to international food aid, not when so many around the world are suffering from hunger and malnutrition and so many more are looking to us as a symbol of hope.

In addition, I have questions about several other important matters under our purview such as rural development programs, agricultural research and conservation efforts. Some important issues such as the school lunch safety under the AMS and animal identification were not touched on in your prepared testimony. I also think that there are other areas such as animal identification program where we can find ways to prevent wasteful spending and make substantive cuts that will save the American people some money. We have put \$147 million in this program to date with almost nothing to show for it, and I am skeptical of the new plans to continue it. But I do not want to take up more time from the Subcommittee, and of course, I want to give you a chance to offer testimony today. Let me close by saying thank you to you, Secretary Vilsack, and to your team for joining us. I look forward to asking about these and other efforts within the Department. As always, we have big goals that we need to accomplish together, and it is the crucial details, the budget and the basics that we discuss today; and particularly in this time of continued economic uncertainty, we have a responsibility, and I know that you understand it to get it right.

Ms. DELAURO. With that, I would like to ask our Ranking Member, Mr. Kingston, if he would like to make an opening statement. Mr. Kingston, the floor is yours.

MR. KINGSTON OPENING STATEMENT

Mr. KINGSTON. Thank you, Madam Chair, and it is great to be back with you and I look forward to another productive year. I think last year we worked very well, had a lot of good hearings and had a lot of participation from the Committee members. I am very happy to report to you as I stand here at the altar, and not using the sports analogy, but continuing in our great marriage that we have that this year there seem to be more people sitting on the groom's side of the church. I do not know, it could be a trend.

Ms. DELAURO. Is there maybe a dividing line? I never knew that if that is the case, that there is a dividing line.

Mr. KINGSTON. This is the center aisle in which we both walk down, and any of you want to swap sides, I understand that. You could go back and forth several times.

Ms. DELAURO. Never.

Mr. KINGSTON. Mr. Secretary, you had a great first year, and I have a lot of respect for you. We have a lot of challenges together, and certainly we have some things that we are both concerned on. I remember last year you had presented this Committee with some ways to cut the budget. I regret that we, on a bipartisan basis, did not embrace some of those ideas and add to them. I hope that we will be able to move forward on those things this year. And so I do appreciate that effort last year and hope that we can continue to. I want to point out that the freeze, I do not think is enough, and I do not think it is a true freeze in light of a 26 percent increase in the last year or two. And then if you consider part of the freeze is the one-time dairy pact that is no longer in there because it was a one-shot deal, then that diminishes it as being called a freeze because that should be left out of that discussion.

And then there are other things which I know both parties always, you know, have the veterinarian fee increases and cut out congressional prerogatives and things like that. And I think that is legitimate to put on the table, but one day we really have to figure out, what are we going to do about these fees because probably if we went back to George Washington, he would say, we are going to start charging fees as a way to cut the budget. I do not know. Some time we need to have a serious dialogue on that. That might be more the authorizing committee, but I think if you take a step back and you look at since 2007, a 26 percent increase, a freeze is not enough. We need to reduce the spending.

There are some things that I think we should be looking at. I think the BCAP is the agriculture equivalent of cash for clunkers. Here is a program that started out, I think something like \$270 million over 5 years, and we have already gone through that. And to some degree, we are paying forest products people to do what they were doing for free. I think we can do better than what we have done with BCAP.

In terms of some of the SNAP thing, we are talking about doubling the contingency to \$5 billion, and you know, I hear a lot of the statistics that come from USDA and certainly from the Chair in terms of the people who need food stamps, but I hear from the Administration how great the economy is doing. And I constantly hear, when you watch CNN or MSNBC or FOX or whatever, is that

the economy has turned around, and yet we are talking about not only increasing that contingency fund but increasing WIC to \$10 billion. So if the economy is doing so well, why are we doing these things?

Also, I know I think the budget has \$50 million for climate change, and I would think that people would take a second look at some of the conclusions of climate change since there is so much fraudulent data that is in there. And the U.N. itself I think is going to investigate itself on it, which will be very odd to witness. But there seems to be more of a dust-up about this in Great Britain than there is in America right now. We seem to still be in denial that these statistics are not significant.

Recently it came out that the world weather monitors were reduced, and they closed the ones down in the colder climates which would skew results of this. This is something we all should be concerned about. If global warming is true, then it is our biggest problem, but it does not seem to be treated with the science as much as it is the politics. And so I hope the USDA can distinguish itself from some of the herd instinct.

In terms of food aid, I had the opportunity to meet with a lot of your food aid team, and they are really first-class people. I have a lot of respect for them and what they are doing. I do think, though, that the State Department approach on food aid, which skews the USDA approach, has gotten a little bit murky. As you know, in 1954, we started out with certain objectives of what the world food aid would be from America. You know, a lot of it had to do with the Cold War and development, taking over what had been colonies and help modernizing them and helping them develop. Last week, Congressman Goodlatte and I went to a school in Ethiopia on the outskirts of Addis Ababa, and it was interesting. We went to one school that got food aid and then another school that seemed to be at least equally impoverished, if not more, but they did not get food aid. And you ask people why this school and not that school, and you cannot get clear answers to it.

My concern in terms of food aid, is it just an international welfare policy? Are we teaching people to become independent? Are we falling short from that? Because when it becomes a permanent program, as compared to a response to a disaster, you know, how do we move people to independence on it?

And the other question that I have—and by the way, you did go to Africa last year, right?

Secretary VILSACK. Yes, sir.

Mr. KINGSTON. And I was glad to see that you did that because I think you did it early in your term. And so I believe you and I share a lot of interest in this. One of my concerns also is when you go to certain countries, how much of it is skimmed off by a bureaucracy or maybe a corrupt government? Is it efficient as it should be?

And you know, I think everybody on the ground is very sincere about doing it the right way, but I think the objectives just need to be clarified a little bit better for everybody that is concerned. What are we doing here and why are we doing it? And the odd thing is when you look at food aid or PEPFAR or some USAID programs and you compare them to the U.N. voting record, and I do

not know if you have ever done that, but there is no comparison between working with a country who seems to be voting with us in the U.N. and a country that is not. And sometimes you go to countries that are very pro-U.S. and they get less food aid, particularly on the developmental side of USDA or some of the developmental ag programs than some do.

So I think there is a lot of interest in this issue, and I do not know that we can solve it today. But I wanted to say, I did have a chance to meet with your folks, and I think that they are really top-notch. But I think administratively we do need to clarify the mission a bit more.

So with that, I look forward to your comments. And sorry to take so long but wanted to bring up a lot of points, just like you, Madam Chair. That is what keeps this marriage going.

Ms. DELAURO. What a partnership, my God. Mr. Secretary, if you want to proceed with your testimony, you know that the entire testimony will be part of the record, and you may summarize if you like. Thank you.

SECRETARY VILSACK OPENING STATEMENT

Secretary VILSACK. Thank you, Madam Chair, and distinguished members of this Committee. I appreciate the opportunity to appear before you to discuss the Administration's priorities for the Department of Agriculture and to provide you with an overview of the President's 2011 budget.

As the Chair indicated, I would like to submit our written statement for the record. And as the Chair indicated, we are joined today by Deputy Secretary Kathleen Merrigan, Joseph Glauber, who is our USDA Chief Economist, and Scott Steele, who is our USDA Budget Officer.

Since I appeared before this Committee a year ago, America struggled through the most serious economic recession since the Great Depression. Families have been forced to make difficult decisions in the face of unprecedented job losses. The immediate effects of being unemployed are felt deeply by both the unemployed and their families. We have seen more and more Americans relying on USDA to put food on the table.

The challenges facing rural communities have been challenges for decades, but they are now growing more acute which is why the Obama Administration is committed to new approaches to strengthen rural America. Rural Americans earn less today and have for some time, less than their urban counterparts, and are more likely to live in poverty. More rural Americans are over the age of 65 than the general population. Fewer have completed fewer years of school, and more than half of America's rural counties have lost population. But the Administration is committed to strengthening these communities.

This year, President Obama took steps to bring us back from the brink of a depression and grow the economy again. We recognize that now it is time to get our fiscal house in order.

USDA's proposed 2011 budget is a reflection of the President's commitment for change. USDA's total budget authority request pending before this Committee proposes a total of \$129.6 billion in 2011, up from \$119.3 billion in 2010. This is due largely to in-

creases in mandatory funding for nutrition assistance and crop insurance. The discretionary appropriation request is \$21.5 billion which is comparable to the \$21.7 billion enacted for 2010. In addition, limits placed on select mandatory programs and rescissions of balances and other adjustments result in a bottom-line reduction to our discretionary budget authority of over a billion dollars.

This budget uses taxpayer dollars wisely, takes common-sense steps that many families and small businesses have been forced to take with their own budgets. We are investing in American agriculture and in the American people. This budget will assist rural communities to create prosperity so they are self-sustaining, economically thriving, and growing in population. We have already taken some important steps in this effort.

With the help of the Recovery Act, we have supported farmers and ranchers and helped rural businesses create jobs. Investments have already been made in broadband, renewable energy, hospitals, wastewater and water systems and other critical infrastructure that will serve as a lasting foundation to ensure the long-term economic health of families in rural America.

For 2011, the budget includes an almost \$26 billion amount to build on that down payment and focuses on opportunities presented by producing renewable energy, continuing on expanding broadband technology, developing local and regional food systems, capitalizing on environmental markets and generating green jobs through recreation and natural resource restoration, conservation and management. The budget also focuses and expands our research efforts which I will address in detail a bit later.

In order to utilize the Federal Government's assets more effectively, USDA is proposing a Regional Innovation Initiative which will create a regional focus and increase collaboration with other federal agencies. For 2011, USDA is requesting authority to set aside up to 5 percent of the funding from approximately 20 existing programs which is approximately \$280 million in loans and grants and to allocate these funds competitively among regional projects that leverage the combined financial and knowledge resources of a region's communities, consistent with a developed strategic vision for the region, to become a great place to live, work and raise families.

The budget promotes the production of food, feed, fiber and fuel. We intend to expand our efforts to export food and agricultural products as we work to strengthen the agricultural economy for American farmers and ranchers. They are the most productive and most efficient in the world, which contributes greatly to the Nation's food security. We have an important role at USDA in expanding export opportunities. This budget increases USDA's funding for export promotion as part of the President's National Export Initiative and provides more support than ever for competitive research which can lead to significant gains in agricultural productivity.

We want to ensure, as this Committee does that all of America's children have access to safe, nutritious and balanced meals. The budget fully funds the expected requirements for the Department's three major nutrition assistance programs, WIC, the National School Lunch program and SNAP, and proposes \$10 billion over 10 years to strengthen the Child Nutrition and WIC programs.

The budget also includes increased funding for staffing needed to strengthen USDA's ability to simplify and improve these programs, expand program efforts to improve nutritional outcomes, encourage healthy and nutritious diets and expand an obesity prevention campaign consistent with the First Lady's Let's Move Initiative.

Currently many communities across America, particularly those with high poverty and unemployment rates, have limited access to healthy foods which can contribute to a poor diet and can lead to higher levels of obesity and other diet-related diseases such as diabetes and heart disease. To address this problem and to help create jobs and economic opportunity, the Departments of Agriculture, Health and Human Services and Treasury will implement the Healthy Food Financing Initiative. In support of this initiative, the USDA budget includes about \$50 million in budget authority for loans, grants and technical assistance to support local and regional efforts to increase access to healthy food, particularly for the development of grocery stores and other healthy food retailers in urban and rural food deserts and other underserved areas. This effort will generate employment opportunities for those seeking work and will encourage additional investment in the neighborhoods and communities assisted.

Protecting public health is one of the most important missions of USDA, and I am fully committed to taking the steps necessary to reduce the incidence of food-borne illness and protect the American people from preventable illnesses. Over the past year, we have worked to strengthen our food safety system, to reduce the presence of deadly pathogens, and we continue to make improvements. For 2011, the budget includes \$1 billion for the Food Safety and Inspection Service and allows us to fully fund inspection activities and to implement recommendations of the President's Food Safety Working Group. This and other initiatives are aimed at improving the USDA's public health infrastructure. This includes an increase of \$27 million to further implement recommendations of the Food Safety Working Group, to strengthen our public information infrastructure and allow us to get ahead of the pathogen curve. These improvements will decrease the time necessary to identify and respond to food-borne illness outbreaks which will also better protect consumers.

This budget will also ensure that private working lands are conserved, restored and made more resilient to climate change while enhancing our water resources. The budget supports cumulative enrollment of more than 304.6 million acres in the Farm Bill conservation programs, an increase in enrollment of about 10 percent over 2009. And it supports efforts to strategically target high-priority watersheds where the benefits of conservation are greatest.

Underlying the achievement of all the Department's goals is a strong research program. Research fuels the transformational change that rural America needs to excel. I would like to point out that the 2011 budget proposes the largest funding level ever for competitive research grants funding with \$429 million in the Agriculture and Food Research Initiative, an increase of \$166 million over 2010. In addition, the budget maintains formula funding for research and extension at 1862, 1890 and 1994 land grant institu-

tions, schools of forestry and schools of veterinary medicine at the 2010 level.

The budget also includes a number of management initiatives that will improve service delivery, ensure equal access to USDA programs and transform USDA into a model organization.

I would like to take this opportunity to thank the Committee for funding the Farm Service Agency's IT modernization effort which will result in more reliable customer-focused service to producers. For 2011, the budget requests additional funding for continued implementation of our modernization effort to address vulnerabilities in our aging IT system.

USDA is also proposing to expand the Office of Advocacy and Outreach which was established by the 2008 Farm Bill to improve service delivery to historically underserved groups, and we will work to improve the productivity and viability of small, beginning and socially disadvantaged farmers.

In support of my commitment to improve USDA's handling of civil rights matters, the budget includes funding to ensure that USDA has the staffing and resources necessary to address its history of civil rights complaints and to seek resolution to claims of discrimination and the Department's employment practices in program delivery.

Madam Chair, there is no doubt these are tough times which call for shared sacrifice. The American people have tightened their belts, and we believe we have done so as well. We have made some tough decisions. This budget reflects our values and the common-sense solutions to the problems we face. It makes critical investments in the American people and American agriculture to set us on a path to prosperity as we move forward into the 21st century.

This concludes my statement. I would be happy to answer questions.

[The information follows:]

**Statement by
Thomas Vilsack
Secretary of Agriculture
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives
February 24, 2010**

Madam Chairwoman and distinguished members of this Committee, I appreciate the opportunity to appear before you as Secretary of Agriculture to discuss the Administration's priorities for the Department of Agriculture (USDA) and provide you an overview of the President's 2011 budget. I am joined today by Deputy Secretary Kathleen Merrigan, Joseph Glauber, USDA's Chief Economist, and Scott Steele, USDA's Budget Officer.

I don't need to tell you that the American people have been struggling through the most serious economic recession since the Great Depression. Families have been forced to make difficult decisions in the face of unprecedented job losses. The immediate effects of being unemployed are felt deeply by the unemployed and their families. We have seen more and more Americans relying on USDA to help put food on the table.

The challenges facing rural communities for decades have grown more acute, which is why the Obama Administration is committed to new approaches to strengthen rural America. Rural Americans earn less than their urban counterparts, and are more

likely to live in poverty. More rural Americans are over the age of 65, they have completed fewer years of school, and more than half of America's rural counties are losing population.

This year, President Obama took steps to bring us back from the brink of a depression and grow the economy again. But with the unsustainable fiscal policies over the past decade, it's time to get our fiscal house in order.

The President has announced the three year, non-security discretionary spending freeze for the remainder of his term. This is a freeze on the bottom line rather than an across-the-board freeze on all line items in the budget, which provides the flexibility to achieve high priority goals by reducing funding for lower priority, duplicative, or non-performing programs. USDA's proposed FY 2011 budget is a reflection of that policy, essentially freezing funding for on-going discretionary programs at the FY 2010 level. When limits placed on select programs and efforts to eliminate earmarks and one-time funding are taken into account, USDA's total discretionary budget authority is reduced by over \$1 billion. The decrease is primarily due to reductions in one-time funding such as earmarks, supplementals, rescissions, and targeted program reductions. However, USDA's total budget authority request pending before this committee proposes a total of \$129.6 billion in 2011, up from \$119.3 billion in 2010, primarily due to an anticipated increase in nutrition assistance program participation and mandatory expenditures for crop insurance. The discretionary appropriation request for

this committee is \$21.5 billion, which is comparable to the \$21.7 billion enacted for 2010.

The 2011 budget request supports the Administration's vision for a strong rural America through the achievement of four strategic goals. Achievement of these goals will ensure that all of America's children have access to safe, nutritious, and balanced meals; create new economic opportunities for increasing prosperity; strengthen agricultural production and profitability through the promotion of exports with a specific emphasis on biotechnology while responding to the challenge of global food security; and ensure the Nation's national forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources.

With the help of this Committee and the funding provided by the Recovery Act, USDA has been able to achieve significant accomplishments over the past year. Some of these accomplishments include:

- SNAP has improved the diets of more than 38 million low-income people now served by the program;
- The financial distress of over 2,600 producers in 47 States has been relieved through direct farm operating loans. Nearly 20 percent of beginning farmers and

socially disadvantaged producers obtain at least part of their credit needs from USDA;

- Critical rural infrastructure improvements have been made that will provide nearly 1 million Americans with improved access to safe drinking water, improve facilities for 655 communities, including many that provide health care service and educational opportunities, and create 84,000 housing opportunities for families. USDA has made investments to improve watershed and flood control on 37,000 acres in 36 States. These actions have created thousands of jobs, while investing in projects that will provide benefits for years; and,
- USDA has made available \$2.5 billion to expand and enhance the Nation's access to broadband services. USDA has taken a particular interest in addressing the needs of unserved and underserved rural areas. Broadband projects will support anchor institutions – such as libraries, public buildings and community centers – that are necessary for the viability of rural communities. USDA announced initial awards of \$54 million in December 2009. A second USDA announcement of \$310 million was made on January 25, 2010. A third USDA announcement of \$277 million was recently made on February 17, 2010. The second solicitation of applications was published in the Federal Register on January 22, 2010; applications are being accepted through March 15, 2010. This funding will open the door to new businesses that serve global as well as

local customers as well as improve the educational and medical opportunities for rural residents.

Ensuring that All of America's Children Have Access to Safe,
Nutritious, and Balanced Meals

A major priority for the Department is ensuring a plentiful supply of safe and nutritious food, which is essential to the well-being of every family and the healthy development of every child in America. A recent report by the Department showed that in over 500,000 families with children in 2008, one or more children simply do not get enough to eat. There is a growing body of evidence demonstrating that children who eat poorly or who engage in too little physical activity do not perform as well as they could academically, and that improvements in nutrition and physical activity can result in improvements in academic performance. Too many children also have poor diets and gain excessive weight. Recent data shows that the prevalence of obesity has increased over 10 percent, to a level of 17 percent for children between 6 and 19 years of age. There is also a paradox that hungry children are disproportionately prone to obesity. Having poor access to healthy food contributes significantly to both of these problems.

Nutrition Assistance:

The budget fully funds the expected requirements for the Department's three major nutrition assistance programs – the National School Lunch Program, WIC, and

SNAP – and proposes \$10 billion over 10 years to strengthen the Child Nutrition and WIC programs through reauthorization.

School lunch participation is estimated to reach a record-level again in 2011, 32.6 million children each day, up from about 32.1 million a day in 2010. This is consistent with the increase in the school age population.

The reauthorization of the Child Nutrition Programs presents us with an important opportunity to combat child hunger and improve the health and nutrition of children across the nation. The 2011 budget proposes a historic investment of \$10 billion in additional funding over ten years to improve our Child Nutrition Programs and WIC. It is designed to significantly reduce the barriers that keep children from participating in school nutrition programs, improve the quality of school meals and the health of the school environment, and enhance program performance. Funding will be used to improve the quality of the National School Lunch and Breakfast Programs, increase the number of kids participating, and ensure schools have the resources they need to make program changes. With this investment, additional fruits, vegetables, whole grains, and low-fat dairy products will be served in all school cafeterias and an additional one million students will be served through school lunch programs in the next five years. Improving these programs directly supports the First Lady's "Let's Move" campaign aimed at achieving the ambitious national goal of solving the challenge of childhood obesity within a generation so that children born today will reach adulthood at a healthy weight.

To ensure USDA makes progress to decrease the prevalence of obesity among children and adolescents, and to improve the quality of diets, the budget includes an increase of \$9 million. The increase will allow USDA to strengthen systematic review of basic, applied, and consumer research that provides the information necessary to answer questions about diet, health, education, and nutrition-related behaviors. This will ensure that that USDA and other Federal agencies can describe the best nutritional behaviors and develop the best ways of communicating this information to help Americans improve their diets. The increased funding will also be used to create more effective nutrition education interventions for schools and communities, and broaden and maintain tools and systems that Americans can use to adopt more healthful eating and active lifestyles, in particular reducing overweight and obesity. The 2011 budget includes an increase of \$50 million for research through AFRI that will focus on identifying behavioral factors that influence obesity and conducting nutrition research that leads to the development of effective programs to prevent obesity. AFRI funding will also focus research on addressing the micronutrient content of new food crops and improving the nutritional value of staple crops, fruits and vegetables through plant breeding leading to greater access to healthy foods.

The budget includes \$7.6 billion for WIC, which will support the estimated average monthly participation of 10.1 million in 2011, an increase from an estimated 9.5 million participants in 2010. The request is \$351 million above the 2010 appropriation and supports a robust contingency fund. Highlights include expanding the breastfeeding peer counseling program, doubling the size of the breastfeeding

recognition program, supporting Management Information Service improvements and program research and evaluation, and providing a \$2 increase in the value of the fruit and vegetable voucher for children. WIC administrative activities are also funded, which will facilitate continued implementation of the revised WIC food packages, required to be implemented at the beginning of FY 2010. The changes in the food packages bring recipient diets into better conformance with the Dietary Guidelines for Americans and feeding recommendations for small children. Fruits, vegetables and whole grains were added to the WIC packages, mostly for the first time. Fruit and vegetable consumption is expected to increase significantly via the new cash value vouchers recipients will receive, improving nutritional intake, improving long-term eating habits, and improving the economics for our fruit and vegetable producers. Recipients will use their new vouchers to purchase fresh, frozen or canned fruits and vegetables year round.

Participation in SNAP is estimated to be about 40.5 million participants per month in 2010, and is projected to increase to 43.3 million in 2011. The budget estimates a total of \$80.2 billion is needed in 2011 to fund all expected costs and includes a \$5 billion contingency fund recognizing the uncertainty USDA faces in estimating actual participation. The Recovery Act increased SNAP benefits \$80 a month for a family of four and will continue until the statutory cost of living adjustments (COLA) eclipse the Recovery Act benefit levels.

For 2011, we need to continue to support America's families as they recover from the current economic crisis many of them find themselves in. Fortunately, SNAP is

working as it should with participation increasing as the people in need increase. However, changes need to be made to ensure that participants are treated fairly and equitably and that the resources being delivered foster economic mobility. For these reasons, we are proposing to improve the accessibility to SNAP. The main legislative proposal for SNAP would establish a common, national asset allowance for means test of \$10,000 for programs government-wide. Programs with asset limits currently treat assets inconsistently and without regard of the need to allow and encourage families to save toward self-sufficiency. SNAP asset limits have been held for decades at \$2,000 for most households and \$3,000 for households with elderly. In addition, a second proposal would exclude lump sum tax credits to prevent disruption in eligibility and benefits in the wake of new and refundable tax credits, and the administrative churning this creates. A third proposal would extend the Recovery Act provision that waives time limits for Able-Bodied Adults Without Dependents (ABAWDs) for an additional fiscal year. In total, these changes to SNAP would add \$462 million to recipient benefits and SNAP program costs in 2011 with a 5-year total of \$4.5 billion.

The budget also includes increased funding for staffing needed to strengthen USDA's ability to simplify and improve the nutrition assistance programs, enhance capacity to improve nutritional outcomes, and encourage healthy and nutritious diets and expand an obesity prevention campaign through efforts supported by the Food and Nutrition Service.

Food Safety:

Protecting public health is one of the most important missions of USDA. Foodborne illness is recognized as a significant public health problem in the United States. These illnesses can lead to short and long-term health consequences, and sometimes death. I am firmly committed to taking the steps necessary to reduce the incidence of food-borne illness and protect the American people from preventable illnesses. Over the past year, we have striven to make improvements to reduce the presence of deadly pathogens and we continue to make improvements. At USDA, about 8,500 inspectors work in approximately 6,300 slaughtering and processing establishments, import houses, and other Federally-regulated facilities to ensure that the nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled and packaged. A major focus is implementing the recommendations of the President's Food Safety Working Group (FSWG) in accordance with three core food safety principles:

- Preventing harm to consumers;
- Conducting analyses needed for effective food safety inspections and enforcement; and,
- Identifying and stopping outbreaks of foodborne illness.

The budget includes \$1 billion for the Food Safety and Inspection Service to fully fund inspection activities and implement recommendations of the FSWG and other

initiatives aimed at improving USDA's public health infrastructure. This includes an increase of \$27 million to further implement recommendations of the FSWG and strengthen our public health information infrastructure. Increased funding will be used to enhance FSIS' ability to collect, analyze and present food safety data necessary for improving inspection practices. Additionally, FSIS will hire more epidemiologists to improve investigations of foodborne illness and outbreaks in coordination with State officials to develop "trace back" tools and improve record-keeping. These improvements will decrease the time necessary to identify and respond to foodborne illness outbreaks, which will better protect consumers by improving our capability of identifying and addressing food safety hazards and preventing foodborne illness.

USDA research continually works to meet the evolving threats to the Nation's food supply and focuses on the reduction of the hazards of both introduced and naturally occurring toxins in foods and feed. As part of an integrated food safety research initiative, the budget proposes an increase of \$25 million, including \$20 million for AFRI and \$5 million for the Agricultural Research Service. This initiative will strengthen surveillance and epidemiology programs, develop improved methods for controlling food pathogens in the preharvest stage, develop innovative intervention strategies to eliminate pathogens and contaminants, and improve technologies for ensuring postharvest safety and quality.

Minimizing the Impact of Major Animal and Plant Diseases and Pests:

The budget includes \$875 million in appropriated funds for the Animal and Plant Health Inspection Service (APHIS) to protect agricultural health by minimizing major diseases and pests. APHIS activities that contribute to this goal include pest and disease exclusion, plant and animal health monitoring, response to outbreaks of foreign plant and animal threats, and management of endemic pests and diseases. Of note, the 2011 budget includes \$11 million to continue efforts initiated with emergency funding to address the light brown apple moth (LBAM). This is an increase of \$10 million compared to 2010. The LBAM is an invasive pest that attacks a wide variety of plants of agricultural or horticultural significance. APHIS estimates the pest could cause annual production losses up to \$1 billion if allowed to spread.

Assisting Rural Communities to Create Prosperity

The economic downturn has impacted many sectors and areas of the Nation, including rural America. At this time, there remains high poverty in sparsely populated rural areas, which is reflected in higher mortality rates for children, higher unemployment, and declining populations. Since the beginning of the economic slowdown, rural residents have experienced a greater decline in real income compared to other parts of the Nation. Some factors contributing to this include lower rural educational attainment, less competition for workers among rural employers, and fewer highly skilled jobs in the rural occupational mix. It is not surprising that over 51 percent

of rural counties lost population and that a majority of farm families rely on a significant amount of off-farm income to meet their needs. However, an energetic and creative citizenry is looking for new ways to spur rural economic activity to create prosperity and strengthen the economic foundations of their communities.

After a year as the United States Secretary of Agriculture, I have reached the conclusion that we must overhaul our approach to economic development in rural America. During the past year, at the instruction of President Obama, I worked on the elements of a new rural economy built on a combination of the successful strategies of today and the compelling opportunities of tomorrow. The framework of the new effort recognizes that the rural economy of tomorrow will be a regional economy. No one community will prosper in isolation. Further, USDA must help create economic opportunities in America's rural communities by expanding broadband access, promoting renewable energy, increasing agricultural exports, taking advantage of ecosystem markets, capitalizing on outdoor recreation, pursuing research and development, and linking local farm production to local consumption. The common goal is to help create thriving rural communities where people want to live and raise families and where the children have economic opportunities and a bright future.

The 2011 budget will assist rural communities to create prosperity so they are self-sustaining, economically thriving, and growing in population. With the assistance of the Committee, we have already taken important steps in this effort. With funding from the Recovery Act, we supported farmers and ranchers and helped rural businesses

create jobs. Investments were made in broadband, renewable energy, hospitals, water and waste water systems, and other critical infrastructure that will serve as a lasting foundation to ensure the long-term economic health of families in Rural America.

This budget includes almost \$26 billion to build on this progress and focuses on new opportunities presented by producing renewable energy, developing local and regional food systems, capitalizing on environmental markets and making better use of Federal programs through regional planning.

Facilitating the Development of Renewable Energy:

On February 4, 2010, the President laid out his strategy to advance the development and commercialization of a biofuels industry to meet or exceed the Nation's biofuels targets. Advancing biomass and biofuel production that holds the potential to create green jobs, which is one of the many ways the Obama Administration is working to rebuild and revitalize rural America. In support of this effort, USDA's budget includes funding for a variety of renewable energy programs across the Department. These programs help ensure that farmers and ranchers are able to capitalize on emerging markets for clean renewable fuels and help America achieve energy independence and reduce greenhouse gas emissions.

The 2008 Farm Bill provided significant mandatory funding to support the commercialization of renewable energy. The 2011 budget builds on this investment by

providing an increase of \$17 million in budget authority to support \$50 million in loan guarantees for the Biorefinery Assistance Program. The budget also maintains the budget authority for the Rural Energy for America Program (REAP) at \$39.3 million. The budget allocates most of the funding to grants rather than loans, because grant applicants will be able to more efficiently leverage greater amounts of private sector investment.

The Department will also focus additional research investments on the production of energy crops and the development of renewable energy processing. The 2011 budget includes an increase of \$33 million for a comprehensive research program in alternative and renewable energy within the Agriculture and Food Research Initiative (AFRI) competitive grant program. This will advance the development of dedicated, bioenergy feedstocks, and feedstock production. The budget also proposes an increase of \$10 million for in-house research for the establishment of regional biofuels centers dedicated to the development of energy feedstocks and bioenergy feedstock production systems for different regions across the Nation.

Developing Local and Regional Food Systems:

With the growing interest among consumers in eating healthy foods and knowing where their food comes from, promoting local and regional food systems can offer win-win solutions for all involved.

USDA's "Know Your Farmer, Know Your Food" Initiative will work to reduce the barriers to local and regional food production, such as the lack of local meat processing and packing capacity, and promote opportunities to increase local and regional food production and purchasing, such as supporting school purchases of local and regional foods.

There exists great potential to create new economic opportunities for rural America by strengthening local and regional food systems. Currently, many communities across America have limited access to healthy foods, which can contribute to a poor diet and can lead to higher levels of obesity and other diet-related diseases, such as diabetes and heart disease. Most often, these communities are also economically distressed and less attractive to grocery stores and other retailers of healthy food.

To address this problem, the Departments of Agriculture, Health and Human Services, and Treasury will implement the Healthy Foods Financing Initiative to provide incentives for food entrepreneurs to bring grocery stores and other healthy food retailers to underserved communities. Under this initiative, over \$400 million will be made available in financial and technical assistance to community development financial institutions, other nonprofits, public agencies, and businesses with sound strategies for addressing the healthy food needs of communities. For USDA, the budget includes about \$50 million in budget authority for loans, grants, and technical assistance to support local and regional efforts to increase access to healthy food, particularly for the

development of grocery stores and other healthy food retailers in urban and rural food deserts and other underserved areas.

Capitalizing on Environmental Markets:

As America's farms and forests hold a tremendous potential for sequestering carbon, improving water quality, and preserving biodiversity the budget requests the resources necessary to conduct government-wide coordination activities that will serve as the foundation for the establishment of markets for these ecosystem services.

Through the Office of Ecosystem Services and Markets and the Office of the Chief Economist, the Department will establish technical guidelines that outline science-based methods to measure the environmental services benefits from conservation and land management, pursuant to the 2008 Farm Bill.

USDA conducts research that contributes to the development of climate change mitigation and adaptation tools and technologies, and USDA outreach and extension networks make them available to farmers, ranchers, and land managers. The 2011 budget includes an increase of \$50 million within AFRI for global climate change research to develop mitigation capabilities and adaptive capacities for agricultural production. The budget also proposes an additional \$5.4 million for ARS to conduct research that will increase the resilience of crops so they can thrive in variable and

extreme environments, as well as focus on mitigating the effects of climate change by ensuring the availability of water through improved management.

Regional Innovation Initiative:

In addition to these priorities, the 2011 budget maintains support for USDA's key rural development programs, including \$12 billion for single family housing loan guarantees and nearly \$1 billion in guarantees for business and industry loans. These programs not only provide needed assistance to rural families and the capital needed to create jobs, they also create the foundation needed to improve rural markets and communities which is essential for long-term economic growth.

In order to utilize the Federal government's assets more effectively, USDA's Rural Innovation Initiative will promote economic opportunity and job creation in rural communities through increased regional planning among Federal, State, local and private entities. By creating a regional focus and increasing collaboration with other Federal agencies, USDA resources will have a larger impact, enabling greater wealth creation, quality of life improvements, and sustainability.

To support this initiative, USDA requests authority to set aside up to 5 percent of the funding within approximately 20 existing programs, approximately \$280 million in loans and grants, and allocate these funds competitively among regional pilot projects tailored to local needs and opportunities. This will encourage regional planning and

coordination of projects that are of common interest throughout self-defined regions. This approach will also support projects that are more viable over a broader region than scattered projects that serve only a limited area. It will also help build the identity of regions, which could make the region more attractive for new business development, and provide greater incentives for residents to remain within their home area.

Broadband:

Although funding for broadband under the Recovery Act will end in 2010, USDA will continue to make broadband loans and grants under the authorities provided by the 2002 Farm Bill, as amended by the 2008 Farm Bill. The 2011 budget provides \$418 million in loans and grants for this purpose.

Promote Agricultural Production and Biotechnology Exports as
America Works to Increase Food Security

We will also give priority to promoting the production of food, feed, fiber, and fuel, as well as increased exports of food and agricultural products, as we work to strengthen the agricultural economy for farmers and ranchers. America's farmers and ranchers are the most productive and efficient in the world and the U.S. agricultural sector produces \$300 billion worth of farm products providing a major foundation for prosperity in rural areas as well as a critical element of the Nation's economy.

The Department provides a strong set of financial safety net programs to ensure the continued economic viability and productivity of production agriculture, including farm income and commodity support programs, crop insurance and disaster assistance, as well as other programs. The farm safety net is critically important and provides the foundation for economic prosperity in rural America. For 2011, USDA estimates that roughly \$17 billion in total direct support will be provided to farm producers and landowners through a variety of programs.

Recognizing the need to reduce the deficit, the budget proposes to better target direct payments to those who need and can benefit from them most as well as cap total payments paid to larger operations. For 2011, legislation will be proposed to build on reforms made by the 2008 Farm Bill by reducing the cap on direct payments by 25 percent and reducing the Adjusted Gross Income (AGI) payment eligibility limits for farm and non-farm income by \$250,000 over three years. The savings from these proposals will impact approximately 30,000 program participants, which is about 2 percent of the 1.3 million total program participants, and will over time comprise less than 2 percent of the total direct support the Department expects to provide annually to farm producers and landowners.

The Federal crop insurance program is an important part of the farm safety net. It allows producers to proactively manage their risks associated with losses from weather, pests and diseases, and financial risks associated with price fluctuations. The

stability provided by crop insurance has become an important factor used by commercial banks to determine the credit worthiness of their agricultural borrowers.

The budget also reflects savings expected to be achieved through reforms in the Federal crop insurance program the changes we are proposing will help protect farmers from higher costs, rein in costs for taxpayers, improve access to crop insurance and provide greater protection from crop losses. Negotiations are currently underway with the crop insurance industry to restructure the contract that governs their delivery of the crop insurance program. The proposed new Standard Reinsurance Agreement (SRA) includes six primary objectives, which will (1) maintain producer access to critical risk management tools; (2) realign administrative and operating subsidies paid to insurance companies closer to actual delivery costs; (3) provide a reasonable rate of return to the insurance companies; (4) equalize reinsurance performance across States to more effectively reach under-served producers, commodities, and areas; (5) enhance program integrity; and (6) simplify provisions to make the SRA more understandable and transparent.

These objectives align with RMA's primary mission to help producers manage the significant risks associated with agriculture. By achieving these six objectives, the new SRA will ensure financial stability for the program and the producers it serves, while increasing the availability and effectiveness of the program for more producers and making the program more transparent. The new agreement will also provide insurance companies with greater flexibility for their operations and financial incentives to increase

service to underserved producers and areas, while ensuring that taxpayers are well-served by the program.

National Export Initiative:

Agricultural trade contributes directly to the prosperity of local and regional economies across rural America through higher commodity prices and increased sales. USDA estimates that every \$1 billion worth of agricultural exports supports 9,000 jobs and generates an additional \$1.4 billion in economic activity. At the same time, however, foreign trade barriers limit exports, thereby reducing farm income and preventing job growth in the agricultural sector.

USDA has an important role in expanding export opportunities for our food and agricultural products. As part of the Administration's National Export Initiative, the budget proposes increased discretionary funding of \$54 million to enhance USDA's export promotion activities. The initiative includes increases of \$34.5 million to supplement funding for the Foreign Market Development Program – commonly known as the Cooperator Program – and \$9 million for the Technical Assistance for Specialty Crops Program. This funding will be in addition to that provided to the programs by the Commodity Credit Corporation and will double the level of funding available to the programs in 2011.

Increased funding of \$10 million is also requested for the Foreign Agricultural Service, which will be used to expand export assistance activities, in-country promotions, and trade enforcement activities to remove non-tariff trade barriers, such as unwarranted sanitary and phytosanitary standards and technical barriers to trade imposed on U.S. commodities by other countries.

Research to Improve Agricultural Productivity:

For 2011, the budget provides almost \$800 million for research aimed at improving agricultural productivity and protecting agriculture from pests and disease that limit the productive capacity of agriculture. The proposed research will improve genetic resources and cultivars that will lead to improved germplasm and varieties with higher yields, improved disease and pest resistance, and resilience to weather extremes such as high temperature and drought. The budget also funds several initiatives to support research on breeding and germplasm improvement in livestock which will enhance food security and lead to the development of preventive measures to combat diseases and thereby increase production. The budget also includes a 56 percent increase for the Sustainable Agriculture Research and Education (SARE) programs aimed at helping farmers and ranchers adopt practices that are profitable and beneficial to communities. As part of this increase, the 2011 budget proposes funding for the Federal-State Matching Grant SARE Program to assist in the establishment and enhancement of State sustainable agriculture research, education and extension programs. The

matching requirement will leverage State or private funds and build the capabilities of American agriculture in becoming more productive and sustainable.

As the world population grows and the demand for food with it, we must look to new technologies for increasing production, including biotechnology. Biotechnology can expand the options available to agricultural producers seeking solutions to a variety of challenges, including climate change. However, prudent steps must be taken to ensure that biotech products are safely introduced and controlled in commerce. For 2011, the budget requests \$19 million, an increase of 46 percent, to strengthen USDA's science-based regulatory system for ensuring the safe introduction and control of biotechnology products. This includes preventing regulated genetically engineered products from being co-mingled with non-regulated products and to ensure the safe introduction of biotechnology products. USDA will also continue to provide technical input for the development of science-based regulatory policies in developing countries. By promoting consistency between the domestic regulatory system and the import policies of our trading partners, the likelihood of the U.S. being the supplier of choice improves as markets for these products grow.

Increasing Global Food Security:

Recent estimates from the United Nations Food and Agriculture Organization suggest that more than one billion people around the world are chronically hungry, many of them children.

A productive agricultural sector is critical to increasing global food security. USDA plays a major role in helping American farmers and ranchers improve the efficiency of agricultural production, including the safe use of biotechnology and other emergent technologies. New technologies and production practices can enhance food security around the world by increasing the availability of food as well as providing developing nations tools for increasing their self reliance and giving them greater control over their production decisions.

For 2011, the budget includes approximately \$2.1 billion in emergency and non-emergency foreign food assistance programs carried out by USDA and USAID, and capacity building programs. Through the McGovern-Dole International Food for Education and Child Nutrition Program, which is administered by the Foreign Agricultural Service, USDA will assist an estimated 5 million women and children in some of the world's poorest countries.

In support of agricultural reconstruction and stabilization activities in Afghanistan, USDA is increasing the number of agricultural experts serving in Afghanistan from 14 to 64 in 2010. The work of these courageous individuals is essential for stabilizing strategic areas of the country, building government capacity, ensuring the successful management of assistance programs, and addressing the issue of food insecurity. It is estimated that as much as 80 percent of the Afghan population relies on agriculture for wages and sustenance. Consistent with these efforts, the Department has established a priority for increasing the number of Afghan provinces in which women and children

are food secure from 10 to 14 by the end of 2011, ensuring food security for 41 percent of the country's provinces by the end of 2011.

An important means to assist developing countries to enhance their agricultural capacity is by providing training and collaborated research opportunities in the United States, where participants can improve their knowledge and skills. The 2011 budget provides increased funding for the Cochran and Borlaug Fellowship Programs, which bring foreign agricultural researchers, policy officials, and other specialists to the United States for training in a wide variety of fields. Under our proposals, as many as 600 individuals will be able to participate in these programs and bring this knowledge home with them to benefit their respective countries.

In addition, the Department is working with other Federal partners to reduce global food insecurity and increase agriculture-led economic growth in developing countries. These combined efforts will not only ensure that the world's children have enough to eat, but will improve national security as well. By promoting strong agricultural systems in the developing world, we will eliminate some of the primary causes that fuel political instability and diminish the economic vitality of developing nations.

Ensuring private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources

USDA plays a pivotal role in working with farmers and ranchers to protect and restore private working lands, while making them more resilient to threats and enhancing our natural resources. USDA partners with private landowners to help protect the Nation's 1.3 billion acres of farm, ranch, and private forestlands.

The budget includes record levels of support for conservation programs, bringing total funding to about \$6 billion, which includes \$5 billion in mandatory funding for the conservation programs authorized in the 2008 Farm Bill and nearly \$1 billion in discretionary funding for other conservation activities, primarily technical assistance. This level of funding supports cumulative enrollment of more than 304.6 million acres in Farm Bill conservation programs, an increase in enrollment of about 10 percent over 2010.

The budget will accelerate the protection of our natural resources by strategically targeting funding to high priority program areas. This includes an increase of \$25 million to implement the Strategic Watershed Action Teams initiative that will target identified watersheds for a period of 3 to 4 years with the intent of reaching 100 percent of the landowner base in each watershed eligible for Farm Bill conservation program assistance. The additive effect of planned and applied conservation practices would

hasten environmental improvement while keeping production agriculture competitive and profitable.

Research:

Underlying the achievement of all of the Department's goals is a strong research program. Research fuels the transformational change that rural America needs to excel. To help bring about this change, I have launched the National Institute of Food and Agriculture (NIFA), which will be a key element in providing the knowledge and technical advances that will lead to increased productivity, more abundant food supplies, improved nutrition, safer food, and a cleaner environment.

Agricultural research ultimately leads to increased profitability for farmers, reduced food costs and greater choice for consumers, and improved management of the natural resource base. To get more out of our research, the Department must focus its research and development components on making sure we do our very best job not just to increase productivity but also to make sure that we protect what it is they are growing and raising. The National Institute is going to have a more focus, in part on improving productivity and also being able to figure out how we can do a better job of protecting crops and animals from pests and disease. The more we produce, the healthier we produce, the better off we will be. If you conduct more research that will enable farmers to be more productive and improve the protection of their crops from

pests and disease, in concert with protecting the market through food safety, we will be able to expand domestic markets and increase export markets.

As I have highlighted a few of the most significant research initiatives, I would like to point out that the 2011 budget proposes the largest funding level ever for competitive research with \$429 million for AFRI, an increase of \$166 million over 2010. AFRI is the Nation's premier competitive, peer-reviewed research program for fundamental and applied sciences in agriculture. It is broad in scope with programs ranging from fundamental science to farm management and community issues.

The budget also maintains formula funding for research and extension at 1862, 1890 and 1994 land-grant institutions, schools of forestry and schools of veterinary medicine at the 2010 level, thereby maintaining the research infrastructure needed to meet our research goals. These important capacity building programs will allow institutions to sustain the matching requirement that many of these programs have, thereby allowing Federal funds to leverage non-Federal resources. All of these institutions are also eligible to apply for AFRI funding to enhance their research efforts.

Management Initiatives:

The budget also includes a number of management initiatives that will improve service delivery, ensure equal access to USDA programs, and transform USDA into a model organization.

As part of a government-wide effort to improve service delivery and IT security, the Department will continue to implement improvements to address vulnerabilities to aging IT systems used for delivering billions of dollars in farm, conservation, and rural development program benefits that will result in more reliable, customer-focused service to producers.

Ensuring that the Department and its programs are open and transparent is a priority for USDA. Therefore, USDA is proposing to expand the Office of Advocacy and Outreach, which was established by the 2008 Farm Bill, to improve service delivery to historically underserved groups and will work to improve the productivity and viability of small, beginning, and socially disadvantaged producers.

In support of my commitment to improve USDA's handling of civil rights matters, the budget includes funding to ensure that USDA has the staffing and resources necessary to address its history of civil rights complaints and seek resolution to claims of discrimination in the Department's employment practices and program delivery. To demonstrate this commitment, USDA under my leadership has been aggressively pursuing resolution to several pending discrimination lawsuits against the Department. Most notably, USDA and the Department of Justice reached a settlement of outstanding claims of discrimination by black farmers in the Pigford case. Resolution of this litigation is evidence of the commitment to resolving all of the large civil rights cases at USDA, including those involving Hispanic, Native American, and women farmers.

As USDA's workforce interacts directly with the public we serve every day, the Department's employees are some of our most valuable assets. To enhance the Department's human resource capabilities, USDA will focus on improving leadership development, labor relations, human resources accountability, and veterans and other special employment programs. Investing in our employees will create an environment that is more responsive to the Department's broad constituency.

There is no doubt that these tough times call for shared sacrifice. The American people have tightened their belts and we have done so as well. We made tough decisions, but this budget reflects our values and common sense solutions to the problems we face. It makes critical investments in the American people and in the agricultural economy to set us on a path to prosperity as we move forward in the 21st century.

I would be pleased to take your questions at this time.

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NATIONAL SCHOOL LUNCH PROGRAM SUPPLIERS

Ms. DELAURO. Thank you very much, Mr. Secretary. Let me begin by referencing the USA Today articles that looked at suppliers to the school lunch program. A number of suppliers have repeatedly failed to meet program requirements. For example, meat packers have failed to meet program requirements 26 times since 2006. Even more disturbing is the fact that USDA has documented many of the violations but taken virtually no action to permanently bar suppliers from participating in the program. USDA's approach in the past has been to identify non-conformances and eventually permit the suppliers to continue to provide food to our schools. You are proposing finally to get tough with these bad actors, and I commend you for that. What is your assessment of the USDA's previous practices? What specific problems existed that required the new initiative? What new steps will you take to permanently bar suppliers with multiple violations from participating in the program? How is this different from the process that was previously in place? What kinds of violations could cause a supplier to be permanently barred from the program?

Secretary VILSACK. Madam Chair, we have recognized that five different USDA agencies are engaged and involved in some form or fashion in providing safe food for our school children, AMS, the Agricultural Marketing Service, the Agricultural Research Service, the Food Safety and Inspection Service, the Farm Service Agency, and the Food and Nutrition Service. One of the things that we needed to do initially was to make sure that our testing procedures were what they needed to be, and so we had asked for not only a review internally with FSIS of AMS's testing procedures but also working with the National Academy of Sciences, we are asking for an independent review of testing procedures, specifically as they relate to the purchase of ground beef.

FOOD VENDOR ELIGIBILITY REQUIREMENTS

In addition, we also believe that there needs to be new standards and requirements in terms of food safety for the purchasing, particularly for beef suppliers. And so we have called for FSIS to review AMS's food safety purchasing requirements and to beef those up. We have also provided technical assistance through ARS and FSIS to provide technical assistance. We are not stopping there. We recognize that we need to do a better job of information sharing between these various agencies. There needs to be better information on in-plant enforcement actions, positive pathogen test results, contract suspensions, recall notifications, and additional information to better serve.

We also recognize that there is a need for tightening vendor eligibility processes, which means that FSIS and AMS must review and evaluate meat, poultry and processed egg vendors as part of the eligibility process. FNS has to review and evaluate the methods they currently utilize to approach state agencies and school districts when they communicate a problem. We realize there may be a lack of aggressive communication or response by state agencies to potential problems.

FNS is also going to establish a center of excellence devoted to research on food safety issues. We have a similar center of excellence on food handling. We need one on food safety.

STRENGTHENING FOOD SAFETY REQUIREMENTS

We are also going to take a look at strengthening current requirements through FSA that is also involved in purchasing commodities, utilizing our HACCP program. So there is a wide variety of efforts here in addition to the steps that we are taking generally in terms of food safety.

Ms. DELAURO. I have a couple of follow-up questions. I am going to make an assumption that none of this was in place prior to your putting it in place. So I will dispense with the request for what the prior practices were. You mentioned the new initiatives which then are, and I am going to again presume that there was none in existence prior to your initiating these. But I have a couple questions that have to do with what would it take for a supplier to be permanently barred from this program? And I want to know the timeframe for fully implementing the changes. What will our evaluation process be? And with what you are talking about, specific performance standards and the timeframe for being able to meet them. I want to start with the suppliers. Beef Packers failed to meet the program requirements 26 times. This is not exactly three strikes and you are out.

VIOLATIONS OF FOOD SAFETY REQUIREMENTS

Secretary VILSACK. I think it is important to distinguish between technical violations and very serious violations that compromise food safety. And clearly if there are repeat violations of a significant food safety standards and issues, there ought to be action aggressively taken in order to ensure that that supplier either improves their service or is not allowed to continue their service.

There are times when what is noted is something is checked in the wrong box or things of that nature, and that becomes in a sense a technical violation. So I would distinguish between those two, and I am sure you would as well.

In terms of timeframes, we want to make sure—

Ms. DELAURO. So let me just say, we are not going to see what happened with Beef Packers again and we are not going to see what has happened with salami being on the market for over a year? We keep expanding the recall on that, but we have known it is out there. We are not going to see that again?

Secretary VILSACK. Well, I would certainly hope that we would do a better job than we have done, Madam Chair.

Ms. DELAURO. And that we would end their contract if they continue to repeat?

Secretary VILSACK. I am not satisfied that if we continue to see repeated violations that compromise the safety of our children, I think it is fairly important to take steps to basically say, not just to that company but to the industry, this is not going to be tolerated. We understand and appreciate this is a serious issue, and we are going to treat it very seriously. That is why we have the Food Safety Working Group, that is why we have taken very quick action when this all came to light.

Ms. DELAURO. Timeframes? Just one question. I know my time is up. Timeframe for implementation?

Secretary VILSACK. Well, I would simply say that I think it is important for us to evaluate this properly, and we expect and anticipate responses some time this spring and this summer from the National Academy of Sciences Review. That obviously will help us in some way, shape or form determine what steps need to be taken. My hope would be that we are actively engaged in improvements in this calendar year.

Ms. DELAURO. Will we have the benefit of that NAS report?

Secretary VILSACK. I am sure. All you have to do is ask, and if you just ask, you will get it.

Ms. DELAURO. Thank you. Sorry.

THE BUDGET DEFICIT

Mr. KINGSTON. Thank you. Mr. Secretary, I wanted to just make a few comments. When we were in the majority, it was very difficult to pass a budget. I remember one year I think we passed it 214 to 212, and so any move to decrease spending or to increase spending could have just upset the whole balance, and yet, despite that tough balancing act, one reason we lost the majority, we Republicans, was because of overspending. But this year alone, \$1.4 trillion deficit is going to be higher than all the cumulative deficits we had under the 8 years of George Bush. I believe outside this room that decision is going to be made. I think the Budget Committee is going to have a very tough time passing the budget, and if it is not a serious reduction in spending, I think the American people will probably make a correction on it themselves. But I remain concerned with a 26 percent budget increase since 2007, and the fact that we are freezing it but not until 2011, I do not think the American people are going to be satisfied with that. I do feel like that is going to be decided outside this Committee, but I wanted to mention that again.

THE FIRST LADY'S LET'S MOVE INITIATIVE

I also wanted to ask you a couple of miscellaneous questions, and I will just go quickly. The First Lady's obesity commission, is she having an outside group on that? Is she naming people to a commission or a panel? Is there a mechanism like that. I missed the press announcement because of the snow and appreciated the chance to go.

Secretary VILSACK. There is a concerted effort to make sure that this is a partnership with the private sector and the non-profit sector and the education community and the academic community, the food industry. It is a wide range effort. It includes the task force for which there will be members. It also includes a private foundation that the First Lady has set up. Contributions have been submitted by a number of folks who are very interested in this particular area. As you know, this is an issue that has now reached epidemic proportions. One-third of our children are either at risk of being obese or in fact obese. There are serious consequences in terms of educational quality. We have a number of retired generals and admirals who are very concerned about the capacity of the United States to be able to meet its military concerns since 75 per-

cent of the adults ages 19 to 24 are not physically fit to be in the military. So there is a wide range of concern about this issue.

Mr. KINGSTON. Well, I think you will find a lot of bipartisan interest and support from this Committee. So if we have the opportunity to suggest anybody to the panel or to participate in it, we would certainly like to do that.

Secretary VILSACK. You obviously have the capacity to do that with your own office, sir, but if you want to submit names to us, we would be happy to make sure that the First Lady's staff is aware of your interest.

CHINESE FOOD SAFETY PROCESSES

Mr. KINGSTON. Okay. And we are very glad that she is doing this. Also, you and I and a number of others and the Chair, we all had a lot of discussions about Chinese chicken, but I understand now there is some information glitches in terms of getting the underwriting that you need for safety inspection. Do you feel like that is going to break loose? Is this sort of just normal dealing with Chinese government sometimes or is this a serious setback?

Secretary VILSACK. Immediately after Congress took action, we began the process of educating the Chinese on precisely what the law requires from us, and what the law requires from us is no more, no less than what it ought to require which is to ensure that there is, in fact, sufficient procedures and processes in place in China to assure safety. That process had begun in 2004, 2005 timeframe, 2007 timeframe, and the Chinese were concerned that what we were essentially doing was starting all the way back from square one. What we have tried to convince them is that this law is not going back to square one, it is simply confirming what the state of their law is, then making sure that an on-ground review of their regulations and actions are consistent with that law, and that ultimately we get to take a look at specific plants that need to be certified.

There is a request pending from us to the Chinese for specific information that would allow us to take the first couple of steps in that process. There we are trying to assure them that this is not going back to square one, but this is a continuation of the process that began and we are just simply wanting to confirm information and have any additional changes or modifications that may have occurred.

Mr. KINGSTON. Well, good. Certainly, I think this Committee wants you to put safety first, and we would also want to support your efforts to move forward on this.

ARRA BROADBAND PROGRAM

You know, broadband program, the stimulus part of it, not the \$417 million loan program but the money that was dropped on it, I continue to be a critic of that inasmuch as it is deficit spending and often is putting broadband in places there is not a problem because the private sector was doing it. Recently the President was in Georgia, for example, announcing some eligibility for the broadband stimulus money, and it was in some of the highest real estate areas of the state. I just continue to be a skeptic on that program because, again, all the money is deficit spending.

Secretary VILSACK. Congressman, if I could respond in the remaining time I have, this is a very important step that you have taken and the Congress has taken and the Administration has taken in creating a new framework for the rural economy.

The reality is that we will never be able to attract and expand small business opportunities in rural communities unless they have access to 21st century technology. I can assure you that we are very sensitive at USDA. Now, obviously, there are two departments involved—

Mr. KINGSTON. And if I could interrupt you, let the record show, I called my seat-mate's house one night and said last year, if this is going to happen, it should all be done through the USDA and we should not create a new department. So I am a 100 percent believer that you guys do it more efficiently.

Secretary VILSACK. I do not want to get into the middle of that, but I do want to distinguish. But as it relates to our responsibility, the USDA portion, we are very sensitive to the need to place it in rural areas, into rural remote areas, into areas that do not currently have that service or in areas where with an investment, the service can be substantially improved. And the reason for this is that this is an important pillar to really creating a much different framework for a rural economy. What we have been doing in the past, with all due respect to everything that has been done in the past, you cannot say it has been working when you have got higher poverty rates, higher unemployment rates, per capita income that is substantially lower than urban and suburban areas, a graying of the population and young people basically leaving counties so that over 50 percent of our rural counties are losing population. We have got to try something different in my view. And broadband is an important, critical component to trying something different.

I realize it is a deficit issue, but I also believe that if it is invested properly, it can help turn the trends in rural America around which will ultimately lead to higher revenues to maybe offset the deficit.

Mr. KINGSTON. Thank you.

Ms. DELAURO. Just a comment there. We both support the effort for broadband to be done through USDA. I would also add that I think the grant component of that program, which was part of what the recovery program was about, was a very good addition in terms of trying to move into underserved areas. Mr. Farr.

CHILD NUTRITION PROGRAMS DELIVERY

Mr. FARR. Thank you, Madam Chairman. Thank you very much, Mr. Secretary, for being here today and for your leadership in the Department of Agriculture. I am the only westerner on this Committee representing an awful lot of western agriculture and certainly the only Californian in the number one ag state. So I could sit here all day and discuss everything with you, but one of my key interests is in the Child Nutrition Program, and I really appreciate your leadership in it.

Just an editorial comment. I have been dealing with this program for a long time, and the problem is the jurisdiction for writing the legislation is not with this Committee, it is with the Education Committee. You are the agency that administers it, and there is

usually not much contact between the Education Committee in Congress and the U.S. Department of Agriculture. And I have seen those programs develop over the years, and we have gotten so many different programs in the child nutrition arena and in the WIC program that I really think the Department ought to look at coming back to Congress and suggesting that we really divide it into two programs, one a community-feeding program which would be WIC and all the other food programs that we have in the community, and the other is the school feeding programs, all the different programs that are in schools, because one of the difficulties is the amount of bureaucracy that has been developed as each of these programs has evolved over the years. And I really do think we can find some savings in administrative costs by just being smarter about how we deliver all these programs at two levels, at the community level and school program.

FRESH FRUITS AND VEGETABLES IN SCHOOLS

Having said that, as you know, I have introduced a Children's Fruit and Vegetable Act, H.R. 4333. We have bipartisan cosponsors, and I am glad to hear that Mr. Kingston is really excited about it because maybe he will cosponsor the bill now. One of the policy provisions in that bill would be to promote salad bars in schools as evidence-based strategy to increase children's fruit and vegetable consumption. It is right in line with the areas that you are moving in, and I would like to ask you to make the commitment to get those fruits and vegetables in every school in America. As you know, in a lot of the urban schools, and I think probably Jesse Jackson talked a lot about the fact that in big cities, they are now using processing centers to do the school packaging of school lunches, and in that processing has added a lot of salt, sugars and other things that end up not being necessarily the best dietary nutritional goods for children. And we really need to try to get back into that old school-based ability to have fresh fruits and vegetables in every school.

And I would like your response to that. I know you and the First Lady have worked hard on this. We hope our bill will move this year and be a part of the whole reauthorization act.

REAUTHORIZATION OF THE CHILD NUTRITION ACT

Secretary VILSACK. Congressman, I will be happy to get you a copy of a speech I delivered yesterday to the National Press Club that sort of outlined the framework for the Child Nutrition Program reauthorization effort.

[The information follows:]

National Press Club Luncheon Series:
Reauthorization of the Child Nutrition Act

Remarks by
The Honorable TOM VILSACK,
Secretary of the U.S. Department of Agriculture

12:30 to 12:56 p.m.
Tuesday, February 23, 2010

National Press Club
Washington, D.C.

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SECRETARY VILSACK: Well, thank you all. Thank you very much. Alan, thanks very much for that kind introduction, and I certainly appreciate the opportunity to return here to the Press Club. I consider it an honor, and I'm looking forward to visiting with all of you today.

You know, when Americans think of the United States Department of Agriculture, they understandably think about the millions of farmers and ranchers who are among the most productive in the world, who produce our food, our feed, our fiber, and our fuel. They are, indeed, a truly amazing group of people and have built a truly amazing story, but, today, I'd like to draw your attention to a different group of Americans who are directly impacted by the work of USDA: the millions of our children who are fed through our Child Nutrition Programs.

At the beginning of the 20th century, school districts and community organizations began providing meals to ensure that our school children wouldn't sit hungry in our nation's classrooms. The Federal Government joined that effort in the 1930s providing excess commodities to schools, but in the leaner years of World War II, there was a drop in available commodities, and that resulted in fewer students being served. Immediately after the war, the nation's leaders understood the importance of investing in good nutrition to ensure that the country would never want for healthy, strong young people to serve in uniform, and so, in 1946, President Harry Truman signed the National School Lunch Act declaring that, "In the long view, no nation is healthier than its children."

President Obama and I share that belief, but the stark reality today is that we face a public health crisis: high child obesity rates across this country. Fortunately, the First Lady, Michelle Obama, has chosen to lead our effort and the administration's effort on this issue. I join with many who are thankful that her Let's Move Initiative is focused on raising a generation of children to be healthy adults.

The campaign will give parents the support they need to make sure that their children are healthy. It will help our kids be more physically active and allow them to make healthy, affordable food choices because healthy, affordable food will be available in every part of the country. And the proposal that I will speak about today forms the legislative centerpiece of the First Lady's campaign and the Obama administration's efforts to ensure the health of our youngsters.

More than 60 years have passed since Harry Truman signed the National School Lunch Program, and during that period, our efforts to provide children with healthy meals has grown. Today, in American schools across the land, over 31 million children will receive school lunch with the help of USDA. The success of school lunches inspired the creation of the School Breakfast Program that now feeds over 11 million children as well as the Women, Infants and Children Program which serves more than 9 million pregnant and postpartum women and young children, including nearly one-half of all of America's infants. It's also spawned the Child Care Feeding Program that now provides nutritious snacks to another 3.2 million children. In total, working in concert with our K-12 school partners and State and local agencies, USDA helps serve America's children more than 9 billion meals each year.

Now, last August, I had the privilege and the opportunity to visit a school and an orphanage in Kenya to highlight the McGovern-Dole school feeding program. It's a program that gives meals to school children living in developing countries. As I dished out a ladle of sorghum and rice, I asked the students what they liked best about school, and to a child, they responded, "I like school best because it is where I get fed." In Kenya, many children do not get enough to eat, but in America, we face a dual challenge. Some of our children are hungry, and many of our children are obese. It is that challenge and those children that bring me here today.

You may be shocked to learn that in 2008, 16.7 million American children lived in households that had difficulty putting enough food on the table, and in over 500,000 households, children skipped meals or ate less than they needed because of a lack of family resources. At the same time, nearly one-third of our children are obese or overweight. One word best describes this situation: "epidemic."

At USDA, we're working hard towards achieving the aggressive goal of eliminating childhood hunger in America by 2015, and we want to meet the ambitious targets set by our First Lady, Michelle Obama, to solve the problem of childhood obesity in a generation. It's vitally important that we focus our energies and our resources on solving both of these challenges.

What's the cost of hunger to America's children that drives us to call for its end by 2015? Well, the answer is very simple. Ask any teacher in any classroom how students who failed to eat a healthy breakfast or lunch perform in school. Hungry kids don't learn as well. In fact, the damage extends beyond just those hungry children. If those children are not able to perform to their fullest potential, they will not be able to challenge the other students to extend themselves. If we want -- and we certainly need -- our children fully prepared for a competitive and global

economy, we cannot afford for any of them to be hungry.

What's the cost of the obesity epidemic that drew the attention of the First Lady and inspired her launch of the Let's Move campaign? Well, children who start out life obese have greater struggles with their weight in later life. In fact, 80 percent of teenagers who are obese remain obese as adults. Obese adults risk chronic diseases, including high rates of diabetes, heart disease, certain cancers, asthma, and high blood pressure.

The medical costs of obesity are enormous. Approximately 10 percent of our nation's health care spending today is linked to obesity, and we cannot let that continue at a time when we must reduce health care costs to remain economically competitive. In addition, absenteeism and lost productivity at work are also additional costs to the nation as a result of obesity, costs we can no longer afford.

And the argument for military preparedness that some may find of interest and interesting that helped create the National School Lunch Program still applies today. A recent report showed that 75 percent of adults, ages 17 to 24, are not physically fit for military service. Because of these troubling trends, a coalition of retired military officials have formed to advocate for a strong Child Nutrition reauthorization bill.

Major Kelley, I want to thank you very much for being part of that effort.

I want to thank all of those military leaders for their leadership and welcome their efforts to promote this important legislative initiative.

So, today, President Truman's belief that a healthy nation depends on healthy children remains as true as ever, and so we must respond, as past generations have responded, to help improve child nutrition. Our children deserve more, and our country's better and brighter future depends on it.

And with the reauthorization of the Child Nutrition Programs this year, now is the time for all of us to act boldly. Bold action with reauthorization must include the following elements.

First, we cannot rest while so many of our children struggle with access to food, but the Federal Government will never solve this challenge alone. In the last year, educators have seen the difference that a national Race to the Top in education has provided.

So I'm pleased to announce my support for a new competition to eliminate hunger by 2015. We'll provide through reauthorization competitive grants to governors working with stakeholders statewide, so that States can act as laboratories for successful strategies. We'll let them be creative in experimenting with models that match program delivery with evaluation, so we can learn what works and what doesn't. Possible steps could include policy modifications to existing nutrition programs, enhanced outreach efforts, improved coordination between nutrition assistance programs and family supportive services, and with work with our community and

non-profit organizational partners.

Grants could be provided to States with prior accomplishments and commitments to reducing hunger, applications that target communities with a high prevalence of child hunger, and projects that reflect collaboration with a wide range of partners. It is only these sorts of coordinated efforts that will achieve our ambitious and important goals.

Second, in addition, we should also offer grants to States and non-profit organizations to develop Web-based or other systems to streamline the application process and expand efforts to enroll eligible children through direct certification. If a child already qualifies for other assistance programs, there is no reason why their parents should have to fill out yet another application to qualify them for school breakfast or school lunch.

Bonus payments should be offered to States and school districts that effectively use direct certification to enroll children who are currently qualified but who are not participating.

In school districts with very high rates of student eligibility for free and reduced lunch, the cost of paperwork and the risk of lost application forms far outweighs any benefits. That's why I'm also calling upon Congress to provide USDA with the tools necessary to establish paperless application programs in these school districts.

The objects of all these changes would be to ensure particularly in low-income communities where children are at high risk for obesity that every child gets the food they need to reach their highest potential. Through these reforms, I believe we will be able to increase the participation in those nutrition programs by one million children in the next five years.

Third, we should also increase participation in our School Breakfast Program, and that too must be part of reauthorization. On school days, almost two-thirds of children who participate in the lunch program do not participate in the School Breakfast Program. While school lunch is served in nearly 100,000 of our schools, the breakfast program is only available in 88,000. A healthy breakfast is critical and critically important to educational achievement. No child should go without fueling up at the beginning of each day. This reauthorization is an opportunity to promote innovative approaches which have shown to reduce the stigma attached to the School Breakfast Program and to promote participation in that program.

One example is like serving breakfast in the classroom. That's why I'm calling on Congress to increase the reimbursement rate for school breakfasts and combine that with the support from USDA-purchased foods to give more children the option of a healthy breakfast. And I'm also calling on K-12 organizations in schools and States to work with the USDA to aggressively promote the breakfast option and to ensure that policies and practices are in place to reduce stigma.

Fourth, but our efforts to combat hunger cannot end and should not end when the school bell rings on the last day of the school week or the school year. More children report going

hungry during the summer when we see a significant drop in participation in our programs. Working with local governments, non-profit organizations, and community groups, USDA must continue to build a bridge across that nutrition gap when school is out. We need to encourage more schools, more community centers and organizations to provide meals during the summer. We need to increase the number of days they make meals available.

One idea that I believe warrants attention is to expand existing authority under the Child and Adult Care Food Program to provide after-school meals to at-risk kids in all 50 States. This successful program currently provides extra nutrition assistance to eligible children in 14 States, and there is no reason that steps shouldn't be taken to serve the other 140,000 additional children who could be made eligible. And we need to find new and different approaches to providing all of our children during these times with nutritional assistance.

I want to commend the Congress for providing \$85 million in the fiscal year 2010 Agricultural Appropriations bill that allows us to test innovative methods to improve access to healthy foods during the summer, and we're going to be moving forward in the near future with a series of demonstration projects and pilots that will use these improved approaches to increase the number of sponsors and sites serving children nutritious snacks and meals after school, on weekends, and during the summer. This will include the use of Backpack programs, new forms of congregate feeding, and new types of program delivery that model approaches used in our WIC and SNAP programs.

Fifth, no matter how many children we reach, we are doing all of them a disservice if we don't offer them meals that help them achieve at their highest level. Reauthorization must also substantially improve the nutritional value of the meals being served to our children and play a central role in the Let's Move campaign effort to solve childhood obesity.

A recent Institute of Medicine study -- and here it is, hot off the press -- commissioned by the USDA sounded an alarm to all of us about the nutritional value of our meals. The study concluded that our children are eating too much sugar, salt, and fats; too few fruits, vegetables, whole grain, and low-fat dairy products. This may explain why one-half of the calories consumed by our children, ages 6 to 11, in this country are considered empty calories.

USDA is working aggressively as possible to implement the changes based on the Institute of Medicine recommendations to better align our meals with our dietary guidelines, but we also know that improved foods will require increased costs for our schools. That's why I'm calling on Congress to increase the reimbursement rate for the National School Lunch Program to help schools purchase those whole grains, fruits, vegetables, low-fat and fat-free dairy products that our children need to grow healthy.

Now let me be clear. Our expectation is that the school meals will improve as USDA issues new meal requirements that emphasize more fruits, vegetables, whole grains, and low-fat dairy, and any increases in the reimbursement rate must be conditioned on the fact that those increases will pay for improved quality and improved nutrition, not just to maintain the status

quo.

Sixth, the Institute of Medicine report also shows that training, school equipment, and technical assistance would be necessary to implement these changes to the foods we serve. Recognizing that many schools do not have the equipment in place to provide quality food selections, the reauthorization should build upon the investments in 5,000 schools and equipment made by the Recovery Act and include funding to improve school kitchens, so they can provide meals that meet dietary guidelines and offering fresh fruit and vegetables. At the same time, we should create credentialing programs for food service directors and support school food service providers with the resources necessary for critical training, so they can do their jobs correctly.

Seventh, the Reauthorization Act should also ensure that all food served in schools are nutritious and healthy. A 2006 study showed that outside the cafeteria, children are three times more likely to purchase cookies, cakes, pastries, and other high-fat, salty snacks than fruits or vegetables. Food served in vending machines and in the a la carte line should never undermine our efforts to enhance the health of the school environment. That's why we must have the capacity to set standards for all food served and sold in schools.

Now, it doesn't mean the end of vending machines in schools. It just means filling them with nutritious offerings to make the healthy choice the easy choice for our nation's children. Though many in the media may have portrayed this as an area of conflict, as I travel and as I listen, I will tell you I hear nothing but broad support for these efforts to establish standards for schools served throughout the school day. From food service professionals to the national PTA to the food industry itself, there is support for this new authority, and it must be a component of reauthorization.

Eighth, we also believe that every lunch room ought to double as a classroom; that schools should be challenged to make meals a learning experience. That's why it's important for us to build on the steps we've taken in the 2004 reauthorization bill to establish school wellness policies in every school, by strengthening the requirement and raising the standard. Schools should work in consultation with parents to implement a strong wellness policy centered on eating healthy, nutrition education, and physical activity.

Ninth, making sure that parents and students have correct and complete nutritional information about foods being served in school must also be part of reauthorization. With better information and simple assessments, parents will know what is available in their child's cafeteria and can better assist their children in making the right nutritional choices. In addition to transparency, we also have to be smarter about how we serve food. Steps as simple as putting the fresh fruit in a more prominent area in the cafeteria will help improve youngsters' eating habits.

Now, we must also strengthen the link between local farmers and school cafeterias, and that too must remain a priority for this legislation. Supporting Farm to School Programs will increase the amount of produce available to cafeterias and help support our local farmers by establishing regular institutional buyers. Many schools are using these Farm to School Programs

as an important component of nutrition assistance and education. USDA has begun to deploy Farm to School teams to help school districts understand and appreciate how they can purchase and serve these local foods. And I call on our educational leaders across the country and our State and local partners to embrace farm-to-cafeteria programs and school gardening programs to help strengthen the link between consumers and our farmers.

Last, guaranteeing the integrity of our nutrition programs remains critical to a credible reauthorization. We should fund periodic studies to eliminate erroneous payments in the meal program, and support for new technology will help schools avoid those inaccuracies in eligibility determinations that are often the source of erroneous payments. And that will allow us to maintain confidence that our help is being provided to those who need it.

While the focus of reauthorization must remain on access and improving quality, we also understand the underlying responsibility we have to make sure that the food that our children eat is both nutritious and also safe. That's why we've begun a complete review of our programs and protocols to enhance the safety of all food that is served to our children and why this month we announced a series of reforms designed to ensure that foods are, indeed, safe and of the highest quality. Parents expect as much, and our children deserve no less.

Our efforts to combat hunger and obesity must also include encouraging our children to be more physically active. USDA has partnered with the National Football League and the Dairy Management Inc. to promote their program called "Fuel Up to Play 60." The program seeks to improve nutrition while also advocating for at least 60 minutes a day of physical activity for our children. To highlight the nexus between nutrition and physical activity, the USDA is joining the First Lady in aggressively promoting our HealthierUS School Challenge to recognize the schools that do an exceptional job in promoting meal participation, meal quality, nutrition education, and physical activity. To highlight this program is the gold standard we should expect our schools to participate, and last fall, we expanded this initiative to include middle and high schools. In announcing the Let's Move Initiative, the First Lady called upon us to double the number of participating schools in the next year and to reach 3,000 of our schools within the next three years.

USDA is working with administrative State agencies and a range of other partners from professional sports leagues to media leaders and youth organizations to promote the program and to meet this goal, but we cannot do it without everyone's continued engagement.

While Congress debates this reauthorization, one step that parents, leaders, teachers, and school board members can take across this country is to immediately help their schools become a healthier U.S. school. We are also seeking and encouraging support and work. To help communities reach that goal, we have an online tool kit that allows the schools to assess and improve their food offerings and an online calculator to determine the nutritional value of foods sold outside of school meals. These are just two ways we are helping at USDA now. These steps built on a Menu Planner for healthier school meals, we recently released to schools.

Now, we're committed to this program because we know that comprehensive solutions like the HealthierUS Challenge make a real difference. For example, a school nutrition policy program funded by the Food Trust and implemented in elementary schools in Philadelphia included nutrition, education, healthy food requirements, staff training, and family and community involvement. The results, the study recently found that effort reduced the incidence of childhood overweight in students by 50 percent in just two years.

We know we can't do this alone. Today, we have a strong chorus of voices calling for changes that I've outlined and committed to those issues in communities across the country. Thanks in no small part to the efforts of those who advocate on our behalf, those in this room and across the country, Americans are increasingly aware of the cost of hunger and obesity. Recent polling shows that 83 percent of Americans support expanding the Child Nutrition Act. At the grass-roots level, we see parents and teachers, doctors, coaches, community leaders engaged in this battle. The nation's governors recently called on Congress to increase Federal support for reauthorization that includes the core components of our legislative request. Every day, we see more businesses, more non-profit organizations, more school boards, more advocacy groups, and local governments engaged in this issue.

His first year of office, President Obama pulled us back from the brink of the greatest economic crisis since the Great Depression, and he has worked hard to lay a foundation, a new foundation for economic growth. He identified three strategies in building that lasting prosperity: innovation, investment, and education. All three of these strategies -- all three of these strategies require the next generation to be the healthiest and best educated in the history of our country. We will not succeed if our children aren't learning as they should because they are hungry and cannot achieve because they are not healthy.

After World War II when our future was on the line, our leaders understood that the health of our nation, of our economy, our national security, and of our communities depended on the health of our children. We would do well to remember that lesson today and to act as they did to ensure that our youngsters are healthy and prepared for a challenging future.

Thank you very much.

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Let me just simply say, we are absolutely committed to improving the nutritional value of these meals. The Institute of Medicine study that we commissioned essentially was a wake-up call suggesting indeed there was too much sugar, too much sodium, too much fat, not enough fruits, vegetables, whole grains and low-fat dairy. We are committed to making that happen. The reality is that oftentimes those steps do require some additional resources which is why we are asking for the additional resources.

I would also say that we are in the process of focusing some of our research and development efforts on obesity and particularly on how we can improve the quality of choices that youngsters can make, as well as making sure that we connect as best we can with the Deputy Secretary's leadership, as best we can to promote the local provision of those fruits and vegetables. Opportunities for local producers to be able to create markets with schools can be amplified and assisted through USDA and through rural development.

So there is a major commitment on our part. Let me also say that it is not just about more money. It is, as you have indicated, about trying to figure out how to spend the money that we are currently spending more effectively. We would suggest that one way to do that is to end paperwork in some of these school districts where it is fairly clear the vast, vast majority of students are in fact free and reduced-lunch kids and that we look for direct certification opportunities so that if a parent is qualifying for one set of programs they do not have to fill out multiple applications to qualify for something else.

ORGANIC AGRICULTURE

Mr. FARR. Terrific. You are on it. I like that. Let me ask you. I represent the most organic agriculture in the United States, and probably my district is the most productive in organic agriculture, and I notice that you are reducing the organic research funding in this budget. And I wanted you to explain why. I mean, organic is about 3.5 percent of all food products, and with the funding cuts, the research comparison is you are down to about 1.3 percent.

Secretary VILSACK. If you will permit me, I am going to ask the Deputy Secretary to amplify on my answer. I am just simply going to say that I think it is important to take a look at the overall budget as it relates to organic. I think what you will find is there is significant support in a number of areas to advance organic. We are also working on a tightening of regulations which should help preserve that market and that brand.

Ms. MERRIGAN. Thank you, Mr. Secretary.

Mr. FARR. You will need to put your button on.

Ms. MERRIGAN. We have a number of research agendas within the overall REE mission area that are very compatible with organic research. A great new emphasis on classical breeding, work on perennial grains, a very substantial increase in the SARE program. So it is a matter of double-counting in a large way. A lot of the SARE programs, for example, is actually organic research. We estimate that in this budget there is \$78 million of specific organic research, but there is additional programs that also offer up organic benefits.

Mr. FARR. So the bottom line for organic is you are not cutting it? Is that what you are trying to tell me?

Ms. MERRIGAN. The bottom line is, it is well-timed that not only the REE mission area embrace organic and research needs but that we attend to organic agendas throughout the agencies and the Department because it is a big tent, USDA, and we see the organic industry as thriving, important, and we just had a national NASS survey that came out, the first ever, on the organic industry. And it showed that this is an area of great interest across the country. All 50 states have organic production.

Mr. FARR. Thank you.

Ms. DELAURO. We will have a hearing next week on March 3. I think that is Wednesday. We will deal with nutrition and obviously child nutrition and how we proceed in that direction. I think the Administration and the agency knows about that, but it will be next Wednesday.

Mr. Latham.

Mr. LATHAM. Thank you, Madam Chairman, and to use your sports analogy, you are on your game today, Rosa. Anyway, welcome, Mr. Secretary, everybody on the panel.

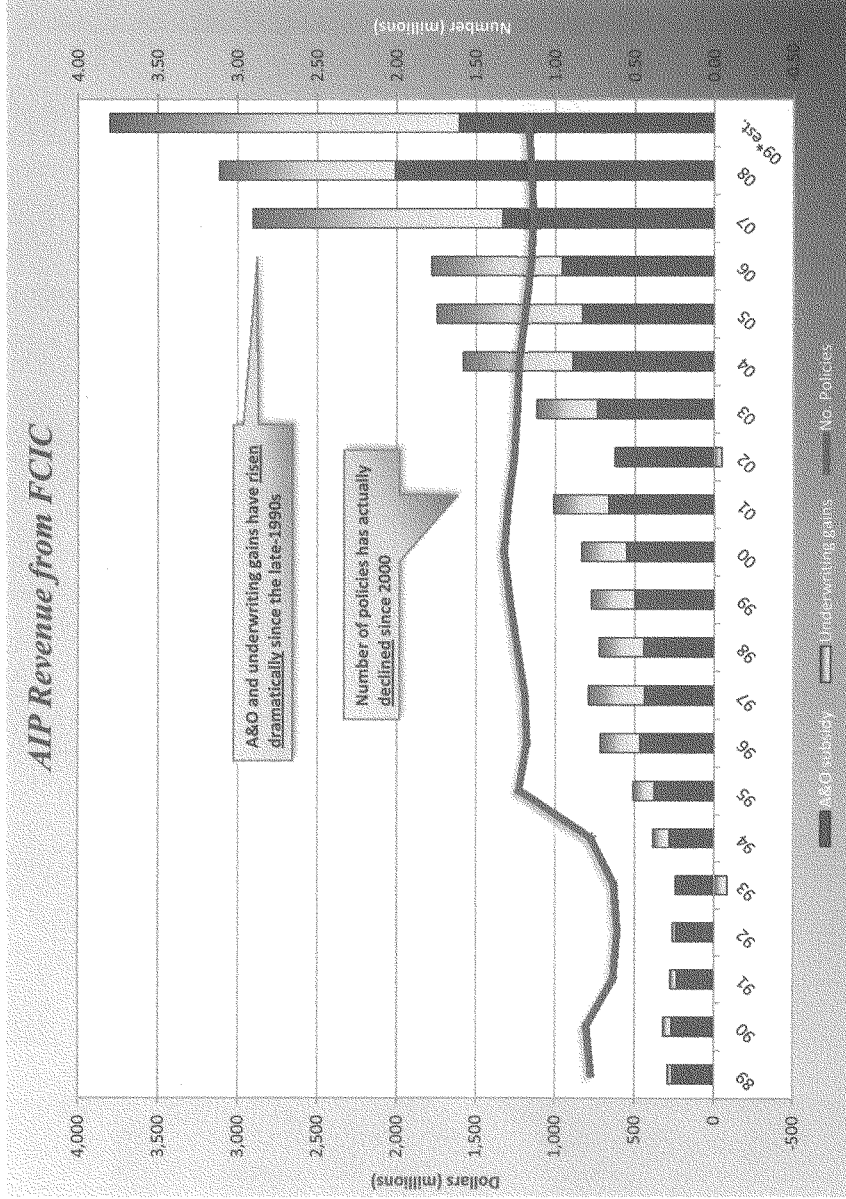
CROP INSURANCE

As you know, Mr. Secretary, crop insurance industry is very, very important for a state like Iowa. It is more important even than the industry for the farmers themselves to be able to manage their risk. In the budget, it looks like over five years you are planning on cutting about \$7 billion out of about \$20 billion. I do not know where we are in negotiations, but I would like to hear about that but also, I will just ask you directly. Is there any discussion at USDA about taking over risk management away from the private sector, like the direct student loan program has been taken over?

Secretary VILSACK. I think our preference, Congressman, is to work with the industry, recognizing the important role that the industry plays in this part of our safety net. But I think we also want to make sure that as we work with the industry, we do it in a fair way to all, to the farmers and producers, obviously, to the agents who are impacted, to the insurance industry, but also to the taxpayers.

I mean, I have got a chart here that I think in a very graphic way projects what is happening in crop insurance. You are seeing dramatic increases in the amount of profits, both on the agent and the insurance company side, even though we are selling about 200,000 fewer policies than we sold in the year 2000. We have to rebalance this, which is what the negotiations are about. They are ongoing. We have made a recent second proposal to the industry in an effort to try to respond and listen to the concerns that they have raised, and we have made several adjustments. But I think at the end of the day, I think there needs to be a rebalancing here without compromising the capacity for producers to have this risk management tool and also using some of the resources to basically allow crop insurance to be sold on a fair basis to some producers that right now, under the current system, are not treated fairly.

[The information follows:]



Mr. LATHAM. They also assume the risk also. I mean, that is the thing, where you are putting the taxpayer on the hook for the potential losses out there.

Secretary VILSACK. In 2 out of 15 years there have been small losses, 13 years out of 15 there have been pretty significant gains, Congressman. And we did not do this, if I might add, we did not do this without looking at this. And the Milliman's study indicated that what we are proposing is somewhere in the neighborhood of 12 percent return on the investment for the industry as opposed to a 16 percent return. We think that is fair.

CLIMATE CHANGE RESEARCH

Mr. LATHAM. Okay. In research funding, you are increasing funding by over \$50 million for climate change research, some of which will be used to "provide vital information needed for an agricultural and forestry cap and trade system." You know, this has not obviously passed Congress. The hopes of getting that done probably are not very bright at this point. I just wonder about those research dollars being spent somewhere else, and as you are well-aware, the FAPRI report that came out of Missouri, their conclusion, producers use many energy inputs in the production of agricultural commodities. The direct impact of a policy change that increases energy costs will be to reduce farmers' bottom lines, and we are talking probably 20, 25 percent utility costs on top of all the fuel costs and everything else. I just wonder how you react, you know, to this.

IMPACT OF INDIRECT LAND USE ON THE BIOFUELS INDUSTRY

Also, the question of whether the USDA agrees on the indirect land use, the EPA. They are coming down on that. It is a huge impact obviously on the biofuels industry.

Secretary VILSACK. Well, let me see if I can respond to those comments. First of all, as it relates to the indirect land use, we worked in an effort to try to make sure that the RFS2 standard that came out from EPA recognized the important role that corn-based ethanol can play in helping biofuels future. And we were pleased that in fact there was an indication that corn-based ethanol, soy diesel, would in fact be able to meet the thresholds established by the RFS2. So I think that is an important point to make.

Secondly, as it relates to the research efforts, I think it is fair to say that we have ongoing needs to take a look at how crop production will be impacted by more extreme weather conditions, whether it is drought-resistance or drought intolerance or whether it is flooding situations, are there mechanisms and are there processes by which we can ensure productivity of seed in those extreme weather conditions.

And so I think it is important for us at USDA to focus on this. We also recognize that with these extreme weather conditions there could very well be an increase in severity of pests and disease. And so part of this research is taking a look at how we would be able to adapt to more serious pest and disease circumstances because of extreme weather conditions. So I think this is a valid reason for us to focus resources, and I think it is very consistent with USDA's responsibilities. There are other—

Mr. LATHAM. But that is not what this is for.

Secretary VILSACK. No, that is what it—

Mr. LATHAM. Well, it says information needed for cap and trade. That is what you say.

Secretary VILSACK. Essentially what I am telling you is it is going to be—

Mr. LATHAM. That is what it says.

Secretary VILSACK. Well, Congressman, if I can tell you what we are going to direct—what the research is actually going to be focused on, it is going to be working with adaptation to extreme weather conditions. You can call it climate change, you can call it cap and trade, you can call it whatever you want. The bottom line is it is about making sure that we continue to be the most productive and efficient farming country in the world. That is our intent, and so this research is designed to help that and focus also on water issues.

We are very concerned, and I know you are, about the limitation of water resources in many parts of this country, and that is a result of extreme weather conditions. And we have to be much better at our science in terms of knowing precisely how to preserve and conserve water. That is one of the whole reasons why we are also focused on a whole new approach in our Forest Service to landscape all lands approach and focusing on using our management of our forests in a much more effective way relative to water.

So all of these give rise to research opportunities.

Mr. LATHAM. Thank you, Madam Chairman.

Ms. DELAURO. Mr. Davis.

Mr. DAVIS. Madam Chairman, thank you very much and certainly for the testimony of Mr. Vilsack, the Secretary.

THE SCHOOL LUNCH PROGRAM

I have had an opportunity in my long life to do many things. My first job out of college with an ag degree was to work with the Soil Conservation Service as a soil scientist. So some folks say I am one of the scientists over here in Congress. However, that work was somewhat different than some of the real scientists that are here.

Then I worked with an agency called Farmers Home Administration which was then a rural lending agency of USDA until the mid-1970s.

I live in a district that almost 70 percent of the people live outside of an incorporated area. When you approach those communities, it will say Pall Mall, unincorporated. In essence, the folks who live in the congressional district that I represent understand rural America probably as much as anyone and probably more so than most congressional districts because many congressional districts have a portion of an urban area or a city which comprises a large part of their congressional district.

So I know when we talk about school lunch programs, how tough it is for small rural communities and small rural counties to be able to provide the basic needs of their students who attend there.

And so I know as we look at the hot lunch programs we call those back home, being sure that there are nutritious foods being served to our children is extremely important. So I hope that we look, and I heard two or three of the members talking, I hope we

look very seriously at putting some pretty strict requirements on nutritious food, not soda pop and not Twinkies and not what we call pogeys being served in some of the dispensers. That is an area where I think that this Department can do unbelievable good for America's rural families, especially those that have children attending school.

RURAL HOUSING ASSISTANCE

Now, the next thing I want to say is that I also, having worked with Farmers Home, is rural housing. I have been somewhat saddened when I realized that my neighbors on my street that live near me oftentimes are relegated—and I am not opposed to modular housing. I think there is a great need being served by that. But a used modular housing is not necessarily something that would be—we would call those sometimes substandard, and there are many folks in rural areas where I represent all across the district, and the 10,000 square miles that I represent are relegated to the point where they cannot find a loan to where they can actually be able to obtain housing. We need to take a serious look at reinstating direct interest assistance, interest credit housing, direct loans, not making subsidies to guaranteed loans. I do not disagree that that needs to continue, but we need to look more at transferring more and more dollars. And my understanding is that our Chairman of the Financial Services is moving toward maybe even authorizing some dollars, and my hope is that that is the case, that we would appropriate those that we can have help from our Department of Agriculture.

HORTICULTURE AND THE NURSERY INDUSTRY

I met with a group of folks who provide a tremendous amount of employment in the congressional district that I represent, and the central part of it, the area of horticulture. Huge investments, and oftentimes not on an annual basis do they receive income. Sometimes it is three or four or five years before they can actually be able to have income. And so they have to kind of hold on with their debt servicing. They are having a hard time. I want to visit with you and send you some suggestions that the group that I met with about a week-and-a-half ago about how maybe USDA can take a serious look at refinancing some debt for those folks until we get through this period of time where housing moves back because basically, when you talk about horticulture or the nursery industry, as the housing industry goes, so goes the nursery industry. And we could almost destroy the farmers who are producing hundreds of jobs and thousands of jobs in many cases in those small rural areas.

BROADBAND IN RURAL SCHOOLS

The next thing I want to say is that I have heard talk about broadband. It is my understanding the latter part of last year the rules have pretty much promulgated that now our telephone co-ops and others can start applying for grants and/or loans to expand broadband into areas. And I am excited that the American Economic Recovery and Reinvestment Act, it is not a stimulus pack-

age. I want to clarify that. It is not a stimulus package. It was not a stimulus legislation. It is the American Economic Recovery and Reinvestment Act. Almost \$300 billion were tax cuts to working people and tax cuts for small business folks so they could invest in their business and discount that from their income. So when I hear stimulus, it is not a stimulus. It was not a stimulus legislation. It is an investment in America. It is an Economic Recovery and Reinvestment Act that folks will be able to survive. In my district, when folks get an unemployment check after their 13 weeks or 26 weeks, it came from that American Economic Recovery and Reinvestment Act. And when they get $\frac{2}{3}$ of their insurance being paid for and they still cannot find a job, it came from that Economic Recovery and Reinvestment Act, not stimulus. It may stimulate their checking account a little bit and keep them from losing their house.

So I want to talk now about broadband. I envision in rural America where I live that the small rural schools who may not be able to hire an extra teacher to challenge the young minds of the best and brightest that some day will make this Nation even greater. We have done wonders with education since the 1970s reaching down to what we would call the underserved, the special ed needs. The special ed needs are also there for the best and brightest. And I envision broadband being in every school system in rural America and the best and brightest teachers in this country, educating that youngster. There may be thousands of them at a time in that hour period they have set.

INVESTMENT IN RURAL AMERICA

So it is my hope that as we move into the future we realize that we are making a huge investment and reinvestment for the first time since back in the '80s, basically, in building America. When you look up through about 1980, we built our interstate systems, we fought four wars, we built every lake and every dam that we have in this country. We even built the Panama Canal and gave it back to them in 1979, and since then we have not invested in anything in this country. All we have done is invested in debt. We have grown from about a trillion dollars in 1981 to almost \$11 trillion today. So I understand about debt, but it did not just happen yesterday or it did not just start last January. It has been moving on top of us for a long time.

And so as we invest in rural America, USDA has been the one that has been the champion and the one that has provided an opportunity, unbelievable opportunities, to those of us who live in rural America and those of us who serve.

I could ramble pretty much for the next 2 or 3 hours, but I think I will stop doing that. But I want to ask you a question. We all know that there are and will continue to be scarce resources in this country, perhaps for years to come. How do you think or could you make recommendations of how you would feel the USDA could more wisely invest in rural America from where you sit as Secretary of Agriculture?

Secretary VILSACK. Congressman, I appreciate that question, and I will try to respond as quickly given the time constraints that you all are facing. I do think it is important for us to recognize that in the past, our economic development efforts in rural America

have been focused on individual businesses and individual communities and not recognizing that those businesses and those communities are part of an economic region. Smaller communities oftentimes have capacity issues, both in terms of human resources and knowledge, as well as financial resources. I think we would probably do a better job of investing our economic development resources if we were in a position to allow those communities to come together, to band together with a common strategic vision and to leverage their financial and human resources toward a vision that focuses on making that region of the country a great place to live, work and raise a family.

REGIONAL INNOVATION INITIATIVE

What we have proposed in this budget is giving us the authority to prove that case. By establishing pilot projects in regions across the country, taking a portion of the monies in the various 20 programs that we have identified that could potentially be invested in those regions and allowing us to work with those regions to more wisely leverage those resources for private investment and also to allow the USDA to do a better job of working with companion agencies, like the Department of Transportation, Department of Energy and others, to be able to leverage our resources with other government resources to really bring prosperity into these communities. If you look at all the academic studies about rural development, what they are going to tell you is that it is time we approach this from a regional basis, not a community-by-community, company-by-company basis, and that we will get more bang for our buck if we do it that way.

Now, we recognize that is a new concept, and we could not possibly come to this Committee and suggest that all of the money be appropriated in that way. We are not suggesting that. What we are suggesting is give us a chance to prove this case to you, and I will guarantee you that we will prove that it is a very successful way of approaching rural development.

Mr. DAVIS. Thank you very much for being here. I think we are very lucky to have you as Secretary.

Ms. DELAURO. Mr. Bishop.

Mr. BISHOP. Thank you very much, Madam Chairman.

CIVIL RIGHTS ADMINISTRATION

Welcome, Mr. Secretary. Let me take this opportunity first off to thank you and commend you for going forth on your commitment to equal opportunity at the Department. I think even prior to your confirmation, we had conversations where you committed to that and you have gone forth with the civil rights enforcement. You have offered tremendous leadership in the settlement of the Pigford II cases, and of course you are moving forward on the thousands of administrative claims that are now pending that carried over from the last Administration, the last two Administrations. So I want to commend you for that and thank you. Hopefully, the funding mechanism for the administrative claims will be contained in either the jobs bill or the supplemental, I am not sure which, and maybe the Pigford in the supplemental which I understand is going to be proposed.

I also want to thank you for moving forward with the appointments of our State Committee. I think we have got four of the five appointments complete, and that is good because that has been holding up a lot of action there in the state.

FARM SAFETY NET PAYMENT LIMITATIONS

I do have concerns, however, with the Administration's proposed budget, particularly some reductions in the areas like the direct payments which the Administration has really taken forth an effort and said that it wants to preserve the safety net for our farmers. However, with southeastern agriculture which is a little bit unique and different from agriculture in other parts of the country because it is so diverse, the payment limitations issue has a much more adverse impact on southeastern farmers who do multiple crops than on some other parts of the country. So I have some real problems with that, and of course, as we work through the budget, we will try to deal with that. The elimination of the cotton storage and handling credits again are part of the safety net, and the reform/reduction in the market access program, all of these are parts of the safety net that have assured that American farmers were able to compete in the global marketplace with their competitors from other countries that have this kind of help doing that. So I would like to discuss it at some point, and maybe you can allude to that.

BROADBAND IN RURAL AMERICA

The other concern I have relates to broadband. Mr. Kingston touched on it. In Georgia, we have had only one grant under the Recovery Act, and that was in North Georgia. I have had multiple applicants in our area, and I have met with all of them who serve rural areas, and none of them has been approved. It does not appear that they have the prospects of doing it, particularly with the formula that we understand is going to be—one of the considerations is the ratio of grant-to-loan in the application. We have rural, poor areas, and they really need to be able to compete, and they do not have the resources, which is why we insisted that USDA, RUS, be the people to do that. And we had a big fight over that in the stimulus. So we really would like to have you to visit that.

USDA'S ROLE IN DOL'S H2A PROGRAM REGULATIONS

And the final thing I wanted to mention is the H2A program. We have got some real concerns there with the regulations that are about to be implemented and the impact that it will have on our produce growers, fruit and produce growers and would like to know if USDA is actively involved with the Department of Labor in trying to promulgate those regulations in a way that will not adversely impact those producers.

Secretary VILSACK. Congressman, I will try to respond to all your points. Let me sort of go in reverse. The H2A issue, we acted in an advisory capacity to the Department of Labor.

DEPARTMENTAL ADMINISTRATION REORGANIZATION

Mr. BISHOP. Excuse me, and you can submit this other one for the record. The reorganization that you had talked about earlier with the Under Secretary of Administration, you can submit that for the record or we can talk about that later. I just wanted to add that on the record.

Secretary VILSACK. And we will provide you written comment on that. The H2A, we provide at advisory capacity. Obviously that is a Department of Labor ultimate call, but we have provided advisory direction and will continue to do that.

[The information follows:]

As part of the reorganization of the staff offices and administrative services of the Department, numerous functions have been consolidated under the Assistant Secretary for Administration in an effort to improve the effectiveness and efficiency of the Department. Due to these increased responsibilities, we are considering legislative language to create an Under Secretary for Management. An Under Secretary for Management would be able to work more effectively with the other members of my Subcabinet to improve operations of and the services delivered by the Department.

BROADBAND IN RURAL AND REMOTE AREAS

On the broadband issue, let me just simply say, we are still in the process of not only reviewing applications but also making announcements about applications that have been approved. I think until we have completed that process, I would hope that you would give us an opportunity to prove to you that we are cognizant of the need to get these resources in rural and remote areas, as those that exist in your community. There may be technical issues with the applications. I would suggest that if you can get permission from those who have applied to give you the opportunity to visit with the RUS folks—there are privacy issues—but if you have that permission, I would certainly encourage you to do that so that you know precisely what the status of those applications will be.

MARKET ACCESS PROGRAM

On the Market Access Program, I think it is also important to point out that we are substantially increasing other resources in the export systems area. We are working very closely with our collaborators and cooperator programs within other countries. That has been flatlined for an extended period of time, and it is the entity that provides assistance to commodity groups to encourage promotion of the American brand. It is not focused on—

Mr. BISHOP. Name brands.

Secretary VILSACK [continuing]. Things of that, you know, the same thing the MAP program is focused on. It is focused on a longer term, providing technical assistance, providing the research, breaking down the sanitary and phytosanitary barriers to trade that we see popping up from time to time. We are also proposing additional technical assistance, to be specifically focused on specialty crops. Ultimately, at the end of the line, there are additional resources in export promotion than there was last year.

COTTON AND PEANUT STORAGE

On the issue of the cotton storage, simply cottons and peanuts, basically the only two commodities that have that. We think that there is some market distortion that occurs as a result of that. Cotton prices are going up, and so we are not certain that there is a need for that.

Mr. BISHOP. Well, we just did a Farm Bill.

Secretary VILSACK. The only thing I would say is we are in a slightly different circumstance than we were when the 2008 Farm Bill was passed, and if I may, because of the recession and because of the impact that that has had on the decisions that you all have had to make, we are faced with some serious issues relative to the debt and deficit which we have to address.

DIRECT FARM PAYMENTS

And then let me just simply say about direct payments because I think this is important, if I can answer your question for one minute. It is important first and foremost to understand that this is a significantly different proposal than the one that we proposed last year which was ill-thought-out and not particularly appropriate. This is really focused on a very small percentage of farmers. We calculate that of the 1.4 million farmers who currently qualify for direct payments and things of that nature, only about 30,000 across the country are going to be impacted. Around 5 percent of producers in Georgia will be impacted. Ninety-five percent of producers will not be impacted.

And I think it is also important to recognize that when we talk about a safety net, we have to talk about the whole package, and the whole package includes the research money that we put in, the export promotion money that we put in, the efforts in commodity purchases. And if you look at the totality of support, I think you will find that we do indeed have a strong safety net in this country and one that is fairly compliant with trade responsibilities. And if you look at the overall picture, I think what you are seeing is a very small percentage of farmers who, under our thresholds, are doing fairly well with the \$500,000 in adjusted gross farm income and up to \$250,000 of adjusted gross non-farm income. Somebody could make in theory about \$600,000 to \$700,000 and still get a check from the government. You know, if we are going to be serious about deficits, we have to look someplace and this was one place to look.

Ms. DELAURO. Mr. Kingston.

BIOMASS CROP ASSISTANCE PROGRAM

Mr. KINGSTON. Thank you, Madam Chairman. Mr. Secretary, just sort of continuing with that, as you know, in the southeast one of the reasons why farmers bump up into that higher income category is because in order to get the economies of scale, the son and the daughters and the uncles are really more directly just mom, dad's and the children's farms get combined. And that is why the income goes up. It is not always an accurate picture. And we will have this discussion with you I know as this goes on. But one of the things I wanted to point out is that BCAP does not have an

income limitation, and there are a lot of people that are making far more money than farmers do who participate in BCAP. So that might be something you want to look at. As I expressed earlier, as I had my doubt about BCAP anyhow and facing the deficits that we have.

MARKET ACCESS PROGRAM

The other thing I wanted to mention, MAP had been called corporate welfare in the past, and I wonder how you would respond to that. And then a third point I want to make, and Mr. Farr would be interested in this, but last year one of our witnesses was actually a farmer from Georgia. He was an organic farmer who was telling me he could not sell any of his produce locally, particularly to the School Lunch Program. And I was wondering if we offered in this Committee some report language to encourage USDA to break down some of those barriers in the school lunch program so the local farmers could sell produce to the schools. Is that report language necessary? Because I know you are doing some things on it.

And then number four, this is my last thing, I think that we have developmental agriculture money for Zimbabwe. But we do not have it for Botswana because Botswana has an income-per-capita issue, but they are a very pro-American ally in the area, particularly as compared to Zimbabwe where we have sanctions. And I wonder if we should not take a second look at that. Not 100 percent sure because, again, tight budget limitations. But here you do have one country that is, you know, trying to do the right things and move in a very good positive direction in a region of the world that, you know, we need good allies, and yet, they are not getting development out of agriculture money as I understand it.

Secretary VILSACK. Congressman, I wonder if I can ask permission to get you a written response on that question because as it relates to those specific countries because I am not as well-versed on those specific countries. But I would say that there is an effort within USDA to cooperate with USAID and the State Department on our feeding initiative, our international feeding initiative.

[The information follows:]

The U.S. Government targets its assistance to meet the needs of the recipient countries. In Botswana's case, it is a great development story. In 40 years, Botswana has moved from one of the world's poorest countries to a middle-income country. Its economy is growing as fast as the economies in East Asia. With this growth, Botswana is not facing food security issues that other countries confront, but Botswana does have a high incidence of HIV/AIDS. The U.S. Government has been providing assistance through the U.S. President's Emergency Plan for AIDS Relief. During 2004–2008, Botswana received more than \$300 million to support HIV/AIDS prevention, treatment, and care programs.

By contrast, Zimbabwe is facing multiple humanitarian problems, including severe food insecurity. One of the key targets for U.S. assistance has been to provide food aid and other funding to improve that country's food security.

INTERNATIONAL FEEDING INITIATIVE

Mr. KINGSTON. Could I interrupt one second? One of the things I was wondering is USDA actually runs the program but we fund it, correct? We, USDA, funds it?

Secretary VILSACK. We fund it. USAID basically manages the part of the program, the one part that we are not requesting addi-

tional resources we would have some impact on. We also have companion case programs which we have a little bit more of a say on.

But I would say that we came into office with the understanding that we needed to take a look at simply doing more than providing food assistance, that what we really needed to do was to provide greater technical assistance and greater assistance in these countries so that they could become more self-sufficient, and as they become more self-sufficient, they build an economy. And as they build an economy, they become better trading partners with us over time. Perhaps the best example of this is what we are trying to do in Afghanistan and Pakistan with USDA officials there working with the Afghan ministry to try to substantially increase productivity and rebuild an agri-business economy.

So that is sort of the overarching theme, and I think you know, you cannot just look at the food programs in isolation. You have to look at what we are also trying to do on this development and capacity side.

SCHOOL-TO-FARM ISSUES

As it relates to school-to-farm, the Deputy Secretary is very engaged in this. We have today tactical teams, SWOT teams we call them, as part of our Know Your Farmer, Know Your Food effort, going into school districts and going into local communities and making the link between local production and local consumption, trying to figure out what the barriers are. And then hopefully, what we hope to be able to do, is use rural development resources to build the supply chains that do not exist in some of those communities that would allow you to get enough critical mass to meet the need of a school on an ongoing basis and also to provide technical advice as to how crops might be grown during more difficult weather conditions.

And we are not just focusing on rural communities in this area, we are also looking at how we can help urban centers meet their nutritional needs.

BIOMASS CROP ASSISTANCE PROGRAM

I appreciate the concerns that you have raised about BCAP. We have tried to address some of those concerns with a termination of the Notice of Funds Availability that was outstanding that caused a lot of angst and concern. We have put a proposed rule that we are in the process of receiving comments on. Those comments will be due, I think, by April, and then we will try to fashion those into a final rule that makes sense. Some of the things we have asked people to comment on, should there be a differentiation or a tiered approach in terms of how much reimbursement we provide per ton for certain products, should there be a lack of support for doing what you are already doing. Should you have to prove that you are actually doing more in terms of producing more energy from renewable sources if you are already doing that. Are there processes that BCAP simply does not qualify for, and we are asking people to comment on those. That may have somewhat of a limitation. I know it does not address your issue as it relates to income levels, but it is an indication that we are sensitive to your concerns.

Mr. KINGSTON. Yeah, I appreciate that. And Madam Chair, if I can have just 30 more seconds, I wanted to say I think the income limitation thing should be consistent if that is what the—if we are looking at ways to reduce the budget.

I saw that you were asking for 64 slots in Afghanistan. That is a very interesting program. I am very glad you are doing that. I think we should be doing that in Iraq as well, but we will talk about that later.

Secretary VILSACK. Well, we do have people in Iraq as well doing somewhat similar circumstances but not quite as comprehensive as in Afghanistan because frankly, the need is different in Iraq. It is a bit more sophisticated in terms of agriculture than it is in Afghanistan.

Mr. KINGSTON. I am glad you are doing that. And then just one last comment. One of the inadvertent beneficiaries of BCAP is the American taxpayers are subsidizing European fuel, and in this economy, I think that that is something that we really do not want to do.

INTERNATIONAL AGRICULTURE

Ms. DELAURO. Mr. Secretary, first of all, let me associate myself with a comment on the increase in the folks going to Afghanistan. I have several questions about that which I will hold for later in terms of getting some idea of how we evaluate their work and success of that work.

What I would like to do is to suggest and we will think about how we try to put together a program since most of the farmers in this world are women, how in fact we are trying to assist women farmers around the world and to try to build that kind of infrastructure and capacity so that it will increase their production levels, and I continue to believe what we need to do is deal with emergencies. But beyond the emergency, how do we build capacity.

REAUTHORIZATION OF THE CHILD NUTRITION ACT

With that, let me move to the nutrition reauthorization. You released your priorities at the Press Club yesterday, an excellent commentary, and it includes improving nutrition standards, increasing access to meal programs, increasing education about healthy eating, establishing standards from competitive food sold in schools, serving more healthy foods, increasing physical activity, training people who prepare school meals, providing schools with better equipment, and enhancing food safety. I support all of these initiatives, and I think you know that and have for a number of years. I am not sure how much we can make an impact on these issues with \$1 billion each year. It is \$10 billion as I understand it, over 10 years. Can you break down the \$1 billion dollars to the different priorities? Such as how much do you recommend increasing the reimbursement rate for the school lunch program? How much would that cost, what is the cost of expanding the at-risk supper program to all States, and are you planning to submit additional information to the Congress, outlining the specifics of the proposal. The specific proposal is behind these priorities.

Secretary VILSACK. Madam Chair, first of all, let me say that we see this as not just a \$1 billion. We see this as \$1 billion plus. The

plus comes from some of the efficiencies that we think a direct certification, paperless application process can create within individual school districts that allow school districts to have resources that are freed up that are currently allocated to administration, freed up toward these other priorities. And we are fairly confident that there will be indeed significant savings from what we are proposing under direct certification and reduction of paperwork.

As it relates to whether or not I can tell you today precisely how many dollars are applied to various items, let me simply say that on the reimbursement side, what we are looking at is inciting the right kind of behavior. So to a certain extent it is dependent upon school districts accepting the challenge that we put forward to them, which is that we expect more fruits and vegetables, healthier foods in these diets, and we are willing to provide you resources if you can prove to us that you are ready, willing and able to accept that challenge. This is not necessarily a blanket increase which could potentially fund just the status quo. We are not interested in doing that. We are interested in really focusing on improving the system. So it somewhat depends how many school districts step up to that challenge and how quickly they can step up to the challenge. We would be more than happy to provide as much detailed information as Congress wants, but we also recognize that your responsibilities are such that you are going to want quite a bit of say in all this, and we want to work with you.

Ms. DELAURO. I would be interested—I have further questions, I must get them to you.

I would be interested in the view of the concomitant savings and where you think we are going to make those savings and what savings do you think we are going to achieve doing this? This is like the healthcare bill. Where are the savings going to be, you know, achieved so that we can then look at how we fund these. Again, I support these initiatives. My concern is whether or not we are going to be able to carry them out because I think they are valid. But the savings side of this will be very important as we take a look at what criteria we are going to place on schools, et cetera, and school districts in terms of dealing with these issues.

NATIONAL EXPORT INITIATIVE

Let me move next to—in your budget you propose an increase of \$54 million for the National Export Initiative, doubling exports in 5 years. The President I guess has a goal of doubling exports in the next 5 years.

Secretary VILSACK. Right.

Ms. DELAURO. You have not said you are going to do that.

Secretary VILSACK. Given the fact that we have a significant surplus in agriculture today, what we hope to be able to do is to break down barriers in five countries that currently are making it difficult for us to trade and increasing our trade surplus by several billion dollars.

TRADE WITH CUBA

Ms. DELAURO. It would be interesting to know which countries make it difficult for us to trade. But further, I would like to say that I would like that list, \$54 million is going to FAS. Quite hon-

estly, there is one market very close to our shores which no one mentions, and you do not mention in your testimony and that is Cuba. We currently allow agricultural exports to Cuba through a number of restrictions that are in place because of the embargo. Exporters are denied access to private commercial financing or credit. All transactions must be conducted in cash in advance or with financing from other countries. We put no restrictions on any other country except Cuba in that regard.

Even with the restrictions, the United States has been the leading supplier of food and agricultural products to Cuba. A 2008 report by FAS stated the United States has been Cuba's largest supplier of food and agricultural products since 2002. FAS also concluded that Cuba has consistently ranked among the top 10 export markets for U.S. soybean oil, dried peas, lentils, dried beans, rice, powdered milk and poultry meat. A 2007 report by the U.S. International Trade Commission concluded that the U.S. share of Cuba's agricultural fish and forest imports would rise from $\frac{1}{3}$ to between $\frac{1}{2}$ and $\frac{2}{3}$ if all trade restrictions with Cuba were lifted. Given the clear impact it would have on exports and on farmers, do you support the lifting of the embargo as part of your export initiative?

Secretary VILSACK. Madam Chair, your question is a very timely one and important one.

Ms. DELAURO. Mr. Peterson—

Secretary VILSACK. Just submitted a bill which I read earlier this morning. And it emphasizes the complexity of the discussions about trade because oftentimes it is not just simply about a trading relationship, it is about a more complex relationship which I think is certainly true in Cuba. We are obviously interested in working with the Congress, working with other administration departments to increase trade in Cuba and increase trade around the world. But we want to do it consistent with our values and consistent with what other priorities we may have in other areas of the government, whether it is a national security priority or whether it is a foreign policy priority. So I think it is important and necessary for us to have consistency here. And we were happy to work with the current conditions. We were pleased that the Treasury Department made it a little bit easier for folks who wanted to export to Cuba by not requiring cash before the shipment left but doing it similar to the way other exporters are currently treated in terms of providing cash at least at the time before title is transferred. That made sense. We are happy to work with folks. But trade is extraordinarily complicated, and sometimes what seems to be a relatively simple thing, just because there are other issues involved, becomes quite a complex thing.

[The information follows:]

Below is the URL address to the USTR 2009 National Trade Estimate Report on Foreign Trade Barriers.

<http://www.ustr.gov/about-us/press-office/reports-and-publications/2009/2009-national-trade-estimate-report-foreign-trade>

Ms. DELAURO. I understand the other issues involved, and I understand the complexity of trade when one would like to know those countries that we are having difficulty trading with today and why we are having difficulty with that. And the other piece of this is if the end goal is consistency, I would just say to you that

our trade policy with regard to Cuba is about the least consistent for trade and national security or diplomacy or anything that we have embarked on in a very long time. If we wanted to deal with consistency, it would just seem to me that there would be a real necessity for review of our entire trading policy and I will leave it at that, Mr. Secretary. Ms. Emerson.

Ms. EMERSON. Thank you. Sorry I am late, but I am ranking on another committee, and we were having the IRS Commissioner and I did not want to stand him up today.

ANIMAL IDENTIFICATION

But anyway, thank you, and I would like to associate my first comments with the Chairperson's. But I want to talk to you a little bit about animal traceability, Mr. Secretary, and I really do have to congratulate you and the Department for getting out into the field and really listening to the producers. I think that has been very, very helpful, and I also appreciate the fact that the Department has recognized, and if I might quote, a vast majority of participants were highly critical of the NAIS program and certainly the \$100 million plus that we have spent on the program, not to really have anything, is problematic. But that did not start with you, so we will leave it at that.

But I think in just listening to comments of producers since last week when, or was it the week before, that you all announced changes in the program, I am concerned to some extent that you responded more to the public relations problem, perhaps not really addressing the underlying discontent of producers.

My producers are just so concerned about mandatory traceability system, whatever the name of it is, and they are concerned about the reporting requirements. They are concerned about the record-keeping. They are concerned about civil and criminal liabilities and there are concerns probably more than anything to what they perceive is an underlying threat to their privacy. And changing the name from NAIS and requiring the states to enforce rules written in Washington, D.C., is not going to change their concerns. So I hope that you will recognize that and work directly to address them.

ANIMAL DISEASE TRACEABILITY

In the meantime, as a representative from a state that is very hostile to NAIS in any form whatsoever, we have many, many, many, cow-calf operations. I think we are third in the country, but we have very few feedlots. So there are a lot of interstate sales. And because of that, could not this, number one, be considered a mandatory requirement for our producers or operators in Missouri? And secondly, what would be USDA's reaction or response to a state which refuses? And I mean, seriously refuses by statute to implement a traceability system at all.

Secretary VILSACK. Well, I think first and foremost, it is important to understand why we need this, which is if there is a disease outbreak. The ability to determine where it is and to confine it is certainly not just beneficial to that producer but it is beneficial to the entire market. And every producer in your State of Missouri could potentially be negatively impacted if we do not have a system

in place that would allow us to focus on disease traceability that allows us to get to the heart of the matter, which is how do we identify and react and respond to a disease outbreak. What we were interested in is having a system that works far better than the one we had. When only 35 percent of producers are participating on the cattle side, it is fairly clear that this is not a system that is going to be particularly helpful in that ultimate goal, which is to be able to identify a disease outbreak and be able to contain it.

And I think as people recognize that what we are proposing is first and foremost, a limitation on what livestock are impacted as you mentioned, that is part of the reaction to the concerns that were expressed, that if I am just producing something for my neighbor or myself, I should not have to do this. We understood that.

CREATING A NEW ANIMAL ID SYSTEM

We also understand that we want to work with the states to create a system the states are satisfied with and happy with. We want to engage them in responding to a number of the questions. So for example, we do not foresee that the Federal Government will be the data collector. We do not see that that is necessarily something that is our role. We think the data could be maintained in the respective states. We do not think we should be the arbitrator of what technology works because different states have different requirements or different states feel different technologies would be more appropriate or less appropriate. Our view is that there are probably some very significant low-cost technologies that would work just fine to allow us to do what we need to do with this system. We think that there needs to be a conversation on liability, but we recognize that the states are going to have some input on that, and we did not want to prejudge what that input would be. So what we committed to was a comment that we are going to take that old system and put it aside, we are going to put a new system in place, but we are going to have partnerships with states. My hope would be, and I am not trying to avoid your question, but my hope would be that we would not have a state, after all is said and done and after this is all fleshed out, that would say we are just simply not going to do this, because they would recognize that it is in their best interest to be able to have some capacity to identify at least what state a disease outbreak may have occurred in that would allow us to contain it, allow us to respond to it and allow us to make sure that it does not harm the market any further than it might. And that is really what this is about. In some livestock operations this is not an issue. In pork and poultry, I think there is a greater acceptance, but in the cattle industry there was not and we need to figure out how to do a better job.

Ms. EMERSON. I mean, I hear what you are saying but I do hope that you all will be prepared to figure out what is going to happen should a state really decide not to do this. I mean, just to be realistic, I think it is quite possible that it could happen.

Secretary VILSACK. Well, you are from the Show Me State, and I appreciate that.

Ms. EMERSON. Thank you.

Ms. DELAURO. Mr. Farr.

CALIFORNIA'S PLANT PESTS ERADICATION

Mr. FARR. Thank you, Madam Chair. Mr. Secretary, I am sure your—complimenting you on your choice of Chief of Staff, Karen Ross—would be very interested in my question here because I understand that the European grape vine moth, a serious pest for grapes, has been found for the first time in the United States in Napa Valley in California, and I just wondered what the Department's plans were to deal with this new threat to California table, raisin and wine grape industry and what funding resources might be committed to help with the efforts at the state and local levels to eradicate this?

Secretary VILSACK. Congressman, I am prepared to talk about citrus greening and emerald ash borer and a variety of other—

Mr. FARR. Light brown apple moth.

Secretary VILSACK. Light brown apple moth. I can talk about that. And we have resources dedicated. I will have to ask permission to get back to you on that specific set of issues. But I think your question underscores an important role that USDA has, an important role research has in terms of identifying these problems and trying to figure out strategies that will work before they become very significant, and the ones that we have mentioned have become very significant and we are putting significant resources behind trying to eradicate or contain—

Mr. FARR. I appreciate what you are doing with light brown apple moth. Ground zero is my district, and we have a breeding lab set up there now. Hopefully your plan, which I think is much better than the state plan, will be implemented.

[The information follows:]

APHIS has been working with the California Department of Food and Agriculture to develop a delimiting survey for areas where the pest has already been detected as well as a State-wide detection survey. Once the surveys are complete, APHIS and California cooperators will determine what additional actions are needed. APHIS is still exploring funding options to conduct the surveys.

CALIFORNIA'S CUT FLOWER INDUSTRY

Let me ask you another. I represent most of the cut flower growers. I got all these issues in my district. Twenty percent of the flowers sold in the United States are still grown in California and about 110,000 jobs. What we have been trying to do is to set up a logistics center to bring all the flowers locally to one transportation hub and allow—because the Colombians which we have indirectly helped with the—I mean, I was a Peace Corps volunteer in Latin America and in Colombia, and I certainly want to help Colombia have an alternative to the drugs, but I think we made it awfully easy for them not having any tariffs and so on to sort of take over our flower industry in this country and trying to put it back together by creating this shipping center. And I really appreciate Deputy Secretary Merrigan because I know she has been working with the industry to find resources at the agency to fund this center, and it censors the center to be run by the State Charter Commission, the California Cut Flower Commission, and would make sales of their flowers more competitive across the country.

And they are asking for a one-time \$15 million grant to make this transition for the industry feasible. Are we capable of doing that? Can you update us on what might be the progress of this request for the California cut flower industry?

Secretary VILSACK. With your permission, I will have the Deputy Secretary, since she has been working on this, respond to that.

Mr. FARR. Okay.

Ms. MERRIGAN. Mr. Vilsack and I are deeply interested in the flower industry.

Mr. FARR. Did the light go on?

Ms. MERRIGAN. There we go. I was just joking. I said Mr. Vilsack and I are deeply interested in the flower industry, so of course we are working on this. I have recently had an opportunity to talk to leadership in the cut flower industry. There is very little domestic industry left as your comment underscores. It is a struggling industry—

Mr. FARR. Twenty percent of the market.

Ms. MERRIGAN [continuing]. With a variety of problems.

Mr. FARR. It is not bad. It was 100 percent.

Ms. MERRIGAN. Yeah, so I think there are multiple challenges, and we have just begun the conversation and we really do look forward to finding a pathway for that industry to survive and hopefully build in the coming years. In terms of the particulars on this grant, we have not come to any resolution, but the conversations have begun, sir.

Mr. FARR. So how long does that usually take before you decide whether to assist with grant monies? Is that a long time?

Secretary VILSACK. Congressman, part of the challenge is to make sure that we find the right program in terms of the requirements and restrictions that Congress may have placed on the distribution of resources. And that may have a lot to do with location, may have a lot to do with which program would work and whether or not we can figure out a way in which either our resources or perhaps other resources could be made available. I would say that we do take this area very seriously. In fact, ironically, my next event after this is to talk to the Garden Club of America that is meeting here in the Capitol several hundred strong from around the country. So we understand and appreciate the importance and significance of this and of this industry to your district and to the country, and obviously as we look at rural development, as we look at new employment opportunities we ought to be looking for ways in which we can provide resources to have a business that would make sense who is going to employ people. We ought to figure out a way to help. Now, what that is and how much it is, obviously we still have to work on it.

Mr. FARR. It is a really interesting comment, the largest rose grower in the United States is in my district, put out of business by the Colombians. He is now the world's largest orchid grower growing Colombian orchids, and nobody can put him out of business because he is the only person in the geographical region that can send to the Asian market and the U.S. market. So you know, you just get smarter in the United States. We can beat people at this trade game.

Ms. DELAURO. Mr. Latham.

Mr. LATHAM. Thank you, Madam Chairman, and Mr. Farr. I will match you soybean for soybean, okay?

Mr. FARR. You can have them all.

Mr. LATHAM. Now come on. More corn than you have.

Mr. FARR. We do not have any subsidies.

Secretary VILSACK. Congressman, do you want me to come to your aid here? I would be happy to.

ARTHROPOD-BORNE ANIMAL DISEASE LAB

Mr. LATHAM. Please, Mr. Secretary. One thing of interest in my district certainly, that the Arthropod-Borne Animal Disease Lab from Laramie is moving. The ARS wanted it to go to Ames, and it is going to Kansas, apparently. Do you have any update where we are on that move or what the situation is? Is there cooperation going to happen with the Animal Health Center there at Ames with this facility or any kind of update?

Secretary VILSACK. There is currently an evaluation taking place of the Kansas location. A consultant has been hired to take—

Mr. LATHAM. You would agree it should be in Ames?

Secretary VILSACK. I would be happy to visit with Senator Roberts, and the three of us can work together on this.

[The information follows:]

The relocation of the ARS Arthropod Borne Animal Disease Research Laboratory (ABADRL) from Laramie, Wyoming to Manhattan, Kansas has already begun. Sixteen permanent employees have accepted relocation packages. Two employees have already been relocated; another two employees will relocate to Manhattan by the end of March 2010, and the remainder of the employees will be relocated by June 2010. Construction contracts have been awarded for a new insectary in Manhattan and for moving the tissue culture laboratory from Laramie to Manhattan. Both tasks are scheduled to be completed by May 31, 2010. Laboratory and office space have been identified for the ABADRL employees in the ARS Center for Grain and Animal Health Research Laboratory in Manhattan. Laboratory renovations to accommodate ABADRL in Manhattan are in the planning stages and the contract is expected to be awarded by March 19, 2010 with a May 31, 2010 completion date. Several offices on the University of Wyoming campus have been vacated and returned to the University of Wyoming and the first two laboratories will be vacated by the end of March 2010 and returned to the University. Cooperative research has been planned between ABADRL scientists and Kansas State University (KSU) scientists, collaborative grants co-written and plans for the use of KSU research laboratory space by the ABADRL scientists.

The ABADRL and the National Animal Disease Center (NADC), Ames, Iowa work on different animal diseases, and therefore, the expected interactions between the two laboratories will be limited. The ABADRL program conducts research on animal diseases that are vectored by insects (Rift Valley Fever, Bluetongue, and Vesicular Stomatitis) while NADC conducts research on many non-vectored, domestic animal diseases. NADC lacks an entomology program that is needed to work with the insect vectored diseases. Both programs, however, are broadly coordinated by the same ARS national program leaders, and there will be commonly shared disciplinary expertise and ongoing technical consultation among the two groups.

Mr. LATHAM. Okay.

Secretary VILSACK. I do know that there has been a consultant hired to take a look at the challenges and safety requirements that this facility would require. I will tell you that if there is not an intent between folks to have close cooperation, there should be. There should be an ongoing conversation and far better communications than perhaps there have been in the past.

Ms. DELAURO. There are three votes coming up.

BIOFUELS/BIOENERGY INDUSTRY

Mr. LATHAM. Going back to the biofuels industry, I think we are sending some mixed messages. There was a Spanish company a couple years ago that from the Department of Energy got a \$70 million grant to build an ethanol plant in the United States and there are other foreign companies that have invested in my district, one particular plant of about \$100 million, and they do not qualify for or are not able to participate in the Bioenergy Program. And I know there are rules being written right now at OMB. I do not know if you have any comment on that, but I think, you know, want investment in the United States. We want to create jobs here. We want to improve our economy. The biofuels industry is obviously very important for us. Could you add any comment on that? We are sending really mixed messages here.

Secretary VILSACK. I think that is one of the reasons why the President asked a number of Cabinet secretaries and administrators to put together a biofuels task force report that lays out a much more cohesive and strategic vision for this industry. And we have done that. What we have found from our review is that there were overlapping and inconsistencies in terms of decision-making, who was going to do what. We now have laid out an understanding that this is an industry that we think has regional potential. In other words, this is not just simply going to be located in one part of the country. We really want it to be located in all parts of the country because we have a fairly high threshold we have set for ourselves, 36 billion gallons. We think that there are multiple ways to produce biofuels and that there is room for everyone's way, so to speak, to create job opportunities in this industry and create an industry that allows us to have greater energy independence. We also think it is important to distinguish between what USDA ought to be doing and what the Department of Energy ought to be doing.

BIOFUELS/BIOENERGY INVESTMENTS

What we found was that we had conflicting research challenges. We were both focused on feedstocks, and the Department of Energy probably has greater competency and efficiencies and conversion technology, and we have probably better focus on feed stock development, so we ought to be just focused on that, our core competency, and they ought to be focused on their core competency. We ought to be focused on things that can be implemented within the next 10 years. They ought to be focusing on things that have probably got a horizon far beyond 10 years. And so we have a division of responsibility. And we also felt the necessity of setting up timelines working back from the 36 billion gallon goal so that we could measure whether or not we were making success or not. So we are in the process of putting that task force together.

I would also say that it is important for people to recognize that it is not just the Energy Title of the 2008 Farm Bill that provides resources for these facilities. There is also the possibility of using some of our traditional rural development programs, this regional development concept I talked earlier.

Mr. LATHAM. My point though is that if it is a foreign investment, they are not eligible for that. Now, they would be, if the CCC

funds are being used, where there is no restriction, but they are tying this into rural development where we are discriminated against investment in the United States just because this comes from a foreign source, and it is huge.

Secretary VILSACK. Well, there is huge potential, and again, I think we can be creative and innovative to find other alternatives or other ways so that we basically create enough resources so the capital needs of this which is very, as you know, highly intensive, are met.

Ms. DELAURO. Thank you. We have three votes. I am going to try to get Mr. Davis in to move quickly and Ms. Emerson before we go to vote, and then we will come back. Mr. Davis?

Mr. DAVIS. Thank you, Madam Chairman. And I will be kind of brief. That is difficult for folks to do at this table.

Ms. DELAURO. Question first, Mr. Davis.

GRASS-FED BEEF FROM TENNESSEE

Mr. DAVIS. Question first? Okay. There are two issues, grass-fed beef in my district, whether or not it can be processed in Tennessee and shipped outside the state. Today it currently cannot be. The new Farm Bill that we just passed would authorize some ways maybe where that could possibly happen. I look forward to working with you maybe to help expedite that process. The reason being, there are no substitutes, very little, for any type of beef, but there are for commodity products that is being used to feed ours.

FOOD SAFETY PROCESSING EQUIVALENCY

The second question that I wanted to ask about, comments have been made about re-importing poultry or importing processed food products into this country. I have become more and more aware as I go to the grocery store and look every time that I buy an item, the country of origin that that food originated. Are you comfortable that as we see poultry either processed in another country, grown in another country, are you comfortable that we have the same standard of inspecting that food as we do here in the United States? There are at least three poultry processing facilities in the area that I represent. They go through very rigid inspection by USDA on-site inspectors. I am concerned that as we see corporate America whose good name was built by the American producer, the American worker, the American consumer being willing to put their label on anything that comes into this country for a price. And my fear is that the patriotism of corporate America is not the same as our fighting men and women on the battlefields. Do you have a comfort zone that in countries that may be 1,000, 2,000, 3,000 years old that the food that is being shipped here is as safe as what we are producing and processing here in the United States?

Secretary VILSACK. Congressman, I am comfortable that the mandate from this Congress and from every Congress has been quite clear to the food safety folks that there needs to be equivalency in terms of processing. And if there is not equivalency, there should not be processed product coming into this country. Especially in light of recent concerns, we are I think more acutely aware

of the need to make sure that we are doing a better job every day on equivalency in food safety.

COUNTRY OF ORIGIN LABELING

As it relates to labeling, you know, I appreciate the fact that you are like a lot of American consumers. I think consumers are interested in knowing where their food comes from and appreciate the capacity to know that. And that is one of the reasons why we are focused on making sure that we are implementing the COOL program as I think it was intended by Congress.

Ms. DELAURO. Mrs. Emerson.

RURAL ELECTRIC LOAN PROGRAM BUDGET CUTS

Mrs. EMERSON. Thank you. Mr. Secretary, the RUS Electric Loan program has, as you well know, helped rural electric cooperatives deliver portable electricity to homes across the country, and for the rural electric co-ops that depend on RUS programs, the average household income in their service territories is on average about 14 percent below the national income level, and I can attest to that having a district that is more covered by rural electric co-ops than by the investor in utilities. And so this program has been tremendous, and it has really kept costs down for working Americans during this tough economic time. Obviously you can know where I am going with this. I am not happy with the budget cuts of \$2.5 billion for the program, and I think what is equally troubling is that it prevents RUS lending for peaking natural gas plants as well as environmental upgrades to existing power plants. And I think that those cuts kind of contradict the President's goals of investing in cleaner energy.

So can you answer this question for me? How does reducing the electric loan program either advance the Administration's energy goals or save taxpayers money, particularly when the program has a negative subsidy rate and brings funds into the Treasury?

Secretary VILSACK. Well, there are other opportunities that we have within RUS to provide assistance and help to the industry, and I think part of what we need to be doing is to determine whether or not we can look at those other alternatives. For example, I know the industry has approached us on a number of occasions to take a look at the fact that when a loan is made some time ago, that there has been appreciation in the value of the assets of a particular Rural Electric Co-op. And because of our lien position, they are prevented from utilizing that increased value in equity. It is conceivable that we might be able to work with the industry to figure out ways in which we can protect our loan position but perhaps be a bit more flexible than we have been relative to that increased value, which will give them the capacity to expand. I think the President has been quite clear in his intent to promote renewable energy sources, and we wanted to be consistent with his intent and what we have essentially indicated to the rest of the world we are going to do, which is to focus on renewable resources. And we think that there are ways in which we can balance the need for supporting traditional approaches and also jumpstarting non-traditional renewable energy technologies.

Mrs. EMERSON. And I understand that and I appreciate it, and you know, coming from an ag district, I greatly embrace that idea. But I do think that we should have our options and have the technology in place to actually replace one with the other before we pull the rug out on an existing system.

Secretary VILSACK. Well, you know, I have actually been in a facility in Missouri that is basically creating energy from agricultural waste. And so I think the technologies are there. I think we need to ramp them up, and I think that is what we are trying to do.

Mrs. EMERSON. Well, I am not in disagreement with that, but I still think we have to do both until we are comfortable with getting the cost down for the new piece, and I do not think you would disagree with that.

Secretary VILSACK. I do not disagree. It is just a question of whether we can be more flexible and innovative so we can do both.

Ms. DELAURO. Mr. Secretary, we are going to just recess and get back here. I know Mr. Kingston is coming back, I am coming back, and we will do that as soon as we can. There are three votes. The last two votes are 5 minutes. So we should be back shortly. Thanks.

[Recess.]

NATIONAL ANIMAL ID PROGRAM

Ms. DELAURO. I talked to Mr. Kingston's staff, and we can proceed. He will be here shortly so let me move through some questions, Mr. Secretary. The National Animal Identification Program, and I listened to your exchange with Mrs. Emerson. As you know, the Congress appropriated \$147 million for the program. We still do not have a workable system but it has been clear to me for a while that the program is not working, and we need to make significant changes. You recently proposed a major change in the program. Quite frankly, in light of that I was surprised that there was no mention of animal ID in the written testimony.

The new framework which you announced envisions a traceability program that would be owned, led, and administered by the states, as I understand it. I have several questions about the framework and how this will be implemented. What is the effective date of the requirement that all animals moving in interstate commerce be identified?

Secretary VILSACK. Madam Chair, we are scheduling a meeting to begin the process with the states in March, next month, and I will probably be in a much better position to tell you how prepared and over what time period it will take states to be prepared to do that following that meeting and would ask permission to get back to you with specifics after that meeting. I think it is important to emphasize that we have put together a very skeleton proposal here because we think our partners need to be engaged in helping craft it. One of the problems in the past was the perception that this was a top down, dictated kind of situation which did not garner a lot of support from the grass roots, and if this is going to work we have to have support in the grass roots.

ANIMAL IDENTIFICATION ENFORCEMENT

Ms. DELAURO. How and by whom will this requirement be enforced?

Secretary VILSACK. We are going to work with—USDA has a responsibility obviously to work with our partners, and our expectation is that we are going to come to an agreement with the state ag commissioners and secretaries on precisely how this is going to operate, and that there will be an understanding of who has got responsibilities. I will say that we envision that the states will have access to the information because there are serious confidentiality issues that have been raised and privacy issues. We perceive that the states will apply this only to interstate.

Ms. DELAURO. But if you are going across state lines, who has the jurisdiction to enforce all this?

Secretary VILSACK. Well, that is essentially what is going to be worked out. What I suspect will happen is in a number of regions of the country, there is going to be a regional approach. It is not just necessarily going to be state-by-state but there are going to be groups of states that will probably agree based on the nature of the livestock that they have that a system in each state will be somewhat consistent.

Ms. DELAURO. What are the penalties for violations? These are going to be worked out? Let me just ask this. Is 48-hour trace back still the target?

Secretary VILSACK. I do not think it is necessarily tied to a 48-hour number. I think it is important for us to figure out. There has been a 72-hour discussion, there has been a 24-hour discussion. I think what we are trying to figure out is what is actually doable and what is appropriate under particular livestock circumstances. We have a pretty good program with sheep, a pretty good program with poultry, a pretty good program with pork. I do not think this is necessarily going to change much of that. I think the cattle is where we are going to be focusing a lot of our time and attention and resources.

Ms. DELAURO. So are you telling me that in terms of if you got a cow that crosses a state line without any identification, that is the kind of thing you are going to be talking about in March. With an ID what happens? We do not have any idea about that at the moment?

Secretary VILSACK. That is correct. And what technology will be used to identify that cow. We want a cooperative partnership here, which we did not have under the current system. We spent \$130 million, \$140 million, and I cannot tell you today that we have a system that works. I can tell you that there are components of it that will probably be applied so that the entire amount of money was not wasted, but today I want to preserve the right of the states to allow us to jointly form a program that will work. That is what we heard from the 15 different listening sessions that we had throughout the country.

COST OF THE ANIMAL IDENTIFICATION SYSTEM

Ms. DELAURO. What costs do you expect the Federal Government to carry?

Secretary VILSACK. Well, I think the cost of technology, once we determine what the appropriate technologies are, I would assume that the government, the Federal government, we have indicated to states that we want to, and we should, pick up the cost of the technology, and we believe there is some low cost technology strategies that would be effective to provide us to trace back to the states, and then the states can determine whether or not they want any more detailed trace back within their jurisdiction.

Ms. DELAURO. I am going to make a couple comments to you, Mr. Secretary. It is \$147 million that we have spent on this program. There is a request now, I guess, for 14.3, which is about 9 beyond what we did last year, 14.2, 14.3. I must be honest with you, I do not understand how we are going to have a system based on more than 50 state tribal system, state system, et cetera, how it is going to work. I do not believe it is going to work. I have a list here of international cattle ID and traceability programs, mandatory programs, Argentina, Australia, Canada, EU, Japan, South Korea, Uruguay, all these people started, Argentina, 2007, Australia, 2002, Japan, 2003, South Korea, 2004, Uruguay, 2006. United States of America cannot figure this out.

And I am going to be very clear with you on this as I have in the past. I want to wait to see what this system is all about before we take \$14.3 million and add it to this process. I have an article here, and I am sure you have seen the article where U.S. weighs how to track diseased livestock. Let me make something of a conclusion here. It cannot work, it cannot work. We will not have it. I fought long and hard on this issue. I have given every opportunity, provided—this committee has provided resources through this. If we cannot do it, well, then we will not do it. We will not spend good money after bad. And then we will take our chances on the international market. I do not have a dog in the hunt in Connecticut, and essentially that is what these folks are saying, their product will be suspect. Ultimately, that is not going to be my decision.

Secretary VILSACK. Madam Chair, we think this system can work, and I am not going to accept responsibility for what has taken place prior to my being in this office. We went out and we listened very carefully to the people who are impacted by this decision. Thirty-five percent, 36 percent of cattle producers were participating in the program. That in any measure is not a successful program. The Congress decided it had lost confidence in the program, and we felt it was appropriate and necessary to figure out a different way. I will tell you that our goal is to have a system, have a system in which the states and the Federal government cooperate, in which there is greater acceptance by the cattle industry, and that we utilize the most efficient and effective cost mechanisms for allowing us to have the traceability we need to be able to contain animal disease and to be able to assure our trading partners of what I am confident, which is that we have a safe and quality product, and we are going to work hard to make that happen.

Ms. DELAURO. I believe you will work hard. I am going to work very hard to make sure that I understand what it is and until we have truly information that says this is moving forward—my Committee can vote in any way they want. I know I will not be for an-

other \$14.3 million. I just will not do it. That is a waste of money. We are talking about cutting costs. Let's figure out how to do it. All these other countries have figured out how to do it. We ought to be able to do it. Let me move to women farmers, and I applaud the work that you all have done with the Pigford case and African American farmers.

PARITY FOR DISCRIMINATION AGAINST MINORITY FARMERS

It is my understanding that last week on behalf of USDA the Department of Justice attorneys met with lawyers for the Hispanic, Native American, and women farmers, who are looking to settle thousands of pending claims that are again related to historical discriminatory practices. They are very similar, if not identical, to those in the Pigford case, as I understand it. The DOJ indicated on February 18 that it had wrapped up the second Pigford settlement, which will total about \$2.2 billion and DOJ expressed an interest in settling with the other three groups at parity. As you know, I have introduced legislation that is designed to compensate women farmers for the discrimination they suffered at the hands of various USDA offices.

The statistics for women are egregious. And I want to ask you, do you think it makes sense to compensate all of the discriminated groups, Hispanics, Native Americans, in addition to women and African Americans and to include all that in the same bill so that we can make sure that there is in fact parity?

Secretary VILSACK. Madam Chair, as you know, the settlement with the Pigford II plaintiffs has a fairly tight time line, a March 31 time line, and we certainly hope that Congress would work with us to make sure that that time line is met. I think there are some differences with reference to the other cases. And let me be clear, it is our goal and our intent to get this chapter, these series of chapters, closed in USDA history, but because of the fact that several of these cases have not been certified in the same way the Pigford case was, and in light of the fact that there is sort of a precedent for how we approach Pigford, which is not necessarily what anyone has agreed to in the other cases, it is going to be necessary for there to be discussion and deliberation between the plaintiffs' lawyers and the Department of Justice on amounts and/or a process, and that is not as mature as it was in Pigford.

So I am a little concerned about basically saying that it is, you know, one piece of legislation because I am not sure that that can get done. I would like to think it could get done.

Ms. DELAURO. What I would like to ask is if you will help us to get that done because then we can move forward and be done with what is an ignominious chapter in our history, and I understand what you are saying, but if we can work cooperatively to get this done.

Secretary VILSACK. Well, I think that you either need an amount or a process. What you did with Pigford is you put an amount on the table in the first Pigford, which led ultimately to a resolution. But, frankly—

Ms. DELAURO. We have a process in terms of the legislation and amount.

Secretary VILSACK. Right. And we have not had that in the other cases, and we either need an amount or a process or an agreement between the parties as to an amount of a process, and we are happy to work with whoever is willing to get to either an amount or a process or both.

Ms. DELAURO. Thank you. Mr. Kingston.

Mr. KINGSTON. Yes. Is that for women and Hispanics?

Secretary VILSACK. It is for all—

Ms. DELAURO. It is women, Hispanics, and Native Americans, and their claims have not been recognized. They have not been allocated for class action so that is why we are working with the Justice Department.

Secretary VILSACK. Some of them have and some of them have not. But let me just say a very clear statement. This is a lot harder than it ought to be.

Ms. DELAURO. Agreed. Agreed.

Secretary VILSACK. It is a lot harder than it ought to be.

SOUTH KOREAN TRADE AGREEMENT

Mr. KINGSTON. Mr. Secretary, when do you think the Administration is going to move on the South Korean trade agreement? The President mentioned it, I believe, in the State of the Union address, and you had talked about the need to expand our exports, and that is, of course, a very valuable ally in the Pacific rim.

Secretary VILSACK. Congressman, I think the intent of the President, as he expressed in the State of the Union address, is to move as aggressively as possible on both Korea, Panama and Columbia, as well as on the trans-Pacific efforts. We need to be focused on bilateral and multi-lateral trade opportunities, and we frankly need to be—within USDA we need to be very focused on breaking down barriers. The Chairwoman asked for examples of countries. We are in the process of dealing with Russia on poultry and pork and it has been a process where we need to really break down those barriers and basically respond to questions that are raised, either sanitary or applied to sanitary issues. It needs to be an aggressive effort on all fronts.

Mr. KINGSTON. If you had to put a time line on it though, do you think they would move forward on it say within 6 months or 12 months?

Secretary VILSACK. I do not want to speak for the President or Ron Kirk, the U.S. Trade Representative. From our perspective, we recognize the sooner it is done the better because obviously agriculture benefits with these trade agreements, and certainly the Columbia and Panama trade agreement in particular, we can pretty much quantify the benefits. Korea is a little bit more problematic because it depends on the commodity that you are dealing with. We may have some issues relative to rice, for example, that may make that a little bit more complex.

SNAP ELIGIBILITY REQUIREMENTS

Mr. KINGSTON. On SNAP, you want to continue to waive the able bodied person requirement for eligibility, and, you know, that was a hard fought part of welfare reform. Welfare reform in general was very difficult to get passed. Lots of naysayers, lots of the sky

is falling kind of mentality but during that period of time 14 million people were on welfare, and it went down to 5 million people, a reflection also of a good economy, but it was a successful program. And what I see over and over again in the ag bill is that we just chip away at it bit by bit to the degree that it is always well intended but then it always gets abused. And I am concerned about the message that we are sending on that, so just your comment.

Secretary VILSACK. We think a limited extension is appropriate given the fact that we are still dealing with a fairly high unemployment level, and many of those who are unemployed are able bodied individuals who are looking for work. I would also say that we distinguish this, at least in my mind I distinguish it, from some of the other assistance programs in that this is a direct economic stimulus. I think a lot of times of people do not recognize or appreciate the stimulus impact and the effect that these provisions in this program has. We have been able to pretty well document that for every dollar that you invest in this program there is a \$1.84 of economic activity.

It just stands to reason if people are in a position to purchase appropriate numbers of groceries those groceries have to be stocked, they have to be trucked, they have to be processed, they have to be produced. Someone is retaining a job or getting a job because of that. And so we see this a little bit differently. We recognize we are not asking for a permanent change in the rule. We are simply asking for an extension of it so long as we are dealing with a weak employment circumstance and situation. We believe it is going to get better. We think it will get better. We hope to see improvements during the course of this year but it is still fairly obvious we've got a 10 percent unemployment rate, and we need to respond to that.

Mr. KINGSTON. At what unemployment rate would you consider the time to drop that waiver?

Secretary VILSACK. I do not have a specific answer to that question today.

Mr. KINGSTON. I am just wondering if we should address what you are talking about through a trigger and just say, okay, when the unemployment gets down to whatever.

Secretary VILSACK. We would be happy to visit with you about that.

[The information follows:]

The time limit on SNAP participation was enacted when the unemployment rate was under 6 percent. I understand that it was enacted largely to achieve budget savings and I am not convinced it is a welfare reform measure. With the reauthorization of this program coming up in 2 years, we need to review the appropriateness of a time limit and the full range of options for enhancing the self-sufficiency of SNAP participants.

Under current law, States can assign able-bodied recipients to employment and training activities. I think this makes the most sense: Improving the employability of people so that they'll be better positioned to find jobs as our economy improves.

SCHOOL LUNCH PROGRAM

Mr. KINGSTON. Also, on the School Lunch Program and many of these other type programs, I am a philosophical believer that people should pay something, whether it is a child paying a nickel or 15 cents or a quarter or whatever, I think culturally we need to get

into the mindset that there is no such thing as a free lunch. And with the national debt that we are looking at, with Medicare going broke, Medicaid having problems, it would appear to me that it would be in our national interest to instill a culture that you need to do something, and obviously collecting a nickel for a school lunch is not cost efficient but that is not—on a micro-school, school level it would not really be the objective. The objective would be nationally to try to get into people's mindset that things are not free.

CREATING SCHOOL GARDENS

Secretary VILSACK. Representative, with due respect, I have a little trouble with that concept as it relates to children. I think there are ways in which we can instill in youngsters an understanding of nothing is free. For example, we are encouraging schools to focus on gardening and creating school gardens and having the youngsters tend those gardens and then using the produce from those gardens in the School Lunch Program. This is an educational opportunity. It is a physical activity opportunity. It is consistent with the First Lady's Let's Move Initiative. We see that as perhaps a more effective way of sending the message about—

Mr. KINGSTON. Well, that would fall in line with my philosophy as well. How many schools have that program? What percentage is that, a very small percentage or is that actually something that is trying to be done on a serious basis?

Secretary VILSACK. I would not be able to tell you with accuracy how many schools or what percentage but I can tell you anecdotally, from my travels around the country, that there are a number of schools that have embraced this notion and are learning about, Know Your Farmer, Know Your Food efforts to try to help the People's Garden Initiative. I can tell you that we started our own little garden at USDA that spawned 125 locations across the country. We have seen a substantial increase in gardening generally as a result of the First Lady's garden. I think I saw one statistic, 30,000 more gardens. We have seen the seed companies doing a much more robust business because of the expansion of gardens, so I think this is something that is a fairly significant movement that is taking place in the country, sort of a return, if you will, to the way we used to be.

[The information follows:]

The Department does not collect information on the number of schools that have school gardens. However, we join you in supporting school garden efforts through USDA grant programs, and through our new Know Your Farmer Know Your Food initiative. Farm-to-school encompasses many types of programs and school experiences such as planting and tending school gardens, educating children about nutrition, and of course, purchasing fresh, locally-grown farm products.

SCHOOL LUNCH PROGRAM

And the second thing I would say about the School Lunch Program and School Breakfast Program is remember the genesis of it. The genesis of it was in 1946 when there was deep concern about whether we would have enough able-bodied people to do what needed to be done to defend this country. Now you've got retired generals and admirals basically expressing the same legitimate concern. Seventy-five percent of our kids today are not physically

fit for military service. That is an issue that I think all of us ought to be concerned about, not to mention—not to bring up a sore spot, not to mention health care issues. If we think we've got problems today, a generation of—

Mr. KINGSTON. I am not debating that aspect. I would say culturally, for example, somebody like you who has had a very successful legal career, been a governor and doing a great job as secretary, did you have an allowance when you were a child?

Secretary VILSACK. I did, but my wife did not. We talked about that yesterday. And she has a better job of maintaining—

Mr. KINGSTON. Did you have household chores, for example?

Secretary VILSACK. I had to pick up the papers around my house.

Mr. KINGSTON. The reason why I ask that, I often ask people that question, did you have work to do around the house, chores, and most people over the age of 30 would say yes and then the next question is did you get something out of it? And 100 percent say, you know, actually I did. It was helpful. And when you say you do not want to have a child pay for something, I am not sure what age would be appropriate, but I do know that you can start a child on the right path at a very young age and instill a work ethic that is important.

Secretary VILSACK. I would not want to discourage—

Mr. KINGSTON. I know I am rubbing fingernails on a blackboard at this point.

NUTRITION PROGRAMS PARTICIPATION

Secretary VILSACK. I would not want to discourage participation in the program. That is another concern. And it is already difficult enough to get parents engaged in this, which is why we have—we have seen a disturbing trend, the SNAP program increasing significantly, not necessarily seeing the same level of increase in our School Lunch and School Breakfast Programs. Part of it may be that the application system is complicated. It does not get home. It does not get filled out right. We are actually looking for ways, at least as it relates to this program, where we are ensured that every youngster who needs help is getting the help.

Mr. KINGSTON. Well, I would also say, and I know I am way out of time and this is a good philosophical discussion for us, food stamps is at an all time high, WIC is at an all time high, 10 million people. So I would say you actually have a pretty good participation program and that those numbers need to go up, but I am still concerned that the lessons that so many of us had as children in terms of work, I think we lost an opportunity there.

CHARGING CHILDREN FOR SCHOOL LUNCH

Secretary VILSACK. I think we can do it without necessarily charging a nickel for lunch.

Mr. KINGSTON. As long as there is a correlation and a culture then I think that is important.

Ms. DELAURO. I will just make one comment to my dear friend, Mr. Kingston. This institution voted for \$256 billion in relief for state taxes to people who make \$3.5 million or \$7 million a year. These folks are not struggling to put food on the table. They are

eating high on the hog. The folks who are engaged in the food stamp program today can barely put food on their table. Mr. Farr.

Mr. FARR. Well, I also have to make a comment. I would be glad to invite you to the other side of my district called the other America which is the America living in a culture of poverty where those values that you may think ought to be in every family just do not exist in that culture. It is very difficult to instill those values when you are struggling just to cope because you may not be able to read and write, because you may not be able to have the skills of the job, because you did not grow up in a community or a house where you had loving parents that could support you and give you things to have chores with. I can guarantee you that kids who live in poverty have a lot of chores but they are not the same chores that you and I would have growing up. We do need to take care of that other America, and I am proud that we do.

SUDDEN OAK DEATH SYNDROME AND CONSISTENT PLANT PESTS
PROTOCOLS

Anyway, I want to switch now to plant pests. USDA regulates when there is a declared pest, plant pest, you regulate it. You also have in law that no state can have inconsistent regulations. Yet for a plant disease in California, for example, the sudden oak death syndrome, we have states that have imposed additional standards which has had an effect of excluding plants grown in California and Oregon from entering that state. And I wondered how you might be able to get involved in making sure that we have a consistent national standard that will work to essentially not allow as we have in these other states to sort of ratchet up interstate regulation wars so that we can move our product from California and Oregon and other states to states that are not allowing states with sudden oak death syndrome to transport their plants.

Secretary VILSACK. Congressman, I am not sure I am going to give you a good answer to that question other than I think we are very interested in making sure that we are spending resources to provide states with the resources and the capacities and the university systems with the capacities, A, to prevent and/or to eradicate pests and to do it in a way that allows folks to have some confidence that we respect the impact it has on markets. So, for example, we are continuing to support the National Clean Plant Network that we are trying to set up, which is an effort to try to make sure that there is seed that is protected and available. We last year or just recently announced over 200 projects that could potentially be funded. We are working with universities, with state departments of agriculture in way of providing some consistency.

And there are a number of surveys, a number of issues that are involved. This is a very complex set of issues. There is no question about it. And we are committed to trying to do what we can within our regulatory and marketing programs as well as our research programs.

[The information follows:]

APHIS is responsible for establishing Federal regulations on plant health issues including what treatments or other requirements are necessary to prevent the spread of plant pests. In this case, APHIS has been working to keep dialogue open between the two States and with other concerned States in the South on the issue

and worked to explain the risk assessment data and other scientific rationale behind the Federal regulations.

Mr. FARR. Well, you know, we are a big huge nursery state, and so is Oregon, and I think it is South Carolina that will not allow those plants in, and it is felt that that is your responsibility to make sure that states do not ratchet up additional standards which are not related to the pests that you are helping these states regulate, California and Oregon.

Secretary VILSACK. There is a fine line obviously that we draw and that we have to respect the capacity of states to make decision for themselves. At the same time, we have to make sure that whatever decisions are being made do not unnecessarily, in an inappropriate way, negatively impact market opportunities.

Mr. FARR. Yeah, I think that is all we are asking is if you have protocol for a treatment and the states have those treatments in place then sort of that fairness doctrine of other states should not say, well, then we alone are going to exclude products in that state.

Secretary VILSACK. Well, this gets to the challenge of science and whether or not folks believe our protocols are strong enough and, if not, do we need to pay attention to that. If they are strong enough, we need to be able to make a convincing case to state ag commissioners and secretaries that they—

Mr. FARR. Well, that is what we are asking.

Secretary VILSACK. There are ongoing conversations with State Ag secretaries and commissioners on a monthly basis on a wide variety of issues. The Deputy is involved in a conference call every month where these issues are discussed.

SCHOOL LUNCH PROGRAM REIMBURSEMENT

Mr. FARR. All right. Well, then we will follow up with the Deputy. You know, this school lunch program that we are talking about and whether there ought to be reimbursement, the one thing that I notice in schools is that we do not means test that kid when they get up on the morning and get on a school bus. They do not say does your family have a high income, so if it does you pay to get on this bus. If you are low income, you get on the bus free. When that child goes to school and walks into the library, they do not say, well, you have to pay to check out a book because your family is from a high income and you get the book free because you are low income. We do not means test for getting on a school bus. We do not means test for getting a library book.

But then the child stands in line to be hungry, we means test them, and it is just having the discriminatory lines in schools is just awful and we have got to just change that. People tell me that if kids who are hungry do not want to admit that they are poor because they do not want to have to stand in the line with the poor kids. What a way to separate children at an early age and start putting this discriminatory factor on it just so that we can have free and reduced meals versus paid for meals.

And it seems to me we know enough information to block grant these monies. The same census tracks, the same schools get the money every year, and why we have to go out and qualify every parent for every program in a very paper heavy process. I really appreciate your idea of using technology and electronics that if the

parents qualify for the SNAP program, or for the WIC program, then the children automatically qualify for the School Lunch Program.

Ms. DELAURO. Mr. Kingston.

FOOD SAFETY RESEARCH AT CLEMSON UNIVERSITY

Mr. KINGSTON. Thank you. Mr. Secretary, you may not be aware of this, and I do not know if the Chair knows it or not, but Clemson University is actually studying a package for any ag product but particularly meat and poultry that changes colors when the food product is no longer fresh. And that is something that—I do not know if they get USDA funding on it but it is to me a pretty exciting thing, emerging technology, and the passion that I know Rosa has for food safety and you share as well, but I wanted to mention that to you because that might be something somebody wants to look at and encourage. It is not on the market yet but they feel pretty strongly that it is marketable and that it is going to happen.

EPA REGULATIONS ON GREENHOUSE GAS EMISSIONS

Mr. Secretary, the farmers in my area are very concerned about EPA regulations on global warming, and it is very common that I hear from them on this. Have you studied what the EPA regulation will do to farmers, what is the down side of that to them?

Secretary VILSACK. Well, I do not know that the regulations have—it depends on what regulation you are referring to.

Mr. KINGSTON. Greenhouse gas emissions.

Secretary VILSACK. I think it is difficult to assess in the absence of specific proposals coming from the EPA. I would say this. I think the EPA is cognizant of the importance of agriculture and the importance of making sure that steps that are taken are not unnecessarily negative to the ability of agriculture to continue to produce the food and fiber and fuel and feed that we depend on. In talking with Administrator Jackson, I know that there is a sensitivity. I was appreciative of the fact that she allowed EPA folks to go out and visit a farm in Iowa and an ethanol production facility in Iowa, which made a difference in terms of the RFS2 and the biofuels opportunity, so I think there is an openness for learning and openness for discussion.

Candidly, I think there needs to be more of that conversation between the EPA and the farm community so that each knows what each is trying to do because I think there is potential for more agreement than disagreement. I have heard the same concerns you have heard, which is why I have encouraged that line of communication to be more open. I would also say that one of the reasons why I was supportive of efforts at setting up an offset program and system legislatively was to make sure that there were corresponding benefits. As we look at trying to deal with issues involving climate change, there should be corresponding benefits in my view from the studies that I have seen from the University of Tennessee, a corn grower study recently that major commodity groups could in fact potentially be positively impacted by the offset program, so it is a matter of how it is structured and how it is set up.

GREENHOUSE GAS EMISSIONS REGULATIONS

It could be an economic opportunity for farmers if it is structured properly. I would also say that we are cognizant of emerging markets in water and habitat conservation and that is one of the reasons why we are setting up the Ecosystem Market Program that you established in the last Farm Bill. We recognize the need for verification and validation in those markets. So I think there is opportunity here. It is just a matter of structuring it properly.

Mr. KINGSTON. Do you feel that USDA is sufficiently at the table with EPA in terms of discussions informally or formally?

Secretary VILSACK. I would offer as an exhibit the RFS2.

Mr. KINGSTON. Madam Chair, let me hold right now.

CHINESE POULTRY IMPORTS AND FOOD SAFETY

Ms. DELAURO. Secretary, we received earlier this week the first status report on Chinese chicken and what is required in the 2010 appropriations bill. I just want to make a couple comments because we are going to explore this issue again later in the year with a hearing on trade and trade and food safety. But for my colleagues, I think it is important to note that it seems to me anyway that USDA is aggressively encouraging the Chinese to seek equivalency determination for the slaughter operations, and if that is granted then they could send their own domestically raised poultry to the United States. So this is not sending U.S. or Canadian products to China, processing it, and sending it back here. This is bringing Chinese grown poultry products to the United States.

So to my colleagues on both sides of the aisle here, I think we need to think about how this impacts poultry producers in their districts and their states and just nationally. It appears as if from the letters that I have looked at that China has so far refused, flatly refused, to provide information on their new food safety law to FSIS as they are required to do. Why? Because, this is my view, the equivalency process has become about trade and not food safety, and they are going to rely on market power to get equivalency without showing that their food is safe.

ILLEGAL IMPORTS FROM CHINA

So again, as I said, this is an issue that we will explore later with a trade and food safety hearing. It is also important, I think, for my colleagues to know that products from countries without equivalencies are coming into the U.S. There have been six recalls, at least half of them involving China. I have pictures of the products here. These are products that are coming into the country illegally. And these are people with, as I say, without equivalency, half of which are coming from China. Back to the report. There are a number of actions that have been or will be shortly taken by USDA. There are a number of letters, five or more, with the Chinese government, meetings in China, meetings in Washington.

It looks like in essence here we are seeking to give equivalency to China rather than China looking for equivalency to be able to get it. So I make that statement, and I am sure that you have disagreements with it. I have heard the answer in the past, but I am frankly troubled by what I see coming out of this. But I have a cou-

ple more questions. I will make that statement. But if you would like to say something in that regard, Mr. Secretary, please feel free to do so.

Secretary VILSACK. Madam Chair, we understand our responsibility under the appropriations language that was approved, and we are making every concerted effort to make sure that we are following the letter and the intent of that direction. I think the intent is to ask the Chinese to establish and provide sufficient proof of their activities consistent with our law, and then once that is done we go to the next step, which is not necessarily approval. The next step is in-country visits to assure that there is in fact consistency and action with what the language—what the verbiage is in their rules and regulations. That would follow specific plants, inspection of specific plants. So there is quite a bit yet to be done. I do not know that I would characterize our actions in quite the same way you characterized them with respect.

In addition, we are going to continue to look for ways in which we can beef up point of entry re-inspection efforts by FSIS and provide information from other countries that are complying with the Chinese so that they are aware of the fact that this is not asking them to do more or less than what we ask anyone else to do.

LACK OF CHINESE FOOD SAFETY COOPERATION

Ms. DELAURO. In your letter to me, and I will make this my last comment, and you are preparing a response. I understand that. But the letter from China which China states that it does not need to provide any additional information on its food safety.

Secretary VILSACK. Well, that goes to the discussion we have been having with them on whether or not this constitutes going back in time or whether this is just an updating of things from the last time we corresponded. And, you know, we are continuing to have conversations with them. We are not going to go to the next step until this step has been satisfied. Of that you can be assured.

FOOD SAFETY INFRASTRUCTURE

Ms. DELAURO. That is assurance. If I can, I want to talk about food safety in general. I have concerns. I would be less than honest with you about where we are on food safety. I look at FSIS recalls this year for E. coli and Salmonella, the amount of product recalled for E. coli contamination is more than four times that in all of 2009 and more than half of that in 2008. Salmonella, single recall this year is more than half that and six recalls in 2009. There were no recalls for Salmonella in 2008. Projected out to the end of the year, you can extrapolate that recalls for both pathogens would total nearly 55 million pounds.

We seem to make progress and then we kind of fall back. I mentioned Huntington Meat before but we have now a criminal investigation because quoting USDA, and I quote, “The investigation has uncovered evidence to show that the food safety records of the establishment cannot be relied upon to document compliance with the requirements.” I strongly support HACCP. I do. But I think that we have gone too far in removing FSIS inspectors from the active role they had prior to HACCP, and we have not had oversight as to whether the company’s HACCP plans are effective. This is a

little bit like almost apples and oranges here, but it is like saying you can put a plan together.

We are going to do that with animal identification, but then it is up to you as to what you do. It is almost as HACCP, you put the plan together and then it is up to you. We do not know if the plan is effective or not or we do not have jurisdiction about whether the plan is effective or not. So again for me it is too much reliance on industry self-policing and I think Huntington is the result. Do you believe we need to modernize HACCP?

FSIS HACCP REGULATIONS

Secretary VILSACK. Yes. And I think we are proposing additional resources to make a significant step in that regard by expanding regulatory sampling and other needed efforts within HACCP. There is an additional \$10 million in the budget requesting that. I think there are a number of the infrastructure of food safety that need to be enhanced.

Ms. DELAURO. And I know with the Food Safety Working Group, one of the key recommendations was to focus on the need to give FDA and FSIS improved statutory authorities including the ability to access basic food safety records at facilities, the ability to establish performance standards to measure the implementation of proper food safety procedures, and mandatory recall authority. We are familiar with the legislation as it relates to FDA and it passed the House obviously, not yet in the Senate. But the bill in the House exempted FSIS from its provisions. What are we going to do with regard to the authorities for FSIS?

Secretary VILSACK. One of the things that we are attempting to do is to provide a strategy that focuses on prevention, focuses on enhanced surveillance and risk assessment and focuses on recovery and recall. In all three areas, we are trying to take steps to improve our safety record. So, for example, we are proposing in this budget additional strengthening of our public health infrastructure that would allow us to identify trends and utilize data more effectively to figure out if we have got emerging problems. We are proposing additional acceleration of pathogen identification. We are proposing additional resources for research in the food safety area to allow us to get ahead of the pathogen curve as I said earlier.

We are proposing a strengthening of our communication system so that the various agencies of government will communicate more effectively when there is a problem and we can respond more quickly when there is a problem. We are focusing on all 50 recommendations to the Food Safety Working Group that refer specifically to FSIS in an effort to try to implement those.

STATUTORY AUTHORITY FOR FSIS

Ms. DELAURO. Well, I understand that and I applaud that. This was a recommendation of the Working Group. FSIS has been exempted. This is about statutory authority. And I for one do not understand why FSIS is exempted from this particularly, as I see, it comes out of the recommendation of a group that is moving this initiative forward. I would hope, and I hope that you are thinking about and talking about statutory authority for FSIS. And let me

ask you this. Are you? It is kind of yes or no. Are we going to move to that with regard to FSIS?

Secretary VILSACK. Madam Chair, I think before you move there you have to know precisely what that move entails, and I think you have to make sure that the regulatory structure is in place to be able to understand and appreciate the risks that are associated with that. I mean if you take a look—

Ms. DELAURO. Mandatory recall, Mr. Secretary.

Secretary VILSACK. Madam Chair, I would be happy to have a conversation with you about case law and about regulatory administrative procedures that could potentially open up significant challenges for us to do the job that you want us to do. That is what we are concerned about, and so we are focusing on strengthening significantly our capacities.

Ms. DELAURO. I am going to take it that this recommendation of the Food Safety Working Group is not going to be implemented.

Secretary VILSACK. I would not necessarily conclude that, Madam Chair. I would not necessarily conclude that.

Ms. DELAURO. Mr. Farr.

DISCRIMINATION SETTLEMENTS FOR WOMEN AND HISPANIC FARMERS

Mr. FARR. Thank you, Madam Chair. I do not know if I had a chance to thank you for your incredible public service not only as a governor but coming to the Administration here in Washington. You have a lot of fans out in my district. Some even wanted to leave their jobs to work in the presidential campaign. There is a lot of respect for your work. It is delightful to have you here. One of the things that I wanted to just follow up on because you ended with a statement on the Pigford settlements in relation to the minority settlements for women and Hispanics. Do you agree that there has been some discrimination and that there is a class in these categories that should reach some settlement and should the settlement be as it was for black farmers, and how could that be resolved in a less arduous procedure?

Secretary VILSACK. The opportunity to settle Pigford was the result of two things. One, you had in place by virtue of a previous settlement a process by which Pigford claimants could expeditiously have their claims adjudicated because you had a class action certification by the court and you had two tracks that they could go down. Because there were late filers who did not understand the system, that process again was reopened by Congress with a specific dollar amount, \$100 million in the Farm Bill, which gave rise to the fact that that was not going to be adequate to deal with those numbers of late filer cases.

So in place you had specific dollar amounts and you had a specific process, and you had class certification. That is not necessarily the case in some of these other cases. It is clear that there are people who feel that they have been discriminated against, and it is clear that we are dealing with not a few cases, a handful of cases, but potentially thousands of cases. So in Garcia, the Garcia case has not yet been certified. It has not been certified as a class action. There was a process and went through the court system, and I do not know all of the ramifications for why it was not certified, but I know it went as far as it can go. So, therefore, you do not

have one single group of lawyers representing. You do not have a defined group of people that you are aware of precisely how many claimants there might be as you had a good sense in Pigford, and there is no dollar amount on the table.

The same thing is somewhat true in Love and Keepseagle a little bit, which is a Native American case, is a little bit different because there is a little bit more definite—it is more defined, whatever that word is. So my counsel to those who are interested in getting this resolved is either establish a dollar amount or establish a process or both, which is what you had in Pigford because if you have a dollar amount then that—

Mr. FARR. Does Congress need to do that?

Secretary VILSACK. You have done it in the past. And if there is a dollar amount then the process will be created to—

Mr. FARR. For settlement.

Secretary VILSACK. Yeah, to reach that amount. If there is a process, the process then allows you to define the number of cases that are valid which in turn leads you to an amount so that you are in a position where you know you are not paying more or less than you ought to under the circumstances, and you get a process that is far more expeditious than the process that we have been undertaking for the last 15 or 20 years.

LEGISLATION TO COMPENSATE WOMEN AND HISPANIC FARMERS

Mr. FARR. So you are endorsing the Chairwoman's process?

Secretary VILSACK. I am endorsing the Chairwoman's effort to try to get at a dollar amount or a process. Now I do not know whether the dollar amount is the right amount or not, and, frankly, I do not know anybody that really knows that because you do not know how many claims there are. But if you put a dollar amount on the table, you will find out whether that was too much or not enough, but without a dollar amount and without a process then what you have to have are plaintiff's lawyers in a room trying to settle a case and the problem with that, in some cases, is they may not represent all the people who have claims because you have no defined universe of claims. They are just whoever thinks they have been discriminated. That could be 60,000 people. It could be 600,000 people. Give us a dollar amount or give us a process or both and we can get these matters resolved. Absent that, it just becomes having to try individual cases, and in Garcia's case you are talking about tens of thousands of cases.

Ms. DELAURO. Mr. Farr, if I could just jump in here on this. The piece of legislation, Mr. Farr, that we have put together does both establish a process, a special master making the determination, and it does in fact have a dollar amount. The dollar amount is \$4.6 billion, which is in the legislation. Both process and dollar amount are in the legislation.

Secretary VILSACK. And I recognize that, Madam Chair. Again, I do not know that the \$4.6 billion is the right number or the wrong number. I just know that you got to have a number or a process or both, which your legislation does.

Ms. DELAURO. And trying to deal with full parity. We believe we can move, and obviously we need to deal with the Hispanic farmers and the Native American farmers, but on the women farmers, Con-

gresswoman Eshoo and I have introduced this legislation which has a process and dollar amount.

CATFISH INSPECTIONS RULE

Mr. KINGSTON. Mr. Secretary, our friends on the authorizing committee in the Farm Bill of '08 included catfish under USDA inspection guidelines, and I am not sure it was a great idea. As you know, it was really probably a trade move to keep Thailand or Vietnamese catfish from coming into America in full force. And there was some glitch in terms of what was a catfish and what was not a catfish. I remember there were two different kinds. I do not remember the type and the pronunciation even if I had it in front of me but what I do know is that USDA had till November '09 to promulgate the rules on it, and that has not happened even though there has been \$15 million the budget each year to come up with those rules.

Are you guys dragging on purpose on this or what is the delay? And I am not sure it might be a good thing to drag on because I know there is some real question about it.

Secretary VILSACK. There has been no intent and no purposeful delay on the part of USDA. This is a complicated set of issues. There are actually 39 different varieties of catfish and it depends on what definition you use and what scientific definition or biological definition. It is a complicated set of issues.

Mr. KINGSTON. Why do not you just tell me what the top ten are?

Secretary VILSACK. I would be happy to provide that in writing. We have submitted a suggested set of rules and a structure to OMB and it is in the process of being reviewed by OMB, which we obviously do not have complete control over, but we have submitted what we believe is the appropriate way to proceed given what we think Congress' intent was from the language of the bill, as well as the colloquy which you yourself were engaged in, which I have read.

Mr. KINGSTON. And I agree with you. It is a lot more complicated than our authorizing friends realized, and somebody said this is a great example of be careful what you wish for. Thank you.

FLORIDA RURAL DEVELOPMENT DIRECTOR

Ms. DELAURO. I just have a final couple of questions. One is for Mr. Boyd, Mr. Secretary. He could not stay. And that is the State of Florida is still without a rural development director, and just wondering when the Administration plans to fill the position.

Secretary VILSACK. We want to fill these positions as quickly as we possibly can. The process that we are utilizing is a fairly extensive and intensive process that unfortunately has caused us not to be able to do this as quickly as some would like, but our goal is to get these positions filled as quickly as possible. And we will reach out to Congressman Boyd with more specific information.

Ms. DELAURO. That would be great because he mentioned also that the FSA administrator, that position was just very recently filled so they are feeling some stress there so that would be helpful.

Secretary VILSACK. I understand.

REGIONAL INNOVATION INITIATIVE AND HEALTHY FOOD FINANCING
INITIATIVE

Ms. DELAURO. I will tell him you will be in touch. Thank you. A question on the two initiatives that you are proposing, the Regional Innovation Initiative and the Healthy Food Financing Initiative. As I understand it, the Regional Innovation Initiative is to set aside 5 percent of funding for programs in Rural Development, the Agricultural Marketing Service, the Natural Resources Conservation Service and the Forest Service. The Healthy Food Financing Initiative is 10 percent of funding from some of the same rural development and agricultural marketing programs. This means that many programs will have up to 15 percent set aside for programs such as community facilities, business, and agricultural marketing programs.

In many instances, these programs are over-subscribed by communities in need and no real increases were proposed for most of the programs to help offset the set asides. So my concerns on the initiatives, and I appreciate what you are trying to do, is what measures are you going to put in place to determine the effectiveness of these programs, how will you evaluate the success of them? Why are setting aside funding for these Initiatives more important than the loans and grants made every day through these critical programs? Who is going to make a decision on who is eligible and what will be funded?

Secretary VILSACK. This is a competitive process, so we will work through Rural Development to determine which regions are in a position with leadership and a strategic vision to be able to take full advantage of this. The purpose of this, frankly, again with all due respect to the efforts that have been underway for many, many decades to try to help these rural areas, candidly, Madam Chair, when you have a higher unemployment rate and you have a higher poverty rate and you have a per capita income that is in one study I saw \$11,000 per capita less than urban and suburban areas, and you've got an aging population and you have fewer college educated folks, and fewer high school folks, educated folks in rural America, and you've got fewer young people in rural America, I would suggest that we need to take a look at trying to do something a little differently than we have done.

And one way we can do that is by suggesting that it is not just about an individual community on its own trying to figure out this Rubik's Cube of trying to figure out economic opportunity. It is really about bringing communities together and creating enough critical mass that you actually create centers of economic activity and then surround those centers of economic activity with communities that can support the quality of life that people are looking for. And part of it is an analysis of what you do best in a community and in a region, and what with broadband, with energy title of the Farm Bill, with ecosystem markets, with our natural resources, tourism, hunting and fishing, and Know Your Farmer, Know Your Food, and local production and local consumption how we might be able to generate more economic activity than you had in the past.

GENERATING ECONOMIC ACTIVITY IN RURAL AMERICA

Now in order to do this, you need people that get this, and once you have those folks, you can show the rest of the country how you could be more effective with the resources that you have. Again, I am not necessarily being critical of the choices that were made in the past, but if you look at where resources have been invested, you are talking about relatively in many cases minimum wage. You are just slightly above minimum wage opportunities. When you invest tens of millions of dollars in convenience stores, for example, you are not necessarily creating a healthy place for someone to buy food nor are you creating an opportunity for real advancement or economic opportunity.

You are saying, in essence, rural America is a great place to drive through, and if you build a hotel it is a great place to spend the night, but you may not want to locate there. And I would like to be able to reverse that. I would like to be able to show people that there is a real future in rural America. And so recognizing that there are limited resources, we are asking for permission to take a portion of those resources and basically show how this would work. On the Healthy Food Financing Initiative, here is the reality. If you do not have a grocery store in these rural communities and these urban centers, if you do not have access to a grocery store, you do not have access to fruits and vegetables and nutritious food. It is just that simple.

And as we study this, we find that just about anybody can operate a grocery store at 95 percent success, but what you need to do is get to 100 percent success. We need to be able to have the flexibility and utilization of these tools to be able to figure out in each individual area where there is a food desert, why do you have a food desert. Is it lack of workers? Is it the cost of commercial real estate? Is it the security issues? Is it supply chain? We need to analyze that and then we need to be able to have the flexibility within our programs to be able to target resources to meet that need long enough for them to be able to get a critical mass of customers to support their operation the right way.

Ms. DELAURO. I understand that with regard to the food initiative. One of my concerns is it is 5 percent then plus the 10 percent. That is about \$50 million. I am anxious to take a hard look at what happened in Pennsylvania because Pennsylvania has been working in this effort to see what it costs. I, quite frankly, am not sure, you know, if 35 or 50 can get you to where you want to go because I understand what you are saying about the food desert. I understand about the convenience stores where people pay more. But we are looking at serious sums of money when you are looking at developers going in and putting in a place. And that is under Treasury, I understand that, your grants and loans, et cetera. But I am going to take a very hard look at—actually I talked to my colleague, Allyson Schwartz, you know, and want to find out how Pennsylvania has worked, what was the mix of state, local, federal, et cetera that would make the program work. Working model, you know, hey, those are the kinds of efforts we need to try to be engaged in.

I look at some of the programs where there are some serious—you are going to have to answer questions in terms of specifics, not just from me but from folks who are going to look at 14 percent on community facilities direct loans, 14 percent on guaranteed loans, other areas. These are—

Secretary VILSACK. What you want to be able to do is target those resources that actually result in leveraging resources and creating more economic activity.

Ms. DELAURO. Sure. I want public-private partnerships for infrastructure. I am trying to get the Administration to buy this concept and so forth and put it under Treasury so we can borrow on the capital market, and we can build roads and bridges, get it regional, out of the way, et cetera. They are telling me that it would add to the deficit. So I understand the concept and I am for it, but I also want to see that we are looking at the dollar amounts that are going to be required to get us where we want to try to go is what I am saying.

ECONOMIC RURAL DEVELOPMENT PLANS

Mr. FARR. I represent the coast and what the federal government did was a coastal zone management plan, and it required every community by states submitting these plans by local jurisdictions. We have never done that for rural America, rural economic by regions, because I agree with the Secretary. You cannot do this on a piecemeal. You got to really have a plan that includes it all. I am very keen on it because I think that the growth industry—I am Chair of the Tourism Caucus in Congress. I think the growth industry in tourism is rural tourism and it is ag tourism. I mean wine tasting is one of those. It has perfected it. But it does not have to be limited just to wine.

And because you sell the rural culture when you get people out into the rural areas, but you have to make it convenient when you bring in that outside dollar. At the same time we are selling the rural character when we do farmers markets, and Marcy Kaptur on this Committee had been very active in getting those farmers markets in urbanized, inner city areas where there is no culture of shopping for fresh foods and vegetables. So I do believe you are right, but I think the Administration ought to really require these economic rural development plans for rural America and then base all of our agencies giving and grants based on a plan that is going to carry out all these things.

Secretary VILSACK. I have been a small town mayor, Representative Farr. I have been a governor of a rural state. I have spent the last 25 years of my life trying to figure this out, and I am convinced that if we continue the current system of just focusing on individual communities making individual product applications, you are going to continue to have the same results you've got, and I think rural America deserves better.

Ms. DELAURO. I believe they do, and I think we ought to deal with resources that get us to where we want to go. And I know this Committee is prepared to do that and we want to work with you on that and take a look at what, in fact, you think it is going to cost. And if that is the case, you have to think out of the box, and that is why I talk about infrastructure in the way that I do. That

is the only way you get to growing the economy rather than just doing something for the moment, and that is what creates jobs, et cetera, for us for the future.

I am going to submit for the record questions on the Texas food stamp program and the Indiana program, on the Iowa refinery assistance program, and Farm Service Agency IT, which has been an issue of great importance to all of us on this Committee over the years in looking at what additional kinds of funds would be needed for that and what the changes are in that process and where we are going. And with that, let me say thank you to you, Mr. Secretary. I know you only have 20 minutes between this and another hearing so our apologies for the delay. But I thank you very, very much for your candor and to the rest of the team. This hearing is concluded.

UNITED STATES DEPARTMENT OF AGRICULTURE
SECRETARY OF AGRICULTURE
QUESTIONS FOR THE RECORD
HOUSE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE HEARING
FEBRUARY 24, 2010

QUESTIONS SUBMITTED BY MR. KINGSTON

CHILDHOOD OBESITY TASK FORCE

Mr. Kingston. I applaud the First Lady's initiative to combat childhood obesity. I understand the taskforce will be a partnership of private and non-profit entities. Could you please describe how the individuals composing this task force will be selected? Will there be any Members of Congress on the task force?

Response. Members of the Task Force were named by the President through his memorandum of February 9, 2010. The Task Force is chaired by Melody Barnes, Director of the Domestic Policy Council, includes the Secretaries of Interior, Agriculture, Health and Human Services, and Education, along with the Director of the Office of Management and Budget, the First Lady's Chief of Staff, and the Director of the National Economic Council.

Though the membership of the Task Force itself is made up of Executive branch officials, its charge is to identify an array of strategies that a full range of entities including government, private, and private-non-profit organizations can carry out, either on their own or in collaboration and partnership. To ensure that a full range of views and input are considered by the Task Force, it will conduct public outreach with representatives of private and nonprofit organizations, State, tribal and local authorities, and other persons interested in contributing to a detailed set of recommendations to solve the problem of childhood obesity.

COOKED POULTRY PRODUCTS IMPORTED FROM CHINA

Mr. Kingston. I am concerned with recent correspondence that indicates the Chinese are hesitant to share with the U.S. the information necessary to move forward in allowing the U.S. to import cooked poultry products from the country of China. In the opinion of the USDA, why have the Chinese have been withholding information? Is this just a misunderstanding? Can the USDA commit to work through these issues?

Response. We have provided China with clear instructions to complete the equivalence process, and will work with them to get the necessary information to act on their application.

ORGANIC FARMERS AND THE SCHOOL LUNCH PROGRAM

Mr. Kingston. How is the USDA assisting organic farmers in becoming a food source for the school lunch program?

Response. USDA has undertaken a range of activities to expand linkages between schools and smaller, local producers. Over the years, USDA has undertaken substantial efforts to promote and encourage the procurement of local agricultural products for use in these programs. The incorporation of local agricultural products in school meal programs has three major benefits. First, it provides children with healthy fresh foods to enhance the appeal of school meals. Second, it helps children to better understand the connection between the foods they eat and where those foods come from. Third, it helps support local community development and small local farmers.

On September 15, 2009, I announced a new initiative to better connect children to their food and create opportunities for local farmers to provide their harvest to schools in their communities as part of USDA's "Know Your Farmer, Know Your Food" initiative. A key objective of the initiative is to support local and regional food systems by facilitating linkages between schools and local food producers. As part of this initiative, a team of FNS and Agricultural Marketing Service (AMS) staff is working with local and state authorities, school districts, farmers and community partners to develop mechanisms to: (1) assist schools in accessing local markets; (2) enable food producers to effectively service their local schools; and (3) facilitate communication between interested stakeholders.

BIOMASS CROP ASSISTANCE PROGRAM (BCAP)

Mr. Kingston. How is the USDA addressing income limits in the BCAP program? Will they be comparable to those used for direct payments to farmers?

Response. The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) establishes a statutory income limit of \$40,000 for direct payments to farmers. Similar income limits were not imposed by the 2008 Farm Bill for payments associated with the Biomass Crop Assistance Program (BCAP).

Mr. Kingston. What is your current estimate of the cost of the BCAP program over the next five years? How did this program go from costing \$70 million over 5 years to an estimated \$500 million a year?

Response. The FY 2011 President's Budget assumes that outlays under the BCAP program will total \$1.45 billion over the FY 2010-2014 fiscal years. As you indicate, this is far higher than CBO's estimate of \$70 million over 5 years at the time of the 2008 farm bill. At that time, CBO assumed that the scope of materials covered under BCAP matching payments would be narrow and limited largely to new bioenergy crops. USDA did not limit matching payments exclusively to such crops. Under the program, a significant share of matching payments has been paid for wood products; and new bioenergy crops account for a small share of the total payments made to date.

U.S.-KOREA FREE TRADE AGREEMENT (FTA)

Mr. Kingston. What is the approximate timeline for finalizing a trade agreement with South Korea? What more needs to be done as that deal moves forward? What barriers still exist?

Response. The Office of the United States Trade Representative, the lead agency responsible for U.S. trade policy, is expected to submit its 2010 Trade Policy Agenda to Congress in early March 2010. The report is expected to note that the Administration believes this FTA has the potential to bring significant economic and strategic benefits for the United States and is committed to working together with Korea to move the KORUS FTA forward. This will involve working through a number of outstanding issues, particularly related to automobiles and beef. In 2009, the United States Government initiated a thorough review of the FTA and is consulting closely with Congress and U.S. stakeholders to identify the most effective approaches for dealing with these concerns.

ABLE-BODIED ADULTS AND SNAP BENEFITS

Mr. Kingston. Secretary Vilsack stated that the provision in the budget which allows Able-Bodied adults to collect SNAP benefits was temporary and was not intended to be a permanent change. He also indicated that this

provision is being extended since its inception in the stimulus bill because the unemployment rate is so high. At what unemployment rate will this exception cease to exist? What conditions have to be met in order for the extension to expire- has the Department considered some type of "trigger" mechanism?

Response. The time limit on SNAP participation was enacted when the unemployment rate was under 6 percent. With the reauthorization of this program coming up in 2 years, we need to review the appropriateness of a time limit and the full range of options for enhancing the self-sufficiency of SNAP participants.

Under current law, States can assign able-bodied recipients to employment and training activities. I think this makes the most sense: improving the employability of people so that they will be better positioned to find jobs as our economy improves.

GREEN HOUSE GAS EMISSIONS UNDER THE CLEAN AIR ACT

Mr. Kingston. Do you have any indication at this time what the economic affects to farmers would be from a potential rule issued by the EPA to regulate green house gas emissions under the Clean Air Act? What is USDA doing to make sure that any proposed rule issued by the EPA will not have a negative economic impact on farmers?

Response. USDA has not conducted an analysis of the economic implications to the agricultural sector of actions to regulate greenhouse gas emissions under the Clean Air Act. USDA, however, had been providing input and comment on the draft EPA regulatory action as part of the Federal regulatory review process. USDA continues to participate in the interagency process, working closely with other Agencies and Departments to ensure that rulemaking provides benefits and minimizes negative economic impacts on the agricultural community.

BROADBAND

Mr. Kingston. How much of the 2009 "Recovery Act" money for broadband has yet to be obligated by USDA or Commerce? Why do you feel the need to continue the program at the same level if large amounts of funds are still not spent from 2009? Will you propose that the period of obligation be extended or will you propose that the unused funds be returned to the Treasury? If the former, why do we need to fund 2011 at the 2010 level?

Response. Rural Development has recently closed one window for broadband applications under the American Recovery and Reinvestment Act (ARRA), and has opened a second round of application solicitation through the Federal Register. Thus far, USDA has approved about \$400 million in loans and grants from ARRA. Applications are being accepted from the second solicitation until March 29, 2010. Awards will continue to be made through the end of the FY 2010. It is anticipated that all USDA ARRA broadband funds will be obligated by the end of FY 2010.

The Rural Development fiscal year 2011 Budget proposes a broadband program level of \$400 million; a level necessary to continue the momentum to deploy broadband to rural and remote areas. In addition, the budget includes a reduction of \$15 million due to the availability of ARRA funds. A high level of interest has been expressed through applications for the ARRA broadband funding. However, due to the significant level of ARRA funding in 2010, it is unlikely that USDA will obligate a majority of the funding provided in 2009 and 2010 in FY 2010.

It is anticipated that all USDA ARRA broadband funds will be obligated by the end of FY 2010, and no extension in the period of obligation or return of funds to the Treasury will be necessary.

FOREIGN FOOD ASSISTANCE

Mr. Kingston. What methodology is used to determine which schools receive U.S. food aid? What structures are in place to ensure USDA has proper oversight of USAID?

Response. USDA has selected programs in countries that have low income as defined by the World Bank, a greater than 20 percent stunting rate among children, and a literacy rate less than 80 percent. During the next grant cycle, USDA will also be coordinating its selection very closely with the countries identified as priorities under the Global Hunger and Food Security Initiative. USDA generally allows the implementing partners to choose the schools based on agreed upon criteria, including the level of malnutrition and hunger, the existence of any school feeding programs, and community willingness to participate in the project.

USDA coordinates with USAID to ensure that our programs are having the greatest impact in countries. The Global Hunger and Food Security Initiative reinforced this effort with the emphasis on a whole-of-government approach. USDA consults with USAID on the selection and implementation of USDA programs. We seek comments from USAID and other agencies at our embassies, and we share our proposed funding decisions prior to making final awards. USDA accounting and budget staff members communicate regularly with USAID to ensure that financial information on the Food for Peace Title II Grants program is current. Regular reports on purchases and availability of funds are prepared, and the financial information is reviewed monthly.

FARM SERVICE AGENCY INFORMATION TECHNOLOGY

Mr. Kingston. With the President's FY 2011 budget proposal for USDA, are we on schedule with IT upgrades for the Farm Service Agency? Will adequate funding be requested in the future to ensure that the necessary IT updating is addressed and completed ahead of the next farm bill?

Response. Yes, FSA is on track with the implementation of Stabilization and MIDAS.

FSA recently completed the initial Stabilization activities that secured web-based platform systems and adapted "best practices" and technology to the current environment to significantly lower the risk of future stoppages. These Stabilization activities enabled FSA to improve the existing network by acquiring and using monitoring and management tools, methodologies and processes that promote optimal and efficient system performance. These are a key step in establishing a foundation for all future modernization efforts.

Progress has also been made in the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) initiative. For example, FSA used ARRA funding to release the major acquisition solicitation that was essential to start system implementation work, continue program management and governance support, and continue business process streamlining activities that leverage industry "best practices" to reduce process errors and ongoing costs.

The FY 2011 budget proposal includes the necessary resources to move ahead on schedule with IT modernization for FSA. It will support the continuation of the MIDAS project as planned along with necessary conversion of software for supporting activities to facilitate transition of FSA IT from the obsolete legacy system. In addition, the budget provides for a needed refreshment and upgrade of the Common Computing Environment to support the continued modernization process for FSA and the other service center agencies.

FSA has a plan in place to continue transforming and modernizing its IT environment and program delivery processes for 2011 and beyond. The 2011 budget requests an increase of \$95.3 million for FSA IT Systems. This includes \$38.3 million for the second installment of a multi-year request for MIDAS, \$20 million for the continued conversion of legacy system processes to web-based applications, \$36 million to "refresh" the hardware on FSA's portion of the Common Computing Environment (CCE), and \$ 1 million for IT staffing.

While funding requests have been carefully planned for and formal stabilization activities are being completed, the next major step in the modernization of the FSA IT system, MIDAS, may not be fully completed by the time of the next farm bill in 2012. However, it is expected to be more than half way to completion. The entire project does not have to be complete however, to provide benefits for farm bill implementation. Sub-tasks will be finished that will support and enhance the proper implementation of upcoming provisions in the next farm bill.

FARM SERVICE AGENCY STAFFING

Mr. Kingston. Are the funds requested by the Administration for FY 2011 for USDA's Farm Service Agency sufficient to assure staffing needs meet current farm bill demands? No staffing increases were requested despite the current farm bill requiring additional work through new programs such as SURE, BCAP, ACRE.

Response. The President's 2011 budget request includes sufficient funding resources to ensure overall effective delivery of Farm Bill programs through the end of fiscal year 2011. Some business process efficiencies stemming from modernization activities have begun to accrue and reduce some components of the field office staff work load, while new skill sets are required in particular areas such as IT. The budget includes a request for \$1 million for increased staffing to ensure appropriate contract oversight and management of the complex MIDAS project which will help enhance the agency's overall operations.

STANDARD REINSURANCE AGREEMENT

Mr. Kingston. The 2008 Farm Bill reduced support for the Standard Reinsurance Agreement by about \$6 billion. This budget proposes to take another \$7 billion in the 2011 SRA. What will be the impact on the quality and level of service farmers can expect to receive in making decisions about how best to use this important risk management program?

Response. First, let us be clear about the impact of the 2008 Farm Bill on support for the Standard Reinsurance Agreement (SRA). As scored by the Congressional Budget Office (CBO), savings attributable to Title XII of the 2008 Farm Bill, which included the Federal Crop Insurance Program, was about \$5.6 billion over 10 years. Of that amount, only about \$1.4 billion is attributable to reductions in payments to participating insurance companies. The majority of the savings (about \$2.8 billion) resulted from provisions that moved certain payments to the insurance companies from fiscal year 2012 to Fiscal Year 2013. This timing shift moved those payments outside the scoring window for the 2008 Farm Bill, but made no actual reductions to those payments. The remaining savings in Title XII of the 2008 Farm Bill are not attributable to insurance company payments or other delivery expenses. Furthermore, in the 2008 Farm Bill, Congress directed USDA to consider alternative methods to determine rates for Administrative and Operating (A&O) subsidy payments to companies, which is a feature of the draft SRA we are negotiating with the companies.

Administrative & Operating (A&O) subsidy payments for 2006 were \$959 million, a level that motivated Congress to reduce the subsidy rate in the 2008 Farm Bill and to direct USDA to seek further reductions through the renegotiation of the SRA for 2011. Since 2006, there has been a 65 percent increase in A&O subsidy payments to the insurance companies with no commensurate increase in the number of policies sold.

Managing risk is critical for all producers and every farmer and rancher deserves access to this important national program. However, geographical differences in loss patterns have resulted in dramatic differences in the concentration of companies and agents in the Corn Belt States compared with most other parts of the country. The draft SRA contains a number of features that are designed to expand the availability of crop insurance to places where there are currently few companies and agents selling policies, while ensuring that a high level of service will be maintained for those who have come to depend on it.

The draft SRA rebalances the program's underwriting performance to level the playing field across the United States. In addition, it seeks to expand the availability of crop insurance by providing insurance companies with additional financial incentives to service those areas, producers, and operations that lack the product availability and quality service that many of the Corn Belt States currently enjoy. The draft agreement will provide the non-Corn Belt States with higher reference prices which will lead to higher A&O subsidies for these lesser-served States. Additionally, the draft SRA contains a provision to give back a portion of the Net Book Quota Share to those insurance companies that sell and service the lesser-served States. Together, these provisions will provide financial incentives for companies to foster enhanced service in lesser-served areas.

Mr. Kingston. What will be the impact on competition in the crop insurance industry, i.e., how many companies do you project will be delivering the program in 5 years? 10 years? How many agencies?

Response. Under the new SRA, insurance companies can expect to earn a reasonable rate of return, receive more stable payments, and have more protection in bad years. Although some consolidation has occurred in the Property and Casualty insurance industry generally, crop insurance companies have fared proportionately better - a trend that is expected to continue under the new SRA. In fact, in early March 2010 we expect to welcome Occidental Fire and Casualty Company of North Carolina as the newest participating company to sign the SRA. I believe the imminent signing of Occidental, and the continued interest of additional insurance companies, shows that this agreement is still a very attractive business proposition that will serve the crop insurance industry well for many years to come.

UNITED STATES DEPARTMENT OF AGRICULTURE
SECRETARY OF AGRICULTURE
QUESTIONS FOR THE RECORD
HOUSE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE HEARING
FEBRUARY 24, 2010

QUESTIONS SUBMITTED BY MR. FARR

DISPARATE TREATMENT OF WOMEN AND HISPANIC FARMERS

Mr. Farr. The previous administration and the current administration rigorously opposed certifying classes for women and Hispanic farmers who have suffered discrimination identical to that suffered by African American farmers, yet with respect to African American farmers who missed the filing deadline in *Pigford*, the government moved to certify the cases as a class action and has negotiated settlement of those cases as if a class actually had been certified when, to date, one has not been. Can you explain your disparate treatment of women and Hispanic farmers on the one hand and black farmers on the other?

Response. I am committed to resolving all farmers' claims of discrimination, including the claims of Hispanic and women farmers. With respect to the *Pigford* late filers, the Department of Justice moved to certify their cases as a class in response to Congress's enactment of Section 14012 of the 2008 Farm Bill, which created a new cause of action for *Pigford* late filers. After Congress enacted Section 14012, more than 28,000 *Pigford* late filers filed individual claims against USDA in the United States District Court for the District of Columbia. Once these individual claims were filed, The United States moved to certify a class so that it could implement Congress's directive to USDA to settle the *Pigford* late filers' claims through a process that provided "expedited resolutions" of those claims. I remain committed to finding a way to resolve the *Love* and *Garcia* cases and establishing a fair process for Hispanic and women farmers to have their claims of discrimination adjudicated.

Mr. Farr. You've testified repeatedly that you need a number and a process to resolve the Hispanic and female farmer lawsuits. Suppose you put in place a dollar amount to resolve each case that would represent a cap and a process to resolve claims. Then after a reasonable period of time in which the plaintiffs would have a fair opportunity to notify absent farmers who may not know about the lawsuits so that they could file their claims, the claims could be processed and any amount not expended in processing the claims would be returned to the treasury. Would not such an approach satisfy your concern for getting a number and process in a timely fashion while affording absent farmers a fair opportunity to preserve their claims?

Response. I remain committed to resolving all of the major cases pending before USDA, including the *Garcia* and *Love* cases. USDA is currently involved in confidential settlement discussions involving both the *Garcia* and *Love* cases, which makes it difficult for me to discuss the merits of your proposal. We are currently reviewing all available options, in order to

establish a path forward that will resolve all of the major cases pending before USDA.

Mr. Farr. In that connection, there is already a bill pending in Congress that sets the dollar amount for women farmers at \$4.6 billion dollars and establishes a process. For purposes of going forward, the Department could set aside \$2.25 billion for Hispanic farmers, which is the same amount that has been allocated for black farmers in *Pigford I* and *II* inasmuch as you concede that black farmers and Hispanic farmers have suffered the same discrimination and Hispanic farmers greatly outnumber black farmers. If the Department were to adopt such an approach subject to the ability to refund to the Treasury any sums not required to cover valid claims and the cost of processing such claims, how would such a process not serve (1) the concerns you have for a number and process, (2) justice for the victims of discrimination who would have a fair opportunity to preserve their claims, and (3) the public fisc by requiring a refund of amounts not needed to cover valid claims?

Response. Due to the fact that confidential settlement discussions are currently occurring in both the *Love* and *Garcia* cases, it is difficult for me to comment about your specific proposal. I stand ready to work with Congress on legislative solutions to this matter.

Mr. Farr. During your testimony you stated that *Pigford II* and a resolution of the female and Hispanic farmers' claims could not be combined in a single piece of legislation because the black farmers have a class and the female and Hispanic farmers do not. Isn't it a fact that no class has been certified in *Pigford II*? Isn't it also a fact that you have moved to have a class certified in *Pigford II* and to date the court has not ruled on that motion?

Response. While there are a number of technical, legal differences among the various major cases pending before USDA, the discrimination suffered by a variety of groups is a sad chapter of the history of the USDA. I am committed to resolving all of these cases. The fact that certain cases have been certified as a class and addressed through congressional action while others have not is pertinent in configuring a path toward resolution, but does not change in any way my commitment to finding a way to resolve all of these matters. We are willing to follow up with you on additional details related to the unique legal and technical characteristics of the various cases.

DISCRIMINATION COMPLAINTS RESPONSE DATA REQUIREMENTS

Mr. Farr. In Section 1401(e)(1) of the 2008 Farm Bill, Congress provided certain data requirements with which USDA would have to comply in response to a complaint filed by a claimant, including "a report on farm credit loans and non-credit benefits, as appropriate, made within the claimant's county (and if no documents are found, within an adjacent county as determined by the claimant), by the Department during the period beginning January 1 of the year preceding the period covered by the complaint and ending on December 31 of the year following the period." In the Settlement Agreement, however, except for debt information about the claimant provided pursuant to Section VI.B.6 (p. 22), the Department "shall have no obligation to provide any information, documents, or discovery to the class, class members, or class counsel," how are farmers choosing Track B to demonstrate that a similarly situated white farmer received better treatment if the Department is under no obligation to produce the very information that Congress determined farmers needed to prove discrimination?

Response. Providing the loan data pursuant to Section 14012(e) of the 2008 Farm Bill would have been onerous and would have adversely affected FSA's ability to achieve its mission. With respect to demonstrating that a similarly situated white farmer received better treatment, a Track B claimant can satisfy this requirement with a sworn statement based on personal knowledge by an individual who is not a member of the Class member's family, or independent documentary evidence admissible under the Federal Rules of Evidence. Also, Track B claimants will not receive any opposition from USDA in the claims process.

PIGFORD II SETTLEMENTS AGREEMENT

Mr. Farr. In *Pigford I*, the highest Track B award was in the millions of dollars (\$6 million, I believe), under the so-called *Pigford II* agreement, recovery under Track B is capped at \$250,000 (see Section I.MMM (p. 9) and depending upon the allocation between the sum set aside for Track A payments and the number of successful Track B claimants the cap could be considerably less than \$250,000. Given these facts, how does the Department justify treating this as a non-opt out class, which means that black farmers who might be able to prove millions in actual damages must settle for literally pennies on the dollar?

Response. The parties in *Pigford II* mutually agreed that given the limited funds available to pay a large number of claimants, the fairest way to assure that sufficient settlement funds are available to be distributed to the largest number of claimants is to provide some limitation on the amount of funds allocated to pay successful Track B claims. While it is theoretically possible that a very small number of claimants could be affected in the manner you suggest, it is also important to note that the burden of proof for a Track B claimant in the *Pigford II* settlement is somewhat relaxed compared to what was required to prevail in the *Pigford I* consent decree. Moreover, unlike in the *Pigford I* consent decree, *Pigford II*

Track B claimants will receive no opposition from the USDA in the claims adjudication process.

Mr. Farr. Under the *Pigford II* settlement agreement, the Administration has left it to Congress to fund the settlement of the litigation on a class basis. Yet, if Congress were to determine that the amount requested by the Administration is insufficient to compensate adequately black farmers for the discrimination they have suffered, and were to appropriate additional funding for that purpose, Section X.A.3 of the agreement expressly provides that "this Agreement shall be void. . . ." Why does the Administration seek to block a determination by Congress concerning the funds needed to compensate black farmers for discrimination?

Response. USDA does not seek to block any such determination by Congress. The voiding provision is designed to provide USDA with the ability to negotiate modified settlement provisions should the amount of funding change for resolving *Pigford II* claims. For example, should Congress provide additional funding, it might become necessary to revisit some of the provisions discussed above relating to how Track A and Track B claims are adjudicated.

DISCRIMINATION AGAINST WOMEN AND HISPANIC FARMERS

Mr. Farr. You agree Hispanic and women farmers were similarly discriminated against?

Response. As noted above, the discrimination suffered by a variety of groups is a sad chapter of the history of the USDA. I am committed to resolving all of the major cases pending before USDA. The fact that certain cases have been certified as a class and been addressed through congressional action while others have not is pertinent in configuring a path toward resolution, but does not change in any way my commitment to establishing a resolution to all of these matters. We are willing to follow up with you on additional detail related to the unique legal and technical characteristics of the various cases.

Mr. Farr. You agree their claims should be resolved on a global basis?

Response. I am committed to resolving all of the major cases pending before USDA. The fact that certain cases have been certified as a class and been addressed through congressional action while others have not is pertinent in configuring a path toward resolution, but does not change in any way my commitment to establishing a resolution to all of these matters. We are willing to follow up with you on additional detail related to the unique legal and technical characteristics of the various cases.

Mr. Farr. You agree that they should be treated the same as black farmers?

Response. All farmers and all of USDA's customers should be treated fairly and equally. I remain absolutely committed to that principle and have made it a top priority for the Department. On April 21, 2009, I published a civil rights statement that noted, "This is a new day for Equal Employment Opportunity, program delivery, and civil rights in USDA. I intend to lead the Department in correcting its past errors, learning from its mistakes, and moving forward to a new era of equitable service and access for all." As we work to resolve all of the major cases pending before USDA, I will be guided by those commitments and will seek a just and equitable outcome for the various groups of individuals who have suffered from discrimination.

QUESTIONS SUBMITTED BY MR. BOYD

RURAL DEVELOPMENT STATE DIRECTORS

Mr. Boyd. Mr. Secretary, you know that the state of Florida was significantly impacted by the recent freeze that took hold of the South. Florida provides a significant amount of the nation's vegetables, ornamental plants, tropical fish, and fresh fruits during the winter months. This freeze has had a significant impact. I understand and appreciate that the USDA reacted quickly in declaring nearly the entire state a disaster area and eligible for FSA loans. Please continue to work with our folks to ensure the disaster funds get to those who need them.

Mr. Secretary, the state of Florida (and the Virgin Islands) still is without a Rural Development director. In fact, it was only very recently our FSA administrator position was filled. This position has been empty for an entire year. I have heard from many in my district about the slow response times and lack of concern they feel from the RD office now. Can you tell me when the administration plans to fill this position?

Response. USDA is committed to filling the Florida Rural Director position. This is the last state Rural Director left in the country, and I am as anxious as anyone to bring a candidate on board. We have talked with a few candidates and currently are keeping them abreast of the process.

AFTERSCHOOL SUPPER PROGRAM

Mr. Boyd. Mr. Secretary, the USDA operates an Afterschool Supper Program to children in 8 states through the Child and Adult Care Food Program. President Obama has a very strong goal, which I support, of ending childhood hunger by 2015. I see the President and First Lady both are working towards that goal very strongly. Can you tell me if the

Administration and Department has within this budget the funds to include this program to the state of Florida?

Response. One of my top priorities at USDA is to ensure that all children have access to a safe and nutritious supply of food. The upcoming reauthorization of the Child Nutrition and WIC programs is a significant opportunity to improve access to nutrition programs, reduce hunger, and enhance the nutritional quality of school meals. I recently announced the Obama Administration's priorities for this important piece of legislation. Not only can we enhance nutrition and reduce hunger with this legislation, we can also improve academic achievement, the health of our children, and their future productivity. The support of dozens of retired generals and admirals from the Armed Services for a robust Child Nutrition Reauthorization bill shows that the legislation can even have an impact on our Nation's military preparedness. Though Florida is not currently part of the Afterschool Supper Program, in my blueprint for the reauthorization bill, I have called on Congress to expand this important program to at-risk kids in all 50 States. This program provides extra nutrition assistance to eligible children in 14 States, and there is no reason that steps shouldn't be taken to serve the other 140,000 additional children who could be made eligible. If Congress expands this program nationwide, the children in Florida and in many other States would benefit.

BIOMASS CROP ASSISTANCE PROGRAM

Mr. Boyd. Mr. Secretary, recently the USDA began implementation of the Biomass Crop Assistance Program (BCAP). I understand that the first phase has been enacted, but we're waiting for the second phase to start. Many of my constituents have been very concerned with the first phase's emphasis on using timber in renewable energy projects at the expense of the regular timber processing plants. The timber industry is a major employer in my district, can you explain to me how the 2nd phase is expected to work and will it be fairer so that one industry doesn't get subsidized unfairly against others who use this resource?

Response. On June 11, 2009, we published a notice of funds availability (NOFA) in the Federal Register that provided for payments for the collection, harvest, storage, and transportation (CHST) of biomass materials to an approved biomass conversion facility. The Farm Bill statutory definition of "renewable biomass" used by the NOFA authorizes CHST payments for woody biomass from federal lands -- provided that the woody biomass "would not otherwise be used for higher-value products."

On February 8, 2010, we published a proposed rule in the Federal Register soliciting public comment on the implementation of the BCAP program. In addition to terminating the NOFA, the rule proposes to increase the consistency between woody biomass taken from federal lands and that taken from non-federal lands by applying the restriction on using woody biomass that "otherwise could be used for higher value products" to materials collected or harvested from non-federal lands.

The proposed rule also addresses BCAP provisions pertaining to funding for establishment payments of not more than 75 percent of the cost of establishment of eligible woody and non-woody perennial crops, and annual payments for up to 15 years for the production of those crops.

Since the rulemaking process has not been completed, I am unable to definitively state how the final program will be designed. We are aware of the concerns raised by various forestry stakeholders and are taking these concerns into account.

QUESTIONS SUBMITTED BY MR. DAVIS

FEES AND SUBSIDY COSTS

Mr. Davis. The budget for rural housing is largely financed by a change in fees for guaranteed section 502 home ownership loans. To offset the cost of the program, the budget proposes to restructure fee increases. The total revenue from these fees will drive down the cost of the guarantee from an FY 10 enacted level of \$173 million to less than .5 million for the coming fiscal year. To put this offset in context the total FY 11 proposed cost for all other RHS loan programs - section 502 (direct homeownership), section 504 (home repair), section 515 (rural rental) and section 516 (farm labor housing) is \$123 million. The proposed total cost for all rural housing programs, excluding rental assistance, is less than \$250 million.

While lenders in the guarantee program would be charged these fees, they would simply pass on that fee to the borrower in the form of wrapping the fee into the mortgage.

- a. It is unclear from the budget how those fees would fall on low-income borrowers. Would they try to tailor the fees to higher income borrowers?
- b. And, if Congress does not approve these fees what happens to rural housing?

Response. The 2011 budget requests a loan level of \$12 billion supported by establishing a fee structure that will eliminate the subsidy cost for all new purchases. The annual fee that USDA is proposing would eliminate the need for an annual appropriation to pay for the cost of loan subsidies. The up-front fee on new purchase loans will remain 2 percent, but an annual fee of 0.15 percent will be added to both new and refinanced loans. In addition, the up-front fee for refinanced loan guarantees will be increased to 1 percent. The annual fee would apply to all loans, regardless of the income of the borrower. This is the same as for the one-time fee that is assessed up-front, and can be incorporated in the loan amount. The annual fee would, instead, be applied directly to the borrower's monthly payment. The two fees, combined, would be lower than the fees charged by HUD and VA. Low-income borrowers constitute about 30 percent of USDA's single family guaranteed loan borrowers. It is anticipated that it would have minimal impact on the ability of low income borrowers to qualify for loans.

If Congress does not approve these fees, funding would need to be appropriated to pay the subsidy costs for the program.

PRESERVATION

Mr. Davis. As you know I am sponsor of HR 2876, The Rural Rental Housing Preservation Act. The purpose of the legislation is to preserve the 400,000 units of rural rental housing located in our small towns and farming communities. A 2004 USDA report that found that most section 515 project are old and need of repair and that cost to preserve the over 400,000 units in rural America totals \$2.6 billion. Thanks to the Appropriations Committee we have made steady progress in preserving these rental housing projects. From 2006-2009 RHS financed a total of \$100 million in multi-family restructurings. This funding allowed RHS to provide assistance to preserve and renovate existing section 515 developments and vouchers for families who might be displaced in the event of prepayment. As owners have seen the value of restructuring, there has been relatively little demand for vouchers. Requests for restructuring regularly total over \$2 billion per year. Since the beginning of the demonstration, RHS has financed some 300 transactions that will affect close to 10,000 tenants.

The budget proposal does not provide any funding for rental housing preservation. It does, for the first time in several years provide appropriations for section 515 new construction, which I support. My question is, why has the Department decided to give up a program that has demonstrated success and for which there is continuing great demand and demonstrated need?

Response. For the multifamily housing programs, the 2011 Budget for USDA's Rural Housing Service focuses assistance on the low- and very-low income tenant population. While repair and rehabilitation of the portfolio is important, funding through an open-ended demonstration program has been carried out since 2006 and the most cost-effective and justified repairs have been achieved. At this point, additional funding in the demonstration program could be seen as over-subsidizing the multifamily housing property owners. Meanwhile, the traditional way to fund revitalization has been through the multifamily housing direct loan program with rehabilitation loans. While the 2011 Budget proposes to terminate funding for the multifamily housing revitalization demonstration program, it proposes to increase the multifamily housing direct loan program from \$70 million to \$95 million, ensuring that more affordable rental housing opportunities are created for the very-low income tenant base in rural America.

QUESTIONS SUBMITTED BY MS. KAPTUR

ACCESS TO SLAUGHTER CAPACITY FOR SMALL PRODUCERS

Ms. Kaptur. For many small slaughter houses, access to markets has been an extremely difficult process with large producers having the resources and market share to keep small producers out of certain areas. In the 2008 farm bill congress authorized the state based meat inspection program. What

is the status of the rule to permit the interstate shipment of state inspected meat? The comment period closed on December 16, 2009.

Response. One of my top priorities at USDA is to strengthen the link between farmers and ranchers and consumers. There is growing interest on the part of consumers to better understand where their food comes from and how it was produced. The cultivation of these links can help expand markets and income opportunities for small and medium-sized producers, and can provide incentives for young people to get interested in agriculture. In addition to expanding market opportunities for producers, this trend presents an opportunity to educate the general public about the challenges and difficulties involved in raising a crop. For these reasons, we have formed the "Know Your Farmer, Know Your Food" initiative at USDA, which is designed to build on growing consumer demand and awareness of the source of their food. Along these lines, we are working to implement the Farm Bill provision to allow the interstate shipment of meat and poultry products for certain small and very small establishments. The proposed rule was published in the Federal Register on September 16, 2009 and public comments on the proposed rule were accepted through December 16, 2009.

We are taking into consideration these public comments before moving forward with the final rule. Once the rule is final, we will conduct outreach workshops to facilitate implementation.

Ms. Kaptur. My understanding is that FSIS has begun a program for outreach to promote small slaughter programs. Could you please outline the USDA programs to assist small entrepreneurs to start meatpacking operations? What kind of outreach is the department doing to make sure that information about those programs is getting out to rural areas?

Response. As noted above, one of my top priorities at USDA is to strengthen the link between farmers and ranchers and consumers. There are a number of steps we are taking to facilitate this objective, including expanded outreach to promote small slaughter operations. USDA-inspected slaughter and processing facilities are not available to small livestock and poultry producers in some areas. Small producers requiring slaughter services often serve the local needs of their community or the growing interest in forage-fed, natural, and organic meat products. We are offering programs to help close this gap, and through the "Know Your Farmer, Know Your Food" effort, we provide a full range of services to small and very small operators.

Below is a list of the steps that have been taken by the Food Safety and Inspection Service (FSIS). Our multi-pronged outreach program to small and very small plants ensures that these establishments are receiving information that is consistent, accurate, and responsive to their questions. Of course, it's worth noting that in promoting these operations, it's vital for USDA to ensure that all plants have well-designed food safety and food defense systems and fully understand the Hazard Analysis and Critical Control Point (HACCP) regulations to produce safe food.

[The information follows:]

FSIS has developed the following tools to educate small and very small plants to help them improve their food safety systems:

- Some small livestock and poultry producers lack access to USDA-inspected slaughter and processing facilities, and they have indicated that mobile slaughter units could help fill this void. As a result, FSIS is drafting compliance guidelines to assist mobile slaughter units in obtaining required grants of inspection. These guidelines are currently in the clearance process. FSIS also developed workshop materials on mobile slaughter in 2009, and on January 20 and 21, 2010, held two mobile slaughter webinars using these materials. Industry and Agency experts participated in the webinars, presenting inspection issues unique to mobile slaughter units. The webinars were recorded and are published at [http://www.fsis.usda.gov/news & events/Reg Education Videos/index.asp](http://www.fsis.usda.gov/news%20&%20events/Reg%20Education%20Videos/index.asp) and featured from [http://www.fsis.usda.gov/Small Very Small Plants/index.asp](http://www.fsis.usda.gov/Small%20Very%20Small%20Plants/index.asp) and <http://www.fsis.usda.gov/Businesses/index.asp>. A CD containing the content of the webinars was created and is available by contacting the Small Plant Help Desk.
- On December 7, 2009, FSIS announced the opening of its new Small Plant Help Desk, which provides operators of small and very small meat, poultry, and processed egg products establishments direct access to knowledgeable staff specialists who can help them find resources and information. The toll free number for the Small Plant Help Desk is 1-877-374-7435. The email address is InfoSource@fsis.usda.gov.
- FSIS developed and presented a workshop on how to obtain a Federal grant of inspection in collaboration with USDA Rural Development and the State of Washington. Two sessions were held in the summer of 2009 in Washington and Oregon and 76 people attended to learn about this process.
- FSIS established Cooperative Agreements to provide food safety and food defense seminars and educational programs to Spanish-speaking meat, poultry, and processed egg products producers. The cooperators include New Mexico State University, Pennsylvania State University, and University of Puerto Rico-Mayaguez. The projects target the unique outreach needs of Spanish-speaking producers of FSIS-regulated products.
- FSIS issued guidance in 2009 to small and very small plants on the systematic approach for humane handling. The guidance was posted on the FSIS Web site at [http://www.fsis.usda.gov/pdf/humane handling booklet.pdf](http://www.fsis.usda.gov/pdf/humane%20handling%20booklet.pdf) and mailed to operators, along with a DVD by world-recognized expert in humane handling, Dr. Temple Grandin.
- In 2009, FSIS developed a guide for the import permit process and posted it on the FSIS Web site, and also held five outreach workshops for importers to explain the import permit process to them. Nearly 280 operators participated in these sessions to learn about how to comply with regulatory guidance on the import permit process. The guide is available on the web at [http://origin-www.fsis.usda.gov/PDF/Import Permit Guide.pdf](http://origin-www.fsis.usda.gov/PDF/Import%20Permit%20Guide.pdf), or a printed copy can be

obtained by contacting the Small Plant Help Desk. FSIS is in the process of translating the guide into Spanish, Vietnamese, and Mandarin.

- FSIS collaborated with primary investigators from the University of Connecticut and Pennsylvania State University on a study of small and very small plant training needs funded by the Cooperative State Research, Education and Extension Service, now known as the National Institute of Food and Agriculture. The study was published in the summer of 2009 and is posted online at http://foodsafety.psu.edu/future_haccp/White%20Paper8.pdf.
- FSIS conducted a series of educational webinars on subjects such as HACCP plan validation, sanitary dressing procedures, and controlling pathogens such as *E. coli* O157:H7 and *Salmonella*. These seminars are recorded and posted on the FSIS web site at http://www.fsis.usda.gov/news_events/Reg_Education_Videos/index.asp.
- FSIS has developed "how to" workshops at locations throughout the country on practical subjects such as humane handling, controlling pathogens, and developing recall plans conducted by experts in these respective fields.
- FSIS maintains an extensive Web page with resources designed to meet the needs of small and very small plants, develops audio podcasts, and publishes *Small Plant News*. This information can be found at http://www.fsis.usda.gov/Small_Very_Small_Plants/index.asp.

PRODUCE SAFETY

Ms. Kaptur. FDA and USDA recently announced a joint program on produce safety. Can you tell us what that all entails? There is an effort among small produce farmers in Ohio to establish an Ohio Fresh Produce Marketing Agreement that will encompass food safety requirements. Will FDA and USDA recognize such an agreement?

Response. The Food and Drug Administration (FDA) and USDA's Agricultural Marketing Service (AMS) are working together to achieve the goals of enhancing the safety and quality of fresh produce in ways that take into account the wide diversity of farming operations. AMS is in the process of analyzing hearing record evidence in consideration of a proposal to establish a national leafy green marketing agreement for leafy green vegetables. Concurrently, FDA is developing proposed produce safety regulations. As part of the coordinated effort, the agencies plan to have testimony and evidence received from the AMS public hearings held in September and October 2010 included in the FDA docket for consideration. AMS will continue to consult with FDA as it considers any recommended decision concerning a national leafy green marketing agreement.

In addition, AMS has a staff person on detail to FDA to assist in the development of proposed food safety standards.

The national leafy green marketing agreement proposal under consideration by AMS includes a provision that would provide for coordination with existing State programs such as those in California and Arizona, and potential programs like Ohio. A final decision will not be made before mid to late 2011.

COUNTRY OF ORIGIN LABELING (COOL)

Ms. Kaptur. After many years of disagreement, Congress has finally given USDA the authority and resources to implement Country of Origin Labeling. In previous appropriations bills this committee has providing the funding for COOL, could you please update us on implementation of COOL?

Response. On March 16, 2009, the newly implemented COOL final rule took effect requiring retailers to label the country of origin on beef, pork, lamb, chicken, goat meat, wild and farm-raised fish and shellfish, perishable agricultural commodities, peanuts, pecans, ginseng, and macadamia nuts.

In May 2009, the Department of Agriculture (USDA) trained employees of State agencies who are cooperating with USDA to monitor compliance activities by conducting in-store retail reviews on the regulatory and statutory requirements. These in-store reviews began in June 2009. Approximately 37,000 retail establishments are covered by COOL.

In calendar year 2009, COOL reviews were performed during the final six months of the year in 3,871 retail stores where approximately 1.16 million item types (e.g., USDA Choice Strip Steak, company branded strip steak, bin of tomatoes, package of carrots, Tilapia fillet, etc.) were evaluated. Stores with improperly labeled item types must respond to the issues cited within 30 days of notification and describe their corrective actions. All stores to date have responded appropriately.

USDA plans to review 12,741 covered retailers as part of the routine COOL enforcement activities by mid-year. USDA provided additional training to State representatives in February 2010. AMS is also developing a database to facilitate the processing of data collected during in-store reviews.

COMMODITY SUPPLEMENTAL FOOD PROGRAM CASELOAD

Ms Kaptur. For two years in a row now, the Administration has requested robust funding for the Commodity Supplemental Food Program a dramatic change from previous administrations. In this year's request the administration asked for \$177 million for the program. Could you please provide the committee with the caseload information?

Response. We anticipate that the President's Budget request for Fiscal Year 2011 for the Commodity Supplemental Food Program will support a national total caseload of 604,931 slots, equivalent to the caseload supported nationally in 2010.

Ms Kaptur. In 2009 the CSFP program is now being expanded into 7 states including Georgia a state represented by two of my distinguished colleagues Mr. Kingston and Mr. Bishop. Could you please give the committee the update on how many caseload slots have been allocated to the State of Georgia?

Response. The Fiscal Year 2010 Appropriations Bill provided \$5 million for new States with approved State Plans but not currently participating—Arkansas, Delaware, Georgia, Maine, New Jersey, Oklahoma, and Utah. The \$5 million supported a combined total of 19,402 caseload slots for the seven new CSFP States. The State of Georgia received 2,817 slots, the maximum provided to any new CSFP State. These caseload slots were available for use beginning January 1, 2010.

Ms Kaptur. In Toledo, our food banks are short of donations while the need continues to skyrocket. In my district, unemployment ranges from a low of nearly 9% to a high of 17% in one of my counties. As the economy suffers, food banks are the first line of defense. Programs like CSFP and TEFAP provide the most accessible form of food assistance and a lifeline for millions that are faced with severe food insecurity. With all the additional dollars that this committee has provided to fill the gaps in food stamps, WIC and CSFP, these dollars are barely covering the gap of increasing food costs. If there will be a supplemental funding request, does the administration have any plans to ask for supplemental funding for either CSFP or TEFAP?

Response. During these tough economic times, it is absolutely vital to provide the nutrition assistance to help struggling families put food on the table and make ends meet. For this reason, we have acted aggressively to provide nutrition assistance and request full funding from Congress for these activities. Congress has been a strong partner in these efforts, with the passage of additional nutrition assistance benefits in the American Recovery and Reinvestment Act. In fact, that legislation afforded for approximately \$80 in additional monthly Supplemental Nutrition Assistance Program (SNAP) benefits for a family of four, resources that support good nutrition and stimulate local economies. As part of this commitment, we are continually assessing the availability of food resources. At this time, we have no plans to submit a supplemental funding request.

As you know, FY 2010 funding for CSFP supports national caseload numbers at a record level. The President's budget request for FY 2011 maintains caseload at that level. This year, \$248 million was provided for TEFAP for food purchases and \$49.5 million was provided in administrative support to States and local agencies. In addition to these funds, an additional \$60 million for cheese and other dairy products was appropriated for TEFAP in FY 2010. I will also continue to direct bonus foods to those programs to the extent those resources permit. It is worth noting that while USDA is committed to supporting the efforts of local feeding organizations, TEFAP provides a relatively small amount of food for the emergency food assistance system as a whole; the remainder comes from corporate and private donations and food bank purchases. In addition, many food bank clients may

be eligible for SNAP. Helping eligible clients to enroll in SNAP can help stretch food bank resources even farther.

CHILD NUTRITION

Ms. Kaptur. With Congress, the Administration and the advocacy communities attention now focused on Child Nutrition and the pending reauthorization, does the agency have any plans for providing federal support and the means of expansion to non-profit partners engaged in meeting the needs of children during the gap periods that the nutrition programs have been unable to accommodate?

Response. One of my top priorities at USDA is to ensure that all children have access to a safe and nutritious supply of food. The upcoming reauthorization of the Child Nutrition and WIC programs is a significant opportunity to improve access to nutrition programs, reduce hunger, and enhance the nutritional quality of school meals. I recently announced the Obama Administration's priorities for this important piece of legislation. Not only can we enhance nutrition and reduce hunger with this legislation, we can also improve academic achievement, the health of our children, and their future productivity. The support of dozens of retired generals and admirals from the Armed Services for a robust Child Nutrition Reauthorization bill shows that the legislation can even have an impact on our Nation's military preparedness. The Obama Administration's request of \$10 billion in additional funding for these programs is historic and I look forward to continuing to work with Congress to pass a strong reauthorization bill this year.

I share your concern about times when USDA's programs may not be reaching children as effectively as they can. Working with local governments, nonprofit organizations and community groups, we must continue to help bridge the nutrition gap when school is out. In my blueprint for the reauthorization bill, I have called on Congress to expand After School Suppers Program to at-risk kids in all 50 States. This program provides extra nutrition assistance to eligible children in 14 States, and there is no reason that steps shouldn't be taken to serve the other 140,000 additional children who could be made eligible. I

I am also committed to moving forward using the \$85 million included in the fiscal year 2010 Agriculture Appropriations Act to test innovative methods to improve access to healthy foods during the summer. We are currently developing a series of demonstration pilots that use improved approaches to increase the number of sponsors and sites serving children nutritious snacks and meals after school, on weekends, and during the summer. This includes the use of backpack programs, new forms of congregate feeding, and new types of program delivery that model approaches used in the WIC and SNAP programs.

I should also mention that on March 5, 2010, USDA and the Department of Health and Human Services (DHHS) sent a joint letter to stakeholders letting them know about the Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund established by The American Recovery and Reinvestment Act of 2009. States can seek 80 percent reimbursement through the fund for costs in

a set of areas which are designed to deal with a needy family's specific crisis situation or need, and do not extend beyond four months. I am hopeful that making organizations aware of this opportunity will encourage organizations to operate the summer food service program.

Ms. Kaptur. As you may be aware, the State Department of Education has made a request to USDA to provide a waiver which if granted by the administration would allow reimbursement for a weekend backpack program. The request would allow Ohio food banks to provide meals eaten on weekends and not supervised on site to receive reimbursement through certain USDA programs. Could you comment on this waiver proposal or if you are not familiar agree to work with us in the coming months?

Response. I agree that efforts to combat hunger cannot end and should not end when the school bell rings on the last day of the school week or the school year. More children report going hungry during the summer when we see a significant drop in participation in our programs. Working with local governments, non-profit organizations, and community groups, USDA must continue to build a bridge across that nutrition gap when school is out.

I understand Ohio has recently submitted a request to modify the Summer Food Service Program to permit year-round service, an increased number of meals, and the service of meals off site. I commend the Ohio for exploring new models to reduce food insecurity and improve children's nutrition status. We will review Ohio's request in light of existing authorities. It is important to keep in mind that section 12(l) of the Richard B. Russell National School Lunch Act only allows the approval of waivers that will not increase the overall cost of the program to the federal government unless the additional cost will be paid from non federal funds.

FARM-TO-SCHOOL PROGRAM

Ms. Kaptur. As the administration finalizes its request for the authorizing the child nutrition programs, please comment on your commitment to farm to school?

Response. I am committed to strengthening the link between local farmers and school cafeterias. Supporting farm-to-school programs will increase the amount of produce available to cafeterias and help support our local farmers by establishing regular institutional buyers. Many schools are using these farm-to-school programs as an important component of nutrition assistance and education.

On September 15, 2009, I announced a new initiative to better connect children to their food and create opportunities for local farmers to provide their harvest to schools in their communities as part of USDA's "Know Your Farmer, Know Your Food" initiative. A key objective of the initiative is to support local and regional food systems by facilitating linkages between schools and local food producers. As part of this initiative, a team of USDA Food and Nutrition Service (FNS) and Agricultural Marketing Service (AMS)

staff is working with local and state authorities, school districts, farmers and community partners to develop mechanisms to (1) assist schools in accessing local markets; (2) enable food producers to effectively service their local schools; and (3) facilitate communication between interested stakeholders. The farm-to-school team will help school districts understand and appreciate how they can purchase and serve these local foods. To support these activities the fiscal year 2011 President's budget request includes \$2 million for FNS and \$0.55 million for AMS.

I am confident that continuing dialogue with our stakeholders and the findings and results of the efforts of the "Know Your Farmer, Know Your Food" initiative will provide us with innovative approaches to encourage local agricultural purchases and farm-to-school success.

In addition, in my blueprint for the Child Nutrition Reauthorization bill, I have called on Congress to provide funding to support innovative farm-to-cafeteria programs across the country. I hope that this provision is included in a strong reauthorization bill that can be passed and signed into law this year.

Ms Kaptur. If you talk to school administrators and other officials they will often tell you the biggest barrier to providing local produce in schools is the capacity for cooking and preparing foods locally. It is crucial that in the child nutrition reauthorization, there are efforts to assist schools in developing this local capacity if they want to provide food from their communities. What is the administrations perspective on providing processing capacity at schools?

Response. Many schools are not in a position to take full advantage of more nutritious food because they do not have the capacity to prepare it. The American Recovery and Reinvestment Act provided \$100 million for equipment grant awards to over 5,000 school districts. Thousands of school kitchens benefitted because equipment purchases lent themselves to: improving the quality of school foodservice meals that meet the *Dietary Guidelines for Americans*; improving the safety of food served in the school meal programs; improving the overall energy efficiency of the school foodservice operations; and supporting expanded participation in school meal programs. In addition, the 2010 appropriation recently provided \$25 million for these efforts. I believe one of the priorities in Child Nutrition reauthorization efforts should be to continue to look for ways to provide resources and help both on the equipment side and on the technical side in training of school food service personnel.

NUTRITION EDUCATION

Ms. Kaptur. There is a fundamental disconnect between the food and education systems in our country. While the department of agriculture thinks about food the department of education thinks about education and in many school districts, the idea of an integrated nutrition education-feeding program is a foreign language. How does the administration intend to break this siloing and develop proposals to integrate nutrition education with the child nutrition programs?

Response. There is no question that innovative thinking and strong action are needed to address our diet-related problems, especially among our children. The First Lady's *Let's Move!* Initiative is focused on raising a generation of kids to be healthy adults by giving parents the support they need to keep their children healthy, improving the quality of food served in schools, helping our kids to be more physically active, and making healthy, affordable food available in every part of our country. The Child Nutrition reauthorization bill forms the legislative centerpiece of the First Lady's campaign and the Administration's effort to ensure the health of our youngsters.

I agree that every cafeteria ought to double as a classroom - and that schools should be challenged to make meals a learning experience. We should build on the step taken in the 2004 reauthorization bill to establish school wellness policies in every school in this reauthorization cycle by strengthening the requirement and raising the standard. Schools should work in consultation with parents to develop and implement a strong wellness policy centered on healthy eating, nutrition education and physical activity.

One of USDA's priorities is to work to ensure that all foods served in schools are healthy and nutritious. Foods served in vending machines and the à la carte line shouldn't undermine our efforts to enhance the health of the school environment. We also want to make sure that parents and students have correct and complete nutritional information about foods being served in schools. With better information and simple assessments, parents will know what is available in their child's cafeteria and can better assist their children in making the right nutritional choices. In addition to transparency, we also need to be smarter about how we serve food: Steps as simple as putting the fresh fruit in a more prominent place in the cafeteria can help kids improve their eating habits.

And we must strengthen the link between local farmers and school cafeterias. Supporting farm-to-school programs will increase the amount of produce available to cafeterias and help to support local farmers by establishing regular, institutional buyers. Many schools are using farm-to-school programs as an important component of nutrition education. USDA has begun to deploy farm-to-school teams to help school districts understand how they can purchase and serve local foods. We look forward to working across the country to strengthen this connection.

Ms. Kaptur. What new authorities are needed to integrate nutrition and education programs?

Response. I believe that every cafeteria ought to double as a classroom; that schools should be challenged to make meals a learning experience. That's why it's important for us to build on the steps we've taken in the 2004 reauthorization to establish school wellness policies in every school, by providing USDA the authority to strengthen requirement and raising the standard. I would like to see schools working in consultation with parents to implement a strong wellness policy centered on eating healthy, nutrition education, and physical activity. I would also like to make sure that parents and students have correct and complete nutritional

information about foods being served in school must also be part of reauthorization. With better information and simple assessments, parents will know what is available in their child's cafeteria and can better assist their children in making the right nutritional choices. In addition to transparency, we also have to be smarter about how we serve food. Steps as simple as putting the fresh fruit in a more prominent area in the cafeteria will help improve youngsters' eating habits.

COORDINATION

Ms. Kaptur. Mr. Secretary, you have done a great service in directing a senior official to begin the effort of closely analyzing the department of agriculture to use its authorities to support community based agriculture. Gone are the days where the only role of USDA is to support industrial agriculture. Our country is demanding more urban, community and local agriculture to serve our food. Your budget is littered with numerous programs that support the Know Your Farmer Know Your Food Program but it is divided into multiple divisions of the agency. Please outline for us the major Know your farmer know your food programs in this budget request.

Response. The Know Your Farmer, Know Your Food (KYF2) initiative is intended to strengthen the critical connection between farmers and consumers, and to support local and regional food systems. Through this initiative, USDA will integrate and emphasize programs and policies that promote locally and regionally produced and processed food; foster new opportunities for farmers and ranchers; stimulate food- and agriculturally-based community economic development; expand access to affordable fresh and local foods; cultivate healthy eating habits, and educated, empowered consumers; and demonstrate the connection between food, agriculture, community and the environment. While KYF2 is about focusing efforts and priorities within existing programs and across agencies, the 2011 budget does include some increases in programs that support KYF2. I will provide this information for the record.

[The information follows:]

Farm to School Team: An increase of \$2 million for the Food and Nutrition Service to support six full-time equivalent staff to strengthen the Farm to School Team and \$0.55 million for the Agricultural Marketing Service to participate in the Farm to School Team and increase its technical assistance and certification services that facilitate local food purchasing.

Wholesale, Farmers, and Alternative Market Development Program: An increase of about \$0.9 million, for the Wholesale, Farmers, and Alternative Market Development Program to improve access to local and regionally produced foods.

Federal-State Marketing Improvement Program: An increase of \$1.3 million for the Federal-State Marketing Improvement program, nearly double the 2010 funding level. The new funding would be targeted to grants that focus on local food marketing opportunities.

Agricultural Research Service Eastern Seaboard Project: An additional \$1 million for developing local food systems for the urban Eastern Seaboard Region. New research will assess the capacity to produce food locally that will meet the needs of a large urban population by examining the constraints imposed by environmental, economic, social and geographic factors.

Economic Research Service Local Foods Research: An increase of \$2 million for ERS, to develop data and conduct economic research on the access to affordable and nutritious local foods in low-income communities.

Sustainable Agriculture Research and Education (SARE) Program: An increase of \$10 million for the creation of a new Federal-State Matching Grant SARE Program to assist in the establishment and enhancement of State sustainable agriculture research, education and extension programs. Additionally, an increase of \$0.76 million is proposed to support research and extension that will improve soil quality and carbon sequestration, save energy and mitigate climate change as well as provide education and training for Cooperative Extension, the Natural Resources Conservation Service and other agriculture professionals.

KNOW YOUR FARMER, KNOW YOUR FOOD INITIATIVE

Ms. Kaptur. Are there any plans to provide this committee with a summary of the know your farmer know you food programs that you are requesting?

Response. In addition to the information provided above, we would be happy to brief your staff on this important initiative.

Ms. Kaptur. Could you also please provide the committee with a summary of the regulatory changes you are seeking under the know your farmer know your food program?

Response. Programs that have been identified as supporting the KYF2 initiative will operate under existing legislation and regulatory authorities. No changes are proposed at this time.

MS. Kaptur. How will Know Your Farmer, Know Your Food be integrated into the child nutrition program?

Response. Strengthening the link between local farmers and school cafeterias remains one of my priorities. I believe supporting farm to school efforts will increase the amount of produce available to cafeterias and help to support local farmers by establishing regular, institutional buyers. I have seen firsthand how many schools are using their farm to school activities as an important component of nutrition education.

On September 15, 2009, I announced a new initiative to better connect children to their food and create opportunities for local farmers to provide their harvest to schools in their communities as part of USDA's "Know Your Farmer, Know Your Food" initiative. As part of the Know Your Farmer, Know Your Food initiative, a team of FNS and AMS staff is working with local and state authorities, school districts, farmers and community partners to develop mechanisms to (1) assist schools in accessing local markets; (2) enable food producers to effectively service their local schools; and (3) facilitate communication between interested stakeholders. To support these activities the fiscal year 2011 President's budget request includes \$2 million for FNS and \$0.55 million for AMS. I expect this effort to provide information on innovative approaches to encourage local agricultural purchases and Farm to School success. These innovative approaches will be shared with school districts through guidance and other means and, as our efforts bear fruit, we will evaluate the success of our efforts.

FIVE PERCENT SET-ASIDE

Ms. Kaptur. In your budget request, you have asked for the authority to provide a 5% set aside for a variety of different agencies for nontraditional uses. As we have discussed in this committee for many years, the department of agriculture must step out of its roll in only supporting the agriculture of yesterday. For this proposal to be successful there must be strong coordination within the various departments to ensure these authorities are properly employed. Please outline for the committee how the set aside will be administered.

Response. The Regional Innovation Initiative is designed to support economic development efforts in rural America that deliver robust regional strategies focused on the region's assets. USDA is particularly interested in supporting regional strategies that take advantage of economic opportunities in rural America, including involving regional food systems, renewable energy, and new jobs related to broadband and rural recreation.

The 2011 budget includes language that reserves five percent of a limited number of programs in Rural Development, the Agricultural Marketing Service, the Natural Resources Conservation Service, and the Forest Service through April 1 to incent communities to engage in strategic regional economic planning. Funds would remain in the agencies and would not be transferred to any other accounts. Agencies would utilize existing program authorities, announcement mechanisms, and award processes. If the funds are not used by April 1, they would no longer be reserved and could be utilized for regular program activities.

HEALTHY FOOD FINANCING INITIATIVE

Ms. Kaptur. Could you please provide more detail related to your proposal Healthy Food Financing Initiative?

Response. The Healthy Food Financing Initiative will promote a range of interventions that expand access to nutritious foods, including developing and equipping grocery stores and other small businesses and retailers selling healthy food in communities that currently lack these options. Residents of these communities, which are sometimes called "food deserts" and are often found in economically distressed areas, are typically served by fast food restaurants and convenience stores that offer little or no fresh produce. Lack of healthy, affordable food options can lead to higher levels of obesity and other diet-related diseases, such as diabetes, heart disease, and cancer.

Through the Healthy Food Financing Initiative and by engaging with the private sector, the Administration will work to eliminate food deserts across the country within seven years. With the first year of funding, the Administration's initiative will leverage enough investments to begin expanding healthy foods options into as many as one-fifth of the Nation's food deserts and create thousands of jobs in urban and rural communities across the Nation.

USDA's proposed 2011 budget includes a funding level of \$50 million that will support more than \$150 million in public and private investments in the form of loans, grants, promotion, and other programs designed to create healthy food options in food deserts across the country. Of that:

- \$35 million in FY 2011 discretionary funding is to remain available until September 30, 2012 for the Secretary to use for financial and technical assistance.
- \$15 million in funds shall be made available for technical or financial assistance and shall come from a set aside of up to 10 percent of the funds made available through programs outlined in the budget request.

Of the \$50 million requested for USDA's component of the Healthy Food Financing Initiative, \$15 million would be made available for technical or financial assistance and would come from a list of relevant programs outlined in the budget request. These funds would remain in the respective agencies and within the designated programs and would not be transferred to any other account. The program dollars set aside for the HFFI would be used to support strategies for addressing healthy food needs in communities that lack these options.

HFFI projects may require a combination of grants, loans and/or technical assistance, so this effort will require close coordination among USDA agencies to ensure that dollars are leveraged and used wisely. Coordination will occur throughout the process of announcing and selecting projects and where appropriate may include the use of consolidated solicitation and application processes to ensure the most worthy projects are identified and funded.

The Agricultural Marketing Service, Rural Development, and the Office of the Secretary will work together to ensure that expertise within USDA is appropriately leveraged. AMS has considerable knowledge and expertise enhancing food access for low income populations and improving retail market access for small and mid-sized producers. Rural Development has significant expertise funding and supporting infrastructure development for purposes of economic development.

Together, the two agencies, working in concert with the Office of the Secretary, will make funding available to provide:

- technical assistance to grantees to help them with facility design, and distribution logistics, and food marketing;
- grants, loans, and loan guarantees in support of business and infrastructure development and investment, and;
- administrative support of HFFI and project evaluation.

Ms. Kaptur. Please outline for this committee the department of agriculture's activities compared to the Department of Treasury.

Response. Through the joint initiative, which was included in the President's Budget for 2011, Treasury, USDA, and HHS would make available more than \$400 million in financial and technical assistance to community development financial institutions, other nonprofits, and businesses with sound strategies for addressing the healthy food needs of communities. The initiative will make available a mix of federal tax credits, below-market rate loans, loan guarantees, and grants to attract private sector capital that will more than double the total investment. Federal funds will support projects ranging from the construction or expansion of a grocery store to smaller-scale interventions such as placing refrigerated units stocked with fresh produce in convenience stores.

Each of the three agencies brings a particular expertise and set of resources to the Healthy Food Financing Initiative. Specifically:

- The Department of Agriculture specializes in improving access to healthy foods through nutrition assistance programs, creating business opportunities for America's farmers, and promoting economic development in rural areas. USDA's proposed funding level of \$50 million will support more than \$150 million in public and private investments in the form of loans, grants, promotion, and other programs that can provide financial and technical assistance to enhance access to healthy foods in under-served communities, expand demand and retail outlets for farm products, and increase the availability of locally and regionally produced foods. USDA has a solid track record of supporting successful farmers markets, and has also invested in grocery stores and creating agricultural supply chains for them, such as in the People's Grocery project in Oakland, CA.
- The Treasury Department will support private sector financing of healthy foods options in distressed urban and rural communities. Through the New Markets Tax Credit (NMTC) and financial assistance to Treasury-certified community development financial institutions (CDFIs), Treasury has a proven track record in expanding access to nutritious foods by catalyzing private sector investment. The Healthy Food Financing Initiative builds on that track record, with \$250 million in authority for the NMTC and \$25 million for financial assistance to CDFIs devoted to helping finance healthy food options.

- The Department of Health and Human Services (HHS) specializes in community-based efforts to improve the economic and physical health of people in distressed areas. HHS will dedicate up to \$20 million in Community Economic Development program funds to the Healthy Food Financing Initiative. Through the CED program, HHS will award competitive grants to Community Development Corporations to support projects that finance grocery stores, farmers markets, and other sources of fresh nutritious food. These projects will serve the dual purposes of facilitating access to healthy food options while creating job and business development opportunities in low-income communities, particularly since grocery stores often serve as anchor institutions in commercial centers.

Ms. Kaptur. My understanding is that this proposal is separate from the \$1 billion national proposal outlined out of Philadelphia. How does this proposal differ from the proposal by the food trust?

Response. The Healthy Food Financing Initiative (HFFI) is designed for maximum flexibility to address the individual needs of specific areas that lack access to healthy food, using a wide variety of financing, tax incentive and other assistance options. It is anticipated that there will be differences in applications across states and between rural and urban areas. The basic concepts are similar to those employed in the State of Pennsylvania and advocated as a model for a national program. However, HFFI is a collaborative effort among USDA, HHS and the Treasury. Collaboration could extend to any state with programs that could be utilized, but is not simply an extension of the one that exists within the State of Pennsylvania.

ENERGY PROGRAMS

Ms. Kaptur. Historically, the Department of Agriculture has ignored all types of high value agricultural production if they are located near urban areas. As we have discussed before, Greenhouse and Nursery producers are excluded from a variety of farm programs because they are located in the city. USDA has recognized that the Section 9007 or REAP program must cover agricultural producers even if they are located near urban counties for the premiere USDA bio-energy program and has announced the intention to allow eligibility for these producers in FY 2010 but has delayed project funding for REAP in 2010. It is important that the USDA release project funding notices for the Rural Energy for America Program for 2010 soon - during the winter months when many agricultural producers have the time to work on their clean energy projects and applications. This notice has not yet been released. When will USDA release the notice for REAP?

Response. I anticipate the REAP Notice of Funding Availability for 2010 will be published in the *Federal Register* this spring.

Ms. Kaptur. Does the Department of Agriculture still intend to end the bias against non-rural agricultural producers in the Rural Energy for America

Program as directed to do so in the FY 2010 Agriculture Appropriations house report?

Response. USDA is considering this as change along with other changes. It is anticipated that this proposed rule will potentially be published later this year.

EMERALD ASH BORER

Ms. Kaptur. Funding for the emerald ash borer is provided in two separate appropriations bills, the Agriculture & Interior appropriations. While this committee has fully funded the containment of this bug through APHIS, the interior appropriations committee has begun providing funds to assist communities to replenish their communities' urban forests. In the FY 2010 Interior appropriations bill, the committee directed the secretary to consider using emergency authorities to assist our communities in dealing with this issue. What has the administration's response been to this directive?

Response. The Administration reviewed several authorities, including those related to the use of Commodity Credit Corporation funds for control of emerald ash borer (EAB). This statute is specific to the arrest, control, eradication, or prevention of the spread of insects, but does not include urban tree debris removal or replanting in the aftermath of a disease outbreak as a stand-alone activity. However, as part of larger eradication efforts, the Forest Service received CCC funding from APHIS from 2002 through 2007 to support the replacement of trees that had been ordered removed from public places. Since the EAB program shifted focus from eradication to containment in 2008, tree removal treatments have been used infrequently, therefore fewer resources have been directed toward replanting.

Ms. Kaptur. What actions has the Natural Resources Conservation Service been in assisting communities recover from this devastating scourge?

Response. NRCS is cooperating with USDA's Forest Service, State forestry agencies, and other partners to provide technical and financial assistance to rural forest landowners and to distribute technical Emerald ash borer (EAB) information to communities through local field offices. This assistance is being delivered in States that currently have EAB infestations and surrounding States that have not identified any EAB occurrences.

Technical and financial assistance is being delivered through the Environmental Quality Incentives Program and technical assistance through the Conservation Technical Assistance Program. NRCS can provide assistance to landowners with tree planting, forest stand improvement, and other conservation practices. NRCS is collecting ash seed through the national Plant Materials Program. Staff and volunteers are discussing emerald ash borer issues and seed collection with many groups and Soil and Water Conservation Districts.

Outreach activities have included news releases, blogs, posters in field offices, information meetings, and Web pages with EAB resources for landowners (e.g., New York: http://www.ny.nrcs.usda.gov/technical/ni_species/animals/eab.html, and Ohio: http://www.oh.nrcs.usda.gov/technical/ash_seed.html).

Ms. Kaptur. What other authorities does USDA have in assisting communities recover from the emerald ash borer?

Response. The Forest Service has several State and Private Forestry programs that help communities deal with tree health in our cities and towns forests. For example, the Urban and Community Forestry program, is authorized to provide financial, technical and related assistance to states to work with local governments to plant, protect and maintain trees in urban areas. Through competitive matching grants and other funding mechanisms, communities in some cases can work with state forestry agencies to remove dead trees and obtain or make trees available for replanting.

Several Resource Conservation and Development Councils (RC&D), run by the Natural Resources Conservation Service, have provided innovative programs to assist with utilization of EAB-impacted ash trees. For example, the Town and Country RC&D in Jefferson, WI sponsored a workshop for municipal managers, foresters, and arborists seeking solutions to the emerging threat of emerald ash borer. The Southeast Michigan RC&D in Ann Arbor, MI has initiated an Ash Utilization Options Project. Through demonstration projects and outreach efforts, the RC&D Council is helping communities and businesses to develop value-added products from urban trees removed due to the emerald ash borer and other causes (<http://semircd.org/ash/index.php>).

Ms. Kaptur. Please briefly comment on other efforts to develop emerald ash borer resistant trees or natural predators to this invasive bug?

Response. The emerald ash borer (EAB) is a serious invasive pest that has killed tens of millions of ash trees in both managed and natural forests throughout the Midwestern and northeastern United States since its discovery in 2002 in Michigan and Ontario. As of December 2009, EAB has spread to 13 U.S. states, and Ontario and Quebec in Canada. Regulatory efforts via early detection, quarantine, and removal of infested ash trees have had negligible success in containing its spread. Chemical control cannot be used to protect native ashes in forest ecosystems because of its prohibitive cost and potential negative impacts on the environment. Thus, the Department has focused on development of biological control approaches to reduce populations of this pest without adverse effects on the environment. I will have ARS provide more specifics for the record.

[The information follows:]

ARS is not currently conducting research to develop ash trees with inherent resistance to emerald ash borer. However, during the past 2 years, ARS scientists in Newark, Delaware, have discovered several species of EAB

natural enemies (tiny parasitic wasps) from the region of northeastern Asia (China, Korea, and the Russian Far East) where the pest originated, and additional natural enemies in recently invaded areas of North America. One of the most promising natural enemies has been introduced into quarantine from China, shown to be safe to non-target insects in the United States, reared in large numbers, and released at several sites in Michigan and Maryland in 2009.

In collaboration with the U.S. Forest Service, the Animal and Plant Health Inspection Service (APHIS), and the Maryland Department of Agriculture, two other previously introduced species of parasitic wasps were also released in these states. As of fall 2009, two of the introduced natural enemies were successfully recovered in Michigan. This was the first recovery of introduced natural enemies of EAB in North America, and demonstrates the potential for controlling this invasive pest with introduced natural enemies.

ARS scientists in Peoria, Illinois, working with APHIS, are identifying attractants for the parasitic wasps of EAB. These attractants can be used to monitor the establishment and dispersal of the introduced natural enemies.

ARS scientists also identified one accidentally introduced parasitic wasp and a number of native North American parasitic wasps that attack EAB in addition to their natural hosts. These findings are noteworthy because two species had not been found in EAB-infested zones previously studied. This suggests that these natural enemies may also be important in suppressing populations of EAB in North America.

ARS scientists at Newark will continue to search for new natural enemies of EAB for potential use in biological control programs against this invasive pest, study the impact of these native and introduced natural enemies on EAB populations, and develop effective mass-rearing technologies for these natural enemies to support the large-scale use of biological control agents against the pest. In support of this effort, the ARS Sino-American Biological Control Laboratory in China has reared these natural enemies and searched for additional natural enemies. Additionally, ARS scientists in Ithaca, New York, working in collaboration with the U.S. Forest Service, Michigan State University, and Cornell University, have shown that a commercially available fungus-based biopesticide is effective against adult EAB. Scientists are studying ways that fungal sprays can be incorporated into managing beetle infestations on larger, high-value trees. In this biological control approach, infected beetles can spread the fungus from areas where applications are made. The scientists have found that naturally-occurring fungal strains also cause infection of EAB.

Scientists at ARS in Ithaca discovered the first infestation of emerald ash borer in New York. They are collaborating with scientists at ARS Newark, U.S. Forest Service at East Lansing, Cornell University, the State University of New York at Syracuse, and the New York Department of Environmental Conservation to develop and implement a plan to incorporate the introduction of biological control agents with the state's response to the borer infestation discovered in 2009.

Related to this, ARS scientists in Beltsville, Maryland, and Peoria, Illinois, working with APHIS, are improving baits for attracting male and female EAB adults. EAB is difficult to detect and adults disperse before infestation is detected. Two natural oil distillates that are similar to volatile chemicals produced by bark-damaged trees can be used to bait traps,

but are more attractive and effective if improved by the addition of volatile-related compounds. However, these related compounds are very difficult to synthesize. Once ARS researchers develop a method for efficient synthesis of these attractant chemicals, they will be employed in lure traps of various designs. These systems will be used to more effectively detect EAB and, potentially, to lure beetles to disperse insect pathogens for biological control of the beetle.

In addition to natural oil distillates, ARS scientists in Peoria, Illinois, are also working on the pheromone(s) of EAB, which could be used as additional attractants for the adult beetles.

Biological control also depends on accurate identification of the pest species. With support from the State Department, ARS researchers in Beltsville, in collaboration with the ARS laboratory in China, the U.S. Forest Service, and the Russian Academy of Science, will be conducting research to aid in the identification of EAB and related species of wood-boring beetles. The Beltsville laboratory also conducts critical research on identifying biological control parasites for the EAB.

As previously stated, ARS is not currently conducting research to develop ash trees with inherent resistance to emerald ash borer. Nonetheless, ARS researchers from Ames, Iowa, and Washington, D.C., are acquiring and conserving seeds of ash species native to the United States that can be incorporated into ash tree breeding programs and that can help prevent ash extinction in the United States. These collections are safeguarded in USDA ARS National Plant Germplasm System (NPGS) genebanks in Ames, Iowa, and Ft. Collins, Colorado. ARS researchers also are developing new methods for storing ash budwood under ultra-low temperature genebank storage conditions. In the near future, ARS researchers in Washington, D.C., will analyze the genetic relationships among ashes from the United States and elsewhere. Researchers at the Ohio State University, Columbus, have demonstrated that some Asian ash species (e.g., Manchurian ash) are more resistant to EAB than are North American ashes, and are determining the mechanisms of resistance. Also, the ARS is funding collaborative research with the Morton Arboretum (near Chicago, Illinois) to evaluate other ash species from Europe and Asia for inherent resistance to EAB. This genetic information, plus the ash seeds in NPGS genebanks, will be valuable tools for re-introducing ash trees into U.S. forests and urban areas, and for breeding new ash varieties with desired growth traits, adaptation to U.S. climates, and resistance to the EAB.

VALUE ADDED PRODUCER GRANTS

Ms. Kaptur. The USDA Request for the Value-Added Producer Grant Program (VAPG) is for level funding. I am glad to see there is continued support for this important economic development tool, though would like to find ways to increase its funding level back up toward its previous farm bill level. I assume you will be announcing the awards for the 2010 competition soon. I am concerned, however, that the 2010 Notice of Funding Availability has not been issued yet. What are your current plans and timeline for getting the new NOFA out the door? We need these funds out in rural and urban communities supporting the creation of new businesses and creating new jobs. I trust there will not be further delay.

Response. It is possible that applications for the 2010 funding could be solicited this year and awards made in early 2011.

Ms. Kaptur. Also, I am aware there were problems with the 2010 NOFA with respect to at least two issues. For awards under the beginning farmer funding set-aside, farm coops and businesses were required to be composed of 100 percent beginning farmers.

Is the Department aware of many farm coops or farm businesses other than single proprietorships that are made up entirely of new farmers? I would be surprised if there were any, but certainly there cannot be many.

Response. USDA does not have data on the number of farm coops or farm businesses that are composed of 100 percent of beginning farmers. However, the 2009 NOFA required that applicants who applied for the 10 percent reservation of funds or scoring points for beginning and socially disadvantaged to farmers and ranchers submit documentation. Both the definition of "Beginning Farmer or Rancher" and that of "Socially Disadvantaged Farmer or Rancher" are consistent with those used by the Farm Service Agency (FSA) for its farm credit programs. The definition of "Socially Disadvantaged Farmer or Rancher" refers to a 51 percent ownership requirement. The 2008 Farm Bill requires that the definition of Beginning Farmer or Rancher have the same meaning as that used by FSA.

Ms. Kaptur. What possible rationale was there for the 100 percent requirement?

Response. The 100 percent requirements of the 2009 NOFA relate to the category for which the applicant may apply, not to basic eligibility. For example, a farmer or rancher cooperative was required to apply as a farmer or rancher cooperative. Cooperatives that are 100 percent owned and controlled by agricultural harvesters were required to apply as an independent producer. Cooperatives that are not 100 percent owned and controlled by farmers and ranchers or agricultural harvesters could still apply as majority-controlled producer based business ventures. Of the 320 eligible applications received under the 2009 NOFA, 55 or 17 percent applied as Beginning Farmers or Ranchers, all as Independent Producers with the exception of one co-op. This represents applications aggregating to \$5.1 million. Further, there are 32 applicants that identified themselves as small socially disadvantaged for an additional aggregate amount of \$5 million (only 2 applicants identified themselves in both categories). Given that \$18 million was appropriated for the VAPG program, approximately \$1.8 million will be available for beginning and socially disadvantaged farmers and ranchers under the 10 percent reserve. Once the reserve amount is awarded, the remaining applicants will be considered for regular funding based on descending order of scores, until all funds are exhausted.

Ms. Kaptur. Will a more appropriate, common sense standard be set in the 2011 NOFA to measure whether a particular VAPG project substantially includes beginning farmers?

Response. These are issues that are being addressed in the development of potential new regulations for the program.

Ms. Kaptur. I am also aware that farmers submitting VAPG proposals were told they were not allowed to provide in-kind matching support by participating in developing of their business plans. While assistance from third parties can be quite helpful, farmer participation and ownership of their own business plan would seem to be incredibly important to the ultimate success of the value-added enterprise. Does the Department intend to fix this problem in the new NOFA?

Response. This issue is being considered in the potential regulation being developed for the program and reflected in subsequent NOFAs.

RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM (RMAP)

Ms. Kaptur. USDA announced it would issue the Final Rule and NOFA for the Rural Microentrepreneur Assistance Program (RMAP) at the beginning of January 2010 but has not published either yet. There is now \$13 million in 2009 and 2010 dollars waiting to be made as grants and loans for very small rural businesses. This is an important part of any rural jobs initiative. What is the anticipated date for publishing the rule and NOFA?

Response. We anticipate that an interim rule will be published late in the spring and that the NOFA will follow shortly thereafter.

QUESTIONS SUBMITTED BY MR. JACKSON, JR.

YOGURT AS A DAIRY OPTION FOR WIC

Mr. Jackson. Mr. Secretary, I would like to applaud you for the expansions the USDA has made in the Women, Infants and Children (WIC) Program to improve access to fruits, vegetables and whole grains to program participants as recommended by the National Academies Institute of Medicine (IOM) Study.

The IOM study also included the recommendation that yogurt be included as a dairy option for women and children participating in the program, which the USDA has not yet implemented.

Mr. Secretary, would you please explain the USDA's decision with regards to yogurt and will you consider the inclusion of yogurt as a possible dairy option in the WIC program in the coming years?

Response. On December 6, 2007, an interim rule revising the WIC food package was published in the Federal Register. The revisions align the WIC food packages with the 2005 Dietary Guidelines for Americans and infant feeding practice guidelines of the American Academy of Pediatrics. As you note, the interim rule revisions largely reflect recommendations made by the Institute of Medicine (IOM) of the National Academies in its report, "WIC Food Packages: Time for a Change," with certain cost containment and administrative modifications found necessary by the Department to ensure cost neutrality. Cost neutrality is important to ensure the program's ability to serve the greatest number of eligible women, infants, and children. While the IOM recommended adding yogurt to the WIC food packages as milk substitute for children and women, to maintain cost neutrality, the interim rule did not include yogurt. The cost is prohibitive, \$413.9 million over 5 years, and we determined WIC participants can receive the calcium provided by yogurt through other foods authorized in the revised WIC food packages.

In the interim rule, we specifically solicited comments from State agencies about the extent to which WIC participants would benefit from the addition of yogurt, and whether that addition would be achieved in a cost-effective way. In particular, comments were sought on the impact of adding yogurt for women. We also solicited comments as to the feasibility of rebate agreements between yogurt manufacturers and individual States, so that yogurt could be provided to specific participant groups in the WIC Program while maintaining cost-neutrality. State agencies have all implemented the new food package changes. The interim rule comment period ended on February 1, 2010. We are currently analyzing the comments and will issue a final rule as expeditiously as possible.

HEALTHY FOOD FINANCING INITIATIVE

Mr. Jackson. Millions of Americans in low-income, urban and rural communities, like in parts of my Congressional district, live in economically depressed "food deserts" where residents are reliant on fast food,

convenience stores and liquor stores for their groceries. High-fat, high-sugar processed foods are abundant in these communities, while grocery stores and healthy food options are out of reach to so many.

The \$400 million Healthy Food Financing Initiative, proposed by the Administration, seems like a model program which will expand access to nutritious foods through grocery stores and healthy food retailers.

How will the Healthy Food Financing Initiative affect predominantly low income, urban communities, like my district?

Response. The Healthy Food Financing Initiative will promote a range on interventions that expand access to nutritious foods, including developing and equipping grocery stores and other small businesses and retailers selling healthy food in communities that currently lack these options. Residents of these communities, which are sometimes called "food deserts" and are often found in economically distressed areas, are typically served by fast food restaurants and convenience stores that offer little or no fresh produce. Lack of healthy, affordable food options can lead to higher levels of obesity and other diet-related diseases, such as diabetes, heart disease, and cancer.

Through the Healthy Food Financing Initiative and by engaging with the private sector, the Administration will work to eliminate food deserts across the country within seven years. With the first year of funding, the Administration's initiative will leverage enough investments to begin expanding healthy foods options into as many as one-fifth of the Nation's food deserts and create thousands of jobs in urban and rural communities across the Nation.

To help community leaders identify the food deserts in their area, USDA recently launched a Food Environment Atlas (www.ers.usda.gov/FoodAtlas/). This new online tool allows for the identification of counties where, for example, more than 40 percent of the residents have low incomes and live more than one mile from a grocery store. Nationwide, USDA estimates that 23.5 million people, including 6.5 million children, live in low-income areas that are more than a mile from a supermarket. Of the 23.5 million, 11.5 million are low-income individuals in households with incomes at or below 200 percent of the poverty line. Of the 2.3 million people living in low-income rural areas that are more than 10 miles from a supermarket, 1.1 million are low-income.

The initiative will enhance access to healthy and affordable choices in struggling urban and rural communities, create jobs and economic development, and establish market opportunities for farmers and ranchers.

Effective local programs have shown that well-targeted financial and technical assistance can create viable businesses that provide healthier options in communities that lack access to healthy foods. These investments not only improve food options, but also create jobs, help revitalize distressed communities, and, importantly, open up new markets for farmers to sell their products, which can provide an economic boost to rural America. By better connecting producers and consumers, a stronger connection can be built between cities and rural parts of the country and help create new opportunities for farmers and ranchers. This initiative is part of a broader commitment to promoting economic recovery, including support for small

businesses and job creation. It is also part of the Administration's efforts to revitalize neighborhoods and communities by employing place-based approaches--strategies that target the prosperity, equity, sustainability and livability of places.

QUESTIONS SUBMITTED BY MR. OBEY

LOCAL FOOD PURCHASES

Mr. Obey. Recently, a reporter in my district set out to unravel the food chain for commodity food purchases of "processed beef" for the school lunch program. They wanted to find out if the federal government was feeding the children in their community "processed beef" - meaning beef trim sanitized with ammonia.

He talked to the local school, which said to talk to the state. The state said to talk to the companies. The companies said to talk to USDA. USDA said to talk to the companies. In essence, no one would answer the question.

The Agricultural Marketing Service (AMS), which purchases beef products for the school lunch program, says that AMS does not require any special labeling when this processed beef is used in AMS-purchased ground beef.

It seems that nobody but the supplier knows what is in the "processed beef", not AMS, the State, the local school, or the parents of the children eating this beef.

AMS did point out that schools are not required to order AMS-purchased commodity beef and can instead use the cash reimbursement they receive from USDA to purchase beef products.

Unfortunately, there is a major flaw in this option. Because the suppliers use "processed beef" and provide the beef in bulk to the federal government, schools cannot afford "not" to buy the AMS purchased beef. They will pay a much higher price for beef bought on their own.

I realize you have initiatives that will help farmers to supply directly to local school systems but how will any of these initiatives solve the price disparity issue on ground beef for these local schools?

Response. USDA's local food initiatives are focused on increasing access to nutritional food, supporting local and regional food systems, enhancing the link between consumers and farmers and ranchers, and expanding income opportunities for small and mid-size operations. The USDA Farm to School team is reviewing procurement issues related to local foods for schools, including costs and distribution issues. We are looking at how we can establish programs that could assist schools in making purchases of local products.

To address your concerns about food safety, I want to assure you that this is one of my top priorities and that we are committed to a comprehensive, coordinated approach for the National School Lunch Program (NSLP) that focuses on prevention. First, only beef that has successfully completed the inspection requirements by the Food Safety and Inspection Service is eligible to enter into the NSLP. Furthermore, the Agricultural Marketing Service (AMS) imposes strict requirements on food purchased by USDA for the NSLP to ensure that the food served to our children is safe, such as routine testing of all ground beef products for pathogens before any product is delivered. In addition, all school cafeterias are required to be

inspected at least twice per year and to have a Hazard Analysis and Critical Control Point (HACCP) plan in place. During recalls, USDA works aggressively with State and local partners to alert them of public health risks. But, we can always do a better job and we are committed to continuous review and improvement of our processes. I recently directed the Agriculture Marketing Service, Farm Service Agency, Agriculture Research Service, Food Safety and Inspection Service, and Food and Nutrition Service to work together to enhance school food safety. Steps are already being taken to review the program protocols, including a National Academies of Science review, to enhance recall notices, and to establish a School Food Safety Center of Excellence.

QUESTIONS SUBMITTED BY MS. EMERSON

DEREGULATION OF BIOTECH PRODUCTS

Ms. Emerson. What is USDA doing to defend the lawsuits on deregulation of biotech products, specifically Roundup Ready alfalfa and Roundup Ready sugar beets?

Response. Federal courts have issued decisions in the cases concerning Roundup Ready (RR) alfalfa and Roundup Ready (RR) sugar beets. I have asked APHIS to provide information for the record.

[The information follows:]

In the alfalfa case (Geertson Seed Farms, Inc., et.al. v. Mike Johanns, et. al.), APHIS is complying with the court's final judgment that an environmental impact statement (EIS) be prepared. Intervenors, including Monsanto, requested a Supreme Court review of certain other aspects of the court's decision. The Supreme Court granted the request for review. The issues to be reviewed by the Court involve the scope of the injunction issued by the district court pending completion of the EIS. USDA assisted the Department of Justice in the preparation of the government's brief to the Supreme Court, which was filed the first week in March. Oral argument before the Supreme Court is scheduled for April 27, 2010. USDA will be represented by the Solicitor General's Office of the Department of Justice at oral argument.

In the RR sugar beets litigation (Center for Food Safety, et. al. v. Thomas J. Vilsack, et. al.), the district court has determined that APHIS did not adequately document the potential environmental impacts of RR sugar beets. A final judgment has not yet been entered. The litigation continues in the district court as the court considers what remedies are appropriate based upon the court's finding that APHIS had not adequately complied with NEPA requirements. A preliminary hearing on potential remedies was held on March 5, 2010. Further proceedings in the remedies phase of the case are currently scheduled for June, 2010. The district court granted permission for Monsanto and affected sugar beet processors and growers to participate as intervenors in the remedies phase of this case.

PIGFORD - LATE FILER PETITIONS

Mrs. Emerson. Last Friday, USDA announced funding for the settlement of the late filer petitions in the *Pigford* Case. During the last settlement USDA detailed hundreds of Farm Service Agency credit specialists from across the country to Washington for weeks at a time to compile the cases for the original settlement. Will USDA work to address late filer settlement claims in a manner that does not hamper the FSA's ability to deliver credit services to producers?

Response. USDA recognized that the Farm Service Agency (FSA) lacks the staffing resources to play a significant role in implementing a large settlement of the late filer petitions in the *Pigford* Case and worked with the Department of Justice to ensure that implementation of the settlement would not require a major commitment of staff resources. Implementation of the proposed settlement assigns a minimal role to FSA and little or no impact on FSA field staff is expected.

BIOENERGY FOR ADVANCED BIOFUELS

Ms. Emerson. This fall, the Department of Agriculture decided to limit the participation in the Section 9005, Bioenergy Program for Advanced Biofuels to companies with at least 51% US ownership. This decision denied American workers the opportunity to benefit from a program designed to increase domestic biofuels production. This decision denied American farmers the opportunity to sell increased commodities in a local market. And this decision decreased the production of domestic biofuels.

Is there a way, administratively, to correct this inequity - to providing a foreign company hiring American workers, and purchasing American commodities - access to the Section 9005 program? Because as I understand the decision, Congress did not limit participation to domestic companies, and that the Administration could have implemented this program according to Commodity Credit Corporation regulations, which is where the funding originates, in a manner that would allow foreign participation; but instead chose to follow Rural Development regulations which limit foreign participation?

Response. The Department made an administrative decision to limit eligibility under the 2009 NOFA to entities that were at least 51 percent American owned. The 2008 Farm Bill did not statutorily direct this requirement. The reason it was included in the NOFA issued for the 2009 funding is that it has been a long standing policy for operating the Business and Industry program. Rural Development will be conducting notice and comment rulemaking on the implementation of Title 9 programs. The Department expects to receive comments on this issue during that process. Regulations for the program are still under development.

THURSDAY, APRIL 22, 2010.

**DEPARTMENT OF AGRICULTURE, OFFICE OF
INSPECTOR GENERAL OVERSIGHT**

WITNESS

PHYLLIS K. FONG, INSPECTOR GENERAL, U.S. DEPARTMENT OF AGRICULTURE

MS. DELAURO OPENING REMARKS

Ms. DELAURO. The hearing is called to order. Good morning.

First let me welcome our speaker today, Phyllis Fong, the Inspector General of the U.S. Department of Agriculture. As you all know, Ms. Fong is the senior official responsible for audits, evaluations, investigations, and law enforcement efforts relating to the USDA's programs and operations, and really the go-to official for dealing with questions of waste and fraud at the Agency.

As such, today counts among more of the more important hearings held by this subcommittee. And I want to say "thank you" to you, Ms. Fong, for being with us today, and providing the testimony. And I am going to leave it to when you begin your testimony to introduce your fellow panelists.

Overall, it seems like OIG is doing a very good job of monitoring the expansive program areas at the USDA.

Since the start of Fiscal Year 2009, the USDA IG has issued nearly 80 audit reports on topics including the ARRA Oversight, the Economic Recovery Program Oversight, Food Safety, Organic Products, Animal Fighting, Public Safety, and the integrity of numerous payment and loan programs.

We here on the Subcommittee rely heavily on these IG reports in an effort to evaluate the successes and the shortcomings of USDA programs.

Some of your findings over the past year have been eye-opening, to say the least. According to your reports, USDA is falling short in how it carries out a range of programs, including producer eligibility for financial support, the organic program, and perhaps most troubling, one of USDA's most solemn responsibilities, that's food safety.

On this latter front, IG reports have questioned the integrity of our food safety enforcement, and even the very system we use to evaluate the success of food recall.

In addition, some longstanding problems, such as residues of pesticides, heavy metals, and antibiotics in our meat continue to plague our public health and safety.

And OIG has found that there is an across-the-board need to improve program administration, and a particular problem of coordination involving multi-agency initiatives.

So I hope that today we can walk through some of your findings, talk about ways to ensure the OIG's valuable recommendations are integrated into USDA operations. Implementation of your recommendations is as important as the studies themselves. And the Department must work hard to ensure that any systemic problems afflicting the Department are addressed.

At a time of fiscal constraint, when we are working overtime to ensure that every penny in this coming budget is well spent, the last thing we want is to have you take the time and the effort to produce these reports, and then to have your recommendations and findings collect dust on a shelf somewhere, while faulty programs continue.

With that in mind, I wanted to mention the staffing situation at OIG. The Fiscal Year 2011 budget before us proposes an appropriation of \$90.3 million for OIG, a 1.8 percent increase, or \$1.6 million increase over last year's level.

While the number of full-time equivalents at OIG will remain steady at the estimated 2010 level of 600.

After conducting some research, I discovered that over the past 30 years since OIG was established, the number of FTEs in the office has gone from 970 in 1980 to 550 in 2009, a reduction of 43 percent. That's a lot of manpower to lose. And I want to make sure, Ms. Fong, that you feel that OIG still has the staff and the resources in place to meet its critical obligations at the Agency.

I say this, because, as you know, USDA's programs are not only very wide-ranging, but often extremely complex. And the OIG's office is fundamental to the Department's proper functioning.

With that in mind, Ms. Fong, I appreciate your dedication to the long-term strength and integrity of the agencies that you review. As with previous years, I am sure that my colleagues and I will express great frustration at times today about problems at the Department.

However, there is a recognition here that you are not the problem, and that you are testifying today simply to highlight the problem areas that exist.

So we thank you for your great work. And now let me yield to my colleague from Louisiana. Rodney.

MR. ALEXANDER OPENING REMARKS

Mr. ALEXANDER. Thank you, Madam Chairman. Ms. Fong, as always, welcome. We're glad for you to be here today.

This subcommittee greatly recognizes the important role that you and your staff provide us, and giving us information that we need and proper oversight in the investigations that you are conducting.

One of the most important roles, of course, that you play is reviewing the existing laws and regulations, and making recommendations to Congress as to how we can have a more effective USDA.

They're extremely important functions that you carry out, and we are anxiously waiting to hear your testimony today, and would like to ask some questions about what some of your requirements are, what some of the auditing work is that you're doing.

So we look forward to hearing your testimony. Thank you.

Ms. DELAURO. Thank you, Mr. Alexander. Ms. Fong, we would be delighted to hear your testimony, and understand that the full testimony will be part of the record. And you are welcome to summarize in any way you might want to.

Thank you.

Ms. FONG. Thank you.

MS. FONG OPENING STATEMENT

Good morning, Chairman DeLauro, Mr. Alexander, Mr. Hinchey. It's a pleasure for all of us to be here again to testify before you and to give you an oversight of what we are doing at OIG.

And before I start, I'd like to introduce my colleagues here this morning.

Starting on this side of the table, we have Jack Lebo, who is the Deputy Assistant IG for Management, and is our expert on budget questions and resource; Karen Ellis, who is the Assistant IG for Investigations, manages our Criminal Investigation Program; Gil Harden, our new Assistant IG for Audit, manages that program for us, the heart of what we do in many ways; and Bob Young, whom I think many of you know was formerly the Assistant IG for Audit, is now in a new capacity with us, in charge of our Recovery Act Oversight, which is a very big part of our portfolio these days.

With that, as the Chairwoman recognized, we have submitted a full written statement. So I just want to offer a few comments on the areas that we have been really focused on in the last year to 18 months.

Basically, the two areas that I would like to highlight for you today are the work that we are doing to oversee Recovery Act funds within USDA; and the work that we are doing in Food Safety, as you recognize, a very important priority for us.

In the Recovery Act arena, as you all know, USDA received a tremendous amount of money in a number of programs to address the economic situation in the country. And as part of the oversight of those funds, the Subcommittee saw fit to give OIG about \$22 million to provide oversight.

And so we have engaged in a plan to look at every dollar in recovery funds that is coming into USDA. We have a plan to look at every program that is receiving recovery money, in order to make sure that the potential for fraud, waste, and abuse is minimized, and that those funds are being delivered effectively.

I want to highlight for you that we have, as part of that oversight program, developed a new way to provide recommendations to the Department. Instead of waiting until the end of, say, a lengthy audit process to come up with a comprehensive list of issues, what we are doing now is going in, looking at internal control issues, looking at eligibility issues. And at the point where we find significant issues that we want to raise to management's attention, we do that in a real-time way, so that the Department can take action quickly and ensure that the money goes in the right direction.

And I think we have been quite successful in issuing those. We issued about 30 of those what we call "fast reports" last year, and got very good response from the Department's program managers.

They recognized the issues, and in many cases took action to straighten out or strengthen their internal controls.

In a number of areas, of course, we still have concerns, and so we are continuing to do audit work to ensure that those programs are running effectively.

The next area that of course we want to just spend a few minutes on is the area of food safety. And as you recognize, we have issued several very significant reports this past year.

We looked at inspections at a beef processing facility in California, and what that meant for the inspection process that FSIS engages in.

We looked at beef recall procedures. We looked at harmful residues in beef. And we did a comprehensive look at the organic program.

And we will be very happy to talk about those audits in detail in response to your questions.

And of course, in addition to doing work in these two areas of very important priority to all of us, we are doing, as we always do, the full panoply of work across the broad array of USDA programs, including nutrition programs, farm programs, rural development, and USDA's financial management and IT security activities.

These are areas that we continue to devote a substantial amount of time to, because of their significance.

In closing, I'd like to thank the Committee for the support that you all have shown to us, both in terms of encouraging us in our oversight, and in terms of providing resources to us. You have done more above and beyond the call of duty, in many ways, in terms of giving us oversight resources for the disaster programs that came out a few years ago, for the Recovery Act, and of course in our annual appropriations. And we do truly thank you for that support.

I'd be happy to talk to you about our request.

And with that short summary, we stand ready to address your questions.

[The information follows:]

**UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL**

**STATEMENT OF THE HONORABLE PHYLLIS K. FONG
INSPECTOR GENERAL**

Before the
Subcommittee on Agriculture, Rural Development, Food and Drug
Administration, and Related Agencies

Committee on Appropriations

U.S. House of Representatives

April 22, 2010



Good morning, Chairwoman DeLauro, Ranking Member Kingston, and Members of the Subcommittee. Thank you for the opportunity to testify about the Office of Inspector General's (OIG) Fiscal Year 2011 Budget Request and provide information about our recent audit and investigative work. My testimony today will summarize a number of the most important oversight projects and investigations we performed in fiscal year (FY) 2009 and 2010 to date.

During this period, we issued a total of 78 audit reports regarding Department of Agriculture (USDA) programs and operations. We obtained \$131 million in potential monetary results by reaching management decision with USDA on our recommendations. In that time period, we reported 866 convictions and \$179 million in potential monetary results as a result of OIG investigations.¹

I will begin my testimony with an overview of our work to assess and improve the Department's Recovery Act programs and operations, cover our most significant recent audit and investigative activities, and conclude with a summary of the President's FY 2011 Budget Request for OIG.

OIG Oversight of USDA's Recovery Act Activities

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided USDA with \$28 billion in additional funding for an array of programs and activities. Among the USDA programs funded by the Recovery Act are farm loans, watershed protection, nutrition assistance, wildfire management, capital improvements and maintenance, and rural development. With the Subcommittee's leadership, the Recovery Act also provided OIG with \$22.5 million to oversee the USDA programs funded by the Act; these funds are available through FY 2013.

In response to this call for additional oversight, in 2009 OIG modified its audit and investigative programs, added staff to handle the additional workload, and reprioritized its current work. Along with expanding the scope of audits already in process, we added 54 additional audits that were specifically designed to address Recovery Act programs.

Our approach to auditing Recovery Act-funded programs involves three phases that will be implemented over the next several years. In the first phase, we are reviewing USDA agencies'

¹ Audit monetary impacts are derived from funds put to better use and questioned/unsupported costs, as established by Congress in the Inspector General Act of 1978. The components of our investigative monetary results include fines, recoveries, restitutions, claims established, and administrative penalties, among others.

documented internal control procedures relating to Recovery Act programs. In the second phase, through field reviews, we are evaluating program delivery, reviewing participants' eligibility, and ensuring Recovery Act funds are being used for their intended purposes. In the third phase, we will evaluate program performance measures and how accomplishments and results are reported by USDA agencies.

As of April 1, 2010, we have issued 12 audits regarding the Department's Recovery Act programs and operations. Our audits addressed USDA's internal controls over loan and grant processing, management of the Supplemental Nutrition Assistance Program (SNAP), actions taken in response to prior audit recommendations, aquaculture grants, and Forest Service (FS) contracting and grants management. We have also issued another six audits relevant to USDA's Recovery Act activities that were in process when the Act was passed. These audits examined programs that subsequently received Recovery Act funding, such as the rehabilitation of flood control dams, broadband loans and grants, nutrition assistance, and rural development. At present, we have 34 Recovery Act audits in process, with 10 additional audits scheduled to start in the coming months.

We have also developed a new reporting process to provide USDA agency managers with prompt feedback regarding the use of Recovery Act funds; these "fast reports" convey issues to program managers as soon as they are identified. Fast reports are then consolidated and issued in a formal audit report at a later date. As of April 1, 2010, we have issued 30 fast reports addressing matters such as business and industry loans, contract issuance and management, Recovery Act reporting, housing loans, nutrition assistance, farm operating loans, water and waste disposal grants and loans, and floodplain easements. For example, the fast report we issued concerning SNAP found the budgetary estimate for SNAP had increased significantly since the original estimate included in the Food and Nutrition Service's (FNS) Recovery Act Plan. The change was not consistently or timely reported on Recovery.gov and associated agency websites.² The Department agreed to work with the Office of Management and Budget (OMB) and the Recovery Board to establish a process for changing estimates reported on these public websites.

Our Investigation Division has been working to ensure the integrity of Recovery Act programs by investigating allegations of potential fraud, preparing to conduct investigations, and implementing a

² The original estimate totaled more than \$19.8 billion through fiscal year 2013. This amount increased to \$65.8 billion through fiscal year 2019 when estimated for the fiscal year 2011 budget.

whistleblower allegation program. To accomplish these goals, we developed a two phase approach. As part of the first phase, we are increasing fraud awareness training for Federal, State, and local officials involved in the disbursement and administration of Recovery Act funding from USDA.

In the second phase, we are assessing complaints and referrals OIG has received to ascertain if criminal investigations should be opened. As of April 9, 2010, OIG has received 31 referrals relating to USDA Recovery Act contract awards and 20 complaints to our hotline. Our goal is to expeditiously evaluate any concerns raised about USDA's Recovery Act activities and expenditures, and ascertain if there is potential criminal activity or, alternatively, administrative issues. As of April 9, 2010, we have identified no criminal activity in our reviews of Recovery Act referrals and complaints.

Goal 1: Strengthen USDA's Safety and Security Measures for Public Health

One of OIG's most important goals is to protect public health and ensure the wholesomeness of the food reaching both U.S. consumers and consumers in foreign markets. In FY 2009 and the first half of FY 2010, we completed several important oversight projects related to food safety. We also completed work related to other USDA activities potentially affecting public safety, such as assessing the ongoing rehabilitation of aging dams throughout the country.

Evaluating Food Safety Controls Prior to Slaughter of Cattle

In 2008, when videos came to light documenting the abuse of cattle awaiting slaughter at a meat packing company in Chino, California, the Food Safety and Inspection Service (FSIS) oversaw the company's recall of approximately 143 million pounds of raw and frozen beef products—the largest recall in U.S. history. OIG's audit of conditions at the slaughter facility determined there was not a systemic failure of FSIS' inspection process, but that plant personnel acted deliberately to bypass required inspections.

OIG investigators continue to work closely with the U.S. Attorney's Office and FSIS to investigate the events that took place at this facility. Meanwhile, in 2009, OIG audit's work on this beef recall led to three major audits concerning the quality of beef processed in the United States.

Evaluating the Recall

Given the unprecedented size and scope of this beef recall, OIG evaluated whether FSIS effectively oversaw the recall, verifying if the packing company contacted beef distributors, retrieved the potentially contaminated meat, and properly disposed of it. We also assessed whether FSIS had implemented corrective actions in response to recommendations OIG made in two prior reports on the agency's recall process.

While FSIS had generally taken appropriate actions in response to our prior recommendations, we found that FSIS needs to improve how it evaluates the success of its recalls. To determine if a recall has been successful, FSIS samples and follows up with distributors who have received potentially adulterated beef. The agency, however, had no procedures to replace sampled distributors who were found not to have actually purchased any of the recalled beef. The size and completeness of the sample is important because FSIS depends on statistical projections to support its overall conclusions concerning a recall's effectiveness.

In this recall, 41 percent of the companies FSIS contacted had not received the recalled product and therefore should not have been used to evaluate the recall—some were out of business, some did not sell meat at all, and others never purchased any of the recalled beef. We also found that FSIS needs to implement written procedures to ensure that all of its district offices follow a standardized and statistically valid process for evaluating recalls. FSIS agreed with OIG's recommendations to strengthen agency procedures to evaluate recalls.

Evaluating Controls over Residues in Cattle

Another public food safety issue facing the United States is the contamination of meat with residual veterinary drugs, pesticides, and heavy metals. "Residue" of this sort finds its way into the food supply when producers bring animals to slaughter plants while they have antibiotics or other drugs in their system. When the animals are slaughtered, traces of the drugs remain in these animals' meat when shipped to meat processors and retail supermarkets, and eventually purchased by consumers. In cooperation with the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA), FSIS inspectors are required to sample and test animal carcasses to verify that beef is not contaminated with harmful residue.

Our March 2010 report found that the National Residue Program is not accomplishing its mission of monitoring the food supply for harmful residues. For example, FSIS, FDA, and EPA have not established thresholds for many dangerous substances (e.g., copper or dioxin), which has resulted in meat with these substances being distributed in commerce. To address these serious shortcomings in the National Residue Program, FSIS, EPA, and FDA need to take steps to improve how they coordinate with one another.

Acting on its own initiative, FSIS can strengthen the National Residue Program by requiring slaughter plants to increase their controls when processing dairy cattle and bob veal calves. Our analysis shows that plants handling these animals were responsible for over 90 percent of residue violations. The agency can also do more to focus on repeat violators—producers who have a history of bringing to slaughter animals with residue in their system. FSIS agreed with our findings and recommendations.

Purchasing Ground Beef for Federal Nutrition Assistance Programs

The Agricultural Marketing Service (AMS) purchases ground beef products for use in Federal nutrition programs. Our newly-released audit found that the agency had significantly improved its procedures to ensure that contracted ground beef suppliers comply with purchasing requirements. However, our audit found that further improvements are still needed. AMS has not made a formal determination as to whether ground beef suppliers should be required to obtain bonding or insurance to safeguard the Department against possible monetary losses resulting from major product recalls. The agency needs to strengthen its criteria to hold suppliers accountable for their non-conformances, and to properly track non-conformances to ensure that ground beef suppliers meet eligibility requirements for continued program participation. In addition, AMS needed to strengthen its controls over the selection of product samples for laboratory testing and the laboratory testing process itself. This would provide increased assurance that ground beef products purchased for Federal programs meet quality and safety standards. AMS officials agreed with OIG's findings and recommendations.

Overseeing the National Organic Program

The public's interest in environmental concerns and food produced with fewer pesticides and chemicals has led to increased focus on USDA's National Organic Program. Over the past decade, the organic industry has grown between 14 and 21 percent annually. In 2008, it sold more than \$24.6

billion in agricultural products. Administered by AMS, the National Organic Program is responsible for ensuring that when consumers purchase foods labeled “USDA Organic,” those foods meet uniform standards.

Our recent audit of the National Organic Program found that program officials need to improve their process for handling complaints and taking appropriate enforcement actions. For example, AMS did not take enforcement action against a farming operation that marketed nonorganic mint under USDA’s organic label for two years. Other farming operations continued to improperly market their products as organic while AMS considered enforcement action, which in some cases took as long as 32 months.

Organic products must originate from farms or operations certified by agents accredited by USDA. These certifying agents grant organic certification upon determining that an operation’s procedures comply with regulations. We found that AMS did not ensure that its certifying agents consistently enforced the requirements of the organic program so that products labeled as organic meet a uniform standard. AMS officials agreed with OIG’s findings and recommendations.

OIG has also investigated criminal schemes to defraud the National Organic Program. In February 2010, as a result of a joint investigation involving OIG agents, the owner of an organic commodities company in Texas was sentenced to 24 months imprisonment and ordered to pay \$520,000 for falsely certifying that conventionally grown crops (grain sorghum, beans) were organic.

Rehabilitating Aging Dams to Address Public Safety

Since the 1940s, the Natural Resources Conservation Service (NRCS) has assisted in the construction of more than 11,000 dams, many of which have reached (or will soon reach) the end of their planned design lives and need rehabilitation. Congress appropriated over \$159 million from FYs 2002 to 2007 to assist dam owners in rehabilitating these structures, most of which are owned by local governments and utilities.

Our 2009 audit found that instead of first coordinating with State dam agencies, NRCS selected dams for assessment as they were volunteered by their owners, regardless of the potential threat to life and property or their proximity to the end of the planned design life. Six years after the program was initiated, NRCS had not assessed 1,345 of 1,711 high-hazard dams (79 percent), and has spent \$10.1

million to assess and rehabilitate lower hazard dams. (The failure of a lower hazard dam is unlikely to result in loss of life.) NRCS lacks authority to compel owners to take any particular action, even in the case of a dangerous high-hazard dam. NRCS officials agreed with OIG's findings and recommendations.

OIG Investigations: Food Safety

OIG considers investigations involving food safety our highest priority due to the potential impact on the health and well-being of the American public. In our food safety investigations we typically see various schemes such as product tampering, adulteration, the falsification of documents, smuggling, and inhumane slaughter. Within the last year, we completed a number of noteworthy food safety investigations as illustrated by the following two cases.

The first involves a Texas food company that schemed to defraud several Middle Eastern food companies as well as the U.S. military, which relies on these companies to provide food to its troops in Iraq and Afghanistan. The owner of this food company forged USDA export certificates and Halal certificates, and directed his employees to wipe expiration dates off the products and stamp new dates on them. In July 2009, the owner pled guilty to charges that he conspired to defraud the Government. He was sentenced to serve 24 months in jail and ordered to pay \$3.9 million in restitution to the Federal Government.

The second significant OIG food safety investigation involved the seizure of smuggled duck and other meat/poultry products aboard cargo ships at Port Elizabeth, New Jersey. The importer attempted to illegally bring the products into the United States by not listing them on the ship's manifest, thereby avoiding USDA inspection. A multi-agency investigation found that the food products originated from China, which was prohibited from exporting poultry to the U.S. The owner of the American import company ultimately pled guilty to conspiracy in February 2010. To date, this investigation has resulted in Federal fines in excess of \$6.7 million being imposed on several companies and their owners.

Animal Fighting Investigations

Animal fighting is a crime that has gained national attention recently due to several high profile investigations. OIG has been involved in investigating animal fighting for several years because of

the effect these activities have on animal health, as well as human public health and safety concerns. The animals used in these illegal activities can introduce diseases into the United States. Individuals participating in animal fighting operations are also often implicated in illegal activities involving firearms, drugs, contraband, gambling and, in some instances, public corruption. In FY 2009 and the first half of FY 2010, our animal fighting investigations resulted in 405 individuals being convicted and monetary results of approximately \$223,000.

An OIG investigation disclosed that the former sheriff in Luray, Virginia, was accepting campaign contributions to protect an illegal cockfighting and gambling operation at the local sportsman's club. He was also using his position to conduct other improper activities, such as misusing inmate labor for personal gain. Due to OIG's investigation, the sheriff resigned from his position and was ultimately sentenced in December 2009 to 19 months imprisonment, 2 years of supervised release, forfeiture of \$75,000 to the Federal Government, and approximately \$5,000 in other monetary penalties. The sportsman's club was also fined and several associated individuals received prison terms ranging up to 18 months.

It may be of interest to the Subcommittee that one of OIG's animal fighting investigations has broader implications and could establish a precedent regarding the First Amendment to the Constitution. OIG and several other enforcement agencies³ jointly investigated a Virginia man suspected of selling dogfighting videos across State lines in violation of a 1999 Federal law prohibiting depictions of cruelty to animals. Our investigation disclosed that the man was in possession of dog fighting books, videotapes, and other dog fighting paraphernalia. In one of the first trials of an individual prosecuted under the 1999 Federal law, the man was convicted on three counts of selling depictions of animal cruelty. In July 2008, the U.S. Court of Appeals for the Third Circuit overturned the man's conviction, finding that the 1999 law violated First Amendment freedom of speech rights. The Department of Justice, thereafter, asked the Supreme Court to review the case; the Court accepted and oral arguments were presented in October 2009. A decision is expected sometime this year.

³ The U.S. Postal Inspection Service and the State police departments of Virginia and Pennsylvania.

Goal 2: Strengthening USDA's Program Integrity and Improving the Delivery of Benefits

OIG has also completed a number of projects intended to ensure that USDA programs are reaching the people who most need and are eligible for program benefits. These projects range from audits verifying the accuracy of payments made to farmers to investigations resulting in the prosecution of individuals who defraud SNAP.

Determining the Accuracy of Financial Assistance to Peanut Producers

From 2002 through 2007, the Farm Service Agency (FSA) provided more than \$1 billion in financial assistance to peanut producers. FSA determines how much assistance is needed based on weekly average peanut prices published by the National Agricultural Statistics Service (NASS). Even very small changes in peanut prices can result in significant changes in the amount of assistance provided—a penny one way or the other equals roughly \$33 million a year. Our March 2009 audit found that NASS' peanut prices are not based on reliable market data. Since there is no public commodity market for peanuts, NASS solicits price data from peanut buyers. Their participation is voluntary and confidential by law, and NASS does not verify the data they provide. Without mandatory and verifiable price reporting, FSA has no assurance that its program payment rates depending on NASS' published prices correspond to a true market price. FSA officials generally agreed with OIG's recommendations.

Improving USDA's 2008 Disaster Relief Response

The Disaster Relief and Recovery Supplemental Appropriations Act of 2008 provided USDA with extensive supplemental funding for disaster relief assistance to individuals and communities affected by the hurricanes and flooding in the Midwest and South (primarily) that year. Due to the initiative of this Subcommittee and your counterparts in the Senate, the Act provided OIG with \$5 million in supplemental no-year funding for oversight of the Department's emergency relief activities.

Our disaster relief oversight program has focused on whether USDA agencies have implemented the internal control improvements regarding emergency benefits that OIG recommended after assessing their response to the 2005 Gulf Coast hurricanes. That experience demonstrated that management controls regarding emergency assistance eligibility and program oversight are vital to prevent the waste or misuse of USDA disaster funding. OIG's audit program for USDA disaster relief activities programs is assessing the Department's short-term emergency relief assistance and its longer-term

rebuilding efforts. We are currently reviewing aspects of USDA 2008 disaster relief operations such as the Emergency Watershed Protection Program and the Emergency Conservation Program.

Ensuring that All Farm Loan Recipients are Treated Fairly

A provision in the 2008 Farm Bill required OIG to review how FSA was processing foreclosures to “socially disadvantaged” farmers (i.e., women and minorities) to ensure that all loan recipients were being treated fairly, and in conformity with the law. By analyzing FSA’s actions at critical points in the foreclosure process, we found that FSA generally followed its established process in servicing and foreclosing loans to socially disadvantaged borrowers and that the agency’s decisions conformed to applicable laws and regulations. We did find a few instances where FSA did not technically conform to prescribed timeframes for some policies and procedures; however, there was no statistically significant difference between how socially disadvantaged borrowers were treated compared to the rest of the population.

OIG Investigations: USDA Benefit and Farm Programs

Ensuring the integrity of benefits provided by USDA programs is the hallmark of the investigative work we do. OIG investigations of criminal activity in USDA’s largest program—SNAP—resulted in 250 convictions and over \$44 million in monetary results in FY 2009. I would like to highlight for the Subcommittee several noteworthy OIG investigations regarding USDA benefit programs that achieved significant sentencing and/or restitution orders in FY 2009.

- An Illinois store owner and employee conspired with at least five additional retail grocery stores to illegally exchange SNAP benefits for cash. Together, the owner and his employee were sentenced to 83 months of incarceration and ordered to pay \$6.3 million in restitution to USDA.
- An Oklahoma entity receiving Child and Adult Care Food Program benefits made false statements and claims on monthly meal reimbursement records to fraudulently obtain additional meal reimbursements. The director was sentenced to 41 months imprisonment and ordered to pay \$1.6 million restitution to the U.S Government.
- Kentucky business owners fraudulently used the same collateral to secure two bank loans guaranteed by USDA’s Rural Business Cooperative Service. In February 2009,

the owners pled guilty to bank fraud, wire fraud, and money laundering, and were sentenced to 27 months and 30 months imprisonment, respectively. They were ordered to pay \$4.5 million in restitution to USDA and two other entities.

In FY 2009, OIG also completed several investigations into fraudulent activities involving FSA and Risk Management Agency (RMA) programs. These are some of the most complex investigations we conduct, as they often involve large monetary amounts and voluminous documentation. In this area, OIG found that:

- A Florida farming entity received over \$1 million in fraudulent crop insurance payments. The OIG investigation resulted in the corporation being ordered in March 2009 to pay \$1.1 million in restitution to USDA. The farmer was ordered to pay in excess of \$460,000 in taxes and penalties to the IRS.
- A Missouri farmer made false statements to obtain loans, convert collateral, and commit bank fraud. In September 2009, the farmer pled guilty to all charges and was sentenced to nine months incarceration and ordered to pay \$550,000 to the Federal Government.

Goal 3: OIG Work in Support of USDA's Management Improvement Initiatives

OIG continuously monitors risks to USDA programs to assist the Department in identifying and correcting programmatic concerns, and to improve overall Department management.

Enhancing the Integrity of the Federal Crop Insurance Program

RMA oversees private companies that sell crop insurance policies to American farmers. The total liability for this insurance has increased markedly in recent years—from 2005 to 2009, total liability increased from \$35 billion to approximately \$91 billion. OIG found that RMA needs to take a number of steps to strengthen its oversight of this industry. Above all, it needs a comprehensive, systematic, and well-defined strategy for improving the integrity of the crop insurance program, including a strategy that coordinates the various activities being conducted by the different RMA divisions. In order to use RMA's limited compliance resources as effectively as possible, the strategy should focus those resources on program vulnerabilities, which we recommended RMA determine by performing a risk assessment. We identified steps RMA can take to strengthen its oversight of the

crop insurance companies that are responsible for much of the day-to-day operations of the program. Such steps include improving the agency's review of large insurance claims and holding the private insurance companies responsible when RMA finds that they made errors while processing claims. We continue to work with RMA officials on corrective actions to address OIG's recommendations.

Strengthening the Security of USDA Information Technology

Over the last decade, USDA has improved its information technology (IT) security, but many longstanding weaknesses remain. In 2009, the Department implemented its Cyber Security Assessment and Management System to provide it with current agency security information and enhance the Department's oversight capabilities. USDA still needs to take steps to address a number of security weaknesses, such as developing a Department-wide plan for addressing IT security vulnerabilities, updating software, addressing vulnerabilities, deploying both encryption and the Federal Desktop Core Configuration, and using standard security settings. With such a large and diverse Department, ensuring that all agencies comply with these standards will take time and resources. The Office of the Chief Information Officer is continuing to work towards these goals.

Financial Statements for Fiscal Years 2008 and 2009

Pursuant to the Chief Financial Officers Act of 1990 and OMB guidance, Federal OIGs are responsible for annual audits of Departmental and agency financial statements to obtain reasonable assurance that the financial statements are free of material misstatements. USDA's FY 2008 and 2009 consolidated financial statements received an unqualified opinion, as did the FY 2008 and 2009 financial statements for five other USDA entities.⁴

OIG Investigations

In order to promote integrity of Departmental operations and activities, OIG has responsibility to investigate incidents of severe misconduct and potential criminal activity by USDA personnel. The following OIG investigations involving former USDA personnel resulted in sentencing in FY 2009:

- A former FS employee in Wisconsin was found to have misused purchase card convenience checks and misappropriated almost \$320,000 over a 4 year period. In May 2009, she was

⁴ Rural Development, Commodity Credit Corporation, Forest Service, Food and Nutrition Service, and Federal Crop Insurance Corporation.

sentenced to 12 months incarceration and ordered to pay \$320,000 in restitution to the Federal Government.

- In December 2009, a former FSIS employee was sentenced in the Southern District of Mississippi to 11 months in prison and 3 years of probation for threatening and pointing an assault rifle at OIG agents. OIG agents had been sent to interview the former employee after he made threatening phone calls to the FSIS Regional Director. The individual pled guilty to one count of assaulting, resisting, or impeding Federal employees.

Goal 4: Improving USDA's Stewardship of Natural Resources

USDA provides leadership to help America's private land owners and managers conserve their soil, water, and other natural resources. Our goal in auditing these activities is to increase the efficiency and effectiveness with which USDA exercises stewardship over natural resources.

Encouraging Farmers and Ranchers to Become Good Stewards of the Land

NRCS' Conservation Security Program (CSP) provides financial assistance to producers who meet the very highest standards of conservation and environmental management. OIG assessed NRCS' CSP administration for one fiscal year in which the agency was authorized \$259 million in financial assistance for prior year contracts and new signups for conservation practices, as well as technical assistance to develop conservation plans. Of the approximately 4,400 contracts for the new signups with first year payments totaling \$51 million, we sampled 75 contracts that totaled \$11.8 million. We found that half (38 of 75) were given to participants who did not qualify for the program. NRCS relied on applicants to provide accurate information, but did not confirm key information that would help verify producer qualifications. Agency officials agreed with OIG's recommendations and we continue to work with NRCS on appropriate corrective actions.

Forest Service

Employing approximately 30,000 employees and overseeing 193 million acres comprising 175 National Forests and Grasslands, FS is USDA's largest agency. While FS is not within the Subcommittee's funding jurisdiction, our recent FS oversight work is worth briefly mentioning because OIG devotes substantial resources to the agency's operations. We have recently issued 3 significant audits on 1) the purchase and maintenance of aircraft for FS wildland firefighting

activities, 2) FS plans to replace critical fire personnel as they retire, and 3) the agency's use of contracted labor crews to fight fires.

OIG Investigations: Forest Service

Whenever an FS employee is killed by a wildfire entrapment or burnover, OIG is required by law to conduct an independent investigation.⁵ Thus, when five FS firefighters fighting the Esperanza Fire died due to a burnover in October 2006, OIG investigated the circumstances of their deaths. Our Wildland Fire Investigation Team (WFIT) found that there was no evidence of misconduct or unauthorized agency actions involved in the fatalities.

OIG's FY 2011 Budget Request

Before concluding, I would like to comment on the President's FY 2011 budget request for OIG. We are sincerely grateful for the support of the Administration and of the Congress—particularly the Members of this Subcommittee—during this budget process. Your ongoing support and interest in our work has enabled us to consistently provide constructive oversight for a wide array of USDA's extensive programs and operations.

Over the last five fiscal years, the total appropriation available for OIG was approximately \$413 million. The potential dollar impact of OIG's audits and investigations for this same period was \$1.36 billion, resulting in cost savings and recoveries of approximately \$3.29 for every dollar invested in our oversight work.

We respectfully ask that you support the President's FY 2011 request of \$90.3 million for OIG. This appropriation would be an increase of \$1.6 million over our FY10 level, and would provide:

- \$1 million for 2011 mandatory pay costs;
- \$162 thousand to support investigator training, which includes required Federal law enforcement training, training peer counselors for Critical Incident Stress Management, and continuing legal training to maintain the current professional standards set for OIG staff;

⁵ 7 U.S.C. 2270(b).

- \$394 thousand to support the Council of Inspectors General on Integrity and Efficiency (CIGIE, or the Council).

Pay cost increases are needed to maintain current staffing levels to enable OIG to carry out important oversight work in areas such as food safety, program integrity, and Departmental management. Approximately 86 percent of OIG's budget is dedicated to personnel compensation. The remaining 14 percent is expended for contract services and rental fees (7 percent); travel (5 percent); and supplies, equipment, and telecommunications (2 percent). This leaves very limited flexibility to OIG managers to absorb mandatory pay increases.

The President's request provides funds to support CIGIE, which is an organization of 69 Federal IGs established by the Congress via the IG Reform Act of 2008.⁶ As authorized by the Congress, the Council's mission is to address integrity, economy, and effectiveness issues that transcend individual agencies, and increase the professionalism of the IG workforce. USDA OIG is a member of the Council and serves as its first elected Chair. To fund CIGIE's activities and responsibilities and fulfill its legislative mission under the IG Reform Act, the Administration has included \$394,000 in the budgets of 15 OIGs, including USDA OIG. Your support for this request is essential to funding this newly established Council.

We would be pleased to provide the Subcommittee's Members and staff with any additional information you may require to fully consider the President's FY 2011 budget request for our office.

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.

⁶ P.L. 110-409.

FOOD SAFETY INSPECTION SERVICE

Ms. DELAURO. Thank you very much. And I appreciate the summary. I don't know when we're going to have votes this morning, but I know they will come, because it's going to be an early departure, so we want to make sure we have the opportunity for a great conversation.

Let me just start with regard to food safety and with FSIS. In the report you issued last September, you reviewed the oversight FSIS conducted on the recall of products by the meat company involved in a massive recall in 2008, the Hallmark Westland Company. Can you discuss your findings on this issue? It appears that FSIS made needless mistakes, reflecting a basic failure of management at the Agency.

Ms. FONG. Yes. We did, as you know, an extensive audit of the Hallmark facility. We were called in to look at the pre-slaughter activities at that plant, because there were very significant concerns about inhumane handling of the cattle. And we were concerned about whether those events were isolated, or systemic.

And we went in there, we looked at it, and we found that there were some issues with respect to the Hallmark staff and whether or not they bypassed required inspection steps. And we found that, in fact, there were some deliberate actions on the part of Hallmark staff.

Ms. DELAURO. There were some deliberate actions, did you say?

Ms. FONG. That was one of our findings.

Ms. DELAURO. Okay.

Ms. FONG. I will also say we do have an ongoing criminal investigation into that, so we can't really talk much about the specifics on that.

Ms. DELAURO. Mm-hmm. Mm-hmm.

Ms. FONG. We also found that with respect to FSIS, that their in-plant staff, the people who are on site, did not fully carry out their responsibilities with respect to inspection procedures. They took some short cuts.

There were some issues about whether or not there is sufficient supervisory oversight, span of control. Their use of information systems was perhaps not as good as it could have been to pinpoint problems that had been occurring over a history of time. The formal training program for the inspectors could use improvement.

And we found basically that the sampling process for residues was also not followed, which then led to our subsequent residue audit.

Ms. DELAURO. Mm-hmm.

Ms. FONG. And as a result of that, Hallmark of course engaged in a significant recall. And we then followed up with an audit on that recall process, because we wanted to see if that was being handled appropriately, given some of the recall issues we had seen in prior years.

And in effect, we found that while FSIS had actually taken steps to implement some of our prior recommendations, in that they had put into place a statistically-based sampling process, that the way it was put into effect in the Hallmark recall was not effectively done.

And so we pointed out that, you know, they had issued recall notices to a large number of customers of Hallmark, and it turned out about 40 percent of them truly had not purchased the product. There was no way for them to substitute entities to be sampled. And so there were some real lessons to be learned from that process, which we summarized in our audit report.

Ms. DELAURO. Let me just interrupt you for a second, because your report is pretty thorough on what you found.

Some of the things that you just said, aren't those pretty much basic to, you know, proceeding? I mean, dealing with statistics, dealing with—you know—in a way that allows you to carry forth its mission of recall?

I mean, are we looking at some very basic steps in this process, that are either overlooked, or there are shortcuts taken? Or what?

Ms. FONG. Well, to talk about it in terms of the Hallmark situation, where the in-plant staff didn't follow the procedures that FSIS had set out, that should not occur.

You know, if the Agency sets out in writing guidance for its staff: "This is how you're going to do inspections; this is how you're going to sample; this is how you're going to . . ."—then the staff should be carrying out those procedures.

Ms. DELAURO. I understand that. But I think you said that they sent the material out to places where they were not part—they didn't receive any of the product, or in fact, they may have been out of business, as I read your report—and there was no way to make any kind of substitution from this master list, if you will.

How would you characterize that procedure?

Ms. FONG. Clearly, I believe that was the first recall that was handled under their statistical sampling process. It was a new process for FSIS.

Yes, I think that experience very clearly indicated that that was a gap in the process that needed to be thought through. There needed to be steps; FSIS needs to have steps where if they're going to do a recall and they go down the master list, and they send out the notices, and there are a number of entities who haven't purchased the beef, there needs to be a way to substitute for the statistical sample, or it won't be valid.

And I think that recall very clearly demonstrated that that was a step in the process that needs to be fixed. Yes.

Ms. DELAURO. That sounds pretty basic to me, that if you can't find the places that are, you know, where the risk is, that once again flies in the face of risk-based inspection procedures.

And you know, you can count to ten and then take eleven, and count—that's maybe a nice way to do it, but you know, it's a shot in the dark. And it just seems to me, after all the discussions we've had about this, this effort in recall, that we would be a little bit more sophisticated in our methodology of being able to identify the places, where we have to be.

And so my time is expired. I would just say this too. You concluded that only 59 percent of the verifications were relevant to assessing Hallmark's recall; 41 percent of the companies FSIS contacted about Hallmark's recall, 83 of 203, were not useful for determining the recall's effectiveness.

FSIS conducted effectiveness checks at 65 companies that did not purchase the recalled product, 12 that were not in the business of buying and selling meat, and five that were out of business.

The result, which I think is critical in terms of the result, you concluded was: FSIS' conclusion that Hallmark's recall was successful is not statistically supportable.

I think the record needs to show that: This process, this procedure in which they move at this—and if it's Hallmark or if it's somewhere else, it is not statistically supportable.

And with that, Mr. Kingston, do you want to go? Or I will go to Mr. Alexander, who made the opening statement?

Mr. KINGSTON. Let me go to Mr. Alexander.

Ms. DELAURO. Okay.

Mr. KINGSTON. And let me thank him also for opening this up.

Ms. DELAURO. Okay. Great.

Mr. KINGSTON. I was actually chairing another meeting, so I apologize for being late, Ms. Fong. It's always good to see you and your team.

Ms. DELAURO. Mr. Alexander.

RISK MANAGEMENT AGENCY

Mr. ALEXANDER. Thank you, ma'am.

A couple of questions. The risk management. We find that in your audit you did, you found as many as 22 errors. Or there were several errors, and you made 22 recommendations to correct some of those errors.

But yet we found out that Risk Management has said "No" to over half of those recommendations that have been made. What do you do next?

Ms. FONG. Okay. I understand your question to be talking about the Risk Management Agency and crop insurance, and the audit that we issued about a quality control system for AIPs. I just wanted to make sure that I'm talking about the same audit.

Yes, that is an area where we have been involved for a number of years, as you know. We have issued several reports. We continue to be—frustrated may be a strong word, but it is clearly an entrenched issue that we keep coming back to.

You know, we've tried to raise awareness through many of our reports, our management challenges, our semi-annual reports, our testimonies. We've testified several times in the last few years on these issues and these reports.

I will say that we issued a number of recommendations, as you point out. Many times the agencies will reach agreement with us on our recommendations. We call it management decision. It means that they recognize the value of our recommendations, they agree to them, and they agree to take action.

I will say that on that particular audit and on that particular issue, we have not had an easy time reaching decision, management agreement with RMA. There seems to be a conceptual or philosophical difference between our offices as to the best way forward.

We continue to follow up on it. We will continue to do audits and issue recommendations.

At this point, as you probably know, we do not have the authority to actually take the action ourselves. We are not authorized to run a program. And so we cannot say to RMA, "You will do this."

What we have done is, of course, brought it to your attention, and to the attention of the Agriculture Committees on both sides. And we do talk with the leadership at the Department about our concerns on this.

Mr. KINGSTON. Will the gentleman yield?

Mr. ALEXANDER. Sure.

Mr. KINGSTON. Why don't you elevate that to the Secretary then?

Ms. FONG. The Secretary actually has indicated a tremendous amount of interest in these issues. We have briefed the front office, the Deputy Secretary, the Secretary, on those reports. I believe that he has indicated to us that he is very concerned about this issue.

And I think as we look at the development of the Crop Insurance Program and the renegotiation of the standard reinsurance agreement that's going on right now, we see that the Administration is proposing some measures to tighten up oversight of the program and to address the amount of compensation that the AIPs are getting.

So I think that there is some movement forward on these issues.

Ms. DELAURO. If the gentleman would further yield? Because I want to join my colleagues in this effort. And you have plenty of time if you have additional questions, Mr. Alexander.

But because this is on my mind as well as Mr. Kingston's and Mr. Alexander's, as I looked at the Agency response, and 14 of the 22 recommendations, RMA did not agree—now, you go through your whole audit report, laying out where the difficulties lie, what the problems are, where we're not in compliance, and then we have what they disagree with.

They did not agree with our recommendation to develop a comprehensive, systematic, well-defined, integrated strategy for its compliance-related efforts; or our recommendations to conduct and document an overall risk assessment of program operations to identify major program vulnerabilities and focus and coordinate and prioritize resources on high-risk areas.

This is, again, basic to whether or not this Program is functioning, and at what cost is it functioning, when you look at liability, going from \$35 billion to \$91 billion in four years?

Now the Secretary—you know, there needs to be some real strength behind doing something about this. And that does go to the Secretary's level, and as well as to the authorizing committees, to deal with this issue as well.

It may have been justified to go from 35 to 91; but we haven't got a clue as to why it went in that direction. And in agency that says some very basic issues, they don't concur. And therefore, will anything happen, Ms. Fong? Realistically, honestly. Will it change?

Mr. ALEXANDER. And quite honestly, during the last year and all the debate about financial meltdown—not making light of your response—but we've heard repeatedly from people in positions of leadership, like you're in, say "We don't have the responsibility to do that."

Who does? That's what we, you know, we're very concerned about it. And—

Ms. FONG. I think—

Mr. ALEXANDER. Go ahead.

Ms. FONG. I didn't mean to interrupt you.

Mr. ALEXANDER. I'm sorry.

Ms. FONG. I think we all share a sense of that we've been in this for the long haul. We've done a lot of work, all of us. We all have our roles to play in this process.

I will say that where we think, in situations where there is an entrenched issue, the only way that progress is made, in my perspective, is when all of us who have a stake in it get into alignment on it, and we all recognize that we have a challenge, and we all work within our spheres of influence to move the ball forward.

And crop insurance has been a very sensitive issue. I think there have been numerous attempts to look at it legislatively as well as from a management perspective. There have been numerous proposals in the last few years to amend the program. And I think there are some proposals on the table right now.

Clearly, the industry has its own views on it, which may differ from the views of oversight people like GAO and the IG may differ from the views of the Administration, which seems to be very much wanting to address this issue.

And so I think all of us are going to have to work at it to the best that we can.

We will continue to do our part, which is to continue to go in there, document the issues that we see, the abuses, the management failures. We will continue to raise these issues in every forum that we can.

And I will continue to talk to the Agency administrators and the Secretary. And if there's anything else that you see that I can do, I'm sure that you will ask me to do that.

Mr. ALEXANDER. Thank you.

Ms. DELAURO. Thank you, Mr. Alexander.

Mr. Hinchey.

Mr. HINCHEY. Thank you very much, Madam Chairman.

Inspector General Fong, thank you very much. Thanks for what you've been talking about, and thanks for the answers you have given to the questions. And thanks for the job you do. It's very, very important.

NATIONAL ORGANICS PROGRAM

One of the things that you mentioned was the organic foods, which is something that strikes me as very important, because a lot of people are attracted to it, because they think it's something very special and something very secure and safe.

The organic farming movement in this country has just blown up, as I understand it, over the past ten years. It's just grown and grown and grown.

So it's not always clear what constitutes an organic product, what really makes it up and how secure it is. A lot of people are talking about it. Every place you go to buy food, you see that sign up, you know, or the advertisement on various kinds of products.

So I'm wondering just a couple of questions about this. Can you explain to us how the Department defines and certifies an organic product? And explain how the Department delegates authority to enforce standards to what seems to be private contractors. And what does it mean to be "a certifying agent," working on behalf of the U.S. Department of Agriculture?

And then just finally on this issue, in your opinion, does the Department effectively regulate, does it effectively regulate the organic food industry?

Ms. FONG. Okay, well—

Ms. DELAURO. Just for one second. I would just say this to Mr. Hinchey. I think everyone should have at his desk—we did a chart here on the findings from the National Organic Program. So if you have a—

Mr. HINCHEY. Very good. Thank you.

Ms. DELAURO. Thank you.

Ms. FONG. That's very helpful to me, too. Thank you.

Yes, as you point out, the organic industry is clearly something that is at the forefront these days for health and safety reasons, as well as environmental reasons. And I'm going to invite my colleague, Gil, to address some of your questions.

But I do want to say, up front, that we are, of course, very concerned. It's a new program for the USDA. There's new legislation on it. And we are very concerned with the effectiveness, because of how effectively the program is run, because so many people do rely on that certification that something is organic. And in fact, we want to make sure that that certification is good.

So Gil, if you would like to address that?

Mr. HARDEN. The heart of the matters that we reported on really reflect on the processes and where there were weaknesses and how they decide whether the certifying agents are good.

I don't know that I can articulate right off the top of my head the exact process, but there is a process they have in place—

Mr. HINCHEY. Mm-hmm—

Mr. HARDEN. That we did find weaknesses with.

And the other part of your question that we still have to do work on, which we plan to do later this year, is part of what makes something organic is whether it's approved to be on what's referred to as—that's called the National List of Prohibited Substances—so it's the stuff that you can't use.

And so we plan to do work later this year, which wasn't part of our current audit as to how the processes they use to move products on and off that list, that would allow farming operations or certifying agents to allow things to be used.

Mr. HINCHEY. Okay.

Well, thanks very much. I think this is an important issue, and I appreciate your attention to it. And I appreciate this organic program here that we have.

DAIRY SUPPORT PROGRAMS

In the brief time that I have, I wanted to ask you another brief question. It's about dairy farming. And I don't know if you're very focused on this. But it was something that was addressed in the comments that were being made.

The situation here, well, we know that, you know, the dairy products, when you buy them in the stores, the price isn't going down. The price is going up, if anything. But the price of the products for dairy farmers has gone down.

In fact, in New York the state dairy prices, the price per 100-weight of milk in New York has dropped to \$16.70 from more than \$21 a year ago, which is more than a 20 percent decline.

I signed a letter with a number of other people to Secretary Vilsack, and we signed it three weeks ago, urging him to take some of the same steps that he took last year, as well as provide assistance to the dairy products price support program.

And the purpose of that, of course is to keep these farmers there, so that, you know, the variety of farming will continue, and the stabilization will continue.

So to help stabilize market prices specifically for cheddar cheese and non-fat dried milk, those kinds of things are being paid attention to.

So the question I have is: Has your office, do you in any way focus attention on this? Have you audited or reviewed the DLAP or the DPPSP program recently? Has anybody taken a look at that?

Do you think they're effective in what they do? And will you commit to overseeing the Department's response to the current pricing crisis?

Ms. FONG. I can tell you that during my tenure at OIG, I don't believe we have ever looked at that program. And if any of my colleagues recalls it, please speak up.

I'm aware of the crisis of which you speak, and that there are some very significant issues going on right now.

My sense is that that is a program that's run by AMS. Is that?

Mr. HINCHEY. Hmm, yes.

Ms. FONG. And we actually have not looked at many of the industry kinds of programs. We'll probably get into the soybean issue later this year. But that would be the first, I think.

But we would be very happy to talk with your staff—

Mr. HINCHEY. Okay—

Ms. FONG. To get a little bit more information about your interest, and to see if there is anything there that we could initiate.

Mr. HINCHEY. Okay. And maybe you could follow up with a contact to Secretary Vilsack.

Ms. FONG. Okay.

Mr. HINCHEY. Thanks very much.

Ms. FONG. I'll mention to him that you raised that today.

Ms. DELAURO. Mr. Kingston.

Mr. KINGSTON. Thank you, Madam Chair.

FOOD NUTRITION SERVICE PROGRAMS

Ms. Fong, there is a fairly high error rate in the SNAP and School Lunch Programs. Correct?

Ms. FONG. Right.

Mr. KINGSTON. How high do you think that is? Any estimate?

Ms. FONG. Oh, you know, I don't have the precise number. I do know that it is on the high list for improper payments that is published government-wide. And because of that, FNS is required this year to analyze those rates, and to come up with an action plan to

bring the improper payment rates down. And we will be involved in that process later this summer.

Mr. KINGSTON. Okay. Then, why did they get a clean opinion?

Ms. FONG. On the financial statement audits?

Mr. KINGSTON. Yes.

Ms. FONG. Right. Let me turn to one of my audit colleagues here, who might have a good insight into that.

Mr. HARDEN. They do have a plan to address those improper payments, as part of their financial statements. But that doesn't exactly affect how it's presented on the financial statements themselves.

It's a different type of program error.

Mr. KINGSTON. Can you walk me through that? And the reason why I say that is—and my colleague, Mr. Farr, off the record made—you know, I really and truly feel that your job is to measure all programs blindly, without prejudice, whether they're, you know, a constituency group or not, that's involved, that's sensitive, that's great, or whatever.

You know, four inches ought to be four inches. And if it wasn't, can you imagine the impact, you know, on industry? And I can tell where we've got the best example of this is Moody's and Standard & Poor's probably contributed to the financial meltdown, which led to TARP and all the panic on Wall Street, maybe just as much as anything else. And somehow they escaped scrutiny.

You know, we should be bashing Moody's and Standard & Poor's, you know, a great bipartisan fashion in the wake of looking at what went wrong on TARP.

And it would appear to me that we look to you for purity—just pure objectivity rather than, you know, “Okay, well this one is somebody likes this one, so we got to let him escape.”

Mr. HARDEN. There's a difference—

Mr. KINGSTON. And I also want to say this. I feel the same on any overpayments for farm programs. They should just all be measured with the same ruler, so to speak.

Mr. HARDEN. Let me see if I can clarify for you what we're doing on the financial statements versus the actual improper payments themselves.

When we're looking at the financial statements, we're looking at whether FNS allocated that money or obligated that money to the right places.

Mr. KINGSTON. Mm-hmm.

Mr. HARDEN. So they obligate, for instance, SNAP or School Lunch, through state agencies, so it's spent by states and overseen by state agencies throughout the country.

When you're expressing an opinion on the financial statements, yes, FNS gave it to the right people.

When you're talking about the improper payments, or where SNAP payments went to the wrong people, that's where you've got to get into the eligibility and what went on on the ground. That doesn't affect—

Ms. DELAURO. Retailers—

Mr. HARDEN. Retailers, or, you know, or the individuals. And how the state oversaw the money that USDA gave them, to make sure it went to the right people.

So that's the distinction, and we look at audits of whether there's recipients or retailers spending the money wrong. And you can go after and try and get that money back. But that doesn't mean that when our FNS made the original obligation to state A, B, or C, that that was a wrong thing.

Mr. KINGSTON. Okay. So the clean opinion rating would be simply did they allocate money to the right agencies?

Mr. HARDEN. And their financial statements.

Mr. KINGSTON. Financial statement oriented. Okay.

Now the second part of it involving states overage or misuse of the program, or you know, whatever: Who grades that? If that's the water's edge—are you saying you don't go past the financial statement part?

Mr. HARDEN. For the financial statement audit, we don't go past the financial statement. In other audits that we do, in looking at the various programs, we will look at the oversight throughout the program, where, take school lunch for an example. We haven't done in a while; but the way we would approach that is to look at how FNS oversaw the money that it gave to a state; how then that state has obligations as to how it gives it to a school district.

As the school district, you know, make sure that the right kids are coded for the right type of lunch.

Mr. KINGSTON. The financial statement you do annually by statute. When is the other audit done? What triggers that?

Mr. HARDEN. Those are ones that come up in terms of priorities, in terms of how we do our annual planning. So I mean, those come up—like RMA, and we talk about the compliance activities that we saw as something as being a high priority to do.

School lunch things haven't been of that level recently, but we—

Mr. KINGSTON. How much was the overage in RMA, do you think?

Mr. HARDEN. That number I don't have right off the top of my head.

Mr. KINGSTON. Well, why don't you just guess?

Mr. HARDEN. That I would have to get back to you on. I don't have that.

Mr. KINGSTON. Well, would you say it was ten millions? Or hundreds of millions?

Mr. HARDEN. We've—

Mr. KINGSTON. You've got to know. And let me you tell you why. And I don't want you to get back to me on this. And I'm not picking on you.

But you made a judgment decision to go further on them than on this other one; so certainly you have that information. There would not be any reason to get back to me. Correct?

Ms. Fong? I mean, somebody in your Department made a decision that RMA was a higher priority. And I just want to know, how was that decision made? That's not an unusual question. I don't know why you couldn't answer it.

And I'm not trying to pick on you, this is not personal. But certainly you have that information.

Ms. FONG. I'm not sure that I understand what your question—

Mr. KINGSTON. All right, here's the question.

Ms. FONG. Okay.

Mr. KINGSTON. You said that you do the financial statement audit on an annual basis just standard. And then you do—and I'm not sure what word we're looking for—but the program audit based on priorities.

So I'm just saying, how did you figure out which one was a priority and which one wasn't?

And I don't have any idea myself. One may be billions of dollars, and one might be hundreds of millions. But I am assuming you know, because you made the decision that one was a priority.

Mr. YOUNG. If I could, one of the reasons that the Food and Nutrition audits haven't been a higher priority is because when we do those reviews, we're making the same recommendations. The FNS officials agree with us. They simply say it's very hard to get their arms around those problems.

We do the reviews, we come up with the same type things. They've tried various things over the years to reduce, you know, ineligible lunches, these types of things. Their success rate has not been good.

So as far as trying to do the audits again, show them the same things, we have given priority to other new areas that we haven't looked at.

Mr. KINGSTON. But you don't have an idea how big one problem is versus another? I mean, I understand what you're saying. From a pragmatic standpoint is "Okay, we've been here, we've done what we can do on it. This other one might be a little bit more solvable, so we need to put our time in there."

Correct?

Mr. YOUNG. Correct. As far as the risk, the amount of money, there was—FNS has tried to come up with a figure as far as what the improper payments are. They've had a very difficult time.

They did that sample roughly two years ago, that projected school lunch. And I don't have that figure here.

Mr. KINGSTON. Well, I think it's \$850 million.

Mr. YOUNG. Yes.

Mr. KINGSTON. Because we brought it up to Secretary Vilsack—

Ms. DELAURO. It's gone from \$850 million to \$241 million over the years. That is what is stated in your reports here, that over the years they have seriously made progress with this, because they have stayed on it, they focused on it. The error rate is 5 percent.

There probably is no other program in which we have spent as much time looking at who is eligible, who isn't eligible, what retailers are skimming the process.

And they're listed here as to who's been caught, what kind of jail sentences they had.

Quite frankly, there hasn't been this level of scrutiny with a whole variety of federal programs that we have. Including—including ones that we mentioned here today and others that have not yet been mentioned.

I mean, you've got data and facts. It's not 811. That was several years ago. It's been changed. You ought to know that, because Mr.

Kingston asks a valid question. And we ought to be able to get valid answers to these questions.

Mr. KINGSTON. In reclaiming my long-expired time—

[Laughter.]

Mr. KINGSTON. That's what we're really looking at, is just how to quantify it? You know, because when I say clean opinion, I'm thinking—you know, I understand now.

But I'm just trying to figure out, well, you know, where are good, where are we bad? Where do we, as a committee, need to be focusing? And where do the authorizers need to be focusing?

And so that's why that information is important.

And again, getting back to that kind of the blind judgment of, you know, four inches is four inches, that's what we want is the objectivity and the purity, which—if there's one government agency that has a high opinion, it's the IG's office.

I mean, I think everybody can agree on that. So that's why, you know, we just want the cold, hard data. And then, you know, we can look at it accordingly.

And I thank the Chair for your indulgence.

Ms. DELAURO. No. These things have to be gotten right, because there are implications on whatever program it is. We've got some good programs. They need to be strengthened. We need to look at them, and how, in fact, they can help to make a difference, whatever the constituency is.

But let's get the right numbers, and let's have the accurate set of facts in order for us to be able to move forward.

Otherwise, we move in ways that are detrimental, again, to whatever constituency comes under this jurisdiction.

Mr. Bishop.

PEANUT PRICE DATA

Mr. BISHOP. Thank you very much. I will shift the subject for a few moments. In your testimony, Dr. Fong, you mentioned that an audit conducted by your staff last year suggested that the accuracy of financial assistance to peanut producers, which is primarily based on peanut price data supplied by the industry, is not deemed by your audit to be reliable market data. I have several questions I would like to ask regarding that.

You referenced that peanut shell is voluntarily provided price information. My first question is, do you have any evidence that the information that they have been providing to the National Agricultural Statistics Service is inaccurate or fraudulent? And if not, why would we be assured that a new regulation or law would make any significant change to the price data that is available today?

The second question is, under our current trade agreements, our price data is determined by a formula that is established by the ITC, the International Trade Commission. For the 2002 and the 2008 Farm Bill language, both encouraged USDA to consider the world market price when determining peanut prices. The peanut industry is living under two sets of pricing formulas. Why can't USDA use a formula that is similar to the ITC as opposed to NASS? We changed the program from a supply management program to a market oriented program. And Congress wanted to see

more peanut exports, yet USDA doesn't take world market peanut prices into consideration when it establishes the formula.

And the third question, why do you argue for mandatory price transparency but refuse to discuss the formula or the black box for determining the USDA posted price each week? Our producers don't believe that the formula has sufficient weight from the world market based prices for peanuts, but don't have any way of verifying what weight is given to it. And so, we would like there to be a little bit more transparency and would like for you to explain to us why you are not recommending that.

Ms. FONG. Let me make a few comments on those and then I will ask my colleagues if they would like to also comment. On the peanut data issue, your first question was whether we had found that there was inaccurate or fraudulent data at some point in the process. And the reason we got into this audit was because a year or two ago there was a situation where I believe there was some concern about whether or not there was inaccurate data. And we looked into it—our inspection group at that time looked into it and found that there had been inadvertently reported inaccurate data which resulted in the department and the reporting entities having to go back and recreate, reconstruct, and fix that problem.

So we at that point said, how did this happen? How can we work so that it doesn't happen again, which is why we did the audit. And as you mention, we concluded that because the data is based on voluntary compliance and it is not verified by NASS, that we can't be assured that the data is accurate and we feel very strongly that because of the potential implications in terms of cost—you know, if you have a penny differential here or there over the course of a year, it could have a 33 million dollar effect—that it was essential that good reliable data be collected, and that is why we made that recommendation.

Now, we did not look, as far as I know, at the ITC trade agreement process and the use of the ITC formula. I think that is a really interesting thought. We haven't had a chance to assess that, and I think that is something that we should take a look at to see if that would be a good alternative. I am sure NASS is thinking about that already, and we would be happy to talk with your staff further to see if there is anything further that we can do. But that had not been on our radar in terms of our recommendations.

Mr. BISHOP. We have had through my office and through the peanut industry have had a significant amount of correspondence with the department over the years about the peanut price setting process. And this black box which has a magical formula in there that nobody knows but the people inside of USDA, also there is no predictability, there is no sunshine if you will, that will allow people in the industry to have any idea what you are basing that on except a general conclusion of your statements—I say not you, but the department—general conclusion of your statements. And we have been trying to get some identifiable criteria that could be looked at objectively by everybody as opposed to just having to wonder what the genie was going to come up with. So the sooner you could address that, I think the happier all of us would be. And of course the—I think it would assist you and well, assist the department in assuring accurate payments and reliable price data.

Ms. DELAURO. Thank you. Mr. Alexander.

CONSERVATION STEWARDSHIP PROGRAM—

Mr. ALEXANDER. Thank you, ma'am. Touching on something Mr. Kingston was talking about, the survey can be clean and still smell badly. Now let's talk about the conservation program, the conservation security program, whatever. One might find it hard to believe that a Member of Congress that represents district that is heavily dependent on farming would be somewhat critical of the program. It just seemed to me like it is a way for the Federal Government to pay men and women to not to farm on land that might not be suitable to farm on to begin with.

Now the conservation program, it scheduled a billion dollar budget for 2011. And we are told that half of the contracts that you have surveyed were deemed to be going to people that didn't qualify for those contracts. Now, we don't know how many you surveyed. Did you survey all of them? Or if one is told that half that you surveyed were going to illegitimate people then we have to assume that all the surveys, if you surveyed all of them, then half of them would be abused. That is a lot of money. What are we doing to recover that?

Ms. FONG. Well, to just address your initial comments about the survey and what the 50 percent means, when we do these reviews and surveys it is not possible for us to look at every single recipient, so we structure a statistical sampling which means that if we look at a certain number and we get a result, we can be confident that it would be projected to the full portfolio that statistics will hold. So that is what we did for the CSP program. We looked at 75 contracts; we used a statistician to pull the right number and the right range. And of that 75, 38 it turns out went to unqualified recipients, which is a fairly high percentage, very high percentage. And I will say to you that I do know that the Secretary is very concerned about that statistic and is working to implement some corrective actions within that program.

Now, your next question about what can be done to get the money back I think is a very interesting question, a very good question. If generally speaking, if somebody is ineligible to participate in a program and they provide inaccurate or false information, they should not be allowed to retain that benefit. And there are, different, perhaps ways that the department could consider going after that in terms of possibly civil false claims, actions, or actions on the contract itself. And I would think that NRCS should be talking to the General Counsel's Office to see if there are appropriate ways to go after that. Certainly, if there is any indication of criminal wrongdoing, we would anticipate that those cases would be referred to us to look into.

Mr. ALEXANDER. I don't see how one could even question criminal doings when we are told that—and I think 38 is a lot more than half of 75—but, we have people we know of that are in jail today for abusing Medicaid and Medicare. How many are in jail today for abusing this system? I mean if we are told that there is a billion dollar budget, over half of that is going to the people that don't deserve it. And if we are somewhat non supportive of the entire program to begin with, then that really makes you sick. And what I

would like to ask is, if you can identify some names of people or businesses that have been charged with criminal activity—and I certainly think this is stealing. If outside people are charged, do we ever consider filing charges against people on the inside? I mean checks have to be written, and if they are going to people that don't deserve those checks, then do we ever question those writing the checks?

Ms. FONG. One of my colleagues has advised me that we did in this situation, where we did the audit and found the number of people that provided false information, we contacted the prosecutors in a number of areas and asked them to consider a prosecution but we were—it was declined, the prosecutors declined. And that could be for any number of reasons. It could have been the dollar thresholds weren't high enough, it could have been any—it could have been a priority setting process. And so what that tells us is that in those cases, criminal investigation is not an open avenue but there may be some other avenues that the department—

Mr. ALEXANDER. When you say prosecutors, I'm sorry, are we talking local district attorneys or—?

Ms. FONG. It would have been the federal Department of Justice. But you know, to get to your other question, whenever we do audit and investigative work and it appears that there may be inappropriate conduct by department employees, we do follow up on that. We do have a number of employee integrity cases going on at any time, and we are not hesitant to pursue wrongdoing either within the department or outside the department where we see that there may be evidence of that.

Mr. ALEXANDER. The point being Madam Chairman, if you would indulge me, I have heard stories of people in Louisiana that bought property paying for that property with conservation money, no intentions ever to farm on that. And that just goes against the grain for me. I don't like that. Thank you.

Ms. DELAURO. I just would one quick question and very briefly because I am somewhat out of line with just following up here. But my colleague is absolutely right. Who has the authority to get this money back? Who?

Mr. ALEXANDER. We need to file charges against some prosecutor for—

Ms. DELAURO. Who is it within the federal jurisdiction here? We have information about improper payments, 38 out of 75, we must have identified whoever it was that got these funds improperly. Who then moves to getting the money back? Where does it go? You won't cover it, you don't have the authority to get the money. Who has the authority?

Ms. FONG. In the first instance it would be the program manager who once we tell them you have some ineligible participants and this is the reason why we say that, they then can take that information and they should be talking with the General Counsel's Office to determine what avenues are available—

Ms. DELAURO. So the department USDA then goes to the General Counsel's Office?

Ms. FONG. The program officials at NRCS should be talking with the General Counsel to see—

Ms. DELAURO. The White House general counsel?

Ms. FONG. No, no. USDA—

Ms. DELAURO. USDA's general counsel.

Ms. FONG. To see what legitimate options are available to pursue this.

Mr. KINGSTON. Can I jump in on this? I don't get it. I mean is the government just too big that we can't fill in the potholes anymore in the roads, and this is just one of these potholes that we just shrug and say it should be done down the hall, not us?

Ms. DELAURO. Close to doing business. I mean I don't understand.

Mr. FARR. Well, we make the law.

Mr. KINGSTON. Well, the law is made though.

Mr. YOUNG. That same question. I raised that question with the administrator as far as going back and collecting money. One of the problems that they are having and the agency is trying to take action, the problem they have is that program was extremely complex. I am not saying I agree with this, I am just saying what we were told. That the program was one of the more complex programs—

Ms. DELAURO. Yeah, but you figured it out as if there was an improper payment. You figured out the complexity of it, you got to the answer. Their job now is to make a justification.

Mr. YOUNG. Well, the problem is, what they are saying is to go back and collect it as far as going the legal route because of the complexities of the program, it makes it very difficult to do that. Now that is the reason that we were given for not moving out. So that is—

Ms. DELAURO. We have some fundamental issues here to really try to deal with here. Mr. Farr—oh, I am sorry, was it Ms. Kaptur? I am sorry.

USDA LOCAL FOOD PROCUREMENT

Ms. KAPTUR. Thank you, Madam Chair. Welcome. Thank you for the work that you do. I am very interested in the Inspector General's Office and its ability to provide insight on how USDA programs are actually operating. My particular focus this morning is really a question once I explain what I am interested in, and whether you can provide any insight into this.

I am very interested in how USDA programs overall benefit local farmers. And I am wondering how a measure could be developed by county looking at dollar inflows into those counties from USDA, and to what extent those dollar inflows help local agricultural, a local community agriculture. Let me give you an example. In the Supplemental Nutrition Assistance Program, if one could measure all the dollars coming into given counties, and the counties I am more interested in are the 10 poorest urban areas in the country, I would like to know—as a start I am interested in those; I represent one of those—how those programs benefit local farming. So for example, if the local school system is buying beef or vegetables, who actually redeems those SNAP coupons? What are the mechanisms that exist in those places? Which companies benefit? Which local farmers benefit? Do you have the ability to develop a mechanism to do that?

If I take another USDA program, the Seniors Farmers' Market Coupon Program, I know that one works for local agriculture because I have seen it work. So local people benefit from local producers. The WIC Program I am not sure about. I don't really know—I know the WIC Farmers' Market Coupon Program functions at some level in my area, but I don't know how much. I go to the store in the winter time in my region, which is a greenhouse capital for our whole part of the country, and I see peppers on the shelf that are local supermarkets from foreign countries. But I don't see anything from our local producers who can produce under glass all year. And I am saying, what is going on here?

So I know you seek wrongdoers and you have a heavy focus there and we need you there, but I am wondering if you could provide us any insight into measuring the impact of USDA programs across a variety of categories, and its connect to local community agriculture. Do you think about that? Do you have a way of doing that or providing us with information? Then I can make a decision, oh legally up here what can I do and the law to help local agriculture first?

Rather than providing more money for foreign inspections, which I am all for when I look at the amount of fruits and vegetables coming in here from other countries, and you know so much of this isn't really tested. Our farmers, we know where the peppers come from; we can track it right back to where it has grown. So I am very interested in how effective USDA is in connecting to local agriculture. Could you comment on that, please?

Ms. FONG. Let me offer some comments and then I will ask my colleagues if they would like to comment also. That is a really interesting question, and you are right that we haven't really focused on that. And I will say that in terms of teasing it apart, what we would need to be able to do is to have some good information systems, data systems, that can track recipients of each of the programs and dollar level, so that we really know where the money is flowing, so that we could then extract that money, that information and do the kind of analysis you are talking about.

I will tell you, I don't know if USDA agencies have that capacity currently. I just don't know. In terms of an analogy, when we look at the recovery money—as you might know, the Recovery Act set up a board to develop a website called recovery.gov, which is intended and it is a break through website that is supposed to be able to track every dollar recovery money across the government from every program down through the federal departments through the state and local agencies to the recipients and sub recipients down to the local person on your neighborhood block who actually gets the contract, the grant, or whatever it is.

And that has taken quite a bit of time to actually design and get it up, but it is a ground breaking website, and it has actually been successful. So for example, if I get on that website and I plug in my zip code, I can see you know, within a three block radius who in my neighborhood got money from which department for which program, and how much it was. The reason I mention this is because I think that is going to be the wave of the future for government agencies and information technology. Now that we know that technology can be used to do that, even though it is an expensive

and time-consuming process, my guess is that we will start seeing these kinds of websites develop across federal agencies.

And at some point, you know, I would hope that USDA would have that capacity as well so that we would be able to track every dollar appropriated and every program down to the recipient at the grassroots level, and be able to do that kind of analysis. And that would of course be in the public's interest as well so they can see where their money is going and who is getting it and for what purposes. But in terms of where we are today, I am not sure that we are there yet.

Ms. KAPTUR. With your power at USDA, I would really challenge you to consider some pilot counties, and to think about your programs and their impact on local agriculture. And though I don't have the authority to represent the city of Detroit, I go there frequently and it is a place of great need. I see this giant farmer's market downtown and I see lots of local possibilities there; that is a town with no supermarkets in the city. And it is very important for us to understand where the dollars flow now, and we can do urban agriculture in Detroit; it's being done in some instances already. I have met the Vietnamese woman selling snow peas and so forth.

We need to use USDA's power to help local people and local farms in those regions succeed. So I would—Ma'am I don't know if it is within my purview, but to ask if they could construct some type of prototype analysis for—take the top 10 poorest, however you want to measure it, top five—and come back to us with how USDA's programs actually link to local agriculture and support the development of local agriculture.

Ms. DELAURO. Why don't we talk about that and what kind of request we want to try to make. Mr. Farr.

SCHOOL NUTRITION PROGRAMS

Mr. FARR. Thank you, Madam Chair. I really appreciate this report. I think it is succinct and—I appreciate your stating it in goals, and one of them is management improvement. The question I have really relates to your authority to essentially do perhaps reinstatement or restatement of the law. I am very concerned and Jack Kingston brought it up about—although we have different view points on it—on auditing children in the nutrition program. I just kidded him that some people have more interest in auditing Sesame Street than Wall Street.

But the concern I have is that we need to really make food nutrition in our schools a high priority in our healthcare bill, the wellness aspect certainly a goal of the First Lady and the President. Yet if you look at the program, and to do that you are going to need more money, and we are at a zero sum game, and what I find is that the administration of the nutrition program is so costly. We spend more money on auditing and administration than we do on food, because we don't want to feed the kid who may have too much money in—his family may have too much money—give them a free meal. You know, we are talking about cents; dollars and cents, not billions of dollars. If the wrong person gets fed I think the reduced meal cost is 40 cents and for a full meal it is about \$2.50.

So the question really goes, and does your—looking at this law because you are responsible for auditing and seeing whether it is being carried out—you also make recommendations as to how the law can be streamlined and you know, for nutrition programs we have one for every meal. We have administration for each. Breakfast is a different administration than a snack, is a different administration than a lunch, is a different administration than an after school program, different administration than the WIC Program, different administration from other poverty programs, and yet it all may affect the same child.

I mean there is incredible bureaucracy here that needs to be tackled, and that has not been done by any Administration. And it seems to me that the people who can understand that are the people who have to get down and do the sort of auditing. There must be some times where you say this is—we have just created kind of a dumb-dumb process here. And in that do you feed back to Congress? Is there like, hey we ought to really—we ought to look at this different. We ought to find a better way of measuring cost effectiveness.

Ms. FONG. I think you raise a really interesting point about the many food programs that exist in the government. It is not something I think we ourselves have focused on in terms of the duplicate, potentially duplicative administrative costs for each of the programs. But I think we just heard that GAO issued a report last week on many—I think they mentioned that there are 20 or 30, 40 food programs in the government, and that there may be some potential benefits to be gained by considering some—consolidation.

Mr. FARR. Consolidation. Oh, I totally agree.

Ms. FONG. And I have not yet had a chance to read the report, but I am very interested in that whole topic. We certainly need to take a look at it from our perspective which we haven't done yet.

Mr. FARR. But do you do this—my first job was auditing in a legislative analyst's office in Sacramento, California. And what I found out in auditing school programs, categorical school programs, and the legislature essentially gave this mandate to go out and find out which works and which doesn't, and then come back and tell us what we ought to eliminate.

Now, what we found was that the way the programs were designed and the measurement tools they had didn't relate to be able to relate to outcomes. It really got back to legislature. You have got to rethink and redesign this program in order to get the outcomes that you really want to have. You know, that is not what they wanted to hear. They just wanted the black and white, good and bad. And you would never be able to solve the goals without changing the ask languages. And it seems to me that is one of the things I have noticed in Congress, we never come back to people that are involved in the trenches. There must be a lot of people out there administrating laws that we created. It would just say, where did they come up with this one? Because it just doesn't make sense. And how do we get that feedback? Is it your responsibility or your authority, or is that the audit—? I mean, I don't know.

Ms. FONG. That is something that we do view within our purview, and we do make recommendations where we think legislative

change is necessary, after we do an audit and we find whatever we find.

If we think the cause of the problem is that the legislation is not clear or perhaps is not what it should be, then we will come back and say we think you really need to reconsider a definition on this or put some controls on that.

One of the examples that we were talking about earlier this morning was the peanut, the collection of data on that. The legislation does not require NASS to verify data. It does not require producers to give the data. It is a purely voluntary program.

We did make a recommendation that we believe NASS should be given statutory authority to verify that data, and that it should not be voluntary.

That is one example of where if we identified it as a legislative issue, we will bring it forth.

Whether Congress is able to then take that issue and run with it, it is kind of out of our hands at that point.

Mr. FARR. I understand that. For those of us who are interested, I am particularly interested in how to clean up the nutrition program so we get a better bang for our buck.

My argument is look, we do not measure kids that get on the bus as to their financial well-being or when they check out a library book, but if you go in to get a meal, all of a sudden, your parents have to prove they are poor for you to be able to eat.

The people you are talking about, proving how they are poor, they do not know how to do that. They are poor and they do not know how to do things like that.

It is an awkward system. You wonder whether the requirements equal the costs, what the value of the enforcement is, when the outcome is to try to get kids to have nutritious meals, and we also have to change what we are feeding kids in schools.

Thank you, Madam Chair.

Ms. DELAURO. Mr. Kingston.

Mr. KINGSTON. Thank you, Madam Chair.

CONSERVATION STEWARDSHIP PROGRAM

Ms. Fong, I want to go back. I do not know if I should ask Mr. Young or Mr. Harden these questions. It may lend itself better to the record in this case, a followup, but I would like it to be timely.

I would like to know on the conservation stewardship program, CSP, which Mr. Alexander was talking about, what is the trend, if 50 percent of this is going to ineligible people, what was the trend?

You have been auditing them for many years; correct?

Mr. YOUNG. Yes.

Mr. KINGSTON. We are up to 50 percent. Is that going down? Is that coming up? How long has that trend line been tracked going back five years, going back ten or whatever?

When did we stop worrying about it? If we are not worrying about it, does that correlate with the trend line?

I think the next question is something that the Chairwoman and I think the whole Committee—who is next? We need a schematic as to where the breakdown is. You are reporting this information

to somebody within the agency and there seems to be you do not know, it is important, but I have other things.

I understand that. Up here, you do have a full load every day. You go out, audit it, you report to Congress. Who do you report to in the USDA and what do they do about it? I just want to know that ladder.

I would like to have kind of a schematic, a flow chart, but more importantly, I would like—I hope the Chairwoman does this—a report on whose desk is this sitting on. I would like to know that not just for CSP but everything else.

My other question is in terms of the farm payment programs, do you know what the error rate is in that program, in farm payments, just in general? I know there is an error rate in that. Do you know offhand?

Mr. YOUNG. There is a variety of farm programs.

Mr. KINGSTON. There are some payment limitations that have caused some problems and then just eligibility. I would like to know that. It would appear that if we are not going to do anything with this information, then you are going to continue to have a 50 percent error rate.

One other question, which you may know right now on CSP, of that 50 percent, how much of it is a mistake and how much of it is fraud?

Mr. YOUNG. We have no estimates on how much is actual fraud. They are still working on trying to collect that money. It is not something they have given up on.

That was an unique program. The error rate we found there was substantially higher than some of the error rates we found in other audits that we have done. That program was not in existence for a long period of time.

It varies by program and with the Improper Payment Act, one of the responsibilities of the agency managers is to ascertain what their error rate is or what their improper payments are.

Mr. KINGSTON. Do you have legislative recommendations on it?

Mr. YOUNG. On CSP?

Mr. HARDEN. The program itself changed with the 2008 farm bill. It went from the conservation security program to the conservation stewardship program. What NRCS has said to us is a lot of the fixes or the recommendations that we had for the CSP will help them better put the next program in place.

Mr. KINGSTON. It just would appear to me that on a program like that, if you have a 50 percent error, maybe 50 percent fraud, maybe 50 percent incompetency, whatever the reason, it would almost be to the level that the Secretary would go back to us and say you just need to kill this program for now or you greatly need to trim it until we can reshuffle and try to work this thing out.

You are saying there are some legislative recommendations, but since it is a relatively new program, they are still finding their way?

Mr. HARDEN. I do not believe we made legislative recommendations in that report.

Mr. KINGSTON. You did on the peanut program.

Mr. HARDEN. Right. The program itself changed as we were looking at it. What we started looking at was the conservation security

program, and then that program disappeared and came back as the conservation stewardship program as part of the 2008 farm bill.

When we go to look at it again, we will be looking at the new program, and what they have said is we will take recommendations made to the old program for the new program and make sure they strengthen them in that way.

Mr. KINGSTON. I know I am out of time.

Ms. DELAURO. Just quickly, with the legislative recommendations made with regard to the old program, were you on your way to that or did it just stop in midstream and then you—

Mr. YOUNG. No.

FSIS RESIDUE INSPECTION

Ms. DELAURO. I would like to go back to FSIS and the residue inspection. I found that particularly troubling. Really disturbing reports about FSIS.

You found some problems were identified as far back as 1985. Would you walk us briefly through your findings and tell us what the gap in management is at FSIS that allows programs like this to go unaddressed for 25 years?

Mr. HARDEN. Actually—

Ms. DELAURO. This is residue. This is metals, antibiotics, et cetera, that are not being tracked. This is a serious public health issue.

Mr. HARDEN. The coordination here, the real big problem that goes back a long way is not solely with FSIS. We are USDA and we can make recommendations to them. The biggest problem is their coordination with FDA and EPA on this issue.

FDA sets the standards for the residues from the drugs. The EPA sets the standards for the residues for the chemicals. They need to work together to set those things up.

That is the heart of the matter as to the key recommendation we made there, FSIS, you need to get that coordination re-energized and make sure that you have it at the right level and you have the right people at the right meetings so you can make the decisions you need to make in terms of what we are going to test versus what we are not going to test, how you are going to rotate things in and out, and if there are disagreements between the three—FSIS is the one that is on the front line to do the testing, but they cannot hold anything back if there is not a level to say it is over or under. You have to have the right people there to help make those decisions.

Ms. DELAURO. First of all, I might just say in terms of your report you say “FSIS does not attempt to recall meat even when its tests have confirmed the excessive presence of veterinary drugs.”

Mr. HARDEN. I agree. That is a huge problem. When we found that, it was very disturbing to us. I know the Secretary has recently said now that he is looking at it, there may be a different answer for that, as I viewed the press on that particular issue.

We found it important to bring it forward because similar decisions were not made elsewhere, and that is where we make the example of what we are comparing it to is the hallmark recall where it was not a Class 1 recall, it was a Class 2, but yet you had the largest beef recall.

The residues would fit, if you do not want to say it is Class 1, why it would not be comparable to a Class 2, which they do work with companies to do those results.

Ms. DELAURO. You have said this and very clearly about FDA, EPA, FSIS, is there anybody in charge? Is there a person that is in charge of any of this?

Mr. HARDEN. No. The way they have approached it is very much from a coordination standpoint, which that goes back to a 1984 memorandum of understanding. That is where we said you need to go back and make sure that is up to date, so that you have somebody that is in charge, you have some way of resolving whatever problems there are between the different people.

Ms. DELAURO. There is no one in charge. I am going to say this, as I have said in the past, and this is in regard to food safety. No one is in charge. No one has authority. No one is responsible. There is no accountability. It is diffuse.

Therefore, we cannot get to answers, we cannot move the process because no one is in charge of food safety in the Federal Government in the United States of America. No one.

You lay out the case. Three agencies that cannot come to identifying knowable chemical difficulties. It is annulable scientifically. They cannot either define the standard and they cannot enforce the testing of the standard. They do not recall it when they find it.

The public has every reason to believe that there is gross ineptness here, on this issue, unlike CSP, the public health is at risk. People can get sick. People can die. There is no one in charge.

I have one last piece on FSIS. I really throw up my hands, but since 2000, your office has done by our count 34 audits of FSIS covering a broad range of issues.

In these reports, your office has made 396 recommendations to improve the Agency's operations. As a result in many cases, changes have been made and the program has been improved in the specific areas that you identified.

However, while one thing gets fixed, the next audit of FSIS finds new problems. This is an area and an agency with a single area of responsibility, inspecting meat and poultry plants. That is what their responsibility is.

It is not rocket science. I am exasperated. I am tired of this. Again, I believe if the American public had any idea of what their exposure is on this, there would be a real outcry.

There is a fundamental issue here. This is years and years and years. What has to be done to change the culture at FSIS? You continue to do reports. You do audits. They sit on a shelf. They evaporate. It does not get implemented. Some of the stuff does.

We keep hearing the same things over and over again, and we cannot come to changing the infrastructure in a way that allows for a procedure or a process to move forward affirmatively.

You all have looked at this. What is your judgment on trying to change the culture at FSIS?

Ms. FONG. Let me offer a couple of comments and then I will invite my colleagues, as always, to participate.

You are right. We have done an awful lot of work in this area and it has been one of our top priorities for all the reasons that

you state. I will say that in my own tenure here in the last eight years, we have had some ups and downs.

I am harking back to the BSE situations and some of the trade issues that came out of that, the recalls, I will say as you also recognize, there has been some improvement.

For example, the BSE surveillance process, it has really settled down and it is probably now where it needs to be. On equivalency of inspections, Canadian beef and other kinds of beef, we have seen improvements.

Normally, what it takes is a crisis and then a report, an analysis, and then reaction.

Of course, there are areas that still do need further work, and what we find whenever we do an audit is that FSIS will take those recommendations and they will focus on them in the heat of the moment and we will get some forward movement, but then we always find spin-offs, issues that we had never realized were issues, so we will pursue those.

It looks as if it is an agency that has challenges that perhaps some people may say have not been met. I will say that we would say there have been some successes.

We also recognize it is a very tough mission. Inspecting food in slaughter houses takes a certain kind of employee. It takes a certain dedication to the mission. It is a very tough mission, very hard on people as individuals.

All the classic things that I can say to you about how you change an organizational culture, you start with tone at the top. I think it is critical to have excellent leadership from the top down because that dedication to the mission and clear vision of what the agency is up to has to be the first step.

Of course, you would look at the workforce, and is the workforce getting the kind of training it needs? Are they all fully professional to the extent we would all want them to be? I think that has been an ongoing challenge.

You also look at are the procedures in place within the agency to make sure the employees, once they are trained, do they know what they are supposed to do, is it clear?

We have had a number of findings in those areas, and in some cases we find that the procedures are good, but people are not following them. In other cases, we find that no, the procedures really need to be established.

There is that whole range of issues.

Ms. DELAURO. Maybe we need a single food agency where they concentrate on food safety and we do not have to have multiple agencies not doing, quite frankly, anything to address this issue.

Mr. Latham.

Mr. LATHAM. I thank the Chairwoman. I think you have expressed the frustration a lot of us have, and I think rather than to beat up on the Inspector General—

Ms. DELAURO. I am not beating up on the Inspector General. She knows that.

Mr. LATHAM. My concern is we have turned over our responsibilities in Congress by not doing the oversight of these agencies, whether it be this committee or the authorizing committee, to find out what the heck is going on, and we are so worried about starting

new programs and spending more money elsewhere, that we are not doing what we should be doing here.

Just to have oversight hearings on these agencies, and it is not just FSIS, we do not do oversight on anybody, and to expect the Inspector General to find out all the bad stuff going on without us doing our job, I think is misplaced responsibility, that we need to do our job here. We should have the power rather than turning everything over to the Inspector General.

OIG BUDGET

I would ask you, the President is only asking for an additional \$1.6 million for your office. It appears the workload is increasing as Congress charged you and your fellow Inspector Generals for policing the massive stimulus bill that was passed, and this committee did not really have a hearing on our \$28 billion share of the stimulus bill. We never had one hearing and never had a discussion in the Committee.

Is this request adequate? Do you need additional funding to do your job?

Ms. FONG. That is always a tough question to answer.

Mr. LATHAM. Did you ask for more?

Ms. FONG. I think we have some needs that we had wanted to fund, for example, we wanted a stronger IT system to track our investigations, but we are finding another way to fund that. That is being taken care of.

With the Recovery Act money that we are getting within the IG Office, and we have been very grateful to you all for that money, it has enabled us to hire up additional staff in the audit and investigative sides, so that we can actually do more work.

We are a level of effort office. If you fund us at a certain level, that is the amount of work you are going to get. Clearly, there are programs within USDA that we only are able to look at on a cyclical basis because of our resources. If we were to get more money, we would be able to do more work. Similarly, if we are held to this level, then we will prioritize.

In response to Mr. Kingston's concerns as well, what we look at is dollar risk. We look at history of performance in a program. We look at interest from the Congress and the Administration, as we decide which programs to look at each year.

My answer to you is right now, because of the Recovery Act and the disaster money that you all gave us, we are adequately staffed to do what we need to do, to deal with critical issues. If we had more money, we would be able to expand our range of operations.

Mr. LATHAM. That is my question. Are there a lot of other things that you should be looking at today but you are restricted? The \$28 billion in the stimulus bill, like you said, the disaster, I know there was a little bit of money in the stimulus for your office.

I guess I would ask how much of that have you spent so far? What do you need to actually do your job in a competent way?

Ms. FONG. In terms of stimulus, we received \$22.5 million available for five years. We are in the second year of recovery. As I might have mentioned to all of you, we are actually looking at every program that received dollars through recovery. We are going to be looking at all the nutrition programs.

We have issued 30 reports this past year on it. We are cranking it out.

We have to date spent about half of that, about \$11 million, in my understanding. We are moving through it pretty rapidly. We have about 50 audits underway across RD, Forest Service, FSA, FNS, Departmental Administration.

We have a huge initiative going on in that area.

Mr. LATHAM. What would you look at if you had the funds to do it?

Ms. FONG. Well, every year we go through our planning process and we have tiers of audits that we consider. At this point, we are only addressing our top tier of what we consider critical high risk issues.

There are other tiers of issues that have been surfaced by our staff that we at some point will get to.

Mr. LATHAM. Are there any examples?

Ms. FONG. Actually, I think some of the farm programs, some of the nutrition programs, some of the AMS programs.

Mr. LATHAM. That you are not looking at because of funds?

Ms. FONG. They will be scheduled in the out years.

Mr. LATHAM. A small part of the budget; right?

Ms. FONG. We do what we can.

Mr. LATHAM. Thank you very much.

Ms. DELAURO. What I would like to do if it is agreeable, we have talked about resources and funding for what you do, which is Mr. Latham's point, which is a reality, but I would very much like to talk to you about what kind of authorities you think you might need in order to deal with follow up, with what you do with the money that we appropriate you.

You lay out the reports. You lay out the recommendations. In several of these programs, we have seen rather it is 9 out of the 23 recommendations that are acknowledged or 14 out of 22, et cetera.

How do we provide you and what is it you believe you would need in terms of authorities to be able to move to a next step?

We are not going to do that here today. I would love to be touch with you and sit down and talk about how we get to that. Sometimes it is not just the money, but we cannot get the implementation of what you have already done on some of these programs.

I think we have to address that issue first and foremost and then deal with resources.

Mr. Farr.

NATIONAL ORGANICS PROGRAM

Mr. FARR. Thank you very much. I want to ask a question relating to the Organics Standard Act and the fact that the national regulations allow for state management under the state organic program, SOP.

You indicated that only two states have been approved for SOP, and California has some problems with theirs. I think there are about 14 recommendations that came out of that. They indicated AMS has agreed that they are going to get those recommendations in place by June of this year.

Do you plan another audit after that? What is the follow up?

Mr. HARDEN. Normally, when we do a follow up of this nature, we give them time—they give us the time frames in which they are going to make the changes or implement the changes, and we will come back and schedule work later.

Maybe an overview of the program in the next year or so, but before the end of this year, there is another part of the organic program that we are going to look at in terms of how they take substances on and off the national list of prohibited substances.

I would say in terms of a comprehensive review, it would probably be in a year or two.

Mr. FARR. The one you have dealt with now is the inspection process; right? Certification process?

Mr. HARDEN. AMS oversight and the type of oversight they give to the certifiers. By doing that, we did go to a number of operations.

Mr. FARR. The next one is going to be sort of how you manage the—

Mr. HARDEN. There was a specific question that we received from the Committee staff in terms of what did we do in this audit with regard to how they decide on which substances are on the list or not on the list, which we did not do detailed work on previously, and we are going to be doing that in the future.

Mr. FARR. I have probably the largest number of organic growers in the United States who are very interested. Obviously, they want to comply with the law because it protects them.

I am curious as to when can they expect to have your oversight to say yes, it is in place, working well. You said that will probably take about a year once it is in place?

Mr. HARDEN. We would probably give an agency that amount of time so we can go in and see how effectively their corrective actions were.

Mr. FARR. We can expect perhaps about 2012 that you would start; right? End of this year?

Mr. HARDEN. That would be an expected time frame, but we have to take that into consideration with other priorities at the time, in terms of when we actually would get that started.

Mr. FARR. I appreciate that. I appreciate you doing your oversight on it.

Ms. DELAURO. Mr. Kingston.

Mr. KINGSTON. Thank you, Madam Chair.

Ms. Fong, I was hoping to bring Ms. Ellis and Mr. Lebo in, because I think they have had a free ride today. [Laughter.]

INTERNATIONAL FOOD AID

Mr. KINGSTON. I am not sure what their area is. To move in a different direction, do you audit international food aid? Going back to Mr. Harden. You just cannot get enough. [Laughter.]

Ms. FONG. We have done a couple of audits in that area in the last few years. Did we not have some investigations? Never mind. [Laughter.]

I am trying.

Mr. KINGSTON. Well, you do audit it. P.L. 480 and McGovern-Dole.

Mr. HARDEN. I do not know that we have done specific work on that program. The GAO has done work in that area, and we try to make sure we do not overlap one another. It has been several years since we have actually looked at the food aid programs specifically.

Mr. KINGSTON. We had a great hearing with GAO on international food aid, and one of the things that somewhat came out of it is that it appears to be somewhat haphazard in that we do not have measurements as to where it has been most successful, and often there is a cliff when you do food aid and then a country is moving up the ladder but because they are moving up the ladder, they are no longer eligible for development aid.

I was just wondering if you had any information on that.

Mr. HARDEN. Not from current work.

Mr. KINGSTON. How long has it been since you audited this?

Mr. HARDEN. Five to ten years.

Mr. KINGSTON. I am not sure why you would not when P.L. 480 is \$4.7 billion and McGovern-Dole is \$2 billion. It would appear that would be on your radar.

Mr. YOUNG. It is. That is something we have talked about, looked at, when we go through what audits we can schedule and do. It has not made it into the ones that we are able to start.

Mr. KINGSTON. I do not know what we could do to urge you to put that on there, maybe actually in instructive language. It would appear to me based on our GAO hearing that it is certainly something that we should be looking at.

We give food aid, as you probably now, to 153 countries. It does not seem to be as effective in combating food security in many ways because we are not helping with the development aid along with it, and as a component of it.

If you have not audited it, you are not in a position to discuss it; correct?

Mr. YOUNG. Correct.

Mr. KINGSTON. Let me just come out with some bad questions for Ms. Ellis and Mr. Lebo, we have a few minutes. No, I yield back.

Ms. DELAURO. Thank you. Let me just try to run through some—I am going to give you a question on the N60 testing protocol, testing that is used by USDA, as you know, a screening test for E. coli in ground beef products.

What I asked about was statistical validity, the testing method, how the samples are allocated and analyzed by USDA employees, and the application of the N60 test results, and you agreed to look at this. If you can just get back to us and update us on the findings.

[The information follows:]

The first phase of this audit request is in process. Our audit objective in this phase is to follow up on matters reported in our memorandum, "Food Safety and Inspection Service Sampling and Testing of E. coli," issued January 29, 2008, related to examining the adequacy and effectiveness of FSIS N-60 sampling method. The report will be issued by late summer 2010.

Again, questions here that follow up on Mr. Bishop's commentary on peanuts, and you can get back to me on this. Are peanuts the only commodity that does not have a public commodity market?

[The information follows:]

According to FSA program staff, in addition to peanuts, there may be some minor oil seeds (rapeseed, crambe, and sesame) that may receive farm program assistance and that may not have a public commodity market—that is, without a spot, cash, futures, or terminal market. In the case of these minor oil seeds, Farm Service Agency officials have stated that not much is produced and most of what is produced is by contract with processors.

What authority does NASS need to be able to verify the price data reported by buyers, and is the reliance on this unreliable market data more likely to cause under payments or over payments to peanut producers?

[The information follows:]

In our audit report, “Farm Service Agency’s (FSA) Reliance on the National Agricultural Statistics Service’s (NASS) Published Peanut Prices,” issued in March 2009, we recommended that FSA work with the Department to seek authority to establish mandatory price reporting of peanut purchases by buyers as well as the authority to verify buyers’ reported data to NASS. We believe that such authority needs to be mandated, since the buyers’ reported data may be considered as confidential business proprietary information.

With regard to repeated abusers of USDA programs, you note that “USDA has excluded many of its programs from the suspension and debarment regulations using questionable justification.”

Which programs has USDA excluded from suspension and debarment regulations based on questionable justification?

[The information follows:]

Our audit of the effectiveness and enforcement of debarment and suspension regulations in USDA is expected to be issued by mid to late summer. Our report will identify if some or all of the programs within several USDA agencies have used questionable justifications to exclude programs from suspension and debarment requirements.

Let me just ask a couple of questions on the AMS. This is purchases of frozen ground beef. This is another area of unbelievable exasperation.

You found in procurement, a staff did not accurately identify supplier non-conformances and tracking used to monitor supplies, suppliers’ continued eligibility, weakness—around 924,000 pounds of ground beef product entered the national school lunch program from a supplier whose eligibility had not been properly evaluated by AMS.

I have grave concerns, really grave concerns about how an agency can adequately determine a supplier’s eligibility for a program if they do not know if all the non-conformances are in the tracking system and they are not looking at the full universe of these non-conformances.

Do you think AMS had adequately addressed the OIG’s audit findings for the ground beef purchase program?

Mr. HARDEN. What we can say right now is the response they gave to our report which we issued just earlier this month. What they stated they plan to do in response to our recommendations looks good. It will be after they have done that that we can then go in—

Ms. DELAURO. What is the timing to do it?

Mr. HARDEN. They plan to have the changes in place for this coming school year purchases, so that would be this June/July. The other thing to their credit, they are contracting with the National Academy of Scientists to look at this program as well as all their programs.

When we brought these issues to the table for them, they embraced them, so to speak, and are trying to move out in an expeditious manner.

Ms. DELAURO. Also, you make a recommendation on bonding, is anybody looking into that to see whether or not we ought to move on that with regard to liability?

Mr. HARDEN. They agreed to take a look at that and do a formal determination there, where they have done it very informally before. That again relates to the hallmark example where the Department had to spend money to help recall the product, where if they had a bond or some kind of insurance—

Ms. DELAURO. It would have made them more reliable as well, and not to have to pick up the charges when they were picking up the tab.

Many of the suppliers continue to have non-conformance issues. They are still allowed to participate in the ground beef purchase program. For reviewing a supplier's eligibility for the program, is it enough only to review repeated non-conformance violations in a 30 day period?

Mr. HARDEN. That is the way they treat the repeated ones. There is also a process they have in place where they would be in the plants on a regular basis. I do not know if I can detail that process off the top of my head. I know we looked at that.

Ms. DELAURO. We continue to have these bad actors selling ground beef to the national school lunch program. Can anybody tell me what has happened with Beef Packers, Inc., the company that over and over again has serious violations but was still allowed to move forward?

If you cannot, I am very interested in this. Again, we continue to allow contractors who are in gross violation, not once, not twice, many times over, to continue to participate and sell a product to the school lunch program, and it would appear to me that AMS is not doing what it needs to do in order to protect what they are supposed to do by way of their mission, to protect the product going into the school lunch program.

They are supposed to have certain criteria around it that does not exist elsewhere. It would at least appear we are not following this dictate. I would like to hear back about Beef Packers, Inc., if you can. If you have some information now, that would be great.

Ms. FONG. I do not know if we can comment on the record, but we would be happy to talk to your staff about that.

Ms. DELAURO. That is fine. A bunch of questions on flood control on dams and NRCS. Staggering, again, as to what we are not doing with dams that are hazardous and which we cannot seem to get any compliance in that area. We will send you the questions on that.

We are going to go vote. I know Mr. Kingston cannot come back. Those are the last votes of the day. We want to not have you just sit here.

Mr. KINGSTON. One thing I just wanted to mention, in your various reports, it would appear to me there might be categories of what is a mistake, what is likely fraud, and what is non-compliance of existing laws that are already in place but for some reason people are not complying with procedures.

I do not know if you put that in your report, but to me that would be of interest, too, as we look at these things.

Ms. DELAURO. It would be very much of interest. I would also like to indicate I asked you and we need to talk about this not here but in another venue, to talk about what authorities you need.

I would very, very much like and I think Mr. Kingston would as well to know what authorities you believe the agency needs in order to be able to change the culture, change the infrastructure, and change the outcome in a number of these areas.

Thank you very, very much, and this hearing is concluded.

Ms. Kaptur
QUESTIONS FOR THE RECORD

Alternative-Energy Programs

1. **Ms. Kaptur:** I greatly appreciate the work of the Inspector General and consider your work to be a critical arm of oversight for USDA. I am particularly interested in your work on evaluating the alternative energy component portfolio at USDA. It is my understanding that OIG has not conducted any oversight of the alternative energy programs at USDA during this year. While OIG has not done any work recently on the energy programs, could you give us an idea of the challenges the energy programs face?

Response: In March 2010, USDA completed its development of a Department-wide strategic plan for fiscal years 2010 to 2015. The plan includes a component for implementing renewable energy programs at USDA. However, this plan does not comprehensively address our previous recommendations.

As you note, OIG did significant work on this issue several years ago, culminating in our 2008 rollup audit report that recommended a separate Department-wide renewable energy strategy, coupled with agency or mission area strategies, to support USDA's strategy. The Department's challenge now is to continue to work towards the goal of a separate Department-wide strategy for renewable energy and then to develop policies, procedures and protocols to effectively implement this strategy in a timely manner.

The Government Accountability Office (GAO) recently initiated a review in this area and its results should give us a clearer idea of USDA's progress in developing and implementing this strategy.

Food Safety and Inspection Service/Agricultural Marketing Service

2. **Ms. Kaptur:** OIG's work on the health risk and the meat inspection system is particularly important. Over the years, OIG has provided USDA with important insight for making these programs more effective. This last year, you spent considerable resources evaluating Food Safety and Inspection Service (FSIS) and Agricultural Marketing Service (AMS) recalls related to the Hallmark meat recall. Has FSIS and AMS made progress in streamlining their communications?

Response: We conducted the FSIS audit to evaluate the effectiveness of the agency's Hallmark 2008 beef recall. FSIS evaluates a recall's success by following up with customers of the company affected by the recall, but the agency had no procedures to replace sampled customers who were found not to have actually purchased any of the recalled product. In the case of this recall, 41 percent of the companies FSIS contacted had not received the recalled product; they therefore should not have been used in evaluating the recall. Accurate customer sampling is necessary since FSIS depends on statistical projections to support its conclusions in these reviews. FSIS also needed to create a written process, to be followed by all of its district offices nationwide, to ensure that a standardized and statistically valid process is followed when evaluating recalls.

AMS had no role or responsibility with respect to this recall, and thus we had no observations concerning AMS and FSIS communications.

The AMS audit evaluated the effectiveness of AMS' oversight of the purchase of frozen ground beef for use in the Food and Nutrition Service (FNS) food and nutrition assistance programs. OIG noted that agency officials had not performed a cost-benefit analysis to determine whether ground beef suppliers should be required to carry bonding or insurance to safeguard USDA against monetary losses associated with product recalls. In addition, OIG identified weaknesses that affected AMS' ability to: (1) monitor supplier performance; (2) select product samples for laboratory testing; and (3) monitor laboratory performance and results. OIG concluded that these weaknesses could reduce AMS' assurance that frozen ground beef products purchased for use in FNS food and nutrition assistance programs consistently meet required product specifications. FSIS had no role or responsibility for these ground beef purchases.

Local Community Agriculture

3. **Ms. Kaptur:** Most of USDA's budget supports the various nutrition programs, yet it contains only a few links for locally produced agriculture. It is the bias not only of the nutrition program but the entire Department to ignore the small producers. In this last year we imported something like \$90 billion worth of foreign food while small farmers can't get access to their local schools. Ohio schools buy Washington state apples, ignoring the locally grown and produced material. Have you ever evaluated the effectiveness of USDA in linking to community agriculture?

Response: We have not performed any audit work evaluating the effectiveness of USDA's linking to local community agriculture.

National Organic Program

4. **Ms. Kaptur:** As our consumption of organic foods grows by leaps and bounds, the United States is increasingly importing organic foods from abroad. Your oversight on the organic program is particularly important to ensure our domestic competitiveness in this area remains a priority. Supporting high-value agriculture where a family farmer can make ends meet should be a higher priority for all of USDA. Could you please comment on the organic program and efforts to promote domestic competitiveness in this market?

Response: The objective of our National Organic Program (NOP) audit was to determine whether products marketed as "organic" met the requirements of NOP. In addition, the audit evaluated the adequacy and consistency of the oversight provided by AMS personnel and certifying agents to ensure that the NOP met its objectives.

NOP was enacted to facilitate the domestic and international marketing of organic products and to assure consumers that such products meet consistent, uniform standards. During this audit we reviewed accreditation records to evaluate NOP's reviews of foreign certifying agents. We found that NOP did not complete required onsite reviews at 5 of 44 foreign certifying agents. This occurred, in part, because NOP officials

underestimated the number of applications they would receive when the program began in 2002 and had not made adequate provisions to perform the necessary onsite reviews within reasonable timeframes. In addition, NOP officials did not develop a policy for handling applicants located in countries where conditions may make travel hazardous. As a result, there is reduced assurance that these certifying agents followed NOP regulations, policies, and procedures when certifying organic operations for program participation. Likewise, NOP has reduced assurance that the approximately 1,500 organic operations certified by these 5 agents were marketing product that complied with the regulatory standards for certified organic products.

Since this audit did not look at efforts to promote domestic competitiveness, we have no suggestions for this area.

In 2011 we plan to perform two NOP audits. One audit will evaluate the process NOP uses to determine which non-organic substances are permitted. The other audit will evaluate organic milk producers to ensure certification requirements are met and that processors are not blending organic milk with non-organic milk.

School Lunch Program

5. **Ms. Kaptur:** Has the Inspector General completed any work related to the complicated and bureaucratic structures in the school lunch program? If not, could you please provide the committee with your insight into problems that small producers have in selling their products to nutrition programs?

Response: We have not performed any audit work specifically in this area. However, we do have work planned in fiscal year (FY) 2011 to review agency controls over the FY 2010 Food Distribution Program, especially the purchase of fresh fruits and vegetables. Once this audit is conducted, we may be in a better position to respond to your question.

Supplemental Nutritional Assistance Program

6. **Ms. Kaptur:** There is often discussion of certain grocery stores overcharging for food redeemed with the Supplemental Nutritional Assistance Program. Has OIG reviewed this problem or made suggestions for consumers and the agency to avoid overcharging Americans who live in areas with limited access to food?

Response: We have not performed any audit work to determine if consumers are being overcharged for food redeemed under the Supplemental Nutrition Assistance Program.

Rural Business-Cooperative Service

7. **Ms. Kaptur:** In the 2008 Farm Bill, Congress created a 5 percent “set aside” authorizing USDA to use a portion of the business and industry loan program to assist underserved communities in creating regional food systems. To date, USDA has implemented this program with limited success largely because it is operating in a new

area that USDA doesn't understand how best to work in. Has the OIG reviewed the area of underserved communities and made any suggestions about how to use these types of authorities?

Response: We have not reviewed the Rural Business-Cooperative Service's (RBS) efforts to implement this particular program. However, during our current audit of the Business and Industry (B&I) Recovery Act dollars, OIG is reviewing the outreach efforts of RBS in its delivery of Recovery Act B&I guaranteed loans. We anticipate issuing our report by the end of January 2011.

Healthy Fresh Food Financing Initiative

8. **Ms. Kaptur:** Many of us are truly excited about the new focus in using USDA authorities to serve producers in nontraditional agricultural areas. From the Know Your Farmer Know Your Food Program, the Healthy Fresh Food Financing Initiative budget request in FY 2011, and the request to focus USDA authorities on underserved communities, this is truly an exciting time. Does OIG have any suggestions on the use of these authorities for ensuring that USDA programs are used more effectively to empower communities to feed themselves?

Response: Since OIG has not conducted any audits in this area, we have no specific suggestions at this time. However, as with any Federal initiative, program managers should take steps to develop performance measures that specify the measures of success for a program. Managers should also ensure they have appropriate policies and procedures to ensure funds are being used as effectively and efficiently as possible.

Dog Fighting

9. **Ms. Kaptur:** In the past week the United States Supreme Court has invalidated a law restricting the sale of dog fighting videos. I know that OIG has been involved in this case and we would appreciate your comment on this action. What are the next steps that Congress needs to take to ensure that a new market for dog fighting videos does not sprout up?

Response: As enacted in 1999, 18 U.S.C. § 48 made it a crime to knowingly create, sell, or possess a depiction of animal cruelty with the intention of placing that depiction of animal cruelty in interstate or foreign commerce for commercial gain. The legislative history of 18 U.S.C. § 48 suggests that the statute's application was specifically limited to "crush videos," videos in which small animals are tortured and killed, often by women in high heels, for the purpose of appealing to prurient sexual interests. However, the statute was broadly drafted, with "depiction of animal cruelty" defined as "any visual or auditory depiction, including any photograph, motion-picture film, video recording, electronic image, or sound recording of conduct in which a living animal is intentionally maimed, mutilated, tortured, wounded or killed, if such conduct is illegal under Federal law or the law of the State in which the creation, sale, or possession takes place, regardless of whether the maiming, mutilation, torture, wounding, or killing took place in the State." *See* 18 U.S.C. § 48. As such, we believed that the law was

appropriate to support prosecution thereunder of individuals for the production and interstate distribution, for commercial gain, of videos that depicted animal cruelty in the form of animal fighting. However, in *United States v. Stevens*, the Supreme Court ruled that 18 U.S.C. § 48 was unconstitutionally overbroad and therefore invalid under the First Amendment. See *United States v. Stevens*, No. 08-769 (U.S. April 20, 2010).

Although the *Stevens* Court declined to decide whether or not a statute limited to crush videos or other depictions of extreme animal cruelty would be constitutional, *see id.*, legislation introduced in Congress following the *Stevens* decision would enact such limitations. On July 21, 2010, the House passed H.R. 5566, "Prevention of Interstate Commerce in Animal Crush Videos Act of 2010" (H.R. 5566, 111th Cong. (2010)). This bill narrowly focuses on prohibiting "crush videos" and, as drafted, does not appear to address depictions of animal fighting.

10. **Ms. Kaptur:** What other types of authority does USDA have to ensure that videos of this despicable practice do not suddenly proliferate?

Response: Pursuant to the Animal Fighting Prohibition Enforcement Act of 2007, 7 U.S.C. § 2156, a person may be fined or imprisoned for not more than five years for knowingly using the mail or other instrumentality of interstate commerce for commercial speech to advertise an animal for use in an animal fighting venture or to promote or further an animal fighting venture within the United States. See 7 U.S.C. § 2156. Under the Act, the same penalties apply for sponsoring or exhibiting an animal in animal fighting venture, and for buying, selling, transporting, delivering, or receiving for transporting, in interstate or foreign commerce, any dog or other animal for participation in an animal fighting venture. If videos were produced for the purpose of promoting the sale of specific fighting dogs, or for promoting or otherwise furthering specific animal fighting ventures, it is possible that they might be considered prohibited commercial speech under the Act. However, given the Supreme Court ruling on 18 U.S.C. § 48 in *Stevens*, this prohibition regarding commercial speech could also be subject to challenge.

We are not aware of any other authority that restricts the proliferation of dog fighting videos, but we do have authority to investigate violations of dog fighting under the Act and to work with prosecutors to bring cases against those engaged in dog fighting.

We have conducted many animal fighting investigations in recent years. From FY 2007 to date, we opened more than 70 animal fighting investigations. During that time, our investigations resulted in over 500 indictments and over 1000 convictions and citations.

THURSDAY, MARCH 4, 2010.

CHILD NUTRITION PROGRAMS

WITNESSES

KEVIN CONCANNON, USDA, UNDER SECRETARY FOR FOOD NUTRITION AND CONSUMER SERVICES

DR. KELLY BROWNELL, YALE UNIVERSITY, RUDD CENTER FOR FOOD POLICY AND OBESITY

DR. MARIANA CHILTON, DREXEL UNIVERSITY, SCHOOL OF PUBLIC HEALTH, PENNSYLVANIA

SCOTT FABER, GROCERY MANUFACTURING ASSOCIATION

ZOE NEUBERGER, CENTER ON BUDGET AND POLICY PRIORITIES

MS. DELAURO OPENING REMARKS

Chairwoman DELAURO. Good morning. The hearing is called to order. I will make some opening remarks. Our colleague, Mr. Kingston, who will be here shortly as ranking member will make opening remarks and then we will move to testimony and then to questions. Thank you very, very much for being here.

I again want to welcome my fellow committee members and our distinguished guests. This is the second hearing of the Agriculture Appropriations Subcommittee this year. Let me welcome our witnesses. Kevin Concannon, who is the under secretary for Food Nutrition and Consumer Services at USDA; Dr. Kelly Brownell of Yale University's Rudd Center for Food Policy and Obesity; Dr. Mariana Chilton of the Drexel University School of Public Health, Pennsylvania; Scott Faber of the Grocery Manufacturing Association; and Zoe Neuberger of the Center on Budget and Policy Priorities.

I am really very, very excited that you are here today to share your insights and your expertise with all of us. This is not just "we do hearings on the budget and with the agency representatives". This is another aspect of the hearings that we will hold, as we have in the past; this one focusing on, obviously, the issue of nutrition. We will be doing several others, but quite frankly this is not mandated for us to do, but the issue is so critical and so important that we really wanted to get you here to address this.

We kicked off our committee hearings last week with Secretary Vilsack and his staff, who outlined goals and priorities for the 2011 budget. Among them, as many will remember, was the issue that is dear to the hearts of many on this panel as well as to the First Lady, which is improving child nutrition. With WIC, with the CSFP—Commodity Supplemental Food Program—the SNAP program, the School Lunch Program, and other crucial food assistance and nutrition programs under the Subcommittee's purview, our thought was that we really needed to take a closer look at the ways that we can work to improve the health and the nutrition of our children. In addition, we want to help frame the issue by listening

to experts. Your input is critical this year as Congress works on the reauthorization of the Child Nutrition Act, so we must act before the current extension runs out later this year.

When it comes to child nutrition we are confronted with what at first appears to be a two-headed problem. On one hand we face a problem of access. Far too many children in America are simply not getting enough to eat. Parts of the testimony that I've read, it is chilling, and it's unconscionable what is happening with children in this country with regard to hunger, and we have the opportunity to do something about it. This institution can do something about it, so it's a moral responsibility, in my view, what we're talking about here.

And then you have on the other hand as a result of poor nutrition and unhealthy food options in our schools and on our dinner plates, we face a growing epidemic of child obesity that is harming the health and the quality of life of our kids. So we need to do more to ensure that the foods our children eat have the nutritional value that they need to thrive. In fact, the problems are two sides of the same coin.

Research has shown, time and again, that families that are struggling economically have a harder time affording healthy food options. Simply put, unhealthy food is cheaper. It's easier to get. It's a problem that we in the government and on this committee who are overseeing nutrition funding must do more to rectify. In fact, the discussion begins with the current economy. Right now, we know that families are struggling. In America today, almost 14 million children—that's one in five—live below the Federal poverty level.

That number is expected to rise as high as 27 percent as a result of the recession. If you factor in that the poverty line is actually much lower than what families need to really get by, it is estimated that 41 percent of our kids live in a low-income household right now. I mentioned this at the prior hearing, so my colleagues have heard it before, but the Speaker Of The House in Connecticut is doing a wonderful service, I believe. He is going from district to district and, in a bipartisan basis, talking about the recession and its impact on children. And the one for the Third Congressional District was about two weeks ago and I was there. They asked me to speak and then we listened to testimony.

One woman stood up and said she has five children. She rations food. She has to. Her older two are boys and she provides a little bit more for them. And the three girls a little bit less, and she said that it's a terrible thing to have to tell your kids that they can't have seconds, and if they ask to have a sleep over, she has to say "No," because they do not have enough food. Her husband lost his job and she is trying to take on part-time work and also to try to take care of five children.

The dismaying poverty rate very quickly translates into hunger and malnutrition for our children. According to the Food Research Action Center, 18 percent of Americans across the country have experienced food hardship in the past year, meaning that they have not had the money to purchase the food their families desperately need.

My view is that they are not fed and secure. They are hungry. People in this country are hungry. In fact, more than two out of every three children who participate in the school lunch program in our public school system, 69 percent currently qualify for free or reduced school lunches.

Government has a role in helping to alleviate hunger, which we try to accomplish in many ways. For example, one in five children receives food stamp assistance. But one of the problems we face and need to find better ways to redress is to make sure that kids across the country are actually getting the help that they qualify for.

According to the Carsey Institute at the University of New Hampshire, almost one in three children in rural households, 29 percent participated in one of our Child Nutrition Programs. That being said, too many of these qualifying households do not participate in any of these programs, including 55 percent of those eligible for the National School Lunch Program, and 92 percent of those eligible for the Child And Adult Care Food Program.

Time to take a hard look at our nutrition efforts so that the aid is getting to the people that need it. We need to move forward. We need to ensure that the resources we apply to child nutrition are translating directly to these kids. To take just one example, I believe we ought to increase the reimbursement rates for the school food programs.

At the same time, we also need to reduce waste, overhead in the programs, make sure that money is actually being used for what it has been intended for, and that's food for children. In addition, we must do more to improve the nutritional quality of the food in our schools. We should work to encourage in the small but notable ways that the government can encourage families and consumers towards healthier food options.

I read in Mr. Concannon's testimony that the Administration "has two main priorities for Child Nutrition Programs: one, reducing barriers and improving access to combat childhood hunger; and, two, enhancing nutritional quality and the health of the school environment." We on this committee share these two priorities. These are two sides of the same nutritional problem that I outlined. So I look forward to the testimony today how we can better address both of these issues and help to ensure that our kids have a happier and a healthier future. And, with that, let me yield to my colleague, Mr. Kingston.

Let me then proceed with testimony and remind the witnesses that your entire statement will be made part of the record, and you are free to summarize your remarks. And, Mr. Concannon, we will start with you.

STATEMENT BY MR. CONCANNON

Mr. CONCANNON. Thank you very much, Madam Chairwoman; and, members of the committee, thank you for the opportunity to discuss the reauthorization of the Child Nutrition Programs and the Special Supplemental Nutrition Program for Women, Infants and Children.

It's a very special opportunity to be here today to talk about the Department of Agriculture's priorities for reauthorization. The re-

authorization of the Child Nutrition Programs presents us with an historic opportunity to combat child hunger and improve the health and nutrition of children across our country.

The proposed investment of \$10 billion in additional funding over 10 years would significantly reduce the barriers that keep children from participating in the Child Nutrition Programs. It would also improve the quality of school meals and the health of the school environment and enhance the program performance in the National School Lunch Program, School Breakfast, the Summer Food Service Program, the Child and Adult Care Food Program, the Special Milk Program, and WIC, the special program for women, infants and children.

We are confident that the following recommended changes will move us towards achieving our goals and achieving a groundbreaking and robust child nutrition and WIC reauthorization. As the Chairwoman mentioned, our two overarching goals are to reduce barriers and improve access as well as enhancing the nutritional quality and health of school environments.

In keeping with the recommendations made by the Institute of Medicine, reauthorization must substantially improve the nutritional value of the meals being served to our children. But, we know that improved foods will require increased cost for schools. That is why we are calling on Congress to increase the reimbursement rate for the National School Lunch and School Breakfast Programs. Our expectation is that school meals will improve as USDA issues new meal requirements to emphasize fruits, vegetables, whole grains and low fat dairy products.

Any increases in the reimbursement rate must be conditioned on the fact that the increases will pay for improved quality and improved nutrition, not just the status quo. We also recommend the establishment, importantly, of nutrition standards for all schools, for all foods, rather, served in schools, including vending machines and a la carte lines.

We support providing competitive grants to states and local, public and private, non-profit organizations to promote increased consumption of healthy foods through innovative food service delivery systems based on behavioral economics.

I read a wonderful book recently called “Nudge”; nudging people in the right direction. We also support a challenge to the Nation’s governors to eliminate hunger by 2015 as part of reauthorization. State childhood hunger challenge grants will provide competitive grants to allow governors to implement creative and innovative approaches to eliminating hunger. To reduce barriers to access and approve program operations, we support offering grants to streamline the application process and expand efforts to enroll eligible students through direct certification.

Recognizing that many schools do not have the equipment necessary to provide more healthy food selections, reauthorization should include funding to improve school kitchens so that schools can provide the food that meet these *Dietary Guidelines*. We should continue supporting Farm-To-School Programs to increase the amount of produce available to cafeterias and to help support local farmers by establishing regular institutional buyers. We found a great example in the Hawthorne Elementary Schools in Bozeman,

Montana, which started networking three years ago with Grow, Montana, and this has resulted in a wonderful partnership.

Recently, I've been in contact with the New Haven schools program, Chef Cipriano, and they have developed programs along this line. A month ago I was in Summerville, Massachusetts, and they over the past three years have been expanding their reliance on area farms to make wonderful win-win phenomena for schools, for healthier eating, and helping local economies.

One idea I think that warrants attention is to expand the existing authority of the Child And Adult Care Food Program to provide after school meals to at-risk kids in all 50 States. The committee may be aware that's currently limited to 14 States.

Finally, while the focus of reauthorization must remain on access and improving quality, we understand the underlying responsibility: We have to make sure that the food our children eat is both nutritious and safe. That's why we've begun a complete review of our programs and protocols to enhance the safety of all food that is served to our children, and why we recently announced a series of reforms designed to ensure that foods we procure are safe and of the highest quality.

Our priorities and many more will be debated by Congress in the near future as you consider legislation to modernize these programs. Our Administration is committed to combating hunger, providing healthier foods to our Nation's children, and I hope we will have your support on these efforts.

Again, I want to thank the committee for the opportunity to appear before you today to discuss the reauthorization of the Child Nutrition Programs administered by the USDA, and I look forward to answering questions that you may have.

Thank you very much.

[The information follows:]

**For release only by the
House Committee on
Appropriations**

**STATEMENT OF KEVIN CONCANNON
UNDER SECRETARY FOR FOOD, NUTRITION AND CONSUMER SERVICES
BEFORE THE SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT,
FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES**

MARCH 4, 2010

Madam Chairwoman and members of the Committee, thank you for the opportunity to discuss the upcoming reauthorization of the Department of Agriculture's (USDA) Child Nutrition Programs and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). It is a pleasure to be here today to talk about USDA's priorities for reauthorization. Having worked as a State Health and Human Services Commissioner in Maine, Oregon, and Iowa, I know firsthand how important these programs are to the nation, especially in these challenging economic times.

In his first year in office, President Obama pulled us back from the brink of the greatest economic crisis since the Great Depression. As we work to lay a new foundation for economic growth, we must ensure that the cornerstone is the nutritious meals available to children. Our ability to respond quickly to their need is a testament to the successful design of the Child Nutrition Programs. But we cannot rest there. The stark reality is that today we face a public health crisis of high child obesity rates across the country. The Child Nutrition Programs serve as a model of good nutrition, teaching children and their families to make wise food choices so they will lead healthy productive lives. More than 60 years since President Truman created the National School Lunch Program, our efforts have grown so that we now reach over 31 million school children each school day. These children are our future and we remain committed to President Truman's observation -- "in the long view, no Nation is healthier than its children."

BACKGROUND

The reauthorization of the Child Nutrition Programs presents us with an historic opportunity to combat child hunger and improve the health and nutrition of children across the nation. The Obama Administration has proposed an investment of \$10 billion in additional funding over ten years to improve our Child Nutrition Programs. This proposed investment would significantly reduce the barriers that keep children from participating in school nutrition programs, improve the quality of school meals and the health of the school environment, and enhance program performance. This is a once in every five year opportunity to modernize the core Child Nutrition Programs: the National School Lunch Program (NSLP), School Breakfast Program (SBP), the Summer Food Service Program (SFSP), the Child and Adult Care Food Program (CACFP), the Special Milk Program (SMP), and WIC.

The National School Lunch Program was enacted in 1946 as a necessary response to the widespread malnutrition-related health problems revealed among young draftees during World War II. Today, we face a similar threat to the future of our national security. A recent report by *Mission: Readiness* found 27 percent of our Nation's young people are too overweight to serve in the armed forces. Since the beginning of the NSLP, leaders in Congress have also recognized that nutritious lunches would contribute to success in schools. Our understanding of the links between nutrition, health, and education have grown over time, and the program has responded with changes that make the program more accessible to low-income children, and improve the content of meals to reflect up-to-date nutrition science. Through these changes, the core nutrition and education mission behind school meals remains just as important, if not more important, today.

CHALLENGES

As more of us become aware of the importance of eating well and exercising, we find ourselves at a unique moment where leaders at all levels of society – State and local officials, school nutrition professionals, the food industry, public health professionals, and many others – are asking what they can do to improve the health and nutrition of our children.

Obesity and the health conditions that it causes are related in part to poor diets, including the under-consumption of fruits and vegetables. Children and youth are also not as physically active as experts recommend to prevent obesity and promote good health and this, too, contributes to the “energy balance” problem that leads to obesity. This is one reason why USDA is joining with First Lady Michelle Obama in aggressively promoting the Healthier US School Challenge, which recognizes schools that do an exceptional job promoting the meal participation, meal quality, nutrition education and physical activity.

At the same time, we face a continuing problem for some families being unable to provide their children enough to eat. The Department released a report, “Household Food Security in the United States, 2008” showing that in over 500,000 families with children in 2008, one or more children simply do not get enough to eat – they had to cut the size of their meals, skip meals, or even go whole days without food at some time during the year. This is simply unacceptable in a nation as wealthy and developed as the United States.

Furthermore, any teacher can tell you that the relationship between healthy eating, nutrition, and learning is as dramatic as the linkage between nutrition and health. Breakfast is particularly important in this regard; research shows that eating a good breakfast at home or school is linked to better school performance and classroom behavior, and fewer visits to the school nurse. Investing in meal quality and access to these critical programs will help support the

capacity of our young people to learn and acquire the tools necessary to become the leaders of tomorrow.

OPPORTUNITIES/BROAD IMPACT

The legislation we are discussing today has the potential to shape important and much-needed changes in our nutrition environment as a Nation – with the prospect of better health and well-being in the years to come.

We can improve access to meals and explore new means of empowering communities to reduce food insecurity and hunger, especially among our children. We can make every school a place where nutrition and learning shape the food offered by improving the quality of meals, eliminating foods that do not support healthful choices, and expanding physical activity opportunities.

We can help pregnant women, new mothers, and the youngest children receive the support they need for an optimally healthy start, and support working families using child care, by providing nutritious food for their children, to help them deal with the challenges of today's economy. This is the power of these programs – and the opportunity we share to harness that power for a better future.

While the focus of reauthorization must remain on access and improving quality, we understand the underlying responsibility we have to make sure the food our children eat is both nutritious and safe. That is why we've begun a complete review of our programs and protocols to enhance the safety of all food that is served to our children, and why we recently announced a series of reforms designed to ensure that the foods we procure are safe and of the highest quality. Parents expect as much and children deserve no less.

Beyond these food security, nutrition, health, and learning objectives, the reauthorization is an important opportunity to promote economic development and a robust farm and food economy. The Child Nutrition and WIC Programs are significant outlets for the bounty of American farmers and ranchers. Each year, USDA purchases approximately \$1.5 billion of healthy foods through its commodity distribution programs. As we continue to move toward the meal standards recommended by the Institute of Medicine (IOM), USDA and schools will increasingly purchase more fruits and vegetables, whole grain items, and low fat dairy products. These purchases will increase our support for the entire agriculture value chain – from growers to packers, shippers, manufacturers, to retailers – creating a stimulative economic impact.

This legislation is critical – not only for nutrition, but for health promotion, educational opportunity, and economic development. For these reasons, I'm appreciative of the opportunity to appear before this Committee to discuss the Obama Administration's top priorities for this legislation and to express my commitment to work with you to pursue a robust reauthorization that advances these key priorities.

PRIORITIES

The Administration has two main priorities for Child Nutrition Programs that I will discuss this morning: (1) reducing barriers and improving access to combat childhood hunger; and (2) enhancing nutritional quality and the health of the school environment. Improving program performance is also important to us, and we will be attentive to that goal throughout the reauthorization process. We are confident the following recommended changes will move us towards achieving our goals and bring us to an historic Child Nutrition and WIC Reauthorization.

- ***Provide a reimbursement rate increase for school meals.*** Reauthorization must substantially improve the nutritional value of the meals being served to our children and play a central role in the Let's Move campaign's effort to solve childhood obesity in a generation. Last October, IOM released recommendations to USDA to improve school meals, which pave the way for the first major revision of the nutrition standards for school meals since 1995. We are working aggressively to implement new standards based on the IOM recommendations to better align our meals with the 2005 *Dietary Guidelines for Americans*, but we also know that the improved foods will require increased costs for local schools. That is why we are calling on Congress to increase the reimbursement rate for the National School Lunch Program, to help schools purchase the whole grains, fruits, vegetables, and low fat and fat free dairy products that our children need to grow strong and healthy. Let me be clear -- our expectation is that school meals will improve as USDA issues new meal requirements that emphasize fruits, vegetables, whole grains, and low-fat dairy products. Any increases in the reimbursement rate must be conditioned on the fact that the increases will pay for improved quality and improved nutrition, not just the status quo. This assistance will be critically important as we work with State partners, schools and school food service professionals to successfully implement the new standards and our enhanced expectations for the program to serve the most nutritious meals possible.
- ***Increase school breakfast reimbursement and provide commodity support.*** We recommend an increase in the reimbursement rate for school breakfasts and combine that support with USDA-purchased foods to give more children the option of a healthy breakfast. Increasing participation in school breakfast must be part of reauthorization. On school days, almost two-thirds of children who participate in the lunch program do not

participate in the school breakfast program. A healthy breakfast is critically important to educational achievement. This reauthorization is an opportunity to promote innovative approaches which have been shown to reduce stigma and promote participation in the program, like serving breakfast in the classroom.

- ***Establish nutrition standards for all food served in schools.*** While improved school meals are critical to our nutrition and obesity prevention goals, the challenge of helping kids stay healthy extend beyond reimbursable school meals. Children are subject to innumerable influences in their environment. As they develop preferences and practices that will last a lifetime, their choices are shaped by their surroundings – at home, in school, and in their wider community. The school nutrition environment is a powerful influence in this regard. Accordingly, we recommend the establishing standards for all food served and sold in schools. A 2006 study showed that outside the cafeteria, children are three times more likely to be able to purchase cookies, cakes, pastries, and high fat salty snacks than fruits or vegetables. Foods served in vending machines and the à la carte line shouldn't undermine our efforts to enhance the health of the school environment. It doesn't mean banning vending machines in schools – just filling them with nutritious offerings to make a healthy choice the easy choice for our nation's children. From food service professionals to the National PTA to the food industry, there is support for this new authority, and it must be a component of the reauthorization bill.
- ***Test strategies in the cafeteria setting to encourage children's selection and consumption of healthy foods.*** School food service venues offer a prime opportunity for students to learn to make healthier food choices, and build lifelong healthier eating habits. We support providing competitive grants to States and local public and non-profit organizations to

promote increased consumption of whole grains, fruits and vegetables, low- and fat-free milk through innovative food service delivery systems based on behavioral economics.

- ***Empower governors to eliminate hunger.*** We support a challenge to the nation's governors to eliminate child hunger by 2015 as part of reauthorization. A program of State Childhood Hunger Challenge Grants will provide competitive grants to allow governors to implement creative and innovative approaches to eliminating hunger. It will help States act as laboratories for successful strategies – to let them be creative in experimenting with models that match program delivery with evaluation, so that we can learn what works and what doesn't.
- ***Streamline the free and reduced price application process.*** We support offering grants to States and non-profit organizations to develop Web-based or other systems to streamline the application process and expand efforts to enroll eligible students through direct certification. If a child already qualifies for other assistance programs there is no reason why their parent should have to fill out one more application to qualify for school breakfast or school lunch.
- ***Establish bonus payments for improved direct certification.*** Bonus payments should be offered to States and school districts that effectively use direct certification to enroll children who currently qualify but who are not participating. In school districts with very high rates of students eligible for free and reduced price meals, the cost of paperwork and the risk of lost of application forms far outweigh any benefits.
- ***Establish paperless application systems in needy areas.*** We need the tools necessary to establish paperless application programs in the poorest school districts. The object of all

these changes should be to ensure that every child gets the food they need to reach their highest potential.

- ***Provide funding to improve kitchen equipment and provide credentialing program for school food service directors.*** The 2009 IOM report also showed that training, school equipment, and technical assistance would be necessary to implement these changes to the food we serve. Recognizing that many schools do not have the equipment in place to provide food selections, the reauthorization should build upon the investments in equipment made by the 2010 Appropriations Act and 2009 Recovery Act and include funding (such as grant programs) to improve school kitchens so schools can provide meals that meet the *Dietary Guidelines* and increase consumption of more fresh fruits and vegetables. At the same time, we should create a credentialing program for school food service directors, and support school food service providers with resources for the critical training they need to do their jobs, effectively and accurately.
- ***Strengthen wellness policies.*** We also believe that every lunchroom ought to double as a classroom, and that schools should be challenged to make meals a learning experience. That is why it is important for us to build on the step taken in the 2004 reauthorization bill to establish school wellness policies in every school by strengthening the requirement and raising the standard, which includes increasing physical activity among students
- ***Provide parents and students nutrition information about foods served in schools.*** Making sure that parents and students have correct and complete nutritional information about foods being served in schools must be part of the reauthorization effort as well. With better information and simple assessments, parents will know what is available in their child's cafeteria and can better assist their children in making the right nutritional choices.

- ***Strengthen farm-to-school efforts.*** Strengthening the link between local farmers and school cafeterias must remain a priority for this legislation. Supporting farm-to-school programs will increase the amount of produce available to cafeterias and help to support local farmers by establishing regular, institutional buyers. Many schools are using farm-to-school programs as an important component of nutrition education. USDA has begun to deploy a farm-to-school team to help school districts understand how they can purchase and serve local foods. Education leaders and our State and local partners need to embrace farm-to-cafeteria programs and school garden programs to help strengthen the link between consumers and farmers.
- ***Expand at-risk afterschool child care food program.*** One idea that warrants attention is to expand the existing authority of the Child and Adult Care Food Program to provide afterschool meals to at-risk kids to all 50 States. This successful program currently provides extra nutrition assistance to eligible children in 14 States – and there is no reason it shouldn't be expanded to include an additional 140,000 children.
- ***Advance program integrity.*** Guaranteeing the integrity of the nutrition programs remains central to a credible reauthorization. We should fund periodic studies to eliminate erroneous payments in the meal programs. Support for new technology and increasing the use of direct certification will help schools avoid inaccuracies in eligibility determinations, and maintain the confidence that our help is only provided to those who need it.
- ***Nutrition standards in childcare settings.*** We also recognize that children develop nutrition habits early, often in their preschool years. CACFP provides children with an opportunity to develop healthy habits that will last a lifetime. We look forward to consideration of the forthcoming IOM study that will make recommendations to revise

CACFP meal patterns to serve meals and snacks consistent with the Dietary Guidelines and other relevant science.

Our priorities and many more will be debated by Congress in the near future as you consider legislation to modernize these programs. Just as teachers inspire and parents encourage our children we must ensure that healthy food is available to help these future generations grow and learn. This Administration is committed to combating hunger and providing healthier foods to our nation's children, and I hope we'll have your support in these efforts.

Again, I would like to thank the Committee for the opportunity to appear before you this morning to discuss the reauthorization of the Child Nutrition Programs and I look forward to answering any questions that you may have.

Chairwoman DELAURO. Dr. Brownell.

STATEMENT BY DR. BROWNELL

Mr. BROWNELL. Thank you for the opportunity to appear before the Committee. Before talking about specific policy proposals, I'd like to address two broad issues.

One is the issue about pushing healthy food into the system versus extracting unhealthy food from it. It's far easier to address the issue of increasing fruit and vegetable consumption, whole grains and the like, than it is to talk about reducing anything.

The first doesn't require combat with the food industry. The second may. This model that the healthy and unhealthy foods appear on the opposite ends of a see-saw may not be the case, that if you increase healthy foods it's going to push out of the way the less healthy option. That does not seem to be supported by recent scientific evidence. So what I would suggest in any government policy that will simultaneously address increasing incentives for the consumption of the options, like fresh fruits and vegetables, but also addressing the calorie dense, nutrient poor foods, that it's clear that populations consuming too much of things like sugared cereals, sugar sweetened beverages, candy and the like, high on that list, fast food would appear on that list as well.

So that's point number one. Broad point number 2 has to do with the concept of changing defaults, and this is quite consistent with what Mr. Concannon said about the concept of nudging people. The fact is we have a pretty terrible nutrition environment in this country that's been engineered in a way that maximizes consumption of calorie dense foods. Would the Americans who've been systematically taught—and this is unlike it was when I was a boy—that the default serving size of a sugared beverage is 20 ounces compared to the 8 ounces when I was young. The muffin can be the size of a softball now, compared to the baseball of the earlier days, and there are example after example of this.

We've been recalibrated to believe that we can eat in all sorts of places, like the automobile; not true when I was a boy. We've been readjusted to believe that food should be available everywhere: drugstores, shopping malls, gas stations. That wasn't the case when I was a boy. And we've also been trained systematically to believe that three meals a day is no longer adequate. One can witness the Taco Bell campaign that talks about a fourth meal, and the fast food restaurants enticing people to come in late at night to eat there. These are deeply woven now into the American mind-set.

They're supported by a massive economy involving the food industry marketing people, advertising people and the like, and is having a disastrous impact on the health of the American population. These are unhealthy defaults. The question is can action be taken to create a better set of defaults so that the healthy choice becomes the easier one, and the answer is unquestionably yes.

We can look, for example, at data on people who agree to be organ donors in European countries. There are countries in Europe that use the U.S. model where you're not an organ donor by default, but you can agree to be one when you get your driver's license. Other countries in Europe, you are an organ donor by de-

fault, but you can opt out. Consumers have the same set of choices under both circumstances, but the rates of organ donation in the countries that use the U.S. model are between 15 and 20 percent. In the other countries it's over 90 percent, a startling difference, stunning difference.

You could never produce that with education. You can never implore people to do those sort of things, or you can just change the law, change the defaults. So the question is are there food defaults. Well, Mr. Concannon talked about a number of them that we fully support.

Getting rid of trans fats in restaurants would be a wonderful example of this. New York City took the first action. It's now happening around the country. So when you eat in a restaurant in New York City you have a better default. You're not going to get trans fats. Now, you could try to educate your way toward that goal, but it would be hard. It would cost a fortune, and you wouldn't get nearly the impact of just doing something that costs nothing. You change the law.

So can defaults occur in the context of the issues we're talking about today, and I believe they can. So specifically I'd like to talk about three areas: school nutrition, food marketing directed at children, and the special case of sugar-sweetened beverages. First, the school nutrition environment; a number of things can be done to strengthen the school nutrition environment, which is obviously important because children consume a number of meals there, but also, it's a wonderful opportunity for learning. So among the things that we would recommend would be for the USDA to adopt the Institute of Medicine Standards for the School Lunch Program and School Breakfast Program, completely consistent with what Mr. Concannon said.

Increase reimbursement for the National School Lunch Program. We specifically recommend a dollar per meal to enable schools to purchase healthier foods, including more fruits, vegetables, whole grains, et cetera. Next is to make the School Breakfast Program universal and free to everyone. There are some children who can afford to eat meals at home, but they may not be; and, if they're eating healthier foods at schools, it could help the Nation's health overall.

Next would be to apply the Institute of Medicine's nutrition standards for foods in schools to all competitive foods sold, offered and served in schools. This becomes a major problem; because in fact one of my colleagues observed recently, although we haven't documented this, that even though school systems will sometimes write contracts where the food service providers to the schools have agreed not to sell foods that compete with the National School Lunch Programs, they do anyway. They sneak them in, because they become a profit center.

Mr. Concannon mentioned the Child And Adult Care Food Program. Certainly, nutrition standards can be applied there so that the youngest children and the oldest in our society are getting good nutrition. And there are specifics in my testimony about what we would recommend for that. And then school wellness policies is another area where considerable progress can be made where schools

around the country have been required to show that they have a wellness policy, but nothing beyond that.

The mere fact that they've been asked to provide wellness policies is a real advance, because at least it gets school systems thinking about these policies. But if something can be done to mandate the fact that the policies get enforced, that would be even more helpful.

I'd now like to turn my attention to the issue of food marketing to children. This is an overwhelmingly negative influence. The industry claims it's making progress on protecting children from the negative influences of marketing unhealthy foods, but a recent report found that that's not the case and they've made scant progress in protecting children in that regard. So this cries out for government action.

To give an example of how overwhelming these forces are, the Robert Wood Johnson Foundation is the single greatest funder by far of work across the nation to address prevention of childhood obesity. They're now spending a hundred million dollars a year on this. The food industry spends that much every year by January 4th, just marketing, just unhealthy food, just to children. So there's no way government can compete with that, no amount of education the government can do that can ever override the negative influence that the industry is having on our children.

So specific things can be done in this regard. One is there could be legislative action to create a ban on all food marketing and advertising in schools. When parents release their children in to the care of schools, they expect a safe environment. They don't expect air that will hurt their children. They don't expect water that will hurt their children, and they shouldn't expect food that hurts their children either.

To the full extent of its power, the FCC should regulate food marketing to children and adolescence, and Congress could enhance the FCC's power accordingly. Thankfully, the FTC, FCC, are taking new levels of action that we've never seen before on this, so I believe that the Administration's appointments for key positions in these agencies has been very important. But Congress can get involved in this as well, and I think there are very specific and constructive things that can be done to protect our children.

Last, I'd like to talk about the issue of sugar-sweetened beverages, and these come up as a particular contributor to the obesity problem in the following way. First, there are the single greatest source of added sugar in the American diet. The beverage industry claims that somewhere around only 5 percent of total calories come from sugar-sweetened beverages for the American diet.

That's a misleading statistic, because a lot of people are drinking none of it, which means that the people are drinking a lot more than 5 percent of their calories. And, in teenagers, some estimates are that between 15 and 20 percent of total calories are coming from sugar-sweetened beverages. That's a startling number. These beverages are of special concern, because they're the single greatest source of added sugar. As I mentioned, they are marketed relentlessly by a very aggressive and persuasive industry. And, also, they tend to thwart the body's calorie detection radar.

The body recognizes when it's consumed calories and tries to make up for it. If you eat too much at one point, your body tries to adjust by eating less later. The body does better with solid foods than it does with foods that deliver calories in liquid form, and so sugared beverages become a special problem there; and, in addition, they deliver almost no nutrition at all except when the nutrition is added gratuitously by the industry in the form of vitamins and minerals, and the like.

So my colleagues and I have proposed a penny per ounce tax, national tax, and State taxes on sugar-sweetened beverages, with the revenue to be used for prevention programs, especially to help the poor. Now, this is a controversial issue. I can tell by the look of the faces of people in front of me that it's a controversial issue. The States all around the country now are considering this. We're getting called almost by a new State every day. Cities are doing the same thing. And my guess is that it will just be a matter of time until we have such taxes.

The challenge to the legislators is doing taxes that have a fundamentally sound, scientific base; that is the tax has to be of a certain amount; has to be an excise rather than sales tax, and the revenue needs to be used wisely in order to get the maximum benefit from it. The average American now consumes 50 gallons a year of sugar-sweetened beverages. A penny per ounce tax would reduce that to 38.5 gallons a year, hardly a hardship, hardly the place where government could be accused of nanny-state and over intrusion into the institutional lives of its citizens.

Mr. KINGSTON. Madam chair. I don't see this on the testimony, the statistics.

Mr. BROWNELL. On my testimony?

Mr. KINGSTON. Yeah. If you just hold one second I want to get back on the page. Where is that on there about the 50 gallon per day and the one cent?

Mr. BROWNELL. Oh, that's not in my testimony. I'm sorry.

Mr. KINGSTON. Well, aren't you supposed to have a written testimony? I mean what you're saying is interesting and I want a track record of it, but it's not in this. So aren't we supposed to have that?

Chairwoman DELAURO. I don't know that people have to.

Mr. KINGSTON. This is not an unfriendly question.

Chairwoman DELAURO. No. No, I understand. But we ask that we put the testimony in the record. We ask people to summarize and they're free to summarize.

Mr. KINGSTON. But it's not in the record. That's what I'm saying.

Mr. BROWNELL. Okay. Okay.

Chairwoman DELAURO. And we can get it into the record if that comes from another report that the Rudd Center has done, and that can be put into the record as well. But what we will do in order to have you take a look at it, and then we'd be happy to put that into the record.

Mr. BROWNELL. Fine. I'm happy to do it. Okay. But I apologize.

Mr. KINGSTON. No, I think you know me well enough to know that if I ask an unfriendly question I'll let you know that in advance. I'm just trying to get it for the record.

Mr. BROWNELL. Okay. Thank you.

Mr. KINGSTON. Thanks.

Mr. BROWNELL. Okay. So that really ends my testimony. I'm delighted to be here, and I believe that government can play a very constructive role in these three areas that I mentioned, especially around school nutrition. So I'm very happy with the committee's interest in these issues and I appreciate the opportunity to be here.
[The information follows:]



WRITTEN TESTIMONY

Kelly D. Brownell, Ph.D.
Professor of Psychology, Epidemiology and Public Health
Director of the Rudd Center for Food Policy and Obesity
Yale University

Committee on Appropriations
Subcommittee on Agriculture, Rural Development, Food and Drug Administration and
Related Agencies
U.S. House of Representatives
March 4, 2010

Thank you for the opportunity to address this committee. I serve as Professor of Psychology, Professor of Epidemiology and Public Health, and Director of the Rudd Center for Food Policy and Obesity at Yale University. The Rudd Center seeks to improve the world's diet, prevent obesity, and reduce weight stigma by establishing creative connections between science and public policy, carrying out research that addresses key questions in nutrition policy, and serving as an information resource to leaders around the world on matters of food and nutrition.

The Importance of Changing Defaults

The modern nutrition environment has evolved to create a challenging and dangerous set of defaults. Americans are exposed to feature after feature of the food environment that increases consumption of nutrient-poor and calorie-dense foods. A few examples are large portions,

pricing incentives (e.g., “value” meals, large containers), schools with incentives to sell food, and a barrage of marketing messages, nearly all for foods of poor nutrition quality. Obesity is a predictable consequence of these conditions.

Government can play a constructive role, and thereby enhance the ability of people to act responsibly, by changing conditions to create better defaults. Nowhere is this seen more clearly than with children and parents. Children make choices when they eat in school, but the likelihood of healthy choices depends on the foods made available. Parents realize this and are mobilizing around the country to foster changes in schools that create safe nutrition environments for their children, ones that support rather than undermine the health of their children.

There are many examples of public health actions taken to change defaults. Air bags in automobiles decrease fatalities, required immunization of children prevents a public health disaster, and safe water supplies reduce the likelihood of water-borne illness. At issue is whether better food defaults can be created and whether it is the rightful role of government work toward this goal.

The nation is moving rapidly down a path of intensified government action to help prevent diet-related diseases. Trans fat restrictions in restaurants and menu labeling, both initiated by the New York City Department of Health, better nutrition guidelines in schools, and increased willingness to tackle issues such as children’s food marketing and the use of taxes are signals that government is acting to change defaults. This is necessary if there is to be hope of addressing the

nation's obesity and diabetes epidemics. The remainder of this testimony will address three such areas where defaults can be changed: school nutrition, marketing, and economic policy pertaining to taxes.

Child Nutrition Programs

Programs funded by the Child Nutrition Reauthorization Act (CNRA) are essential to the health and well being of the nation. In 2009, the National School Lunch Program (NSLP) reached 31.2 million children in more than 101,000 schools and residential childcare institutions. The School Breakfast Program (SBP) expanded to reach an additional 520,000 children with 8.8 million children involved during the 2008-2009 school year. The Child and Adult Care Food Program (CACFP) serves more than 3 million children daily in child care centers.

Children eat half of their daily calories at school, and during difficult economic times, the vitality of these programs is more important than ever. There is room for improvement in the nutritional quality of the foods offered to children through these feeding programs, and to expand the reach of breakfast to more children who are in need.

The following recommendations could help create progress toward these goals:

National School Lunch and School Breakfast Programs

- The USDA can adopt standards for the NSLP and SBP as outlined in the IOM's *School Meals: Building Blocks for Healthy Children* report, released in October of 2009. The recommendations include:

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- Increasing the amount and variety of fruits, vegetables, and whole grains
 - Setting a minimum and maximum calorie level
 - Reducing saturated fat and sodium.
- Increase the NSLP reimbursement rate by \$1.00 per meal to enable schools to purchase healthier foods, including more fruits, vegetables, whole grains, non- and low-fat dairy, and low-sodium foods.
 - Make the SBP universal (free to everyone).
 - Continue to improve the nutrient quality of USDA commodity foods.
 - Provide nutrition and culinary training to school food service workers.

Foods of Minimal Nutritional Value (Competitive Foods)

- Apply the Institute of Medicine's (IOM) *Nutrition Standards for Foods in School* to all competitive foods sold, offered, and served in schools. The standards would:
 - Limit amounts of fat, saturated fat, trans fats, sugars, and sodium
 - Allow only caffeine-free water, low- or non-fat milk, or 100% fruit juice for all grade levels during the school day and create guidelines for reasonable portion sizes.

Child and Adult Care Food Programs

- Increase reimbursement rates to make it possible to serve healthier foods, especially fruits and vegetables.
- Eliminate the recognition of juice as a fruit serving.
- Allow only water or 1% or skim milk for children over age two.

- Require all breads to be 100 percent whole grain.
- Limit the sources of saturated fat: fried foods, high-fat meats, and high-fat cheeses.
- Count fruits and vegetables as two separate food groups; require full servings of both fruits and vegetables at lunch and one at snack time.
- Limit added sugar in products.

School Wellness Policies

- Establish a process whereby schools create a permanent wellness committee with representation from school administrators, teachers, students, parents, health professionals, and the community.
- Make the policies public by posting on school websites.
- Evaluate the policies using a validated measurement tool and make the results public.

Marketing to Children

According to the FTC, every year the processed-food industry spends over \$1.6 billion marketing calorie-dense, nutrient-poor foods to children. Television is no longer the only medium: children see ads on internet games, cell phones, through social media such as Facebook and Twitter, through product placement in movies and TV shows, as well as through product “integration” (whereby companies pay to have their product built into the story line). Children are also exposed to extensive marketing in schools, with advertising on score boards, vending machines, and the internet, and through Channel One, ads on school buses, coupons rewarding students for good grades, and fundraisers such as “Box Tops for

Education.” Despite industry pledges to reduce marketing of less healthy products through the Council of Better Business Bureaus’ Children’s Food and Beverage Advertising Initiative, 98 percent of ads directed toward children promote foods that are high in fat, sugar, and sodium. A recent Rudd Center study found that the least healthy children’s cereals are the ones most heavily marketed to children. They have, on average, 85 percent more sugar, 65 percent less fiber, and 60 percent more sodium than cereals marketed to adults.

The following changes could help promote needed change:

- A ban on marketing and advertising in schools. This could be addressed a number of ways, including through school wellness policy requirements.
- To the full extent of its power, the FCC should regulate food marketing to children and adolescents, and Congress should enhance the FCC’s power accordingly.
- The FTC is developing new guidelines to address privacy-related online marketing practices. Among the contemporary marketing techniques that will likely be affected include behavioral targeting and other data mining approaches. Many of these new FTC proposals could improve the online marketing environment targeting young people, especially food and beverage advertising. It would be most helpful if the FCC and FTC worked hand in glove.

Reducing Consumption of Sugar-Sweetened Beverages

Sugar-sweetened beverages (SSBs) are the single greatest source of added sugars in the American diet. Decreasing consumption of sugared beverages has been endorsed by leading governmental and public health organizations, including the CDC, USDA, IOM, American

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Heart Association, and the American Academy of Pediatrics, among other organizations. Sugar-sweetened beverage consumption increased over 70% between 1977 and 2000, with children now averaging 172 calories per day. The increase is due in part to the heavy marketing to children as young as two years old, using celebrities and sports stars to attract and create brand loyalty in children.

The science is clear: consumption of sugar-sweetened beverages is associated with obesity, type 2 diabetes, heart disease, dental caries, and overall lower diet quality. Sugar-sweetened beverages are essentially “empty” calories, with no nutrition, and children should be discouraged from drinking them.

Rudd Center scientists have estimated the impact of changes in food prices on consumption and have concluded that a 10 percent increase in price would result in an 8-10 percent decrease in consumption. Along with a variety of nutrition experts around the country, we have recommended a federal excise tax of one penny per ounce on all SSBs (including, soft drinks, teas, sugared waters, sports drinks, energy drinks, and fruit drinks). Revenues could be used for a variety of programs designed to improve nutrition. Perhaps the most logical use would be to subsidize fruits and vegetables or to increase the reimbursement rates for NSLP, SBP, and CACFP meals to allow for purchases of more healthful foods for children in need.

We also recommend removing sugar-sweetened beverages from the list of tax-exempt foods that can be purchased using SNAP.

Summary

Government interest in nutrition and obesity prevention has never been so high. Discussions at agencies such as the CDC, FTC, USDA, and FDA, in the White House, and in legislatures in Washington and the states suggest a brighter future. These players are developing programs and proposals designed to help protect the nation's children, make it easier for parents to defend the health of their children, make institutions such as schools safer nutrition environments, and enhance the ease with which people can take more responsibility for their health. As you continue your work on this important issue, the Rudd Center would be pleased to continue providing resources and information.

Thank you again for this opportunity to submit testimony.

Sincerely,



Kelly D. Brownell, PhD

Chairwoman DELAURO. Thank you. Thank you very much.
Ms. Chilton.

STATEMENT BY DR. CHILTON

Ms. CHILTON. Good morning. Chairwoman DeLauro and distinguished members of the Committee, I am honored to be invited to provide this testimony today. Thank you very much for having me.

I'm a public health research scientist at Drexel University School of Public Health in Philadelphia. And I'm a member of the National Network of Pediatric Researchers, called Children's HealthWatch.

I bring to you evidence of scientific research from over 36,000 families across the United States. Our work monitors how the public policies being created right here on the Hill are written into the bodies and the brains of infants and toddlers.

Children's HealthWatch. We are watching the children. Watching children's health take a major turn for the worse in the past two years makes us almost want to turn our heads away in shame.

Take, for instance, last year's increase in food insecurity. Food insecurity is the lack of access to enough food for an active and healthy life. The number of people that were food insecure in 2007 was 36.2 million. In a single year, that number jumped to 49 million. For children, it increased from 12½ million children to 17 million children.

Hunger is in almost every community in the United States. I'll give an example. Last week, I was visiting my childhood home of Martha's Vineyard Island. Even there, one of the premier vacation spots of the Washington elite, the elementary school in Vineyard Haven has one-third of its children participating in the Free Lunch Program. Sometimes it's hard to fathom the numbers.

But I'll tell what's even harder to fathom is the gaze of the fourth-grade girl from Martha's Vineyard, as she was accompanying her father to the local food pantry.

In Philadelphia, it may be hard to fathom that more than one in three people do not have enough money for food. But harder to fathom is how Lewis Roman, a 13-year-old boy, explains how he is often hungry, how when he is hungry, his stomach hurts so badly that he feels like throwing up.

Food insecurity is the worst for the youngest children in America. Nearly one in four children under the age of six is food insecure. That translates to over 9 million kindergartners, preschoolers, toddlers, and infants, that are not getting adequate nutrition, because their families cannot afford it.

Our research with Children's HealthWatch demonstrates that young children living in food-insecure households are more likely to have a history of hospitalization, more likely to be in fair or poor health, and have increased risk for developmental delay.

This is a major public health crisis, occurring right before our eyes. If we do not act on behalf of these children, we are very literally squandering the potential of our next generation.

But you, all of you here, can improve the condition of millions of children through appropriating the full amount of dollars necessary to fund the Child Nutrition Programs. Our children's health re-

search shows that these programs do prevent hunger and they do improve health. But they need to work better.

For instance, our research shows that children who receive WIC were more likely to be a household that was food secure. They're more likely to be in excellent or good health, and less likely to be at developmental risk.

The children that did not fare well were those that were eligible but did not receive WIC, due to administrative barriers.

We recommend to decrease the barriers to application and re-application, there is still a great need for outreach, translation services, and schedule accommodations for working mothers.

Another program that funds the youngest children in America is the Child and Adult Care Food Program, the CACFP. The CACFP currently subsidizes healthy meals for nearly 3 million low-income children in licensed day-care centers. Our Children's HealthWatch research found that toddlers participating in the CACFP were less likely to be in fair or poor health; and they're less likely to be hospitalized.

But the CACFP needs to work better. We recommend a streamlined and simplified program and paperwork requirement and to add a third meal or snack option to meet the nutrition needs of children in care for longer hours.

For school breakfast and lunch, access for low-income families must improve. The best way to do this is to instate area eligibility for school breakfast and lunch. The model of the Philadelphia Universal Service Program shows how this eliminates barriers to participation, such as unnecessary and time-consuming paperwork.

Finally, the United States has missed every single one of its goals for reducing hunger over the last ten years. This year it will shamefully miss the Healthy People 2010 goal of reducing hunger to 6 percent.

But what can the American people do, if there is no mechanism for accountability? While you work to appropriate funds for Child Nutrition Programs, please appropriate funds to develop a strategy, a national strategy, that documents the effectiveness of our efforts to end child hunger, and sets achievable goals to end it by 2015.

So much of what is written into legislation looks good on paper; yet it often does not work or function according to plan. The people who participate in these programs—in this case, the parents and caregivers of children—know best how they work.

This committee could appropriate funds to establish a mechanism of accountability that ensures the inclusion of low-income families in the implementation and evaluation of new and ongoing initiatives within the child nutrition reauthorization.

Children's bodies and minds are growing right now. We do not have time to wait. Let's not turn our heads away from the harsh realities of hunger, and make sure that we have a plan to end hunger once and for all.

As a scientist, I can be your partner in this. But your true partners are the parents of the most vulnerable children in America. They know what hunger is, and they too can show you the way.

Thank you very much.

[The information follows:]

Testimony

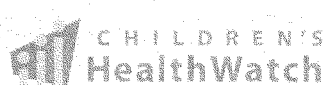
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies
Committee on Appropriations
United States House of Representatives

Hearing: Child Nutrition
Thursday, March 4, 2010

**Testimony Title: The public health crisis of food insecurity,
and interventions that work: The Child Nutrition Programs**

Statement of Dr. Mariana Chilton

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Witnesses
to Hunger

**Testimony: Child Nutrition
Mariana Chilton, PhD, MPH
March 4, 2010**

Chairwoman DeLauro, and distinguished members of the Committee, my name is Dr. Mariana Chilton. I am honored to be invited to provide this testimony as a public health research scientist at Drexel University School of Public Health in Philadelphia, Pennsylvania, and as a member of the national network of pediatric researchers, Children's HealthWatch.

Children's HealthWatch is a multi-site pediatric research center that monitors the impact of public policies on the health and development of babies and toddlers under three years old. Our data on over 36,000 families collected over the last ten years reveals the serious consequences of hunger and food insecurity's impact on child health and development. My colleagues and I represent the disciplines of pediatrics, early childhood development, public health and anthropology, and we have research sites in Boston, Baltimore, Minneapolis, Little Rock and Philadelphia.

Young children and food insecurity: A public health crisis

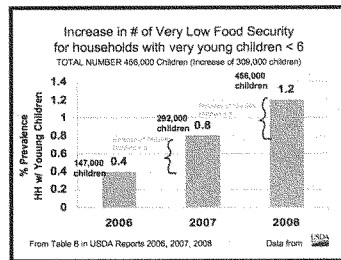
Children's HealthWatch. Our very name implies that we are *watching* the children. During these economic hard times watching children's health take a major turn for the worse makes us almost want to turn our heads. It makes us want to turn our heads away in shame because the devastation is just too much. I am sure you know about the frightening increase in food insecurity and hunger in the United States that occurred between 2007 and 2008. Last year, the United States Department of Agriculture (USDA) reported that in 2007, the number of people in the United States that were food insecure (meaning they did not have access to enough food for an active and healthy life) numbered 36.2 million. In 2008, that number jumped to 49.1 million. For children, the increase went from 12.4 million children to almost 17 million children. For the children in the United States, that is a 37 percent increase in food insecurity in just one year (1, 2).

We have always known that families with the *youngest* children are most at risk for food insecurity and these recent numbers confirm that; 24.5 % (nearly one quarter) of households with children under six are food insecure in this country. That translates to 9,164,000 American kindergarteners, preschoolers, toddlers, and infants not getting adequate nutrition because their families cannot afford it (2).

Why are we focused on what is happening to the youngest children? Children grow and change dramatically in the first five years. The first three years, especially, are critically important for a child's physical, social, emotional and cognitive development. Children who do not get adequate nutrition in this period can recover but are less likely to reach their full potential. And what's happening to the children in the poorest circumstances? Their situation is even worse.

Among over five million children that currently experience the *most severe form of food insecurity*, almost 500,000 are children under the age of six. Between 2006 and 2008, over 300,000 more very young children slipped out of our reach and into this category of extreme hardship. Our research tells us that parents try as best they can to buffer children from the lack of food in a household by reducing the size of their own meals or by skipping them altogether. Once the scarcity reaches the level of the children, the household's situation is usually quite dire. In this category of severe food insecurity parents had to either reduce the quantity or the quality of the food these young children ate, or the children were reported to be hungry at times, but could not

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eat because there was not enough money for food. Hardship does not have to be this dire to have a major impact on children. Our Children's HealthWatch research shows that even the mildest forms of household food insecurity negatively affect children's health and development (4).

This is a major public health crisis occurring right before our eyes. If we do not act on behalf of these children, we are very literally squandering the potential of our next generation.

Children's HealthWatch research has demonstrated that young children living in households that reported household food insecurity are 30% more likely to have a *history of hospitalization*, and 90% more likely to be reported in *fair or poor health* than children living in food secure homes (5).

Why? Because food insecurity and the accompanying lack of nutrition break down the immune system so that it does not do its job in fighting off bacteria and viruses, leaving the child vulnerable to repeated infections. In addition, children in food insecure households are almost two times more likely to suffer from *iron deficiency anemia* than their counterparts in households that were food secure (6). Iron deficiency anemia, in turn, is responsible for delayed cognitive, motor, and socioemotional development in young children.

Food insecurity affects not only children's physical health and increases the nation's annual cost of pediatric hospitalizations, but it also is associated with other costly outcomes such as developmental delays. For example, Children's HealthWatch found that infants and toddlers who lived in food insecure households had a 73% increased risk for *developmental delays* compared to infants and toddlers in food secure households. These findings remain consistent, even after controlling for other factors such as mothers' educational attainment, a child's medical history, and birth weight.

Developmental risk is an indicator of a delay in the emotional, cognitive, physical and social abilities necessary for a child to reach their developmental potential (7). These outcomes are not limited to very young children. Other research studies have shown that, compared to children in food secure homes, school-age children in food insecure homes were more likely to have seen a psychologist, have lower school grades, and were reported to have greater difficulty interacting with their peers than those in food secure homes (8). A more recent study has shown that even the mildest forms of food insecurity are associated with poor performance on standardized tests in both reading and mathematics (9). Certainly anyone who has missed a meal can attest to the fuzzy, irritable feeling of being hungry – imagine this being your reality day after day and trying to learn to talk and walk as a toddler or recognize numbers and letters as a preschooler.

Food insecurity is therefore a critical factor in a child's school readiness. As children fall behind their peers educationally, it becomes an opportunity missed and an additional hurdle to clear. Eventually, these hurdles pile up and become significant impediments to a person's life-long earning potential. One in four children currently lives in a food insecure home. The American people cannot afford this, nor do these Americans deserve to be destined to repeat the cycle of poverty and poor nutrition because their potential has been stunted from an early age.

Early intervention is the best way to prevent these problems. When one considers the lasting damage that food insecurity can do to a child's body and mind, early intervention is the only

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tool we have. We have a very real opportunity in front of us to make change and improve the lives of thousands of children from birth all the way up through high school. The Child Nutrition Programs reach a broad swath of our children and they can reach them in ways that are seamless, providing meals in the places where children already are every day – at home, in childcare, at school.

Our recent Children's HealthWatch research demonstrates very concretely how programs included in the Child Nutrition Reauthorization can counteract the devastating impact that food insecurity has on our nation's children.

Interventions that work: Child Nutrition Reauthorization

1. Women Infants and Children Supplemental Nutrition Program (WIC)

The breadth and reach of the WIC program is extraordinary, as almost one half of the children born in our country currently participate in the program. WIC is known as one of the best nutrition and health programs in the world, as research shows WIC to be effective in protecting young children's health and development.

Children's HealthWatch research shows that children who received WIC, compared to those children who were eligible for WIC but did not receive it, were

- 21% more likely to be in a household that was food secure
- 16% more likely to be in excellent or good health
- More likely to have a healthy height and weight for their age
- 20% less likely to be at developmental risk (10).

Who were the children who were worse off than those on WIC? They were the ones who were eligible but did not get it due to administrative barriers.

Recommendations

Eliminate the barriers that prevent families from participating in WIC:

- *Fund WIC at a level that adequately supports states in meeting the needs of all eligible women, infants and children and supports the full implementation of the Institute of Medicine's recommendations for fruit and vegetable vouchers.*
- *Increase funding for nutrition education services and administration that ensure that WIC is effective as a health promotion program.*
- *Decrease barriers to application and reapplication – despite WIC's relatively high enrollment rate, there is still a need for outreach, translation services for those with limited English proficiency, and schedule accommodations for working mothers.*
- *Mandate coordination between local WIC offices and hospitals with significant maternity services to ensure that the program reaches more eligible families and that new mothers have access to breastfeeding support.*

2. Child and Adult Care Food Program (CACFP)

The CACFP currently subsidizes healthy meals for nearly three million low-income children a day in licensed childcare centers, and could potentially serve over 1.35 million children in homeless shelters across the country. It is one of the least understood programs encompassed in the Child Nutrition Program Reauthorization. Despite most people's lack of knowledge about this program, research has shown that the CACFP can have very positive impacts on child health and well-being. Recent research from California has shown that children who participate in CACFP have better nutrient intakes (11).

Our most recent Children's HealthWatch research builds on this base. We identified a subset of children in our dataset who are very likely participating in CACFP. In our report, we have shown that toddlers whose meals were supplied by the childcare provider were

- 28% less likely to be in fair or poor health
- 26% less likely to be hospitalized
- More likely to have a healthy weight and height for their age (12).

Given that the average cost of a 2-3 day hospital stay for a child between one and four years old was \$6,010 in 2006 (13), increased participation in CACFP could lead to significant cost savings for families and the healthcare system through ensuring that children are healthier, and thus less likely to be hospitalized.

Recommendations

Expand access, reduce barriers, and improve children's nutrition in CACFP.

- *Increase and simplify CACFP meal and snack reimbursement rates to offset the high cost of healthy foods*
- *Add a third meal or snack option to meet the nutrition needs of children in care for longer hours*
- *Revise the area eligibility guideline to make participation feasible for family child care homes located in neighborhoods where at least 40 percent of elementary school children qualify for free or reduced price school lunch (currently, this is set at 50 percent)*
- *Streamline and simplify program and paperwork requirements for states, sponsoring organizations, child care providers and parents*
- *Direct the Secretary of Agriculture to promptly issue proposed regulations updating the CACFP meal pattern and reimbursements immediately after publication of the upcoming Institute of Medicine's CACFP Meal Pattern Report*

3. School Breakfast and Lunch

Research has shown that school breakfast improves child health, and can have positive effects on children's health and their academic performance of young children (14-17). For instance children in the school breakfast program double their intake of fruits and vegetables. School breakfast

doubles the amount of milk they drink (18), and it reduces the overall fat intake of children (19). These are tangible things that improve functioning *and* they prevent obesity. While school breakfast improves dietary intake, it also improves intake of micronutrients, and improves health. For example, school breakfast has been found to reduce the likelihood of micronutrient deficiencies in vitamin C, E and folate. School breakfast ensures that children get adequate intakes of potassium and iron (19). Finally, school breakfast participation has been shown to reduce the amount of children's complaints of stomachaches and headaches (20). School lunch has the same positive effect (21, 22).

But access to breakfast and lunch needs major improvement. And the reimbursement rates must be improved in order to ensure that the nutrition programs maximize access to nutritious foods. This is based on data from the United States Department of Agriculture (23).

Recommendations

School meals must 1) be appropriate in terms of nutritional quality, and 2) be accessible. These are mutually interdependent.

I) Appropriate Food: Good Quality

Improving nutritional quality is something that all of us can agree on, and we can adopt the same can-do attitude that The First Lady is promoting in her *Lets Move!* campaign. Our recommendations are in sync with the Secretary of Agriculture's recommendations at this time:

- *Establish improved nutrition standards for school meals based on the Dietary Guidelines for Americans and ensure that reimbursement rates support these nutrition standards. Take additional steps to ensure compliance with these standards*
- *Provide schools with better equipment and assist them financially to purchase the tools necessary to produce healthy, appealing meals.*

II) Access to Food: Improved administrative processes and improved eligibility standards.

The success story of Philadelphia, my home city, is a place for us to pause. For 18 years, Philadelphia has had a **Universal Service** school lunch program. This is because 75% or more of the children in the school district are living at or around the poverty line. All of the public schools automatically provide free lunch to all of the children in the school. Because no child is singled out as a kid who is getting free lunch, stigma is greatly reduced. Three validation studies have proven that this way of offering lunch and breakfast improves child nutrition and reduces administrative burden and cost (to the tune of 800,000 dollars a year). Given this data, we recommend to

- *Support the Secretary of Agriculture's plan to establish area eligibility for school breakfast and lunch. This means basing universal service free and reduced price lunch programs on the population percentage of eligible children available through publicly maintained datasets. This eliminates unnecessary and time-consuming paperwork for parents and administrators that acts as a barrier to participation;*
- *Consider similar arrangements for after-school and summer feeding programs, which are not widely available and often delivered in an ad hoc manner.*

4. Ensure Accountability: Establish a National Plan to End Childhood Hunger

I began this testimony by referring to children who are living in food insecure homes and reminding you of our research that demonstrates that food insecurity is a national crisis. Yet the food insecurity rates in this country were unacceptable and outrageous long before this current economic downturn. Food insecurity rates in 2008 for households with children were two to three times that of all other households, and the fact that households with children have seen the most dramatic increases in food insecurity in recent years. These devastating facts illustrate that the Child Nutrition Reauthorization is the best opportunity for Congress to get a true rendering of what it would take to put an end to childhood hunger.

So far, the United States has missed every single one of its goals for reducing hunger over the past ten years, and, this year, it will shamefully miss the Healthy People 2010 goal of reducing hunger to 6%. Our current national hunger rate was 14.6% in 2008 (2) and, in the last quarter of 2009, was 18% (3). A major factor in the rise of food insecurity rates in this country is the fact that there is no single coordinated effort to end child hunger. The agencies that can have an impact on child hunger are primarily the USDA, the Department of Education, the Department of Health, the Department of Energy and the Department of Housing and Urban Development. Currently, when the FNS/USDA, or the CDC sets a goal for reducing hunger, there is no mechanism of accountability, and the high rates of hunger either continue, or—as in the case of our current economic downturn—dramatically increase.

Recommendations

- *Appropriate funds to establish a national strategy to end child hunger by 2015 and put the USDA in the lead of convening and facilitating this strategy.*
- *Create a mandate to establish national benchmarks of food insecurity rates and determine goals for halving and then ending measurable childhood hunger.*

5. Increase civic participation in child nutrition programs

In addition to maximizing the number of eligible families and children receiving the Child Nutrition benefits and improving the nutritional quality of those benefits, each of the child nutrition programs should enlist participants in the decision making about the implementation and evaluation of programs. So much of what is written into legislation looks good on paper, yet it often does not work or function according to plan. The people who participate in these programs—in this case the parents and caregivers of children—know best how they work. There should be formal mechanisms in place for families to share their experiences and their ideas about how well the programs work. Moreover, our accountability mechanisms must be improved. I can explain this concept in very real terms.

Through a program I founded called Witnesses to Hunger, I work directly with low-income families in Philadelphia to elicit their experiences of raising their children in poverty and experiencing hunger. All of the families I work with appreciate and rely on the child nutrition programs. They often ask rhetorically, "Without these programs, what would my children eat?" We have heard from many parents the terrible experience of not having enough food to feed their children. One situation that sticks in my mind is that of Marinette Roman and her five children. After having lost her job as a security guard at an area hospital, Marinette could no longer afford to pay her rent. She landed in the worst place imaginable for her: a homeless shelter for women and

Mariana Chilton, PhD, MPH
 Testimony: Child Nutrition
 March 4, 2010

children. Shelters receive CACFP funding so that the families with children can eat. In theory this is so they won't have to suffer hunger. Unfortunately, this was not the case for Marinette Roman and her family. The food was inadequate and in such insufficient quantities to the point that Luis, Marinette's 13-year-old son, began to lose a great deal of weight from his already thin frame. When he was interviewed on national television last year, he explained that he hid the fact that he was hungry from his friends. He explained that when he's hungry his stomach gets so empty he feels like throwing up. What does he do when this happens? He tries not to think about it; he just tries to go to sleep.



CBS News correspondent Seth Doane talks with 13-year-old Luis Roman. (CBS National News, June 5, 2009)

The CACFP was put in place in part so that when children have to suffer the indignity of homelessness, they should not ever have to experience hunger on top of that. Clearly, Luis Roman would not be going hungry if the appropriate reimbursement amounts, the oversight and the accountability were in place. Without talking to the people at the shelters, would we know that the quantity and quality of the food was inadequate? Without talking to children and families who participate in the school lunch programs, would we know if they were truly accessible and good quality? Contrary to a popular myth that portrays low income parents as either disengaged or demanding a hand-out, low income parents are willing, capable and truly desire to be a part of the process of ensuring their children's health, wellbeing, learning and earning potential.

Recommendations

- *Establish a mechanism that ensures the inclusion of low-income families in the implementation and evaluation of new and ongoing initiatives within Child Nutrition Reauthorization through public forums, formal listening sessions, web-based communications, and the active engagement of parent groups associated with schools, day care centers and shelters.*

Concluding Remarks

Early childhood nutrition lays the foundation for lifelong health. Research has shown that the first three years of life are the period of most rapid brain and body growth. These early years open critical windows of opportunity for growth and development. If a child does not receive adequate nutrition in these years, those windows close and do not reopen fully, ever. Children's bodies and minds are growing now and we do not have time to wait. Thoughtful attention to children's nutrition in their early years can set the trajectory for healthy growth and development long before children cross the threshold of first grade. Rather than turn away, let us turn our heads toward the Child Nutrition Program Reauthorization. Let's see this legislation as an opportunity for every child to be successful and to be healthy. Let us see food as medicine and economic strength, and let us not stop short of providing that medicine to all the children who need it in the most seamless and sustainable manner possible. And finally, let's not turn our heads away from the harsh realities of hunger and let's see these programs not only as a way to nourish a child, but to nourish our nation's future.

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Chairwoman DELAURO. Thank you very much, Dr. Chilton. Scott Faber. Thanks, Scott, for being here.

STATEMENT BY MR. FABER

Mr. FABER. Thank you for inviting me.

Good morning. My name is Scott Faber. I'm the Vice President for Federal Affairs for the Grocery Manufacturers' Association. We represent more than 300 food, beverage, and consumer product companies. We look forward to working with all of you to reauthorize the Child Nutrition Act to improve the health of America's children.

To do so, we must provide USDA with the tools and the resources to feed many more children, and we must give USDA clear authority to set standards for all foods sold to students during the school day in the school environment, including competitive foods.

We share the priorities announced by Secretary Vilsack, including new science-based standards for competitive foods, increased access to meal programs, more education about healthy diets, more healthy foods in the cafeteria, and increased training and better equipment in the kitchen.

As Secretary Vilsack said, we will not succeed if any of our children aren't learning as they should, because they are hungry and cannot achieve their potential, because they aren't healthy.

In addition, we look forward to working with you to meet the goals set by First Lady Michelle Obama to solve the problem of childhood obesity within a generation. Over the past three decades, child obesity rates have tripled, and as soon as result, nearly one in three children in America is overweight or obese.

To meet this challenge, we must provide parents and children with more healthy choices; we must promote healthy diets; and we must provide new opportunities for physical activity.

As the First Lady said, "This is not like a disease, where we're still waiting for a cure to be discovered." We know the curer for this.

Everyone has a role to play in this fight: The public sector, private industry, and parents. We pledge to do our part by continually improving the way we develop and market our products.

In recent years, we've changed the recipes and sizes of more than 10,000 of our products to reduce calories, fats, sugars, and sodium, without sacrificing the taste and convenience that consumers demand.

We are also working with FDA and USDA to devise new food labels that will make information about calories and other nutrition facts clearer for busy parents and consumers.

And we have significantly increased messages about healthy food and active lifestyle during children's programming. As a result of a pledge that many of our companies took, two-thirds of advertisements to children during children's programming now feature healthy foods and active lifestyles.

Clearly, our industry has a big role to play. Government at all levels has a role to play as well. Government can do much more to promote physical activity in school and after school. Government can do more to promote nutrition education, not just in school but in the marketplace and in the work place, as well.

Government can do more to promote greater access to healthy foods by bringing grocery stores and farmer's markets to underserved areas. And government can do much more to ensure that low-income children participate in Federal nutrition programs.

As Dr. Brownell has said, we need to work together to make the healthy choices the easy choices. And we look forward to working with you to reduce the number of hungry children, and to increase the number of healthy children in America's schools and neighborhoods.

Thank you.

[The information follows:]

**Testimony of Scott Faber
Vice President for Federal Affairs
Grocery Manufacturers Association**

**Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and
Related Agencies**

House Committee on Appropriations

U.S. House of Representatives

March 4, 2010

Good Morning. My name is Scott Faber, and I am Vice President of Federal Affairs for the Grocery Manufacturers Association (GMA), which represents more than 300 food, beverage, and consumer product companies.

We look forward to working with you to reauthorize the Child Nutrition Act to improve the health of America's children. To do so, we must provide USDA with the resources and tools needed to feed many more children, and we must give USDA clear authority to set science-based standards for all foods served and sold to students during the school day in the school environment.

We share the priorities announced last week by USDA Secretary Tom Vilsack, including: new science-based standards for competitive foods sold in schools; increased access to meal programs; more education about healthy diets; more healthy foods in the cafeteria; and, increased training and better equipment in the kitchen. As Secretary Vilsack said, "The health of our nation

depends on the health of our children. We will not succeed if any of our children aren't learning as they should because they are hungry, and cannot achieve their potential because they aren't healthy."

In addition, we look forward to working with you to meet the goal recently set by First Lady Michelle Obama: to solve the problem of childhood obesity within a generation.

Over the past three decades, childhood obesity rates have tripled. As a result, nearly one in three children in America are overweight or obese. Many of the children born since the turn of the century will suffer from diabetes at some point in their lives and many others will face obesity-related health problems like heart disease and high blood pressure.

To meet this challenge, we must provide parents and children with more healthy choices, promote healthy diets and provide new opportunities for physical activity. As the First Lady recently 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.

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 FDA and USDA to devise new food labels that will make information about calories and other nutrition facts clearer for busy parents and consumers. We have significantly increased messages about healthy foods and active lifestyles during children's programming. Finally, we are increasing our donations to food banks to ensure that emergency food providers can meet increased demand for food.

Our industry has a role to play, and we are working hard every day to make our food better and provide consumers with healthy products. Government at all levels has an important role to play as well.

Government can do more to promote physical activity in school and after school. Government can do more to promote nutrition education – not only in school, but in the marketplace and the workplace as well. Government can do more to promote greater access to healthy foods by bringing grocery stores and farmer's markets to underserved areas. And, government can do more to ensure that low-income children participate in federal nutrition programs by automatically enrolling children who participate in other government programs and by expanding the delivery of summer feeding programs.

We look forward to working with you to reduce the number of hungry children – and to increase the number of healthy children in America's schools and neighborhoods. Thank you for the opportunity to testify.

Chairwoman DELAURO. Thank you very much.
Zoe.

STATEMENT BY MS. NEUBERGER

Ms. NEUBERGER. Thank you.

I'm Zoe Neuberger with the Center on Budget and Policy Priorities. And we are a non-profit public policy institute, that focuses on how public policy affects low and moderate income people.

Thank you very much for the opportunity to testify. I'm going to focus on the importance of improving access to the Child Nutrition Programs.

You really have a terrific opportunity to make it easier for low-income children to get healthy meals. And in light of the recession, access to these programs is even more critical.

My testimony will focus on two specific proposals that are included in the Hunger-Free Schools Act. The first proposal would help high-poverty schools. It would allow them to provide all of their students with free school meals, without using a standard application process.

The second proposal would help low-income children get free school meals, regardless of where they attend school.

But before I get into the specifics of the proposal, let me just say a little bit about why we think investments in access to these programs is so very important.

Over the long term, a thriving economy that provides economic security for all is the most effective mechanism to reduce hunger. And even when the economy is in great shape, millions of American children rely upon the Federal nutrition programs on a daily basis.

In light of the recession, children need these programs even more. The experience of the last two recessions suggests that unemployment and poverty will remain high long after the recovery officially starts.

In a recent Gallup poll, nearly one in four households with children said there were times in the past year when they didn't have enough money to buy needed food.

As Dr. Chilton spoke to you very eloquently, children are especially vulnerable to the effects of recession. Failure to meet their basic needs could undermine their healthy development and impede learning, with potentially lifelong consequences.

That's why it's critical for Congress to expand access to the Child Nutrition Programs. We hope that a significant share of available resources will be invested in making it easier for children to get the meals for which they're eligible, offering new meals to eligible children, or expanding eligibility to reach additional low-income children.

Now let me explain the first proposal that I mentioned, which would help high-poverty schools. There are about ten thousand schools around the country, in which at least four-fifths of the children are poor enough to qualify for free or reduced price meals.

It doesn't make sense for these schools to process the same paperwork that other schools do, just to identify the very small numbers of children who are not qualifying for free and reduced price meals.

The Hunger-Free Schools Act would create a new option—it's known as community eligibility—that would enable these schools to serve all breakfasts and lunches free. Instead of spending time on paperwork, staff could focus on more important issues, like giving their students a good education.

Federal reimbursements would be based on the share of the school students receiving other public benefits. As I mentioned, there are about ten thousand schools nationwide, that could qualify for community eligibility.

These schools serve more than one in ten school children nationwide. To qualify, a school or district would have to automatically enroll at least 40 percent of its students in the School Meals Program, based on their receipt of other public benefits, like food stamps.

That's a very high bar, actually. But it would make sure that the option is targeted to schools serving the poorest communities.

The goal here is really very simple: Hunger should no longer be a barrier to learning in schools that serve high-poverty areas.

I've actually got fact sheets here for each of your districts, if you're interested afterwards, that show which schools we think might qualify for this option.

The second proposal that I wanted to mention has to do with expanding automatic enrollment. Under the current school lunch eligibility rules, all children in households receiving food stamp benefits are eligible for free school meals. But they still have to be enrolled to get those meals.

It doesn't make sense to require parents who've already gone through the rigorous food stamp application process to go through a similar application process to get school meals.

And schools shouldn't be faced with this unnecessary paperwork. They have better things to spend their time on.

So Federal law requires school districts to automatically enroll these children. The automatic enrollment process is called direct certification.

The Hunger-Free Schools Act includes an important expansion of direct certification. It would expand direct certification by allowing the use of Medicaid data. Under the current rules, Medicaid data can't be used for this purpose.

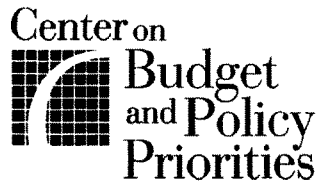
We estimate that there are two million low-income children around the country who could be automatically enrolled for free school meals for the first time, using Medicaid data.

Some of these children are already being enrolled for these meals by filling out a standard paper application. Some of them aren't getting the meals now.

Directly certifying more children would not only simplify the enrollment process, it would also likely reduce program error. And it does that by shrinking the number of children approved through the paper application process.

As I can imagine, parents or schools can make mistakes when filling out an application or processing one. Relying instead on income data that the Food Stamp program or Medicaid program has carefully gathered and assessed and verified will limit the opportunity for error.

So let me just conclude by reiterating that we urge you to let schools focus on feeding hungry children by including the Hunger-Free Schools Act in reauthorization legislation. No vulnerable child should miss out on healthy meals because of red tape. Thank you.
[The information follows:]



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March 4, 2010

**TESTIMONY BEFORE THE HOUSE APPROPRIATIONS
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT,
FOOD AND DRUG ADMINISTRATION AND RELATED AGENCIES**

Zoë Neuberger

Millions of American school children rely upon the federal nutrition programs as a basic support even during the best of economies, but with unemployment hovering near 10 percent and long-term unemployment at record levels, children need them more than ever to help them grow and thrive. The reauthorization of the child nutrition programs offers an important opportunity to expand access to them.

In 2008, the most recent year for which these data are available, nearly one in five children (19 percent) lived in poverty, the highest rate since 1997. Also in 2008, median income dropped to its lowest level since 1997, showing the largest single-year decline on record.

These data include only the early months of the recession. The figures for 2009, a year in which the economy weakened further and unemployment climbed substantially, will look considerably worse. The figures will likely worsen again in 2010 if, as many economic forecasters expect, unemployment fails to improve significantly.

Currently, more than two-fifths (41 percent) of the nearly 15 million people who are unemployed have been looking for work for 27 weeks or longer. That's the highest percentage on record in data going back to 1948. The unemployment rates for African American and Hispanic workers are

significantly higher than for the total population, at 16.5 and 12.6 percent, respectively. The unemployment rate for teenagers was even higher: 26.4 percent.

The significant increases in unemployment and declines in income are making it harder for families to make ends meet and consistently get enough nutritious food. In 2008, more than a million children in the United States suffered from hunger and more than one in five households with children struggled against hunger. A recent Gallup poll, sponsored by the Food Research and Action Center, found that nearly one in four (24 percent) of households with children reported that there were times in the past year when they did not have enough money to buy food that they needed.

The Food Stamp Program has grown accordingly to support low-income families and communities. Enrollment is at an all-time high: in November 2009, 17.5 million households with 38.2 million individuals were participating in the program. Nationally, the number of households participating had increased by 5.2 million (42 percent) since the beginning of the downturn. Enrollment had increased in every state, with 45 states (including DC) experiencing all-time highs in the previous 12 months.

In keeping with past recessions, increased levels of unemployment and poverty are expected to linger long beyond the official beginning of the recovery. In the last two recessions, unemployment did not peak until 19 months and 15 months after the recession ended, respectively.

A thriving economy that provides economic security for all is the most effective mechanism to reduce hunger over the long term. But until the economy is thriving again, more families will need supports such as affordable health care, housing assistance, unemployment benefits, and child care assistance.

Children are especially vulnerable to the effects of economic insecurity: failure to meet their basic needs could undermine their healthy development and impede learning, with potentially lifelong consequences.

Improving Access to the Child Nutrition Programs is Critical

The child nutrition programs play an important role in providing healthy food to children and easing economic pressures on families struggling to make ends meet. Research shows that children who participate in the national school lunch program consume more protein, fiber, and other key nutrients at lunch — and less added sugar — than children who do not eat school lunches. Improving access to this program is therefore crucial. We hope the bulk of available resources will be invested in making it easier for children to get the meals for which they are eligible, offering new meals to eligible children, or expanding eligibility to reach additional low-income children.

Our work and our testimony focus on the school meals programs, but we in no way intend to diminish the importance of improving access to meals for children in child care and after school programs, or for school children during the summer months.

The Hunger Free Schools Act (H.R. 4148), of which Representatives Emerson, DeLauro, and Jackson are cosponsors, contains several key changes to help ensure that low-income children get the free school meals for which they are eligible, with a minimum of hassle for parents and schools. The Act focuses on providing free school meals to *all* children in schools that serve low-income students almost exclusively and on *automatically* enrolling low-income children for free school meals. By limiting the opportunity for error in the application process, the Act would also strengthen program integrity.

Community Eligibility: Serving Free Meals to All Children in High-Poverty Schools

The Center on Budget and Policy Priorities has been exploring ways for schools that serve predominantly low-income children to offer free breakfasts and lunches to all students with a minimum of red tape. It doesn't make sense for them to process the same time-consuming paperwork as other schools to identify the very small numbers of children who *don't* qualify for free or reduced price meals. Instead, such schools should be able to devote their limited resources to providing nutritious meals or improving educational services.

The Hunger Free Schools Act would create a new option, known as community eligibility, to enable schools that serve predominantly low-income children to serve all breakfasts and lunches free and receive federal reimbursements based on the share of their students receiving other public benefits, like food stamps. Hunger would no longer be a barrier to learning in schools that serve high poverty areas.

Schools or districts could only qualify for the option if a large share of the children eligible for food stamps were enrolled and automatically connected to the school meals program. Specifically, a school or district would have to directly certify (i.e., automatically enroll in the school meals program based on receipt of food stamps or other means-tested public benefits) 40 percent or more of its enrolled students. Thus, the option would give states and school districts an incentive to connect eligible children to both of these critical federal food assistance programs. *An estimated 10,000 schools nationwide that currently serve high percentages of students who receive free or reduced price meals could qualify for community eligibility.* For example, the Timothy Dwight School and the Troup Middle School in New Haven, Connecticut and the Pearson Elementary School in Atkinson County, Georgia might qualify to serve all breakfasts and lunches free under the community eligibility option.

Auto-Enrolling Low-Income Children for Free School Meals

Children in households receiving food stamp benefits are eligible for free school meals and school districts are required to work with the Food Stamp Program to enroll them automatically, using the direct certification process noted above. Parents who have already completed a lengthy and detailed food stamp application should not have to complete another application; schools should not have to process unnecessary paperwork. But not all children eligible for this benefit are being reached.

In school year 2007-2008, approximately 2.5 million children who should have been directly certified based on food stamp receipt were not directly certified; in ten states, at least two in five such children missed out. When children whom states could have elected to directly certify based on receipt of Temporary Assistance for Needy Families cash assistance or Food Distribution Program on Indian Reservations benefits are added in, that figure grows to 3.5 million children. Of those children, as many as 1.5 million children may have missed out on free meal benefits altogether; the rest were enrolled for free meals but had to complete a duplicative paper application, creating unnecessary paperwork for their families and schools. (For a more detailed discussion of this issue, see CBPP's report "USDA Study Shows States Failing to Connect Many Needy Children to Free School Meals" at <http://www.cbpp.org/files/3-3-09fa.pdf>.)

Congress has already tried to address this issue, most recently providing \$22 million in the fiscal year 2010 agriculture appropriations legislation for grants to improve direct certification rates. The Hunger Free Schools Act includes additional provisions to improve states' direct certification performance. For example, it would require states that do not perform well to develop a plan to improve their direct certification system. It also would require the Department of Education to help states use databases developed for educational purposes for direct certification.

In addition, the Hunger Free Schools Act would expand direct certification to reach many more low-income children by requiring states to use Medicaid data to automatically enroll children. An

estimated 2 million low-income children could be automatically enrolled for free meals for the first time.

In addition to reducing paperwork for families and school districts, directly certifying more children would likely reduce program error. Parents sometimes make mistakes when completing the school meals application and schools sometimes make math errors or other clerical mistakes when approving applications. Direct certification reduces the number of children approved through the paper application process, relying instead on income data that has already been rigorously reviewed by the Food Stamp Program or Medicaid. By expanding direct certification, Congress can reduce the opportunities for inaccurate school meals eligibility determinations. (For a discussion of program error, see CBPP's report "Understanding Errors in the School Meals Programs" at <http://www.cbpp.org/files/1-31-08fa.pdf>)

Directing the Full Value of Federal Subsidies to Low-Income Students

In addition to making sure that children get the free meals for which they qualify, Congress must ensure that low-income children get the full value of the federal subsidy provided for their meals.

The meal prices that some school districts charge for students who don't qualify for free or reduced price meals are too low (even when combined with the federal subsidy that districts receive for such meals) to cover the cost of those meals. Nor do the prices charged for "competitive" foods sold outside of the school meals program, such as less nutritious snack foods and individual items in vending machines, cover the costs of those foods.

Under current rules, school districts may use federal reimbursements for free and reduced price meals to support many aspects of the school food program. Research conducted by the U.S. Department of Agriculture (USDA) has consistently shown that some school food programs appear

to use these federal reimbursements in part to subsidize competitive foods and meals provided to higher-income children.

Congress is now considering raising reimbursement rates. It is often assumed that such increases would result in healthier meals. But if Congress increases reimbursement rates without reforming the use of federal funds in school food budgets, the added costs to taxpayers might yield only minor improvement in the quality of meals served, with schools using much of the additional funding to cover overhead expenses, keep prices down for better-off students, or subsidize less nutritious competitive foods. Whether or not Congress chooses to increase reimbursements, the first step to providing resources for higher quality school meals is to ensure that federal reimbursements for free and reduced price meals are used for their intended purpose — providing nutritious breakfasts and lunches to low-income school children.

To ensure that federal funds directed towards children at risk for hunger or food insecurity are used to provide meals that meet their nutritional needs, it is important that families who can afford to pay their fair share do so. Prices for paid meals (those served to children who do not qualify for free or reduced price meals) should gradually be brought to levels that, when combined with the federal subsidy, generate as much revenue as a free meal.

Data suggest that, if accomplished gradually, this would not significantly reduce participation. Even at \$2.43 (the price at which, when combined with the federal reimbursement, would generate as much revenue per paid meal as the federal reimbursement for a free meal), a school lunch is a great value. If the 20 largest school districts brought paid lunch prices up to \$2.43, they could increase their revenues by more than \$55 million this year alone.

In addition, Congress could prevent the federal government from effectively subsidizing competitive foods by requiring school districts to set prices that cover the cost of providing such foods. School districts could use the added revenue this would generate to provide healthier meals

to all students. Such changes also would help low-income children obtain the full benefit of federal reimbursements for free and reduced price meals. (For a more detailed discussion of this issue, see CBPP's report "Who Benefits From Federal Subsidies for Free and Reduced Price School Meals?" at <http://www.cbpp.org/files/1-29-10fa.pdf>.)

USDA Does Not Have to Wait for Reauthorization to Help Low-Income Children

It is important to note that while the legislative changes described above represent enormous steps toward ensuring that low-income children get nutritious meals at school, the severity of the recession warrants immediate action to connect low-income children with the school meals program.

As noted above, the number of households receiving food stamps has risen substantially: the average number of households receiving benefits was 23 percent higher in September-November 2009 (the most recent available data) than in September-November 2008. In contrast, the number of children receiving free or reduced price lunches at school grew by only about 5 percent over that same period. The number of children receiving free school lunches grew by 6 percent, while the number of children eating reduced price meals at school actually fell by 4 percent over that period.

Analysts would not expect the number of children eating free and reduced price school lunches to increase as rapidly as the food stamp caseload because a greater share of eligible children were probably participating before the recession and some of the households that are newly eligible for food stamps were probably already eligible for free or reduced price meals. But the magnitude of the disparity is troubling.

If schools are going to do a better job of reaching children eligible during the remainder of the school year and run effective outreach and enrollment efforts next year, now is the time for USDA to emphasize the importance of outreach and provide materials and support to state and local

administrators. The strong outreach programs for food stamps and Medicaid/SCHIP (see www.insurekidsnow.gov) offer examples of robust, federally led outreach efforts and materials. USDA has issued a very helpful letter that unemployment compensation offices can provide to applicants about free and reduced price meals (see http://www.fns.usda.gov/cnd/ftp/UI_frp.pdf), but more can be done.

Moreover, there are steps USDA could take immediately to improve the effectiveness of direct certification. By law, every child who receives food stamps should automatically get free meals at school. But USDA has found that, on average, states are directly certifying only 71 percent of those children. USDA does not need legislative authority to ask more of states that are not effectively enrolling children in households receiving food stamps for free school meals automatically. And as noted, Congress has provided \$22 million to help states make improvements.

Low-performing states could be required to develop plans to improve their direct certification process for the coming school year. USDA could provide technical assistance or sponsor conferences on how to improve the data matching process, publish information on databases developed for purposes of complying with No Child Left Behind, and encourage states to do matches more than once each year. We applaud USDA's interest in direct certification and would like to see much more aggressive leadership for states and school districts. (For a discussion of direct certification best practices, see CBPP's report "Implementing Direct Certification" at <http://www.cbpp.org/files/8-11-06fa.pdf> and USDA's report "Direct Certification in the National School Lunch Program" at <http://www.fns.usda.gov/ora/MENU/Published/CNP/FILES/NSLPDirectCertification2009.pdf>.)

Conclusion

Reauthorizing the child nutrition programs provides Congress with an important opportunity to make it easier for low-income children to get enough healthy food. Given the recession, it is especially important to focus first and foremost on policy changes to ensure that low-income children get the benefits for which they qualify or provide them with additional benefits.

USDA research shows that in some school food programs, the federal reimbursements for free and reduced price meals appear to subsidize meals provided to higher-income children and foods offered outside the federal school meal programs. To ensure that these reimbursements are used to provide nutritious meals for low-income children, Congress could put school districts on a path to charging prices for paid meals that don't leave a revenue gap. Such a change would significantly increase revenues to school food programs, enabling them to improve overall meal quality. Similarly, if school districts want to offer competitive foods, Congress could require the revenue from the sales of such food to cover the costs.

The Hunger Free Schools Act includes several provisions that would make it significantly easier for low-income children to get free meals at school. It would create a new option, community eligibility, to enable high-poverty schools or districts to serve free meals to all children and do away with individual meal applications. Rather than spending time and energy weeding out the small numbers of children who do not qualify for free or reduced price meals, staff could focus on more important issues — like giving their students a good education.

The Act also includes steps to help individual low-income children regardless of where they attend school. It would encourage states and school districts to directly certify children more effectively who are already eligible for that simplified enrollment process. It would also allow an additional 2 million children to be directly certified by requiring states to use Medicaid data for direct certification.

Chairwoman DELAURO. Just a quick question, Zoe. Is that Medicaid—I know the bill, but does it have SCHIP as well, or is it—

Ms. NEUBERGER. It would allow for the use of SCHIP data up to a certain income limit.

Chairwoman DELAURO. Okay.

Ms. NEUBERGER. The idea is to mimic the income cut-offs—program—

INSTITUTE OF MEDICINE REPORT—RECOMMENDATIONS

Chairwoman DELAURO. Cut-offs, okay. Thank you. Thank you very much.

Mr. Concannon, let me start. The IOM, the Institute of Medicine, released last October a report on School Meals, Building Blocks for Healthy Children. The report recommended revisions to the nutrition standards requirements, so that the school meals are more healthful. The recommendations included increasing the amount and variety of fruits, vegetables, whole grains, setting minimum and maximum level of calories, and focusing more on reducing saturated fat and sodium.

What is FNS currently doing to implement the recommendations?

Mr. CONCANNON. Thank you for that question, Madam Chair. We're very enthusiastic about the recommendations that the IOM made to us in October. And we are currently working vigorously. We were charged by our Secretary when those recommendations came in to move this forward as quickly as possible, and we expect that later this calendar year we will have the first round of proposed regulations to implement those IOM recommendations.

Chairwoman DELAURO. Mm-hmm.

Mr. CONCANNON. Now as I mentioned in my testimony, it's very important that there be additional financial resources made available to schools to help them implement these, as one of my adult children often reminds me of that very well-known chain of high-quality food stores, sometimes those wholesome foods take a much larger portion of a paycheck. And I think we know that in our own lives, and I think institutions, schools have that same experience.

Chairwoman DELAURO. What additional authorities—well, you talked about the funding—any additional authorities would USDA need to fully implement the recommendations in IOM?

Mr. CONCANNON. I believe that there may be some, but I think they're significantly parallel to what we currently require of the Healthier U.S. Schools Challenges.

So I don't think that, per se.

Chairwoman DELAURO. Mm-hmm.

Let me ask the rest of the panel. Do you think FNS could do more under current authorities to implement the IOM recommendations?

[No response.]

Chairwoman DELAURO. If you do, fine. If you don't, that's okay. Are there additional authorities that you would recommend to FNS to implement the IOM recommendations?

[No response.]

NUTRITIONAL STANDARDS IN SCHOOLS

Chairwoman DELAURO. Okay.

Let me just ask a question on schools that are failing to meet current standards. Okay.

Only 67 percent of schools are meeting all of the Federal nutrition standards today. If we are now to implement higher nutrition standards, will we just have more schools failing to meet these standards? How do we work with schools? How do we provide them with the necessary tools, so that 100 percent of them are able to feed children with what the IOM recommendations are for?

Mr. CONCANNON. If I may try to answer that. I believe schools, like many organizations, will respond to incentives, and we're proposing that the increased reimbursement for meals be related to those schools that, in fact, meet the higher standards.

I might say as an aside, that First Lady's recently announced national effort to reduce obesity has urge-directed the USDA to double the number of healthier U.S. schools across the country.

I've been in some wonderful schools. I was in a school in rural Georgia, a very poor area of the state, that is doing marvelous work, both in the nutrition programs, but also in physical activity.

So I know it can be done. I've seen it in urban areas. I've seen it in rural areas. I think part of we are proposing again in our—I didn't highlight every single one of the elements we have proposed, but we've proposed creating additional incentives for States, for schools, for others really to up the ante, so to speak, and improve the nutritional quality of meals.

REIMBURSEMENT RATES

Chairwoman DELAURO. Mm-hmm. Would love to know, and have you get back to us on what incentives you are offering.

You did speak to increase the reimbursement rate. Dr. Brownell talked about a dollar. Mr. Concannon, how much would you increase the reimbursement rate? And what would it cost?

Mr. CONCANNON. I don't think we could go as far as a dollar.

Chairwoman DELAURO. Mm-hmm.

Mr. CONCANNON. But there are 31.5 million children who have lunch each day in American schools. And our proposed reimbursement would be a fraction of that.

Chairwoman DELAURO. Mm-hmm.

Mr. CONCANNON. And while we haven't really pencilled it out, it's part of that additional billion dollars that the President proposes in his budget. And we'd be happy, we want to work with the Committee on that.

[The information follows:]

USDA is eager to expand the number of schools who can achieve HealthierUS School Challenge (HUSC) recognition since that translates to more children having access to healthier meals and opportunities for nutrition and physical education/activity, major factors in preventing and reducing childhood obesity. In addition to the plaque, banner, and recognition currently provided to HUSC schools, those approved under the current criteria will receive the following monetary incentives:

- \$2,000 for Gold of Distinction Award;
- \$1,500 for Gold Award;
- \$1,000 for Silver Award;
- \$500 for Bronze Award.

USDA is also exploring additional recognition options for meeting the HUSSC criteria. We would be happy to work with members of Congress to identify other creative recognition opportunities.

Chairwoman DELAURO. Okay.

REIMBURSEMENTS FOR PAID MEALS

Also—and this follows up a little bit on what I said before—so that you're talking about where you do have poor performance and nutrition standards, is these incentives plus the reimbursement rate. And as I said, if you're putting those incentives together, it would be good for us to know what they are, and to work with you on that.

Let me ask—I've got a minute here—FNS reimburses schools a modest amount for paid lunches. Okay. Paid lunches are for children whose parents have higher incomes and were not eligible for free and reduced price meals.

Why does FNS reimburse the school systems for a portion of the paid lunch? Shouldn't the schools charge the full cost of paid meals to students that can afford to pay, and then use the increased funding to improve overall nutritional quality of the school food programs?

Anybody else can chime in as well. Go ahead.

Mr. CONCANNON. Well, we think it's important to continue to provide support to schools for paid meals, as well, because we view it as a broad public utility. We don't want the School Meals Program to be simply for the poor children, and the resultant potential stigma that might occur with that.

Chairwoman DELAURO. Mm-hmm.

Mr. CONCANNON. We think that that very modest amount that still goes to subsidize, basically, meals for paid children is part of, again, our commitment sort of broadly, like education, is for all children.

Chairwoman DELAURO. Okay. So, go ahead, because your testimony—yes.

Ms. NEUBERGER. Yes, thank you. We agree that it is important to subsidize paid meals. However, we have concerns about the prices that are charged to students for those meals.

Chairwoman DELAURO. Okay.

Ms. NEUBERGER. Basically, the way the system works now, school districts get Federal reimbursements, and they can spend those reimbursements on whatever they want that's part of their school food program.

What USDA's research has shown very consistently is that the prices that are charged for paid meals—and also actually for competitive foods—are not in some places set high enough to cover the cost of providing them.

What that means, in essence, is that some of the reimbursements that are designated for free and reduced price meals are being used to make up the revenue gap there. They're cross-subsidizing the paid meals and competitive foods.

Chairwoman DELAURO. Mm-hmm.

Ms. NEUBERGER. We think that's a problem. We'd like to see those reimbursements for free and reduced price meals going to benefit the children who qualify for free and reduced price meals.

We're also concerned, as Congress is considering significant reimbursement rate increases that, unless something is done to address this issue, those reimbursement rate increases might not result in healthier meals. Even if that's the goal.

Chairwoman DELAURO. Mm-hmm.

Ms. NEUBERGER. And what we would like to see is a change in the law that would essentially say that if schools want to offer competitive foods, the prices that they set for those have to cover the cost of providing them, so that the Federal program won't be covering those costs.

And we'd also like to see, for the schools that are charging relatively little—you know, some schools are charging \$1.00 or \$1.25 for a paid meal—for them to be put on a path so that eventually the revenue they're bringing in for those meals covers the cost.

Chairwoman DELAURO. Do it gradually.

Ms. NEUBERGER. Right. We are concerned. You know, some of the children getting paid meals are at 200 percent of poverty. They certainly don't have it easy.

And so I think we need to be very careful in how this is approached, that you wouldn't want increases that would drive too many kids from the program, particularly the kids at the lower end of the income group that are getting those meals.

But if you consider, you know, an increase of ten cents a year, let's say, we think that even the families in the paid category could absorb that, and that it's an important source of revenue to consider for the programs, because it would bolster the programs and put more money on the table for some of the improvements that people are very interested in.

Chairwoman DELAURO. Mm-hmm. Okay. My time is expired—to know why we have competitive foods in the schools at all. But that's my approach.

Mr. KINGSTON.

Mr. KINGSTON. Thank you—

Chairwoman DELAURO. Sorry. There are three votes? One 15, two 5's. And so if anyone wants to go and then come back—

Mr. KINGSTON. And do you know what, Madam Chair? If anybody is unable to come back, I will yield my time to them now. You and I will be here for a while. So if anybody has another hearing they have to go to?

Chairwoman DELAURO. You got two? Well, Mr. Bishop? Let me do this, Mr. Latham? Mr. Latham. Let me go to this side of the—okay, Mr. Bishop.

CHILDHOOD OBESITY

Mr. BISHOP. Thank you very much.

Dr. Brownell, I smiled. You're pretty big on the stick as opposed to the carrot. I like Dr. Concannon's suggestion as far as the incentives are concerned.

I can relate very much to your comparison contrast of the way things were when you were a boy as when I was a boy, growing up. One of my best experiences in school growing up was the school nutrition program.

Those were among my favorite memories. It was healthy, nutritious food. But we did not have the sedentary lifestyle. And I think

with Leave No Child Behind and the incentives on performing better on tests academically, today's youngsters are much more sedentary.

As a consequence, they don't burn those calories.

But I would just caution you that while I believe that the beverage industry has been a culprit in terms of some of the increase in calorie consumption in our schools, and we do need to have some regulation there, I have to at least salute them for their cooperation, particularly their involvement with the First Lady's new initiative.

And they have set some specific guidelines and some targets as to how they will do their part to help us reach the goals that we are trying to reach.

But I'm not sure that using the stick in terms of a \$1.00 tax is necessarily going to be politically palatable or very well received.

I do think that increased reimbursement rates, as the Under Secretary suggested, could go a long way.

I have some concerns—and I just want to mention that I don't know that we should punish those families who are participating in the paid lunch program, because certainly it's a strain on all families, for children particularly if they've got multiple children. And any increase, a dime increase per year, is going to impact them, particularly with the economy.

I'd like to see us do the general subsidization to the extent that we can for the overall program, and of course specifically target the people who are lower on the poverty line.

So I just want to let you know that all of us are very concerned with good, sound, healthy child nutrition, that the obesity programs that many of us have been involved in targeting over the last three years, through this Subcommittee and other Subcommittees, I think illustrate the fact that we are very, very concerned about it.

But it's going to require a number of approaches, and of course I hope that we can do it more with incentives than with the stick. I just don't know that taxes in this environment are going to be good on targeting certain industries.

But I do think that with incentives, we can encourage very strongly and probably get the results we need to reach the goals.

And I look forward to working with you, with the Subcommittee, particularly with the Department in nutrition. And farmer's market programs, I think, can go a long way to doing it, with the SNAP Program, with the vouchers. We've had some pilot programs in Georgia, for example, that have allowed local producers of fresh fruits and vegetables to actually participate with people leaving out of the office, where they get their electronic benefits, where they can get a voucher so they can actually buy them right there on the grounds. And that has been very helpful.

And I look forward to expansion of that program, perhaps nationwide, because fresh fruits and vegetables would make all the difference in the world for healthy outcomes.

Chairwoman DELAURO. Thank you, Mr. Bishop.

Is there any commentary?

Mr. BROWNELL. If I could respond quickly? The idea of incentives sounds really good to me, and I think that's a wonderful place to

start. My only concern is that issue that I mentioned when I began my testimony, of the healthy and less healthy foods not being on the opposite sides of a seesaw.

So things like farmer's markets, which we support totally, and I think is a wonderful idea, may help with nutrition and under-nutrition issues. But it may just be pushing more calories into the system—good calories, to be sure—but if it's pushing more calories into the system, and the less healthy foods aren't dropping as a consequence, then you've got more of a problem potentially with childhood obesity.

We don't know that to be the case, but the recent data suggests it might be.

And just the other thing regarding the taxes is, I agree, the political feasibility at this moment is questionable. All the signs to me point that it's increasing in likelihood almost by the day.

And the comment about it now being politically feasible is exactly what would have been said 30 years ago about tobacco taxes. And look where we are with that now. And I'm not saying tobacco and food are the same. But certainly tobacco taxes were a highly successful public health maneuver. Government got involved, first the States, and then at the Federal level. And it's really protected public health.

So maybe at some point, people will look at classes of foods, like sugared beverages, in that same light.

Chairwoman DELAURO. And it is not a dollar tax. I just wanted to correct the record on that. It's a penny.

Mr. BROWNELL. A penny per ounce.

Chairwoman DELAURO. It's a penny. It was increased reimbursement of the programs at a dollar.

And with that—oh, you have a comment? Yes, a quick.

Mr. FABER. One comment. And for your benefit, I don't want this to become a debate between Dr. Brownell and myself. But I'm not sure everyone's aware that full-calorie beverages are entirely out of elementary and middle schools, and will soon be, this year, out of all our high schools.

Chairwoman DELAURO. Mm-hmm. The high school issue is the big issue, high school is a big issue—

Mr. FABER. Will be diet beverages. So a lot of progress has been made. More progress could be made.

On the tax issue, I think it's a complicated issue for a number of reasons. One is that when people go to the grocery store, the tax that would have to be placed on a certain item to discourage the use of that, would be extraordinarily high.

Even if we were willing as a society to pass an extraordinarily high tax on certain foods, there is a substitution effect. So it's just as likely that people would consume other beverages that may pose other problems or other health challenges.

The other practical problem is that these taxes fall on everyone, regardless of income, regardless of whether they have a healthy weight, and so in many respects are unfair and regressive.

Chairwoman DELAURO. Mm-hmm.

Mr. FABER. But I think the big point here is that there is literally a library of evidence of what will help address childhood obesity, where we have family-based and school-based multi-compo-

ment programs that combine physical activity, nutrition education, behavioral counseling.

As the First Lady said, there is no question about what works. We're not waiting for a cure. And I worry that conversations about taxes are really a distraction from what we can do today to start to change the number of children who are suffering with these challenges.

Chairwoman DELAURO. But I would just sit here, and I think we're going to have an opportunity to go do some back and forth. Which I think we need to do.

Because, quite frankly, I think with the moral imperative of this issue, we must have everything on the table. We must. Because it is not—we have to figure it out, and we can't use standard arguments on both sides. We have to take a look at a new debate.

And I know there's no time left on the vote, so.

Chairwoman DELAURO. So my point is that that's why I wanted to have this hearing. We need to engage in the fulsome debate with everything on the table. For too long, we all stand in one corner or another. We don't come together to figure it out, as it applies to the public health.

This is where we are now dealing. I deal with this on the food safety side of this, and it is in the interest of the public health. And we do know that we have a crisis in public health with regard to these issues.

And that's why I appreciate the candidness of everyone at the table.

We have to vote, so we will recess and come back quickly after these votes.

Chairwoman DELAURO. The hearing will resume. I know Mr. Kingston is coming back, and I know several other members are as well. This is the appropriations season, and everybody has a Committee or chairing a Committee or a member of a Committee.

PHILADELPHIA UNIVERSAL SCHOOL PROGRAM

But let me—Dr. Chilton, let me ask you a question. In your testimony, you discussed the success of the Philadelphia Universal Service School and program support for expanding this model to other school districts. What additional benefits has Philadelphia seen from having the ability to operate the Universal School and its program for the last—they're doing this now for 18 years—

Ms. CHILTON. That's correct, yes.

Chairwoman DELAURO. And it's universal and free?

Ms. CHILTON. Yes.

Chairwoman DELAURO. Okay. Is Philadelphia able to focus resources on serving healthier meals? Have you seen a correlation between the kids served by this universal program and improvements in health outcomes?

Ms. CHILTON. We have not been studying the health outcomes of children who are participating in the universal meal program, so I can't really speak to the scientific evidence on that.

Chairwoman DELAURO. Okay.

Ms. CHILTON. And that's where I like to stay whenever I give a testimony is on our research. But we know that the school district saves about \$800,000 a year by not having to process paper appli-

cations. And we know that they've been able to utilize that money for other types of things at the school, and thinking about ways to improve their school, the school district feeding programs. About four or five years ago, they completely got rid of sodas in school and competitive foods in most of the schools.

One of the problems with the universal feeding program is however that the charter schools are not mandated to provide free reduced price lunch. And so it's very difficult—so there's—most of the charter schools are not really participating in the program at all. And so you have those schools in the low-income areas of Philadelphia, and the children are not receiving any assistance.

One of the other issues that we have with universal feeding is that it's fantastic for lunch, but it has been lots of times sort of opt-in for school breakfast. So we've been working very hard with the school district to mandate if they have the free lunch program that they actually—that they need to have school breakfasts and that we can actually grade the schools on that. It becomes a part of the grading system.

Chairwoman DELAURO. Let me understand. The breakfast program is universal and it's free and you've now said though that charter schools are apart from that.

Ms. CHILTON. Yes.

Chairwoman DELAURO. So that's an issue that again on the table with what's happening in charter schools. Because in fact you're right about where they are located. I'm confused. Are you talking about universal school lunch program being free as well? Is that what you were—

Ms. CHILTON. The school lunch program is free.

Chairwoman DELAURO. It's free.

Ms. CHILTON. Breakfast would be free, but there are many principals that don't participate, don't work hard to do outreach to have school breakfast at the school.

Chairwoman DELAURO. I've got it. I've got it. I've got it.

Ms. CHILTON. Which has been a major issue, and we know that breakfast is very important for school performance, et cetera.

Chairwoman DELAURO. Well, that's why I was talking earlier about how we try to move this in the direction of schools that are not, you know, participating in these efforts. Now you said they save \$800,000 a year. You also said that—so this was the entire school system then outlawed competitive foods? Help me with that again.

Ms. CHILTON. Soda. Sorry, soda.

Chairwoman DELAURO. Soda?

Ms. CHILTON. Sodas in the school.

Chairwoman DELAURO. Sodas in the schools.

Ms. CHILTON. We're working on competitive foods.

Chairwoman DELAURO. And now they're working on the competitive foods as well?

Ms. CHILTON. Mm-hmm.

Chairwoman DELAURO. Okay.

Ms. CHILTON. One more thing about my testimony, which I would like to correct for the record, in my testimony I said that all Philadelphia schools have free lunch, and that's not true. That's true for two-thirds of the schools that have a child poverty rate of

75 percent or below. So there are one-third of the schools that are still serving many poor children that do not have universal access to those programs, and that's something that needs to be improved.

Chairwoman DELAURO. Okay. Thank you. I would love at some point to sit and talk about that but also to see if we can bring in some of the Philadelphia folks to—and maybe meet informally with the members of the Subcommittee to talk about—

Ms. CHILTON. I guarantee it, you would have enthusiastic response from Philadelphia to meet with you or anybody on your committee.

Chairwoman DELAURO. Yeah. In addition to that, it's—because the Secretary spoke last week about, and I talked to my colleague, Allyson Schwartz, where this healthy food initiative is working to get nutritious foods into what are the food deserts, and a way in which to do that, and apparently that's been an ongoing in Philadelphia as well.

Ms. CHILTON. Yes.

COMMUNITY ELIGIBILITY FOR SCHOOL MEAL PROGRAMS

Chairwoman DELAURO. So on both of those issues, and I—and what we are going to do is to proceed with that, and as I say, I think try to do it informally with my colleagues so we can get the benefit of their understanding on this.

Let me just have a quick follow-up on this issue from Zoe. You talk about a similar concept I think in the Hunger Free Schools Act, which is a community eligibility. What changes from the Philadelphia model would you recommend and why? And what are the barriers in implementing community eligibility in other areas that have a high percentage of children living around the poverty line?

Ms. NEUBERGER. Sure. The important similarity between what Philadelphia is doing and this community eligibility model is that in both instances, schools would be offering meals free to all kids and their reimbursements would be set based on something other than applications. It would take them out of the business of processing applications each year and having to track meals in the cafeteria.

What's different is that Philadelphia's reimbursements are set based on a household survey that they conducted, and that is actually a very resource-intensive process. They invested about half a million dollars up front in designing a very detailed survey.

Chairwoman DELAURO. I've got you. Got you, yeah.

Ms. NEUBERGER [continuing]. That is meant to be rigorous. We are concerned that for many districts around the country—

Chairwoman DELAURO. It's not affordable.

Ms. NEUBERGER [continuing]. And schools that's not going to be feasible, that kind of up-front investment.

Chairwoman DELAURO. Not that affordable.

Ms. NEUBERGER. What's nice about the community eligibility option is that it is based on the direct cert process which every district must be conducting right now. By law, every school district must be doing direct certification to reach kids that are already enrolled for food stamps.

What we'd like the community eligibility model to look like is that it would be very simple to operate. Schools and school districts that qualify would essentially get a notification each year telling them you are eligible for this option, here is what your reimbursement rate would be under it. If you want to take it up, let us know, and you won't have to do the regular application process. If you don't, you can still use the standard system.

So we think it would actually have very low obstacles to participation in terms of operational issues. The key issue that I think that schools and districts will look at is whether they think the reimbursement level will be enough for them to cover their costs.

Chairwoman DELAURO. Okay. Thank you. Let me yield to my colleague, Mr. Kingston.

BUDGET DEFICIT

Mr. KINGSTON. Thank you, Rosa. And I wanted to begin with to make sure everybody, you know, start at point one. Does everybody know what the deficit is as a percentage of spending? We've got five people here who want to spend more money. This is the spending committee, not the authorizing Committee. No one knows? Anybody want to guess? No guesses? Do you think it's high, do you think it's low, do you think it's where it should be?

Mr. FABER. I'm willing to take a guess, Mr. Kingston, I imagine the deficit is about two-thirds of our annual spending, about \$1.5 billion, and we are spending about somewhere between two-and-a-half and three—I'm sorry, trillion, two-and-a-half to three trillion annually. Is that about right?

Mr. KINGSTON. Well, I'd give you some credit on that. The spending—probably a C-minus, but.

Mr. FABER. Well, I went to law school, sir, not good with the numbers.

Mr. KINGSTON. You know, the spending is \$3.7 trillion. The deficit is \$1.5 trillion, 37 percent roughly of our spending is deficit. Now add that to the debt and add that to our problems that we're having with Medicare and Medicaid and the war, you know, whatever spending example you want, we're running down the road possibly off a cliff sooner or later. Not my opinion. A lot of economic experts on that that might be your equivalent in the world of the economy in terms of expertise in their area.

You know, we keep talking about free lunches. I think we ought to quit calling them free lunches. It's tax-subsidized. Somebody else has worked to pay for those lunches. And some of it, the money is borrowed, and some of it, it's printed. But when we throw around the term "free lunch," we've got to remember there's no free lunch here, and, you know, these very children that we're trying to help will be the ones inheriting such a large debt. So, you know, I wanted to bring that up.

CHILD NUTRITION PROGRAMS REAUTHORIZATION

Mr. Secretary, a question to you is the proposals of the USDA are about a billion dollars.

Mr. CONCANNON. Yes.

Mr. KINGSTON. Do you have the price tag broken down in terms of the reimbursement rates or the bonus payments or the addi-

tional enrollment or the kitchen costs or—do you have that broken down?

Mr. CONCANNON. For the billion dollars we have what amounts to about 16 individual priorities, and that's something that we continue to work on. It's something we would want to work with the Committee on. We know a significant portion of that would be required for improving or increasing the meal reimbursements for better quality meals.

But we have another—I mean a number of smaller items, and I'm very sensitive to the Congressman's concerns about deficit, but I'm at the same time mindful, this is an area, if we do it properly, that can actually result in significant cost avoidance down the road.

And I know just recently we met with some retired military generals, flag officers, who are concerned about the fact that three-quarters of young people between the ages of 17 and 24 don't qualify for military induction because of—27 percent of them—because of obesity, others because they've dropped out of high school, others because they have criminal records. And they view it as a national security issue.

I for a number of years administered health programs at a State level, and I know people with chronic conditions are the most expensive patients you have in the system. So to the extent we could make a breakthrough in this child nutrition reauthorization, I believe it can save us. It costs us money in the short term, but I sincerely believe it can result in cost avoidance down the road.

FUNDING OFFSETS FOR CHILD NUTRITION REAUTHORIZATION

Mr. KINGSTON. Well, let me ask you this. What are your offsets?

Mr. CONCANNON. I know there have been offsets discussed within the USDA, but our hope is that there are offsets even beyond the USDA.

Mr. KINGSTON. I don't know if this Committee can help you with offsets beyond the USDA, but we certainly can do it within the USDA. What are they?

Mr. CONCANNON. I'm not familiar with what they have settled on at this point. I know there have been discussions of different offsets, but—

Mr. KINGSTON. Well, you know, it's interesting. This town always loves to talk about PAYGO after we just spent a lot of money. Both parties have this franchise, by the way. I mean, we always talk tough about budgets after we've spent an enormous amount of money. Jim Bunning actually brought hypocrisy to a national lime-light last week, you know, that we're calling things emergencies as if suddenly we're in a recession. No one knew it the week before or the month before or the year before, but suddenly Mr. Bunning figured it out, and, you know, it's an emergency. We always push things into emergency spending so that we can get around what? The PAYGO rules.

So the question that I would have is that if this program, the expansion of these programs are a top priority of the USDA, then the USDA should be saying we want another billion dollars, and here's where the money comes from, and it's a real offset, not a fictitious one where we're going after, you know, increased veterinary fees

and taking it out of some nebulous pot somewhere that will never be done. But, you know, I think that that would be something that we should, you know, the merits of this program, I think we could talk about a lot of different things here.

I actually was—I always like to hear what Mr. Brownell says because he always is thinking outside the box, very brave guy, and coming up with creative ways to irritate somebody in this town, which is somewhat of a good thing to do on a regular basis. But I still think we've got to quit fooling ourselves as a Congress, Democrat or Republican, and we've got to start paying for things, because if we want to stop starvation, we want to help children, we need to have a sound fiscal policy, and that's the best way to help them.

So what I would like you to do is give us very specific offsets so that we know where this money is coming from, and then we can talk, well, maybe you don't need a billion or maybe you need a billion and a half, maybe something lower than that but.

Mr. CONCANNON. I'd be glad to work with you on that, definitely.

Mr. BROWNELL. May I make one comment too in response to that? I'm not an expert on economics, but one thing that has been proposed, if people can find this idea of a tax on something like sugar-sweetened beverages acceptable, is to use that money for these very programs.

Mr. KINGSTON. You know, I was so tempted to get a Coke during the break, and then I knew I had to face you, so. But—

Mr. BROWNELL. Well, buy it while you can.

Mr. KINGSTON. I yield back.

Chairwoman DELAURO. That's a way to pay for something and we've got a whole lot of things in the ag bill that we might take a look at in terms of paying for this priority. I want to make one comment, Sam, before I turn it to you, because I think this is very interesting. It was Harry Truman I guess it was 60 years ago who dealt with the School Lunch Program, National School Lunch Program, as a direct result of the military, and the military finding that the recruits were malnourished, undernourished, et cetera. And there's a report which is called Mission Readiness. Twenty-seven percent of our Nation's young people are too overweight to now serve in our armed forces.

We literally have come full circle in 60 years. And a quote by Mr. Truman is, in the long view, no Nation is healthier than its children. And that was a guy who said the buck stops here. The buck stops here. Mr. Farr.

PROGRAM SIMPLIFICATION

Mr. FARR. Well, thank you very much, Madam Chair. I'm delighted we're having this hearing. I've spent a lot of time visiting the feeding programs at the school level, and I think the offsets are there, Mr. Kingston. They're in the administrative costs of this program. It ranks number three in paperwork after the IRS, and I forget what number two is. But number three is the child nutrition program. And the reason is that the forms that one has to fill out are just outrageous. And it's also a reimbursement program. Think if you told people go out and buy all the groceries on your own money and then we'll reimburse you. And then you get dinged be-

cause you bought the wrong things. Well, that's essentially what the School Lunch Program is.

And we have approached this thing, and the testimony shows that we have six different programs that we call school feeding programs. And I want you—and my question goes to this. You said you want to reduce the barriers. And I wonder how you're going to reduce the barriers by—more money is going to do one thing, but how can you in one school have a National School Lunch Program, a School Breakfast Program, a Summer Food Service Program, a Child And Adult Care Program, and a Special Milk Program, each one requiring a different set of circumstances to qualify for? All perhaps the same child in the same school. It's obvious that what you ought to do, and this is where I think the Administration and the leadership is wonderful on talk about child nutrition. But I think you're very lax on leadership and reorganizing the management of it. Because George Miller just told me on the floor that he's marking up the Child Nutrition bill perhaps this weekend. And to me, we ought to reduce these things into two feeding programs, a community feeding program and a school feeding program.

And I wish the academics would look—because I think with Mr. Kingston we have that barrier, I mean, you know, people are looking at all the costs. But we have got to modernize this by eliminating that and duplication of bureaucracy and things like that. So I really want to know that if you're just going to throw more money at it, it ain't going to solve the problem. It will help more kids get in the program.

So here are my overall themes, Madam Chair. That's ten of them, ten things. We expand and improve the direct certification. Find model State programs that have proven effective in identifying eligible children and match them with school enrollment lists. Utilize Medicaid and SNAP and TANF for categorically eligible where the Medicare rosters can adequately identify eligibility and direct certification. Reduce the barriers to school meal applications by simplifying the application process.

I have one right here. I don't think anybody in this room could fill it out. This is what you have to fill out when you're an uneducated person. You have to say the names of all the household members in your house, the monthly earnings from work before deductions, monthly welfare child support and alimony payments. Monthly payments from pensions, retirement and Social Security, if you even know what those are, by definition. Monthly earnings from job two or any other monthly income. All of those have to be filled out. I mean, I'm filling out my taxes right now and I was looking at all this stuff, and you need a CPA to fill out your application for free lunch.

We should allow districts to choose to use Title I funds to buy electronic point of sale systems that help eliminate the stigma of participation. These systems have increased participation for free and reduced and for—this idea that you've got to line up in the poor line, the poor kids line and the rich kids line. Just—it's absurd. It's obscene and it's embarrassing that America has to do that.

Eliminate tiering of the CACFP. The CACFP is the only program that produces—provides standards for child care and meals.

Tiering has reduced the number of child care providers participating in the program. Diminishing the standards in nutrition for every young child. Simplify and streamline. Should not have multiple programs, multiple applications and reports and approved. Again, it's on a reimbursement basis. It's outrageously complicated.

Improve the nutritional quality, which you've spoken about. Establish some national standards for both meals and other foods available in the cafeteria. Additionally give the Secretary of Agriculture the authority to set standards for food sold outside of the cafeteria during the school day, so that all the junk food shouldn't be able to—we help all these schools with all these categorical Federal programs, and then we allow them to turn around and sell things that are not healthy.

Provide community entitlement for school breakfasts. I think there ought to be, school breakfasts ought to be just for every child and there ought not be any means test. Wellness.

Add to local wellness policy provisions of the last Child Nutrition Reauthorization Act to add more specific minimum standards and fund nutritional education. Those are things that we have to do, and I've got a bill which I think most the members of this committee are co-sponsors on, which would require all the schools in the country to have salad bars, and we hope we can get that into the reauthorization bill.

But, Madam Chair, I think that if we don't focus on having to reduce the bureaucratic barriers which my school administrators tell me are up to 60 percent of the cost of a program. There's your savings, Jack. There's your offset. And we certainly could do that. The leadership's got to go in and bust these special interest—I mean, these, you know, what did I call it, the categories that are all their own special rice bowls. There are people that won't want to, you know, each one's got administrative politics to it. And they've got to be pulled into one, particularly when you think that that same child can qualify for six programs in the same school. And it's extremely costly to administer all that.

Mr. CONCANNON. Let me just comment on that, Congressman. I think you make a very good point, and that is one of our goals is to simplify access, and that's why we propose a number of incentives to make broader use of direct certification which will eliminate the requirement for parents to fill in those applications. And we're urging that it be done increasingly in States like Ohio.

Mr. FARR. Have you urged that to the committee?

Mr. CONCANNON. Pardon?

Mr. FARR. Have you urged that to the committee? Have you made your recommendations to the Education and Labor Committee?

Mr. CONCANNON. Yes it has. It's gone forward with them. And we are, states like Ohio have done a wonderful job of processing these data for certification at a state level. So we know there's great variability across the country. It can be done simply if there's a commitment to do it.

I do want to make a comment factually. All kids have to go through the same line together. There should be no free lines or separate lines for children in America's schools if they are receiving

a free or reduced priced lunch. So we certainly would like to know if that's occurring, because that would be a violation.

Mr. FARR. Well, I hear—I don't know exactly whether it's two separate lines, but I do hear that it's easy to distinguish between the children that are getting the free lunch and the children that are having to pay for it.

Mr. CONCANNON. There shouldn't be.

Mr. FARR. Have you visited some of the schools lately?

Mr. CONCANNON. Yes I have. I've been to schools.

Ms. NEUBERGER. I'd like to jump in and say something on the use of direct certification, because I think you raised some very important points there. You held up the school meals application as an example of something complicated for parents to fill out. That is very, very simple compared to the applications for the food stamp program or the Medicaid program, as it should be. It's a form that's completed by parents at home. They don't get help. The people at schools who are making eligibility determinations, you know, are people at schools who don't get a lot of training in this. They process applications a few times each year.

If you look at what the food stamp programs and Medicaid programs are doing, they've got offices of caseworkers whose full time job is to look at people's income and make sure they're verifying it and getting it right. It makes no sense for schools to duplicate that effort, and that's why we've been very big supporters of using data from other programs through the process of direct certification. That's in place now for food stamps, and that's why we think expanding the allowable data sources to Medicaid makes so much sense.

Mr. FARR. I'll come back. I guess my time has expired. I have some other questions.

A LA CARTE FOODS

Chairwoman DELAURO. It may be, and this is not a question, maybe we can discuss it later, it's the a la carte lines, as I understand it, that are there that—they do not have to—I could be wrong. The a la carte lines, kids can go through them and they don't have to meet nutrition standards. Is that correct?

Mr. CONCANNON. Not Federal standards.

Chairwoman DELAURO. No Federal standards. And, I mean, we're not paying for that, but that's there, so that's a competitive food which challenges what kids should be doing. Anyway, a big issue which we need to really focus on. I'm sorry. Mr. Boyd.

FARM TO SCHOOL PROGRAM

Mr. BOYD. Thank you, Madam Chair. And all of you, I enjoyed your testimony. It's all—all of your thought-provoking testimony and especially you, Mr. Brownell, Dr. Brownell. But a couple of points first. The farm to—I mean, you talked a little bit about the farm to school. The farm to school is a great program.

I have a very successful farm to school program in the area that I represent, and I've visited that program and I visited with the schools that all are engaged on the back end of that program, and everybody is happy. Everybody seems to be happy, and everybody

thinks this is a great program, so I just wanted to make that plug. I notice you included that as a prominent part of your testimony.

I did want to also ask you, Mr. Concannon, about the after school meals that you—that we have going. I understand we have 14 states now, is that right?

AFTER SCHOOL MEALS

Mr. CONCANNON. Correct. That's part of the Child And Adult Care Feeding Program. It's limited currently to 14 states, and we are proposing that program be expanded to all 50 states.

Mr. BOYD. I have advocated and worked real hard last year to get Florida included in that. Does your President—our President's proposed budget include funds to include Florida in that program?

Mr. CONCANNON. Yes it does.

Mr. BOYD. Okay.

Mr. CONCANNON. Yes it does.

Mr. BOYD. And you presume that this budget would take in an additional \$140,000? Is that the number I saw?

Mr. CONCANNON. That's the estimate that was seen, yes.

SUGAR BEVERAGES

Mr. BOYD. Okay. Thank you. Dr. Brownell, I was very interested in your thoughts on sugar drinks, and they're good thoughts, part of them were anyway. And I was very interested in the exchange with Mr. Concannon and the chairwoman about how we on the additional funding that we will provide for the cost of the meals, whatever that number is, 35 cents or whatever you're saying it is, and the chairwoman had suggested that we put incentives in the program somehow or another so folks could be incentivized to do better in terms of health if they would receive this.

I had one idea, Madam Chair, that I think would make everybody here happy, or at least the panel. The Florida citrus industry is a great industry that provides a lot of jobs and a great healthy product, but it's very difficult to find 100 percent juice in the schools. They're taking the juice and putting water and sugar, and, I mean, you know, a lot of the drinks that you find in the schools are sugary drinks, and that was your point. Just my suggestion, Madam Chair, was one of the incentives to be that we provide 100 percent pure Florida orange juice in the school districts as an incentive.

Mr. BOYD. You don't have to respond to that, I mean.

Chairwoman DELAURO. But the 100 percent is great. I think that's in the IOM standards is 100 percent.

Mr. FABER. Can I just clarify that? Because one of the things we did talk about a little bit earlier is the commitment that the beverage industry has made through the Alliance for a Healthier Generation, which is a partnership that involved the Clinton Foundation. As a result of the pledge those companies took—I've got a copy that I could submit for the record—all soft drinks are out of elementary and middle schools, but the only thing that you can get in elementary and middle schools are eight-ounce servings of milk which are fat free or low fat, as well as 100 percent juice.

And in middle schools, it is the same except milk may be sold in a slightly larger portion. And then in high schools, you can get

low calorie beverages, but again, only 100 percent juice. So this has been a three-year commitment. This is the third year. So in all of our schools, you will only be able to purchase 100 percent juice beginning essentially next——

Mr. BOYD. And that's your—I'm sorry. You were reading from that proposed——

Mr. FABER. This is just a summary of the commitment that the beverage industry has made through the Alliance for a Healthier Generation.

Mr. KINGSTON. Will the gentleman yield?

Mr. BOYD. Certainly.

Mr. KINGSTON. Is that juice from concentrate or not from concentrate?

Mr. FABER. It's 100 percent juice. It can be from concentrate.

Mr. BOYD. It's just not as—it's just not as good tasting, Jack. It might be as good for you, but who would want to drink it? I'm on your side on this. I just want you to know. One more question if I could—am I out of time?

Chairwoman DELAURO. No, go ahead.

SENIOR FARMERS' MARKET NUTRITION PROGRAM

Mr. BOYD. Okay. The 2008 Farm Bill, Mr. Concannon, mandated an increase from 15 million to 20.6 million in the Senior Farmers Market Nutrition Program. Can you tell us the expected impact this increase will have on the program and its impact on nutrition, or do you have any thoughts on that or any data?

Mr. CONCANNON. We'll have to get back to you on that subsequently. But I know I've been out—was out in a—up in New Hampshire back in December, and they spoke glowingly of the importance of that program in that State, but I don't know that data. We will get that to you.

[The information follows:]

The \$5.6 million funding increase provided by the 2008 Farm Bill allowed more than 135,000 additional eligible seniors to receive the nutritional benefits of the program. In the first year of the funding increase, 87 percent of States participating in the SFMNP (40 State agencies) requested and received additional funds either to expand the program to underserved areas or to provide a higher benefit level. Ten States chose to increase the benefit level. This funding increase also allowed State agencies to provide better access to farmers markets among the senior population by authorizing an additional 4,586 farmers, 957 farmers' markets, and 761 farm stands. The chart below provides the funding level for each State agency over the past three fiscal years.

STATE	FY 2007 ***	FY 2008 ***	FY 2009 ***
Alabama	\$982,673	\$1,732,673	\$1,732,673
Alaska	\$69,276	\$92,065	\$95,265
Arizona	**	\$161,111	\$161,111
Arkansas	\$94,666	\$119,666	\$123,826
California	\$661,762	\$809,837	\$837,988
Chickasaw Nation of Oklahoma	\$142,335	\$177,985	\$177,985
Connecticut	\$87,688	\$87,688	\$90,736
District of Columbia	\$139,926	\$154,926	\$160,312
Five Sandoval Indian Pueblos, Inc.	\$19,240	\$19,240	\$19,240
Florida	\$94,903	\$104,903	\$108,550
Georgia	\$93,615	\$250,000	\$258,690
Grand Traverse Band of Ottawa & Chippewa Indians	\$8,542	\$9,592	\$9,925
Hawaii	\$553,412	\$553,412	\$553,412
Illinois	\$747,695	\$852,695	\$882,336
Indiana	\$39,736	\$59,604	\$61,676
Iowa	\$550,297	\$573,087	\$593,009
Kansas	\$188,580	\$188,580	**
Kentucky	\$271,515	\$316,371	\$327,368
Louisiana	\$268,972	\$418,972	\$418,972
Maine	\$877,454	\$997,454	\$1,027,956
Maryland	\$112,622	\$224,622	\$232,430
Massachusetts	\$55,915	\$555,915	\$575,240
Michigan	\$73,701	\$241,701	\$250,103
Minnesota	\$95,989	\$118,536	\$122,657
Mississippi	\$68,788	\$102,388	\$102,388
Mississippi Choctaw	\$14,951	\$28,451	\$29,440
Montana	\$42,562	\$101,920	\$101,920
Nebraska	\$246,775	\$246,775	\$255,353
Nevada	\$139,125	\$164,125	\$169,830
New Hampshire	\$74,431	\$101,431	\$101,431
New Jersey	\$671,273	\$1,171,273	\$1,211,989
New Mexico	**	\$337,004	\$337,004
New York	\$1,473,083	\$1,906,553	\$1,972,827
North Carolina	\$43,495	\$86,083	\$89,075
Ohio	\$1,286,370	\$1,719,840	\$1,779,625

STATE	FY 2007 ***	FY 2008 ***	FY 2009 ***
Oklahoma *	**	**	\$75,000
Oregon	\$758,794	\$906,879	\$938,404
Osage Nation	\$30,140	\$38,140	\$38,140
Pennsylvania	\$1,474,011	\$1,907,481	\$1,973,789
Pueblo of San Felipe	\$16,274	\$17,474	\$17,474
Puerto Rico	\$924,382	\$1,000,000	\$1,034,762
Rhode Island	\$191,015	\$276,740	\$286,360
Standing Rock	**	\$22,200	\$22,200
South Carolina	\$638,737	\$638,737	\$660,941
Tennessee	\$495,887	\$545,887	\$564,863
Texas *	**	**	\$124,287
Vermont	\$83,979	\$91,479	\$94,659
Virginia	\$414,337	\$474,337	\$490,825
Washington	\$121,576	\$241,576	\$249,974
West Virginia	\$494,630	\$544,630	\$544,630
Wisconsin	\$268,520	\$343,944	\$355,900
NATIONAL TOTALS	\$16,203,649	\$21,835,982	\$22,444,551
* New State Agency ** Did not participate in the program *** Total grant levels include prior year unspent funds			

Mr. BOYD. Thank you very much. Thank you, Madam Chair. Chairwoman DELAURO. Thank you, Mr. Boyd. Ms. Kaptur.

AGRICULTURAL EFFORTS IN OHIO

Ms. KAPTUR. Thank you so much, Madam Chair. Welcome. It's really great to have you here as we do America's important work. I will share a story. Last weekend I spoke to the Ohio Teachers Association from all the major communities in our State, and at the end of my speech I said I'd now like to ask you a question. How many of you on a regular basis experience hunger among the children that you teach as a contributing factor to their not being able to learn? Thinking that about 10 percent of the audience would raise their hands. Over 90 percent of the teachers did.

I share that with you because that's why we're here today. Under Secretary Concannon, thank you. You're the right man in the right place and you've got a big job to do. And from my own perspective in Ohio, I'd like to share a few things that might help.

First of all, I very much want to encourage you in your efforts to engage the local farmer and grower in providing product to the schools. I love this local farm, local grower connection. In Ohio, 98 percent of the food we eat is not from Ohio, which is an oxymoron, because we have the capability to feed ourselves and certainly our children.

But the USDA has been the most difficult instrumentality to work with in the urban setting, quite frankly. We've gotten much better cooperation from our Botanical Gardens where we have now over 90 community gardens that will go up this year. We have high tech, vertical growing systems. We have the largest greenhouse industry in the midwest, and we are working with our county commission using Department of Labor funds and HHS funds through TANF, for example, through WIA. USDA is not at the table effectively. You know that. That's why you're in the job you're in today.

So I just want to make you aware that these connections are very, very hard to achieve and the system that existed in the 20th century is not effective in the 21st for USDA's effective participation in this local farm, local grower to local school connection. We have to rediscover those connects.

Number two. Engage the youth. I am very interested in replicating this experience. I was at the Martin Luther King day commemoration in our district about a month ago, and there were thousands of people. And afterwards, I was standing talking to some of the gathered people, and I felt a tugging at my jacket. And I looked around and here was this little girl, and she said, "Hi. My name is Shelby. I'm six years old, and I don't want you to close the Padua Center because I want to be a plant scientist." This is in the heart of one of the poorest neighborhoods in America. And USDA has not been involved.

Working with our Botanical Gardens, the Catholic Church, our county, we have found a way to raise chickens in the city now. We have found a way to raise vegetables. It's not high tech yet, but we're going to get it there. But you know, it would be really nice to have USDA conscious of these kinds of experiences. And then Shelby said, and I just share it because it's such a great story. She goes, "And do you know what? Chickens, when they're little babies,

they have yellow feathers. But when they grow up, their feathers change color." And she was so excited, and she was so happy. And she said, "And they give me the eggs to take home to my mommy."

All right. That experience is very important, because the city has been robbed of the extension programs, of working with the earth. We have a whole generation of youth, one young woman in a program back home said, well, you know, they said this is a potato. She said do you have to take the paper off to eat it? Did not know what a potato was. To her, a potato was a french fry. We have so much work to do to restore agricultural and plant science knowledge in the cities and suburban areas of our country.

So my—we need education. We need to link growing at the school site, not just for the culinary classes, but for the youth. I have a group in my region called Veggie U. They have tried—they're so frustrated. Great farmer, he donates a million dollars a year out of his profits to help to put these little kids in fourth grades to teach children how to grow plants, and they love to do it, but USDA doesn't help. I'm not yelling at you for USDA, I'm describing reality, because I know if you hear reality you can help us change it.

So my question is, you know, yes, let's connect the grower, let's connect the farmer to the school, but let's engage the children, because they are our future. And I have no doubt that we will raise new growers, new farmers, new greenhouse operators, new food processors, new chefs, new small businesspeople with the products that they will grow. One group says, hey, let's take these peppers and let's grind them up and create paprika. I said now you're talking my language. All right. But the city people have been robbed of that really over the years. They've been relegated to snack coupons. And I just want to make you aware of the great potential.

I want to thank Michelle Obama. She is right, she's right on. I never thought I'd live to see somebody who had that kind of position in our country lead us forward. So I wanted to mention those issues to you, the importance of USDA being a partner with our Botanical Gardens, with TANF, with WIA, and I know my time has expired, Madam Chair, so I'll just summarize again. And also engaging the children. Find a way through our educational programs.

My advice to you is to take the top ten poorest communities in America, take five in the rural area, five in the urban area or ten and ten, however you're going to do it. Focus your tactical teams there. We've placed an invitation to USDA through the Toledo School of the Arts for a tactical team to come out to us, but I just don't want it to be that school. I want it to be the whole system, so they can see how we can work with you and help USDA be as effective in this environment as you have been in production agriculture across this country. Thank you very much, Madam Chair.

NUTRITION EDUCATION

Chairwoman DELAURO. Thank you very much, Ms. Kaptur. Let me just mention this to you, and this is for all the Committee members. And I, this is not self-serving in any way. One of the things that I'm going to do in my district, and obviously we all operate in our own districts, is—and I had an experience with working years ago on a program called "Kick Butts Connecticut" which

was about moving to middle school kids and encouraging them not to start to smoke.

So we've gone through that effort, and I'm now going to set up in all of the middle schools and put a program together that allows us to do a middle school nutrition program, doing several things. It may be you get somebody from USDA to come, but it's about the gardens, it's about cooking, it's about what a nutritious—we'll bring someone in to cook. Engage starting at the middle school level. This is something I think that we can do. I really do. It means the cooperation of the schools, and with the latter program, once a month we would have a program in some school, the school has cooperated by busing the kids from their schools to this one. So the schools were engaged and involved.

We brought in—they did skits, we brought in people to talk to them. They were engaged in learning about smoking and what detrimental effects it could have on their health. So we're going to try it. We're going to try it this—before the end of this school year as a pilot in one of the towns that I have, and hopefully it works, and I would let you know that. But I think that there's something that we can do here in terms of educating our kids and engaging the Federal agencies, the academic institutions, the medical profession and others in terms of assisting us with this issue and getting to kids.

Ms. KAPTUR. Could the gentlelady yield?

Chairwoman DELAURO. Sure.

Ms. KAPTUR. Madam Chair, I'd just say those kinds of prototypes, because we're talking about turning a massive agency created in what, 19th Century? When was USDA created? 1860. I mean, think about this.

Mr. FARR. President Lincoln.

Chairwoman DELAURO. Lincoln.

Ms. KAPTUR. Okay, Lincoln. Think about this mindset of where we've come from and where we are today. And I do think we need those prototypes to use the best practice at USDA and to connect it to other resources in our communities. And I know from our situation we are not maximizing that opportunity, so I welcome the gentlelady's proposal.

Chairwoman DELAURO. Thank you. Mr. Kingston.

OBESITY VS HUNGER

Mr. KINGSTON. Mr. Concannon, I wanted to visit the statistic on obesity. Do you feel obesity is a bigger problem than hunger in America?

Mr. CONCANNON. It's ironically, and it's a paradox that they coexist and they're variations on the very same theme. I saw reference in several pediatric journal articles that appeared just within the past two weeks pointing out the studies that showed very young preschool children putting on extra weight and that listed the risk factors—poverty. That's the 800 pound gorilla, to use a bad maybe pun in this respect, but that's one of the variables. Single parenthood, chaotic households, difficulty in people having meals together. These are all factors in very poor households.

And some of the citations that have been mentioned by other members of the subcommittee here today, Congress people, on the

existence of whether it's school teachers running into children who are hungry or the USDA's own studies or studies done by several of these national organizations this past year, they coexist, ironically. And so I think they're both major challenges for us. And hunger exists, unfortunately, in this country, and we certainly have the capacity to produce the food. It's a matter of getting it aligned to the right people and getting healthy food to people.

Mr. KINGSTON. We have a definition of obesity though, right?

Mr. CONCANNON. Yes.

Mr. KINGSTON. Do we have a definition of hungry, of hunger?

Mr. CONCANNON. Yes we do. And the definitions relate on the USDA side to food insecurity and severe food insecurity. And we published a study back in November of this year, this year past, showed that some 17 million people over the course of the year experienced food insecurity, and a small number but a significant number, about a million children, actually experienced the severe form, meaning hunger.

Mr. KINGSTON. And what would be the number of obese? It's 14 million hungry. How many obese?

Mr. CONCANNON. Not within that—I can't relate which of the people who are obese were hungry, but we actually have statistics that break out by age cohorts the statistics for obesity by age groups. And it relates to where they fit in the BMI and which percentage they are.

Mr. KINGSTON. Do you know what city has the most healthy people in the country? Has anybody—has anybody ever looked at that?

Mr. CONCANNON. I've seen—not so much on cities, but I have seen data in the past on States based on, and I know States like Colorado and Oregon, for example, on balance have lower rates of obesity than the general populations. But I don't have that right in front of me.

Mr. KINGSTON. You know, there's some things about obesity. There's so many different reasons. Technology has made it, you know, we don't have to do the physical labor. Technology has also brought down the cost of food production, therefore giving us a great abundance of food at a lower price. There's no incentive on insurance to have your optimal body weight because you're not penalized if you're overweight on insurance. So there's so many different things to it, but Portland, I think 14 percent of the people actually commute by bicycle. And I think, Mr. Farr, Evans, California I guess, University of California-Evans is a very high—

Mr. FARR. Evans?

Mr. KINGSTON. Yes. I don't who—

Mr. BROWNELL. Davis.

Mr. KINGSTON. Davis. Excuse me. I don't know why—is Davis in Evans or why am I flipping that?

Mr. FARR. Well, Davis is flat and has nothing but bicycles.

Mr. KINGSTON. Actually, Davis has even higher percentage than Portland. And I'm wondering if you have any statistics on those, particularly those two communities in terms of healthy lifestyles.

Mr. CONCANNON. I actually lived in the city of Portland for eight years, so I'm familiar with the variety, and it goes back to I think the comment Dr. Brownell made. Some of the challenges faced in terms of obesity reflect sort of a culture. It's both the lack of activ-

ity, the more foods, larger portions, more processed foods. There are a variety of factors that converge, but I'm very familiar with Portland, having lived there in this sense. It both is a community that has bicycle trails, that has an excellent public transportation system, that has—their public school systems currently don't allow, for example, competitive foods. So there are the convergence of a number of policies that actually I think result in the kind of—

Mr. KINGSTON. How has that worked in their school policy? Are you able to trace that empirically?

Mr. CONCANNON. You know, I can't speak to that directly. Now I'm aware of it, but I don't know what studies have been done, and I'm not sure. That policy was implemented after I moved from Portland in terms of the schools. But I know there is a culture there of, you know, walking, biking, making better use of the land use, access to the outdoors. The whole Oregon coast is substantially accessible to the public because of policies that were enacted way back in the 1970s, so it's a number of things together I think.

Mr. FARR. It's engineering by building bike trails.

Mr. CONCANNON. Yes.

Mr. FARR. And that's the idea, you've got to build them.

Mr. KINGSTON. Yeah. It would appear to me that as we look at nutrition—healthiness—obesity that we should look at those type communities in terms of what is being done right and what can be duplicated, and, you know, where the balance is.

Mr. CONCANNON. I agree with you, Congressman. The President in early January issued an executive order across the Federal Government, not just to USDA but to other agencies, HUD, HHS, to devise a plan for attacking and reducing obesity across Federal agencies in terms of what are the unintended if not intended consequences at times of Federal policy. And I know that more recently when I visited schools up in Summerville, Massachusetts, excluding children with special needs, the city of Summerville has a policy of kids walking to school. Now you have to have safe venues. You have to have sidewalks that are shoveled. You have to have—it has to be safe for children, but that to me was an example of city policy that extends beyond the school. Now they also happen to be a school system that promotes farm to school purchases and incorporates into the school curriculum the use of food in the math programs, food in the gym program, food in the music programs even, and activity. So it really isn't isolated to one hour or to the cafeteria. It's really—it's back to this concept of culture. And places like that are, you know, they have a number of very poor children in that community as well, but are to me doing great things for these children. But it extend beyond. All of it isn't just related to how much does this cost. It's a policy, or sets of policies.

Ms. CHILTON. Can I add a couple of things, Mr. Kingston?

Mr. KINGSTON. Yes. And I did want to just say, one of the things that's interesting is that so many of those activities are free activities, and I know that in Davis and in Portland they were initiated locally rather than top down. Yes.

Ms. CHILTON. Thank you very much. I just wanted to return to the definition of hunger. The definition of food insecurity is lack of access to enough food for an active and healthy life due to economic circumstances. In other words, food hardship. It's not only about

enough food, but it's also about enough food for an active and healthy life. So it has a health component in it. So it's very difficult to distinguish between those families that are obese and those families that are hungry. You cannot see hungry in the body visually, and even by weight or height. You can see it in the very undernourished children that we treat at the Grow Clinic in Philadelphia. We have served over 400 families that have children with failure to thrive. It still exists here in the United States, and we're dealing with that all across the country. But you see hunger in poor attention, poor development, and increased hospitalization rates. You do not see hunger necessarily in body size. And most families that are food insecure will overcompensate with the cheaper foods that are high in saturated fat and in sodium, which are both contributors to obesity. And so you cannot—you can't separate the two things, oh, these are the obese kids. Let's deal with obesity, or these are the hungry kids, let's deal with the hungry kids. You work on both at the same time, you'll solve problems.

Mr. KINGSTON. I know I'm way over my time. I really appreciate that answer. I think it's very important for us to look at these things as empirically as possible and as objectively as possible so that we can figure out, okay, what really does work and what doesn't. And as you know, often behind children there are a lot of poverty brokers who stand to gain a lot of money by expansion of Federal programs. And so, you know, one of the things that I think we should always go back to, well, what is the definition of this and who falls into these categories and who doesn't and are we just—you know, are we doing this effectively? That's what, you know, my interest is. But I think it's a great answer, and I appreciate it.

COMMODITIES

Chairwoman DELAURO. I have a question. Mr. Hinchey gets back here. This is about commodities, Mr. Secretary.

Mr. CONCANNON. Yes.

Chairwoman DELAURO. And I'm going to try to move quickly, and I want to ask several of you to look at something.

What types of commodities? How much are you recommending for the school breakfast program? How will the Department procure the additional commodities? Through which program?

Mr. CONCANNON. Thank you very much, Madam Chair.

First of all, let me say that the commodity programs of USDA have gotten healthier. And I think that's contrary at times to public perception, that when I have seen the commodities out in warehouses—I was in San Francisco not too long ago, and saw commodities in that warehouse run by the San Francisco Food Bank.

But the reason I mention that they're healthier, is we in the USDA procurement specs require from these producers that there be less sodium. And we've heard from producers, for example, they say, "You know, you have to let us know when you're going to purchase this, because we can't sell these cans of string beans or peas with that reduced salt amount, because that's a lot less than our commercial house brands or brands that they're selling to people."

Chairwoman DELAURO. Yes.

Mr. CONCANNON. Same way with several of the chefs that I met with earlier this week are using USDA commodities bone-in chickens, for example. And I saw it when I was down out in rural Georgia as well, a school that is making use of those USDA commodities for healthy foods.

So I say that as a parenthetical and aside, that the commodities are getting healthier.

Now we're proposing that commodities be available to the school breakfast program. They haven't been up to this point in time.

Chairwoman DELAURO. Right.

Mr. CONCANNON. And they're an important part for schools to be able, when they use commodities. And by the way, the choices to schools are they decide which commodities they want to purchase. We don't say "You must buy this," or "You must buy that."

Chairwoman DELAURO. I understand.

Mr. CONCANNON. And it's from a list of, I believe the total number is about 180.

Chairwoman DELAURO. Right.

Mr. CONCANNON. So getting healthier, the procurement for commodities is typically done by another part of USDA. We work with them. But it's done over in the Ag Marketing Service area. We don't buy it—

Chairwoman DELAURO. But, you know, it's about 20 percent of the food served in school lunch program comes through commodities support.

Mr. CONCANNON. Yes.

Chairwoman DELAURO. And I understand your commentary on it's becoming more healthy.

But when you look at the food being provided, heavily weighted to meat and to cheese, this is usually my colleague, Sam Farr's line of questioning. I want to ask, obviously you, Dr. Brownell, Dr. Chilton, Scott, Zoe: This is the list. We got the whole list. I want people in the area of science and practicality to review the list, and let us know what works and what doesn't work.

Because they are buying; but if we're giving them—you know, they're looking for bang for the buck, they're looking for, you know, something—you've got to—I can't even read the print on this one, Sam. I like your list better. It's big, I can read it.

We need objective folks reviewing these lists, and then making, so that we can make appropriate recommendations about what happens. It's just not every commodity that we have a surplus of, or that, you know, we have there. So that we are in fact saying "We're going to serve a nutritious meal, and we're doing it, and we're subsidizing it." And it may potentially not be based in their selection on what really can work in a healthy and nutritious way.

So I'm going to get it out to everyone and I really do want to hear back from people, so that we can get that information to our—

And I'm going to make this point as well—

Mr. CONCANNON. Would you yield for a point?

Chairwoman DELAURO. I'd be happy to yield for a point.

Mr. CONCANNON. Just for your point. We spent \$786,000 on apples last year, and \$148 million on mozzarella cheese.

Chairwoman DELAURO. That's Sam's favorite is the mozzarella cheese——

Mr. CONCANNON. That's the biggest——

Chairwoman DELAURO. I understand. That's why I think that this is where we need to have some very good sound advice as to what we can say. Now that may put some folks, you know, it may not be to the liking of a lot of folks. But I think we have again, I'm going back to moral responsibilities. And if we want to do this and we want to, then we have got to provide the sheet from which they are selecting nutritious foods. So.

Let me ask this question, Mr. Secretary. This is about local food purchases.

My colleague, the Chairman of the Appropriations Committee, Mr. Obey, had this experience. A reporter in his district tried to unravel the food chain for commodity purchases of processed beef the School Lunch Program. They wanted to find out if the Federal Government was feeding the children in their community processed beef, meaning beef trim sanitized with ammonia. He talked to the school, who said to talk to the State. State said to talk to the companies. The companies said talk to USDA. USDA said talk to the companies. In essence, nobody wanted to answer the question.

AMS, which purchases the beef products, says that AMS does not require any special labeling when this processed beef is used in the AMS-purchased ground beef.

It appears that no one but the supplier knows what is in the processed beef. Not AMS, not the state, the local school, the parents, or the children, who are eating the beef.

AMS pointed out that the schools are not required to order AMS-purchased commodity beef. They can instead use a cash reimbursement they receive from USDA to purchase the beef product.

A flaw in the logic here. Suppliers use processed beef and provide the beef in bulk to the Federal Government. Schools cannot afford not to buy the AMS-purchased beef. They'll pay a much higher price for the beef if they buy it on their own.

I realize that you do have initiatives that will help farmers to supply directly to the local school system, and which we applaud. But how will any of these initiatives solve the price disparity issue on ground beef for these local schools? How do we deal with that issue?

Mr. CONCANNON. I'm certainly not an expert on price disparity issues.

Chairwoman DELAURO. Mm-hmm.

Mr. CONCANNON. I do know this, that AMS has considerably strengthened the role in the oversight there. And they've made substantive changes to improve the safety of meat. They're doing more frequent microbiological testing of purchased ground beef for the USDA programs. They're increasing and adding rejection criteria for beef supplied to manufacturers of USDA-supplied ground beef.

They're reviewing the food safety record of vendors of commercial sales. We have the HACCP program, as I think the Chair of the committee is very familiar with that.

Chairwoman DELAURO. Yes.

Mr. CONCANNON. And that involves again, USDA commodities.

We're also aware of, again, the urgency and the importance of increasing the microbiological sampling frequency.

So we're adding rejection criteria for beef supplied to manufacturers of USDA-purchased ground beef. Those are all over in the AMS side. That's where the supply comes in. But I know that is being strengthened across the—

But I asked recently, by the way, at a supermarket here in Maryland in one of the suburbs, "Where did this beef come from?" I asked the butcher. And he said, "I have no idea. It came from the U.S." he said to me.

So—

Chairwoman DELAURO. Well, that's another issue, that's another issue, Mr. Secretary (laughing)—

Mr. CONCANNON. We have these challenges in supermarkets, even when you want to know. This was so-called organic beef. I said, "Where does it come from?"

Chairwoman DELAURO. Yeah. Well, the issue is—and I'm not putting you on the spot with the price disparity—but unless we have real control of what we're doing in these areas and what is going into this program, that our schools are not able, really, given the economics, of being able to go out and, you know, to purchase something that, you know, in essence, meets a higher standard.

So, with that, Mr. Hinchey?

Mr. HINCHEY. Thank you very much, Madam Chair. And thank you all very much. And I'm awfully sorry that because of other obligations here, I unfortunately missed a lot of the responses that you've given to the questions.

I very much appreciated the opening remarks that you made, and I paid a lot of attention to those, and I'm very grateful to you for what you said, and also for what you're doing.

I think that you've made a significantly positive difference in the operation of this organization, and the benefits of that just flow out to a great many people all across the country.

And so I thank you for that, and express my appreciation for it.

I just wanted to try to understand myself a little better maybe these questions that were responded to earlier. But they have to do with the same thing that our Chairwoman was asking.

FARM TO SCHOOL PROGRAM

With regard to the way in which children in schools are able to get some good food, breakfast and lunch: Just this past week, I was out in a part of State of New York, a place called Binghamton, which is a city along with two other cities in New York that got a great attraction, and a lot of, well, praise for the way in which they were providing good food to a lot of the students there.

And then I was so delighted to see that Ms. Obama talked about it in the context of something that she was dealing with, I think it was just yesterday.

So this is something that's very important and something that really needs to be dealt with across the country.

So one of the circumstances is where this food comes from, and how we're going to bring about good food in as many of these schools as possible, both breakfast and lunch, and maybe even

something else. I guess there are other things that sometimes pop up in some other places.

So maybe you could just talk about that again. Probably you did. Maybe just talk about that again for a few minutes. And then also about the way in which the food can originate.

One of the most significant things would be the ability to originate it locally. If you're living in a rural area and you can bring in the food from farms that are located locally, that would be something that would be very good.

I understand that there is some requirement here with regard to where you obtain the food, based upon the price. But it would seem to me that if you're getting food for a couple of cents less at some place that's far away, there has to be a cost of transportation. There has to be the cost also of the deriding of the quality of the food, perhaps, in the context of that trip.

So I'm just wondering what can be done to promote the generation of food locally in the context of these school operations and what can be done to extend them, strengthen them in places across the country?

Mr. CONCANNON. Thank you very much, Congressman.

Let me just say, in your reference to Binghamton schools, I know we had our Deputy Under Secretary up in Binghamton recently to acknowledge schools there, that are a part of Healthier U.S. Schools Challenge.

And that's been one of the initiatives that we are promoting. We've had that opportunity now for about four years. Ms. Obama has directed us, challenged us to double that number in the next year and over the next several years to add thousands more schools in that regard.

But to your question about local sourcing, I listened to a presentation by an Iowa State Ag Economist here, back some months ago, where he used the concept of food sheds in the same way we speak of water sheds—if you think of all the tributaries—and that we need to reinvigorate our systems, so that actually support that.

Now that's happening in various places across the country, not as broadly as it needs to be occurring. But it is occurring.

And at USDA we have something called a Tactical Farm Team, Congresswoman Kaptur referenced in her remarks earlier. And we know there are hundreds of schools as of right now that ask for, "Please send that Tactical Farm Team out to help us."

Now we're working with the Ag Marketing Service. That's really more their side of the house, so to speak, on procuring locally grown or regionally grown foods. And we are encouraging that, because that starts right at the top of the agency with the Secretary and the Deputy Secretary.

We concur and agree with you that it makes a lot more sense to have locally grown foods. One, they're fresher. Some of the members here have spoken to the benefits of school children coming to better understand where food comes from. I think that has, you know, wonderful effects in and of itself. But it also helps the local economy. It doesn't make much sense, with all due to respect, to some of the States that grow a lot of food, to have it shipped across the country, that would much rather have those that can be grown in different climates closer to home.

We have in initiative that way. We are promoting that. We're working with the Ag Marketing Service in that regard.

And we're also working on food safety issues related to that too, because we want to make sure that locally grown produce, for example, is safely handled, it's part of the issue of making sure that above all else we do no harm.

And we want to make sure that—as I said, our reference, I was in Summerville, Massachusetts six or seven weeks ago. And Summerville over a period of years has married up with other regional school systems in Massachusetts to jointly purchase from regional farms within that State. And they are building up the capacity of those regional farms to supply the goods that they need.

And we need to have this happen right across the country. We highly favor it.

Mr. HINCHEY. I'm very glad to hear that. And I thank you very much, and I hope that you're successful in moving it in that direction, who are predominantly in every place of the country.

Mr. CONCANNON. Thank you.

CHILDHOOD OBESITY

Mr. HINCHEY. This operation is very critically important to the future of all of these children who are in elementary school, particularly, and in secondary school afterwards.

One of the major problems that we have with young people in this country now is obesity. And that situation is having a major impact on them, on their ability to live longer, to be stronger, to be more effective. And it also has some effect on their intellectual ability, as well.

Mr. CONCANNON. Right.

Mr. HINCHEY. So if we can provide breakfast and lunch for kids who are not going to get it in their own homes or their own set of circumstances, but then make themselves get this fat-producing food quickly—later, that would be a big improvement.

It would be a big improvement on the future of this country, future generations.

Mr. CONCANNON. Mm-hmm.

Mr. HINCHEY. And I deeply appreciate what you're doing in this regard, and I hope you begin to be successful. And I'm sure that we will be very happy to do whatever we can to work with you on this to make sure that it is done confidently and very effectively.

Mr. CONCANNON. Thank you.

Chairwoman DELAURO. Thank you, Mr. Hinchey. Oh, I know that we're going to have some votes again. And you may not be able to, but I in good conscious can keep people here, it could be another 45 minutes or an hour in terms of votes.

So what I'm going to ask us all is, you know, three minutes. Ask your question. Let's get an answer, and let's just move, so that we get in as many questions as we can.

I think everybody here knows all of us on both sides of the aisle, and with the panel how concerned we are about this issue, and how we want to get to some conclusions.

And with that, Mr. Farr, you're on. Three minutes.

Mr. FARR. Thank you much.

Could you report back—your program is about \$18 billion, and it's estimated you could save about a third with clean-up of administrative costs of streamlining. I mean, that's \$6 billion. That's more than you're going to get from Congress in the next six years.

So I'd really appreciate it if you could get back to the committee on what it would take to create one school nutrition program, which would contain the School Breakfast Program, the School Lunch Program, Special Milk Program, and the new Fresh Fruit and Vegetable Snack Program. And put that under one administrative, hmm.

And then I'm going to ask the Department in another category to do the community nutrition program, which would include After-School Snack Program, the Summer School Snack Program, the Child and Adult Care Program. And perhaps we'll get into all the Food Stamps and all the other, WIC, and all those other programs.

[The information follows:]

While we do have multiple nutrition assistance programs, in many cases the distinction between programs is only relevant from a Federal management and funding perspective; the programs are seamless from the families' point of view. For example, while we have multiple programs which operate in schools, a family only needs to apply once to have access to all the school nutrition programs. School districts provide the family with a single application for the entire household and collect information needed to determine whether the family is eligible for free or reduced price meals. If so, all children in that household receive these meals through the National School Lunch Program and the School Breakfast program. If the school also operates the Fresh Fruit and Vegetable Program, or an afterschool snack program in which a child participates, no further application by the family is needed.

In addition, direct certification provides a seamless link between the school meals programs and the Special Nutrition Assistance Program (SNAP). All school districts are required to conduct direct certification with SNAP, which means that the school enrollment information is matched against a list of SNAP participants. Any child who is identified as part of a household participating in SNAP is automatically placed on the free eligible roster for all of the school meals programs. So for these SNAP families, there is no separate application for the school meals programs at all. Currently, direct certification systems are identifying about 70% of the school-aged children on SNAP and putting them on the school meals roster without further application. One of our top priorities is working with States to increase this rate and allow all SNAP participating families with school-aged children to benefit from this seamless approach. I am very pleased that the fiscal year 2010 appropriation provided USDA with \$25 million to work with States to improve their direct certification systems.

Creating a single community nutrition program would be a more substantial challenge, requiring a major overhaul of sections 13 and 17 of the National School Lunch Act, which respectively authorize the Summer Food Service Program (SFSF) and the Child and Adult Care Food Program (CACFP). Currently, these programs are targeted to different populations of children, and in CACFP, certain elderly or functionally impaired adults, at different times of year, and are administered by different types of public and private organizations.

Despite the difficulty of merging these distinct programs into one community-based nutrition program, we do believe that it is important to provide better access to after-school meals to children who are often in care until the early evening. To that end, one idea we think warrants attention is the expansion of existing authority of the CACFP to provide after-school meals to at-risk children in all 50 States. This successful program currently operates in 14 States, but its benefits should be available to an additional 140,000 children in the remaining States.

Finally, I do want to note that many aspects of our Child and Adult Care Food program (CACFP) and summer feeding programs are designed to make the programs readily accessible to families. For example, family day care providers in low income areas are automatically qualified to receive the highest reimbursement rates for meals served, thus eliminating the need for applications from individual families. In those child care situations where an application is needed, we allow and encourage schools to share eligibility information with child care providers to eliminate the need for a separate application. Our summer feeding programs are also based on area eligibility in most cases, thus eliminating the need for separate applications for families participating in these programs.

There are undoubtedly further improvements we can make to allow our programs to operate more seamlessly, both for families and the local entities which operate the programs, including improving the effectiveness of direct certification. We look forward to working with Congress through the reauthorization process to achieve this goal.

SCHOOL BREAKFAST PROGRAM

But I do want to know, following up on the Chairwoman's question about you in your testimony, you want to increase the school breakfast reimbursement and provide for community support by supporting with USDA-purchased goods. What are the things you want to add to that, provided through community support? What specifically do you want to buy in the commodity program?

Mr. CONCANNON. Well, right now the School Breakfast Program does not have access to the commodity program. So we would make them, we would give them access to the commodity program and allow them—

Mr. FARR. And that's the program that we have listed here?

Mr. CONCANNON. Correct.

Mr. FARR. Could you name some things on there that you'd like to see put in the School Breakfast Program?

Mr. CONCANNON. Sure.

Mr. FARR. Because the only thing I see on here is pancakes.

Mr. KINGSTON. Soft drinks.

Mr. CONCANNON. No, not soft drinks.

Mr. FARR. No, there isn't any.

Mr. KINGSTON. Skim milk and 100 percent juice.

Mr. CONCANNON. If the Congress gives us authority to expand the commodity program to include breakfast that we can add commodities, that would be—

Mr. FARR. That's the question, what commodities are you going to add?

Mr. CONCANNON. Well, I would assume we'd add eggs, among other—

Mr. FARR. They're not on the list.

Mr. CONCANNON. No, they're not on there right now, but that's what we're saying, we would add them.

Chairwoman DELAURO. Do you need Congressional authority to expand that list?

Mr. CONCANNON. I think we'd need approval for it, would we not?

Chairwoman DELAURO. No, no, but to approve it for breakfast.

Mr. FARR. Are they in the Commodity—I don't think they are in the Commodity Purchase Program.

DOD FRESH PROGRAM

Let me ask you another question. Marcy Kaptur and I, well, maybe we'll share this question. The Department of Defense used to do the DOD Fresh Program. We were able to leverage DOD's expertise in buying it. DOD now has outsourced its procurement. On top of that there are large fees to schools to access the new ordering system. Schools tell me that to qualify for the program, it's no longer a level playing field with the DOD; but that that big purchase does save something.

And the question is, what is the Department doing to ameliorate the discrepancy on food costs, no longer using the DOD procurement program?

Mr. CONCANNON. I think we'd have to get back to you with that answer.

Chairwoman DELAURO. Was there an answer?

Mr. CONCANNON. Yes. I said we'd have to get back to you with that.

[The information follows:]

The Department has successfully partnered with DoD to operate the DoD Fresh Program since 1995. The program does indeed leverage DoD's procurement abilities to greatly increase the amount of fresh produce made available to schools. In the last few years, DoD has transitioned from its own Produce Buying Offices to a system of prime vendor contracts. However, there are no additional fees to schools associated with this operational change in the DoD Fresh program. Schools continue to receive quality fresh products at a competitive price. The DoD Fresh Program is especially important for schools in remote areas served by few commercial vendors. The Department believes the program continues to play a critical function in providing and increasing fresh produce offerings to our Nation's schools. DoD Fresh is offered as an option. Schools should and do compare prices to commercially available products for every commodity made available by USDA. In some instances, schools can get better pricing through their existing distribution chains.

Chairwoman DELAURO. Okay.

Mr. Kingston. Three minutes, Jack, because we're trying to answer any questions before we go.

Mr. KINGSTON. Okay. Mr. Under Secretary, let me get back to PayGo, because I do think, you got a billion dollar proposal here.

Mr. CONCANNON. Mm-hmm.

REAUTHORIZATION OFFSETS

Mr. KINGSTON. I would like you to follow up for the record on the breakdown of that in terms of, you know, which costs reflect increased reimbursement rates for school, increased reimbursement rates for breakfast, and added commodities for bonus payments, added enrollments to the programs, kitchen equipment and after school care. I'd like to know the break down of that, but more importantly, Pay-Go is now law, and I'm going to do everything I can, whether it's a Democrat or Republican proposal to make sure we don't waive it in the name of some phony emergency.

One of the things that I, as a member of the Defense Committee, I'm glad that we have done the last year or two under Mr. Murtha's leadership is the war is not an emergency. We know we are at war. It's not like suddenly something happened out of the blue, but we should not be waiving Pay Go and so we need real offsets, very specific offsets, and I would like to know what those are.

And I think once we establish that then we can kind of nibble around the edges; and, I don't mean nibble to the degree that we can have some honest discussion in terms of where the dollar should be effectively allocated to get to where we want to be, and I regret there has not been time to ask everybody questions here. We've got a good brain trust here, but there are so many things to continue talking about, so I'll yield. Thanks.

Chairwoman DELAURO. Ms. Kaptur.

Ms. KAPTUR. Thank you, Madam Chair.

STREAMLINE PROCUREMENT PROCESS

In the 2010 Appropriation Bill the Committee directed USDA to provide a report outlining needs to streamline the procurement process for good to allow schools to buy food locally. That has not been provided as yet, so I please request it, and also state I would appreciate for the district I represent, since it has been impossible

to obtain this data, consolidated accounts explaining how the funds flow from the Federal Government to the State of Ohio to the Ohio's 9th Congressional District.

That's four counties for the Federal School Nutrition Programs, and what was procured. How much was spent and what was procured? If you can find those, you will be the first person in America that has ever been able to do that and you can't go forward unless you know where you are, and so that is essential.

PURCHASE LOCALLY GROWN COMMODITIES

Number two, I would suggest for the local grown, local farm to school effort, one of our problems in the region I represent is processing. Farmer's don't like to process the food. I would encourage you to look at regions like mine where we have large numbers of people who have physical challenges, who in past years when they would get auto contracts as a not for profit organization would do these contracts for local employers. Food could be the new substitute for the contracts that have been lost in the automotive industry where a disabled community could clean the food.

We have kitchens where this can be done, but that would mean USDA would have to partner with organizations it is unfamiliar with in the urban environment. I would seriously place that before you. It can't be the only place in America where this is possible to achieve to help our local growers meet the market of the school or whatever.

[The information follows:]

The report to Congress you have requested is currently in the final stages of clearance and will be provided to the Subcommittee soon. In response to your question regarding funding under the FNS Child Nutrition Programs, the programs are operated through State agencies and therefore all funding including cash and commodity entitlements, flow through the State agencies to the appropriate entity, i.e., school food authority. For example, for the school meals programs, FNS provides a per meal cash and commodity rate per meal claimed on a monthly basis by the State. The State is responsible for providing funding and commodity support to the school district, and we do not require State agencies to report detailed data on how funds are distributed and subsequently utilized by school district. Detailed information on funding at the school district level should be available from the State.

WIC PROGRAM

Thirdly, WIC: my question is do you have incentives within the WIC program to purchase locally.

Mr. CONCANNON. On the WIC Program I believe people buy directly through supermarkets and stores. We don't buy it wholesale, for example, or the State agencies don't buy it wholesale.

Ms. KAPTUR. Well, there's a WIC farmers market coupon program that I wish were mandatory, but there's the regular WIC program. And, again, as we try to connect the growers and producers to the consumers, here is this massive program where we've added fruits and vegetables. I would just like to suggest that you take a serious look at that and review that program. Thank you, Madam Chair.

SCHOOL WELLNESS PROGRAM

Chairwoman DELAURO. Thank you. Let me ask about, Dr. Brownell, wellness programs. Are you still recommending that

school wellness programs be mandated in the upcoming reauthorization? You talked about that.

Mr. BROWNELL. Yes, colleagues of mine at the Rudd Center have developed a way to score school wellness policies on the quality and variety of areas, and they found that the schools that have better wellness policies tend to do better regarding wellness. So there seems to be some benefit of having these policies in place, but having something where better policies are required and then practices coming from the policies would be mandated would be helpful.

Chairwoman DELAURO. And, again, very quickly, if you have measurement tools of that where we can do that, if you can get those to us so that we can deal with that effort in terms of making recommendations on to the Authorizing Committee, just very, very quickly, in terms of the Authorizing Committee, Mr. Secretary, are you making recommendations on the utilization of wellness programs?

Mr. CONCANNON. Yes, part of our recommendation is to strengthen them, and so yes.

NUTRITION EDUCATION

Chairwoman DELAURO. Okay. Is FNS, Mr. Secretary, going to be more assertive in telling children what is not good for them and what foods we should be limiting the intake of? I, for one, don't have a clue why we are subsidizing non-nutritious food in our schools. I'm going to tell flat-out where I'm going: No; end of, you know, that's what I want to accomplish. So are we going to be talking about describing what they shouldn't do?

Mr. CONCANNON. Yes, but we have proposed—

Chairwoman DELAURO. Are we going to do that with framing messages for kids in schools? We frame messages about what's healthy. Are we going to frame messages about what is not healthy?

Mr. CONCANNON. Yes, we are. And I might say we are following up on a Directive we received from Congress in the Omnibus budget Bill that directed the USDA, the Federal Trade Commission. I believe the FDA is included in that as well, to present a report to Congress by the 15th of July of this year on marketing foods to children between the ages of 2 and 17. And we're going to be entering something in the Federal Register later this month, and we will have that report to Congress by the middle of July. And the purpose of that is again to provide more transparency, better communication to Americans about what's good for you and what isn't so good for you.

Chairwoman DELAURO. Okay. Mr. Faber, is GMA going to support school districts' efforts to restrict the sale of foods of minimal nutritional value that compete with meals sold in the school meal programs?

Mr. FABER. Yes, ma'am. We, as I testified earlier, support giving USDA clear authority to set standards to what can be sold or served to students in the school environment, including competitive foods, and we would permit a process by which local school districts and schools could set higher standards for what can be sold through the competitive foods program.

Chairwoman DELAURO. Okay. Great. Mr. Kingston.

SCHOOL WELLNESS PROGRAM

Mr. KINGSTON. I wanted to ask Mr. Concannon a question following up what Rosa just asked you about the wellness programs in schools. Isn't that more U.S. Department of Education than USDA?

Mr. CONCANNON. It is, but with something we've worked with them on, because they have a program that is targeted towards increasing, for example, academic performance in schools. And we have a focus on, again, the health in U.S. schools, and we have been dialoging with them to say let's make it easier for schools, and let's recognize there's a connection between the two as well.

Mr. KINGSTON. But physical education is——

Mr. CONCANNON. Is not ours.

Mr. KINGSTON. Yes. And that's one of the big problems.

Mr. CONCANNON. Agreed.

Mr. KINGSTON. And in terms of a partnership you are a minority shareholder, I would suspect, maybe even a 10 or 15 percent shareholder.

Mr. CONCANNON. Possibly, but in our healthcare at U.S. schools, and again I think of the visit I made out to Brooke County in your state, a school that not only had outstanding nutrition, but had all kinds of little reinforcers for all of the children in those elementary schools about how many thousand steps they take each day and pictures of the high school football coach full blow in the elementary school gym where he is urging, "Make sure that you get out during exercise and run around," and so on. All kinds of reinforcers, back to that comment about culture, it's not limited to just the phys-ed program. It's again part of the culture, and we work with the U.S. Department of Education to develop those standards.

Mr. KINGSTON. Thanks.

FOOD INSECURITY

Chairwoman DELAURO. Just very quickly, and if you have this, Dr. Chilton, it would be great to have an estimate of the costs that are incurred by families with regard to your Health Watch initiative, the increase of folks where there are kids with food insecurity, hospitalization, 90 percent more likely to be reported in fair or poor health than living in more secure homes.

Do you have an estimate of the costs that are incurred by the families and the country as a result of the increased hospitalization and the poor health of food insecure children, and what kinds of illnesses result in hospitalizations among the population?

Ms. CHILTON. We do have an analysis of the cost incurred by increased food insecurity, and that's by my colleague, Dr. John Cook.

Chairwoman DELAURO. Okay.

Ms. CHILTON. And I can supply that to you from my colleagues at Children's Health Watch. The increase in risk of illness due to food insecurity are mostly associated with more infections, more severe infections, because of the poor nutrient intake of the children that we're seeing. We also see an increase in respiratory problems with the children and just more complaints of overall poor health

by the parents on behalf of their children. So it's mostly by more infections and more severe infections.

KITCHEN EQUIPMENT IN SCHOOLS

Chairwoman DELAURO. Okay. Thank you. This is about school kitchen equipment. Why is improving school kitchen equipment and providing training for school food services workers important parts of improving the nutritional quality of meals served in the school meal program?

Mr. CONCANNON. It's extremely important. In the stimulus bill passed earlier this year.

Chairwoman DELAURO. Right.

Mr. CONCANNON. USDA was awarded a hundred million dollars to put out to schools. There are two principal reasons. I know one of the Chairwoman's concerns about food safety appropriately so. There are two principal reasons why we run into food safety issues in schools. One is personal hygiene, neural virus, people not washing their hands; but, the other is the temperature of food, either too cold or too warm. And many schools, when I was in New York this week, reminded that some of the existing schools in the city of New York were built 140 years ago and they may not have adequate, modern equipment.

If you're going to have healthier foods, more fruits, more vegetables, you're going to have to have the equipment to make sure that you can properly store it, properly refrigerate it, and make sure that that food is healthy when it gets to the serving table.

Chairwoman DELAURO. Are you all prioritizing the funding to schools that make a commitment to serving and preparing non-processed foods?

Mr. CONCANNON. Not at the moment.

Chairwoman DELAURO. Do you provide any guidance or suggestions to schools on their purchases? Will you be looking at that kind of guidance in terms of, I know you met with Chef Cipriano, and I met with him as well, doing good stuff in the New Haven school system. Are you going to provide any guidance in that area?

Mr. CONCANNON. Well, we're encouraging more fruits and vegetables, so that clearly, that's one of the central parts of the recommendations for the IOM. And many schools are going to need the capacity to be able to properly store and serve those.

Chairwoman DELAURO. Should we prioritize funding to schools that certify they will upgrade their kitchen so they can prepare fresh fruits and vegetables?

Mr. CONCANNON. I think we should provide incentives to the schools that are meeting the increased expectations of the IOM recommendations, but I'm also mindful of another chef I met with this week, who was the principal chef at Yale who's now in a consulting business.

Chairwoman DELAURO. Right. I met with him too, yeah. Yeah.

Mr. CONCANNON. And he has said to me he's now working out in West Virginia. He said, you know, I think it's important to recognize this tremendous variability in American schools and you start with what schools have. You go out and make an assessment, and then you say this is what we can build on here. So I'd be leery

of setting a standard that would be unfair to schools that don't have the resource or the capacity.

FOOD POLICY ASSESSMENT

Chairwoman DELAURO. That don't have the wherewithal, yeah. I understand. I understand. Just quickly, Dr. Brownell, you've got a study that you all were working on a study with Robert Wood Johnson about a tool kit to assess food policies and nutrition environment of childcare in pre-school settings. Is that report out yet?

Mr. BROWNELL. No. Not yet.

Chairwoman DELAURO. When will it be out?

Mr. BROWNELL. I'll have to check with my colleagues, but we're making good progress on it.

Chairwoman DELAURO. Okay. And that gets to the various, you know, child care, other kinds of settings in dealing with that effort. You have a very poignant story about the shelter and that young boy. I thank you. Okay.

Let me just see. I have a question, and it opens up a lot of things, but we can come back on this because I think it's a good debate. You're talking about voluntary measures by industry, et cetera, and you've got the alliance, et cetera, and also I've met with the folks from the beverage industry, et cetera.

INDUSTRY SUPPORT

Dr. Brownell, you're talking about looking at a penny tax on sugar-sweetened beverages. Your view on the voluntary side of it, and I know this is quick. There's more to it than this and I'll do a minute on back and forth here. But it sounds to me like in reading your material, your commentary, that you don't think a voluntary methodology works. Is that right?

Mr. BROWNELL. Well, the food industry is a lot of players doing a lot of things, and some of the voluntary pledges, I think, will be better, more effective than others. What's important is to have some standard benchmarks in advance of these voluntary pledges, saying "Here's what we expect if we're going to give you the self-regulatory benefit of the doubt."

And then if industry doesn't reach those kind of benchmarks and if there's not an objective evaluation of them, then all you have is the industry's word for it that they're doing good things. Some of the self-regulatory things, like the beverage industry's recent announcement about putting calorie values on the front of packages, I fully support.

Chairwoman DELAURO. That's right.

Mr. BROWNELL. I think some of the other pledges have been empty and completely ineffective, and so we pretty much need to take them one by one. But, as a default, yielding to industry when they have so much at stake here is probably a mistake, and that's been proven in self-regulation and previous industries time and again.

Chairwoman DELAURO. That's, I mean, a mistake, but go ahead.

Mr. FABER. But I think an important point is that we have voluntarily pulled soft drinks out of elementary schools and middle school, and so on, but we are also supportive and have supported for a number of years giving USDA clear statutory authority to set

the standards for what we can sell in the school environment. So I'm not suggesting that we should voluntarily regulate what we can sell or not sell in the school environment.

It's a special environment. It's important that USDA has those authorities. On programming to children I think Dr. Brownell and I probably disagree about the success of the pledge that we've undertaken through the counsels of Better Business Bureau. As a result of that pledge, we've dramatically changed the programming that you see on children's television, so that the vast majority of messages are now for healthy products that meet nutrition standards that are consistent with the DGAs, the *Dietary Guidelines* and that are approved by the BBB. So we made real progress there, not only in what people are seeing, but also in driving reformulation of many of the products so that those things can continue to be advertised.

So I think we probably disagree about whether that's been successful or not. Our sense is that delivering those messages around healthy products and healthy lifestyles are ultimately going to help address this issue if those efforts are undertaken with a lot of other government and private interventions.

Mr. BROWNELL. Now, the schools, the reducing the shipment of sugared beverages to schools is important only to the degree to which it reduces sugar beverage consumption in children overall. And if industry simply deploys its marketing to other venues, like the Internet, point of purchase sales, et cetera, then doing anything you want in schools is really not going to help very much. And I've seen no data to suggest that American children are drinking fewer calories and beverages than they were before. And the tobacco industry is a perfect example of this.

They cut-back marketing on television voluntarily. People thought it was a great public health victory, and it wasn't. They used other methods to recruit children to smoke, and so it's easy to get sucker-punched here by an industry that says it's going to help us when it's really not. Now, regarding the marketing that you just talked about, an objective evaluation was just done of marketing the children by a group called "Children Now," and a well-known researcher to study this, and found that there's virtually no change in what's being marketed to children on television. And the industry has set itself such lack standards and is so narrowly defined "children's media," that they can meet their own pledges, but it's not very meaningful.

Mr. FABER. Can I just briefly.

Chairwoman DELAURO. Sure. Give a comment, then I'm going to make a comment then wrap it up here.

Mr. FABER. That research was based upon advertisements at a time before industry launched the initiative to children's food beverage and advertising initiative, and there have been really significant changes. I'm happy to provide the Neilson data that verifies that children are seeing very different programming today and advertising on children's programming today than they were seeing five or ten years ago.

Chairwoman DELAURO. I'm just going to make one comment, and this is to be continued. I mean, again, I think we need to have these kinds of conversations. But I'll just give you the whole smart

choices fiasco—fiasco—and the television advertising in addition to labeling some of these projects as smart choices, ones I found offensive. And then I am bombarded on the TV with three children: one dressed as a doctor, one a nurse, and one a patient. And the nurse brings in this little child who's the patient, and we explain why the product is so healthy when the sugar content is well over the top.

But I will also point out to you as when I looked into this it just said here, and I'll get that, and this has to do with the FDA, not the USDA. It says they coordinated with FDA's healthy regulations, the levels set for trans fat is consistent with FDA policies where no governmental levels are set regarding adding sugars.

Important to note that FDA does not restrict added sugar levels in any of its applicable nutrition-related regulations. So, we got a gaping hole here of which we're going through big time in terms of its result in nutrition. Again, I want to continue this. Obviously, I have strong opinions. You do and others here, but we need to sort this out.

Mr. FABER. Absolutely.

CLOSING REMARKS

Chairwoman DELAURO. Thank you. Oh, my God. I'm out of time here. I'm getting to vote. You all, I can't thank you enough.

Someone said earlier, I think this is not the Authorizing Committee. We are not the Authorizing Committee, but it is my intent to provide the Authorizing Committee with a blueprint of what we think ought to happen. You have, you know. We will have done a lot to help us inform that today and we will continue to be in touch as to how you can help us to inform that process before we reauthorize these programs in the next several months, and it's supposed to come by the end of September.

I didn't know Mr. Miller was already marking up, but I'll check in with Mr. Miller. Thank you all very, very much. I'm going to dash. I can't say a formal thank you to you.

QUESTIONS SUBMITTED BY CONGRESSMAN KINGSTON

SCHOOL LUNCH

Mr. Kingston. Background on Nutritional Requirements: Meals served through the National School Lunch Program must adhere to the Dietary Guidelines for Americans, which include limits on total fat and saturated fat. Additionally, school meals must meet one-third the recommended daily allowance for calories and for nutrients such as protein, calcium, iron and vitamins A and C. Compliance with the standards is determined by averaging the nutritional content of the school lunches offered over a school week. Schools have had difficulty meeting some of these requirements in past years, particularly with respect to sodium and] saturated] fat content.

To what extent are nutritional content requirements met by schools? What types of enforcement mechanisms have state and federal officials used to ensure schools adhere to nutritional requirements?

Response. The third School Nutrition Dietary Assessment Study (SNDA-III), which collected national data during school year 2004 - 2005, found that changes in the quality of school meals during the last decade were limited. There was some improvement including a significant increase in the percentage of schools meeting standards for saturated fat (from 15 to 30 percent) however, further progress is needed. Most schools (over 70 percent) served meals that met standards for many nutrients that contribute to healthy diets, including protein, iron, calcium, and vitamins A and C. Participants of the School Lunch Program consumed more of 6 key nutrients at lunch than nonparticipants. However, few schools (6 to 7 percent) met all nutrition standards, primarily due to not meeting standards for fat, saturated fat and calories. While most schools offered students the opportunity to select a balanced meal, few students made the healthful choice. In about 90 percent of all schools nationwide, a motivated student had opportunities to select low-fat lunch options, but in only about 20 percent of all schools did the average lunch actually selected by students meet the standards for fat.

To ensure schools adhere to nutritional requirements, State administering agencies provide school food service directors with training and technical assistance on an on-going basis. States also conduct administrative reviews to determine whether meals served meet nutritional requirements. Should a State find a school out of compliance with the nutritional requirements, States require corrective action, provide technical assistance to assist schools achieve any needed corrective action and in egregious situations, take fiscal action to recover improperly paid funds.

Mr. Kingston. To what extent have states and/or school districts taken the initiative to adhere to higher nutritional standards than the federal minimums? Have these efforts been evaluated? What are the cost implications of such initiatives?

Response. Schools have been required to have local wellness policies in place since the start of the 2006-2007 school year. We are aware that schools and States have taken the initiative to establish nutritional standards exceeding the federal minimums for foods available on each school campus.

USDA has not evaluated these efforts. The 2004 Reauthorization Act, which established the wellness policy requirement, did not provide the Department with authority to issue regulations governing wellness policies, nor the authority to evaluate policies or enforce their implementation. For this reason, we are unable to address the cost implications of local wellness policy initiatives.

However, I should mention that, using Team Nutrition Training Grant funds, USDA awarded Local Wellness Demonstration Project grants to three States in September 2006: California, Iowa and Pennsylvania. These States are conducting case studies to examine selected districts' wellness policies; document the processes used to develop and implement the policies; examine school efforts and resources to implement the policies; identify perceived barriers and obstacles to implementation; and assess changes in the school environment arising from the policies. Final reports are expected April 2010, and will be made available on our Team Nutrition Web site. Based on preliminary findings, I believe the final reports will be helpful in identifying the issues in implementing local wellness policies.

Mr. Kingston. To what extent are school-aged children exposed to nutrition education aimed at combating obesity? How can these efforts be strengthened?

Response. USDA promotes healthy eating and active living to support Americans in reaching and maintaining healthy weight. USDA's Center for Nutrition Policy and Promotion (CNPP) promotes healthy weight among the general public, and the Food and Nutrition Service (FNS) promotes complementary efforts through the nutrition assistance programs. For school aged children, USDA integrates science-based nutrition and physical activity promotion within and across the programs through Team Nutrition, MyPyramid for Kids, and other resources to encourage development of healthy eating habits among young children. Specific efforts include:

- Promoting healthy school nutrition environments and local school wellness policies. The HealthierUS Schools Challenge encourages and rewards schools that have taken steps to make it easier for kids to make healthier dietary and physical activity choices. Over 600 schools have earned the award since its inception.
- A partnership with the Ad Council on a series of public service announcements (PSAs) designed to inspire parents to adopt healthier lifestyles for their families. In February, I announced PSAs featuring characters from Walt Disney's Pinocchio which encourage parents to visit MyPyramid.gov to encourage a healthy lifestyle for their children.

The First Lady's *Let's Move* initiative has an ambitious but important goal: to solve the epidemic of childhood obesity within a generation. *Let's Move* will give parents the support they need, provide healthier food in schools, help our kids to be more physically active, and make healthy, affordable food available in every part of the country. I am pleased to see school meals be an integral part of the First Lady's initiative and hope the visibility will bring much needed attention to combating childhood obesity.

Finally, I should also mention our work with our colleagues at the Food and Drug Administration and Centers for Disease Control and Prevention, under

the leadership of the Federal Trade Commission (FTC). The FY 2010 Agriculture Appropriations directed the agencies to recommend in a report to Congress by July 15, 2010, a set of nutritional standards for foods that can be the subject of marketing to kids 2 to 17 years old. The proposed standards are designed to encourage children, through advertising and marketing, to choose foods that would make a meaningful contribution of food groups to a healthful diet while minimizing the contribution of nutrients like saturated fat, trans fat, sugars, and sodium, that have a negative impact on children's health and weight. The effort is intended to shift children's marketing to foods that contain greater nutritional value per calorie.

USDA is pleased to be part of this effort to use dietary recommendations in the *Dietary Guidelines for Americans* and rules that USDA established that govern nutrient content and health claims in food labeling. The nutritional standards will be presented formally for public comment in a Federal Register notice that FTC tentatively plans to publish in March. Subsequently, we will prepare a report to Congress with its recommendations to meet the July 15, 2010, deadline.

Mr. Kingston. Background on School Wellness Policies: The Child Nutrition and WIC Reauthorization Act of 2004 required school districts that participate in the federal meal programs to establish local wellness policies by the first day of the 2006-2007 school year. This provision was added in part to promote child nutrition and address childhood obesity by encouraging localities to provide healthy school environments. These policies must include nutrition guidelines for all foods available on each school campus during the school day and goals for nutrition education and physical activity, as well as establish a plan for measuring implementation of the local wellness policy.

How effective has the requirement that districts develop wellness policies been? What assistance has the federal government provided these districts? What is known about whether schools have measured implementation of these policies? [By the way, we would entertain a request on this topic if it hasn't already been addressed by other studies we haven't been tracking this issue.]

Response. Schools have been required to have local wellness policies in place since the start of the 2006-2007 school year. When the 2004 Reauthorization Act established the wellness policy requirement, it did not provide the Department with authority to issue regulations governing wellness policies, nor the authority to evaluate policies or enforce their implementation.

USDA received \$4 million in FY 2006 for use in providing technical assistance to State agencies, local education agencies (LEAs), and school food authorities, with the funding to remain available until September 30, 2009. USDA made half of this funding available in the form of noncompetitive grants to State agencies to conduct training and technical assistance to LEAs on establishing, implementing and measuring implementation of the local wellness policies. The remainder was used to provide State agencies, LEAs, and school food authorities with technical assistance and guidance materials.

Using Team Nutrition Training Grant funds, FNS also awarded Local Wellness Demonstration Project grants to three States in September 2006: California, Iowa and Pennsylvania. These States are conducting case studies

to examine selected districts' wellness policies; document the processes used to develop and implement the policies; examine school efforts and resources to implement the policies; identify perceived barriers and obstacles to implementation; and assess changes in the school environment arising from the policies. Final reports are expected April 2010, and will be made available on our Team Nutrition website. Based on preliminary findings, I believe the final reports will be helpful in identifying the issues in implementing local wellness policies.

This reauthorization provides us with an opportunity to build on the steps taken in the 2004 to establish school wellness policies in every school by strengthening the requirement and raising the standard with the goal of having every cafeteria doubling as a classroom, and challenging schools to make meals a learning experience.

Mr. Kingston. Experts agree that physical activity is as important as or more important than nutrition in reducing obesity. To what extent have improvements in child nutrition been paired with efforts to increase physical activity among school-aged children?

Response. The Child Nutrition Programs, like other Federal nutrition assistance programs promote both nutrition and physical activity in a manner that is consistent with the most current *Dietary Guidelines for Americans*, *Physical Activity Guidelines for Americans*, and MyPyramid food guidance system. First Lady Michelle Obama's *Let's Move* initiative, designed to mobilize the combined resources of the Federal Government, State and local governments, foundations, business and nonprofit organizations to solve the challenge of childhood obesity within a generation, includes a strong focus on both healthier school food and increased opportunities for physical activity. FNS initiatives that support these goals include:

- The HealthierUS School Challenge (HUSCC) a key part of the school meals component of *Let's Move*. The Challenge recognizes schools that have taken a leadership role in helping children make nutritious food choices and be more physically active. It includes specific criteria addressing both physical education and the provision of other opportunities for physical activity. A physical education teacher must sign a school's completed HUSCC application before it is submitted.
- Team Nutrition, an FNS initiative that supports the Child Nutrition Programs through training and technical assistance for foodservice, nutrition education for children and their caregivers, and school and community support for healthy eating and physical activity. Team Nutrition materials include physical activity messages and activities that are designed for students and parents, such as fun, kid-oriented posters that show children how much physical activity they need and ways to meet this goal. Team Nutrition's Empowering Youth manual and online modules are used by afterschool programs and classroom leaders to integrate nutrition education and physical activity into youth programs and events. For childcare providers, our Nibbles for Health materials include information on leading sharing sessions with parents about ways to get young children moving.
- FNS' popular "Eat Smart. Play Hard." campaign materials also encourage children, parents, and caregivers to eat healthy and be physically active

every day. Schools have access to campaign activity sheets, parent brochures, lesson plans, songs and more through our Web site.

- FNS works closely with the Division of Adolescent and School Health of the Centers for Disease Control, and the Education Department's Office of Safe and Drug Free Schools, to compile web-based resources to assist local education agencies in developing wellness policies, including policies related to physical activity, and make them available to schools through our Web site.

Mr. Kingston. Background on Competitive Foods: In most schools, students have access to food not provided through USDA programs via vending machines, school stores, and a la carte lines in the cafeteria. Federal regulations prohibit the sale of certain competitive foods, known as foods of minimal nutritional value (FMNV), during meal periods in school cafeterias and other food service areas. FMNV, as defined by USDA, include soda, chewing gum, and hard candy, for example. Other than this restriction, federal regulations do not prohibit or limit the sale of any other competitive foods anywhere on school grounds at any time. [Note: In *National Soft Drink Ass'n v. Block*, 721 F. 2d 1348 (D.C. Cir. 1983), the Court of Appeals for the District of Columbia construed a 1977 amendment to the Child Nutrition Act as allowing USDA to regulate the sale of competitive foods only in food service areas during meal periods. Despite this restriction on what USDA can regulate, the department has the authority to change the definition of FMNV.]

USDA regulations currently prohibit very few foods from being served in cafeterias during meal times. Many foods are sold that are not nutritious or could not be included in a reimbursable school meal. Has USDA taken, or does it plan to take, action to broaden the foods prohibited by regulation?

Response. Current authority to prohibit the sale or service of competitive foods is limited. I believe USDA must have the capacity to set standards for all food served and sold in schools. I urge Congress to provide USDA with the authority to ensure that all food served in schools is nutritious and healthy. As I travel and as I listen, I hear nothing but broad support for these efforts to establish standards for schools served throughout the school day. From food service professionals to the national PTA to the food industry itself, there is support for this new authority, and it must be a component of reauthorization.

Mr. Kingston. In its report on preventing childhood obesity, the National Academy of Sciences' Institute of Medicine recommended, among other things, that nutritional standards be developed and implemented for all competitive foods sold or served in schools. What has been done in response to this recommendation? What else should be done?

Response. In its April, 2007 report, *Nutrition Standards for Foods in Schools: Leading the Way toward Healthier Youth*, the Institute of Medicine (IOM) recommended that nutritional standards be developed and implemented for all competitive foods sold and served in schools. However, USDA's authority to establish nutritional standards outside of the food service area during meal times is limited to food sold or served in food service areas during meal periods.

Given these constraints, USDA has used Team Nutrition funding to develop materials to support local wellness policies, encourage healthy

eating and incentivize schools through the HealthierUS School Challenge awards. While these efforts have supported local development of nutrition standards, I urge Congress to give USDA the authority to ensure that all food served in schools are nutritious and healthy.

If given authority to regulate all foods sold in elementary, middle and high schools, USDA would convene a group of key stakeholders (including schools and industry representatives) to seek their input. Subsequently, based on statutory direction, stakeholders' input and science-based nutrition standards, we would issue a proposed regulation that would establish baseline nutrition standards to define the foods that would be acceptable outside of the school meal programs. Stakeholders and the public would have ample opportunity to comment on any proposed regulation.

Mr. Kingston. The IOM also recommended that the current federal funding structure of school meals be reexamined for improvements that would encourage students to consume nutritious foods and beverages. What has been done in response to this recommendation? What else should be done?

Response. This Administration is committed to reducing hunger and improving the overall health and nutrition of children. USDA is working aggressively to implement nutrition standards based on the Institute of Medicine recommendations to better align our meals with the 2005 *Dietary Guidelines for Americans*.

But we also know that recommended foods such as fruits and vegetables, low- and fat-free dairy products, and whole grains will increase costs. The Administration supports increased reimbursement rates for the school meals programs to help schools purchase those whole grains, fruits, vegetables, low fat and fat free dairy products that our children need to grow healthy. Our expectation is that the school meals will improve as USDA issues new meal requirements that emphasize more fruits, vegetables, whole grains, and low fat dairy. In our judgment, any increases in the reimbursement rate must be conditioned on the fact that those increases will pay for improved quality and improved nutrition, not just to maintain the status quo.

Mr. Kingston. Background on Erroneous Payments in School Meals: In 2007, a study estimated that \$860 million in improper payments to school districts (8.6 percent of federal program reimbursements) resulted from meal counting and claiming errors in the school meal programs during school year 2005-2006. A part of these errors occurred because school cashiers made mistakes when determining if a meal met the federal menu planning and nutritional requirements (meal counting).

Given what we know about the mistakes cashiers make when they decide if a school meal meets nutritional requirements, how can we even be sure that school meals served are nutritious? What steps can be taken to reduce these errors and increase confidence in the nutritional quality of the meals?

Response. It is true that cashier errors may result in payment for meals that do not include all components. Currently we are delivering training and technical assistance for State agency staff to ensure effective monitoring of schools, so problems are identified early and corrective action focused. I am hopeful that reauthorization will provide the opportunity to invest in school food service personnel by creating credentialing programs for food service directors and supporting school food service personnel with

the resources necessary for critical training, so they can do their jobs as effectively as possible.

USDA's primary source of information on the nutritional quality of school meals is a series of national studies. The most recent study found that while most schools (over 70 percent) served meals that met standards for many nutrients that contribute to healthy diets, including protein, iron, calcium, and vitamins A and C, few schools (6 to 7 percent) met all nutrition standards, primarily due to not meeting standards for fat, saturated fat and calories.

Mr. Kingston. USDA estimates that the percentage of meal counting and claiming errors is higher in the breakfast program than the lunch program, yet states and districts are generally not required to review the School Breakfast Program, and many do not. What steps is USDA taking to address this lack of oversight?

Response. Although States are not explicitly required to include the School Breakfast Program (SBP) in all administrative reviews under the Coordinated Review Effort (CRE), States are responsible for ensuring proper administration of the SBP. This can be accomplished in a variety of ways, including on-site reviews. By July 2010, FNS will issue a policy memorandum reiterating to States that they are responsible for oversight of the SBP, emphasizing the importance of their oversight of this program, and indicating that they may accomplish proper oversight by reviewing the SBP in conjunction with the CRE or through separate on-site reviews as appropriate.

WIC

Mr. Kingston. Background on WIC Food Packages: WIC food package revisions based on recommendations from the Institute of Medicine were implemented by states no later than October 1, 2009. The new food packages are formulated to adhere to the 2005 Dietary Guidelines.

Has any research been done on the impact of the WIC food package changes on the overall dietary intake of WIC participants?

Response. FNS has been working with the WIC community on two studies intended to evaluate the impact of the WIC food package changes on overall dietary intake in WIC recipients.

- FNS is conducting the Evaluation of the Birth Month Breastfeeding Changes to the WIC Food Packages Study to evaluate the impact of the Interim Final Rule food package changes for postpartum women and infants on initiation, intensity, and duration of breastfeeding. The study will also determine how and why postpartum mothers made their breastfeeding and food package choices. The Institute of Medicine Report WIC Food Packages: Time for a Change urged FNS to undertake this study, which is currently under development. We expect to publish the final report in early 2012.
- The National WIC Association, in conjunction with State WIC Agencies and Texas A&M University and in consultation with FNS and the USDA Economic Research Service, is conducting the National Food and Nutrition Questionnaire study (NATFAN). This will determine the effect of the new WIC packages on consumption of healthy food choices for WIC participants from States, territories, and Indian Tribal Organizations. The study is

currently in the data collection phase; we expect initial findings to be available in 2011.

Mr. Kingston. What kind of feedback have you received about the new food packages from participants and/or local offices since the changes took effect last year?

Response. The comment period on the interim rule revising the WIC food packages ended on February 1, 2010. FNS received approximately 8,000 comments from participants, WIC State and local agencies, WIC associations, and other interested parties. FNS is currently processing and analyzing comments as part of a formal review that will be used to inform a final rulemaking. In general, however, the feedback FNS received as States implemented the new changes to the WIC food packages was positive and the changes were well received by program participants.

UNITED STATES DEPARTMENT OF AGRICULTURE
CHILD NUTRITION REAUTHORIZATION
QUESTIONS FOR THE RECORD
HOUSE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE HEARING
MARCH 4, 2010

QUESTIONS SUBMITTED BY CONGRESSWOMAN KAPTUR

NUTRITION STANDARDS

Ms. Kaptur. If you ask a child in a school if he likes the school lunch program, the child is not able to distinguish between the federally subsidized meal and the food procured outside of school lunch program. Often the snacks available to children in vending machines and snack bars undermine the purpose of the school lunch program by siphoning dollars away from the school lunch programs and by inserting fatty and sugary foods into our kids diets. If kids can't tell the difference between the school lunch program and the snack bars, why should we expect them to make healthy choices at school?

Response. I agree wholeheartedly. While improved school meals are critical to our nutrition and obesity prevention goals, the challenge of helping kids stay healthy extends beyond reimbursable school meals. Children are subject to innumerable influences in their environment. As they develop preferences and practices that will last a lifetime, their choices are shaped by their surroundings - at home, in school, and in their wider community. The school nutrition environment is a powerful influence in this regard. That is why we must have the capacity to set standards for all food served and sold in schools. A 2006 study showed that outside the cafeteria, children are three times more likely to be able to purchase cookies, cakes, pastries, and high fat salty snacks than fruits or vegetables. Thus I look forward to working with Congress to provide USDA with authority to set standards for foods served outside of the school nutrition programs so that they do not undermine our efforts to enhance the health of the school environment.

Ms. Kaptur. Does USDA plan on requiring local school systems to change the way they make food available via the snack programs that are not federally subsidized?

Response. Presently, we have no authority to regulate such foods. If, however, we are given the authority to establish nutrition standards for all food served in schools, our emphasis would be to ensure that foods served in vending machines and the à la carte line don't undermine our efforts to enhance the health of the school environment. It doesn't mean banning vending machines in schools, just filling them with nutritious offerings to make a healthy choice the easy choice for our Nation's children.

NUTRITION EDUCATION

Ms. Kaptur. In school systems across the country there is a fundamental disconnect between the school lunch program and the effort to educate our children. School systems desperately try and raid the budgets of the feeding programs in order to support their struggling programs to educate our children. Instead of separating education from nutrition, there must be

a stronger effort by USDA to integrate the goals, policies and funding for these systems. If a child crashes after lunch because all they ate was a candy bar and bottle of soda, there is no distinguishing the outcome of a student falling asleep in the classroom from a bad teacher or bad meal. In the child nutrition reauthorization, what efforts has USDA made to integrate these programs?

Response. There is no question that innovative thinking and strong action are needed to address our diet-related problems, especially among our children. The First Lady's *Let's Move!* initiative is focused on raising a generation of kids to be healthy adults by giving parents the support they need to keep their children healthy, helping our kids to be more physically active, and making healthy, affordable food available in every part of our country. Child Nutrition reauthorization forms the legislative centerpiece of the First Lady's campaign and the Administration's effort to ensure the health of our youngsters.

I agree that every cafeteria ought to double as a classroom - and that schools should be challenged to make meals a learning experience. We should build on the step taken in the 2004 reauthorization bill to establish school wellness policies in every school in this reauthorization cycle by strengthening the requirement and raising the standard. Schools should work in consultation with parents to develop and implement a strong wellness policy centered on healthy eating, nutrition education and physical activity.

USDA needs authority to ensure that all foods served in schools are healthy and nutritious. Foods served in vending machines and the *à la carte* line shouldn't undermine our efforts to enhance the health of the school environment. We also want to make sure that parents and students have correct and complete nutritional information about foods being served in schools. With better information and simple assessments, parents will know what is available in their child's cafeteria and can better assist their children in making the right nutritional choices. In addition to transparency, we also need to be smarter about how we serve food. Steps as simple as putting the fresh fruit in a more prominent place in the cafeteria can help kids improve their eating habits.

We must strengthen the link between local farmers and school cafeterias. Supporting farm-to-school programs will increase the amount of produce available to cafeterias and help to support local farmers by establishing regular, institutional buyers. Many schools are using farm-to-school programs as an important component of nutrition education. USDA has begun to deploy farm-to-school teams to help school districts understand how they can purchase and serve local foods. We look forward to working across the country to strengthen this connection.

Ms. Kaptur. Integrating a nutrition education programs with the USDA's school lunch programs should be a goal for the child nutrition reauthorization. Instead of leaving our food providers out to dry, the nutrition programs must take a broader look at feeding our children. What plans does USDA have to support nutrition education in the schools?

Response. I believe that every cafeteria ought to double as a classroom; that schools should be challenged to make meals a learning experience. That's why it's important for us to build on the steps we've taken in the 2004 reauthorization bill to establish school wellness policies in every school, by strengthening the requirement and raising the standard.

Schools should work in consultation with parents to implement a strong wellness policy centered on eating healthy, nutrition education, and physical activity.

Making sure that parents and students have correct and complete information about foods being served in school must also be a part of reauthorization. With better information and simple assessments, parents will know what is available in their child's cafeteria and can better assist their children in making the right nutritional choices. In addition to transparency, we also have to be smarter about how we serve food. Steps as simple as putting the fresh fruit in a more prominent area in the cafeteria will help improve youngsters' eating habits.

I would like to mention that the Food and Nutrition Service's Team Nutrition has made significant strides in integrating nutrition education with the School Lunch Program. Team Nutrition provides training and technical assistance for foodservice professionals, nutrition education for children and their caregivers, and school and community support for healthy eating and physical activity. Team Nutrition's goal is to improve children's lifelong eating and physical activity habits by using the principles of the *Dietary Guidelines for Americans* and MyPyramid.

FARM TO SCHOOL, LOCALLY PROCURED FOOD

Ms. Kaptur. Farm to school programs represent important opportunities for schools to make the connection to where their food comes from. In a society that is increasingly disconnected from the natural world, both nutrition education and production should be fundamental in our programs. In your overall outlines, the administration seems committed to farm to school. Could you please elaborate on how much funding you would like to see dedicated to farm to school?

Response. [Clerk's note: The following response is based on information available after the date of the hearing.] We have identified support for farm-to-school efforts as a priority issue for the upcoming reauthorization of our Child Nutrition Programs. Currently, the reauthorization bill adopted by the Senate Agriculture Committee contains \$50 million in mandatory funding over 10 years to support farm-to-school programs. We look forward to working with Congress to determine the appropriate funding level for these and other activities.

Ms. Kaptur. It has long been a goal of mine to better connect local foods to the schools in their communities, through the Senior Farmers Market Nutrition program, the WIC Farmers Market program and other AMS activities such as the Farmers Market Promotion Program, USDA must not treat the food programs like a payout for industrial farmers. Communities should be invested in the food they provide to their children. In talking to school districts, they will often tell you the biggest challenge to using local food is processing capacity to prepare food onsite as opposed to relying on industrial processors half way across the world. Do you have any plans to support food processing at school feeding programs?

Response. We recognize that schools may need to enhance their ability to prepare foods on site in order to meet new nutrition standards and utilize locally produced foods. Recognizing that many schools do not have the equipment in place to provide quality food selections, the reauthorization should build upon the investments in 5,000 schools and equipment made by the

American Recovery and Reinvestment Act (ARRA) and the FY 2010 Appropriations Act.

Ms. Kaptur. In the fiscal year 2010 agriculture appropriations bill, this committee directed USDA to provide a report outlining needs to streamline the procurement process for food to allow schools to buy food locally. What is the status of that report? The bill was signed into law on October 21, 2010 and directed the report be made available in 120 days, a time which has come and gone. Since congress is in the midst of preparing recommendations for the child nutrition reauthorization, we cannot afford to wait any longer for this report. When can we expect to receive these recommendations?

"The Committee directs the Department to provide within 120 days of enactment, a report to the Committees that details: (a) opportunities to streamline procurement rules for schools wishing to purchase food locally; (b) suggestions for making food procurement data more readily available to local jurisdictions, to the states and for the food and nutrition service; and (c) suggestions for requirements of new legislative authority or programs that may be needed if schools and jurisdictions are unable to purchase food locally."

Response. The report is currently in the final stages of clearance. I regret the delay and hope to have it to you shortly.

KNOW YOUR FARMER, KNOW YOUR FOOD

Ms. Kaptur. Since USDA manages the school lunch programs not the department of education, how do you plan on integrating the know your farmer know your food program into the child nutrition recommendations?

Response. While USDA administers the School Lunch Program on the Federal level, authorizing statute requires the program to be administered by the State Departments of Education. I believe the program will be greatly strengthened as a cooperative effort between education and agriculture.

Our existing relationship with both the education and agriculture communities will be a key factor in integrating the Know Your Farmer, Know Your Food initiative into the Child Nutrition Programs. In fact, over the past eight to ten years, a number of school districts and farmers have been working together to implement farm-to-school activities within their communities. As part of the Know Your Farmer, Know Your Food initiative, USDA will have a Farm-to-School Team conduct area site visits in the Spring of 2010 to analyze and assess variables that support or deter farm-to-school activities; both from the school and farmer perspectives. The information gathered during these site visits will be used to develop and/or reissue appropriate technical assistance materials for schools and farmers and shared on the farm-to-school Web site.

Farm-to-school is a win-win for the school meal program stakeholders in school food service, the education community, the nutrition community and, of course, the agricultural community. I am confident that integrating farm-to-school activities will receive wide-spread support from our many stakeholders.

Ms. Kaptur. USDA has been deploying tactical teams to assist schools make local purchases in their school feeding programs. Please elaborate on

USDA's experience with this program and what lessons have been learned in assisting schools to purchase food from local communities.

Response. The Farm-to-School Team will conduct area site visits in spring 2010 to analyze and assess variables that support or hinder farm-to-school activities. Both the school and farmer perspectives will be considered. The information gathered during these site visits will be used to develop and/or reissue appropriate technical assistance materials for schools and farmers and shared on the farm-to-school Web site. Based on these site visits, we hope to be able to provide you with information on the types of resources schools need to purchase locally.

I should mention that the 2008 Farm Bill provided school districts with the ability to use a geographic preference in purchasing locally grown or raised unprocessed agricultural products. USDA has recently revised its guidance regarding use of this preference to allow schools to purchase such products in a form more readily usable in a school setting. One of the key subjects we plan to explore on the site visits is how this preference can be used properly and effectively to support farm-to-school efforts so that we can share best practices with others.

Ms. Kaptur. A school in my district applied for a tactical team, when should they expect to hear if they were selected? I would like you to follow up with me after this hearing to see how my community can use these tactical teams to keep the food dollars from the school lunch program in their community.

Background: The Hunger Free Schools Act would create a new option, known as community eligibility, to enable schools that serve predominantly low-income children to serve all breakfasts and lunches free and receive federal reimbursements based on the share of their students receiving other public benefits, like food stamps.

Response. USDA's Farm-to-School team is currently finalizing sites selections, and schools will be notified shortly.

Ms. Kaptur. Mr. Concannon, in your testimony you discuss a program of State Childhood Hunger Challenge Grants. Could you please elaborate a bit on this proposal?

Response. As part of our reauthorization recommendations, we support establishment of State Childhood Hunger Challenge Grants, a new program of competitive grants to States to join the effort to eliminate child hunger by 2015.

Under this proposal, the Department would provide competitive grants to Governors, working with stakeholders Statewide, so that States can act as laboratories for successful strategies. We'll let them be creative in experimenting with models that match program delivery with evaluation, so that we can learn what works and what doesn't. Possible steps will include:

- policy modifications to existing nutrition programs,
- enhanced outreach efforts,
- improved coordination between nutrition assistance programs and family support services, and
- Work with community and non-profit organizations.

Grants would be provided to States with prior accomplishments and commitments to reducing hunger, applications that target communities with higher prevalence of child hunger, and projects that reflect collaboration with a wide range of partners.

The President's budget request for FY 2011 includes \$10 billion over 10 years to support child nutrition reauthorization. Funding for this new program of State Childhood Hunger Challenge Grants is included within the overall total. USDA expects to work closely with Congress to shape the parameters of the grant program as reauthorization moves forward.

Ms. Kaptur. What types of cost savings would you estimate streamlining the application process and expand efforts to enroll eligible students through direct certification would have?

Response. Streamlining the application process and expanding efforts to enroll eligible children through direct certification would result in administrative relief for local educational agencies and a reduction in paperwork burden for families with schoolchildren.

Because schools earn a set amount based on the number of meals served, we would not expect to identify any cost savings at the Federal level. However, to the extent that a streamlined process saved administrative overhead at the local level, these resources could be redirected to enhance meal quality or pay for other direct costs associated with the preparation and service of meals.

Ms. Kaptur. Has USDA conducted any estimates of the number of eligible children may be enrolled if direct certification were adopted?

Response. USDA's October 2009 report to Congress, Direct Certification in the National School Lunch Program: State Implementation Progress estimates that about 9.1 million children participated in SNAP between July and September of 2008, and were not in Provision 2 or Provision 3 schools that were not required to collect applications or conduct direct certification in that year. It also estimates that about 71 percent of these SNAP participant children nationwide were directly certified by States and local education authorities (LEAs) in SY 2008-2009.

If 71 percent of SNAP children were directly certified in SY 2008-2009, then approximately 29 percent, or 2.6 million children, were not. Some of these children were certified by paper application, either by providing income information or evidence of categorical eligibility (i.e., a SNAP or TANF case number). We do not have an estimate of how many of these children are not certified for free school meals. However, if all direct certification systems were 100 percent effective, all 2.6 million would be certified for free meals without having to submit an application at all.

WOMEN, INFANTS AND CHILDREN (WIC)

Ms. Kaptur. The WIC farmers' market program has been extremely successful, providing young families with the rarely available fresh fruits and vegetables. Through these reauthorization efforts, how do you plan to expand this critical program?

Response. The Department sees no advantage at this time to expanding the WIC Farmers' Market Nutrition Program (FMNP). The revised food package for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which is now implemented in all States, provides to each participating woman and child a cash value voucher (CVV) as part of the monthly food package. These CVVs (\$10 for women, \$6 for children; however, the President's budget proposes to increase this to \$8) must be used to purchase fresh, canned, or frozen fruits and/or vegetables. This allows WIC participants to obtain fresh fruits and vegetables at retail grocers authorized as WIC vendors throughout the entire year. WIC State agencies also have the option to allow farmers selling their produce at farmers' markets to accept CVVs, in addition to the FMNP benefits made available by 45 State Departments of Health or Agriculture.

Ms. Kaptur. Have you considered making the WIC Farmers Market Program mandatory?

Response. No. Changing the WIC FMNP from a discretionary program to a mandatory program could greatly expand the cost of the program. Given the inclusion of fresh fruits and vegetables in the new WIC food packages, there is no compelling reason to make the FMNP mandatory. The revised WIC food package, which has now been implemented in all States, gives participants the ability to purchase fresh fruits and vegetables every month, not just during the market season. The CVVs issued to each woman and child as part of the monthly WIC food package can also be redeemed at farmers' markets, at the option of WIC State agencies.

Ms. Kaptur. Have you considered expanding the WIC Farmers Market program authorization in the child nutrition act?

Response. No, the inclusion of fresh fruits and vegetables in the new WIC food packages now supplements the role of the WIC FMNP in supplying fresh fruits and vegetables to WIC participants. The revised WIC food package, which has now been implemented in all States, gives participants the ability to purchase fresh fruits and vegetables every month, not just during the market season. The CVVs issued to each woman and child as part of the monthly WIC food package can also be redeemed at farmers' markets, at the option of WIC State agencies, reducing the need to rely on the FMNP in supplying fresh fruits and vegetables to WIC clients.

Ms. Kaptur. With the \$20 million regularly appropriated for the WIC Farmers Market Program, please give the committee some background on how many meals are served. In both Toledo and Detroit, the Fair Foods Network is working with farmers markets in the region to use double benefits for SNAP coupons redeemed at local farmers markets. What actions could FNS take to support this program? Could there be an opportunity to work on this same type of activity in the WIC Farmers Market Program?

Response. Through the WIC FMNP, approximately 2.25 million women, infants over 4 months old, and children up to the age of 5 received coupons during the 2009 market season that could be used to purchase fresh, nutritious, unprocessed fruits and vegetables at farmers' markets and roadside stands. Because FMNP benefits are issued on a fixed dollar-amount basis, and can only be used to purchase fresh fruits and vegetables (rather than entire meals), the Department does not calculate the use of FMNP benefits in terms of the number of meals served.

The Department is aware of several programs currently underway such as the one operated by the Fair Foods Network, in which participants' SNAP benefits are doubled at the markets where participants shop. FNS has advised its cooperating State agencies that FMNP benefits used at participating farmers' markets may also be doubled if the sponsoring organization is willing to provide the additional resources.

QUESTIONS SUBMITTED BY CONGRESSMAN DAVIS**FARM-TO-SCHOOL PROGRAM**

Mr. Davis. I am an original cosponsor of H.R. 4710, the Farm to School Improvements Act of 2010, and am glad to see that the Administration has endorsed Farm to School as an integral part of the proposed additional \$1 billion for child nutrition reauthorization. I look forward to assisting the administration and Chairwoman DeLauro to see that these programs receive funding. What do you see as challenges in implementing farm to school programs and how do you plan to address them?

Response. USDA has undertaken numerous initiatives and activities to help support nutrition programming links with small and local agricultural producers. As part of USDA's Know Your Farmer, Know Your Food initiative, we have focused on ways to better connect children to their food and create opportunities for local farmers to provide their harvest to schools in their communities.

In 2009, a Farm-To-School Team was established as an outgrowth of USDA's Know your Farmer, Know Your Food initiative. The purpose of the Team is to support local and regional food systems by facilitating linkages between schools and local food producers. The team is comprised of both FNS and the Agricultural Marketing Service staff who will work with local and State authorities, school districts and administrators, farmers and community partners to develop mechanisms to assist schools in accessing local markets and increasing opportunities to purchase more locally-grown produce; enable food producers to effectively service their local schools; and facilitate communication between interested stakeholders. Among other activities, the team will identify and recruit a range of school districts representing varied demographics and characteristics in which the team will conduct field work.

The Farm-To-School Team will conduct area site visits in Spring 2010, to analyze and assess variables that support or hinder farm-to-school activities. Both the school and farmer perspectives will be considered. The information gathered during these site visits will be used to develop and/or reissue appropriate technical assistance materials for schools and farmers and shared on the farm-to-school Web site.

In addition, the 2008 Farm Bill provided school districts with the ability to use a geographic preference in purchasing locally grown or raised unprocessed agricultural products. USDA has recently revised its guidance regarding use of this preference to allow schools to purchase such products in a form more readily usable in a school setting. One of the key subjects we plan to explore on the site visits is how this preference can be used properly and effectively to support farm to school efforts so that we can share best practices with others.

Finally, in USDA's May, 2008 Report to Congress on Enhancement of Local Procurement, we identified some of the challenges in implementing farm-to-school programs, including the capability of local producers to supply schools in a consistent and timely manner, transport of farm products to schools, the cost of purchasing foods from local farmers, the need to spend more school food service labor in preparing locally produced products, and the need to put into place food safety practices appropriate to mitigate risk from locally produced products. We expect our Farm-To-School Team visits will further inform our 2008 assessment.

QUESTIONS SUBMITTED BY CONGRESSMAN JACKSON JR.

DIRECT CERTIFICATION IN NSLP

Mr. Jackson Jr. In the FY2010 Agriculture Appropriations Legislation \$22 million was included for USDA to provide grants to States to improve the direct certification process which automatically enrolls children in the free school meals program if their household receives aid through the SNAP/Food Stamp program. As you know, nearly one of every four children across America is currently enrolled in SNAP. In the report the USDA released in October on state's performance with direct certification, approximately 72% of children that were eligible for direct certification were reached in the last school year.

According to the testimony of one of your fellow witnesses, there are steps the USDA could take without reauthorization legislation to improve state performance. How is USDA working to improve the performance of low-performing states and support improvement efforts? What more can the USDA do to improve access to the school meals program for low income children?

Response. Annually, USDA reports to Congress on direct certification and have gained insight into what works best by talking to staff who manage direct certification in their State. The most recent report, issued in October 2009, focused on the States that had the greatest improvement in the percentages of children who were directly certified in School Year 2008-2009 and asked how they did it. Much of the improvement was driven by gains among small school districts, which were not required to conduct direct certification before that year. But State and local policy also helps to distinguish top performing States from others.

Ohio had the most improved direct certification rates in School Year 2008-2009. The State attributes its improved match rate to a change in procedure from regional to Statewide matches. This change improved access for children who had moved from one region to another but who were still listed by SNAP at their outdated address. The percentage of SNAP-participant children in Ohio increased by 33 percent from the previous school year. This improvement made Ohio number one.

The States of Iowa and Kansas were also in the top ten most improved with 14 percent and 10 percent, respectively. Iowa attributed its improved rate to extending their centralized matching system to all school districts in the state and to an emphasis on training. Kansas indicated that their improvement was due to implementation of its centralized matching system in School Year 2008-2009.

Another practice that States indicated helped to maximize the percentage of eligible children who are directly certified was moving beyond an annual procedure toward increased frequency of direct certification. For example, New Mexico moved from annual direct certification to a biannual process. While State officials felt that while this would create a slightly greater workload, schoolchildren would benefit from an increased likelihood of being directly certified, especially if they became eligible after the beginning of the school year.

These success stories serve as best practices that other States could adopt to increase the accuracy of their direct certification efforts. We will be promoting these best practices and others through the direct

certification grants (\$22 million) provided through the FY 2010 Agriculture Appropriations Act.

SUMMER FOOD SERVICE PROGRAM

Mr. Jackson Jr. Many of our witnesses have testified on the growing rates of childhood obesity in this country. In Chicago, 1/3 of Children entering kindergarten in the Chicago Public Schools are overweight or obese. Studies have indicated that children actually GAIN weight during the summer months. I for one, think that without access to nutritious school breakfasts and lunches - - and without access to summer activities - - kids can fall into this troubling scenario.

According to the Food Research and Action Center, only 18% of low income children who receive free or reduced priced school lunches participate in the Summer Food Service Program. What is USDA doing to ensure that low-income families know about the summer food program and what are you doing to actively recruit sponsors for this program?

Response. USDA has worked extensively over the years to expand access to the Summer Food Service Program, but the results have been modest at best. We believe it is time to explore additional means of reaching children that lose access to critical nutrition assistance when school dismisses for the summer - both by improving the existing Summer Food Service Program, and testing alternative approaches to get food to low-income children.

For that reason, USDA welcomes the opportunity to use the \$85 million allocated for summer food demonstration projects in the FY 2010 Agriculture Appropriations Act to identify and assess additional ways to prevent hunger during the summer months. We are currently developing a number of innovative nutrition assistance models to test through the pilots and determine which hold the most promise for preventing hunger among children when school is out. We expect that these pilots will include interventions that provide food to children and their families without the need for congregate feeding.

As directed by the legislation, a rigorous evaluation of the impacts of these projects is a central component of our plans, to ensure that they provide a strong evidence base to inform future policy. We will provide Congress with additional information on the pilots as their development proceeds, and we look forward to sharing the evaluation findings with you when they are ready.

This summer we are testing modifications to the existing structure of the Summer Food Service Program. We will provide funding incentives to support activity programs at meal sites, to help draw children to the sites. We will also be providing funding for programs that agree to operate for at least 40 days through the summer, to encourage the availability of meal service for as long as possible.

Using available data on food insecurity and SFSP participation, FNS targeted 10 States to apply to participate in the 2010 demonstration projects. The 10 States have a combination of the highest rates of food insecurity among children and the lowest rates of summer meal participation. The ten eligible States are Arizona, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, Texas and Wyoming.

Plans for the demonstration projects that will be implemented in 2011 and beyond are still under development. We will provide additional information to Congress, States and other stakeholder as that planning progresses.

THURSDAY, MARCH 18, 2010.

**FY2011 BUDGET HEARING FOR FOOD AND NUTRITION
SERVICE**

WITNESSES

**KEVIN CONCANNON, UNDER SECRETARY FOR FOOD, NUTRITION AND
CONSUMER SERVICES**

JULIA PARADIS, ADMINISTRATOR, FOOD AND NUTRITION SERVICE

**ROBERT POST, DEPUTY DIRECTOR, CENTER FOR NUTRITION POLICY
AND PROMOTION**

SCOTT STEELE, BUDGET OFFICER, U.S. DEPARTMENT OF AGRICULTURE

MS. DELAURO—OPENING REMARKS

Ms. DELAURO. The hearing is called to order. Let me welcome Ranking Member Kingston, our fellow members of the Committee, our distinguished guests today, as we take a look at the President's budget request for our vital nutrition assistance programs, which are under the Subcommittee's purview, including the Food and Nutrition Service, FNS, and the Center for Nutrition Policy and Promotion, CNPP.

Our distinguished panelists today include Kevin Concannon, Under Secretary for Food, Nutrition and Consumer Services, and I thank you for being with us again. You were here two weeks ago as we did talk about child nutrition issues.

In addition, we are going to be hearing from Julie Paradis, the Administrator of FNS, and Robert Post, Deputy Director of CNPP.

We understand that you are filling in for Mr. Anand, and we understand he is ill, so please do convey to him our very, very best wishes.

At some point, I really do want to talk with him. I was interested in reading his biography on the issue of maternal nutrition and its effect on the fetus.

I think it is very interesting research and would love to pursue and investigate that further as we take a look at the nutrition quality that mothers are getting and what that effect is, especially with regard to low birth weight babies, et cetera, and what the health problems are as a result of that.

Dr. Concannon, a quote from your testimony a fortnight ago has just stayed with me ever since, and that would be President Harry Truman's admonition that "Nothing is more important in our national life than the welfare of our children, and proper nourishment comes first in attaining this welfare."

As you explained, the President came to this conclusion after discovering how often soldiers engaged in the World War II effort came to the Army undernourished and malnourished.

What was true then is even more true today. Secretary Vilsack noted in our opening hearings last month that “One report recently found that as many as 75 percent of Americans age 17 to 24 are currently unfit for the Armed Services due mainly to malnutrition and obesity.”

If you want to talk about a security issue and a national security issue, I think that strikes home for all of us.

As I said to you two weeks ago and what the First Lady has also been making clear with her “Let’s Move” campaign, the coexistence of obesity and hunger seems paradoxical at first, until you come to realize that they are in fact a double edged sword aimed right at our children.

With one in five kids living below the poverty line and on food stamps, not to mention a staggering 69 percent of school lunch program participants who receive free and reduced price lunches, it becomes that much harder for struggling families to afford the healthy, nutritious foods that would improve children’s health, which is why I am concerned about reports that the Senate might move forward with a child nutrition reauthorization bill that cuts the administration’s request by more than half.

It is vitally important that we fund nutrition assistance to the fullest of our ability, especially in these times. We must do what we can to give this generation of American children the access to healthy, nutritious foods that will allow them to thrive.

Indeed, our funding of these programs becomes even more critical when you consider the woeful budget situation at the State level right now.

This recession has driven State budgets all across the country to the brink. Right now, local and State governments are slashing the social safety net that families depend on to survive in order to be able to compensate.

New Jersey, Virginia, let’s take those two examples. Child meal programs have been drastically cut. Millions in proposed cuts to their respective School Breakfast Programs. This despite the fact that research shows time and again that kids who eat breakfast before school learn more, they behave better, and are healthier than those who do not.

I have been focusing a lot on children, but particularly in the midst of this virulent recession. Hunger knows no age, no sex, or region of this country. With one in eight Americans relying on food stamps right now, we must continue to give crucial nutrition assistance programs like SNAP and WIC our strongest Federal support.

Given the finite resources at our disposal, we need to ensure that the money put forward with these programs are being well spent.

As I said two weeks ago, if we increase reimbursement rates for school food programs, we should also work to reduce the waste and the overhead in these programs, maximize the amount of money being used to help kids, but let us also remember that SNAP and WIC have extraordinarily high accuracy rates for government programs, 95 percent and over 95 percent respectively.

I defy other Federal programs to have that kind of accuracy rate. This is an arena where it appears that the people’s resources seem to be very well spent.

In addition to maximizing our bang for the buck, we should also make sure that we are making it as quick and easy as possible for American families to access the best and the most up to date science based health and nutrition information available.

With that in mind, I am pleased to hear about the revamping that is going on at the popular MyPyramid.gov Web site, which I believe you will tell us more about, Mr. Post.

At the same time, I look forward to hearing more about the revised *Dietary Guidelines* coming out this Fall. I hope we can find ways to put an end to industry generated nutrition charades like the one we saw last year with the Smart Choices Program.

To qualify for Smart Choices' label, the product had to meet a certain set of criteria based on *Dietary Guidelines*. However, because the *Dietary Guidelines* do not set a standard for sugar, we saw extraordinarily sugary cereals, such as Fruit Loops and Cookie Crisp being promoted as an FDA approved healthy option.

As my colleague, Mr. Kingston, suggested at our last nutrition hearing, just because you eat one doughnut instead of two, that does not make it a smart choice.

In any case, those are the broad parameters of what I hope to hear today. I look forward to hearing today's testimony on how best to help fulfill our nutrition responsibilities from the panel.

With that, Mr. Kingston, I recognize you for comments.

MR. KINGSTON—OPENING REMARKS

Mr. KINGSTON. Thank you, Madam Chair.

Ms. DELAURO. How many doughnuts did you have today, Jack?

Mr. KINGSTON. Actually, I skipped lunch. I might have a problem later on, go on a junk food binge.

Mr. Latham also wants to know who I should attribute that quote to. He says it does not come from me. He is probably right on that.

I am also interested in this fetus feeding issue and the correlation. I think that would be interesting.

I want to go back to something I brought up in the Committee a couple of weeks ago about the concept of children who are on school lunch programs or getting assistance, having the opportunity, which so many of us in this room did to earn some of this, and the reason why I say that is who when you ask as an adult does not swell with pride when you ask him or her, what was your first job? What did you do around the house? What were your chores?

We all learned something from that. I think in the context of allowing 32 million children to participate in these programs, they should have that opportunity. I think it would be a positive thing. I do not think it would be Stalinist, send them to work camp. I think it would be an opportunity to allow these kids to really get some of the great lessons that so many of us learned from.

The Secretary said we need to take the stigma out of food stamps. This is one way to do it.

I want to bring that up again. I also feel very concerned about our deficit, growing as it is. We Republicans spent too much money. We had 12 years of deficits. If you add those 12 years together, it was less than the deficit in 2009.

We can blame it on we have a war to fight, TARP, and there were some tricky things that we felt compelled to spend money on, but so often in Washington, whether it is Democrats or Republicans, we have a disingenuousness.

For example, PAYGO. We got PAYGO. It's a great slogan. Everybody understands it, and yet everything is exempt from it, including the increases which you are asking for today, exempt from PAYGO.

People back home do not understand that because they understand PAYGO, but they do not understand the exemptions.

A freeze, we had a 26 percent USDA budget increase, and now we are talking freezing. I guess we should.

I feel like we need to look at some charts, and if I could, Madam Chair, would you mind standing by the easel and sort of turning it so Committee members can see it?

I want to show you some numbers that come from various different sources but the one on the left shows that in 1962, the number of people who got a Federal Government check—I want to be quick to point out this is not welfare strictly. Welfare is included in it but a farm subsidy check would be included.

Mr. FARR. Social security.

Mr. KINGSTON. Social Security. Medicaid, Medicare. I am talking strict accounting here. This is not a philosophical evaluation as much as it is just context.

Twenty-two million people, now it is up to 61 million people. Percentage of population, we have gone from 11.7 percent to 20 percent. Something to be aware of. I am not saying let's base decisions on that at all.

Let's look at the next one. This one shows it a little more dramatically in terms of the increase of people depending on government checks, again, of some nature, a government subsidy. Again, this is not child nutrition. This is not welfare, although it is included in this. This would also include farm payments and other things.

As Mr. Farr points out, this is not just USDA but other things. You have about a 240 percent increase since 1962, but maybe this last chart is the one that is the most important, and this chart shows that the percentage of people who are paying taxes is getting smaller in comparison to the people who are not paying taxes.

Forty-eight million people right now are not paying taxes, 34 percent of the population. In the 1960s, that number was 28 percent.

You have a narrowing gap between people who are paying taxes and people who are not paying taxes.

Ms. DELAURO. State tax as well as earned income?

Mr. KINGSTON. It is all Federal taxes. It is all filers. Yes, it would include State tax, capital gains tax, income tax, payroll tax, everything.

Again, my point here is not to say therefore, we should bring the hammer down on this group or that group or this program or that program.

My point is whether we are in the Defense Committee or the Health Committee or the Agriculture Committee, whether we are measuring spending on our friends or foes, politically, we should

keep in mind the context of spending in Washington, D.C., which I would attribute to both parties, politicians.

I can tell you as a member of the Appropriations Committee particularly, nine out of ten of the visitors in my office come to ask for more spending on every single aspect.

I think these numbers are just going to show there comes a time when we actually do have to have meaningful spending freezes and do have to have real PAYGO.

I wrote the President a letter. I talked to the President personally about serving on the Commission, I was not selected by our leadership, but at the same time, I told the President, if you need somebody, call me. I have hope in it. I have hope that good people could come together and look at these things.

I think you and I if we just say okay, we have a starving child, throw money. If we have a defense program, we have Taliban coming over the hill, throw money. I think we are not doing our full job. We have to look at the big picture.

I say that, Madam Chair. I appreciate your indulgence. I know you have heard my discussions on this before, but you have not seen my charts before, so I wanted to make sure I shared them with you.

Ms. DELAURO. I am glad this is a public invitation to see your charts here, Jack. [Laughter.]

Mr. KINGSTON. Thank you.

Ms. DELAURO. With that, let me ask our guests today to provide their testimony to us. Mr. Concannon, you will speak as well as Ms. Paradis and Mr. Post. We look forward to your testimony. The entire testimony will be part of the record. You are free to summarize. Thank you.

MR. CONCANNON—OPENING REMARKS

Mr. CONCANNON. Thank you very much. Thank you, Madam Chairwoman and members of the Subcommittee for allowing me this opportunity to present the President's fiscal year 2011 budget request for the Food and Nutrition Service and the Center for Nutrition Policy and Promotion.

With your permission, I would like to begin by introducing the members of the Food, Nutrition and Consumer Services' team sharing the witness table with me today, Julie Paradis, as she has been introduced, Administrator of FNS, and Dr. Robert Post, the Deputy Director at CNPP.

The President's budget for fiscal year 2011 for FNCS requests \$96 billion in budget authority, reflecting the President's and Secretary Vilsack's commitment to combating food insecurity and poor nutrition among the Nation's children and low-income households.

The first challenge in meeting the nutrition assistance needs of the Nation is to make certain that funding is available in the major programs that serve all eligible persons seeking these program services.

Our major nutrition assistance programs are designed to respond rapidly to the changing needs of our populations. The strength of these programs has been put to the test in the current economic crisis and they have risen to that challenge.

SNAP provided benefits to 39 million individuals in December 2009, the most recently reported month. That represents a 41 percent increase over the previous 24 months. Each day, 32 million American children participate in the National School Lunch Program. Over 60 percent receiving free meals or at reduced prices.

The Special Supplemental Nutrition Program for Women, Infants and Children or WIC, which serves half of the infants in this country, is now serving over nine million persons a month, another historic level.

USDA continues to provide unprecedented levels of commodities and administrative support to our partners in the food bank community as they respond to widespread need for emergency food assistance.

The President's budget requests \$68.7 billion for SNAP, enough to serve an average of 43.3 million people each month in fiscal year 2011. That budget requests \$19.2 billion for Child Nutrition Programs, which provides millions of nutritious meals to children in schools and in child care settings every day.

This level of funding supports our reauthorization proposals as well as an expected increase in daily participation in our school meal programs.

The President's budget includes \$7.6 billion for WIC. This year's request will allow local communities to provide food, nutrition education, and a link to health care to a monthly average of over ten million low-income women, infants and children during fiscal year 2011.

Our budget request for 2011 will ensure that the nutrition assistance programs continue to respond to the needs of the most vulnerable by fully funding participation levels in all the major nutrition assistance programs, but if we are to meet the challenge before us to end childhood hunger by 2015, we cannot be satisfied to simply maintain these programs as they currently exist.

We must work to improve access to services for those already eligible and in need. We must expand eligibility to individuals currently not covered by a program but facing undeniable hardship, especially in these tough economic times.

The President's fiscal year 2011 budget request reflects this pledge in its commitment to a \$10 billion increase over ten years for child nutrition reauthorization and in the government-wide proposals addressing asset limits and the treatment of refundable tax credits in all means tested programs.

The reauthorization of Child Nutrition Programs presents us with an historic opportunity to combat child hunger and improve the health and nutrition of children across our Nation, beginning at birth, with the increased emphasis in funding proposed for breast feeding promotion in the WIC Program all the way up through adulthood.

As Secretary Vilsack noted recently, in addition to ending childhood hunger, a robust reauthorization is essential to meet the ambitious target set by First Lady Michelle Obama in the Let's Move campaign to solve the problem of childhood obesity in a generation.

Of course, yesterday Senator Lincoln and Senator Chambliss unveiled the bipartisan Healthy Hunger Free Kids Act. We commend

their leadership on the child nutrition reauthorization and view the announcement as a very positive step forward in the process.

Still, we believe that additional access and nutrition goals can and should be accomplished by passing a more robust bill that fully supports the President's request of \$10 billion in additional funding.

As I discussed with this Subcommittee earlier this month, this proposed investment would significantly reduce the barriers that keep children from participating in school nutrition programs. It would improve the quality of school meals and the health of the school environment and enhance program performance.

Its impacts will extend well beyond nutrition and will be felt in health promotion, educational opportunities, and even in economic development.

USDA through CNPP currently serves as the lead Federal agency for the development of the 2010 *Dietary Guidelines* for all Americans that will be released later this year.

The President's request features an increase of \$9 million to promote the *Guidelines* as well as to maintain and enhance the extremely popular food guidance system, MyPyramid.gov.

Finally, we are keenly aware that good stewardship of the public resources with which we are entrusted is essential to maintaining the strong broadly based support the nutrition programs have so long enjoyed. Support for new technology and increasing use of direct certification will help schools avoid inaccuracies in ineligibility determinations and maintain the confidence that the taxpayer's investment in these programs is used widely.

In fiscal year 2008, the most recent period for which we have data, SNAP once again reduced its combined error rate and achieved a record payment accuracy rate of 94.99.

We are committed to continuing our partnership with the States to maintain that great progress we have made over the last decade and to make further improvements in payment accuracy.

In sum, I believe the President's request sets the right priorities to expand access to Federal nutrition assistance programs for the children and low-income people who need them while maintaining and improving program integrity in supporting our efforts to address the growing public health threat of obesity.

The work of this Agency is especially critical as the Nation emerges from extended difficult economic times. The public investment we are asking you to make today in the FNCS contributions to addressing the critical nutrition and health related issues will pay dividends for generations to come.

We appreciate the support provided by this Subcommittee in the past and look forward to working with you on this budget.

We thank you for this opportunity to be with you today and to discuss our mission. I and my colleagues would be happy to answer your questions. Thank you.

[The information follows:]

For Release only by the
House Committee on Appropriations

**UNITED STATES DEPARTMENT OF AGRICULTURE
Food, Nutrition, and Consumer Services**

**Statement of Kevin Concannon, Under Secretary
Food, Nutrition, and Consumer Services
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies**

Thank you, Madam Chairwoman, and members of the Subcommittee for allowing me this opportunity to present the President's fiscal year 2011 budget request for the Food and Nutrition Service (FNS) and the Center for Nutrition Policy and Promotion (CNPP).

With your permission I would like to begin by introducing the members of the Food, Nutrition, and Consumer Services (FNCS) team sharing the witness table with me today. Julie Paradis returned to USDA last May as Administrator of FNS. Ms. Paradis has a long history of service to the nutrition assistance programs and the vulnerable Americans they assist. She has previously served as Deputy Under Secretary of FNCS, as a Congressional professional staff member, and in advocacy positions directly involved with nutrition assistance issues. Also joining me today is Dr. Rajen Anand, Executive Director of CNPP. Dr. Anand has an extensive background in human nutrition and physiology, both in the academic community and in public policy. He served as CNPP Executive Director from 1997 to 2001.

The President's budget for fiscal year 2011 for FNCS requests a record \$96 billion in budget authority, reflecting the President's and the Secretary's commitment to combating food insecurity and poor nutrition among the Nation's children and low-income households. The

request also supports broader efforts, targeted at all Americans, to deliver understandable, actionable, science-based nutrition messages to assist all of us in making smart food and physical activity choices that promote health and well-being.

Ensuring Full Funding for Core Programs

The first challenge in meeting the nutrition assistance needs of the Nation is to make certain that funding is available in the major programs that serve all eligible persons seeking program services. The major nutrition assistance programs, especially the Supplemental Nutrition Assistance Program (SNAP) and the Child Nutrition Programs, are designed to respond rapidly to the changing needs of the populations they serve. The strength of these programs has been put to the test in the current economic crisis and they have risen to the challenge -- SNAP and Child Nutrition Programs have expanded to provide benefits for the millions of additional children and low-income families -- setting participation records on a monthly basis. SNAP provided benefits to 39 million individuals in December 2009, the most recently reported month, up by 41 percent over the past 24 months. Each school day 32 million children participate in the National School Lunch Program -- over 60 percent receiving meals free or at a reduced price. These are record levels on both counts. Similarly, WIC, which serves half of all babies in this country, is now serving over 9 million persons a month, a historic level, and we expect that level to continue to grow. USDA continues to provide unprecedented levels of commodities and administrative support to our partners in the food bank community as they respond to strong demand for their important services.

Our budget request for fiscal year 2011 will ensure the nutrition assistance programs continue to respond to the needs of the most vulnerable; by fully funding anticipated participation levels in all the major nutrition assistance programs; by providing indefinite authority for SNAP; and by doubling the WIC contingency reserve to \$250 million.

Expanding Program Access

If we are to meet the challenge before us to end childhood hunger by 2015, we cannot be satisfied to simply maintain these programs as they currently exist. We must work to improve access to services for those already eligible and in need. We must expand eligibility to individuals currently not covered by our programs but facing undeniable hardship, especially in these tough economic times. The President's fiscal year 2011 budget request reflects this pledge in its commitment to a \$10 billion increase over 10 years for Child Nutrition reauthorization and in the government-wide proposals addressing asset limits and the treatment of refundable tax credits in all means tested programs. Increasing the SNAP asset limit to \$10,000 for all households will allow access to benefits for an additional 230,000 participants in fiscal year 2011. At the same time, the exclusion of refundable tax credits from determining SNAP benefits will positively impact 7,000 participants.

Child Nutrition and WIC Reauthorization

The reauthorization of the Child Nutrition Programs presents us with an historic opportunity to combat child hunger and improve the health and nutrition of children across the Nation. As Secretary Vilsack noted recently, a robust reauthorization is essential to achieving

the aggressive goal of eliminating childhood hunger in America by 2015, and to meeting the ambitious target set by First Lady Michelle Obama in the *Let's Move!* campaign to solve the problem of childhood obesity in a generation. The President's budget request reflects an investment of \$10 billion in additional funding over ten years to improve our Child Nutrition Programs. As I discussed with this Subcommittee earlier this month, this proposed investment would significantly reduce the barriers that keep children from participating in school nutrition programs, improve the quality of school meals and the health of the school environment, and enhance program performance. This is a once in every five-year opportunity to modernize these programs along with the Summer Food Service Program (SFSP), the Child and Adult Care Food Program (CACFP), Special Milk Program, and WIC. Its impacts will extend beyond nutrition and be felt in health promotion, educational opportunity, and economic development. For these reasons, I'm appreciative of the opportunity to work with the Congress, including this Subcommittee, to pursue a robust reauthorization.

Promoting Healthful Diets and Active Lifestyles

Our programs are designed to not only provide access to healthy food, but also to build the skills and motivation to support and encourage a healthy lifestyle for all Americans. The Administration has focused unprecedented attention and action on the problem of childhood obesity through the First Lady's *Let's Move!* campaign. This effort will engage community leaders, teachers, doctors, nurses, and parents to tackle the challenge of childhood obesity – and solve it within a generation. As part of *Let's Move!*, we are calling on schools across the Nation to take action in support of this goal by entering the *HealthierUS* School Challenge – USDA's program to recognize schools that do an exceptional job promoting meal participation, meal

quality, nutrition education, and physical activity. We have set a goal to double the number of schools participating in the *HealthierUS* School Challenge in the next year and to reach 3,000 within the next three years.

More broadly, we recognize that our nutrition responsibilities extend to all Americans. With this in mind, CNPP's focus on the broader population, USDA, and FNCS in particular, play a central role in the integrated Federal response to the growing public health threat posed by overweight and obesity which affects well over half of adult Americans.

The public investment we are asking you to make today in FNCS' contributions to addressing the critical nutrition- and health-related issues will pay dividends for generations to come. This budget request provides approximately \$1.1 billion in resources tied specifically to improving the diets, nutrition knowledge and behavior, as well as helping to promote the importance of physical activity across all of the populations we serve.

The CNPP continues to have an integral role in the development and promotion of updated dietary guidance and nutrition education. The *Dietary Guidelines for Americans (Guidelines)*, published jointly every 5 years by the USDA and the U.S. Department of Human Services (DHHS), is the cornerstone of Federal nutrition policy, allowing the Federal Government to speak with one voice. USDA through CNPP currently serves as lead Federal agency for the development of the 2010 *Guidelines*, which will be released later this year. The President's request features an increase of \$9 million to promote the *Guidelines* as well as to

maintain and enhance the extremely well-received food guidance system, MyPyramid.gov, one of the most frequently visited of all Federal Web sites.

Fiscal Stewardship

Finally, we are keenly aware that good stewardship of the public resources with which we are entrusted is essential to maintaining the strong, broadly-based support the nutrition assistance programs have so long enjoyed. We will pursue improved performance and integrity in our programs at the same time that we seek to expand their reach. Support for new technology and increasing the use of direct certification will help schools avoid inaccuracies in eligibility determinations, and maintain the confidence that the taxpayer investment in these programs is used wisely. The President's request also includes \$8 million to initiate the next cycle of periodic studies to identify the sources and levels of erroneous payments in the meal programs – information needed to target and assess efforts at eliminating them.

In fiscal year 2008, the most recent period for which data is available, SNAP once again reduced its combined error rate and achieved a record payment accuracy rate of 94.99 percent. We are committed to continuing our partnership with the States to maintain the great progress we have made over the last decade, and to make further improvements in payment accuracy where possible. The President's budget request includes \$9.4 million for the modernization of the Federal benefit systems that support State electronic benefit delivery as well as the ALERT fraud detection system. These investments will improve the security and efficiency of benefit delivery systems and enhance FNS' ability to detect and pursue program fraud.

In the remainder of my remarks, I would like to highlight a few key components of our request.

Child Nutrition Programs

The budget requests \$19.2 billion for the Child Nutrition Programs, which provide millions of nutritious meals to children in schools and in child care settings every day. This level of funding supports our reauthorization proposals, as well as an expected increase in daily School Lunch Program participation from the current 32.1 million children to approximately 32.6 million children. This funding request also supports an increase in daily School Breakfast Program participation from the current 11.7 million to over 12 million children. FNS is also requesting \$2 million for the Farm to School Teams, whose goals are to facilitate linkages between schools and local food producers and support local and regional food systems.

WIC

The President's budget includes \$7.6 billion for the Special Supplemental Nutrition Program for Women, Infants and Children, or WIC. This year's request will allow local communities to provide food, nutrition education, and a link to health care to a monthly average of over 10 million low-income women, infants and children during fiscal year 2011. Additionally, this request supports a \$2 increase in the children's cash value voucher for fruits and vegetables. The proposed \$8 voucher brings the cash value voucher amount in line with the Institute of Medicine's recommendation and helps to increase children's intake of fruits and

vegetables. The request provides for an increase to the WIC contingency fund of \$125 million, bringing the total reserve to \$250 million. These resources can be used as needed if food costs or participation exceed current estimates. This increase in the contingency reserve is especially important in light of the uncertainty surrounding the future path of retail food prices – a primary driver of WIC costs.

Supplemental Nutrition Assistance Program (SNAP)

The President's budget requests \$68.7 billion for SNAP, enough to serve an average of 43.3 million people each month in fiscal year 2011. The request includes sufficient funds to support the impact on SNAP of government-wide proposals addressing asset limits and the treatment of refundable tax credits in means-tested programs. Increasing the SNAP asset limit to \$10,000 for all households will allow access to program benefits for an additional 230,000 participants. At the same time, excluding refundable tax credits from determining SNAP benefits will impact 7,000 participants. Also included in the budget request is a one-year extension of Recovery Act provisions eliminating limits on Able-Bodied Adults without Dependents (ABAWDs). Without this extension, approximately 14,000 participants will lose access to program benefits at the close of fiscal year 2010.

We also propose to increase the annual appropriated level of the SNAP benefit reserve to \$5 billion. This increase reflects the dramatic changes that have occurred in program participation levels since the reserve was first introduced and represents approximately one month's program issuance. As an alternative to the fixed reserve, the budget request offers the

option of indefinite funding authority. This proposal follows the leadership provided by the Congress in the fiscal year 2010 Department of Defense Appropriations Act that provided indefinite funding authority for SNAP in fiscal year 2010. Indefinite funding authority would apply only to the mandatory entitlement component of the program and would truly ensure the availability of benefits for eligible households should participation or food costs exceed current estimates.

In sum, I believe the President's request sets the right priorities to expand access to Federal nutrition assistance for the children and low-income people who need them, while maintaining and improving program integrity and supporting our efforts to address the growing public health threat of obesity. Thank you for this opportunity to appear before you today and discuss the FNCS mission. The work of this agency is especially critical as the Nation emerges from difficult economic times. We appreciate the support provided by this Subcommittee in the past and look forward to working with you as we embrace the future. I would be happy to answer any questions you may have.

Ms. DELAURO. Ms. Paradis.

Ms. PARADIS—OPENING STATEMENT

Ms. PARADIS. Thank you, Madam Chairwoman and members of the Subcommittee, for allowing me this opportunity to present testimony today in support of the President's fiscal year 2011 budget request for the Food and Nutrition Service.

FNS, as you know, is the Agency charged with administering the 15 nutrition assistance programs that serve as the Nation's nutrition safety net, and with providing Federal leadership in America's ongoing effort to reduce food insecurity and poor nutrition.

Our mission at FNS is to increase the Nation's food security and reduce hunger in partnership with cooperating organizations by providing children and low-income people access to food and nutrition education in a manner that supports American agriculture and inspires public confidence.

The President's fiscal year 2011 budget request contains almost \$96 billion in budget authority to fund the nutrition assistance programs.

This represents more than a threefold increase in funding since the beginning of the decade, and it reflects both the robust ability of the nutrition assistance programs to respond to changing economic and social conditions as well as the depth and breadth of need that currently exists within the Nation.

The nutrition assistance programs now touch the lives of more than one in four Americans over the course of a year.

The Under Secretary has spoken eloquently in his remarks about our major program initiatives. I will focus on a modest investment which I believe serves as an essential complement to the ambitious policy agenda reflected in our program requests.

We are requesting \$172.1 million in the Nutrition Programs Administration, or NPA, account, to sustain the program management and support activities of our dedicated employees across the Nation.

This account supports both FNS' administration of the nutrition assistance programs and the Center for Nutrition Policy and Promotion's nutrition policy development and promotion activities targeted at the general population.

I believe this NPA request is essential for our continuing efforts to expand program access, address food safety concerns, and improve overall program integrity and management.

While FNS has recently received some targeted staffing increases, for which we are very grateful, long term budgetary trends have forced the Agency to significantly reduce its Federal staffing over time.

At the same time, program funding, scope and complexity have grown dramatically. Agency staffing levels are now at a critical point. We must have the ability to acquire new staff if we are to successfully undertake important new initiatives and maintain the high levels of program integrity and fiscal stewardship essential to preserving public confidence in and support for the nutrition assistance programs.

I firmly believe this investment, less than one quarter of one percent of program funding, is critical in order to maintain account-

ability for our \$96 billion portfolio as we effectively manage the programs and provide access to all eligible people.

Thank you for the opportunity to present this testimony and I, too, would be happy to answer any questions you may have.

[The information follows:]

For Release only by the
House
Committee on Appropriations

Food and Nutrition Service

**Statement of Julia Paradis, Administrator
Food and Nutrition Service
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies**

Thank you, Madam Chairwoman, and members of the Subcommittee for allowing me this opportunity to present testimony in support of the President's fiscal year 2011 budget request for the Food and Nutrition Service (FNS).

FNS is the agency charged with administering the fifteen nutrition assistance programs that serve as the Nation's nutrition safety net, and with providing Federal leadership in America's ongoing effort to reduce food insecurity and poor nutrition. Our mission is to increase the Nation's food security and reduce hunger in partnership with cooperating organizations by providing children and low-income people access to food and nutrition education in a manner that supports American agriculture and inspires public confidence.

The President's fiscal year 2011 budget request contains almost \$96 billion in budget authority to fund the nutrition assistance programs. This represents more than a threefold increase in funding since the beginning of the decade and reflects both the robust ability of the nutrition assistance programs to respond to changing economic and social conditions as well as

the depth and breadth of need that currently exists within the Nation. The nutrition assistance programs now touch the lives of more than 1 in 4 Americans over the course of a year.

I would like to review some of the components of our request under each of the major program areas.

Child Nutrition Programs

We look forward this year to the reauthorization of the Child Nutrition Programs. This legislative action presents us with an historic opportunity to combat child hunger and improve the health and nutrition of children across the Nation. The President's budget request reflects an investment of \$10 billion in additional funding over ten years to improve our Child Nutrition Programs. As Secretary Vilsack stated in his recent speech at the National Press Club, investments proposed through reauthorization will significantly reduce the barriers that keep children from participating in school nutrition programs, improve the quality of school meals and the health of the school environment, and enhance program performance. A robust reauthorization is essential to achieving the aggressive goal of eliminating childhood hunger in America by 2015, and to meeting the ambitious target set by First Lady Michelle Obama in the *Let's Move!* campaign to solve the problem of childhood obesity in a generation. The impacts of our work will extend beyond nutrition and be felt in health promotion, educational opportunity, and economic development.

We also understand the underlying responsibility we have to make sure the food our children eat is both nutritious and safe. That is why we have begun a complete review of our programs and protocols to enhance the safety of all food that is served to our children, and why

we recently announced a series of reforms designed to ensure that the foods we procure are safe and of the highest quality. Parents expect as much and children deserve no less.

The budget requests \$19.2 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 provide 5.7 billion meals and support an increase in daily National School Lunch Program participation from the current 32.1 million children to approximately 32.6 million children. This request includes \$1 billion to support the enactment of a groundbreaking Child Nutrition reauthorization that will improve program access, establish high standards for the nutritional quality of food available in schools, explore new strategies for reducing hunger and improving children's food choices as well as improving program management.

The request includes \$8 million for program research to assess the effect of policies the Department is implementing to address erroneous payments in the National School Lunch and School Breakfast Programs. Our current error rate is too high and we are working hard with the Administration to reduce the error rate while satisfying the requirements of the Improper Payments Information Act of 2002 and supporting the goals of the President's recent Executive Order on Improper Payments.

Also included in the fiscal year 2011 request is \$8 million to provide current estimates of the cost of providing reimbursable school meals. This effort will not only update previous research on the cost of meal production, but will also expand upon that work to look at the relationship between meal cost and meal quality.

For the support of the USDA Farm to School Team, \$2 million is requested. The mission of the Team is to support local and regional food systems by facilitating linkages between schools and their local food producers. Comprising both FNS and Agricultural Marketing Services staff members, the Team will work with local and State authorities, school districts, farmers, and community partners to develop mechanisms to assist schools in accessing local markets; enable food producers to effectively service their local schools; and facilitate communication between interested stakeholders.

WIC

The President's budget includes \$7.6 billion for the Special Supplemental Nutrition Program for Women, Infants and Children, the WIC Program. The request will support food, nutrition education, and a link to health care for a monthly average of 10.1 million low-income women, infants and children during fiscal year 2011 – an increase of approximately 600,000 persons from anticipated fiscal year 2010 program levels.

Building on funding provided in the fiscal year 2010 Agriculture Appropriations Act, this request continues and expands investments in the quality of services participants receive through our State partners. The Institute of Medicine's (IOM) recommended levels for WIC fruit and vegetable vouchers are fully funded for both women and children. Support for breastfeeding is expanded with \$83 million for Breastfeeding Peer Counseling and a doubling of the Breastfeeding Performance Bonus program, initiated in 2010, to \$10 million. Among all the other benefits, the Surgeon General has stated that the practice of breastfeeding helps prevent

childhood obesity, so this program component is extremely important. Modernizing the State information technology infrastructure which supports the program is essential to improving service, enhancing program integrity and preparing the way for WIC electronic benefit transfer. The President's request provides \$60 million to continue this work. Also requested is \$5 million to support work with our State and Federal partners that will streamline application processes and improve cross-coordination with other State and Federal programs serving the WIC population.

The budget also requests an additional \$125 million for the WIC contingency reserve. In conjunction with existing resources, this will bring the total reserve to \$250 million. Increasing the reserve at this time reflects the Administration's commitment to ensuring the program can meet the needs of all who are eligible and wish to participate and acknowledges the inherent difficulty in anticipating key drivers of program costs – especially food inflation.

Supplemental Nutrition Assistance Program (SNAP)

Over the past year, SNAP participation has increased by more than 7 million persons. This program is responding, as designed, to increased need resulting from the economic downturn. For fiscal year 2010, program participation is projected to average 40.5 million persons per month, more than double the level of participation at the start of this decade. SNAP not only provides a safety net to protect children and low-income people from food insecurity and hunger, it also helps to support the food economy as a whole. Every time a family uses SNAP benefits to put healthy food on the table, it benefits the store and the employees where the purchase was made, the truck driver who delivered the food, the warehouses that stored it, the

plant that processed it, and the farmer who produced the food in the first place. Through these kinds of mechanisms, every new \$5 increase in SNAP benefits can yield up to \$9.20 in total economic activity.

The President's budget anticipates that this participation trend will continue into fiscal year 2011 with the program serving an average 43.3 million persons per month. To support this strong continuing demand for program benefits, the budget request includes \$68.7 billion for SNAP.

If we are to truly meet the challenges placed before us by the President, simply maintaining our existing programs is not sufficient. We must seek to expand eligibility to those households who needs are very real, but their circumstances lie just outside current program rules. The budget request includes sufficient funds to support the impact on SNAP of government-wide proposals addressing asset limits and the consistent treatment of refundable tax credits across all means-tested programs. Increasing the SNAP asset limit to \$10,000 for all households, will allow access to program benefits for an additional 230,000 participants. At the same time, the exclusion of refundable tax credits from determining SNAP eligibility and benefit levels will impact 7,000 participants. An extension of Recovery Act provisions eliminating participation time limits on Able-Bodied Adults without Dependents (ABAWDs) will protect the benefits of approximately 14,000 participants who will otherwise lose program eligibility at the close of fiscal year 2010.

The budget request includes \$31.9 million in additional funding to support a variety of new or expanded program activities. This amount includes \$9.4 million is included to enhance

benefit and retailer redemption and monitoring systems. The increase will enable the transition of the critical Account Management Agent, which supports the transaction of all SNAP benefits, from an antiquated mainframe environment to a modern infrastructure. This transition will improve the reliability and security of the system. Funds will also support the modernization of the ALERT fraud detection system. To expand access for SNAP participants to healthy, locally grown fruits and vegetables, \$4 million is requested to provide point of sale terminals to farmers' markets. The President's request includes \$6 million to expand the Healthy Incentives Pilot to test the effectiveness of financial incentives at point of sale for the purchase of healthy food by SNAP clients. Similarly, \$12.5 million is requested for community networks to encourage healthy eating through a community-wide approach incorporating multiple means of communication and influence.

As I have noted, SNAP participation levels have grown dramatically over the past decade. In recognition of this, the President's budget recommends modifications to the benefit reserve. An expansion of the annual reserve appropriation from \$3 billion to \$5 billion would restore the annual amount to its traditional level of approximately one month's issuance. Alternatively, the budget request offers the option of indefinite funding authority. Indefinite funding authority would apply only to the mandatory entitlement component of the program and would truly ensure the availability of benefits for eligible households should participation or food costs exceed current estimates.

Commodity Supplemental Food Program (CSFP)

The President's request proposes a \$5.4 million increase in funding for the CSFP. Bringing total CSFP funding to \$176.8 million, this increase will permit the program to maintain 2010 caseload assignments into the 2011 caseload year. While caseload is not projected to increase in fiscal year 2011, we anticipate that program participation will grow by 19,100 over 2010. In 2010, allocated program caseload saw an increase of approximately 132,000 slots, including those allocated to the seven new States joining the program under the provisions of the fiscal year 2010 Agriculture Appropriations Act.

Nutrition Programs Administration (NPA)

We are requesting \$172.1 million in this account 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 the Center for Nutrition Policy and Promotion's nutrition policy development and promotion activities targeted at the general population. Specific requests in this account include:

- \$9.0 million to support CNPP's work to promote the *2010 Dietary Guidelines for Americans* and continuing to develop and promote cutting edge, evidence-based dietary guidance tools and messages.

- \$5.2 million to increase FNS staffing with a focus on improving access to nutrition assistance, advancing public trust and enhancing the nutritional quality of the nutrition assistance programs.
- \$3.5 million to begin the modernization of agency financial management systems in concert with the government-wide Financial Management Modernization Initiative.
- \$2.0 million to continue agency efforts to modernize its information technology infrastructure in response to evolving cyber-threats and to technological advances that present opportunities to better serve our partners and program participants.
- \$3.0 million to fund the Hunger Fellows Programs.

I believe full funding of this NPA request is essential for our continuing efforts to expand program access, address food safety concerns, and improve overall program integrity and management. While FNS has recently received small, targeted staffing increases, long-term budgetary trends have forced the agency to significantly reduce its Federal staffing over time. At the same time, program funding, scope, and complexity have grown dramatically. Agency staffing levels are now at a critical point. We must have the ability to acquire new staff if we are to successfully achieve the Administration's goals, undertake important new initiatives, and maintain the high levels of program integrity and fiscal stewardship essential to preserving public confidence in and support for the nutrition assistance programs. I firmly believe this investment – less than one-quarter of one percent of program funding – is critical in order to

maintain accountability for our \$96 billion as we effectively manage the programs and provide access to all eligible people.

Thank you for the opportunity to present this testimony and we look forward to working with the Subcommittee as partners in satisfying the needs of this great Nation.

Ms. DELAURO. Dr. Post.

MR. POST—OPENING REMARKS

Mr. POST. Thank you, Madam Chairwoman and members of the Subcommittee for allowing me this opportunity to present testimony on behalf of the Executive Director in support of the President's fiscal year 2011 budget request for the Center for Nutrition Policy and Promotion.

The Center's mission is to improve the health of Americans by developing and promoting dietary guidance that meets the most of recent and evidence based scientific research to the nutrition needs of consumers.

The Center administers the process for setting the *Dietary Guidelines for Americans*, which it does in collaboration with the Department of Health and Human Services.

The *Guidelines* are the basis for Federal policy development in government nutrition programs. They provide advice for Americans ages two and older about eating healthy, building healthy eating patterns that promote health and prevent diet related diseases.

They also set standards for the nutrition assistance programs, and they guide nutrition research. They also serve as the foundation for Federal nutrition education programs, and they are the basis for USDA's nutrition promotion activities.

Therefore, it is critical that the *Guidelines* be both scientifically up to date and in touch with the realities of contemporary living.

In its leadership role for administering the *2010 Dietary Guidelines* process, USDA is using its new nutrition evidence library, which is a state-of-the-art web based system to support evidence based reviews for the most relevant research on key nutrition and health related topics.

The nutrition evidence library is being used by the Dietary Guidelines Advisory Committee as its members review the most scientific literature to make their recommendations.

Because of support of the library, the 2010 Committee is able to review the science to answer over 170 questions, about five times as many as before, increasing the thoroughness of the Committee's work.

By weighing the preponderance of evidence on a wider array of relationships between nutrition and health, USDA will be in a better position to recommend dietary guidance that positively affects behavior changes among Americans.

To implement the *Dietary Guidelines*, the Center created USDA's food guidance system known as "MyPyramid."

MyPyramid.gov has been extremely successful in reaching the public with scientifically based nutrition information. It has had over 12.5 billion hits, mostly from general consumers, students, educators and health professionals. Such a response makes it one of the most popular government Web sites.

The President's budget requests \$16 million for the Center, an increase of \$9 million from the previous year.

This budget would allow USDA to prepare for and complete the tasks associated with the implementation and promotion in 2011 of the *2010 Dietary Guidelines for Americans*, the research work of the nutrition evidence library, and the enhancements to the

MyPyramid food guidance systems, specifically updating the MyPyramid.gov Web site and educational tool kits.

The funding requested will help the Center to make a significant contribution to USDA's goal to help Americans in general and children in particular develop eating patterns that are more consistent with the *Dietary Guidelines for Americans*.

With the support of the Subcommittee, we will set the foundation for future development of nutrition policy that is vital to addressing the problems associated with overweight and obesity and the related health challenges in America.

Thank you for the opportunity to present this testimony, and I would be happy to answer any questions you may have.

[The information follows:]

For Release only by the
House
Committee on Appropriations

Center for Nutrition Policy and Promotion

**Statement of Rajen Anand, Executive Director
Center for Nutrition Policy and Promotion
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration and Related Agencies**

Thank you, Madam Chairwoman and members of the Subcommittee, for allowing me this opportunity to present testimony in support of the Administration's budget for fiscal year 2011. I am especially pleased to have the honor of explaining the work of the Center for Nutrition Policy and Promotion (The Center), one of two agencies in the Food, Nutrition, and Consumer Services mission area.

The Center was established to serve as a recognized authority for providing evidence-based scientific dietary guidance for the American public. With the Nation facing significant public health issues related to the quality of the American diet, particularly with regard to the need to reduce and prevent chronic disease risks, overweight, and obesity, I believe that the outcome-based efforts of the Center are pivotal to promoting more healthful eating behavior and lifestyles across the Nation. The Center's functions, as part of the Food, Nutrition and Consumer Services mission area, are driven by a core commitment to improve the health of Americans by developing and promoting dietary guidance that links the most recent and evidence-based scientific research to the nutrition needs of consumers. In doing so, the Center has a critical role

in how USDA meets its strategic objective to “promote healthy diet and physical activity behaviors.”

Improved Nutritional Well-Being and Healthful Lifestyles: Goal of Federal Nutrition Guidance and Education

Recent studies report that obesity is a major public health problem among U.S. adults and children. America’s dietary and physical activity status reveals disturbing trends. Since the mid-seventies, the prevalence of overweight and obesity has increased sharply for both adults and children. Today, 16.9 percent of U.S. children, aged 2 to 19 years, are obese and 31.7 percent are overweight. It is generally known that a combination of poor diet and sedentary lifestyle not only undermines quality of life and productivity, but also contributes to some of the preventable causes of death each year in the United States.

It is also generally known that overweight and obesity are contributing factors to problems associated with reduced quality of life. Evidence shows that not eating well and not being physically active have short- and long-term effects, including obesity, diabetes, certain types of cancer, and other diet-related chronic diseases. These diseases can have a devastating effect on productivity, lifestyle, healthcare, and lifespan. This generation, it is believed, is potentially at risk of having a shorter life span than will their parents if we do nothing about preventing chronic diseases in children.

Childhood overweight is associated with various health-related consequences. Overweight children and adolescents may experience immediate health consequences and may

be at risk for weight-related health problems in adulthood. Overweight children and teens have been found to have risk factors for cardiovascular disease, including high cholesterol levels, high blood pressure, and abnormal glucose tolerance. With estimates indicating that obesity-related medical expenditures in the United States have reached \$147 billion, the health of Americans is a serious and growing concern that must be addressed.

The lack of physical activity has been associated with a number of conditions, including diabetes, overweight and obesity, cardiovascular disease, and certain types of cancer. Supporting evidence indicates that less than one-third (31 percent) of adults are regularly physically active. By age 15, less than one third (31 percent) of children meet physical activity recommendations during weekdays. USDA's development and implementation of Federal nutrition guidance—including the *Dietary Guidelines for Americans* and the MyPyramid Food Guidance System that recommend at least 30 minutes of physical activity most days for the general population—are critical in helping to stem, and eventually reverse, some of these disturbing trends. It is important for children and teens, especially, to adopt a healthier eating behavior that is balanced with physical activity for about 60 minutes a day for overall health and fitness that will last their lifetime.

Administering the 2010 *Dietary Guidelines for Americans*

In January 2005, the USDA and Department of Health and Human Services (DHHS), with the collaboration of the Center, released the sixth edition of the *Dietary Guidelines for Americans*, a science-based blueprint for promoting good nutrition and health. The *Guidelines* are the basis for Federal policy development in government nutrition programs and serve as the

basis for dietary guidance and messages in nutrition education. The *Guidelines* provide advice for Americans, aged two years and older, about food choices that promote health and prevent disease, set standards for the nutrition assistance programs, guide nutrition research and education, and are the basis for USDA's nutrition promotion activities. To promote the messages of the *Guidelines*, the Center uses on-line interactive tools, as well as a variety of print materials, to reach the general public and targeted audiences.

All nutrition assistance programs, a multiplicity of nutrition education and promotion programs government-wide, as well as private sector nutrition education and promotion use the *Guidelines* as their focal point. This includes the education programs focused on promoting healthier eating behavior for the general population that the Center administers, as well as those administered by its sister agency, the Food and Nutrition Service, that focuses on serving children and low-income populations, its primary target audiences. Therefore, it is critical that the *Guidelines* be both scientifically up-to-date and in touch with the realities of contemporary living. Congress has mandated, in Public Law 101-445, that USDA and DHHS review the *Guidelines* at least every five years. Both Departments alternate administrative leadership of this review.

The Center has assumed the leadership role for USDA in administering the development of the 2010 *Dietary Guidelines*. To lead the interagency coordination, USDA is using strategies that include creating and implementing a new evidence-based system that is being used by the Dietary Guidelines Advisory Committee (Advisory Committee) as its members review the most recent scientific literature. Historically, this Advisory Committee has developed dietary

recommendations by using a critical-review process to examine the literature that formed the basis of the science-based dietary recommendations. The 2005 Advisory Committee used a modified “evidence-based review” approach that increased the rigor and transparency of the literature examination. However, it was not as rigorous as a system supported by a network of literature abstractors and an electronic framework, which is a more rigorous and transparent approach that is known as an “evidence-based review” system.

Over the past few decades, evidence-based systematic reviews have replaced expert opinion as the predominant basis for health-related treatment guidelines and policy. In 2008, in response to this evolution, USDA, through the Center’s efforts, established the Nutrition Evidence Library to specialize in conducting systematic evidence-based reviews to inform nutrition policy and programs. Use of the Nutrition Evidence Library ensures compliance with the Consolidated Appropriations Act of 2001 or *Data Quality Act*, which mandates that Federal agencies ensure the quality, objectivity, utility, and integrity of the information used to form Federal guidance.

Therefore, for the 2010 Advisory Committee, the Center is using an electronic Nutrition Evidence Library to ensure that Federal nutrition guidance is based on the preponderance of the scientific literature. During the development of the recommendations for the 2005 *Dietary Guidelines for Americans*, the Advisory Committee reviewed the science to answer 35 major questions about the weight of the evidence in areas, such as the effects of carbohydrates on diet and health, and the effects of saturated fats on obesity. During the current deliberations, because of the support of the Nutrition Evidence Library, the 2010 Advisory Committee is reviewing the

science to answer over 170 questions, about 5 times as many as before. The dependence on evidence-based reviews has improved the degree of thoroughness of the Advisory Committee's work.

The use of the Nutrition Evidence Library will strengthen policymakers', opinion leaders', and the general public's confidence in the dietary guidance developed by the Federal Government. Moreover, by weighing the preponderance of evidence on a wider array of relationships between nutrition and health, USDA will be in a better position to recommend dietary guidance that positively affects behavioral changes among Americans in the general population and subpopulations.

MyPyramid Encourages Healthful Eating Habits and Lifestyles

The Center's interactive Web site—MyPyramid.gov—is devoted to promoting dietary guidance and educational materials that can help Americans improve their diet and become more physically active. When the Department released MyPyramid, the focus was on its ability to help Americans personalize their approach to choosing a healthier lifestyle that balances nutrition and exercise, as well as its ability to help Americans improve their overall health significantly by making modest improvements to their diet and by incorporating regular physical activity into their daily lives. MyPyramid, the educational tool that translates the recommendations of the *Dietary Guidelines for Americans*, continues to be a significant means of helping Americans take "Steps to a Healthier You."

MyPyramid.gov has been extremely successful in reaching the public with scientifically based nutrition information. The public's use of MyPyramid tools has exceeded expectations and continues to increase. Visitors to MyPyramid.gov use a number of interactive, personalized tools including: MyPyramid Tracker, MyPyramid Plan, Inside MyPyramid, MyPyramid for Kids, MiPirámide (the Spanish-language version), MyPyramid for Pregnant and Breastfeeding Women, the MyPyramid Menu Planner, and the recently added My-Food-a-Pedia. As a result, MyPyramid.gov has had over 12.5 billion hits, mostly from general consumers, students, educators, and health professionals. Such a response makes it one of the most popular government Web sites. Nationwide survey results show that MyPyramid.gov has both the highest overall customer satisfaction score, as well as the highest rating for government transparency. That being said, it is a priority for USDA to improve the accessibility of the information that is provided through MyPyramid.gov to make sure that the messages we are sending the public are ones that are simple and easy for them to adapt into making changes in their families' diets.

Being responsive to addressing the nutrition education needs of Americans and ensuring that the MyPyramid Food Guidance System provides up-to-date information based on the *Dietary Guidelines for Americans* require continual enhancements. The Center must, therefore, plan for changes to MyPyramid.gov and the educational information posted there. The Center is planning for the necessary changes resulting from the recommendations by the 2010 Advisory Committee and the policy document produced by the USDA and DHHS. The Center must also prepare a comprehensive campaign to communicate nutrition messages to different segments of the U.S. population. In addition, the Center must remain prepared to support the Department's initiatives, such as The People's Garden and Know Your Farmer, Know Your Food.

The President's budget requests \$16 million for the Center, an increase of \$9 million from the previous year. This budget would allow USDA to prepare for and complete the tasks associated with the research work of the Nutrition Evidence Library, the implementation of the 2010 *Dietary Guidelines for Americans*, and the enhancements to the MyPyramid Food Guidance System, specifically updating the MyPyramid.gov Web site and educational toolkits.

In 2011, the focus on dietary guidance will transition to a robust operation for communicating messages to the public and delivery of effective nutrition education to various population groups, especially schoolchildren. The Center will be at the focal point of the research on the consumer- and health professional-tested, understandable and actionable nutrition guidance messages used by all of its Federal partners. To employ these messages, the Center is building cutting-edge systems designed to foster behavioral changes toward positive dietary practices and active lifestyles, as well as increase the distribution of materials, to help reduce the obesity epidemic, reduce incidences of diet-related chronic diseases, through prevention-focused interventions, and improve the overall health of Americans. In addition, the Center will implement systematic evidence-based reviews of research on obesity and nutrition education interventions to determine the most effective communication strategies, the most effective classroom and community-based instructional designs, and the best methods of measuring the success of such interventions in terms of knowledge attainment as well as behavioral changes. Specifically, these funds will allow the Center to (1) continue implementing the scientific evidence-based approach to nutrition guidance, (2) promote the 2010 *Dietary Guidelines for Americans* to ensure that nutrition education has the greatest impact on diet

quality, (3) perform evidence-based systematic review of nutrition education research to guide effective nutrition education interventions in schools and communities, and (4) build and maintain educational tools and systems that Americans can use to adopt behavior that leads to more healthful eating and active lifestyles.

The funding requested will help the Center to make a significant contribution to USDA's goal to help Americans in general and children in particular develop eating patterns that are more consistent with the *Dietary Guidelines for Americans*. The Center will use foundational work in research, policy development, and promotion to build cutting-edge systems that will result in positive consumer behavior that can help reduce the obesity epidemic, reduce incidences of diet-related chronic diseases, and improve the overall health of Americans.

With the support of the Committee, we look forward to continuing to work toward improving the health of Americans by developing and promoting dietary guidance that links the best scientific research to the nutrition needs of all consumers. With this support, we will build and better promote personalized and individualized nutrition guidance tools—such as those at MyPyramid.gov as well as new, simpler tools that we expect to develop—that reach millions of Americans. Your support will help set the foundation for future development of nutrition policy that is vital to addressing the growing problems associated with overweight and obesity and the related health challenges in America.

I am very grateful to the Subcommittee for the opportunity to present this written testimony.

CNP—REAUTHORIZATION

Ms. DELAURO. Thank you very much, Dr. Post. Let me just also welcome Dr. Steele. Thank you very much. It is great to see you.

Also, a personal privilege for me to recognize, Mr. Secretary, Audrey Rowe, who I had the great pleasure of working with in the State of Connecticut when she was the Health Commissioner and did an outstanding job there, and will do an outstanding job, I know, with the Department in terms of the special nutrition programs. I am really delighted to be working with all of you. Thank you.

We have three votes. There will be one 15 minute vote and two five minute votes. We will start with the questioning and members will go and vote and come back and we will try to make it as seamless as possible in terms of the testimony.

Let me just start because you referenced, Secretary Concannon, the work that the Senate did this week. I have a question about that. The bill does appear to have some good proposals. I am pleased about that.

I am concerned about the funding level. I am also concerned—I am not talking about not paying for it. I am talking about where the offsets are, which I think is critical.

I do not know that it will be adequate to meet the critical goals of the bill, that is increasing access and improving nutrition quality.

What would not get achieved in your view if we are looking at what half of the request is? Is there any sense of approximately how many eligible children in need would not get access to a free or reduced price lunch under this level of funding?

Mr. CONCANNON. Madam Chair, as I mentioned in my testimony, we think it is a terrific start. Many aspects of the bill by which we are very encouraged, but we believe the \$10 billion that the President asked for, an additional \$1 billion for each year over a ten year period, is truly and fully necessary.

We are very committed to work with Congress to try to find those offsets that you referenced. We believe it is fully necessary because we know to improve, as I mentioned when I was here several weeks ago, to improve the quality of school meals is going to require additional resources.

We know this in our own private experience that when we go to the store to buy better foods, they are often more expensive. That is true as well in the institutional settings when schools are approving the foods available in their cafeterias.

Also, we have proposed a number of initiatives within the child nutrition reauthorization that are designed, for example, to help simplify the programs. I know I was questioned when I was here earlier about administrative challenges, about simplification for parents as well as administrations.

We want to make the investments that will produce those kinds of changes that we want, and I have a very keen sense that Congress wants as well. We want to help schools. We know a number of schools have challenges around their equipment.

We know in this economy, we fully expect that more children are going to rely upon or need a free or reduced price lunch as well as in some of our other programs.

To settle for less, I think, would deny this one opportunity in every five years that we have to make the most significant impact on reducing hunger and dealing with child nutrition challenges.

CNP—INDIRECT COSTS CHARGED TO SCHOOL FOOD AUTHORITIES

Ms. DELAURO. We are going to work with you in trying to find the additional funding for that and where it can come from.

Let me just ask a follow up. I am going to try to keep myself to the five minutes and everybody else.

More and more school food authorities are charged with indirect costs that are not related to the operation of their programs. We have heard about school food authorities in North Carolina who after it was successful in getting an equipment assistance grant, qualified for an energy rebate.

The rebate, which should have gone back to the school food program, was taken by the school to cover other expenses.

We appropriate money for very specific purposes here, and we expect it will be used for the purposes for which it was appropriated.

Are there any actions that we can take to stop this, what I view is unfair, I think it is improper, and I do not know, but it is arguably illegal, taking school food service funds and applying them elsewhere in the school system.

Mr. CONCANNON. Indirect costs is one of the areas, Madam Chairwoman, as you correctly note, are an area of concern. We would be happy to work with the Committee and your staff on that issue.

We know there are some school systems in the country that charge no indirect costs and other examples like you cite where it would seem from a reasonable point of view, these are costs that get charged to the feeding program.

We know schools are struggling, as has been noted earlier today, States and schools generally in terms of their revenues. We do not want the school nutrition programs to become the source of offsetting some of the other fiscal challenges schools have.

We would be happy to work with the Committee.

SNAP—TIMELINESS OF THE APPLICATION PROCESS

Ms. DELAURO. Thank you. I have a question about SNAP and the State timeliness rates. Lots of articles about the application process for States enrolling applicants in the program. In several States there are lawsuits.

This Committee has provided \$700 million in 100 percent administrative funds to help states cope with the increased workloads they are experiencing.

What is the situation in the States in regard to timeliness rates? How many States are missing the Federally mandated application processing time lines? Is it improving? Is it getting worse? How many States have corrective actions in place?

I might just note that States are mandated to process food stamp applications within 30 days and for emergency benefits, within seven days.

If I can ask you to answer those questions.

Mr. CONCANNON. Madam Chair, timeliness is one of the areas that in a very particular way we are watching, especially again in this economic environment, but I think it is fair to say that right across the country, 39 million people in the month of December receiving SNAP benefits across the country. There is not a State in the country that has not had a significant increase in enrollment of SNAP, again reflecting what is going on in the economy.

Some of the issues of timeliness is a function of the increased surge of applicants. I might say there are some other examples, there are several examples of fairly large States that come to mind that are severely behind in terms of meeting their timeliness that reflect failed privatization efforts or just inattention, I would say, at the State level.

Ms. DELAURO. What are you doing about this?

Mr. CONCANNON. Texas is one State that comes to mind. We are regularly visiting with Texas. I have been down there several times. We speak to them regularly. We speak to the media regularly in Texas.

We have made recommendations to Texas on ways to address that. Timeliness really is a reflection of an erosion in their program over a five or six year period. It did not happen in the last year.

Among other things, we have made some direct recommendations of ways of simplifying their process. We have urged States, to the larger question the Chair asked, we have urged States to avail themselves of waivers, for example. We are prepared to give waivers to allow States to extend the period of certification.

In Texas' case, I can tell you we have urged them to get rid of finger imaging.

Ms. DELAURO. I will ask a question on that later.

Mr. CONCANNON. It is complicated and adds to the complexity of the process. We have urged them to fix their telephone systems. As an example, we gave Texas waivers to waive a face to face interview so they could do telephone interviews, only to find that in the large cities, Dallas, Ft. Worth, some other places, the phone systems were grossly inadequate, so people could not call out or call in.

Mr. DELAURO. They were supposed to get a report back to you. It was 60 days from a September 2009 dictate. Have they provided that report yet?

Mr. CONCANNON. They have been giving us reports on a regular basis, and they are coming to the Secretary, and Texas is coming to see me in D.C. within the next month.

I also know they are keeping our Dallas Office, our Federal regional office, regularly updated.

We have also urged them, as we have other States, urged them to take advantage of a business process re-engineering. By that I mean most State agencies, and as you may know, I spent my career as a State director, most States manage programs like this through what they refer to as a "caseload orientation." How large are the caseloads, how are we managing caseloads.

Yet we are finding in this environment States are doing much better by managing the process by introducing, for example, imaging documents that come in rather than paper imaging.

We are urging them to simplify the eligibility. We are urging them to take advantage of something called "categorical eligibility," an authority that has been granted to us by Congress. Some 29 States have now availed themselves of categorical eligibility.

In Texas' case, they have taken some of those options but they have not taken them all. We continue to work with them in that regard.

There is new leadership in the State as well on the executive side. I am convinced that the current Commissioner is honestly and fully committed to improving their performance.

Ms. DELAURO. Thank you. I think what we will do, Mr. Kingston, so that you get a full opportunity for your questions, is just to break, go vote and come back, and then you will be up next.

Mr. CONCANNON. I did not fully answer your question. I should mention that we have some 21 States on conditional acceptance plans where they are required to work out a plan with them saying you have to address the following items. States that fall below 90 percent in their timeliness are required by us to move to a plan of action to make improvements.

Ms. DELAURO. Which according to a list that I have is a substantial number of States. Just to think about this because I have to get to vote as my colleagues do, if we can work together on this. You let us know how we can assist in this process of making sure that we are adhering to what the mandate is.

We are providing funding in order to be able to do this. We have not been just dealing with unfunded mandates in this regard.

Mr. CONCANNON. I appreciate that. I have heard that in all the States I visited. They have appreciated especially, I think, the Department of Defense administrative funds that Congress made available to them because the States, as you know, either through layoffs, freezes in hiring or furlough days, have a very compromised ability to meet some of their obligations in that regard, and the funds that Congress provided have made a difference at the State level.

Ms. DELAURO. Okay.

[Recess.]

SNAP—FINGER IMAGING IN THE APPLICATION PROCESS

Ms. DELAURO. As soon as Mr. Kingston arrives, he will question, but let's start up again so the hearing is underway.

There are four States that require applicants for the supplemental nutrition assistance program to be fingerprinted prior to their receiving food stamp benefits, Arizona, California, New York and Texas.

You spoke about Texas. My understanding as well with the Texas example is it costs the State a significant amount of money but yielded no savings.

Fingerprinting is one reason that has been given for low participation rates in some of the other States.

What is the impact on participation in the States that require fingerprinting and what is FNS' view on that requirement?

Mr. CONCANNON. Madam Chair, let me start with the last question, the easiest one for me. I have made it clear in public statements that we would not support additional States were they to

come forward and ask to incorporate fingerprinting or “finger imaging” as it is technically called.

Only three States plus the City of New York require finger imaging. We remain concerned about the practice. It takes time. It is an imposition on families. The States that require it require all adults in the household, even if they are not applying for benefits in the program, to come in and be finger imaged.

The example I often use is if you had a young adult living in your house and you had a child who was 12 who was on the program, the young adult not, you tell that young adult you have to give up your afternoon working at the Safeway or working someplace else to come into a city office.

As an example, the State of Florida declined to go forward with implementing the program because they felt it was ineffective.

The auditor in the State of California examined it two years ago and found it to be lacking in effectiveness, and I know the California Assembly wanted to eliminate the program but the Governor in what is the equivalent of a line item veto struck that from a bill.

Just as recently as today, a news release came out from the State of Connecticut where apparently Connecticut is requiring people, not in the food stamp program, but in the TANF and general assistance programs, to be finger imaged.

I think that is an unfortunate direction for States to go because the alleged reasons for relying upon it are to prevent fraudulent double entries or dual applications.

I think there are less intrusive ways and equally more effective ways to eliminate dual enrollment or fraud than to put people through finger imaging.

I was a collections commissioner earlier in my life. I am very familiar with the practice of requiring finger imaging. I tend to associate it with suspicion of criminal behaviors.

I would hate to see a reversion to that in any program, subjecting poor people to it.

Ms. DELAURO. How about we try it on Wall Street? Sorry. Excuse me. That was an aside. [Laughter.]

Ms. DELAURO. I will be happy to now yield to my colleague, Mr. Kingston. Thank you very much, Mr. Secretary.

CNP—REAUTHORIZATION OFFSETS

Mr. KINGSTON. Thank you, Madam Chair. I was looking for you but I figured you were behind me.

I wanted to ask Dr. Steele on these offsets, I am interested in them. Where are they coming from?

Mr. STEELE. Mr. Kingston, thank you for the question. That is a very complicated issue, obviously. This \$10 billion increase in the President’s budget was also in last year’s budget as well, it is a carry over item.

The Administration has the luxury of setting its own baseline and its own proposal and within that proposal, its offset.

As you well know, the budget of the United States is a fairly big budget. It is over \$4 trillion of which about 70 percent of it is mandatory funding.

Mr. KINGSTON. About 37 percent of it is deficit spending, too.

Mr. STEELE. Yes. All of the child nutrition money is mandatory money. You would have to have a mandatory offset for the Child Nutrition Programs.

Within USDA, obviously, we have a large component of mandatory programs, roughly 80 percent of our budget is mandatory, which includes the food programs, child nutrition, SNAP. It also includes all the Commodity Credit Corporation, which are the farm programs, as well as crop insurance.

That is the universe of programs in which you would have to look to if you were looking for a specific offset within the USDA.

It gets more complicated than that because the jurisdiction for child nutrition is not within the Ag Committee of the House of Representatives. It is in the House Ed and Labor Committee, which has no jurisdiction over the farm programs.

You are going to have to work this out, whatever offsets would have to come from whatever House Ed and Labor would have with in its purview. I would assume those were HHS programs.

Mr. KINGSTON. Would that not be the job of Congress but the job of the Executive Branch, particularly since this is President Obama's legislation? He has embraced PAYGO, and I am glad he has.

Mr. STEELE. The Administration, the Under Secretary and others have already said they would be willing to work with the Committee and we are working with the Senate.

Mr. KINGSTON. As you know, we have a friendship and a lot of respect for you, but the Executive Branch, it is not willing to work with us, they need to comply with the job.

The Executive Branch is not—we are willing to work with you and this is going to be a stretch, hey, we passed a law and it is not keeping with the spirit of the law, it is keeping with the law and the intent of the law. I am not lecturing you. I am just maybe speaking out loud with my own frustrations.

Mr. STEELE. If we proposed offsets within USDA, House Ed and Labor would have to somehow work with the Ag Committee to work that out because they do not have jurisdiction over the offsets.

Mr. KINGSTON. What if in the back room of the Administration somebody says gee whiz, Mr. President, we are glad you want to increase this spending, it is a great idea, however, we have a problem. We have to comply with the law, the law which you just signed and made a big deal about, therefore, while we ask for this increase, hand and glove, we are going to also say here is the proposal and Ed and Labor to pay for it because we do not want somebody to accuse us of phoney-baloney here.

Mr. STEELE. Again, there was not a specific offset associated with the proposal. They have not submitted legislation at this point with an offset.

There is a bill in the Senate which has been drafted in the Senate and they have offsets for that.

I do not know if we are submitting a bill. I do not think we are at this point.

Mr. KINGSTON. An appropriations bill is a bill.

Mr. STEELE. Yes, but you are not submitting a mandatory proposal in an appropriations bill.

Mr. KINGSTON. I think the American taxpayers really would not care where the money came from, so to speak. Actually, they would care where it comes from but they do also want to know that it is coming.

If 80 percent of the USDA budget is mandatory spending, it would appear that money should come out of that and maybe somehow down the road make it right with the Ed and Labor accountants.

Mr. STEELE. We would have to get Chairman Peterson to agree with that reduction.

Mr. KINGSTON. If this committee passes the appropriation request as is, at what point does this meet PAYGO?

Mr. STEELE. We are not requesting the \$10 billion in an appropriation context. It is in our total budget but we are not asking this committee to pass a child nutrition reauthorization bill with a \$10 billion price tag. We have not requested this committee to take that action.

Mr. KINGSTON. The additional money that we are talking about today would not be this year's budget?

Mr. STEELE. Not necessarily. It would not necessarily be in this appropriations bill.

Mr. KINGSTON. I guess this is what people back home just cannot understand.

Mr. STEELE. It is like the Farm Bill. The money is in there, it is authorized, it is mandatory funding, and you spend the money authorized through the authorizing bill rather than the appropriations bill.

Mr. KINGSTON. Yes, but it is that two step that somehow the PAYGO always gets postponed for another day.

Mr. STEELE. I assume Congress has rules on the PAYGO. To bring the bill to the Floor, they would have to have an offset for it in the House.

Mr. KINGSTON. What has happened routinely, you know, is we have waived PAYGO. I give the President credit for PAYGO. I am glad he brought it up. We Republicans ignored it. It was the wrong thing to do.

As I showed with my charts earlier today, this is everybody's problem. If we want to help children, we have to make sure we have a sound fiscal policy.

This is not finger pointing at all. I have a lot to learn from you on budget matters. Again, I am not lecturing you or picking on you at all.

It just does seem to me PAYGO but not on this bill, freeze, but not in this group of spending, expenditures and everything else.

I know I am out of time.

Ms. DELAURO. Mr. Farr.

SECOND HARVEST

Mr. FARR. Thank you very much, Madam Chair. I am always interested in this hearing. It is a very interesting one to try to figure out how we can get a better bang for the buck.

I have some questions for Ms. Paradis. First of all, thank you for your public service and your service when you worked here in Congress.

As I understand from your resume, you also worked with Second Harvest.

Ms. PARADIS. I did.

Mr. FARR. As I recall, Second Harvest receives funding from USDA through the TANF program—I mean TEFAP, The Emergency Food Assistance Program?

Ms. PARADIS. The food banks that are part of America's Second Harvest, now called Feeding America, many of them, if not most of them, do receive some funding through TEFAP, just as they receive the TEFAP commodities. Yes, that is correct.

Mr. FARR. The purpose of that program is to feed hungry adults; right?

Ms. PARADIS. It is to feed hungry people.

Mr. FARR. Who are low-income?

Ms. PARADIS. That is correct.

Mr. FARR. Often times, they do not really do any checking as to whether you are low-income or high-income when you come through the food line, they give you the food packages. I have packaged a lot of foods and they use a lot of volunteers.

Ms. PARADIS. They do use a lot of volunteers, as I understand it, over a million volunteers a year participate with America's Second Harvest food banks. It is a legal requirement that if TEFAP commodities are being distributed, they must be going to low-income households.

My understanding is that what typically happens is families are asked for their income level, they fill out a particular form, and then the food bank or the food pantry or the shelter certifies them as low-income, and then they are eligible to get TEFAP commodities.

If they do not get TEFAP commodities, if they get privately donated commodities, then it is up to the distributing agency to determine whether those households would get that food or not.

If it is Federally provided commodities, those are to go only to low-income households.

Mr. FARR. I would be interested in the percentage of Second Harvest food they put out that is commodity related. I have never seen that kind of check off system.

I am trying to make a point. In this, it is essentially based on census data of where these low-income communities are and where the unemployment levels are high. There are figures that one uses. It does not necessarily have to go to the individual.

Ms. PARADIS. That may be true in terms of generally where these food banks are located or where the pantries are located for the percentage of TEFAP commodities that are going to any particular State or locale, but when it comes to the actual point of providing that food benefit to a family, if it is a Federally provided commodity, that family is supposed to be low-income.

We are happy to sort of see if we can get some additional information to clarify how that works at the local level.

[The information follows:]

Food banks and other emergency feeding organizations may be distributing food from a variety of sources, including food donated through USDA's Emergency Food Assistance Program. State agencies administering TEFAP are required to set statewide criteria for determining the eligibility of households to receive TEFAP food for home consumption. TEFAP regulations require that these criteria: (1) ensure that

only households which are in need of food assistance because of inadequate household income receive TEFAP food and (2) include income-based standards and the methods by which households may demonstrate eligibility under such standards. TEFAP regulations require that each TEFAP distribution site maintain records to demonstrate the basis for determining that a household is eligible to receive food for home consumption. Any organization such as a food bank or food pantry distributing TEFAP food for home consumption must follow these requirements as well as any additional requirements imposed by the State with regard to income guidelines and documentation of eligibility.

However, TEFAP income standards apply only to distribution of TEFAP food for home consumption. Many food banks also distribute food that is donated to them from nongovernment entities or is purchased by the food bank. The Federal Government does not regulate these distributions or require any sort of means test.

CNP—PROGRAM APPLICATIONS

Mr. FARR. Were you here last week when I was talking about the Child Nutrition Programs?

Ms. PARADIS. I am sorry. I was not.

Mr. FARR. I had copies and I do not have them today of the applications for those programs. Are you aware of the application for the National School Lunch Program?

Ms. PARADIS. I am.

Mr. FARR. Are you aware of the application for the School Breakfast Program?

Ms. PARADIS. I am.

Mr. FARR. Are you aware of the application for the Special Milk Program?

Ms. PARADIS. I am not sure I am aware of that.

Mr. FARR. How about the child and adult care feeding program?

Ms. PARADIS. Yes.

Mr. FARR. The Summer Food Service Program?

Ms. PARADIS. Yes.

Mr. FARR. Why cannot all those be one application?

Ms. PARADIS. In many instances, they are one application.

Mr. FARR. Why can they not be electronic?

Ms. PARADIS. In some places, I think we are moving in that direction, and that will be wonderful, when we can make them electronic.

I think the interesting thing is we see these as different programs at this level, but for example, when a family enrolls their children in school and sign up for school meals, that also means they are eligible for school lunch and school breakfast and an after school at risk program, so it is seamless to the household. They see it as seamless.

Of course, with SNAP direct certification, if the household is participating in SNAP, then they do not even need to apply separately for programs in the school meals.

To the household itself, it appears seamless.

Mr. FARR. The mission of the Agency is to—it says “Federal agency responsible for managing domestic nutrition assistance programs. Its mission is to increase food security and reduce hunger in partnership with cooperating organizations by providing children and low-income people access to food, a healthy diet and nutrition education in a manner that supports American agriculture and inspires public confidence.”

There are eight programs within the Agency and within the programs, as I just indicated, under the Child Nutrition Programs, there are five of those.

It is very bureaucratic dominated. It seems to me where we need to go now is to—the problem is it is sort of a conflict with Kingston, and I do think we want money wisely spent, but you opened your remarks about wanting to hire a lot more people. I am wanting to feed a lot more people.

I am not sure hiring people in Washington is going to feed a lot more kids or adults, and I think we can find savings within the Department and the Administration by essentially collaborating. It takes leadership to do this. You have to break some rice bowls in this case.

I think programs ought to be consolidated into a community feeding program and a school feeding program, and they all be under one, and we look at ways—I hate the concept of block granting, but we do a lot of funding of Federal programs that way, that is transportation funding, and it has to stay in the transportation field and cannot be spent on anything else. We restrict it but we give that money in big clumps for those services.

This is where I think the Department needs to go because we are not going to keep having more and more money to hire more people and not get kids fed.

Ms. PARADIS. I could not agree with you more.

Mr. FARR. We will look for great recommendations coming out of you for how we are going to change this bureaucracy.

Ms. PARADIS. We will certainly give it some more thought and we would love to talk to you some more about that, Congressman, because we could not agree with you more. I honestly do mean that.

We have a one page application, for example, front and back, that is the application for all of the programs that are provided through schools.

For our programs that are provided in community settings, we have a similar sort of thing.

It does appear here in Washington as though it is very bureaucratic, but as it actually works at the local level, it is really quite seamless, but we are constantly looking for ways to make this work better for all of the people who need it.

Mr. FARR. I am out of time. My local providers at the school level tell me 60 percent of the costs of the programs is administration. That is unacceptable.

Ms. DELAURO. Ms. Emerson.

Ms. EMERSON. Thank you, Madam Chair. Let me say to you all that I really am so very impressed with the caliber and commitment and dedication of the workers of the Food and Nutrition Service, Secretary Concannon, and just so you know, Julie does a great job and the whole team does. We are very, very proud of them. Let me say that first.

Mr. CONCANNON. Thank you.

SNAP—MISSOURI PAYMENT ERROR

Ms. EMERSON. My question goes to you, Secretary Concannon. Unfortunately, Missouri happens to be one of those States that was

the beneficiary of grants for high performance, high participation rates in food stamps. This was due to a computer error.

When somebody else got put on or somebody was due to go off food stamps or made enough income to be able to go off, they were not removed from the rolls. I think there is about \$14 million of extra bonus award money that was given to the State.

I just wanted to know if you could possibly give me an update regarding what is being done about these already awarded funds, particularly given our very, very, very fragile and tight budget situation in the State.

Mr. CONCANNON. Yes, I will attempt to do that.

Julie, if you want to, jump right in, but I am familiar with it. And, first, I should point out that Missouri is one of the highest performing States still, but there was certainly a mathematical problem. It looked as though they were absolutely the single highest of the 50 States. And when that was discovered, our Mountain Plains office out of Denver, which is the regional office that serves that part of the country, has been working directly with the State. We want to make sure that those bonuses, we need to make sure that in fact they were earned. And we need to weigh how we deal with that, the issues of the \$14—or the numbers of dollars that are involved.

What we may end up doing, it is not a decision at this point, is if we find they were improperly awarded, again given the situation States are in, I can tell you what we have done in instances like that as a State Director is if we spread out the repayment period and simply did not require the State to pay us, we subtracted it from future grants that were given to that State. We have not reached that point at this point. We continue to work with Missouri to make sure that that is corrected, the practices that resulted in that overstatement of their performance. But it is one of the higher performing States, happily from my point of view.

Ms. EMERSON. Right, and mine too. And my district happens to be the highest, has the highest percentage of recipients. And, of course, I bragged and bragged and bragged about how well we have done at outreach, and then I read about this, and I think oh my goodness even though I know we are still doing quite well. There are others that we need to reach. Hopefully—can you provide some assurance to me that any effort by you all to recapture any of those funds are not going to impact those who rely on the FNS programs?

Mr. CONCANNON. I can tell you that is an operating principle that we use. I mean I am very distressed, as has been clear, I think the committee is as well, with what is going on for example in the State of Texas, but have been loathe to pull the trigger and penalize the State financially because of my concern that it would result in hurting poor people in the result. So that is a last resort before we would be ever forced to take action.

CNP—REAUTHORIZATION

Ms. EMERSON. And I appreciate it. Thank you very much. Let me also, to sort of follow on to what Chairwoman DeLauro was talking about, we have \$1 billion a year over 10 years for purposes of investment in Child Nutrition Programs. And on the one hand, one

of our priorities is to be certain that we improve access to combating hunger and on the other, we need to enhance nutritional quality. This is sort of Washington talk. We talk about it like that, but I guess I need to know from you if you can tell me this, what portion of that \$1 billion extra dollars a year is going to go to combating hunger and what portion will go to enhancing nutrition?

Mr. CONCANNON. I don't think we can solve hunger without making sure that it is adequately nutritious foods. And we have the report that is guiding us from the Institute of Medicine, given to us in the fall, that said we look at the experience of American children who are not getting enough fruits and vegetables, are not getting enough whole grains or getting too much fat in their diet. This is one of the factors causing obesity. So we—our recommendation, the best scientific recommendation in the country, or the best minds represented there, have made serious recommendations to us that we are committed to to improve the quality of those meals. And I think it is going to require a significant portion of the \$1 billion to really improve those meals in ways that are recommended by the IOM.

Now, what exact percentage, I think that is where we are going to have to work with Congress on where that split comes, but I know a significant portion of it, it is not a small portion of it, a significant portion of it is going to be required to really go into the meals portion of it for schools, both recognizing, unfortunately what is going on in the economy. We expect that by 2010, 69 percent of the children in school meals will be receiving a free or reduced price meal. We are now at I believe 62 percent this year, but when you are talking about 33 million children it adds up—

Ms. EMERSON. Right.

Mr. CONCANNON [continuing]. Even a few cents, so, I think a significant portion of the \$1 billion.

There is no question in my mind, it came up I think implicitly in the Chairwoman's comments earlier or questions, I think the \$1 billion is needed. And it is needed both a significant portion on the meals side, but also if we are indeed going to end up reducing obesity in a generation but also end up eliminating hunger in this country for children, it is going to take the full investment on our part.

Ms. EMERSON. Well, I have no issue with the nutritional piece simply because I think it is important that we teach our children good eating habits. However, I worry that because of the increased cost that that will, part of that \$1 billion the nutritional piece will take that we will somehow might not meet that goal of ending childhood hunger by 2015. And that was my point. It is not that I am disagreeing, it is just that I am worried about the ending hunger part because that is such an important goal of what we are all trying to do.

Mr. CONCANNON. We are there with you, but we believe it has to be—they have to be nutritious foods, and we believe it has to be performance based, that we do not just—we are not going to recommend, we are not recommending in the bill that we just spread the money whatever the distribution Congress settles on to all schools. We believe it has to pay for performance in the sense of paying for schools to meet the criteria in the IOM recommendation.

Ms. EMERSON. Thank you.

CNP—SCHOOL MEALS COST STUDY BUDGET REQUEST

Ms. DELAURO. Thank you. Let me ask about—the budget includes an increase of \$8 million for a school lunch and breakfast cost study. As I understand it, it was estimated that the cost to produce reimbursable school meals in the school year 2012–2014–13, I'm sorry, with the results available in 2014. And the study is going to incorporate additional information on nutritional quality from previous studies. I am delighted that you are looking at what it takes to make available a healthy lunch for our kids. In the meantime, as you know and I know, we are working on the reauthorization bill and asking what reimbursement rate is necessary to feed our children healthy foods. So let me ask you today what recommendations would you make on the reimbursement rate necessary for improving their diets? To be very honest, we do not have time to wait until 2014 to start improving the health of our kids. We are meeting. This thing is going to happen. So what is your recommendation?

Mr. CONCANNON. We agree with you, Madam Chair. And I believe the Institute of Medicine report recommended that by their assessment, and they had, as I remember, their physicians, they had a single economist as I remember on that panel as well, recommended that they believed it would take about a 5 percent increase to meet, 5 to 9 percent was the range that they showed to meet the IOM recommendations. So we think it is important to do that study though. I do not want to overlook that because one hears from time to time, and I am confident that members of this committee probably hear from some people at least, that they believe the current reimbursement is not sufficient. There was a USDA study but it is now dated, it was several years ago, that showed at that time the reimbursement for free and reduced price meals from USDA did meet the cost of the meals. But in the meantime you have—if we want better foods, better foods—

Ms. DELAURO. Cost more money.

Mr. CONCANNON [continuing]. Generally cost more money. So I think it is important, that \$8 million study is intended to look at all the cost elements of producing a meal, not just the ingredients. And the IOM, by the way, recommendations recommend that more fruits, more vegetables that in and of themselves require more handling, so there will probably be more—there will certainly be a significant corresponding manpower cost.

But also to the questions that have been raised about the admin costs, respectfully, I think that that percentage that has been used, most of that cost is associated with people on the feeding line. It is not somebody handling that one or two page application. But we certainly would like to settle it.

Ms. DELAURO. Sure, okay.

Mr. CONCANNON. So I think it is important to do it. But I agree with you we cannot wait—

CNP—HEALTHIER U.S. SCHOOLS CHALLENGE

Ms. DELAURO. Well, we are going to need your input on that as we move to do this because we have to do it this year, and we can-

not afford to make the delay. You talked about the Healthier U.S. Schools Challenge program and wanting to reach 3,000 schools participating within the next three years. How many schools are currently participating? How many do you propose to have participating in 2011? And how do you plan to get 3,000 schools participating in three years?

Mr. CONCANNON. Thank you very much for the question. There are just over 600, I believe it is 620-plus, schools currently participating in the Healthier U.S. Schools Challenge. Michelle Obama, the First Lady of the land, has challenged us to double that within that year. We are definitely working on that right now.

Ms. DELAURO. Okay.

Mr. CONCANNON. One of the elements in that is currently those 600 schools are all elementary schools. We have expanded the class eligibility for the program to include middle schools and high schools, but we are also—we are going to provide some, as I call it, a somewhat American aspect to this, an American cultural aspect, of having a very modest financial reward for those schools that meet the gold, silver and bronze level. I have been out to a number of those schools, and it just is very exhilarating, I believe, when you see kids eating healthy in school cultures, and school climates committed not just to feeding the child but to exercise, some of the other factors as well.

So we are very committed to that. And we are very committed to working with schools to simplify the process too because we hear from some schools. We know there are a number of schools that are providing the quality meals that would meet the current U.S. Healthier Schools Challenge, but they may be dissuaded by either the paper process. We are very committed to simplify that without compromising the substantive requirements of the program.

Ms. DELAURO. Thank you. Mr. Kingston.

CNP—IMPROPER PAYMENTS

Mr. KINGSTON. Thank you, Ms. DeLauro. Mr. Concannon, I wanted to ask you about the \$1 million a year, according to your own estimates, on payment errors—excuse me, \$1 billion.

Mr. CONCANNON. Yes.

Mr. KINGSTON. Would it not make sense to go after that before we go after more funding?

Mr. CONCANNON. Mr. Kingston, you have identified a very—an area that we are very concerned about. We have a concern, but I also have to share that the White House has a concern about that. We are as an agency, the FNS are part of a group of Federal agencies working on improper payments. And to the point the actual numbers, as they pertain to the School Lunch/School Breakfast programs, are \$1.8 billion a year in improper payments, now net about \$800 million of that are under payments on the part of the Federal Government. So the costs to the taxpayers are \$1 billion a year, a significant amount of money still.

Now, as I recall, there are three factors that sort of drive that. One is misinformation communicated by families enrolling their children. That is not quite half of that, but it is a significant portion of it. Another portion relates to the State, or I am sorry, the school agencies themselves making mistakes in processing the in-

formation, even if it is properly conveyed or proper information is conveyed to them. And a third part is the—is caused by the cashiers when you come through the line, a reimbursable meal has to meet the food group requirements of the Act.

And I was in a school I think since I was at your hearing here a couple of weeks ago, I was up in Jessup, Maryland during National School Breakfast Week, the week before last, and when I went through the line in the morning, I had had a healthier breakfast at home, it goes down hill personally the rest of the day, but breakfast I do right, and when I went through the line I took just a bottle of juice, a container of juice, and an apple. And when I got to the cashier, she looked at me and said, “That is not a reimbursable meal.” So part of it is training. What we are doing is we are working with State agencies on the training side. We are working with and urging them to work with schools as well. We are urging schools to make better use of direct education, the process of where you are transferring information that has been provided to a State or county on families’ income. And in the budget proposal we have as well a budget request, it is \$22 million to provide incentives to States that are doing the least or least currently reliant on direct certification. Congress directed us to do that.

Mr. KINGSTON. Let me ask you this, wouldn’t it make sense to address this before we expand the program or possibly take it out of the reserve because you are going to have a \$5 billion reserve, right?

Mr. CONCANNON. No, the recent—

Mr. KINGSTON. Aren’t you asking to increase the reserve \$2 billion in SNAP?

Mr. CONCANNON. The reserve portion is in the SNAP program.

Mr. KINGSTON. Okay, but can you not use any of that money to get this thing straight before we expand it? Because I think so often we have intention of expanding it but it just never seems to come.

Mr. CONCANNON. No, we have more than an intention of doing it. We are actually in the middle of attempting to mitigate and modify that right now. We are part of, as I say, a group that not only internally in USDA but in other parts of the Federal Government. The President signed an Executive Order in improper payments in November of 2009, and we are identified as one of the object groups, if you will, that he has an expectation, and actually I am the identified official responsible for both improper payments in SNAP and in the School Lunch Program. So I am highly motivated to make sure that we do as much as we can with schools.

And part of it is simplification. Complication invariably produces some of these problems. So also, we are also trying to create incentives for schools to rely upon direct certification, and also helping schools. We had an earlier question here, many schools do not have electronic capabilities in terms of going through those lines and so on. To the extent we can work with them on modernizing the way in which they do their claiming, and the way they count meals, we can help them do that.

Mr. KINGSTON. Well, thank you.

Mr. CONCANNON. This is a huge program.

Ms. DELAURO. Mr. Farr.

HUNGER IN AMERICA

Mr. FARR. Yes, malnutrition does not respect boundary lines. It is not a means test. And I think that is one of the problems. We have written this program, all these programs over the years is this accountability, that, my God, we might feed somebody whose parents are not poor, but the kid is hungry. And you just go to these feeding spots, and you will see that teachers have been putting money, I will just feed it. I will take the money out of my pocket. It is like the school pencils and books and everything like that.

I mean I do think that we need to have this stuff accountable, but I think we also need the goal of the United States of America ought to be, the first goal is that nobody goes hungry in this country. And that we make that the goal, and then we try to figure out how do you do it. And I think that, frankly, you take the amount of money like we do in transportation, you just kind of get it to the places.

We have two kinds of feeding programs in our country, what am I trying to think of, the second harvest type food service. There is one we have, and I go to these things, in the parking lot when they are giving away free food. I represent the biggest growing region of the United States, and most of that food is given to us by—all the lettuce and the cucumbers and everything all free because it is excess from the packers. That parking lot and the line goes as far as the eye can see. Nobody asks a question as to who you are, your ID or anything, no citizenship requirements, green card requirements, no poverty requirements, and it goes on and on. The next week we will have the USDA market, and it is limited. The commodities they are giving, nice stuff they were giving away. But I think we are so hung up on accountability right now that we are not cost effective anymore.

We are worried about—we had actually—teachers told me that came into the school and took a cup of trail mix and dumped it out and said, “Too many M&M’s in here, they do not meet the nutritional test.” How much did it cost to send somebody to do that versus the benefit derived from it?

Those are the things that I think, this is why I am kind of getting involved in this of figuring, I mean we do not means test the soldiers when they get fed as to whether you are an officer, an enlisted person or what your payment is. We do not means test the prisoners in our prisons. I think we have—if we are going to get into trying to feed hungry people, we ought to get away from these barriers, and we ought to feed them. And we ought to figure out how to do it smartly and how to do it cost effectively.

And I do not like the segregation that we are doing. Do you know what it means to a kid to be told that you have got to go stand in one line because your parents are poor and you kids can go through another line? I mean that is so humiliating. And trying to build self-esteem in children. That is why I have been sort of on this for a long time because I share your concerns about this, we do not have a lot of money to go around. But what I think you would agree to is that we certainly do not want to just employ a bunch of bureaucracy when we really are trying to get the service, the food in people.

We built this program, you look at this whole agency, and it is just stacked of trying to solve particular solutions, milk supplements, after school programs, breakfast programs, lunch programs. Frankly, the WIC Program that the mom is going to, the Food Stamp program perhaps for that dad or other people in the family. The whole family is getting food one way, but boy it sure is complicated to get into the system. And I think we ought to make it less complicated.

WIC—INFANT FORMULA

If I have any time left I want to ask a question. It is about the WIC Program, and it is about whether—I noticed the cost of buying WIC formula has just gone up and up and up. And I understand, or at least I heard, that the reason it has gone up so much is there are new formulas coming out all the time and they are more and more expensive. And it gets compounded as to what we are adding and what we are not adding, and I do not know whether you have to buy the sort of improved formula, but is this cost—

Ms. DELAURO. Is it improved or enhanced?

Mr. FARR. Is it any more cost effective to do that than just to buy the formula, the cheaper formula? Is there value added here or are we just making the formula producers a lot of money?

Mr. CONCANNON. It is my understanding there are only three manufacturers in the country that actually make those infant formulas and actually bid on them. And we award them to the manufacturer with the lowest net cost for the infant formula, and they must bid a higher rebate on its new higher priced enhanced formula to be awarded a contract. It reminds me of my, I spent many years administering Medicaid, where the prescription drug companies come in, but they have to give us the deepest discount. So it is a net cost.

Now, to your larger question about efficacy of what is alleged—

Ms. DELAURO. Just can I, will the gentleman yield for a second?

Mr. FARR. Sure.

Ms. DELAURO. At this point because you are going to go on and talk about this, but my understanding is that, just to add to what Congressman Farr is saying, that there are findings in a USDA report that found that WIC is paying \$127 million more annually for infant formula under the rebate contracts that are currently in place than under previous contracts after adjusting for inflation. So that is data that is coming out of USDA. So I just wanted to—

Mr. FARR. That is what it went to.

Ms. DELAURO. Yes.

Mr. CONCANNON. The contracts are, the State agencies have the discretion to deny the inclusion of some of these allowable foods. And the course of these contracts typically go three to five years. But I can tell you one of our concerns that has been raised with us at times, well, why wouldn't you just limit or not allow the formulas to include some of the new additives, so to speak, that have been incorporated into them. And I worry—

Mr. FARR. Do you have the authority in law to do that, administrative authority?

Mr. CONCANNON. I do not believe we do at this point, but we also would have—worry about that, would we end up with formula for

poor people versus the formula that, the infant formulas that the rest of the population have available to them. We would be very concerned about the unintended consequences of that.

Mr. FARR. Can you force the companies to come in with a lower bid on these?

Mr. CONCANNON. Right now they have to, they have to give a higher rebate on the new higher cost.

Mr. FARR. Or do something on the not be enhanced?

Mr. CONCANNON. It has to be a new higher priced enhanced formula, does it not?

Ms. DELAURO. Is that all that they are selling to us? And so that is the only opportunity we have, are these enhanced?

Mr. CONCANNON. Yes, that is my understanding right now, that there are three companies that bid and that is all that they offer. And we have had discussions. Again, they have been offline discussions.

Mr. FARR. But I mean do you have to buy the enhanced formula? They are going to offer it, if they are all three, they can just—that is what you have to buy or can you put out a bid for a lower—for less enhanced?

Mr. CONCANNON. Well, I think, Congressman, that is what the worry is that would we in effect be denying to poor people in the WIC Program who depend on the formula, would it be denying them access to the latest formulas that are being provided that have benefits that those formula manufacturers claim at least have additional benefits. Would we in effect be saying, well, for poor people we are going to have a generic brand that does not have that? And my fear in that, I think our fear, is that what we would be doing in infant formula, are some of the concerns you have expressed about what does it mean if you are put off in a separate line.

Mr. FARR. Well, generic is good. Maybe we ought to go with our own brand.

Mr. CONCANNON. Well, I do not think—well, I do not think we have the capacity to do it. We also are—we have to honor States that do the, that do the bidding.

Mr. FARR. It is a concern though that you can see that if the program costs are rising because supply, the cost of the supply is going up, then there has got to be, somebody has got to look at that.

Mr. CONCANNON. I think we are happy to work with you on that because I know, I believe we purchase half of the infant formula in the U.S.

Ms. DELAURO. Science ought to come into play somewhere. Ms. Emerson?

Ms. EMERSON. Well, Madam Chair, without taking away my time, just for a second. It seems to me when we talk about here in the United States we are the largest consumer of prescription medicines anywhere in the world, the largest by far, and we pay the highest prices. So you know what, you are getting ripped off. And I think we got to get to the bottom of it.

Ms. DELAURO. Bingo.

CNP—REIMBURSEMENT RATES

Ms. EMERSON. Alright, so let me start my question, please. Thank you. And I am not blaming you, I just hope that we can get to the bottom of this.

I think it has been two or three weeks ago now. I think it has been two or three weeks ago now, my school nutrition folks came to visit me. And one of my school nutritionists was telling me that they on every free lunch they serve, they are losing 35 cents. In other words, they are not being reimbursed. And we are talking about a poor school district here, so trying to make up the difference is not exactly easy. And everything—back to what Rosa was saying about that North Carolina or some Carolina school district where on al a carte or any other type of extra payments they may get, the school board snaps it up and uses it for improvements in the school. And so consequently we have got a real issue. And so what I am worried about is that when we are going to ask the schools to provide healthier, more nutritional foods, they are never going to be able to make ends meet. They are going to keep losing money and keep losing money. And I guess is there any way that we can create a system whereby the schools are actually being reimbursed for the real cost for the meals as opposed to just some formula?

Mr. CONCANNON. Let me say that several years ago, it is now outdated, the USDA did a—because some of these same claims were being made then, that the USDA does not reimburse the full cost of the meal, and the USDA or FNS did a study, a very extensive one, and found that indeed we were reimbursing the cost of the meal. So that study now is several years old, so I want a truth in lending, to express that.

Ms. EMERSON. Right.

Mr. CONCANNON. But we have a budget proposal here of \$8 million to actually take a very extensive, rigorous look at what does it cost to produce a meal, not only in terms of the food elements that are there but the manpower, the labor cost associated with it.

Ms. EMERSON. Right.

Mr. CONCANNON. But I also have to say, as an example, I was in rural Georgia now about three months ago in a county with a very large number of very poor children, and a very talented school service director involving three elementary schools pointed out to me, she said, “We can pay the rate that USDA is reimbursing us, it covers all of our cost, labor everything else.” And she was a talented, part of it is leadership I guess, I want to say that, but also she was making very good use of the commodities program, and she pointed out to me in that visit, she said, “See these little ketchup,” those little plastic ketchup individual items, “if I buy those from one of the major suppliers, I pay 12 cents. I produce them for two cents because I take the tomatoes made available to us by commodities and have them processed.” And then she pointed out some chicken inside a freezer as well. So I think—I do not want to understate the fact that there is a tension, a pressure there, but I do not just take it as the gospel either that when people tell me that you are not meeting the cost. That is why we want to do this study.

In the meantime, we keep pushing back and saying, well, what else are you doing in terms of how you are managing this?

Ms. EMERSON. Well, I am just worried that in situations in some parts of the country we are not even getting reimbursed for what we are doing now, and then we are going to have something layered on top of it. And I am not complaining about the layered on top. I am complaining about the fact that we are in a poorer school district that is in a national forest that keeps getting less and less money, and this is happening not only in my district but other districts too.

HEALTHY FOOD FINANCING INITIATIVE

Let me ask you about food deserts if I might. And then, Madam Chair, I am going to have to leave because I have got a meeting that started 20 minutes ago. The Administration has proposed an array of priorities for improving access to foods, including its Healthy Food Initiative, targeting the problem of food deserts. And one part of this actually concerns the Subcommittee on which I am ranking, and that is the Financial Services Subcommittee. There is a Treasury Department program, you know through the CDFI. And an example of one of the huge past successes of the program is the Super Giant store over in Anacostia, which is now one of the companies, I might say a foreign-owned company's most successful store.

So I come from a rural area, and I am talking to families and it is a huge ordeal sometimes to go to the grocery store, seriously an hour long trip. And you have to take the whole family. You do not have a big enough car to bring the stuff home, et cetera. But I wonder if it is the best way, if this is one of the better ways to combat hunger and improved nutrition, that is to use our tax dollars to subsidize the construction of grocery stores, and apparently very profitable ones. So there is no one who wants to tackle the problem of hunger more, I just want to make, I want somebody to convince me that subsidizing Super Giant that is very profitable is in the best interest of the taxpayers. If we could not be somehow putting that money into other—using it for other ways to help make up the deficit that we see in combating hunger among children now?

Mr. CONCANNON. No, I appreciate the question, and I am very familiar with your leadership in a whole bunch of these areas. Let me say that I have lived in States where, again rural States, but where there were huge challenges for poor people that have to travel many, many miles to get access to a supermarket. And in general the supermarkets, the prices are better and often the quality of choices are better for people. But I understand you are going to be hearing from several other under secretaries because this initiative that is one of the priorities at USDA is really under the aegis of several of the other mission areas within USDA, the Rural Development and one of the others. So I think you are going to be hearing from them in subsequent weeks when they are here before the Committee. But I know there is always that balance between or the tension between our wanting to extend and support with tax dollars initiatives that ultimately help people but you do not want to—you do not want to unfairly, or at least be perceived to be un-

fair in terms of taxpayers with private entities or private companies.

Ms. EMERSON. Yes, I mean it is a really tough, tough balancing act. Do you know yet what the key factors that the USDA will use in considering how you target that money?

Mr. CONCANNON. I do not.

Ms. EMERSON. Okay.

Mr. CONCANNON. It is Rural Development and one of the other mission areas, yes.

Ms. EMERSON. Well, okay. Thank you.

SNAP—INDEFINITE FUNDING AUTHORITY

Ms. DELAURO. Let me ask you a question about the budget language that says, "Make such sums as may be necessary available for the SNAP benefit payments." Congress did this kind of indefinite authority in the 2010 Department of Defense Appropriations Act in light of the uncertainty of program growth due to the recession. There have been previous concerns that this indefinite authority could lead to less oversight by the agency when projecting a SNAP cost in the budget. What budgetary controls would be in place to ensure that estimates provided in the President's budget continue to receive the same level of scrutiny they currently do? When would you use the indefinite authority and for what expenses? And I have another question, which is why have you not proposed a contingency fund for the Child Nutrition Program? And should a contingency fund be provided for that account as well?

Mr. CONCANNON. I think the last question is the easiest one for me. I believe that that has been recommended in the past and was not, it just was not found to be a policy that was supported or enacted. But I think were the Congress to be so disposed, I think we would be more than happy to work with you on that, on the latter question.

Ms. DELAURO. Okay.

Mr. CONCANNON. Now, I do not know, it obviously preceded me long—by many months or interactions, that question of how we deal with a contingency. I know in the SNAP program, historically the agency I think has been, has had amazingly reliable estimates on—based on both experience and what is going on in the economy on enrollment numbers. But I would have to admit that in this current economy, I do not think anybody anticipated we would be in as an extended downturn as we are currently in. And I think it requires ongoing oversight on our part. I pay attention, I can tell you that, each month to where those figures are and what they are leading us toward. This budget as proposed, as I mentioned earlier, the figure estimates about 43 million in people enrolled in the program in 2011. And that is based on again current trends as well as econometric models that have been used to forecast that.

I do not know if you want to add anything to that, Julie? Do you want to say something?

Ms. PARADIS. Well, just to clarify that it would clearly only be used when participation exceeded expectations.

Ms. DELAURO. Expectations.

Ms. PARADIS. And we monitor that as you know very, very regularly. And it would only be used for benefits and State admin costs,

not for anything else. So I think it is something that we would have a pretty good handle on, we would be coordinating with the Congress on a regular basis—

Ms. DELAURO. Okay.

Ms. PARADIS [continuing]. Were we to have that authority.

CNP—FARM TO SCHOOL TEAMS

Ms. DELAURO. Thank you. The Farm to School Teams, it is \$2 million for these tactical teams. What are the obstacles that keep schools from buying locally? What is FNS currently doing to help schools buy from local food producers? Are these tactical teams being deployed already? Do we have some idea of how many districts will be visited, selected? How many staff are dedicated to this effort? What do we propose to do with these tactical teams, somebody just describe that to me?

Mr. CONCANNON. We do not have—we currently have an initiative within the Department called Farm to School.

Ms. DELAURO. Yes.

Mr. CONCANNON. And that was promoted, conceptually and otherwise, by the Deputy Secretary. It involves individuals from the FNS mission area as well as from AMS, the Ag Marketing Service, another mission area. And we are working with both. At the current time, I am told, the last update I had on this, there were more than 100 schools across the country that had applied to receive some technical assistance from this tactical farm team. There is a \$2 million budget request—

Ms. DELAURO. Right.

Mr. CONCANNON [continuing]. That was in this budget as well, both to provide support to that team and also to provide assistance to schools.

Ms. DELAURO. What kind of assistance? Give me an example of what they are doing here?

Mr. CONCANNON. Well, I will give you an example. I was up in Somerville, Massachusetts back a couple of months ago. Somerville has a school system, has now a history. The City of Somerville but also the school system is very committed to Healthier US Schools, walking to school, healthier meals in school, but now for about three years, the Somerville school system has been purchasing locally grown, meaning within 50 miles, foods for use in the schools.

Ms. DELAURO. Sure.

Mr. CONCANNON. But the school service director said to me that she has gradually built up doing this because you need to be assured that if you put this on the menu for three weeks from now, that those carrots are going to be there or whatever particular commodities are required.

And she gave the example of local farmers wanting to grow squash. And the school department wanting to purchase squash. But she said we cannot possibly have farmers coming into 12 different schools delivering squash and then expecting those 12 different elementary schools to somehow spend all the time to peel the squash and get it ready. So she said, "When we met with the farmers, the farmer came to the agreement that one farmer would buy the equipment to peel all the squash." All the other suppliers would bring their squash to him or her, I do not know the details

of that farmer, and that farmer would then deliver it to the 12 schools. And she said, "Since then we now have relationships with like five or six other school systems where we are jointly purchasing."

So it is a learning experience on the part of the schools that are procuring these goods and on the farmers that are supplying it. And that is the kind of information and technical assistance we would provide. We do not know enough about this yet.

Up in your area, the chief chef or the chief school service person in the New Haven schools has told me the same thing. They are buying from within a 100 mile radius of New Haven from Rhode Island and parts of Massachusetts for certain goods. And the poundage each year is going up. So it is a new experience. It is sort of going back to the old days in many respects, in the positive sense of old days. And we know there are benefits for fresher foods. That kids for whatever reason, if they have a sense and a knowledge of where the foods come from, this enhances their interest in eating some of those foods, and it also helps the local economy. And why truck this stuff across the country from just one or two States.

Ms. DELAURO. Thank you. Mr. Kingston.

NUTRITION ASSISTANCE PROGRAMS CONTINGENCY RESERVES

Mr. KINGSTON. Thank you, Madam Chair. Mr. Voncannon, the— or Concannon, I am sorry, the interesting thing, we had a full Committee hearing the other day in which Mr. Orszag, Mr. Geithner and Ms. Romer spoke. Rosy pictures of how well the stimulus is working. I was even told my concern, because I kept looking at unemployment going from 8 percent to nearly 10 percent, I was told by Ms. Romer I needed to go talk to the regular people, and I would see how well it is working. So I have a hard time doing that in one of my counties with 16 percent unemployment and many of them with 14 percent. But here you are I think being a lot more realistic, a lot more accurate, but it is so frustrating, "Oh, yes, the economy is turning around," and yet you have the contingency reserve. You are asking for \$2 billion for it. Maybe you guys ought to get the economic forecast and get Mr. Geithner and some of these other people in other positions because it is totally inconsistent with they are saying. And we had a two hour hearing on it, about how great things were.

Ms. DELAURO. He did not say that.

Mr. KINGSTON. He said that, Madam Chair.

Ms. DELAURO. He did not say how great things are. They talked about—

Mr. KINGSTON. It was trending, you are right. It is trending. But if it is trending, why are you asking for a \$2 billion contingency reserve? What are the uncertainties that remain? What is out there? And we all know what they are. We do know the economy is bad. I am just saying rhetorically. I wish the rest of the team might get on the same message. But what are the uncertainties in terms of that \$2 million—\$2 billion, is it just the economic concerns or are there other issues?

Mr. CONCANNON. I think it is principally the economy. This is the longest, as I say in every talk I give outside of buildings like this, in our lifetime, short of— and none of us here are old enough

to have been around in the Great Depression, this is the deepest recession and the most extended in the history of the country. And the need for these programs has never been as urgent as it is right now.

Ms. DELAURO. And does not SNAP lag, I mean in terms of the economy?

Mr. CONCANNON. SNAP lags, but also I might say Mr. Zandi, who I think has testified before Congress for Moody's, said that the SNAP program is the best example of a stimulus program because it goes right out there, 85 percent of these benefits are spent within 30 days.

Ms. DELAURO. I think it is important to note that Mr. Zandi was the economist for Senator McCain in the presidential election, who said it was one of the most stimulative programs there is, is to get food out.

Mr. CONCANNON. And so I mean I think to your question it is just uncertainty about—I think things are turning. I spoke to a businessperson up in Maine today, I am from Maine, and I asked him about business and he said, "You know, we are seeing some signs." So I hope he is right.

Mr. KINGSTON. Well, listen, I hope so too. And I hope this Administration is successful on many of the things that they want to accomplish for a better America. It is far more important that politics, but I am not impressed with their economic recovery and apparently you guys are not either because you are hedging the bet that it is not turning the way that they are saying.

But now on the WIC Program, that is discretionary money, not mandatory, 3 percent increase. The contingency is \$175 million, is that right?

Mr. CONCANNON. Yes.

Ms. PARADIS. It is \$250.

Mr. KINGSTON. \$250 million?

Mr. CONCANNON. Yes.

Mr. KINGSTON. Since that is discretionary, why do we need a contingency because it would appear to me that unlike a mandatory program, that would be a little bit more—there would be more flexibility in it?

Mr. CONCANNON. Well, I think one of the things in WIC, we want to make sure that we can—that is why I mention it in my opening remarks, the President's budget proposes to fully fund the major nutrition programs so that we can avoid telling a pregnant woman who comes into a WIC clinic, you have to go on a waiting list.

And we anticipate—we are currently just over 9 million people in WIC per month; for 2011, we are anticipating in excess of 10 million per month, partly, again, reflecting the economy, but also wanting to be sure that we can serve those pregnant women and their infants.

Because it is one of the best investments—I mention that in my testimony—we can make in terms of preventive health care, cost avoidance in the future. In the Medicaid program alone, it saves money by getting healthy foods to pregnant women, their infants, and very young children.

So we don't want to be in a situation, which the program has been in past years—I can speak from a State level—of putting

waiting lists on WIC. Because you are telling somebody who is already pregnant, or an infant that has been born, I am sorry. We have to put you on a waiting list.

Mr. KINGSTON. Let me ask Dr. Steele. Have we ever put WIC supplements on a supplemental bill? You know, where we did these maybe disaster bills or things like that?

Mr. STEELE. Well, in the Jobs Bill, there was additional money for WIC. In fact, there is a standby—

Mr. KINGSTON. So we could actually do that without endangering the population that Mr. Concannon has spoken of.

Mr. STEELE. Well, the only problem we have here is that we are forecasting a year in advance. And there is a lot of uncertainty about participation that far in advance, and our estimates are not perfect.

So it is a little bit of a cushion. It is not a big cushion. \$250 million is not a real big cushion, you know. So I think it is just, you know, to be safe, like he says.

Mr. KINGSTON. But you do have a lot more flexibility on discretionary than you would a mandatory program?

Mr. Steele. Oh, definitely. Yes.

Mr. KINGSTON. Thank you.

NUTRITION EDUCATION

Ms. DELAURO. I will get back to that one, if we can.

Let me ask a question with regard to nutrition education. In the testimony, the budget request, approximately \$1.1 billion in resources for improving the diets, nutrition knowledge, and behavior, as well as to help promote the importance of physical activity.

I asked in—I discussed this last year with Mr. O'Connor. And he said that FNS was implementing a new reporting requirement to monitor the effectiveness of the funds we currently spend on nutrition education.

The \$1.1 billion in the budget is a lot of money on education, nutrition education. And I believe in nutrition education, but we don't know whether it is effective or not effective.

Where is FNS in implementing the new reporting requirement on education? And can you point to concrete examples of current nutrition education that is effective through FNS programs?

Let me just tell you that this is a stumbling block for me in terms of understanding how this really works. Sometimes the staff looks at me with eyes glazed over. I deal with communication and getting messages out from a perspective of both having run campaigns and in my own campaign effort.

When you translate to a communications specialist what you want to about your campaign, they take that. They translate that into a script or materials. That gets—that message gets tested to see whether or not it provides any attraction with the audience you are trying to persuade, you know, to vote for you, to buy your product or, you know, your brand, or whatever it is.

Explain to me—I don't understand how this works. And we do this, by the way, in very short periods of time because we don't have two years to test and to see what is effective. You have a very short window in which to get something out there and, you know, to get some benchmark here.

How does this work? What is happening? What are the messages? What works? What doesn't work? What do we know that is effective? I want to provide education materials, but quite frankly, don't want to provide good money—and I am not saying after bad; I don't even know what is good or not good that is out there.

I am asking for help in terms of understanding the education materials and communication process.

Mr. CONCANNON. If I may, I can start. I can start to try to answer that.

First of all, I think the genesis of your question speaks to an issue I am mindful of with Dr. Post next to me. Studies done or a polling done last year show that 60 percent of Americans were familiar with the *Dietary Guidelines* and with My Food Pyramid.

Ms. DELAURO. My Food Pyramid. Okay.

Mr. CONCANNON. But only about 2 percent of Americans actually practiced fully, lived up to, adhered to the requirements of it. So there is a difference between having an intellectual awareness and then converting it into behavior.

And I think that is where we are currently part of a working group because we are very concerned about that in the Administration, just as an aside. Now let me get back to your original question.

Ms. DELAURO. The reporting requirement. Yes.

Mr. CONCANNON. More work, definitely much work, underway. Some additional requirements were initiated last year. And EARS is an acronym that stands for Early—what does it stand for? Early Assessment—Education Assessment. That just started in 2009, and we'll have a report done the middle of this summer, I believe, on the outcomes of that. But we are—

Ms. DELAURO. The outcomes of?

Mr. CONCANNON. Of the reporting we are getting from EARS in terms of what effect is it having. What can we ascertain by the messages that go out to people? And we share the general concern about—we are committed to education, committed to nutrition education. We know it has to be part of what we do. But we also want to know what seems to make a difference.

Ms. DELAURO. What happens? Do States ask you for the materials, and then they are distributed in the State? Is there any—I mean, how is this used? Is it getting out to the schools? Or is this part of what your assessment is?

Mr. CONCANNON. It is used in a variety of ways. All 50 States have it. But some States—like California has a very significant program compared to other States, even larger than the population of California would singly account for. And it is used in a variety of—it is used with SNAP, you know, food stamp recipients.

Ms. DELAURO. Yes, I know.

Mr. CONCANNON. It is used with community organizations. There is a lot of material that gets printed.

Ms. DELAURO. It is about 339—is that million?

Mr. CONCANNON. \$350 million or so in round figures, I think.

Ms. DELAURO. For the SNAP program? Yes.

Mr. CONCANNON. Yes. For SNAP ed, for the SNAP education program associated with that. And again, it makes sense to say, let's try to educate the people so that when they are using their bene-

fits, they purchase the most nutritious foods that they can for the funds available to them.

Ms. DELAURO. That number, let me use that number. And I have got to yield to my colleague. But the \$338 million, is what you are assessing now its effectiveness? Is the use of that, is that doing the job? Is it—

Mr. CONCANNON. I think the reporting of what was started last year was as a result of the hearing, was it not? Part of an assessment, I am told, by OMB as well as interaction—

Ms. DELAURO. Okay. So by some time later this year, we will know—

Mr. CONCANNON. We will have—

Ms. DELAURO [continuing]. About whether or not—what these materials are. They are printed materials. Are they TV ads? Are they radio announcements? If we could just get some idea of what it is that is going out there and that we are paying for. Okay? I think that would be very, very—it would be helpful to me. I think it would be helpful to the committee.

And I would love to see some of the ads. I mean, you know, when they had the frog with the beer, they figured out that the frog could sell the beer, you know. Ribbit, ribbit, whatever it was. You know, we need to figure out what is helping people get to where we want them to go.

Dr. Post, I am sorry. I am sorry, Jack.

Mr. POST. I have an additional comment, Madam Chair. We do know that there is a benefit in looking at the weight of the evidence out there. And because we now have a tool within the Food, Nutrition, and Consumer Services to do that through this evidence analysis library that we have built, we will be looking at and working with FNS, working at the evidence base to compile research on the best practices, to make sure that we can figure out what makes good instructional systems in classrooms as well as communities.

And that work is beginning now. So we will be able to evaluate these systems.

Ms. DELAURO. Okay. I will look forward to the material. Thank you.

[The information follows:]

Critical reviews examining its effectiveness have demonstrated that nutrition education can make a significant contribution to improved dietary practices. Well-designed and effectively implemented nutrition education can motivate those participating to change dietary behaviors and provide them with the knowledge and skills to make healthy food choices in the context of their lifestyles and economic resources.

FNS recently completed a report to Congress on its nutrition education efforts that includes a description of the components of effective nutrition education and promotion interventions. It is available online at

<http://www.fns.usda.gov/ora/MENU/Published/NutritionEducation/Files/NutritionEdRTC.pdf>
See especially pages 4-7.

FNS has developed a variety of resources for State and implementing agencies that deliver SNAP-Ed including science-based education curricula and materials suitable for low-income audiences. These include:

- **SNAP-Ed State Plan Guidance:** The SNAP-Ed Plan Guidance serves as a reference and resource for States in preparing nutrition education plans and includes guiding principles for comprehensive plans. It is available online at <http://www.nal.usda.gov/fns/Guidance/2009.1SNAP-Ed%20Guidance.pdf>. The guidance incorporates the SNAP-Ed Guiding Principles (GP), a policy document that describes the future of SNAP-Ed. While there are many important nutrition-related issues that impact the SNAP eligible audience, FNS encourages States to magnify the impact of SNAP-Ed by focusing their effort and coordinating with other related programs and services. The guidance also urges States to use behaviorally focused, science-based nutrition education interventions, projects or social marketing campaigns, and to target educational activities to women and children in participating or eligible SNAP households.
- **SNAP-Ed Connection:** The SNAP-Ed Connection is an online resource system designed to facilitate communication and resources sharing among SNAP-Ed educators. Features highlighted on this Web site are:
 - **Photo Gallery:** Provides colorful and professional photographs produced specifically to support nutrition education communications. The digital images are copyright free and are provided as a complimentary resource for use by all FNS nutrition assistance programs and their partners. The photo gallery can be found at http://grande.nal.usda.gov/foodstamp_album.php
 - **Recipe Finder:** Offers an online database in English and Spanish of over 600 healthy recipes. The database can be searched in multiple ways including recipe cost, ingredients and reviews. The database is a resource that helps SNAP-Ed providers save time, teach food resource management skills and meet nutrition education goals. The recipe finder can be found at <http://recipefinder.nal.usda.gov/>.
- **Loving Your Family:** This comprehensive low literacy curriculum in English and Spanish was developed for low-income mothers participating in SNAP. It provides easy, tasty, low cost recipes and actionable tips and techniques for putting the recommendations into action and connects low income moms to resources in their communities. These materials can be found at http://snap.nal.usda.gov/nal_display/index.php?info_center=15&tax_level=3&tax_subject=261&topic_id=1941&level3_id=6322&level4_id=0&level5_id=0&placement_default=.

- **Eat Right When Money's Tight:** This tip sheet helps SNAP participants shop wisely during times of rising food costs and provides information on nutrition in all food groups. This document can be found at <http://www.nal.usda.gov/foodstamp/pdf/Making%20Ends%20Meet%20Fact%20Sheet-FINAL.pdf>
- **Eat Smart, Live Strong:** This intervention is designed to improve fruit and vegetable consumption and physical activity among 60-74 year olds participating in or eligible for FNS nutrition assistance programs. These materials can be found at http://snap.nal.usda.gov/nal_display/index.php?info_center=15&tax_level=3&tax_subject=261&topic_id=1941&level3_id=6326&level4_id=0&level5_id=0&placement_default=0
- **FNS Core Nutrition Messages:** This set of 16 audience-tested messages and supporting content (tips, narrative and recipes) and guidance are compiled in a publication entitled, *Maximizing the Message: Helping Moms and Kids Make Healthier Food Choices*. These messages provide SNAP educators with a set of "ready to use messages and content" specifically designed to capture the attention of low income mothers and children and empower them to make specific diet-related changes. These materials can be found at <http://www.fns.usda.gov/fns/corenutritionmessages/Files/Guidebook.pdf>

States are in the final year of a three year cycle, 2008-2010, to implement the new national reporting form for the SNAP nutrition education component. FNS initiated the SNAP Education and Administrative Reporting System (EARS) to gather uniform information about nutrition education activities from all participating States including who SNAP-Ed reaches, the intensity of these efforts, the primary goals of education efforts, educational methods used, where participants receive SNAP-Ed, and the cost of these services.

When fully implemented, EARS will provide uniform data and information about SNAP-ED activities that will assist Federal, State and local programs in monitoring the program's progress in meeting established goals as well as provide important data to inform management decisions and assist the program planning process. For example, participation data can help identify underserved populations or help States determine where to initiate and/or expand education activities.

Mr. KINGSTON. Thank you, Madam Chair. And as I was telling you guys earlier today, the kind of part of the hearings that the Chair and Mr. Farr and I like is when everybody is gone and we can start really getting into discussion. So this is good. [Laughter.]

FEDERAL AND STATE PARTNERSHIPS

Mr. KINGSTON. You know, one of the things as I listen to the discussion, I feel that so much of our problem is that we have this centralized Washington mandate on so many of these things. And yet, as I hear you describe the school in Georgia, for example, and the squash up in Connecticut, that a lot of it is local leadership.

And I feel so often we tie the hands through—well-intended, some of it to protect the physical responsibility, physical integrity, the eligibility, things where Mr. Farr and I could probably find a lot of common ground.

But, you know, I am wondering if, going back to block grants or going back to certain areas that are targeted, which doesn't empower Washington, and I understand block grants are—you know, we just have this counter-intuitive—we don't want to let go of power.

But I do think that if you took some States, some regions, and said, look, you know. Why don't we try some things, have some real serious on-the-job pilot programs, figure out who does what, give them a lot of flexibility, I am wondering if that would work.

Because I am interested in this EARS program, too, because I don't know how—and I had written a note to the Chair, serious and jokingly, that this is like sex education. The kids considered it interesting, but nothing that applies to them.

And, you know, as you know, we spent lots of money on sex education and, you know, we are still wondering what works and what doesn't. And we are still committed to it, but it kind of gets back to that local leadership, that nutritionalist in Georgia and the principal in Connecticut on the squash to say, look. If you give me the tools and maybe get out of my way a little bit, give me two or three years, let me come back and show you some things.

Mr. CONCANNON. Well, let me say my career, long career, was in State government. And I dealt with all the major Federal agencies in Health and Human Services. And the Food and Nutrition Service historically—I don't just say it because I am here now; I had no plan to be here now—was the most flexible in terms of working with States.

And we still are in terms of—I mean, that is an ethic; I am not saying it because I am here—of regional offices saying to States, we encourage waivers. We don't just say, you may waive. We say to States that are struggling, why don't you think about reducing your intervals, your time intervals, for reporting. Why don't you go to telephone interviews. Get rid of finger imaging. And in the case of schools, so much of it does depend on local leadership. It really does. And I think the value—we try to promote that, of wanting to be supportive.

And to your question on get out of the way and try some things, one of the proposals in the budget here is to give governors—it is to say to governors, you want policy relief? You want waivers? We

will give you that if you want to really take on the issue of solving hunger in your State.

Because we don't have all the answers right now. We think these programs are part of it, but they may have to do some other things. And we want to say, let's try that, in some States competitively, say what would you be willing to try, and let us get out of the way.

I know over in health care—I hate to go back there too much—but in the Medicaid program, 1,115 waivers are major waivers that are given under Federal authority. And States have done—the most creative States have done wonderful things with it. And I believe in it, and I believe in States as laboratories. I absolutely do.

Mr. KINGSTON. Well, you know, I think we would all be interested in your ideas on that because—and since my governor, Sonny Perdue, who is Republican, has embraced many of the education reforms that President Obama is proposing right now and—you know, I think there is a great willingness on the State government side to, you know, let's figure out what works and let's try to get together on it. And we have so much—I don't know. I think there is a lot of great power decentralized.

WIC—ADJUNCT ELIGIBILITY

I wanted to, though, say I want to talk a little bit about that eligibility question because I think you have asked a good question. But aren't something like 53 percent of the kids on WIC today infants? It is a pretty high number.

Mr. CONCANNON. It is 49 percent of infants.

Mr. KINGSTON. Okay, 49 percent. But in that group, not everybody is at the same income level. And some of them are qualified because they are on Medicaid, and some States have a very high Medicaid eligibility, like maybe as high as 300 percent of Federal poverty level, I think. Is that—

Mr. CONCANNON. No. The WIC kids cannot be above 185 percent of the Federal—

Mr. KINGSTON. I know they can't. But in some States, I understand that if you are on Medicaid, you can still get WIC even if you are above the 185.

Mr. CONCANNON. That I am unfamiliar with, actually. And there would be a few States—again, I would back up. That is the SCHIP that—

Mr. KINGSTON. I am told from the smart people sitting behind me that that is correct. So if you are thinking it is not correct—yes, adjunct eligibility. And in some States, you can be very high—I say 300 percent—to get on Medicaid. I am not sure where that number is.

But the reason why I say that is because if we are running out of money and the lowest of the income folks aren't getting fed, then in that 49 percent there may be some people in there who maybe shouldn't be on WIC because they are on WIC at the expense of the lower folks, I would suggest.

You know, not saying that is absolute. But I would say that is why some of that eligibility stuff is of interest to me.

Ms. DELAURO. Let's go to three minutes, Sam, because we are going to have to vote and we can't come back. We have got several votes.

Mr. FARR. Three? I can't do three minutes.

Ms. DELAURO. Yes, you have to.

Mr. FARR. Well, this is very interesting—

Ms. DELAURO. Okay. We are okay. We are okay. I am sorry. I thought it was a vote. Go ahead, Sam.

POVERTY IN AMERICA

Mr. FARR. This is a very interesting discussion. And it is a discussion because if you look at the membership of this committee, the best-kept secret in Washington is that most of these people are not coming from agriculture, per se, not agriculture in their States.

But you look at Jesse Jackson from Chicago and Maurice Hinchey—we are rural, but we are—Rosa, myself. I mean, we are here because USDA is really the first responder to poverty in America.

Perhaps we made a big mistake when we created the whole new Homeland Security Administration. We should have put you over there because then you would be labeled as first responders, and all we would have to declare is that we have a disaster in poverty in America with this recession and money would be just flowing to try to solve the problem.

But I think, Jack, what is really missing here—and I liked your idea of maybe giving—you know, put the challenge out there to the States for a waiver because Arne Duncan in education is telling us that these schools where we are feeding these kids—and in my district I just got ten of them that are ranked at the bottom of the bottom—I mean, there is probably not a kid in those schools that speak English. So it has a lot to do with cultural issues. But they are all in—probably come from poverty backgrounds.

In asking him how you solve this problem, he says, the only way you can solve it in those communities is to have what you call total wrap-around. You take all of the social programs and all of these things, and it is all integrated. But it is very hard to get all of these silos that we create at the Federal, State, and local levels to really get together.

It seems to me that the challenge that we have—and Jack, this is where you get at because what you are concerned about is waste. I am concerned about waste because waste doesn't get to solving the problem.

And maybe what we ought to do is challenge that we will give these—if you can create these wrap-arounds in our communities, in our schools—this is related to school, and this is part of the services of the school—or in the community with WIC and so on—I mean, it is all about infants and children. Right?

Mr. CONCANNON. Yes.

CNP—EQUIPMENT GRANTS

Mr. FARR. And it is also about nutrition because that is the other thing. You are Food, Nutrition, and Consumer Services.

Let me ask you a question. You talked—and Rosa was talking about messaging, and you talked about going to the school. You know, we have your service right up there on the wall. Look at that picture up there. What is missing in that picture?

Mr. CONCANNON. Fruits.

Mr. FARR. Yes. Fruits. Fruits and vegetables. In fact, we ought to get new pictures and get a fruit and vegetable in there because we have got a message. Right? It is not just about waffles and fruit—whatever that—maybe that is apple. I don't know what is in that cup.

So I want to ask a question about salad bars. I'm carrying legislation to try to get them in every school in America. I am told that many schools would like to have salad bars, but lack the financial resources to purchase the equipment.

USDA's regulations at 7 CFR 3016.3 and OMB Circular A-87 define equipment for the purposes of the National School Lunch Program equipment assistance grants as articles, tangible personal property with a useful life of no more than one year, and a per-unit acquisition cost of \$5,000.

The typical school salad bar—which is made of plastic; it is non-electric—costs \$3,000. Schools are not eligible to request salad bars with the ARRA applications, nor will they be able to use funding through the fiscal year 2010 AG appropriations or the CNR.

And so what funding sources are available for schools wanting to purchase salad bars?

Mr. CONCANNON. I am not sure about the citation you cite, Congressman. I know in this budget we are proposing a \$25 million capital line to allow schools to buy cooling equipment or to replace stoves or what. We know that America's schools are deeply inadequately resourced as far as infrastructure.

In the ARRA funds, you awarded \$100 million, and we had \$640 million in requests right away for it. And that was in a very short turnaround. I have seen some of that, in that school. I was out in Georgia. They put more additional cooling equipment in.

So schools have—before you even get to salad bars, I think schools have even more basic needs around basic cooling equipment. Because if you are going to have some of those goods in the salad bar, they are going to have to be properly—

Mr. FARR. Well, as you look at these regulations and—I mean, the idea of putting a minimum threshold of \$5,000 per unit, it seems to me if we are trying to get a salad bar, get that—what it is going to take to get into that lunch line right there, it might not cost that much.

Are you familiar with that—

Ms. PARADIS. Well, I am not familiar with the citations. But I do know that with the ARRA funding, salad bars do qualify unless they are extraordinarily high end, and that some of it was used to purchase salad bars. And we certainly encourage that, and would use any additional funding we get to do that.

But I would like, when I go back to my office, to take a look at those citations so that I better understand that because that just seems a little perplexing. I appreciate you bringing that to our attention. We certainly would not want to do anything to discourage schools from purchasing salad bars with this funding.

[The information follows:]

School districts can use meal reimbursements to buy food service equipment at any time from the non-profit food service account. However, Congress recognized that these funds are often fully utilized to provide meals on a day-to-day basis and therefore are not available for large equipment purchases. Taking this into consideration, Congress provided \$100 million for food service equipment through the Amer-

ican Recovery and Reinvestment Act of 2009 (ARRA) and another \$25 million through FY 2010 National School Lunch Program (NSLP) Equipment Grants.

Food service equipment, one example being salad bars, may be purchased with either an ARRA or FY 2010 NSLP Equipment Grant provided that the equipment is used to serve reimbursable meals. The equipment purchased with these funds benefits school meal programs by enabling them to offer more nutritious meals and fresh fruits and vegetables. The grant request to purchase equipment must fit into one of four focus areas, one of which is to improve the quality of school food service meals that meet the dietary guidelines. While we do not have data breaking out salad bar purchases per se, the purchase of salad bar equipment lends itself to improving the quality of school food service meals that meet dietary guidelines, and we are aware anecdotally that some schools have obtained salad bar equipment using these funds.

The food service equipment procured must meet the definition of equipment as defined in 7 CFR 3016.3 "as articles of nonexpendable, tangible personal property with a useful life of more than one year and a per unit acquisition cost of \$5,000." On occasion the definition of equipment has presented a challenge; however, in many cases State and local level thresholds are lower than the Federal threshold, which helps schools meet the requirement.

Mr. FARR. Nor would I. Thank you.

SNAP—BENEFITS ISSUED BIWEEKLY

Ms. DELAURO. The SNAP benefits are provided to participants at the beginning of the month, and most participants spend the benefits in the first part of the month and then have to struggle through the rest of the month with little or no food, as I understand it.

One recommendation that has been made is to begin to provide SNAP benefits on a biweekly basis. It seems to me this is a common-sense approach, and most people get paid biweekly. Can we—or why can't we provide SNAP benefits on a biweekly basis? We now have the electronic system to be able to deal with this, and that means that—well, I think it just—I think in two pieces it would deal both with nutrition and, you know, with regard to the hunger issue here, that you would combine these two pieces.

So I would just like to get your view.

Mr. CONCANNON. I am advised that that was prohibited to break up the benefit in the last Farm Bill. But I am also mindful—I just read something, in getting ready for this hearing—in which a person, you know, we have instances where, if we could provide that benefit, let's say, twice a month, that it might have a beneficial effect on purchasing and people going from having a house full of food resources at the beginning of the month and being, you know, starved at the end of the month.

And I don't know what the origin of the prohibition against that—

Ms. DELAURO. Can we maintain the accuracy rate that you have by doing this twice a month? And I will go back to find out why the Farm Bill, you know, did that specifically. But my presumption is it may have to do with waste, fraud, and abuse. But do you think we could deal with this accurately?

Mr. CONCANNON. I don't think it would, either. I don't think it would have an effect on waste or abuse. It may have something to do with the ability of States to issue benefits, or it may have been concern on the part of people that it would result in fewer benefits going to people.

But it is certainly worth looking at. It is the kind of thing that I think a pilot—to try a pilot to see what benefits it provides for people. We certainly would be open to working with you on that.

SNAP—COMMUNITY NETWORKS

Ms. DELAURO. Okay. Terrific. That's great.

The President's budget requests \$12½ million for community networks to promote healthy eating. Can you give us some examples of how this program will work? What strategies do you see communities using with this funding to encourage healthy eating, and how will you judge the effectiveness of these pilots?

Mr. CONCANNON. Madam Chair, I just finished reading—and actually, Dr. Post provided it to me at my request—but Health Affairs is one of the major, you know, health journals in the country, I think one of the best.

And it devoted its most recent issue just to the whole issue of nutrition, obesity. Dr. Brownell, who was here from Yale testifying—

Ms. DELAURO. Oh, yes. Sure.

Mr. CONCANNON [continuing]. Is the author of one of the articles in there. But it was for the first time I saw the term “obesogenic,” obesogenic meaning obesity-promoting, facilitating. And one of the authors said, you know, we live in an American society that is obesogenic insofar as we promote, you know, processed foods that add too much weight to people. We push for bigger portion sizes. We don't provide access to healthy foods for people.

And they basically came to the conclusion that part of it is a cultural thing, that it isn't any one thing. It isn't just that single donut that was referred to earlier. It is a variety of practices that result in this.

So that the purpose of the approach, I think, is one that I happen to concur with, that I think back analogously to the 1960s and to the challenges we had in smoking. And it took a whole series of policy and other changes to really reduce the smoking rates in the country.

I think to really solve the problem of obesity is going to take a whole series of things, not any one single thing. And so what we are interested in in these—in this grant is turning to a community and saying, you know, what are the—what steps are you as a mayor or city council or county supervisors willing to take in an area, for everything from schools to billboards to messaging?

We know that you see ads on TV that say, you know, you should have a hamburger. Guess what? People go out and start snacking. There is lots of evidence now that is built up around what promotes and triggers these behaviors on our part.

So if we have governors, or communities in this case, who say, we will take this on in terms of the policies in our schools—I don't want to go back to Somerville, Massachusetts, but they have made decisions over the years to have kids walk to school.

You know, reduce the buses. Have kids walk to school. It is one of the elements. You got to have safe streets. You got to have safe neighborhoods.

Ms. DELAURO. Yes.

Mr. CONCANNON. But they have done some things over time that have all reinforced their commitment to healthier living, healthier eating. And I think that is what we want to do.

Ms. DELAURO. So we are going to try these pilot programs, see what works. Best practices.

Mr. CONCANNON. We want to say, what can we do? And creative, you know, county supervisors or mayors or what have you in a community that say, we will do a variety of things.

Ms. DELAURO. Okay. Thank you.

Mr. Kingston.

Mr. KINGSTON. Thank you, Madam Chair. I need to bring Dr. Post into this conversation. It has been a bad day for him as a University of Maryland graduate. On national television today, President Obama picked Michigan State over you guys in the bracket. And having gone to Michigan State, I find myself once more agreeing with the President. [Laughter.]

NUTRITION EDUCATION

Mr. KINGSTON. But you had, actually, in your testimony said that obesity costs are \$147 billion a year to our country. And so what I want to do is ask you what some of those costs are and to talk about that little bit.

But then also to Ms.—is it Paradis?

Ms. PARADIS. Paradis, yes.

Mr. KINGSTON. It is a French word. That is what I thought.

Ms. PARADIS. Yes, it is.

Mr. KINGSTON. And, you know, we go to a lot of food banks or Second Harvests and, you know, interested in what you guys do. But you also get a lot of free food from manufacturers, and some of that might be obesogenic. And yet it—so I am just sort of wondering. And maybe the two of you, if I could hear from the two of you on the challenges of that. The costs.

Mr. POST. Well, in terms of the costs—

Mr. KINGSTON. Yes.

Mr. POST [continuing]. I think it is essentially the costs of health care related to coronary heart disease, hypertension, all the other dietary-related illnesses that are associated with overweight and obesity. And I guess I will look to Julie to perhaps add to—

Mr. KINGSTON. Because, you know, one of the things that we kind of all three of us have talked about a little bit about sort of healthy communities, if you could sort of, you know, block grants and pilot programs, one of the elements of, you know, in Somerville, Massachusetts the kids walking, Davis, California and I think Portland have a 14 percent ridership in bicycles, which is a huge deal.

But it is a major community commitment to get folks there. And it is a challenge. But that is part of that cultural shift that we need to—I like this word obesogenic. We need to declare war on it.

Mr. POST. If I could then add to that, at least from the Center's activities, we know that in this future work, especially with this edition of the *Dietary Guidelines*, we are going to have to focus on getting to people where they work, where they play, where they learn, where they shop, where they buy foods, where they purchase foods in a restaurant.

This time around, we know we need to get to people with those actionable, understood, tested messages. And so that is our plan, to make sure that we have partnerships not only with Federal agencies but also with—and State organizations and the private sector.

So that the constituents that they serve will be those fitness centers or the YWCA or the YMCA or the future leaders of America, where we can get those messages out there into the community, and people have become aware of them in a way that is more robust than you find right now.

And perhaps looking at the picture back there, you would have those messages even on containers of food. And when those kids go to restaurants, they would find them on menus. That is our goal this time around, and that is a community-based approach.

Mr. CONCANNON. You remind me, if I can just add to that, Dr. Post is part of a group that again was directed by Congress—he is representing the FNS—but with the Federal Trade Commission, the FDA, us, and the CDC, working on a recommendation that is coming to Congress by the middle of July on food advertising or food marketing to children between the ages of 2 and 17.

And again, that to me is another example of that because if there is evidence that if I see an ad that tells me I should have, you know, a super-sized burger and something else, chances are I am going to—I may not do that, but I am going to be reaching for something else. It is just one of those things we have to get out.

Mr. KINGSTON. Ms. Paradis, are you guys watching those food donations in terms of—I know it is very difficult for you.

Ms. PARADIS. Well, I hesitate to speak. Let me speak first to the USDA foods that are provided to the food bank community. And as you probably know, we have worked for, as I recall, at least 20 years to improve the nutritional quality of those meals, so we now—or of those foods.

So we now are distributing vegetables with far less sodium, fruits with far less sugar that are packed in either juice or light syrup. We are doing much more with whole grains, whole grain pastas. Less fat in the meat products.

So I think the quality, the nutritional quality, of the USDA foods has come a long way, and we feel very good about that. And in fact, what we hear from food banks is that the U.S.—that take—those food banks that do take TEFAP commodities are very pleased to have them and use them, really, as sort of the centerpiece when they put together their food baskets or their food bags.

I haven't been associated with Feeding America for about three and a half years. So I sort of, as I say, hesitate to characterize where they might be now. But I do know that when I was there, they were in the process of sort of transitioning in terms of their mindset with respect to the kinds of foods that they were getting from the private sector.

And in the early days of food banking, they were more than happy to take any kind of food that they could get just to feed these hungry families. And it was sort of a cultural shift that took some time for them to come to understand that the ideal thing was to be getting nutritious foods.

They didn't have the freezers. They didn't have the coolers. So they have come a long way. They have used our administrative funding, to a significant degree, to get the coolers and the freezers that they need to be able—and they have reached out into to their community, into their agricultural community districts, like Mr. Farr's, that have over-abundance of fresh fruits and vegetables.

And that is now a very significant part of what the Feeding America network does, or at least it was when I left three and a half years ago.

Mr. KINGSTON. Well, thank you.

Ms. DELAURO. Mr. Farr, do you have any further questions?

FRESH FRUITS AND VEGETABLES

Mr. FARR. Thank you, Madam Chair. A couple questions, one on WIC Fresh. You expanded in the WIC Program in October to include fresh produce. Not necessarily all the answers now, but could you provide for the Committee what you have done to make the public aware of this change in the WIC Program, and what that messaging, as the Chairwoman talked about, is all about?

And at the same time, we have included in the fruit and vegetable snack program, referring to all the reasons I think you just stated, that it is not quite as successful as you hoped it would be because kids—some, and some don't. I mean, they follow the patterns of their parents in what their eating habits are. But could you respond on how we could make that work better?

And then what I want to get into is the TEFAP program and the commodity support. But let me—do you want to respond to those questions quickly?

Mr. CONCANNON. Yes, if I may. Just on the point made on WIC also, in this budget we are proposing to fully fund that. We are able to do most of what the Institute of Medicine recommended, but we did for children; we didn't do it for adults. We add another \$2, so that actually, I think, the food package for WIC will be further improved as a result of this budget.

But to your question on how do we—we believe that it is important to try to incent. Every once in a while we get questions: Why don't you prohibit, proscribe, in SNAP certain foods so you can't buy this? And we believe that, one, that would be an unfortunate direction to go.

We think a better way to do is to see—we have a healthy incentive pilot right now that was funded by Congress, and that we will be—we will be awarding that later this year. And the goal underlying that is to say: What is the effect of—for example, if I go in and buy \$50 worth of—in my monthly order, \$50 worth of fruits and vegetables, to subsidize that so it actually only costs me \$25? I am making that up. But to create financial incentives.

And in this budget, we are proposing an additional \$6 million to further strengthen the educational component with that so that I come to know the messaging and can practice it. And I was using the example, in talking with Dr. Rob Post here earlier today, of some communication just works better than owners.

And one example that I saw recently said the benefit of having a glass of either nonfat milk or 1 percent milk compared to having

a glass of whole milk is the difference between four strips of bacon on the fat side.

Well, that is a pretty basic message. I passed that on to one of my children, who has young children. That is an understandable message. You don't have to be a chemist or a nutritionist professionally to understand that.

And so I think we want to get—I believe in the benefit of the school programs for—I am committed to——

[The information follows:]

As part of our effort to provide technical assistance to State and local WIC agencies as they implemented the changes to the WIC food packages, FNS developed a variety of materials, including a Fresh Fruit and Vegetable Resource Guide that includes lesson plans and educational materials for WIC mothers and children about the new WIC food packages. Information about the WIC food package changes has also been communicated to the general public on the FNS Web site. In October 2008, FNS released a set of core nutrition education messages to be used in interventions to increase the consumption of fruits and vegetables in FNS nutrition assistance programs.

Our Office of Research and Analysis will be conducting an evaluation of the Fresh Fruit and Vegetable Program, FFVP, and a report to Congress is due by September 30, 2011. The evaluation results may provide information that can be utilized in making improvements in FFVP operations at the State and local levels. The study will estimate program impacts on participating students, including whether children experience increased consumption of fruits and vegetables and decreased consumption of less nutritious foods as well as examine how the FFVP is currently being implemented.

Mr. FARR. Well, I will invite you out to our area. We have probably the best elementary science, art, math program all based around foods, fresh fruits and vegetables. Kids taking these vegetables, looking at the color, banana, the shape, round, square, oblong, whatever it is.

Mr. CONCANNON. Yes.

Mr. FARR. Whether you peel it, whether you cook it. They make fruit salads out of it, so they get color. They get quantities. Count them all. It is first grade, kindergarten stuff. And then the kids eat it.

And you know what the local superintendent of the Safety there—he's the manager—said? What is going in the school? I have never seen so many kiwis come through my—and he said the kids tell their parents, you have got to buy this, Mom. This is really good for us.

So it is—yes, it works, if we get it out there.

Mr. CONCANNON. I believe in that.

TEFAP COMMODITIES

Mr. FARR. But let me ask you because I know time is running here on this. I think we have a lot too, and I hope we can all work to do a better job, get more fresh produce in all of our programs.

The TEFAP program and other feeding programs received a record number of commodities in 2009. These programs provide, you know, emergency feeding assistance to record numbers of people. There are some concerns that the expected levels of commodities that will be available this fiscal year and next is going to hurt the ability of these programs to assist with the need.

What are the commodity levels that you are expecting to provide these programs in the rest of this year and next year? And what

impact will these commodity levels have on the programs that they are benefitting?

Mr. CONCANNON. First of all, let me acknowledge we believe, along with that question—and we hear it from those food banks and shelters and so on—they, like us, I think I mentioned in my testimony, they are facing unprecedented numbers of people coming their way, just as you mentioned, endless long lines.

The TEFAP budget proposal that you have before you is \$247 million. That is a slight—that is a 1-plus percent reduction from the previous year. And I am told that that reduction is basically a function of that benefit is tied to the cost of food in the Thrifty Food Plan. So there is a modest reduction in it.

We also—in addition, we have already purchased this year some \$60 million in dairy. That occurred back right at the first of the year. So I don't know what the amounts will be on those bonus purchases, so to speak. I do know the budget proposal here for what I would call the core commodity program is just under \$250 million.

If you go back just a couple of years, the amounts in that program area, it was only a hundred—about half of that, 130 or 150. So it does represent an increase. But last year, there was a significant amount of additional purchase in the bonus foods that came to those food banks.

So I know they are concerned about it. Our budget is—again, the core budget is down by about a million and a half, or 1½ percentage points. We have bought some bonus commodities. I don't know what the rest of the year at this point will be in that regard.

Mr. FARR. Do the commodity folks share with you what they think is going to be the—

Mr. CONCANNON. I don't know if even they know at this point. But we could certainly ask them.

Ms. PARADIS. Yes. Mr. Under Secretary, we do have some expectation. I mean, the food banks, I think, are justifiably concerned. We do have some indication that bonus commodities may come down somewhat.

And this is very difficult because the food banks really do rely on these. But as you know, in agriculture, those bonus levels just do fluctuate from year to year. And it is a source of continuing concern.

Mr. FARR. You know what? I want to end this, but do an exercise with my staff here in the building. I take them down to Costco out here at Pentagon Center and I have them go to the produce. And I say, just read the labels on that store and tell me where that stuff comes from.

And they are just amazed. They say, it is all grown in your district. I said, yes. You know what? If it is on the shelf today, it left that district Monday morning. They do team driving and they get it here in three days. That product was probably harvested last Saturday.

I mean, we have the ability to bring fresh fruits and vegetables anywhere in the world with the incredible transportation and distribution system we have. And, you know, the program here as it was stated, it is to support American agriculture.

The problem is that we have been supporting commodity products which came out of the old, you know, recession eras, and when all the commodities can be stored. So what we did is we created this financial system, guarantees, so that we could keep farmers, the growers, in business because the buyers were saying, I got enough wheat, I got enough corn, I got enough beans from last year. We are going to control the market flow and I don't need your product this year.

Well, you can't have a grower just sort of, you know, selling a product one year and then having nothing to sell. So the government stepped in to essentially stabilize the market. And we did a damn good job of it.

And we have now got all these products, and we are worrying—you were talking about messaging, and those products have done a very good job of getting processed into every kind of food form. But because we have never helped the fresh fruits and vegetables, they get no subsidies whatsoever. No help. It is all just free market enterprise.

But they are now able to package their goods and get them across this country and around the world in days. And there is no reason we can't get them into the feeding chains of our poverty programs that you are running. And that is my—that is what I am concerned about. Thank you.

Thank you, Madam Chair.

NUTRITION EDUCATION

Ms. DELAURO. Thank you. Let me just make one point, which I think—we will pass the health care bill on Sunday, and one of the pieces that I think is particularly important that hasn't had that much focus or retention is that—that is in menu labeling, which I think is going to be real behavioral change.

I think we are seeing the results of that in New York. I am particularly proud of the legislation in that context, having drafted that legislation. But that is not to be self-serving in terms of that issue.

But there was a real consensus between the legislation and the industry on looking at how we could provide information to the public, especially in the fast food restaurants, where they are about to order, looking at the menu board, and can make a decision, an informed decision, on what to order and where there will be calories listed next to the items.

Those are the kinds of—you talk about education. Now, you don't know what people are going to select, but they certainly have the information. And we are not all scientists by profession, and they can calculate, you know, what is, you know, tuna fish with mayonnaise, roast beef with mustard, et cetera. And so you make inaccurate decisions based on no information.

I think this information will provide people with a guidepost. And I think it is unfortunate that that didn't see the light of day in many respects in the messaging of a health care bill. But I think it is particularly important, and I am excited about what can happen as a result of that.

DIRECT CERTIFICATION

I have a final question, which has to do with—which goes back to the issue of eligible families and making sure that they are enrolled for free or reduced price school meals, and what your plans are to engage schools in the outreach campaign for the upcoming school year. That is a question.

I also know that Congress has provided \$22 million in this year in order to improve direct certification rates. And in the meantime, we are going to look at the reauthorization as a way to deal with this.

But in the meantime, so a second question is: What are impediments that currently keep children away from being directly certified? And how do we take the steps that are necessary with the grant funds to improve this circumstance? And what support are you providing to share best practices and support improvement efforts in this regard from now?

Mr. CONCANNON. Madam Chair, thank you. As you mentioned, the \$22 million is very important to us. We are targeting that to the States that have the lowest rates of direct certification. We believe in certification. We are promoting it missionary style with different States and places.

The best States, the States who are doing the best job in terms of certification, I think I mentioned the last time I was here, Ohio being one of them. Kansas being one. Iowa being one. These are States that we are finding are doing the data matches at a State level. Rather than leaving that to local schools or having schools have to go through the drill, do the data matches at a State level of all the children on TANF or SNAP, and then feed that down to the schools.

When you were talking about getting product across the country, it is very easy to communicate that in terms of data matches and so on. So we are urging and telling States, that is one of the things to do. We have sent letters out to States, to Commissioners of Education as well as to Health and Human Service Commissioners and Directors, as well, saying, this is an opportunity.

And whenever we go out to States, we also say, one of the triggers on that—and I said this when I was out in California recently—if States would do a better job enrolling people in SNAP, that is not the end of the story. That is a wonderful help and it is needed for them, but that extends and that benefits the schools because those kids automatically then come into the certification process.

So we try to convey to people the benefit and the efficacy of, one, enrolling the people that are eligible; some States are doing a much better job on that over in SNAP. But then use direct certification. Use that State level as an example of data match, but also the frequency of doing the data matches.

New York City is a place where they are doing the data matches a half dozen times a year. We are aware of other States in the country where they do the data match after October 1, when typically the States require them for census purpose to say, this is how many kids we have.

And we say, we all know people whose financial circumstances—

Ms. DELAURO. Have changed.

Mr. CONCANNON [continuing]. Changed, especially in this economy. So we say, do the data match frequently. And it benefits kids, but it also benefits your schools when schools are struggling with revenues.

And the school that I was in a couple weeks ago for breakfast, even though it was one of that county's wealthier areas, even they pointed out to me that just over the past couple years, they are now up to about 35 percent of the kids in free and reduced, when it was running single digits two years ago.

So, I mean, we are seeing, you know, the effect of that. We are messaging it through our regional offices and in any messaging we have to do with State agencies.

Ms. DELAURO. Okay. Thank you. You have been very patient, you know, with the time here, with your time, and we are appreciative of that.

It is an important critical area that you all are engaged in, and I can't tell you how gratifying it is. We have an unbelievable team. And we thank you for your candor. We thank you for your commitment to this area.

We are committed on this committee, across the aisle, to both the issue of hunger and nutrition, and also making sure that we utilize the resources in the most efficient and the most effective way.

We also understand that the resources are not—you know, that they do have boundaries around them. But I would just say to that, I will go back to Harry Truman, President Truman and what he talked about. And making sure that the children of this Nation are well-fed is part of our national security. But it is a moral responsibility.

And we know you take your moral responsibility very seriously. We do as well. And I am of the view that—where I come from in terms of my own philosophical views is that government does have a moral responsibility in these areas.

And we want to work with you to make sure that you can exercise what you need to do, and with the accountability that you need, but that we are carrying out that responsibility to provide food and good nutrition to the people of this country. So thank you very, very much for your good work.

UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD AND NUTRITION SERVICE
QUESTIONS FOR THE RECORD
HOUSE AGRICULTURE APPROPRIATIONS SUBCOMMITTEE HEARING
MARCH 18, 2010

QUESTIONS SUBMITTED BY CONGRESSMEN JACKSON

THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

Mr. Jackson Jr.: Earlier this month, the Greater Chicago Food Depository visited my office and shared with me the impact of TEFAP and Emergency Food Programs. In Chicago, nearly 678,000 people each year rely on supplemental food provided through the Chicago Food Depository and its 650 member food pantries, soup kitchens, and shelters. 44% of participants currently receive Food Stamps, 34% of households include at least one employed adult and over 37% of the people they serve are under the age of 18--that's 250,000 children reliant on Emergency Food Aid, supplemented through TEFAP.

While the President's budget includes significant increases for SNAP, WIC and the Child Nutrition Programs, the funding level for TEFAP commodity storage and distribution grants has remained fairly level over the past two years despite the growing number of Americans that are currently experiencing food insecurity. These funds are critically needed by states and emergency food providers in order for them to connect an increasing number of struggling Americans with the emergency food resources they need. Undersecretary Concannon, can you please explain the President's request in the FY11 Budget to only fund TEFAP storage and distribution grants at 50% of the total level of funding that has been authorized?

Response: At the time the FY 2011 budget was being developed, the Emergency Food Assistance Program (TEFAP) had just received an additional \$50 million in administrative funding through the American Recovery and Reinvestment Act of 2009, \$25 million for use in FY 2009, and \$25 million for FY 2010. Moreover, the 2008 Farm Bill increased the base available funding from \$140 million to \$250 million. TEFAP had also received increased authority to permit States to convert food funds to administrative funds--up from \$10 million in FY 2008 to 10 percent of the total available food funds or about \$24.8 million in FY 2010. With the additional funds available for administrative support in TEFAP and the constraints of discretionary funding in the Department of Agriculture FY 2011 budget, requests focused on budget increases in its benefits for discretionary food assistance programs, such as the WIC program. However, we understand the critical need of emergency food providers for logistical support in providing food assistance to the needy, and will continue to assess the adequacy of TEFAP administrative funding in helping to provide such support.

SUPPORT FOR LOCAL DHS OFFICES ADMINISTERING FOOD AID

Mr. Jackson Jr.: Currently, 1 out of every 8 Americans and 1 out of every 4 children are receiving nutrition assistance through the SNAP Program. With an estimated 35 million Americans participating in SNAP, I am pleased that the President has included a significant increase to meet the need.

Last week, case workers from the Blue Island Office of the Illinois Department of Human Services, which is in my district, visited my office to discuss SNAP, WIC and the Child and Adult Care Food Program. Currently, there are 88 Caseworkers at the Blue Island Office that serve approximately 94,000 residents seeking aid. The average caseload for these workers is over 1,000 participants per case worker. Simply put, DHS offices are struggling to keep up with the growing need. Often, constituents may hear a busy signal when they call and the parking lot at the Blue Island office is always full.

Administrator Paradis and Undersecretary Concannon, how can USDA and FNS provide additional resources to offices that administer these Nutrition Programs? Between now and when Congress reauthorizes SNAP, is there a way to reduce administrative paperwork to ensure that all Americans that are eligible and in need, are provided access to this aid?

Response: FNS understands and appreciates the workload management challenges faced by States and local jurisdictions in this difficult economy. To help provide administrative relief to States, FNS has provided policy guidance as well as a variety of State options, waivers, and tools to help support workload management. These options improve administrative efficiency and are designed to provide increased program access to eligible households.

One option available to States is broad based categorical eligibility. In these times of rising caseloads and shrinking State budgets, expanded categorical eligibility can benefit States by simplifying policies, by reducing the amount of time States must devote to verifying resources, and by reducing errors. It can extend food assistance to families with high expenses but gross incomes slightly higher than the normal gross income test. Applicants will not need to provide documentation verifying their resources. Finally, adopting expanded categorical eligibility can promote asset accumulation among low-income families. A total of 32 States have adopted broad based categorical eligibility.

States can also expand simplified reporting to all eligible households. Although almost all States utilize some form of simplified reporting, not all States use it for their entire caseload. The 2008 Farm Bill expanded simplified reporting to all households, including those households with only elderly or disabled members. Simplified reporting increases program access for all households and also improves program administration.

FNS has also approved a variety of waivers that can help improve access to the program while at the same time providing workload relief to eligibility workers. For example:

- Face to face interview waivers permit telephone interviews instead of face to face interviews. This improves administrative efficiency

but also increases the ability of a household to complete the interview without having to visit the eligibility office.

- Reinstatement waivers allow States to reopen cases without requiring a household to file a new application if the required action to reestablish eligibility is within a set period of time. This waiver improves access and prevents "caseload churning."
- FNS recently approved an interview waiver that allows the recertification interview to be waived for elderly or disabled households with no earned income. This waiver assists with caseload management for the most stable SNAP households.
- FNS has approved waivers that allow the State to postpone the expedited service interview for up to two months. This allows the neediest families to receive benefits quickly and may assist States in managing workloads.
- Combined Application Projects Demonstration Projects allow applicants for Supplemental Security Income (SSI) benefits to apply for SNAP using a joint SSI/SNAP application process. This reduces verification, eliminates an additional visit to a SNAP office, and offers a standardized benefit. Importantly, it increases access for the vulnerable disabled elderly population.

There are also options that do not require waivers that are available to States. For example, States may limit the duration and scope of the interview in those situations which require less scrutiny for stable low-risk cases. States may also provide maximum certification periods of up to 24 months in some cases. This practice simplifies administration and reduces the burden of reporting and payment errors.

FNS recommends that States consult our workload management matrix that lists various policies and procedures for managing workloads. The matrix provides the advantages and considerations for each policy or procedure. It also lists the States that are currently using this procedure and gives a general idea of the overall cost to the State.

States are also encouraged to use a 100 percent Federally-funded State Exchange Program that allows States to share innovative processes and learn new procedures to enhance State agency operations.

In addition to the FNS policies and procedures that may provide administrative relief, the Department of Defense Appropriations Act of 2010 appropriated \$400 million in 100 percent Federal for State agencies to support the costs of administering SNAP in fiscal years 2010 and 2011. These funds will help address the growing strain on existing State resources for administering SNAP. These funds are intended to supplement current SNAP spending and may be used on any allowable administrative expenses. Prior to this appropriation, the American Recovery and Reinvestment Act (ARRA) provided nearly \$300 million dollars in 100 percent Federal funds to help States administer SNAP.

FNS is committed to working with States to ensure awareness of administrative options available to help manage and reduce workload while maintaining program integrity and improving program access.

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