AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2009

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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

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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, JASON WELLER, and MATT SMITH, *Staff Assistants*

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2009

THURSDAY, MARCH 13, 2008.

FOOD AND NUTRITION SERVICES

WITNESSES

NANCY MONTANEZ JOHNER, UNDER SECRETARY FOR FOOD, NUTRITION, AND CONSUMER SERVICES, USDA

KATE HOUSTON, DEPUTY UNDER SECRETARY FOR FOOD, NUTRITION, AND CONSUMER SERVICES, USDA

ROBERTO SALAZAR, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, USDA

W. SCOTT STEELE, BUDGET OFFICER, USDA

Ms. DELAURO. The committee is called to order. Thank me and—thank you, and let me welcome all of you today, and particularly Under Secretary Johner. And I'm really glad to have had the opportunity. We met earlier this year to discuss a number of priorities. And like you, I always find the meetings to be helpful and informative and productive and are being able to move forward. Can you hear me?

And let me just welcome the rest of the panel. I'm going to leave all the introductions to you in your opening remarks, Under Secretary. This is an important hearing from my perspective. Families and children should never be forced to choose between securing adequate food for their kids and other basics they need. I think one of the government's most critical responsibilities is providing children and low-income families with access to quality food, a healthy diet, a positive education about nutrition, and the Food and Nutrition Service does exactly that, serving nearly one in five Americans.

Perhaps the most important program under the Food and Nutrition Service is the school lunch program. That became very clear last month with the historic meat recall involving a Westland/Hallmark plant in California. Of the more than 140 million pounds of meat that was recalled, approximately 47 million were distributed to the school lunch program. There are no reports of any children becoming sick from consuming this meat, but it is no less alarming to think just how many students were put at risk. This should not have been allowed to happen, and must not be allowed to happen again.

I realize that the Food Safety and Inspection Service shoulders much of the responsibility for allowing this recalled meat to reach the school lunch program. Nevertheless, I do have some serious questions about the Food and Nutrition Service's role. We have a responsibility to determine what could have been done to stop these dangerous practices and subsequent recall.

I also intend to address some questions about this year's budget. While you appear to fully fund critical nutrition assistance programs such as food stamps and WIC, I remain concerned about some recycle proposals that would again limit the program participation. For instance, in what has now become a tiresome annual ritual, this Administration is once again proposing to zero out the commodity supplemental food program in fiscal year 2009.

This is a program in which more than 473,000 seniors, women, infants and children rely. When it comes to women, infants and children, when it comes to that program, the WIC program, the President's budget again proposes to cap grants to state agencies for nutrition service and administration expenses at the fiscal year 2000 level. This reduces program costs by $145 million. However, if the cap is enacted, we will have to add that amount back to the appropriation level in the budget.

I also want to express my disappointment at the Administration's efforts on WIC last year. While the Administration did request a 3.5-percent increase for the WIC program in fiscal year 2008, it still failed to acknowledge the increased participation and food costs. Worse still, the President threatened to veto any bill that increased total spending levels above his request. At the time, it was clear to everyone except the Administration that increased funding above the President's request was essential to carry out the program this year.

As you know, Madam Secretary, I'm also very concerned about the Food and Nutrition Service's approval of Indiana's decision to contract out virtually the entire administration of its food stamp program. We've had a number of conversations about this, and I understand earlier this week several groups held a news conference pointing to serious flaws in Indiana's privatization plan, including a dysfunctional and wasteful eligibility system—difficulty in reaching call centers and navigating web pages, even the loss of benefits.

I believe you will, but the Food and Nutrition Service and the state of Indiana must take these complaints seriously, and they must be investigated. According to initial news reports, it sounded like state officials were dismissive of these groups' claims. If these allegations are proven true, it would seem like we're heading for a repeat of the debacle that occurred in Texas. And I don't have to remind anyone of the chaos that that experiment in privatization led to, with reduced enrollments and decreased services.

I said this before, but I want to emphasize again, our citizens need to know that they will have access to the food assistance and health care programs during a time of crisis. While private companies serve their shareholders, the American people must be able to count on genuine oversight and strict accountability.

We must be able to guarantee our most vulnerable citizens, that they get the adequate care they deserve. Our government has an obligation to its citizens to check private abuse, to set standards in

the public interest. That principle must apply in all of our efforts, whether it's food stamps or the school lunch program when it comes to creating real opportunity and protecting the public health. It's our responsibility to get it right, and we cannot afford to fail.

So, as always, we will have much to talk about today, and I look forward to discussing the issues with you. I might also add, and I've had some conversations with subcommittee members about this as well, that there will be—we don't have a date yet—a follow-up hearing on nutrition which will then include a combination of both government witnesses and outside experts. So it's just more broadly to discuss the whole issue of nutrition.

With that, I thank you, and the ranking member, Mr. Kingston is here, but I'm going to assume that Ms. Emerson is going to sit in for him, and I ask you for opening comments.

Ms. EMERSON. Thank you, Chairwoman. Thank you all so very much for being here today. And I do look forward to your testimony. I do have also a lot of questions. And, Madam Chair, I want to add something to your remarks. I mean, I know how disturbed you are about so many issues with regard to food security and hunger security and the like.

I do want to tell you all, we just had a study done, a Missouri Hunger Atlas that was done by the University of Missouri, the Interdisciplinary Center for Food Security. And it's really very frightening. In Missouri, for example, Madam Chair, Missouri is one of 17 states with rising rates of food insecurity with hunger. And the increase over the first part of this decade is among the highest five in the country. And so—and 15 percent of our state's children, or nearly 200,000 residents below the age of 18, are food insecure.

So, obviously, the issues with which you all deal on a daily basis are quite important to me and this entire subcommittee. But it is worrisome with, you know, higher gas prices, higher food prices, higher about everything. This is an issue which I think we need to pay special attention to, because I think in the short term it might get worse before it gets better. And certainly, the government working with all of the private—with private industry and charitable foundations and what work we can do here in the committee, Madam Chair, I think are going to be critical in saving lives.

So I appreciate you all being here and thank you so much. I have lots of questions.

Ms. DELAURO. I thank the gentlelady and also say I often think about the terminology of "food insecurity." It essentially means that people are hungry, in my view, and that we ought to be able to have the determination, the will and the wherewithal to make sure that people in this country are not hungry.

Let me ask you to make your remarks. You know the testimony will be put in full into the record, but you're free to summarize and make any comments that you care to before we get to questions. Thank you.

OPENING REMARKS

Ms. JOHNER. Thank you, Madam Chair. And we're very grateful to be here too this morning, because we have a lot to share. But,

Madam Chair and members of the Subcommittee, thank you for this opportunity to present the Food, Nutrition and Consumer Service budget request for fiscal year 2009.

By your permission, I would like to introduce three key members of my team who are with me here who are with me today. Kate Houston. She's our Deputy Under Secretary for Food, Nutrition and Consumer Services. And Ms. Houston also previously served as our Deputy Administration for Special Nutrition Programs. Roberto Salazar, who is our Administrator for the Food and Nutrition Service. And in the audience today but not at the witness table is Dr. Brian Wansink, who recently joined our mission area as Executive Director for the Center for Nutrition Policy and Promotion.

My written testimony has already been submitted for the record. So rather than recount what is already before you, I would like to share with you key concepts that underlie our fiscal year 2009 budget request. In doing so, I hope it will be clear to you why we at FNCS and I personally as Under Secretary have proposed the budget before you, and as to why we believe it is fitting and sufficient for the programs we administer.

There are three basic themes which are fundamental in the design of the budget before you: Good stewardship, improved program integrity, and better access to the program benefits. I realized that good stewardship is not necessarily the primary factor in proposing a budget, yet good stewardship is demanded whether we request a budget increase or we propose reduced funding levels. Nevertheless, be assured that the budget before you represents a thorough, honest assessment of the investment. We believe we'll fulfill the requirements of the program we administer, no more, no less, and that is good stewardship.

Likewise, our budget request is based on a dedication to program integrity. Our commitment to you is that we will do our utmost to ensure that every dollar you entrust to us is used in accordance with law and regulations. Waste, fraud and abuse are not acceptable, and our budget proposal makes no concession to this principle.

Our ultimate goal at FNCS is ensuring eligible participants have every opportunity to receive the benefits Congress intended for them to receive. We aspire to provide these benefits with dignity and compassion. I can assure you that we would not present a budget that we knew to be greatly lacking and detrimental to their well being.

As evidence of this factor, a number of increases are in the Administration's budget. For example, the President's request includes an increase of $11.2 million, which is aimed at the Food Stamp Program. There is also a provision for $6 billion in reserve for the Food Stamp Program alone. Likewise, we have an increase of just over $550 million for the Child Nutrition Programs.

But I do not wish to digress too far into the details. What I believe is more appropriate and closer to the business at hand is to answer any questions that you may have so that you can move quickly to approve our request. We invite an open dialogue with the Subcommittee, a dialogue based on mutual respect and trust, and it is in this spirit of encouraging constructive dialogue that I have shared my thoughts with you today.

We are certain that good stewardship, improved integrity and improved program access is as important to you as it is to us. These are principles, in which I'm sure we can all agree on, principles as I say, that underlie the budget request before you. And so it is with all due respect and in mutual understanding as public servants we come before the Subcommittee today.

We thank you for your time and attention, and I will be happy to answer any questions you may have for me or from my honorable and dedicated co-workers, Kate Houston and Roberto Salazar. And also we have our Budget Officer, Scott Steele, at the desk.

[The information follows:]

For Release only by the
House Committee on
Appropriations

Food, Nutrition, and Consumer Services

Statement of Nancy Montanez Johner, 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 this opportunity to present the Administration's fiscal year 2009 budget request for USDA's Food, Nutrition, and Consumer Services (FNCS).

Before I begin my testimony, I would like to take a moment to introduce to you the members of the leadership of the Food, Nutrition and Consumer Services mission area who are accompanying me today. At the witness table are Deputy Under Secretary Kate Houston, who previously served as Associate Administrator for Special Nutrition Programs at the Food and Nutrition Service (FNS) and is appearing before the Subcommittee for the first time today, and Roberto Salazar, the Administrator of FNS.

I appear before you this morning to present the President's fiscal year 2009 budget request for FNS and the Center for Nutrition Policy and Promotion (CNPP). Over the last eight years, our commitment to the nutrition assistance programs has been guided by three straightforward principles: to reduce hunger and food insecurity by ensuring that all Americans who are eligible and wish to participate can receive program services

easily and with dignity and respect; to help our clients acquire not only good food but also the nutrition skills and motivation they need to improve the well-being of their families; and finally, to be conscientious and accountable stewards of the public investment in these sizable and important programs.

Guided by these simple, yet powerful principles, and working in close cooperation with our State partners, we have made significant strides in achieving the Administration's objectives for FNCS. Since fiscal year 2001, participation among eligible individuals has increased for all our major programs, reflecting the success of our efforts to increase awareness and understanding of the benefits and requirements of our programs among eligible people, and to improve the participant experience associated with actually accessing those benefits. Over the same period, our commitment to providing our participants both nutritious food and the information necessary to make wise food and physical activity decisions has been evident. Since fiscal year 2001, our annual investment in nutrition education and promotion has grown over 65 percent, from approximately $475 million to about $788 million in our fiscal year 2009 budget request. We have carefully reviewed the commodity foods we provide to our partners and participants directly and taken significant steps to improve those foods, reducing fat and sodium where appropriate and increasing the availability of fruits and vegetables.

We have also worked hard to improve management of these programs at the Federal, State and local levels and to reduce improper payments. I am proud to report that we have concrete results to show for our efforts. Payment accuracy levels in the

Food Stamp Program have improved steadily over the last eight years and now stand near record high levels. At the same time, the best available information indicates that the incidence of benefit trafficking has experienced a steady, sustained decline. In the school meals programs we have developed and recently released the first-ever national estimate of payment accuracy. This is a critical step toward a better understanding of this very complex problem and the development of policies that improve accuracy without compromising access for low-income families or unduly increasing the burden on schools.

I am very proud of what we have accomplished and honored to work for a President with a clear, consistent commitment to these programs that protect children and low-income households from hunger, and help to prevent the health risks associated with poor nutrition and physical inactivity.

Madam Chairwoman, this budget request of $64.1 billion reflects the fundamental challenge facing all of us: ensuring that the needs of all eligible persons seeking to participate in our programs are met while at the same time striving to deal forthrightly and responsibly with unsustainable levels of deficit spending and Federal debt. We have been very careful to make certain to provide access to nutrition assistance programs for all eligible populations we serve. We have made tough choices and developed a budget request that makes every dollar produce maximum benefit for the vulnerable populations served by our programs and for the Nation as a whole. Funds requested within the

budget fully support our best estimates of demand for program services and cost for the major nutrition assistance programs in fiscal year 2009.

- This includes a monthly average participation level of 28.0 million persons in the Food Stamp Program, an increase of approximately 200,000 over fiscal year 2008 and 11 million over fiscal year 2001. This increase reflects our success in improving the rate of participation among eligible individuals. From fiscal year 2001 through fiscal year 2005, the last year for which data are available, the Food Stamp Program participation rate increased from 54 percent to 65 percent.

- WIC participation is projected to reach an all-time high in fiscal year 2009. While this is only a slight rise from fiscal year 2008, since fiscal year 2001 participation has increased 18 percent or 1.3 million participants.

- In the school meals programs, daily meal service to our youth is expected to reach 32.1 million students in the National School Lunch Program and 11.2 million students in the School Breakfast Program.

At the most basic level, ensuring program access must begin with making certain that sufficient resources are available so that all who are eligible and in need can have ready access to benefits. The President's fiscal year 2009 budget requests funds to support anticipated participation levels in the Food Stamp Program, the Child Nutrition Programs and the WIC Program. The Administration's strong commitment to adequately

fund these critical programs acknowledges the inherent difficulties in anticipating future demand for program services. Should our estimates of program participation or costs prove too low, we have continued to protect program access for all eligible persons, a key objective of the President, through contingency reserves. In the Food Stamp Program we have continued the request for a contingency reserve of $3 billion, providing the program with a total reserve of $6 billion. These funds are especially important if the program is experiencing a period of increased enrollment such as during emergencies or natural disasters. In the WIC Program, $150 million is requested to replenish the contingency reserve to ensure that the essential food, nutrition education, and health care referral services remain available to all eligible women, infants, and children who need them.

The budget request also includes $2.5 million to allow us to examine new ways to better reach historically underserved populations. Specifically, with these resources we would test strategies to increase Food Stamp Program participation rates among the elderly and low-income working households.

Our programs provide nutrition assistance, including both access to healthy food and nutrition education and promotion to support and encourage a healthy lifestyle. With this nutrition mission in mind, we play a critical 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 Federal nutrition assistance programs play a critical role in combating this pressing public health issue by providing not just access to healthful food, but also promoting better health through nutrition education and promotion of physical activity. These FNS program services, along with the work of the CNPP to improve the diets of all Americans, are a key component of the President's *Healthier US Initiative*. I believe the American public is served well by USDA's contributions to addressing the critical nutrition- and health-related issues facing us today. This budget request provides approximately $788 million in resources tied specifically to improving the diets, nutrition knowledge and behavior and promoting the importance of physical activity among the people we serve.

The budget request includes $2 million to permit FNS to conduct the fourth cycle of our School Nutrition and Dietary Assessment. This data collection and analysis effort will provide critical insight to our continuing efforts to improve the nutritional quality of the school meals programs. Also included is $2 million to facilitate the testing and evaluation of promising State practices in food stamp nutrition education. We believe this work will ultimately lead to improvements in the effectiveness with which we deliver nutrition messages to food stamp households.

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 (HHS), is the cornerstone of Federal nutrition policy, allowing the

Federal Government to speak with one voice. We are currently at the very beginning of developing of the 2010 Guidelines, an initiative that we will lead over the next three years. This request features an increase of $2 million to support the efforts of the CNPP in this leadership role as well as to maintain and enhance the extremely well-received food guidance system, *MyPyramid.gov,* which is one of the most frequently visited of all Federal Web sites for the public.

With this budget request, we are asking the Nation to entrust us with over $64.1 billion of public resources. We are keenly aware of the immense responsibility this represents. To maintain the high level of public trust that we have earned as good stewards of the resources we manage, we will continue our ongoing commitment to program integrity as an essential part of our mission to help the vulnerable people these programs are intended to serve.

This is not a new commitment; our record of success is clear. While the Food Stamp Program's 2006 payment accuracy rate of 94.01 percent represents a slight decrease from the fiscal year 2005 level of 94.16, it represents the third year in a row of errors below 6 percent, and reflects strong improvement from the 2001 level of 91.34 percent. Early indications are that we will continue to see success in this area as fiscal year 2007 data become available.

Our budget request includes an increase of $5.7 million in the Nutrition Programs Administration account focused on sustaining the successful partnerships we have

established working with our colleagues at the State level to improve the efficiency, effectiveness and financial integrity with which all of the nutrition assistance programs are administered. We also continue to develop strategies to improve the accuracy of eligibility determinations in our Child Nutrition Programs – an issue of concern to all those that care about these programs. The budget request contains $1 million in the Child Nutrition Programs account to permit us to build on work funded in fiscal year 2008 and previous years to develop initial payment accuracy estimates for the Child and Adult Care Food Program, as required by the Improper Payments Information Act of 2002. Also included in the request is $4.5 million for the demonstration and evaluation of new and innovative ways to modernize the Food Stamp Program application process. We hope that this effort will pay dividends in both streamlining the process and reducing administrative burden on participants and improving the accuracy of benefit determinations.

The Federal administrative resources provided for in this budget will allow us to advance our close work with our State and local program partners on both of these essential integrity initiatives – continuing both our successes in the Food Stamp Program and our intensified efforts in Child Nutrition Programs.

In the remainder of my remarks, I'd like to discuss in greater detail a few of the key proposals contained in the President's fiscal year 2009 request.

Food Stamp Program

The Food Stamp Program is fully funded in the President's budget at $43.3 billion. This will support an anticipated average monthly participation of 28.0 million persons. This record level of program participation is an increase of about 200,000 persons above expected activity in fiscal year 2008. While this increase in projected participation does, in part, reflect concerns about the future path of the economy, it also reflects the success of the Administration's efforts in conjunction with our State and local partners to improve program access and reach out to historically underserved populations including low-income working families, the elderly and the Hispanic community.

Should our estimate of fiscal year 2009 program participation or cost prove to be inadequate, the program continues to be protected by a contingency reserve, proposed at $3 billion in new budget authority for fiscal year 2009. As an alternative to the contingency reserve, the President's request offers a proposal of indefinite authority. This form of appropriation would eliminate the need for an annual contingency reserve appropriation, while at the same time guarantees that sufficient funds will be available to meet the entitlement components of the program.

Child Nutrition Programs

An increase of $554.3 million is requested for the Child Nutrition Programs including our three largest programs serving children: the National School Lunch Program, the School Breakfast Program, and Child and Adult Care Food Program. This increase will support the continuing growth in meal service in these programs with more

than 9 billion appealing, nutritious meals provided to all of our children in schools and many childcare settings. Since fiscal year 2001, average daily participation in the National School Lunch Program has climbed from 27.4 million to an estimated 32.1 million in fiscal year 2009. In the School Breakfast Program, an estimated 11.2 million children will be served each day in fiscal year 2009, up from 7.8 million in fiscal year 2001.

These programs play an essential role in improving the nutrition of our children and in promoting their awareness of the role that healthy food choices and physical activity play in their overall well being. To ensure that these core program goals are met, support for the Child Nutrition Programs has grown by over 50 percent since fiscal year 2001, reflecting substantial growth in participation. We continually strive to ensure that these programs are delivered in a manner that promotes access for all eligible children, reflects the most up-to-date science-based nutritional practices, and protects the public investment.

WIC

In fiscal year 2009, the President's budget request for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) of $6.1 billion anticipates providing essential support to a record monthly average of 8.6 million women, infants and children. This is an increase of approximately 100,000 participants per month from anticipated fiscal year 2008 participation levels. Within this appropriation request, the program contingency fund is replenished to the $150 million level. The contingency

reserve, first proposed by this Administration in fiscal year 2003, recognizes the uncertainty the program faces with respect to future food costs and demand for program services. Additionally, the reserve grants the Secretary the authority to target resources to States experiencing difficulties rapidly and outside of the standard grant formula. This flexibility is essential to our ability to deal quickly and effectively with unexpected increases in food costs or participation as were experienced in fiscal year 2007.

Finally, the request includes $14.9 million to continue our peer counseling initiative that is designed to enhance both rates of initiation and duration of breastfeeding among WIC participants.

The fiscal year 2009 budget proposal continues our request to limit adjunctive eligibility based on participation in Medicaid to those individuals whose incomes are below 250 percent of Federal poverty guidelines. In all of the Federal nutrition assistance programs, the Administration is committed to ensuring that benefits are targeted to those most in need. WIC applicants can currently receive adjunctive or automatic eligibility for benefits based on their participation in other means-tested programs, such as the Food Stamp Program and Medicaid. However, in some States, individuals with incomes significantly above the 185 percent of poverty level established for participation in WIC are eligible for Medicaid. Again this year, we propose to limit this practice to those individuals whose incomes are below 250 percent of Federal poverty guidelines.

The budget also reflects the Administration's commitment to work with its State partners to manage program costs to ensure future access to this critical program for all who are eligible and seek services. Historically, WIC State agencies have been extremely successful in containing food costs. To encourage State agencies to work with us to achieve similar success in the containment of Nutrition Services and Administrative (NSA) costs, the budget proposes that the funds available for NSA in fiscal year 2009 would be limited to a guaranteed administrative grant per participant (AGP) of $14.97, the fiscal year 2007 level. This reduced AGP level would encourage our State partners to strive for administrative efficiency and allow for a greater proportion of appropriated funds to be used for food benefits. It is estimated that the additional appropriation needed for fiscal year 2009 would be $145 million in the absence of this proposal.

Commodity Supplemental Food Program (CSFP)

The President's fiscal year 2009 budget request does not fund CSFP. We face difficult challenges and decisions with regard to discretionary budget resources and have chosen to not request funding for this program for several reasons. First, CSFP is not available in all States. It currently operates in limited areas of 32 States, two Indian reservations, and the District of Columbia. Second, its benefits, to a great extent, overlap those available through other nutrition assistance programs. Finally, we believe our limited resources are best focused on those programs that are universally available to serve these needy populations. The priority of the Administration is to ensure the continued integrity of the national nutrition assistance safety net, including the Food

Stamp Program and WIC. However, we want to acknowledge our CSFP partners at the State and local level who have worked on behalf of this program.

FNS will work closely with CSFP State agencies to ensure that any negative effects on program participants are minimized, and that they are transitioned as rapidly as possible to other nutrition assistance programs for which they are eligible. The budget request includes funds to support the transition of CSFP participants to nationally available FNS nutrition assistance programs such as WIC and Food Stamp Program. The budget requests $2 million to provide outreach and to assist individuals to enroll in the Food Stamp Program. Elderly participants who are not already receiving food stamp benefits will be eligible to receive a transitional benefit worth $20 per month ending in the first month following enrollment in the Food Stamp Program under normal program rules, or 6 months, whichever occurs first. CSFP women, infants, and children participants who are eligible for WIC benefits will be referred to that program. Commodities obtained under agriculture support programs will be redistributed for use in other nutrition assistance programs, such as TEFAP.

The Emergency Food Assistance Program (TEFAP)

TEFAP plays a critical role in supporting the Nation's food banks. This support takes the form of both commodities for distribution and administrative funding for States' commodity storage and distribution costs. Much of this funding flows from the States to faith-based organizations, a cornerstone of the food bank community. The President's budget requests the full authorized level of $140 million to support the purchase of

commodities for TEFAP. Additional food resources become available through the donation of commodities from USDA's market support activities. State and local administrative costs, which support the food bank community, are funded at $49.5 million in the President's request.

Nutrition Programs Administration

We are requesting $150.3 million in our Nutrition Programs Administration account, which reflects an increase of $8.7 million in our Federal administrative funding. This account supports Federal management and oversight of a portfolio of program resources totaling $64.1 billion and accounting for over 66 percent of the total USDA budget.

A key component of this year's request is a $5.7 million increase to support the continuation of our program integrity and accountability efforts across all of the nutrition assistance programs. These resources would support up to 35 staff years dedicated to improving the efficiency, effectiveness and financial integrity of the Nation's nutrition safety net. While I am very proud of our accomplishments in improving the management of our programs, maintaining those gains and achieving further improvements is a challenge. This request represents a small investment that will pay big dividends in our continuing efforts to make certain we get the right benefits to the right people.

The budget request also includes $2 million to support the efforts of CNPP. These resources will assist CNPP as it continues its government-wide leadership role in

the 2010 *Dietary Guidelines for Americans* process. The USDA and the HHS, by law, must review and update the *Dietary Guidelines for Americans* at least every five years. The review process for the 2010 update is already under way in fiscal year 2008. Successful completion of these planning and implementation initiatives will promote the Federal Government's goal of speaking with one voice regarding nutrition policy issues, and will promote USDA's goal to improve the diets of Americans by providing sound, scientifically-based nutrition information.

The resources requested within this budget are essential to ensuring that FNCS can continue to successfully execute its basic program administration, oversight and fiscal stewardship duties. With just nominal increases for basic program administration in most years, FNCS has reduced its Federal staffing levels significantly over time. We have compensated for these changes by working smarter – re-examining our business processes, realigning our organizational structure, building strong partnerships with the State and local entities that administer our programs, and taking advantage of technological innovations. I am extremely proud of what we have accomplished and continue to seek new ways to meet the challenges before us.

Madam Chairwoman, I appreciate the opportunity to present to you this budget request. I would be happy to answer any questions you may have.

For Release only by the
House Committee on
Appropriations

Food, Nutrition, and Consumer Services

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

Thank you, Madam Chairwoman, and members of the Subcommittee for allowing me this opportunity to present testimony in support of the fiscal year 2009 budget request for the Food and Nutrition Service (FNS). The Food and Nutrition Service is the agency charged with administering 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 hunger and poor nutrition. Our mission is to increase 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 budget request demonstrates the President's continuing commitment to this mission and these programs. This budget strengthens the Federal nutrition assistance safety net in a time of competing priorities and limited resources, balancing program access, good nutrition, and program integrity to meet our key commitments to serve program clients effectively and with dignity, and to protect the taxpayer investment that makes these programs a reality.

The request includes over $64.1 billion in budget authority to fund the FNS nutrition assistance programs – programs that touch the lives of more than 1 in 5 Americans over the course of a year.

The resources we are here to discuss represent an investment in the health, self-sufficiency, and productivity of Americans who, at times, find themselves in need of nutrition assistance. In her testimony, Under Secretary Johner outlined three critical challenges that the Food, Nutrition and Consumer Services team has focused on under her leadership: expanding access to the Federal nutrition assistance programs; promoting healthful diets and active lifestyles by making nutrition education an integral part of the nutrition assistance programs; and improving the integrity with which our programs are administered. In addition, the President's Management Agenda represents an ambitious strategy for management improvement across the Federal Government. I would like to report on our efforts to address one of the key items from this agenda - reducing improper payments and enhancing the efficiency of program delivery.

The Challenge of Improper Payments

Good financial management is at the center of the President's Management Agenda. As with any Federal program, the nutrition assistance programs require sustained attention to integrity. We cannot sustain these programs over the long term without continued public trust in our ability to manage them effectively. For this reason, a high degree of program integrity is as fundamental to our mission as program access or healthy eating.

We have identified four programs susceptible to significant improper payments: the Food Stamp Program, the school meals programs, the Child and Adult Care Food Program (CACFP), and WIC. Our efforts to minimize improper program payments focus on: 1) working closely with States to improve food stamp payment accuracy; 2) implementing policy changes and new oversight efforts to improve school meals

certification; 3) improving management of CACFP providers; and 4) improving management of WIC vendors. We will continue to enhance the efficiency and accuracy with which these programs are delivered.

I am happy to report that in fiscal year 2006, the most recent year for which data are available, we maintained a high level of food stamp payment accuracy. The combined payment accuracy rate in the Food Stamp Program was an outstanding 94.01 percent in fiscal year 2006. With this budget request we will sustain our efforts with our State partners toward continued improvement. We have continued our efforts to address the issue of certification error in the school meals programs to improve the accuracy of this process without limiting access of eligible children, or unduly increasing administrative burden on schools. In November 2007, we issued the results of the first-ever attempt to develop a comprehensive measure of the cost of improper payments in the school meals programs. This initiative helps to identify the sources of improper payments and quantifies the scope of the problem. FNS is using this new information to continue the extensive work underway. We are under no illusion, however, that this task will be easy. Actions to reduce these errors must improve accuracy without compromising access for low-income families, must not be unduly burdensome on schools, and must be cost-effective. Analytical work will also continue under this budget request to better assess the accuracy of payments in WIC and CACFP.

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

Food Stamp Program

The President's budget requests $43.3 billion for the food stamp account including the Food Stamp Program, continuation of the contingency reserve, and its associated nutrition assistance programs. These resources will serve an estimated 28.0 million people on average each month in the Food Stamp Program alone. We have also proposed, as an alternative to the traditional contingency reserve, indefinite funding authority for program benefits and payments to States and other non-Federal entities. In addition, we plan to continue our concentrated effort to encourage working families, senior citizens and legal immigrants to apply for benefits.

The budget request includes $9 million for program evaluation and modernization efforts in three significant areas: $4.5 million for the demonstration and evaluation of alternative strategies to modernize the application and re-certification process, $2 million to evaluate promising Food Stamp nutrition education practices, and $2.5 million to test alternative strategies to increase participation among the elderly and working poor.

The fiscal year 2009 budget request assumes that Administration Farm Bill proposals are enacted in the middle of fiscal year 2008. These include proposals to exclude the value of retirement accounts and education savings accounts from the asset test, thus enabling low-income people to get nutrition assistance without depleting their retirement savings or education savings. The President's budget improves access among the working poor by eliminating the cap on the dependent care deduction. The budget also includes a proposal that provides permanent authority for a policy included in last

year's Appropriation to exclude special military pay received by members of the armed forces serving in combat zones when determining food stamp eligibility and benefits for their families back home. We also need to ensure program access is administered in an equitable manner across all States, so another Farm Bill proposal would eliminate categorical food stamp eligibility for Temporary Assistance for Needy Families (TANF) participants who receive only non-cash TANF services. This change only affects those households who have income or assets that exceed the program's regular limits, and saves $636 million in Food Stamp Program spending through 2013. We believe this proposal ensures that food stamp benefits go to the households with demonstrated need and retains categorical eligibility for the large number of recipients who receive cash assistance through TANF, Supplemental Security Income and General Assistance Programs.

Child Nutrition Programs

The budget requests $14.5 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 over 5.31 billion meals and support an increase in daily National School Lunch Program participation from the current 31.6 million children to approximately 32.1 million children. Requested increases in these programs reflect rising school enrollment, increases in payment rates to cover inflation, and proportionately higher levels of meal service among children in the free and reduced price categories.

The President's budget request includes an additional $1 million for CACFP to permit FNS to develop payment accuracy estimates as required by the Improper Payments Information Act of 2002, and $2 million to fund the School Nutrition Dietary Assessment, the fourth in an ongoing series of evaluations of the quality of school meals. These proposals continue our efforts to improve program integrity and nutritional quality in the school meals programs.

WIC

The President's budget includes $6.1 billion for the Special Supplemental Nutrition Program for Women, Infants and Children, the WIC Program. The request will provide food, nutrition education, and a link to health care to a monthly average of 8.6 million needy women, infants and children during fiscal year 2009.

The request places a limit on Nutrition Services and Administration (NSA) funding to no more than $14.97 per participant, the amount received in fiscal year 2007. This proposal targets WIC resources to providing food benefits to participants while the reduction in NSA funding is not anticipated to have a significant impact on delivery of core WIC services. States will be encouraged to work with Federal program staff to seek efficiencies in the delivery of the program to ensure that the reduction in NSA funding does not impact core services.

The budget request limits automatic (adjunctive) eligibility based on participation in Medicaid to those individuals whose incomes are below 250 percent of the Federal

poverty guidelines. Some State Medicaid programs permit participation of individuals with incomes significantly higher than the WIC eligibility standard (185 percent of the Federal poverty guidelines). This proposal better targets WIC benefits to those most in need.

The budget request includes $150 million for the WIC contingency fund, the same amount provided in fiscal year 2008. We currently anticipate fully using the contingency reserve in fiscal year 2009 to support participation.

Commodity Supplemental Food Program (CSFP)

The budget again does not propose funding for CSFP. We continue to believe our limited resources are best focused on the major nutrition programs – the Food Stamp Program and the WIC Program, for example – that are available nationwide and provide flexibility and robust nutrition education opportunities for participants. In addition, targeting our limited resources to these national programs promotes equity and the effective use of taxpayer funds. Currently, CSFP operates only in limited areas of 32 States, in the District of Columbia, and through two Indian Tribal Organizations, whereas the Food Stamp Program and the WIC Program are available nationwide. Furthermore, CSFP benefits and target populations overlap to a great extent with the Food Stamp Program and the WIC Program. By transitioning eligible CSFP participants into these national programs, we believe they will be better served, both in terms of benefits and in terms of nutrition education.

To support this transition, the budget request includes $2 million to provide outreach and assist individuals enrolling in the Food Stamp Program. Furthermore, elderly CSFP participants who do not already participate in the Food Stamp Program will receive a $20 per month transitional benefit for six months or until they enroll in the Food Stamp Program, whichever occurs first. Finally, as I have noted, we are working very hard to increase participation among elderly eligibles.

The Emergency Food Assistance Program (TEFAP)

As provided for in the Farm Bill, the budget requests $140 million for commodities in this important program. Our request for States' storage and distribution costs, critical support for the Nation's food banks, is $49.5 million. FNS is committed to ensuring the continuing flow of resources to the food bank community, including directly purchased commodities, administrative funding, and commodities from the USDA market support activities. Much of this funding is provided, at the local level, to faith-based organizations.

Nutrition Programs Administration (NPA)

We are requesting $150.3 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. In addition, specific requests for this account include

increases to support continuing work on MyPyramid and to continue the implementation of an evidence-based system for the 2010 *Dietary Guidelines for Americans.*

We currently estimate that nearly 40 percent of our total workforce is eligible to retire within five years. FNS has received just nominal increases for basic program administration in recent years, and has required us to significantly reduce its Federal staffing levels over time. Agency staffing levels are now at a critical point; we must have the ability to acquire new staff. I believe full funding of the NPA request in this budget is essential in order to continue our efforts to improve program integrity and program access. I firmly believe this investment – less than one-quarter of one percent of program funding – is critical in order to maintain accountability for our $64.1 billion portfolio and to assist States to effectively manage the programs and provide access to all eligible people.

Thank you for the opportunity to present this written testimony.

HALLMARK/WESTLAND BEEF RECALL

Ms. DELAURO. Again, welcome to all of you, and I thank you for your testimony, Secretary Johner. Let me start—before we start to talk about the budget, I want to ask a few questions about the recent beef recall. Let's just start there. Of the 140 million pounds of beef that was recalled by Westland/Hallmark, over 50.3 million pounds was sold to the USDA feeding programs, with 47 million pounds going to the national school lunch program. Can you provide this subcommittee with a list of the school food authorities, the SFAs, that received beef from this recall?

Ms. JOHNER. Yes we can. In fact, we do have that list and it's in the final process of being cleared, so we—I can assure you, as soon as I can give that to you, we will give you a copy.

Ms. DELAURO. Thank you. I appreciate that and I applaud that effort. This is the first time that anyone has been forthcoming with saying that we could get such a list, so I thank you for that. You understand this list of school food authorities will be included in the record and made public information.

Ms. JOHNER. Right.

[The information follows:]

The Food and Nutrition Service (FNS) is committed to maintaining constant communications with our State, local and industry stakeholders. To that end, we will provide a list of affected School Food Authorities under separate cover and we intend to make the list available on our public Web site at *http://www.fns.usda.gov/fns/newsroom.htm*. Of the 143 million pounds of Hallmark/Westrand recalled beef, approximately 51 million pounds was distributed to FNS' nutrition assistance programs. About 94 percent of the 51 million pounds was distributed to schools.

Ms. DELAURO. This also seems to me that you should put this up on your Web site. Will you do that?

Ms. JOHNER. Yes, Madam Chair.

Ms. DELAURO. And when do you anticipate finishing them? I believe this ought to go up immediately.

Ms. JOHNER. Yes. As soon as we have that through final clearance, yes, you have my assurance that it will go up immediately.

Ms. DELAURO. When do anticipate final clearance?

Ms. JOHNER. I would hope that we can have that in the next few weeks. I mean, probably sooner than that. I can't give you a specific time, so I'm kind of giving it a ballpark figure here. I would hope by next week.

Ms. DELAURO. I really want to emphasize the need. I mean, we had folks here last week. We were told we would get some answers this week. I wrote to the Secretary I think on February 20th, and to date, I don't believe I have had a response from the Secretary. This is about two lists, the retail consignees and the schools. But I have had no answer from Secretary Schafer. So it would seem to me if the list is together, its final clearance, with given the importance of this information to our school food authorities, that it ought to be able to be done, you know, 48 hours? I don't know what's left except for a final clearance, and that shouldn't take very long if it's been through the traps here.

Ms. JOHNER. Madam Chair, again, we also believe that that's important information, and so we just want to make sure that the information that's on there is accurate. So, we're just making sure

that the i's are dotted and the t's are crossed. And so, I assure you again, as soon as we can, we will get that to you.

Ms. DELAURO. And we will be—you need to be in touch with us, but we will be——

Ms. JOHNER. Okay.

Ms. DELAURO (continuing). You know, just vigilant on when that is going to be made available.

Ms. JOHNER. Yes.

Ms. DELAURO. Have you accounted for all of the beef that is included in this recall that went to the national school lunch program?

Ms. JOHNER. Yes. Yes we have.

Ms. DELAURO. Again, thank you very, very much.

Ms. JOHNER. And also if I can add, we have worked very closely with the School Nutrition Association. They were here in Washington I think last week, and we met with them to do some probably, we've learned lessons throughout this whole process, and you can always learn from your experiences. And so we've met with them, and we are putting some next steps in place to tighten up, to improve the process that we currently have. And we can provide you a list of those things if you'd like a copy of that.

Ms. DELAURO. Yes. I would, because that's part of, you know, what are requests are here today about the lessons that you learned and what changes are you implementing based on this recall. That is critical. That's critical information for the subcommittee.

Ms. JOHNER. Yes. We can get you that.

[The information follows:]

USDA has a long-standing commitment to school food safety. From our pioneering work with the School Nutrition Association to establish a food safety credentialing program for school food service employees, to our collaborative efforts to establish standard procedures for recall actions affecting foods purchased by the Department for school use, we have done much to ensure the safety and wholesomeness of school meals. The result is that in comparison to other food service alternatives, the documented incidence of food-borne illness associated with school meals is extremely low. We continue to work with schools to improve on this record of success.

USDA hold and recall processes and procedures have been in place for a number of years and have worked efficiently and effectively in past recalls that involved school commodities. FNS, in cooperation with the National Food Service Management Institute (NFSMI), has provided training and technical assistance materials to State agencies and school food service managers on these procedures. However, given the magnitude of the Hallmark/Westland beef recall, FNS has identified several areas where communication can be strengthened and how information dissemination about a food recall can be improved to ensure parents and students receive accurate and timely information. FNS is working more closely with State agencies to provide additional technical assistance to effect better implementation of recall processes and procedures. We will seek input from our program cooperators to help us in this regard. The NFSMI is working to finalize guidance for State agencies to better manage future hold/recall situations. Once this guidance is complete, there will be an education and training campaign tailored to States and school districts. The guidance is expected to be ready in July 2008. Furthermore, we are exploring various communication options that will allow both FNS and our State agency partners to transmit food safety information directly to schools so they, in turn, can provide timely and accurate information to students, parents, and teachers about food safety matters. This was a concern we heard during the Hallmark/Westland recall, and we intend to be fully responsive.

Ms. DELAURO. I will just say that there have been a number of complaints about the timeliness of the school food service directors in receiving official information about the recall. Many of the

schools, as you can imagine, as parents, they received calls from concerned parents who learned of the recall on the news, and they didn't have any information at all, and the schools didn't have any information from FNS through their state agencies.

Let me just ask you this question and get your thoughts. Should FNS have the capability to communicate directly with the school food authorities about any future recalls or other potential health threats in the national school lunch program?

Ms. JOHNER. I think the current system that's in place is where the FNS communicates through the rapid alert system through the state agencies, and the state agencies then communicate with the school. That's the area where I know our conversations with SNA that we're looking in how to improve and strengthen that aspect of it.

Ms. DELAURO. You think that that's the model that we should continue to use——

Ms. JOHNER. Yes, I do.

Ms. DELAURO [continuing]. Rather than your direct communication with the school food?

Ms. JOHNER. Yes, I do. I believe working with the state agency, we need to improve and strengthen that piece right there.

Ms. DELAURO. How much is this—how much is the recall of the beef that was provided to the national school lunch program expected to cost, including the cost of destroying and replacing the recalled beef?

Ms. JOHNER. Okay. We don't have that information at this point.

Ms. DELAURO. Can you get that information to us?

Ms. JOHNER. Yes. And I'm going to turn this over to Kate, because she has been working extensively on the recall. So she's—and she testified I think earlier on.

Ms. DELAURO. Okay, Kate. You're on, Kate. [Laughter.]

Ms. HOUSTON. Now that we have accounted fully for all of the beef that went to the school lunch program, schools are in the process of sending information on their costs back up to the state, at which point that information will get bundled and the state will provide us a full accounting of what the local costs were, both for the storage during the hold and for any transportation and destruction costs.

So, at the point at which all of that information comes to us, we will provide the appropriate reimbursements, and we can get you then the information on what the final costs were. But it's premature to have that information at this point.

Ms. DELAURO. What accounts are these expenses—will they be paid from?

Ms. HOUSTON. Again, we work with our partners at the Agricultural Marketing Service who will be handling the reimbursements. I can tell you that we have provided some information about what costs USDA will be able to reimburse, and they include transportation of the recalled products to a disposal site, up to one month of storage costs, and the direct disposal costs.

Ms. JOHNER. And Madam Chair, we are also currently replacing the product too at this time. They've already begun doing that.

Mr. STEELE. Madam Chair, I think that the account probably will be Section 32, AMS.

[The information follows:]

FNS is committed to working closely with the Agricultural Marketing Service and States to account for all costs associated with the Hallmark/Westland recall related to FNS' nutrition assistance programs. FNS is actively collecting the data necessary to complete a full accounting of the funds associated with the recall and will be glad to provide the information to the Committee once the accounting is complete.

We will be seeking reimbursement for the expenses from the Westland/Hallmark Meat Company as a part of our contractual action against the company. However, if Hallmark/Westland is financially unable to cover the full cost of expenses incurred by USDA commodity programs, the difference will be paid out of Section 32 funds.

Ms. DELAURO. Okay. Can we receive copies of communications provided to the state agencies in regard to the national school lunch recall?

Ms. JOHNER. Sure.

Ms. DELAURO. And, again, these communications, they include the types of expenses that will be reimbursed? They know what's going to be reimbursed? The procedures, the timeline for reimbursement? They have all of that information?

Ms. JOHNER. That's correct. They should. I think it's important to note that some of that information is state specific. Our clients obviously in this case were the state agencies. State agencies are responsible for providing information down to the local level regarding specific instructions for the manner in which the foods should be destroyed, and some of that varies from state to state, depending on what their public health agencies require.

So there is some general information provided by USDA and then some specific, state specific information that goes to the school level.

[CLERK'S NOTE.—Because of the length of these documents they are not printed in the hearing volume. The Subcommittee will maintain a copy in the official files.]

BEEF QUALITY STANDARDS

Ms. DELAURO. I am interested in what standards—what are the standards that are set by FNS for the quality of the beef that comes into the national school lunch program. Do you set the standard that no beef will come from downer cattle, or is that AMS's responsibility? And how do you enforce these standards?

Ms. HOUSTON. The specs for the product that is purchased on behalf of schools by the Department are established by the Agricultural Marketing Service. They are the Departmental purchaser of entitlement commodities for schools.

I can say that they really have very high quality standards that are comparable to those in the commercial marketplace. They were first adopted over a decade ago in response to concerns that were voiced by advocates, parents and Congress regarding the quality of the meat and very stringent standards and safeguards were put in place at that time to make sure that the product really met the highest quality standards.

Ms. DELAURO. Do you have enforcement standards? How do you enforce these standards? Has that become part of your responsibility as well as, I mean, AMS or? The standards that are laid out in terms of the beef that goes into the school lunch program. Do you enforce standards? Do you require—do you have requirements

with regard to pathogen testing, quality and so on? Is that part of your mission?

Ms. HOUSTON. AMS has contractual agreements with verified vendors that are required to meet the specifications laid out, and AMS is responsible for regulating those vendors and ensuring that they are complying with all aspects of those contracts.

Ms. DELAURO. So you do not have any enforcement authority or standards with regard to that process?

Ms. HOUSTON. Well, my——

Ms. DELAURO. You are in essence the customer?

Ms. HOUSTON. We are in essence the customer, but microbiological standards, testing requirements are included in AMS specifications for ground beef that is purchased for the school lunch program.

Ms. DELAURO. My time——

Ms. HOUSTON. Every lot is tested, is my understanding.

Ms. DELAURO. My time has expired. Let me—Ms. Emerson.

FOOD STAMP PROGRAM OUTREACH

Ms. EMERSON. Thank you, Madam Chair. I want to start with kind of where I left off in just the opening statement. But I was being specific to Missouri with regard to the issues of hunger. And, you know, we have right now about 35.5 million people who have—suffer from one form of hunger or another, at least in 2006.

And, you know, all of the factors that we talked about with regard to economic issues do make me very nervous. And I worry about increased numbers of people who become either totally hungry or food insecure. And I want to know what the agency is doing to prepare and to reach out to those individuals.

Ms. JOHNER. Yes. That's a great question. I think that we have done a lot in our—probably strengthening our partnerships with the state, because the states ultimately are responsible in administering the program. So one of the things that's important for us is to make sure that the people who are eligible and wish to participate in the program have access to the program.

So, again, working closely with partners, and not only that, but with community and faith-based organizations. I know personally I have gone out to different states, and I do roundtables, and I bring various people to the table. The local leadership, the state leadership, because it also has to be sustained. And so what I try to do at our level is try to bring that in cooperation to collaborate to say what do we do for the folks in your state? And so that's one aspect of it.

We provide outreach grants to four states to be able to come up with some of their own pilot projects. But this is a very important issue for us, because we do know that there's underserved population, the elderly, the working poor, Hispanics that have low numbers. And so, again, if they are eligible for the program, we want to make sure that they get the program.

Ms. EMERSON. Well, you know, I know in Missouri, for example, we have a very high participation rate. We have an excellent food stamp outreach program, and I'm very grateful because since my Congressional district happens to bear the largest number of people below the poverty line as well as those who are food insecure, if

you look at this map here, Madam Chair and Secretary Johner, you'll see all this dark blue. And this is where—this is my district. That shows the highest participation rate with regard to food stamps.

And so we're doing a good job in Missouri, but my worry is that you all may not have adequate resources necessary to respond and process and even approve new applications for food stamp or WIC or school meals. Do you feel like—do the state agencies with whom you work, do you feel that they have—and I meant to say state agencies—do you feel that they have the adequate resources to be doing this?

Ms. JOHNER. And again, I think that's part of the—again, it varies. Each state has its own individual strengths and challenges in their state. But I think working together again with—what we try to really encourage is again the local collaboration that's there, because I do believe that there's a lot of—the states have more resources than they realize, but they need to bring them together. And so if we can be part of that, that would be great. But as far as working with the states, and, yes, coming up with innovative ways, I think the modernization piece is one component that I think states are looking to incorporate, to be able to handle the number of people that are coming in, to be able to better meet their needs.

FOOD STAMP PROGRAM PARTICIPATION

Ms. EMERSON. Okay. You mention in your testimony a slight increase in the participation of, what, about 200,000 recipients per month.

Ms. JOHNER. Right.

Ms. EMERSON. Is that still your all's expectation?

Ms. JOHNER. Yes.

Ms. EMERSON. It is? Even in spite of, you know, more tough economic times?

Ms. JOHNER. And given, I mean, again, given—that's our numbers, given the data that we've had. And so we continue to look at this very closely, and the numbers change as we get the data in, so at this point, I have to say yes.

FOOD STAMP PROGRAM ERROR RATE

Ms. EMERSON. Okay. You also cited in your testimony an error rate of—in the food stamp program of less than 6 percent. You know, when we discuss farm and conservation programs, we discuss improper payments where, you know, a simple mistake on a form can classify a payment as improper. What qualifies as an error with regard to food stamps?

Ms. JOHNER. Well, I guess the food stamp error rate is actually dollars lost and not the procedure errors. And I can tell you that we do have a strong indication for this coming year that our numbers are even better than they were last year, and they continue to truly work on trying to improve that.

FOOD STAMP PROGRAM CATEGORICAL ELIGIBILITY

Ms. EMERSON. Madam Chair, can I ask one more question? Just because I have to run to Energy and Water. Ms. Secretary, in past years, we've seen a proposal to end the categorical eligibility—sorry. That's a very hard word for me to pronounce—eligibility of TANF noncash recipients for food stamps, and I don't think there's a proposal like that before us this year, but it was in the President's farm bill recommendations. Do you know if this is still the Administration's position?

Ms. JOHNER. Yes.

Ms. EMERSON. Well, that's unfortunate, Madam Chair, because, you know, I think the GAO has stated that an analysis shows the vast majority of TANF noncash households may remain eligible for food stamp even after this change. So I know that the states are concerned about those administrative costs, particularly given the potential for increased applications. Well, I don't—it was a GAO report from last—that GAO report identified several states which did allow the categorical eligibility. But has FNS—and maybe I should ask the Administrator, have you acted to correct that inconsistency?

Mr. SALAZAR. We do provide technical clarifications, of course, to GAO reports. We have asked to wait until after Farm Bill implementation to see what recommendations at this time——

Ms. EMERSON. Do either of the farm bills—because I haven't obviously seen either of the drafts—do they actually contain the President's requested language on categorical eligibility?

Mr. SALAZAR. Madam Chair and Congresswoman, they do not.

Ms. EMERSON. They do not? Okay. Well, with that, I have exceeded my time, Madam Chair. Sorry. Thank you all very much.

Ms. DELAURO. Thank you. Ms. Kaptur.

LEADERSHIP AND RESOURCE COLLABORATION

Ms. KAPTUR. Thank you, Madam Chair. Welcome back to the subcommittee, Secretary Johner and all of your colleagues, thank you. And thank you for making the effort to come to Ohio. It is truly appreciated. And to watch your engagement with our food banks and our religious community and all of those who are trying to feed the hungry, I can't thank you enough for that.

I wanted to ask you, I know you had a chance to view some of our shellshocked food pantry operators, and you may have had a chance to reflect a little bit on the visit, and I know you are considering coming out again, which we would deeply welcome. I'm wondering if you have thoughts based on your visit you would want to share at this point?

Ms. JOHNER. Yes, I do. And I think part of that I mentioned earlier. Again, I think after visiting Ohio, and again, putting my old hat on as a State Director and, you know, working in the field, it's important and I think sometimes we lose sight of that, that the local leadership and our statement leadership as well as the Federal leadership all need to come together to be able to address in a collaborative manner be able to meet the needs of our population that is out there.

And I know in Ohio there was, I've seen a tremendous amount of resources, and it was actually pretty exciting to see that many resources, but we need—there needs to be some coordination of that and how do we work on that. And I think it needs to be at all levels. And I think when I come back out there, we were going to have certain people at the table so that we can have those planning and then the next session, because, again, it needs to be sustainable.

I think everyone has competing priorities and limited resources, so we need to figure out how do we still help those most in need with the resources we have out there.

COMMODITY PURCHASES

Ms. KAPTUR. Well, I'm hoping that as you consider that, we can think together about how the Agricultural Marketing Service and extension might be more fully engaged in an effort like this where we have so many hungry people and programs not reaching those who are eligible. Could we get electronic benefits transfer machines to all of our farmer's markets so people could take food stamps there if they are eligible for food stamps? And are there any legal or structural hurdles we need to overcome in order to do that?

And the connection to local production agriculture, how we connect the nutrition program eligibility to local production. The food stamp EBT connection is one, how one engages the local community, farmers in producing, or let's say extra food that's needed by the food banks. I'm not quite sure how to do that, but if there's a way that you might talk to some of your colleagues over there at USDA on the production side.

We really need some new visions of how to meet the needs in these urban areas. And when you have food pantries that have a rise in need of over 30 percent and donations are down by 75 percent, because the economy is so bad, there have to be some other mechanisms. And we're hoping that you will consider those.

Yes, I agree the state needs to be involved, because, for instance, in our school lunch and breakfast programs, we're losing money because the state can't make the match, because the state of Ohio is nearly a billion dollars out of balance. So how can the state meet the match when it doesn't have any money? And yet we have agriculture programs that on the production side that we might be able to link to our nutrition programs.

That's where I'm asking you to look, assuming the state will have nothing to put on the table. Maybe they will. If they don't, we're still stuck with empty shelves in our food pantries and in our ministries and so forth that are trying to feed the hungry.

Do you anticipate USDA will have any other announcements to make about additional commodity purchases that can go to these food pantries for emergency purposes, where you've got very high levels of unemployment?

Ms. JOHNER. Well, we are—the stocks for food. Are you aware of that?

Ms. KAPTUR. Well, there was one announcement, what was it, $63 million purchase?

Ms. JOHNER. Yes. That was the second shipment that will be going out starting, I believe, in May or June. If I'm correct on that,

we'll start having shipments that actually will be hitting the food banks.

Ms. KAPTUR. All right. And are those—that isn't Commodity Supplemental Food Program. That's areas like milk or protein-based foods, or what form will that take?

Ms. JOHNER. That takes, actually it's canned meats, and I have a list of those that I can definitely get to you. Actually, they're very, it's a more substance. It isn't just milk and stuff. It is actually canned meat and chicken and turkey and, I want to say beans, beef stew, things like that.

Ms. KAPTUR. All right. Okay. I would be very interested if your department——

Ms. JOHNER. Yes.

Ms. KAPTUR [continuing].—Could provide us with a projection of what will that mean in a state like Ohio——

Ms. JOHNER. Yes.

Ms. KAPTUR [continuing].—Which is going through very difficult times.

Ms. JOHNER. We can get you that information.

[The information follows:]

FNS is pleased to report that the innovative Stocks-for-Food barter has benefited The Emergency Food Assistance Program (TEFAP) nationwide. Commodities that will be made available to States under the second Stocks-for-Food Barter include canned and frozen chicken, pork and turkey hams, canned tuna and salmon, peanut butter, and pinto beans.

Under TEFAP, each State's fair share of commodities is calculated based upon a weighted formula that takes into account each State's poverty and unemployment statistics. Ohio is expected to receive about $2 million of the roughly $50 million worth of commodities that will be obtained under the second barter.

FNS supports multiple options that allow farmers' markets to accept food stamp EBT benefits efficiently and securely. Between 2006 and 2007, the number of farmers' markets participating in the Food Stamp Program increased by 22 percent from 436 to 532. Farmers markets redeemed more than $1.6 million in food stamp benefits in 2007. Promising practices related to the use of food stamp EBT are available at *http://www.fns.usda.gov/fsp/ebt/ebt_farmers_markstatus.htm*.

There are no legal hurdles associated with placing EBT machines into farmers markets; however, there may be logistical hurdles. Specifically, many farmers' markets do not have electricity and/or phone lines necessary to support regular EBT Point-of-Sale (POS) devices.

To help farmers' markets adapt to the EBT environment, alternative redemption systems were developed. FNS approves demonstration projects that use alternative forms of food stamp benefit issuance, including scrip, tokens, and receipts, in conjunction with EBT. Recipients exchange EBT food stamp benefits for scrip or tokens to purchase produce and other eligible food products at individual farmer stalls in a farmers' market.

Additonally, as wireless technology has improved, more markets are taking advantage of it. The major hurdles to using wireless technology are equipment and maintenance costs and transaction fees. Often, these costs are born by the markets themselves or by the organizations that sponsor the markets. Markets leverage grants (such as Agricultural Marketing Service grants or those from private foundations such as the Kellogg Foundation) and their affiliations with organizations such as the State Farm Bureau to reduce costs. The added advantage of wireless POS for farmers is that they run commercial debit and credit as well as EBT transactions. Commercial transactions help justify and off-set the cost of equipment and processing.

TOLEDO SCHOOL LUNCH AND SCHOOL BREAKFAST

Ms. KAPTUR. All right. All right, very good. And also, Madam Secretary, as you look at coming out again, if you could give us—if you could take a look at the Toledo school system and their

school lunch and breakfast program and tell us why they forego millions and millions of dollars of federal money because of lack of subscription to the programs. There's another area where—is it the state's fault that they're not providing the match? If you could help us understand what's going on there, I would greatly appreciate it.

Ms. JOHNER. We can look into that.

[The information follows:]

FNS is committed to ensuring all eligible children have the opportunity to participate in the school meals programs. FNS is aware of Toledo's desire for assistance in developing strategies to increase participation in the school meals programs. Consistent with the commitment made to you in our recent meeting, FNS will soon contact school district officials to begin the discussion. FNS will work with Toledo officials to identify ways to strengthen program quality, including lessons learned from other districts with similar characteristics. FNS will work with the district to build a program that attracts greater student participation and helps put Toledo's school nutrition programs on solid financial ground.

Ms. KAPTUR. Thank you, Madam Chair.

Ms. DELAURO. Mr. Kingston.

FOOD STAMP PROGRAM ENROLLMENT AND UNEMPLOYMENT

Mr. KINGSTON. Thank you, Madam Chair. Madam Secretary, do you have a chart that you could give me later on that would show from a better understanding the link between food stamp enrollment and unemployment?

Ms. JOHNER. Yes, we could do that.

Mr. KINGSTON. In a local area.

Ms. JOHNER. In a local area? It's a little more difficult. Is it like state specific, or?

Mr. KINGSTON. Well, I think it would be——

Ms. JOHNER. Or a region?

Mr. KINGSTON [continuing]. Public interest for any town or, you know, any political subdivision, either a county, a city, an MSA. I can't believe you don't know this off the top of your head. [Laughter.]

Mr. KINGSTON. But just something so that by the smaller subdivision is possible, hopefully something below the state level, but something that would show, okay, for example, in Ohio, it has been unusually maybe even the hardest hit by the current economy, I think you have wasn't it a 21 percent job reduction or something in the last couple of years? I just—but it would be interesting to see, you know, how the employment rate went up and food stamp eligibility enrollment up and went down, to make sure also that that line is consistent. Because if it—in some areas if you have an aberration, that would be interesting to know also.

Ms. JOHNER. Okay. I tell you—I'll commit to with working with you and your office and then we'll see what we can do and then we'll get some type of table out. How's that?

Mr. KINGSTON. You know—well, let me ask you. Let me just comment on that. I don't know why you wouldn't have it already.

Ms. JOHNER. At this point, do we have this information at all? We have a table—a chart that shows at a national level, but not at the county level.

Mr. KINGSTON. Well, my fondness for you notwithstanding——

Ms. JOHNER. Do you want the national——

FOOD STAMP PROGRAM EMPLOYMENT AND TRAINING

Mr. KINGSTON [continuing]. I'm going to have to pick on you, because this wasn't a set up question, but you're asking for $362 million for unemployment training. Why? If you don't know the stat, the correlation between food stamp eligibility and your need to come up with $362 million, how can you ask for that much money if you don't have that here's why we need it?

Ms. JOHNER. We do know, sir, that there is lower participation in the food stamp program by the working poor, and there's a number of reasons for that, but we've asked for some specific targeted funding as part of our proposal to help improve participation among specific underserved populations, the working poor being one of them.

Sometimes there are some myths, thinking that if you have a job you are not eligible for food stamps, when in fact the eligibility is determined based on the income level of the household. And even if there is a household that's working, they may have an income that would enable them to receive some supplementation of their food budget through food stamps.

Mr. KINGSTON. Well, on your $362 million number for job training, how did you arrive at that?

Mr. SALAZAR. Madam Chair, Congressman Kingston, our projections for employment and training are based in large measure on food stamp participants calculated in our program. Participation in the Employment and Training Program is part of the Food Stamp Program, is a requirement for many participants, and based on those participation projections, we project funding needs for that program.

Our ability to project and forecast food stamp participation is reliable on a number of economic factors, inclusive of unemployment rates, but recognizing that there are respective lag times in which that data is tracked with food stamp participation. It is somewhat of a science but also a complicated projection.

Mr. KINGSTON. What is the Department of Labor asking for?

Mr. SALAZAR. With respect to?

Mr. KINGSTON. Job training.

Mr. SALAZAR. I regret that I don't have specifics on——

Mr. KINGSTON. Do you know if went up or down? I mean, how much is the overlap between what the Department of Labor job training programs do and what you're doing?

Mr. SALAZAR. Madam Chair, Congressman Kingston, the services provided by the Department of Labor are distinct and unique to those individuals seeking unemployment compensation benefits and the requirements of them for seeking those benefits. There may be a potential of overlap of those individuals seeking those benefits also applying for Food Stamp Program benefits. The requirements of the Food Stamp Program are to ensure for those who are required to participate in the employment and/or training programs that we can provide them adequate services through the State agency.

Mr. KINGSTON. A person could have dual enrollment though, right?

Mr. SALAZAR. Madam Chair, Congressman Kingston, that is correct. Likewise, their children may also be participating in the National School Lunch Program and receiving other services as well from a multitude of various local programs.

Mr. KINGSTON. But if you're taking one job training program from one federal agency, why would that not, you know, be a sufficient voucher for both agencies and therefore for eligibility?

Mr. SALAZAR. Madam Chair, Congressman Kingston, again, recognizing that the populations served by Food Stamp Employment and Training Program is that population defined by statute as what we call the ABAWDS population, the adult population who is able to work, we rely heavily on states to coordinate the delivery of their services. Having been a former state director of social services, I know for a fact that as that state director, I worked very closely with my State Department of Labor to ensure the coordination of our services because of limited resources.

Mr. KINGSTON. But if they are in your job training program in order to complete their eligibility, it still seems like a waste of time if they already have job training from another agency. And I don't see why your job training isn't—one can't be as good as the other. I don't understand why if you're taking a Department of Labor job training program you couldn't get a voucher that would suffice your eligibility.

Ms. SALAZAR. Madam Chair, Congressman Kingston, in many cases, that's exactly what does occur with the coordination by the state agencies to avoid the duplication of provision of services, precisely that.

Ms. KINGSTON. And if I'm enrolled in one of those job training programs, am I going to learn one set of skills from your program and another set of skills from labor? Or, you know, is it if I don't have a voucher?

Mr. SALAZAR. Madam Chair, Congressman Kingston, the provision of services may in fact only be one program in the state. It's the sources of funding that come from both Department of Labor and USDA's Food Stamp Program that may provide the resources to administer the program. It's not to say that there are two distinct training programs, but whether there are two distinct Federal programs that have the requirement for employment and training. The actual delivery of the services may in fact be one program which is in most instances the case.

Mr. KINGSTON. So there's not a duplication?

Mr. SALAZAR. Not a duplication of services by any means. And you know, what we're doing is making sure that we're picking up the population, if not through the Department of Labor, we're certainly capturing them through the Food Stamp Program.

Ms. DELAURO. What is regulation with regard to food stamps in able-bodied adults? Aren't they just eligible for a very restricted period of time, over a three-year period in which they're eligible for food stamps? Is that accurate?

Ms. JOHNER. Yes. Three months.

Ms. DELAURO. So they're only eligible to able-bodied adults——

Mr. SALAZAR. Without dependents.

Ms. DELAURO. Without dependents—and this comes out of the welfare bill, I think, that was passed in 1996—are only allowed to

receive food stamps for a three-month period of a period of three years. Quite frankly, it's one of the areas which we're trying to take a look at to see if there's anything that can be done about that——

HALLMARK/WESTLAND BEEF RECALL

Let me if I can finish up with one or two more questions on the beef recall and I will then move on to some other areas. I'm interested in your views on liability, on the liability of Hallmark Westland in the recent beef recall. We face the possibility the Federal Government may have to make substantial expenditures to reimburse schools for expenses they incur related to the recall. The company was the entity that provided meat from downers to the Federal Government for the school lunch program. I understand that the company says that it is bankrupt, and I think yesterday in a hearing yesterday with the Energy and Commerce Center, the CEO of the company indicated that in fact downers did get into the food supply. They say that they're bankrupt, that it may not have the funds to reimburse the government.

But setting that aside, what is your view of the company's liability to the Federal Government?

Ms. JOHNER. Well, Madam Chair, I with all due respect I do think that that's out of my scope on that, because what we focus on is again to school lunch, make sure that they are safe and they're nutritious for our children and that they're getting the school lunches. So I guess I just feel it's out of my scope.

Ms. DELAURO. Mm-hmm. Well, in terms of the job description, do you have a personal view as to what the company's liability in this regard, since the responsibility, actually it may be out of your scope, but the costs are going to be added to or come out of your budget, and ultimately it's going to come from the—you know, where do we go with regard to appropriations? I don't know if this budget request includes funding for reimbursement, for all of this effort, and so forth. You know, so where do we view the company has any liability here? Kate.

Ms. HOUSTON. Madam Chairwoman, I think not only is it out of the scope of the Food and Nutrition Service to comment on the issue of the liabilities, but I think it's also important for us all to remember that there is ongoing investigations underway and we need to wait for those investigations to conclude until we have all of the information to be able to make a full and accurate assessment.

We are working closely with our sister agency, the Agricultural Marketing Service, to address the reimbursement issues, and I know that AMS will be pursuing all available avenues and legal options that are available to them in terms of seeking funds to cover their costs.

Ms. DELAURO. This is what my hope is, is that when we do have some conclusion of a legal investigation about which you don't want to comment, that we might have a perspective from the agency and maybe from the Congress on what the liability of the company ought to be in this regard, or any company that is engaged in this effort. And after we find out what the investigation is——

Speaking of AMS, I want a quick question with regard to services, both from AMS and FSIS—from the commentary already, well

let me put the question this way: How satisfied are you with the services you receive from AMS? And what could they have done to prevent this recall from happening?

Ms. JOHNER. Madame Chair, I'll just give you my comments and then turn it over to Kate, since she was much more involved in that. I know from where I sat, we worked very closely together with AMS and FSIS. We had daily meetings. I mean there was true collaboration and I know at several levels there was a, you know, a strong working partnership.

Ms. DELAURO. That was after the fact. That was after the fact.

Ms. JOHNER. Right. As soon as we——

Ms. DELAURO. What's your view with regard to before, in terms of this happened under AMS's watch, it happened under FSIS's watch? You know, obviously it should not have. Was FNS served well by either FSIS or AMS in this regard?

Ms. HOUSTON. I think we have had a long-term positive working relationship with our sister agency, the Agricultural Marketing Service, and we've worked collaboratively with them, both before this incident occurred, and even closer afterwards. Obviously, as Under Secretary Johner has previously said, we will be taking a close look at all aspects of this recall to identify ways in which we can improve upon what we——

Ms. DELAURO. Do you have a process in place to check whether AMS is meeting your specifications for purchases again on such as testing requirement?

Ms. HOUSTON. We look to the Agricultural Marketing Service and rely upon them.

Ms. DELAURO. Oh, you don't. And I don't know whether or not that's going to be part of your consideration in terms of what you have learned from this effort. It ought to be that both with regard to FSIS and AMS in this sisterly relationship, or brotherly relationship, whatever the characterization of the relationship is, that quite frankly that—what are they doing and how could this have been avoided both by AMS and FSIS? I think that that is crucial to what you need to know and what your oversight of these efforts has to be in order to carry out your mission.

Ms. JOHNER. Thank you.

WIC BUDGET REQUESTS

Ms. DELAURO. I want to move on to WIC, if I can, and the 2008 request. I'll make a couple of comments and then a question. In 2008 the Department requested $5.4 billion for the WIC program. Participation food costs saw dramatic increases between the time the President's budget was submitted and the bill was enacted. Congress provided over $6 billion for WIC, which was about $633 million more the Department requested for the program. The Administration failed to acknowledge the increased participation in food costs for the WIC program. The President threatened to veto any bill that increased total spending levels above the ones set in the budget. Long and the short of it, the Administration was probably—everyone but the Administration really acknowledged that—of money that was there was not adequate to deal with 2008. Why did the Department not submit a revised budget request for 2008

when it became apparent that the request was not adequate to maintain participation in the program?

Ms. JOHNER. Madam Chairwoman, our process is that we work off the projections, and at the time the projections and numbers that we had we believe is sufficient for WIC to be able to meet the need in WIC.

Ms. DELAURO. In 2008 it was pointed to an increase. I understand the projections. My question is why when we had the facts before us that this was not going to be enough, satisfactory, then in fact what we would—any reason why you didn't ask for a revised budget request?

Ms. JOHNER. Because we believed that the funding that——

Ms. DELAURO. You thought it was going to be adequate.

Ms. JOHNER. It was going to be adequate.

Ms. DELAURO. Well, then let me get to the 2009 request. The 2009 request again proposes to cap the amount available for grants and state agencies, nutrition service and administration expenses—are to the 2007 level. That's $145 million. The request also proposes to use the contingency reserve of $150 million to cover estimated participation and—costs program. Your testimony states $150 million is requested to replenish the contingency reserve to ensure that the essential food, nutrition education and health service remained available to all eligible women, infants, and children who need them.

It's hard for me to understand—you're saying that you are replenishing the contingency reserve, if you anticipating using it in fiscal year 2009 to meet expected participation in food costs. You say, "Should our estimates of program participation or costs prove too low, we have continued to protect program access for all eligible persons, a key objective of the President's contingency reserves." And "this flexibility is essential to our ability to deal quickly and effectively with unexpected increases in food costs or participation as were experienced in fiscal year 2007."

Yet you are proposing to use the contingency reserve to deal with expected participation and food costs. If you were going to deal with unexpected costs, that would be another $150 million. So I don't understand how you can say that we're going to be able to meet unexpected costs.

Ms. JOHNER. We're going to have Kate give you a little bit more details on that.

Ms. HOUSTON. One of the advantages in this budget cycle to having use of the $150 million and the contingency fund up front is that it provides us some additional flexibility in getting targeted money to those who need it, in particular states, more quickly than we could otherwise if we had to go back and seek permission to use the contingency fund. The contingency is not subject to the standard allocation formula if we have it up front. So if we can identify specific needs in specific areas of the country, we can get money quickly to those state agencies. We see that as an advantage in a time when we know that there are pressing needs in terms of increased participation in the program and some fluctuations in food costs.

Ms. DELAURO. But you're not providing any administrative costs, as well. So I mean the states are in a real fix here. So you got $145 million and no administrative costs occurring.

Ms. HOUSTON. We do have funding for administrative costs, Madam Chair.

Ms. DELAURO. But contingency you don't pay administrative costs with your contingency. Is that correct? Or is that wrong? I mean I don't know, is that correct?

Ms. HOUSTON. Those funds can be used both to cover caseload and to the NSA cost, that's correct.

Ms. DELAURO. What is your view of the word "can"? They can. So it could just for food costs? It could be for both—it just seems that once again we're looking at how——

Ms. HOUSTON. There's flexibility in the use of those contingency funds. So based on the specific circumstances of the State agency, whether they need to have additional funding support, either on the NSA side, or on the participant, the caseload side, that money can be used for either area of providing services.

WIC PARTICIPATION

Ms. DELAURO. I will say this. It sounds a bit like—I'm hoping that you won't be offended by this, but it sounds like it's a bit of a shell game here, you know, we're just moving the pieces. Ultimately we're coming down to the potential of a real short fall—if the costs go up, the participation rates go up.

And also with regard to participation, I don't know how you explain the participation in WIC program will decrease in fiscal year 2009 from the October 2007 participation data. We're not looking—we had an increased rate from 2006 to 2007—2.4 percent, 2.8 percent projected, averaging 2.9 percent for 2009. We've got information or at least looking at the expectation of a rise here, but—it doesn't seem to make sense that we don't have some sort of a contingency fund available for 2009, if participation—as you currently—you expect participation to decrease. I don't see any——

Ms. HOUSTON. I don't believe we expect participation to decrease. I think that our budget projects there to be a slight increase in participation in WIC, and the budget that we've submitted would cover all projected participants based on our current estimates.

Ms. DELAURO. For October 2007 actual—and I'm just—was 8. 2009, it's 8.

Ms. HOUSTON. I think it's also important to recognize that there are fluctuations in participation levels across various months and quarters.

Ms. DELAURO. And I understand that. And you know, it goes down, then it spikes, it goes down, and then it spikes again. We're in the down side and it would appear that the next tranche here is a spike, if you're looking at current patterns, or as I look at the chart.

Ms. HOUSTON. And our projected planning in terms of expected participation and funding requests does account for that.

Ms. DELAURO. Will you provide a revised budget request if you find that your submitted request will not be adequate to cover participation, food costs for FY 2009? You did not do that in 2008.

Ms. JOHNER. Madam Chair, we will continue to work closely with Congress and will continue, I assure you, to monitor this closely and when we find something, we will be working closely with——

Ms. DELAURO. Will you provide a revised budget request for us?

Ms. JOHNER. At this point I can't tell you that.

Ms. DELAURO. You can't say whether or not you're going to provide me with a revised budget request if the—what you don't have is adequate to deal with the increase of participation in food costs?

Ms. JOHNER. We'll continue to work with you and we will continue to monitor this very closely, and we——

Mr. STEELE. Well, Madam Chair, that we will have to work closely with OMB. We unilaterally cannot send up a budget amendment on our own.

Ms. DELAURO. So it's an OMB problem here?

Mr. STEELE. Well, it's a combination of us sharing our estimates with OMB and OMB deciding. The President submits a budget amendment, not the Department of Agriculture.

Ms. DELAURO. Right.

Mr. STEELE. So we will——

Ms. DELAURO. So it's OMB and the reason why we didn't get an increase, you know, we didn't get another budget request the last go-round in 2008 was OMB said no.

Mr. STEELE. Well, we will communicate our feelings to OMB.

Ms. DELAURO. Communicate our feelings, as well, Scott.

Mr. STEELE. Okay.

Ms. DELAURO. Communicate our feelings as well.

Mr. STEELE. I got the message.

Ms. DELAURO. Well. Mr. Farr.

FRESH FRUITS AND VEGETABLES IN THE NUTRITION ASSISTANCE PROGRAMS

Mr. FARR. Thank you, Madam Chair, thank you for having this hearing. Food, Nutrition, and Consumer Services ought to be at the top of the triangle, the pyramid of the Department of Agriculture because it is what it's all about. And I think this committee has expressed over the years the real concern we have with obesity occurring particularly in children in America, and then this kind of warped concept of creating a distribution system for our commodity programs, but not for our specialty programs. And I'm pleased to see that in the newly updated WIC food packages, you'll soon provide vouchers for fruits and vegetables. Madam Chair, we're going to put some vouchers for food and vegetables, this is for the WIC program—for the past 30 years only carrots and fruit juice were included in WIC food packages. Now they're going to give an $8 voucher per month for women and $6 voucher per month for children to provide WIC recipients for any fruits and vegetables of their choice.

What percentage of the entire voucher is then allowed to be spent on fruits and vegetables? One—question. Let me get an answer to that one first.

Ms. JOHNER. That would be the entire, the voucher that's to be used for fruits or vegetables. And it's $10 for breast-feeding mothers.

Mr. FARR. And when will that all be implemented?

Ms. JOHNER. We're hoping, in, I think, in 2009? August 5 of 2009. And it's the latest date that they've given us. We just met with, or we kicked off a meeting with the WIC Association that were here this week, and they're working very hard together in partnerships at all levels to try and make sure that they can implement this.

Mr. FARR. Do you have any incentives—here because she'd be asking this question—some of our farmers' markets are receiving, using WIC vouchers at the market, but there has to be a distribution of the vouchers on site. So if you show up in my area in Watsonville, California, you show up at the farmer's market and there's a little card table there with the people that give out the vouchers, and they—if your name's there, you get your voucher and you can use it in the farmer's market. I don't know whether the Department has done any active outreach to try to encourage that kind of process.

Ms. JOHNER. Well, we do want to encourage our participants to——

Mr. FARR. Have you done anything like that with farmers' markets?

Ms. JOHNER. Farmers' markets—but we are working on improving that, and we can probably get you something as to what we are doing.

Mr. FARR. Yeah. I'd like——

Ms. JOHNER. Because that's an important component for us.

Mr. FARR. Would you also include how you could receive food stamps at farmers' markets?

Ms. JOHNER. They can use their EBT——

Mr. FARR. That seems to be an issue, so how we could——

Ms. JOHNER. We could also add that in there too of what we're doing.

[The information follows:]

FNS supports multiple options that allow farmers' markets to accept food stamp EBT benefits efficiently and securely. Between 2006 and 2007, the number of farmers' markets participating in the Food Stamp Program increased by 22 percent from 436 to 532. Farmers markets redeemed more than $1.6 million in food stamp benefits in 2007. Promising practices related to the use of food stamp EBT are available at *http://www/fns/usda.gov/fsp/ebt/ebt_farmers_markstatus.htm.*

There are no legal hurdles associated with placing EBT machines into farmers markets; however, there may be logistical hurdles. Specifically, many farmers' markets do not have electricity and/or phone lines necessary to support regular EBT Point-of-Sale (POS) devices.

To help farmers' markets adapt to the EBT environment, alternative redemption systems were developed. FNS approves demonstration projects that use alternative forms of food stamp benefit issuance, including scrip, tokens, and receipts, in conjunction with EBT. Recipients exchange EBT food stamp benefits for scrip or tokens to purchase produce and other eligible food products at individual farmer stalls in a farmers' market.

Additionally, as wireless technology has improved, more markets are taking advantage of it. The major hurdles to using wireless technology are equipment and maintenance costs and transaction fees. Often, these costs are born by the markets themselves or by the organizations that sponsor the markets. Markets leverage grants (such as Agricultural Marketing Service grants or those from private foundations such as the Kellogg Foundation) and their affiliations with organizations such as the State Farm Bureau to reduce costs. The added advantage of wireless POS for farmers is that they run commercial debit and credit as well as EBT transactions. Commercial transactions help justify and off-set the cost of equipment and processing.

Mr. FARR. Okay.

Part of the food stamp nutrition education program encourages education about fruits and vegetables, but I understand that this focuses only on the underserved population. In fresh fruits and vegetables—in some schools offer free produce to students so that they can be exposed to fresh fruits and vegetables. The Farm Bill is going to determine how many schools in the future—the schools are now requiring—in California they required each school district to come up with a nutritional program for feeding their schools. It's sort of getting rid of all the coke machines and trying to get other kinds of vending machines—fruits and vegetables, fresh fruits and vegetables can be now sold in vending machines.

But these wellness policies receive some USDA lunch reimbursements. I just wondered what progress has been made on the fronts at the local level, given the important role of fruits and vegetables can play in reducing the risk of obesity and other chronic diseases. Do you have any outreach or education program at the entire population level through expanded work with the media and health professionals?

Ms. JOHNER. Actually we're doing, Congressman, we're doing quite a bit out there with Center for Nutrition Promotion and Policy. We have a national, well, pyramid—we have Dr. Brian Wansink who has just joined us a few months ago and he is working very hard in promoting the My Pyramid, and coming up with other Federal tools that the schools and others can use. I do know in the school nutrition programs, they have many things that they use to help train the menu planners, the nutrition directors on how to use more fruits, vegetables, and whole grain.

Mr. FARR. Would you share that outreach program with us?

Ms. JOHNER. Sure.

[The information follows:]

2010 Dietary Guidelines for Americans

Preparations have begun for the review and revision of the *Dietary Guidelines for Americans* for 2010.

Requirements:

- Creation of a charter
- Appointment of a Dietary Guidelines Advisory Committee (DGAC)
- Arrangement of meetings for DGAC deliberations
- All meetings will be open to the public, and all public comment will be posted to the CNPP website
- Communication with the public will be done via press release, *Federal Register* notice, CNPP website, professional journals and newsletters, list serves, etc.

Nutrition Evidence Library

In support of the DGAC, a Nutrition Evidence Library is being established as a tool to support the evidence-based review of current science on nutrition and health. The web-based electronic library and database system will be a tool to provide the Dietary Guidelines Advisory Committee with a portfolio of scientific evidence abstracts on relevant topics which they can use in making their recommendations in a focused, scientific, systematic and transparent manner.

Following the release of the 2010 *Dietary Guidelines*, the Nutrition Evidence Library will be an on-going function of CNPP that will be available to nutrition research and education professionals and the public alike. Communication about the Library will be via the CNPP website, press release, and professional meetings.

MyPyramid Food Guidance System

The MyPyramid Food Guidance System (www.mypyramid.gov) translates scientific nutrition recommendations contained in the *Dietary Guidelines* into practical guidance for a professional and lay audience, and is the backbone of the many and varied communications initiatives developed by the Center for Nutrition Policy and Promotion.

Since the MyPyramid.gov website was launched in April 2005, it has received over 4.7 billion hits, second only in the Federal Government to the IRS website. A goal of the Center is to enhance the content and interactive capabilities of the MyPyramid tools to focus on, not only the needs of all Americans over the age of 2, but the needs of various segments of the population that have particular dietary needs. The efforts underway and planned for 2008 and 2009 are described below.

Project M.O.M

Under the rubric of Project M.O.M. (Mothers & Others & MyPyramid), CNPP is launching several new initiatives. Each of the communications initiatives under this umbrella listed below is highlighted in bold type.

MyPyramid encourages consumers to make smart choices from every food group, find their balance between food and physical activity, and get the most nutrition from their calories.

The primary vehicle for communicating the *MyPyramid* message is the internet. The website may be accessed at MyPyramid.gov.

- CNPP communications projects include:

    - ***MyPyramid Menu Planner*** allows a person to go on-line and plan a menu for themselves or their family that meets the *MyPyramid* recommendations. Release of the *Menu Planner* was done in two stages; a release was issued March 11, 2008. A second release was issued April 3, 2008. The Menu Planner will be presented and discussed at professional and trade nutrition conferences. After a few months of analysis, it is CNPP's belief that the *Menu Planner* may prove to be one of the most popular and useful nutrition tools it has developed. Target audiences: Individuals, students, nutrition professionals.

    - ***MyPyramid for Pregnancy and Breastfeeding*** (commonly called *MyPyramid for Moms*) was released in conjunction with the George Washington University Medical Center on October 25, 2007. This on-line tool is complementary with the *Menu Planner* above and modifications to link the two interactive tools are planned for this year. Target audience: Women who are pregnant or breastfeeding, and nutrition and health care professionals.

    - ***MyPyramid for Preschoolers*** is intended to be a new section of MyPryamid.gov that will offer nutrition advice and guidance to moms of preschoolers. Topics include MyPyramid food intake patterns for preschool-aged children (ages 2 to 5); growth patterns of preschoolers—normal rates of growth, issues of over- and under-weight, and what to do if concerned; setting reasonable expectations for food-related behavior at each age (2 through 5) and behavioral eating issues; food safety concerns for preschoolers and additional sources for more information on these and related topics. Target audience: This tool is aimed at 2-5 year-olds and will augment the *MyPyramid for Kids,* which is an outreach effort aimed at children 6-11 years-old that focuses on healthful eating and physical activity.

- Other on-line tools through which nutrition guidance is communicated are the *MyPyramid Plan*, a quick and easy tool to estimate how much one needs to eat to be healthy; the *MyPyramid Tracker*, an in depth assessment of one diet quality and physical activity status; and the *MyPyramid Blast Off* game, an interactive computer game for children 6 to 11 years old.

- The ***Partnering with MyPyramid Corporate Challenge to End Childhood Obesity*** is one CNPP's more far reaching initiatives. A challenge has been issued to the food industry and the consumer electronics industry to help reverse childhood obesity.

  The *Corporate Challenge* will provide a government sponsored opportunity for industry to step up to help end childhood obesity by empowering the household gatekeeper to assist him or her in modeling a healthy lifestyle by providing information to help make healthy food choices. At the same time industry may benefit from this Challenge by letting the public know what it is doing as a good corporate citizen.

  In late spring or early summer, CNPP expects to announce those corporations that have accepted the *Challenge* by entering into a Memorandum of Intent with the Department of Agriculture. In January 2009, CNPP will hold an awards or recognition ceremony to honor those corporations that have or are making a significant contribution toward ending childhood obesity.

- One of its most popular studies is the *Annual Report on Expenditures on Children by Families* (formerly known as the *Cost of Raising a Child*). This report receives widespread media pick up each year. It is used most often by state and local courts in determining foster care and child support payments. This report is usually released in March of each year. Target audience: State and local courts, attorneys, and persons involved in paying child support or receiving foster care payments.

- By the end of 2008, CNPP expects to launch an interactive version called the ***Cost of Raising a Child Calculator***. This on-line tool allows an individual to enter their economic circumstances and get an idea of how much they can expect to spend raising a child or children from birth through age 17. Target audience: Adults considering having a child or children.

- The *Nutrient Content of the U.S. Food Supply* will be published in 2008 and 2009. This report is likely the oldest continually issued report by USDA having begun in 1909. This report documents the nutrients available for consumption and is used to contrast nutrients available to nutrients consumed by the public. This report will be published on-line in 2008 and 2009. In addition, highlights from the report will be featured in

Nutrition Insights, Fact Sheets and PowerPoint presentations. Target audience: Academia, the food industry, and the news media.

- The latest *Healthy Eating Index* (HEI) for years 2003 to 2004 will be issued in late 2008. The HEI is a summary measure of diet quality that assesses conformance to federal dietary guidance. The HEI will be published on the CNPP website and presented at national and international conferences. Highlights will be featured in scientific journals, *Nutrition Insights* and professional meetings. The HEI may also be used as a nutrition evaluation tool by EFNAP (Expanded Food and Nutrition Education Program, CSREES). Target audience: Nutrition related agencies, scientists, nutritionists, and academia.

  Taking "small steps" is one of the principles of MyPyramid. CNPP will be incorporating the revised Healthy Eating Index into the Tracker, the online dietary and physical activity assessment tool. To investigate the effectiveness of taking small steps to make significant changes, FNS can partner with CNPP to show the benefit of using this approach. For example, CNPP and FNS can study the effects on the Healthy Eating Index score when people make one change (eating more fruits), then an additional change (reducing the intake of saturated fats, oils, and sugars) to their diet.

- ***PodCasts***, a brief on-line video production has been introduced to the MyPyramid.gov website to provide quick, fun and easy to understand messages concerning nutrition. A new *PodCast* is produced each month and announced is a news release. To date, four *PodCasts* have been produced concerning healthy eating resolutions for the new year, the need for physical activity, encouragement for the nutrition gatekeeper, and the benefits of using the new *MyPyramid Menu Planner*. Target audience: General pubic.

- *Nutrition Insights,* a one-page (front and back) discussion of a topical nutrition issue, were introduced 11 years ago. Since then, they have been highly regarded by nutrition professionals and the news media. Most recently, Insights have covered such topics as the active and sedentary behavior patters of Americans, the availability of spices in the food supply, and developing an evidence-based approach to reviewing scientific nutrition literature. Target audience: Nutrition professionals and the news media.

- CNPP is developing a *Food Price Data Base* that will be used in calculating the Thrifty Food Plan (used to set Food Stamp allotments) and other food plans. The *Food Price Data Base* is expected to be completed during 2008. Target audience: Policy makers.

Mr. FARR. And is it done bilingually?

Ms. JOHNER. Yes. They do have—I'm sure they have something that's done in some Spanish, especially for the instructors.

Mr. FARR. What—I mean what I'm really curious the bottom line here is what is the Department doing to take—I mean we've—this obviously the nation knows we need to have a diet of more fresh fruits and vegetables, and as the leading advocate for the United States Government Food and Nutrition program, you're the lead advocacy agency, and I'm very interested in what is the agency doing? What is the Department doing to really encourage consumptions of fruits and vegetables in all populations? Not just WIC and mothers——

Ms. JOHNER. Congressman, we have in our proposal for our—in our Farm Bill we have $500 million over ten years for increasing fruits and vegetables through the school lunch programs because we serve 31 million school children a day. So we thought that that infrastructure was already in place to be able to get that out there.

Mr. FARR. $500 million and what do you use that money for?

Ms. JOHNER. For fruits and vegetables—in the school——

Mr. FARR. To buy them?

Ms. JOHNER. Through the domestic nutrition assistance programs. But we would have 2.7—I'm sorry let me just go back—$2.75 billion through the nutrition assistance programs, and that would go through TEFAP and food banks and others. And then the $500 million was separate, that would go through the schools. And that would be money that they would be able to buy fruits and vegetables to be able to serve that in the school breakfast and the school lunch program.

Mr. FARR. That's not a lot of money for all the schools in the United States.

Ms. JOHNER. Well, it was in addition to what we already have in place.

Mr. FARR. Well, could you pull out those budgets they're used for?

Ms. HOUSTON. Mm-hmm. Mr. Farr, we have obviously fruit and vegetable increasing fruit and vegetable consumption is a key priority of the nutrition and consumer services, particularly given that the 2005 dietary guidelines recommended increased fruit and vegetable consumption. We have a comprehensive strategy that combines work both in the Food and Nutrition Service working through our nutrition assistance programs, where we have an opportunity to target information, nutrition education, as well as benefits to millions of Americans every day, as well as information and nutrition education that is targeted to the general population through the Center for Nutrition Policy and Promotion. And we'd be happy to provide you a list of the full range of efforts that are ongoing within FNCS to develop plans for promotion of fruits and vegetables.

Mr. FARR. The Committee would like that very much.

Ms. HOUSTON. It's an extensive list and we'd happy to provide it.

Mr. FARR. Who buys the food? We have a—as I understand it, the food that is provided for school lunch—breakfast is all bought through a military depot in Philadelphia. Because the military buys the most food and we piggyback on those resources. Who in

the Department of Agriculture is responsible for deciding to be involved in that acquisition program? Is it your department?

Ms. HOUSTON. About 15–20 percent of the food that's provided for the school lunch program is acquired through the Department of Agriculture in the form of commodity entitlements. Of our commodity entitlements, we are required by law to spend not less than $50 million for the purchase of fresh fruits and vegetables, and not less than $50 million per year. What FNS has done is contracted with Department of Defense through the procurement division in Philadelphia. They are then responsible. We give them the $50 million——

Mr. FARR. So it's your services, your agency that does that?

Ms. HOUSTON. Correct. We contract with the Department of Defense who then procures fresh fruits and vegetables and provides delivery to state agencies, who have chosen to receive a portion of their commodity entitlement in the form of fresh fruits and vegetables.

Mr. FARR. Could you give the percentage of breakdown compared to the commodities of how much of that fresh fruits and vegetables is the percentage of the total acquisition?

Ms. HOUSTON. We'd happy to get you that information.

Mr. FARR. Because I believe it's going to be very, very small.

Ms. HOUSTON. It is a relatively small amount of the total of commodity purchases. It is not—however I will also make the comment that we're just talking about the fresh fruits and vegetables in terms of the DOD procurement angle, not all fruits and vegetables. Eighty percent of food is procured at the local level directly by schools, and there are additional fruits and vegetables that are also secured in that manner.

[The information follows:]

Based on 2007 levels, we estimate the USDA will make over $350 million in direct purchases of fruits and vegetables for distribution in the nutrition assistance programs under the President's 2009 budget request, including over $50 million purchased through the DoD Fresh program. This represents 40 percent of the funds budgeted for commodity purchases in FY 2009.

In addition, we anticipate that program providers will use over $3 billion to purchase fruits and vegetables for the Child Nutrition Programs, and that nearly $8.5 billion in funding for Food Stamps, WIC, and the Farmers' Market Nutrition Programs will support participant purchases of fruits and vegetables in the marketplace. All told, we project that under the President's budget, FNS programs will provide over $11.5 billion in 2009 in support of fruit and vegetable consumption.

But we are taking additional action to maximize the results of this investment in increasing consumption for children and others, such as:

- Updating the WIC food packages to better reflect the needs of current participants—including the addition of fruits, vegetables and whole grains;
- Offering free fresh and dried fruits and vegetables to students in 8 States and in 3 Indian tribes as part of the Fresh Fruit and Vegetable Program;
- Publishing Fruit and Vegetables Galore, a Team Nutrition guide that helps schools offer and encourage consumption of a variety of fruits and vegetables through the school meals programs;
- Conducting national nutrition campaigns such as USDA's Team Nutrition and Eat Smart. Play Hard. that promote fruits and vegetables as part of a healthy lifestyle through motivational and behavior-oriented messages and materials, including the new MyPyramid for Kids; and
- Expanding the HealthierUS Schools Initiative, which supports and recognizes schools that seek to improve their nutrition environment with better school meals, nutrition education in the classroom, and more healthful eating and physical activity choices throughout the school day. To date, about 200 schools have been recognized.

Proposals offered by USDA in the Farm Bill reauthorization process to further strengthen the nutrition assistance programs in delivering and promoting consumption of fruits and vegetables:

- $100 million, 5-year competitive grant program to address obesity through the Food Stamp Program, including a test of the impact of food stamp incentives to encourage fruit and vegetable purchases;
- An increase of $50 million annually for the purchase of fruits and vegetables for school meals; and
- An increase in the overall Section 32 fruit and vegetable purchase minimum to $2.75 billion over 10 years.

Mr. FARR. And schools can't get food from the food banks, I understand.

Ms. HOUSTON. That is correct.

Ms. DELAURO. Mr. Farr, just an addendum, and I won't—but to let you know that the President's budget does not request funding for the state management information systems. That has to do with how we do implement the new food package changes. My understanding is that is where the states are going to get those funds to deal with those changes—packages, especially if the cap is enacted as requested in the budget. And again, those MIS funds in my view, are needed.

Mr. Kingston.

FOOD STAMP PROGRAM

Mr. KINGSTON. Thank you, Madam Chair. Madam Secretary, are food stamps intended to be the difference between what a recipient household can afford for food out of their own pocket and what they need?

Ms. JOHNER. It's supplemental.

Mr. KINGSTON. It is a supplemental?

Ms. JOHNER. It's a supplemental.

Mr. KINGSTON. Now, we've had a number of people take the food stamp challenge, and it's a little bit misleading when they say this lasts for 2½ weeks out of the month. What are you doing to educate people that the intent is a supplemental? And I know that, you know, like social security is supposed to be a supplemental, but it is not a supplement for all people. So I mean you know somewhere between the real world of—some people are using it for their higher budget of food, and yet the intention is different. So what are you doing to engage in that discussion?

Ms. JOHNER. Well, Madam Chair and Congressman, one of the things that again we try to look at what is out there. When I talk about the community and the state partnerships, I know people get tired of hearing me say this, but it truly is again going back into their backyard. We work with—we ran into this organization that's really great, it's called Angel Food Ministry. And again, that's partnering with this, is a non-government entity, 501(c)(3). They serve over 550,000 a month, and they have a food box like you wouldn't believe. And they focus a lot on protein because they know like food banks and sometimes families can't afford meats, cuts of meats. And for $30, you can buy this box that can last up to a month for an elderly person, or up to a week for a family of four. And they also take food stamps. And that's one of the things we're working very closely with them, and how do we partner with other folks like that, to be able to help with the needs of the community.

Mr. KINGSTON. But when people take the food stamp challenge and they go, you know, telling folks that it's not enough, I don't know that the USDA is saying, "You're correct, it is not enough, because that's not the intention of it." Are you doing that?

Ms. JOHNER. Supplemental.

Mr. KINGSTON. Are you doing that?

Ms. JOHNER. Yes. We try to do that. It doesn't get out as much as we would like for it to get out, but we do have different programs. We have—like in the food stamp program, the nutrition education, loving your family and feeding their future. It's to help people learn how to cook and to stretch that dollar, and still make nutritious meals, and . . .

Mr. KINGSTON. Okay.

Ms. JOHNER. So we try to get the word out as much as we can.

FOOD STAMP PROGRAM CATEGORICAL ELIGIBILITY

Mr. KINGSTON. All right. And something else that you can answer for the record, but in terms of the automatic eligibility on food stamps, some people receive TANF and yet there really are different eligibility requirements. But often some states if you're on TANF you can be on food stamps, where there's really a different threshold. What are you doing to address that? And you may want to answer that for the record if—because you have some questions, right? Okay. That would be one of—that's a question that I'd like you to examine for the record. And then—I don't want to deny you; I can answer that.

Ms. HOUSTON. Well, we can provide you more information for the record, certainly. But under current rules, individuals who are participating in the TANF program are categorically eligible to receive food stamps. We have proposed to the Administration to say that those participating in TANF must be receiving cash benefits in order to be categorically eligible for food stamps. Other TANF participants who are not receiving cash benefits would of course be able to apply for the benefit, that's for the food stamp program——

Mr. KINGSTON. Yes.

Ms. HOUSTON. And if they were eligible for the benefits, they would be able to participate.

Mr. KINGSTON. How much money do you think you're losing because of that automatic eligibility? Do you have any idea? You can answer that——

Ms. HOUSTON. I don't have the estimate in front of me, but we'd be happy to provide that projection.

[The information follows:]

The cost of allowing participation in a non-cash TANF funded program to confer categorical eligibility for the Food Stamp Program is estimated to be $1.3 billion over 10 years.

HEALTHIER U.S. SCHOOLS CHALLENGE

Mr. KINGSTON. That's fine. But let me ask you, Ms. Johner, Mr. Farr's question about school nutrition and fruits and vegetables, as you may know, Ms. DeLauro and I on a really bipartisan basis put in some report language last year about USDA school nutrition programs and the Department of Education, physical education program, better tracking and better communication and tying into

exercise with the proper dieting. Do you have something to report to us on that?

Ms. JOHNER. And that's what I think we're talking about the HealthierUS School Challenge and things. So again, Kate was over that program and I know she'll have more details for you on that.

Mr. KINGSTON. Do you want to answer that for the record, because we would love to hear some good progress.

Ms. HOUSTON. Sure, I'd be happy to provide information for the record, but I will tell you that we have reached out to other departments with some jurisdiction over education and physical activity. We have been in the process of updating our standards for the HealthierU.S., which is a voluntary school challenge for improving both the nutrition environment and physical activity in schools. We've been working closely with the Centers for Disease Control and Prevention on those revised standards.

[The information follows:]

FNS supports efforts to improve the health and fitness of our program participants consistent with the *Dietary Guidelines for Americans.* While the agency's education and promotion efforts focus primarily on healthy eating in alignment with its nutrition mission, FNS's policy is to integrate physical activity into nutrition education materials and initiatives for the nutrition assistance programs at both the national and State levels. As a result, FNS program-based nutrition education efforts also encourage physical activity for program participants from preschoolers to older adults as part of an overall "healthy lifestyle".

FNS supports and encourages its program partners to integrate physical activity into program operations and settings. For example, through the HealthierUS School Challenge and technical support for school wellness policies, FNS encourages schools to voluntarily implement policies and programs that promote both healthy eating and physical activity. In the same vein, competitive grant awards have been used to develop and support replicable strategies to better promote healthy behaviors in WIC.

FNS also works in partnership with other Federal and non-governmental groups to address barriers to physical activity including program, policy and environmental issues. For example the agency is a part of the Centers for Disease Control and Prevention's Nutrition and Physical Activity Work Group, a team of national, State, and local public health and education partners that seek to advance implementation of comprehensive nutrition and physical activity programs. FNS has also collaborated with other Federal agencies to formulate a Memorandum of Understanding to Promote Public Health and Recreation such as Kids in the Woods and outdoor activities in the Nation's parks. FNS also participates in activities coordinated by the Department of Health and Human Services in support of development of the Physical Activity Guidelines for Americans.

Mr. KINGSTON. Yeah. Tell us some good stuff, and I think we would like to put that language back in the bill this year, and we're going to continue to push that. I don't want to speak for the committee, but I think that would probably be their consensus.

Ms. DELAURO. I think we would.

I'll make a quick comment, and I'm going to try to do one or two very short questions because we have to vote.

FOOD STAMP PROGRAM

On the food stamp program, the eligibility, as I understand it, is 130—poverty. That's people probably making about $12,500-something, around that amount of money. The average first-quarter benefit per person per month is $101. If you just take days or months, meals per day, meals per month, we're talking about the average benefit per person per meal is about $1.13. Warren Buffet is not getting the benefit of the food stamp program. These are peo-

ple that are 130 percent—poverty, and the benefit and my hope is that in the Farm bill, if we ever get a Farm bill—and I don't know where you think we are on that, but that in fact what we can do is to raise that standard benefit, and also to be able to index that food stamp benefit to inflation, which ended in 1996—and Jack, in terms of being bipartisan under a democratic Administration, I might add, to cut out the indexing to inflation with regard to the food stamp benefit. $1.13 per person per meal. The Farm bill, the nutrition title—the House and Senate had passed a Farms bill. Where do you think we're going to end up on this?

Ms. JOHNER. Well, I think we got word yesterday that there was an extension on that, and so we're still hoping that——

Ms. DELAURO. Well, my hope on that——

Mr. KINGSTON [continuing]. Only until April 15th.

Ms. DELAURO. Yeah.

Mr. STEELE. No, it's a 33-day extension.

Ms. JOHNER. Thirty-three days.

Ms. DELAURO. Well—my hope on that. I'll be very clear. And Jack I hope you—this as well, is that we asked for over the ten-year period $11.4 billion. That would include this fruits and vegetables snack program. It includes TEFAP, it includes the food stamp program, it increases the benefit, and it also starts to talk about the indexing and the asset levels. In comparison with everything else in that Farm bill, this is probably one of the smallest areas.

I'm asking you to advocate, to really advocate for that money not to be dropped as we move through this process of a conference. The House put it there, the Senate has been less generous on nutrition, but I'm hoping that the Administration, as they are requiring and demanding some other efforts, will demand that the nutrition levels stay where they are. And I'd like your commitment on helping us to do that, Madame Secretary.

Ms. JOHNER. Well, this nutrition title is an important program. Obviously it's the safety net for the Americans who are hungry. So this is an important for us. An important piece of legislation that . . .

Ms. DELAURO. Aggressive advocacy is what we need at this time.

Mr. KINGSTON. I have to say this to my good friend, Rose, and my good friend——

Ms. DELAURO. We have four minutes.

Mr. KINGSTON. I think she's far more in your camp than mine on some of these issues. So let me just say——

Ms. DELAURO. Amen, brother. [Laughter.]

Mr. KINGSTON [continuing]. With affectionate suspicion——

Ms. JOHNER. Hey, I'm coming to see you after this. Thank you so much.

Ms. DELAURO. Can't run off. We're going just to recess here for the moment.

[Recess.]

Ms. DELAURO. I'm waiting to have another member. We had Mr. Kingston—had to just step out earlier, which was what allowed me to move forward without there being enough members, but we left. Can you hear me now? Oh. Okay. Thank you, my friend. We make you crazy!

We will reconvene the hearing. And I want to say a thank you to the Madam Secretary and to our other guests for your patience. As Mr. Farr just pointed out to me, the same thing is going on pretty much in committees all over, just trying to get through a number of these hearings at the same time. Let me yield to you, Mr. Farr.

FRESH FRUIT AND VEGETABLE PROGRAM

Mr. FARR. Thank you. I apologize. Across the hall the same thing is happening. Only two people are there, and you can't have a hearing without at least three people. In 2008 we provided authority for the funding to expand the fresh fruit and vegetable growth program to all states, and many of those states were not already served by the authorized prior. I wonder if you could tell the committee what is the timeline for implementation of the national fresh fruit and vegetable program?

Ms. JOHNER. Yes. We can provide that.

[The information follows:]

FNS is committed to implementing the expansion of the Fruit and Vegetable Program (FFVP) authorized under the fiscal year (FY) 2008 Consolidated Appropriations Act (P.L. 110–161). FFVP was first authorized as a permanent program under the Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108–265) with annual funding of $9 million for 8 States and 3 Indian Tribal Organizations. The FY 2006 Appropriations Act (P.L. 109–97) appropriated $6 million to expand the program to 6 additional States. The FY 2008 Consolidated Appropriations Act provided $9.9 million to expand the program to all remaining States, and also allocated $3.4 million of recovered FFVP funds to allow the non-permanent States to continue their FFVP operations.

Funds for operation of the FFVP will be made available to new States on July 1, 2008, and will be available through September 30, 2009. This will allow all States to begin operation of the program in School Year 2008–09. Beginning in early February 2008, USDA conducted regional conference calls with State agencies to provide information on FFVP procedures, operations, and oversight responsibilities and provided a question and answer session during the calls.

Each new State received a written summary of the information provided through the FFVP calls, including guidance materials and sample forms. In addition, all FFVP general information, guidance materials, sample forms, and resources for participants are available on the Child Nutrition Programs Website at: *http://www.fns.usda.gov/cnd/FFVP/FFVPdefault.htm.*

Mr. FARR. And getting it implemented in all states?

Ms. HOUSTON. We have already begun our implementation efforts to make the program nationwide. We've held a series of conference calls with the state agencies who have not currently participated, who have not previously participated in the program. We are also working to establish some technical assistance between states that have previously participated in the program and new states, so that we can do some information exchange on best practices.

Mr. FARR. I mean what is your priority here? I mean just, personally, in the committee this is the thing I think that frustrates us all. That we read the title of being nutrition, and then we find that we're really essentially have a way of dispensing commodity products, which are not fresh fruits and vegetables. They're the products that distort them, or put in silos. Grains, beans, corn. Commodity program—also rice. For instance cotton. We don't eat cotton. But then we have these other support programs for peanuts that are in sugar.

And so it seems to me that what we unload in our feeding programs is all those things, because we're involved with supporting those commodities. We package them; we store them; we own these things, and we have to get rid of them. We have never provided any kind of subsidy for fruits and vegetables, so it's just market-driven. And yet all the advice we get here in this committee is that we need to shift the dietary eating habits. I mean it's very hard for people to change their ways, but with all the dietary programs and concentration on the healthy person is changing the diet of America.

And people are demanding these things. And fresh fruits and vegetables have learned how to package their goods; they should keep lettuce in a bag for considerable amount of time; you can put carrots and things like that, and they serve them as packages on airlines. And the fast food chains are now putting all in salad bars, because that's what the customers want.

What seems to be lacking here is a voice in the Department of Agriculture, because you don't really deal with the politics of fresh fruits and vegetables. It's just outside the system. And yet the one area that claims to be responsible for them is the department that has the title nutrition on it. And I think that this frustration is that there's no advocacy out there, strong advocacy to say that we ought to equalize the consumption of the whole gamut of fresh fruits and vegetables with what we've done initially with the commodity program. We're going to have to do it. It's what has to be in the diets of other persons.

Why can't the government be this advocate and be more of a promoter of getting—rather than having it mandated by Congress on a piecemeal basis award? I mean you got to point out as part of your nutrition evaluation of what's happening. And we're the program. We spend a lot of money determining on what is nutritious to eat, and then we don't buy what we tell people they should eat. And that's the frustration that I have with this committee. And you're the agency that comes here every year with the responsibility to get nutritional into all the public places.

Ms. HOUSTON. I think we are working extremely hard to increase consumption of fruits and vegetables in our programs. We're currently spending over $10 billion a year in our nutrition assistance programs on fruits and vegetables.

Mr. FARR. Out of 52 billion, about?

Ms. HOUSTON. In addition, we have some aggressive farm bill proposals to increase fruit and vegetable 2.7 billion over 10 years. We're proposing to increase spending in Section 32 for distribution of fruits and vegetables to our nutrition assistance programs. Additionally, we are proposing to spend an increase in $50 million a year on fruits and vegetables for distribution through the National School Lunch and Breakfast Programs.

COMMODITY ENTITLEMENT PURCHASES

Mr. FARR. Can you explain why last year you spent $70 million on mozzarella cheese and about $6 million on lettuce and tomatoes?

Ms. HOUSTON. There are about 180 different commodity entitlement foods that are available for schools, and it is the school that

makes the decision as to what commodity entitlement they select to purchase from the department. So while we make a variety of foods available that include fruits and vegetables, we are working with schools to try to encourage them to select some of those more healthful options that are available to them. But I think it is important to recognize that the decision in terms of what commodity entitlements are selected are done at the school level, not at the department level.

Mr. FARR. But there are advantages to selecting the commodities, because they are—we have them. Right? I mean when it's cheaper, and it's traditional, and the delivery service is there it's easier to serve pizza then it is to serve fresh fruits and vegetables or salad.

Ms. HOUSTON. We have nutrition standards for school meals that are required to be met at the local level, so whether—depending on whatever the meal that's served is and the composition of the foods that make up that meal, combined they must meet those nutrition requirements. So it is incumbent upon schools at the local level to be selecting a wide range of foods, including fruits and vegetables that would make up a nutritional meal pattern.

Mr. FARR. Right. But my point, and you'll see it when you start putting the data together, that the percentages of fresh fruits and vegetables compared to everything is really low and paltry. And so the voice is loud; the action in buying and implementing and distributing is very weak. Thank you, Madam Chairwoman.

DIETARY GUIDELINES FOR AMERICANS/MYPYRAMID

Ms. DELAURO. Thank you, Mr. Farr. Ms. Johner, if you don't mind, let me just follow that up on that, because I think—the budget request includes $2 million for data collection and analysis of the fourth nutrition and dietary assessment. Now the third assessment was released in November of 2007 and found that many schools are still not serving lunches that meet current USDA standards. Our USDA began working with the Institute of Medicine, IOM, last November on recommendations for updating the meal pattern based on the 2005 dietary guidelines.

Let me just—if you can answer—let me lay out these three or four questions. Why did it take the USDA two years to begin working with the IOM on updating meal pattern based on the 2005 dietary guidelines? When do you think the IOM will issue a recommendation for the child nutrition program? What guidance are you providing the schools that need time for updating meal patterns based on the 2005 dietary guideline? What percentages of schools are currently serving meals based on the 2005 dietary guidelines? And to get to Mr. Farr's comment, what enforcement does FNCS have to make sure schools serve meals based on those 2005 dietary guidelines. If we can, why did it take two years? When do we think we're going to get their recommendation?

Ms. JOHNER. Given the complexity of what we needed to produce—we wanted to make sure that we had it at the end. We had started with it, and yes, it did take two years because of, again, I have to go back that it was very, very—it's a balance that we have to find, that we want to make sure that we have the best product, but at the same time we want to know that it's going to impact the children and the school system. So that's when we de-

cided that we probably needed to have IOM come in and give us recommendations, because they did such a great job with the WIC we packaged. We probably should have done that sooner, but, you know, we didn't. And so, but we decided that this—I don't think we knew how complex it was going to be when we first began.

Ms. DELAURO. When will they issue their recommendation?

Ms. JOHNER. Well, we're looking at 18 to 24 months from the time we contracted with them in November. That's the timeframe, so about 2010. And the guidance—I know that we're doing some guidance on that, and I will let Kate give you a little bit more detail on that.

Ms. DELAURO. Kate, with the guidance, what guidance are you giving folks at the moment? What percentage of schools are currently serving meals based on the 2005 dietary guide?

Ms. HOUSTON. Recognizing that there is going to be some time delay until we can issue the new meal pattern requirements we did think it was incumbent upon the agency to provide as much guidance and technical assistance as we could to school districts so that they could do the best that they could to meet the new 2005 dietary guidelines. What we have initiated, and the first of these pieces of guidance went out I believe last week, is to do a series of facts sheets for school food service authorities at the local level on how they can incorporate the dietary guidelines into their existing meal patterns.

Ms. DELAURO. Can we get copies of that?

Ms. HOUSTON. We can send those out in short order. The first one that I just released is on low fat milk. We plan to follow up with fact sheets on a host of issues, including incorporating more whole grains, reducing sodium, reducing fat levels, et cetera.

[The information follows:]

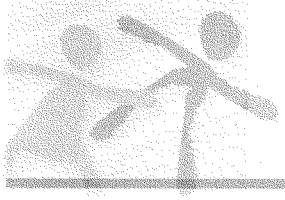
MyPyramid.gov
STEPS TO A HEALTHIER YOU

Fact Sheet

Use Low-fat Milk, Cheese, and Yogurt for Healthier School Meals

KEY ISSUES:

- **The vast majority of children do not get the recommended amount of calcium (for 9-13 year olds, only 5 percent of girls and 25 percent of boys get the calcium they need).**
- **Calcium is critical for bone health, especially for growing children and teens.**
- **Low-fat (1%) and fat-free (skim) milk provide calcium and other nutrients without a lot of saturated fat.**
- **A cup of whole milk contains three times as much saturated fat as the same amount of low-fat (1%) milk (4.6 grams of saturated fat in whole milk vs. 1.5 grams in low-fat milk).**
- **Kids who eat school lunch drink more milk than those who don't. So, school lunch can make a real difference in children's lives.**

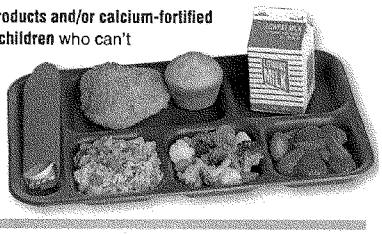


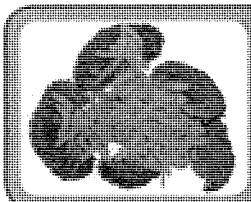
Mom always said, "Drink your milk." Mom was right again! People who drink milk have better diets and get many important nutrients including calcium, which is abundant in milk, cheese, and yogurt.

Easy ways to follow the 2005 Dietary Guidelines for Americans

Recipe for Success

- **Serve only low-fat (1%) and fat-free (skim) milk.** This meets the requirement to offer milk in a variety of fat contents.
- **Consider offering milk in snazzy packaging.** Kids drink more milk when it's offered in "cool" packages, like milk "chugs."
- **Offer flavored low-fat or fat-free milk** to encourage children to drink more milk.
- **Work with your local dairy** to lower the amount of added sugar in flavored milks.
- **Keep it COLD!** Ask your local dairy council about purchasing low-cost or no-cost milk coolers with promotional messages.
- **Use low-fat or fat-free milk, cheese, and yogurt** when cooking and baking.
- **Add milk to your vending machines**, if possible.
- **Serve low-fat yogurt dips** with raw vegetables or fruit. Kids love dips.
- **Have a milk taste test contest** by allowing students to vote for their favorite new milk flavor.
- **Create your own Milk Mustache Event!** Take pictures of students drinking milk and post them on the lunch line or cafeteria bulletin board. For more fun, include teachers.
- **Offer lactose-free milk products and/or calcium-fortified foods and beverages for children** who can't consume milk. Handle on a case-by-case basis and keep a statement signed by a recognized medical authority for these students.





USDA Commodity Food Program

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Messages for Students

- Every cell in your body needs calcium. Your bones store calcium for your blood and cells. If your body doesn't get enough calcium from milk and other milk products, it takes it from your bones. And that can make your bones weak, leading to osteoporosis, a disease where bones become fragile and break easily.
- From the day you're born, calcium builds and strengthens your bones. They will be their strongest ever when you're in your 20s. To make sure your bones stay strong when you're 30, 40, or even 80, you need to start getting enough calcium TODAY!

For more information:

MyPyramid.gov

teamnutrition.usda.gov/Resources/empoweringyouth.html

teamnutrition.usda.gov/Resources/power_of_choice.html

teamnutrition.usda.gov/Resources/teamupbooklet.html

www.fns.usda.gov/eatsmartplayhard

www.cdc.gov/powerfulbones

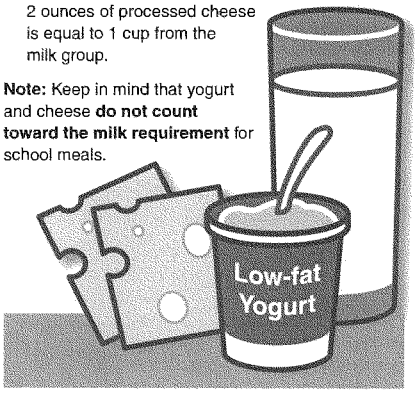
Did You Know?

The *2005 Dietary Guidelines for Americans* recommend 3 cups of low-fat or fat-free milk or equivalent amount of milk products like yogurt or cheese every day for children 9-18. Children ages 2-8 need 2 cups.

What counts as 1 cup of milk?

- In general, 1 cup of milk or yogurt, 1 ½ ounces of natural cheese, or 2 ounces of processed cheese is equal to 1 cup from the milk group.

Note: Keep in mind that yogurt and cheese **do not count toward the milk requirement** for school meals.



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TEAM Nutrition
Food and Nutrition Service

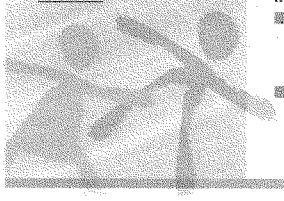
MyPyramid.gov
STEPS TO A HEALTHIER YOU

Fact Sheet

Jazz Up Your Menu With Fruits *for Healthier School Meals*

KEY ISSUES:

- People who eat a variety of fruits as part of a healthy diet are likely to have a reduced risk of some chronic diseases.
- The *2005 Dietary Guidelines for Americans* recommend that we eat two cups of fruit every day (based on a 2,000 calorie meal plan).
- Remember, fruits:
  - provide nutrients that we need for good health, such as potassium, fiber, vitamin C, and folate.
  - are naturally low in fat, sodium, and calories.
  - have no cholesterol.
- Offer a variety of fruits every week.
- Contact local farmers to start a farm-to-school program to obtain high quality fresh produce. To get started, go to: www.fns.usda.gov/cnd/Guidance.



We eat with our eyes—then our mouths. If it looks good, we'll taste it. If it tastes good, we'll eat it. Because fruits are colorful and delicious, they have built-in kid appeal. And because they are available in so many forms—fresh, frozen, canned, dried, or juice—they give you a quick and easy way to boost the nutrition of your school meals and snacks.

Easy ways to follow the 2005 Dietary Guidelines for Americans

Recipe for Success

Boost the nutritional value

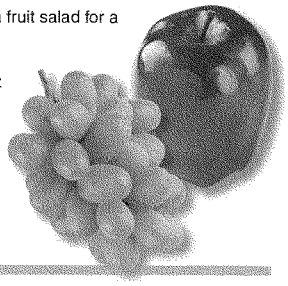
- **Go easy on juice.** Offer most fruit whole or cut up to get more dietary fiber.
- **Vary fruit choices.** Offer fruits with more potassium often, such as bananas, prunes, dried peaches and apricots, cantaloupe, and honeydew melon.
- **Select fruit canned in 100 percent** fruit juice or water, rather than syrup.
- **Cut the fat with fruit!** Try applesauce as a fat-free substitute for some of the oil when baking cookies and cakes.

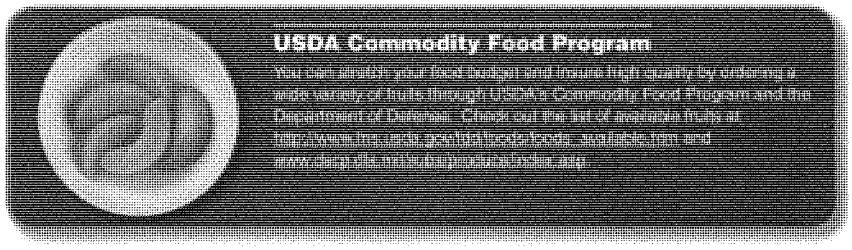
Add fruit to meals and snacks

- **Buy fresh fruits in season** when they may be less expensive and at their peak flavor; seasonal fruits like tangerines, bananas, or grapes are great on a salad bar.
- **Add crushed** pineapple, mandarin oranges, fresh apples, or grapes to your favorite salad mix or coleslaw.
- **Offer baked** apples, fruit cobbler, or a fruit salad for a dessert treat!

Make fruit look good and easy to eat

- **Choose a variety** of fruits with contrasting colors and shapes to catch kids' attention.
- **Cut up fruits,** especially apples and oranges, to make them kid-friendly and easy to eat.





USDA Commodity Food Program

You can enrich your food budget and insure high quality by ordering a wide variety of fruits through USDA's Commodity Food Program and the Department of Defense. Check out the list of available fruits at http://www.fns.usda.gov/tn/Recipes/fruitlist.html and www.dscp.dla.mil/subsist/produce/index.asp

- **Serve low-fat** yogurt as a dip for fruits.
- **Try a fruit smoothie** at breakfast! Blend fat-free or low-fat milk or yogurt with fresh or frozen fruit like bananas, peaches, or berries.
- **For fresh fruit salads,** mix apples, bananas, or pears with acidic fruits like oranges, pineapple, or lemon juice to keep them from turning brown.
- **Serve individual containers** of fruits like peaches or applesauce as part of a grab-and-go lunch or snack.

Messages for Students

- Cut-up fruit makes a great snack. Or, try whole fresh berries or grapes.
- Dried fruits also make a tasty portable snack. Try dried apricots, apples, pineapple, bananas, cherries, figs, dates, cranberries, blueberries, prunes (dried plums), and raisins (dried grapes).
- When you're craving something sweet, think fruit. It tastes delicious—with no added sugar.

Did You Know?

- It's best to wash all fruits (including melons and oranges) before cutting, preparing, or eating them. Under clean, running water, rub fruits briskly with your hands or a brush to remove dirt and surface microorganisms. Dry after washing.
- Remember to keep fruits separate from raw meat, poultry, and seafood while receiving, storing, or preparing.

For more information:

MyPyramid.gov

teamnutrition.usda.gov/Resources/fv_galore.html

healthymeals.nal.usda.gov/schoolmeals/Recipes/recipefinder.php

www.fruitsandveggiesmatter.gov/index.html

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Ms. DELAURO. Do you have any sense of what schools are currently serving meals based on the 2005 guidelines?

Ms. HOUSTON. I don't have the information, but we can get you that, unless—Phillip, pass that up to me, please. According to our SNDA study we do have some work to do to make sure that all schools are meeting the existing meal pattern requirements.

Ms. DELAURO. Do you have any data there that tells you what the percentages are at the moment? And if you can't, please get it us?

Ms. HOUSTON. Sure. Why don't we send you a comprehensive report of our SNDA results.

[The information follows:]

Based on information from the 2004–2005 school years, most schools (over 70 percent) served meals in the National School Lunch Program (NSLP) that met standards for many nutrients that contribute to healthy diets, including protein, iron, calcium, and vitamins A and C. NSLP participants consume more of 6 key nutrients at lunch than nonparticipants. But very few schools (6–7 percent) met all nutrition standards. This is primarily because most meals served contained too much fat, too much saturated fat, or too few calories.

Significantly, most schools offered the opportunity to select balanced meals, but few students made the healthful choice. In 9 of 10 schools, a knowledgeable and motivated student could select items for a low-fat lunch, but most students took such lunches in only 2 of 10 schools.

A summary of the School Nutrition Dietary Assessment-III is available on the FNS Web site at *http://www.fns.usda.gov/oane/MENU/Published/CNP/FILES/SNDAIII-SummaryofFindings.pdf.*

Ms. DELAURO. Okay. What enforcement do you have to make that schools are serving meals that meet guidelines?

Ms. HOUSTON. Certainly we work with our state agencies on doing random reviews.

Ms. DELAURO. What's the enforcement mechanism?

Ms. HOUSTON. Well, the first thing that we do is we provide technical assistance. If we have persistent problems and schools are not working with us, obviously those meals are not eligible for reimbursement. But before we would go down that route we would——

Ms. DELAURO. Have you ever done that?

Ms. HOUSTON. Yes. We have.

Ms. DELAURO. And you were saying before you go down that route you will?

Ms. HOUSTON. We provide technical assistance working through our regional offices, and also in coordination with the state agencies, so that we can help school food service to improve the nutritional quality of meals. And of course there are the standards that they are required to meet by law.

Ms. DELAURO. How many times have you denied reimbursement?

Ms. HOUSTON. A handful.

Ms. DELAURO. One hand?

Ms. HOUSTON. We can get you follow up information of the specific circumstances.

[The information follows:]

FNS is committed to administering the nutrition assistance programs at the highest standards for program integrity. State agencies are responsible for evaluating compliance with National School Lunch Program (NSLP) meal element requirements (food items/components, menu items or other items, as applicable) during Coordinated Review Effort (CRE) administrative reviews, and, potentially, for recovering any improper reimbursements. NSLP regulations require State agencies to review every School Food Authority (SFA) at least once during a five year review

cycle. State agencies observe meals being served on the day of the review to determine if meals are complete, and review menu and production records for a prior review month to determine if meals claimed for that month contained all required meal elements. State agencies must establish a claim for recovery of reimbursement paid for any incomplete meals served on the day of review or during the review month.

During School Year 2005–2006 (the most recent data available) 1.2 percent of meals observed on the day of a CRE review and 0.15 percent of meals served in a CRE review month were found to be incomplete. The total reimbursement associated with these incomplete meals was approximately $211,000 resulting from reviews conducted in 6,170 schools (an average of about $34 per school). The actual amount recovered by States was likely less than this, as State agencies are allowed to waive recovery when the total claim from a CRE review for all non-reimbursable meals identified in an individual SFA totals less than $600.

Ms. DELAURO. That would be great. Mr. Hinchey.

SIMPLIFIED SUMMER FOOD SERVICE PROGRAM

Mr. HINCHEY. Thank you very much, Madam Chairwoman. I appreciate all the attention that you bring to this issue. And I thank you very much for being here and giving us the opportunity to work with you and find out a little bit more about what's going on with some of these important issues.

The Simplified Summer Food program is something that we were able to incorporate in the OMNIBUS appropriations bill last year, to provide additional funding for a program that is very much needed. And just to give an indication of what it is and how much is needed, this food program has been around since 2001, and in those states where it has been operating effectively the number of people participating in it, children participating in this summer food program, has grown by almost 45 percent.

And the several states that were not included the number that are participating in it has been reduced, cut back by almost 15 percent. So you have approximately 17 million students who are served by free and reduced lunch during the school year. That's how many get it during the school year. But when the school year ends that number is cut back to 3 million. So the reason the simplified summer food program is so important is because you have 14 million kids who are not getting the breakfast, and particularly the lunches, at least, that they normally would get during the course of the school year.

Now this is something that we need to focus our attention on. One of the things that we know is the amount of people who are living in poverty in this country is growing. It's up now around 27 million. And the number of young people who are suffering as a result of malnutrition, even the loss of life in this country as a result of malnutrition among young people—and I'm starting to get so excited about it as I mention it, but I just can't help it. You know, it's just something that is very serious. So I'm wondering what we're doing, what is the USDA doing through regions or through the national office, locally or nationally, to educate about the program and to attract sponsors into it. How many people have been notified?

Ms. JOHNER. That's an excellent question. And I know that the summer food service program is also an area of emphasis of mine. One of the things that I have done last year is we tried to get top level officials to go out and kickoff the summer food program to get

more attention to, more media attention. But our regional folks are starting to work on this, usually in the December/January months, because you have to have these people sign these sites, ready to go, so when school's out it's ready to go. But I know on the simplified piece, we've issued notification and guidance to all states' agencies regarding the process. That was done in January, January 2nd of this year. All seven regional conference calls we've had with our seven region offices. We've had conference calls with the state agencies making sure we're explaining the process or the change. We want to answer any question, and again working in partnership and collaboration with them. And then we also want to share best practices, because I think some areas are a lot stronger than others.

Mr. HINCHEY. Okay.

Ms. JOHNER. And so we've also updated our handbooks and our Web site. And this is a big area of concern of ours too, because that is a stark—it's a difference between when the school year is going on and the summer needs, so we know that those kids are not getting——

Mr. HINCHEY. Well, I appreciate that very much. And I appreciate your background and history this. You know, the Health and Human Services back in Nebraska, you had a lot of good work to do. So I don't doubt that you're really focused on this. But we're just facing a situation now where the President has recommended dramatic cuts in his budget on this program. So I'm wondering—you probably can't give us the number now, but I'd like to know how many people have been notified. How many people have been notified? How effective is this outreach program that you just talked about? And when we know how many have been notified then we'd like to know who remains to be notified. Who is it out there that hasn't been notified who needs to be paid attention to? And what can we do to do a better job to get this word out? This is something that I'm sure that our Chairwoman is going to paying attention to, as she always does on these critical issues. But we'd like to have your advice on this too, because you're directly involved in it on a daily basis. Has the web site—you said the web site has been updated?

Ms. JOHNER. Yes. We've updated handbooks and the web site.

Mr. HINCHEY. And has that update been done in way to reflect the change in the program, notify people about the change in the program? And to what extent has that been done, and how has it been done to draw attention to the change in the program?

Ms. JOHNER. Yes. It has been updated, and we can add that to the report that we'll be sending to you on the other information.

Mr. HINCHEY. Do you know?

Mr. SALAZAR. We take a number of best practices, Congressman Hinchey, to ensure that both potential participants are aware of summer sites, and well as potential sponsors. Obviously we go through a process of recruiting both sponsors and sites early in the year before summer starts so that those sites can be established and identified, so that we can promote them. We encourage the states to continue the best practice of notifying parents and children in school before school is out where those summer sites will be through the summer months, because that's our best oppor-

tunity to capture that audience, while they are still in school, before they leave.

One of the remaining challenges of feeding children in the summer is that they are not captured everyday in one site as they are during the school year, and so our ability to reach them becomes a challenge in terms of congregate feeding. We continue to see a steady increase in the number of meals served and children served every summer because of our continued outreach efforts.

Mr. HINCHEY. Okay. All right. So I'd just thank you very much, and I'd like to just follow up with this. If you could provide us with that information—I'd just like to know how this program is working. It's obviously because of the negative results that we're receiving this is something that's very important. Whatever you can tell us about it will be very helpful. Thank you very much. Thank you, Madame Chairwoman.

[The information from USDA follows:]

FNS is committed to expanding the Simplified Summer provisions of the Summer Food Service Program (SFSP) authorized through the 2008 Consolidated Appropriations Act (PL 110-161). The Act made the Simplified Summer provisions nationwide effective January 1, 2008, by adding the 24 States not previously authorized. The Simplified Summer procedures enable SFSP sponsors to receive reimbursement based on the number of meals served times the maximum combined administrative and operations reimbursement rate. Previously, sponsors were required to submit cost documentation used by States to determine reimbursement. Additionally, reimbursements can now be used to pay for any allowable operational or administrative expense, whereas previously the reimbursements could not be intermingled.

FNS has updated the SFSP Web site and online materials, and has asked State agencies to do the same. We have also encouraged States to incorporate the new program flexibility into outreach efforts. Both community sponsors and school systems see the development as a significant reduction to administrative burden, by allowing more time to be spent on support and outreach activities for families and children.

The Child Nutrition and WIC Reauthorization Act of 2004 required FNS to evaluate the Simplified Summer provisions. The evaluation, published in April 2007, found an increase in sponsors and meals served during 2001–2006 for the 26 States and the Commonwealth of Puerto Rico that were then authorized to operate under Simplified Summer procedures. States not authorized to operate under the Simplified Summer provisions showed a decline.

In addition to the Simplified Summer provisions, the FNS has been promoting the Seamless Summer option, which allows schools to provide SFSP-like benefits through the National School Lunch Program and School Breakfast Program. Although the reimbursement for a lunch is about $.50 less than under the SFSP, some schools find the convenience of operating under the normal school program procedures meets schools' specific summer needs and is worth the rate difference. While Seamless Summer sponsors and meals are not reported as part of the SFSP, the schools make an important contribution to our goal of increasing meal service to low-income children during summer months.

FNS believes that taken together, the two different approaches provide the flexibility schools and communities need to provide nutrition benefits to children in a wide variety of situations during the summer months.

Ms. DELAURO. Mr. Farr.

COMMODITY ENTITLEMENT PURCHASES

Mr. FARR. Thank you. I wanted to follow up again on this. The way that food is purchased—it seems to me what you have is a two-tiered system here. You have a system that says to schools, "You have to provide a healthy meal. And you have to met those guidelines." But when it comes to what kinds of foods you help them acquire, that the government buys and distributes, you leave out the fresh fruits and vegetables.

Ms. JOHNER. No, I'll just briefly say something, then I will let Kate answer, give you more details on that. I know that 20 percent of the purchase, as you know, commodities come from USDA, 80 percent of the items are purchased by the local school districts. And I can tell you though, I just wanted to make this comment: I visited many schools across the country as I traveled, because I think the best way to get a pulse of how things work is actually going to the field and talking to people and seeing for yourself.

I have seen so many more salad bars in the schools, the cafeterias; that has been very impressive. In fact, Arizona just got a gold score award. And there was this beautiful salad bar that had all this great, nice lettuce. And this was all free, they didn't even charge it through the school program. But there is such a—there is much more of a push for schools to be served the fresh fruits and vegetables in their diets.

Mr. FARR. Sure, but they are having to buy that locally, whereas you supplement. And here it is, your total commodity entitlement last year is $1.1 billion. And those are things like, that's just cheese, different kinds of cheese and corn, and corn mill flower. Soy bean oil, vegetable oil, peanut butter, rice, shortening, spaghetti—you know, I am not sure that those are all in what we are talking about is high nutritional values.

Ms. JOHNER. You know, commodities are, they are, they have been improved, lower in fat, lower in sugar. But I am going to let Kate give you a little more information on the commodities aspect of that.

Mr. FARR. But do you see my point, because you have got an entitlement program for commodities and that's what it's called, it's called the Commodity Entitlement Program. And you go out and the government, we buy that and then we distribute it to school. But the makeup of the difference, which is all those effort that we have talked about the last year is getting other types of food in the menu. And we don't—you just say you have to do that with the money that you have. You are not entitled to it, so you don't get these entitlements.

And that is where the unequal playing field is. We are distributing things that are causing the obesity, and we are making people buy the things that prevent obesity. And that is just a proportion unfair and unrealistic, and not defendable in your nutritional program.

Ms. HOUSTON. Congressman Farr, we have about 180 foods through our Commodity Entitlement Program that are available as a shopping list to schools. It is a demand-driven system. This list includes fruits and vegetables.

Mr. FARR. Show me on that list, I have it right here.

Ms. HOUSTON. Sure, right at the top of the list: apple slices, applesauce, apricots. Going down, blueberries, carrots, cherries, corn, peaches——

Mr. FARR. Yeah, apples, the $871,000.

Ms. HOUSTON [continuing]. Pears, potatoes, raisins. And this is just on the first page.

Mr. FARR. Where is the vegetables and where is the lettuce?

Ms. HOUSTON. We have, you know we have a variety of primarily shelf stable through our commodity entitlement list. And then of course, the additional fresh——

Mr. FARR. Shelf-stable? The other things you are saying are not shelf-stable?

Ms. HOUSTON. And then we have fresh fruits and vegetables that are available also as commodity entitlement through our DOD program.

Mr. FARR. But the point is that your list, I have it, the thin, green page you are looking at, both pages, because I have the other one too. And it also shows the distribution by state. Is that I can't find any of the things that I have been told are necessary to be healthy to eat, particularly salads. There is not any salads on here.

Ms. HOUSTON. We continue to work with schools to put on our commodity list the items for which they are requesting. And I think it is again, important to emphasize that only about 15 to 20 percent of the foods that are part of the meals come from the USDA commodity entitlement list, the rest we provide cash-free "reimbursements". And schools at the local level are purchasing the other foods for meals. And we have statistics that show about 21 percent of the foods that are purchased in total for the school lunch program are fruits and vegetables.

Mr. FARR. I mean, let's finish with this list. The two highest items on here, the highest amount you spend was beef bulk-coarse, $123 million. The second highest is mozzarella cheese, $90 million.

Ms. HOUSTON. Again, these are school-selected.

Mr. FARR. Schools want cheese, not——

Ms. HOUSTON. These are items that are—it's a demand-driven system. We would be happy to work with you. We have an initiative underway to continually improve the nutritional quality of the foods available through the commodity program. And we would be happy to share with you our technical assistance efforts. But I think you were correct, that we need to get schools to be selecting the most nutritious items available, and——

Mr. FARR. With all due respect, California has required, and I think you ought to award states too that required, but each school district has to come up with a nutritional plan. This is new. Parents are starting to ask, you know they used to want to know what is going to be teaching in the classroom, now they want to know what you are feeding them in the lunchroom.

And what happens, you go to these school administrators and they say yes, but we can't get those items because those aren't part of the program. They are not given to, they are not on this list.

Ms. HOUSTON. Well again, we would be happy to work with you to make sure that the foods——

Mr. FARR. Work with us?

Ms. HOUSTON [continuing]. That schools want are on the commodity list. We also do have a nationwide requirement for a wellness policy, so every school district in the country, those in California and around the country——

Mr. FARR. You put a mandate on them but you don't give them the supplies to fulfill that mandate. That is not a way to operate a nutritional program.

TEXAS FOOD STAMP PROGRAM

Ms. DELAURO. Let me—we are going to have to vote and I promise you, you will not have to stay, we will—let me just see if I can wrap up with a couple of questions here. And then I want to do two things. I have some questions for immediate answer and then a question—but let me just get to the program, and we know the background. We, I want to know what has happened,—stamps over there and what is—to get the problem corrected.

In terms of the problem back in March 2006, the system had a backlog of 6,000 unprocessed applications. The problem then is the state implemented the new system and there were not enough people trained in handling the program under the policy—determine eligibility for 2007, experiencing backlogs of applications and the explanation is for the workload issue. An Austin mother of two said she has been waiting for food stamps after applying to renew in June. I want an answer to Texas, but I also have a question with regard to Indiana.

Ms. JOHNER. Chairwoman, we have been working closely with Texas, and I know yes, there has been some concern with the timeliness piece. And so I know our administrator was just out there I think a few weeks ago. And we are going to be doing even, we are going to aggressively increase our oversight in Texas, because we have again, identified some problems. So we have been doing regular conference calls with them, review of state reports, the multiple site reviews, which is going to increase.

And then I myself will be going out and meeting with the state commissioner and their management team. We did get a corrective action plan from them, because we did send them a letter and so we did get one last week. So again, I agree with you, Texas is——

Ms. DELAURO. Just in general, because I want to get on to Indiana.

Ms. JOHNER. Okay.

Ms. DELAURO. When is it apparent that this is failed, I mean, what is the tipping point? We continue with corrective action, you know. I mean, in 2007 they canceled—I am just saying what is it that you think that we can't go on any longer, this is a failed process here? Do you have a construct?

Ms. JOHNER. Do we have something in place to be able to measure——

Ms. DELAURO. No. I mean to say when you are the agency you are looking at this, you are seeing what's happened, you are seeing the progression, you see where we are now. When do you say to yourself this is a failure, it can't work this way, let's go back to what we were doing?

Ms. JOHNER. And they have, they have moved the responsibility back to the state workers. But they are identifying some of that lapse in Texas.

Ms. DELAURO. How much more time are we giving Texas to make this work or not work?

Ms. JOHNER. Well, I think that is something I will continue to monitor. And at this point—I understand your question in regard that——

Ms. DELAURO. This is like when do we say enough—a never-ending tale. Well, I mean we have got to have sense with some banality here that this is a go, and it hasn't succeeded. Lots of good ideas don't succeed. But did they tell us all the time end programs that don't work. And Congress has you know has to do that as well. Sometimes we have even been less successful with that. But I am hoping the philosophy here is to end this if it doesn't work.

Ms. JOHNER. If this is acceptable to you, I know I will be in Texas the first week of April. When I go down there, can I come back with——

Ms. DELAURO. Yes, absolutely.

Ms. JOHNER. I mean, we can get together or something.

INDIANA FOOD STAMP PROGRAM

Ms. DELAURO. But let's get an update, let's see what we think it can go. Indiana, I know you are monitoring it, et cetera. But look, yesterday, Indiana, a local news reported a state house conference where leaders of three senior groups presented their concerns. "The situation was dire for senior citizens, people with disabilities, other low-income clients both had difficulty phoning in to centralized call center, navigating web pages that were put in place to expedite the application."

"People being denied benefits. Wheelchair-bound mother of two children lost food stamps. Surveys of food pantries, nursing homes, hospitals, minister's groups, United Way and other social service providers found demand for those private services shot up because people have been bumped off the food stamp rolls." ". . . services, a chief who was in charge of the . . . said that the roll-out is due to expand from its original 12 counties to 27 or more on March 24, in about a week's time."

Are we going to an expanded rollout before we have corrective action and are we going the Texas route again? Have you seen in your oversight the issues that the senior citizen folks are talking about?

Ms. JOHNER. No, I have not and I was just out there last week to make a visit. And I can tell that it's changed from the time I was out there last fall and then again, last week. And what I saw when I was there was a streamlined function of the workers. I talked to some of the family members that were in the waiting room. They liked the new setup. I didn't see—I guess—I walked through the process myself as coming in as someone who needed food stamps.

We would take anywhere from six to eight days for them to process my applications. We have two-tier systems. Our first tier is that the call centers to be able to answer questions that are more generic. And then when they got more specific on the policy and programs, then you have the second tier. We were going to ask them——

Ms. DELAURO. Did these folks just congregate and make these claims? What is the investigative progress on these senior citizen groups? Are you going to—are the people who are being, do we know how many people are being denied benefits? And do we think unless these issues are fixed, do we answer these or investigate these efforts that we ought to move to a rollout on the 24?

Ms. JOHNER. Definitely, Madam Chairwoman, we will be looking into that. I have not read this article that you are referencing to. The thing is that they have delayed already once because we weren't comfortable with them moving forward on this.

Ms. DELAURO. But do I have your word, and we would be talking in the next several days that these issues that have been laid out: not enough case workers to help Medicaid clients and applicants, new eligibility system dysfunctional, wasteful, out of sync. This is a person who manages the domestic violence shelter for Alternatives, Inc., that she had two clients, one a teenager in high school, another—who had lost food stamps, other benefits.

I mean, the list goes on. What I am just saying is that you are monitoring it, it seems to me that these questions have got to be answered and addressed before we move to any roll-out.

Ms. JOHNER. You have my word that I will look into this.

[The information follows:]

FNS has systems to monitor program administration and performance by all State agencies administering the Food Stamp Program. FNS continues to use these tools to monitor the development and implementation of the Indiana modernization efforts. FNS employs additional monitoring and oversight techniques beyond those used in all States to monitor the efforts in Indiana including daily call center statistics; weekly conference calls; monthly reports related to application processing; and increased number of on-site reviews.

On March 24, 2008, Indiana will expand its modernization effort to 27 additional counties in southern and western Indiana meaning that approximately 25 percent of the food stamp caseload will be processed under modernization procedures. Shortly after the expansion, a team from FNS will conduct site visits to evaluate the implementation. FNS will continue to aggressively monitor State implementation to ensure that clients are not adversely affected by the modernization project.

On March 11, 2008, several client advocate groups were quoted in an article in the *Chicago Tribune* saying that the modernization initiative resulted in barriers to access for the specific groups. FNS contacted two of the advocate organizations and then contacted the State agency to follow up on the concerns expressed by the advocates, including:

- Advocates believed the reduction of workers in the local offices hurt service for people that opt to go into a local office. Based on FNS site visits to seven local offices in the pilot region, there appears to be adequate staffing in the local offices to provide service to applicants and participants who visit in person. FNS will continue to monitor service delivery through the local offices. FNS has additional site visits scheduled for the week of April 14, 2008.

- Advocates heard that people are put on hold for long periods at the call center or their calls are shuffled from person to person or office to office and back to the service center. Advocates are also concerned that call center staff do not have the level of knowledge needed to help callers. The advocates conducted test calls to the service center and had long hold times. Based on call center statistics that showed problems in response time and abandonment rate starting in late November, 2007, Indiana made technical and resource changes to improve customer service. Then, on January 11, 2008, the Indiana Family and Social Services Administration (FSSA) doubled the number of staff answering calls at the call center. In the nine weeks since the additional call center staff arrived, the weekly average response time to answer calls dropped to 3:09 minutes and the average abandonment rate dropped to 6.68 percent. Indiana originally planned to expand the pilot in late January, 2008, but delayed implementation of the next phase to ensure the call center's sustained improvement in the area of response time and abandonment rate. FNS will continue to monitor the call center performance as the project expands to the next phase on March 24.

- Advocates heard that people receive appointments to be called within a two-hour window and are never contacted. FSSA indicated that they have received very few complaints on this issue. FNS is working with FSSA to determine if information is available on their performance in accomplishing outbound calls within the scheduled timeframes.

- Advocates are being told that people are getting denial notices that do not indicate the reason for denial, other than "failure to comply." FSSA reported that the "failure to comply" notices come from the State's eligibility system and are the same notices generated by the system since 1993. If the applicant fails to provide the requested information or documentation, they receive a failure to comply notice with the reasons. Examples include: "Failure to provide postponed expedited service verifications," "Failure to cooperate in verifying income," and "Failure to verify information necessary to establish eligibility." Advocates indicated that they tried to convey their concerns to FSSA but were dismissed by FSSA for not having specific information. FSSA indicated that they need specific information on complaints in order to investigate them. Advocates responded that clients want to remain anonymous because they are afraid they will be singled out by FSSA if they complain publicly. FNS is working with FSSA to ensure that client complaints regarding modernization issues are tracked. We believe that in the coming months this will serve as a useful source of information on client problems, and enable corrective measures to be taken expeditiously. FNS advised FSSA in January 2008 that they needed to improve access to the Ombudsman available to Indiana residents requesting assistance with government services, including the Food Stamp Program. In February 2008, FSSA responded to FNS with the State's action plan to improve awareness of Ombudsman services.

- Advocates indicated that although current Indiana State law requires FSSA to have a local office in each county, there is language in proposed Indiana Tax Reform legislation that would allow FSSA to close county offices as they deem appropriate. FNS is following up with FSSA on this issue.

- Advocates are concerned that households being re-certified for food stamp benefits are being sent two separate mailings that must be returned to FSSA. They are concerned that two separate envelopes make it more likely that information will be lost. Also, they are concerned that the re-certification forms are confusing. FNS has relayed these concerns to FSSA.

Texas implemented its modernization effort in January 2006 in a small pilot area. Based upon the results of FNS reviews and their own assessment, the State suspended further rollout of the project in May 2006. By December of that same year the duties of the contractor were reduced. State staff was retained and most client-related tasks were transferred from the vendor back to the State. In March 2007, Texas cancelled their contract with Accenture. However, Texas continued to seek expansion of their new automated eligibility system known as TIERS beyond the pilot site. USDA supported a limited and conditional expansion.

To monitor the implementation of TIERS, FNS maintains constant contact with the Texas Health and Human Services Commission via regular conference calls and on site reviews. FNS also reviews State reports and meets with the State Commissioner and his management team. The most recent meeting occurred at the end of February.

As a result of this ongoing monitoring, FNS recently noted that the application processing timeliness rate for TIERS cases was low and declining. In response, FNS recommended the State delay the February 2008 planned roll-out of TIERS and required the State to submit a corrective action plan. The corrective action plan is currently under review.

The plan proposes the addition of 313 staff trained in TIERS (including 233 eligibility workers) from February through the beginning of April. It also includes a staff compensation initiative aimed at improving staff recruitment and retention by enhancing salaries of local workers. FNS has scheduled several on-site reviews, including a visit to the TIERS offices in Austin, in late March. A meeting between the Executive Director of the Texas Health and Human Services Commission and Under Secretary Nancy Johner is planned for early April.

NUTRITION EDUCATION

Ms. DELAURO. Okay, this is what I going to do unless there is—there are three or four areas that I have that I really would like immediate answers on. One is this report that is a requirement that was laid out in a conference report directing the department to provide monthly reports on program performance and estimated funding requirements. I have a great deal of respect for you Miss Secretary, but I was disappointed with the letter that came in.

And I actually do have a list, and I won't go through it, and we will get it to you, of what we believe these letters ought to include. And so that we will get to you. In addition to that, the—programs that exist within schools and what our opportunities are to look at inspection requirements, what enforcement authority, those kinds of issues. But we will get that to you right away. There is also nutrition education. There is $788 million being spent on nutrition education promotion.

Now, we had research and education, and economics people in here the other day. They answered that there was no correlation between the—and obesity. But on nutrition education, when we asked them about this, so I don't know what is happening with $788 million——

Ms. JOHNER. We can give that to you.

[The information follows:]

Of the $788 million in nutrition-related expenditures reflected in the President's 2009 budget request for USDA's Food, Nutrition, and Consumer Services, $777 million are used for nutrition education through the nutrition assistance programs.

- Over 95 percent of this funding is provided as payments to State agencies, including a projected $305 million to Food Stamp Program agencies, and about $445 million to WIC agencies.
- Another $19 million is used to support nutrition and food safety education and technical assistance to schools through USDA's Team Nutrition and the National Food Service Management Institute.
- $1 million has been requested to support nutrition education in the Food Distribution Program on Indian Reservations.
- The remaining $7 million supports FNS activity to develop nutrition education interventions and technical assistance materials.

Of the remaining $11 million in the request, about $7 million is designated to support the Center for Nutrition Policy and Promotion in developing nutrition guidance for all consumers, including those served by Federal nutrition assistance programs. The other $4 million is to support 2 nutrition-related studies—the next in our series of assessments of the nutrient content of school meals, and an assessment of promising practices in food stamp nutrition education.

Ms. DELAURO [continuing]. And that information. But there may be one or two more in terms of immediate answers. The rest we will ask for the record. We have I think five minutes, Maurice, go ahead.

NUTRITION ASSISTANCE PROGRAMS

Mr. HINCHEY. Very briefly. One of the problems that we are facing nationally is the fact that we are in an economic recession. And one of the most uncomforting aspects of this economic recession that we are experiencing is the dramatic increase in the cost of living for middle- and lower-middle income people and people below that.

It is a very, very significant issue. And one of the most dramatic aspects is the increase in cost of living of course, is the increase in

energy and the increase of the cost of food. Cost of food has risen up dramatically because of the increase in the price of energy. And that is causing a lot of problems for a lot of low-income people.

And I am just wondering how your activities are impeded. And I know that you are focused on this in the right way based upon your experience and understanding. But the things that you are dealing with are making it difficult for you. For example, for the third year in a row, the President has proposed eliminating funding for the Commodity Supplemental Food Program. How has that attitude from the Administration impeded your ability to deal with issues, because this is an issue that on an average month provides nutrition to something in the neighborhood of excess of 473,000 low-income mothers and children under the age of six and senior citizens. The largest part of that number is senior citizens.

And we also have the fact that the President now for the last four years in a row has proposed changes that would eliminate food stamps for more than 300,000 people. Increase in the availability of food stamps is one of the things that some of us tried to get in this so-called stimulus package, which was passed here and signed. The President said no way, he wasn't going to sign the stimulus package that provided more nutrition to low-income people.

So I am just wondering about your ability to deal with this issue? The issue is dramatic increase in the cost of living, particularly the cost of food for more and more are low-income people across the country, mothers and their young children, senior citizens, others who are suffering from these——

Ms. JOHNER. Thank you for that question. One of the things that I look at with competing priorities and again, limited resources as we all have, is I try to look at what our largest programs are. And they are the food stamp program, the WIC program, the school breakfast and lunch program. And so I have to look at is it's a very challenging job, because the CSFP program is a good program, but it is also one of my smaller programs.

And so what I need to do is I need to look at how do I invest in my bigger programs that could maybe impact more people. And so, and the other side of that is I also look at my local community because I come from the grassroots. But I know the power and influence of your local leadership, of your state leadership. I am always looking at our community-based or faith-based, and so Angel Food Ministry has been one area. And I know I talked about that earlier, but this is a 501(c)3, it's—they deliver food packages.

And in 35 states, they served 550,000 people a month and we would like to help, we want to partner with them to help them expand. And they serve a box of groceries that would last an elderly person for up to 30 days, and a family of four for up to a week. And they really focus on the protein piece. So it is partnership and collaborations like that we need to continue to work with.

Ms. DELAURO. Thank you, secretary. We probably have a minute left in order for us to go to vote. We appreciate your time and your patience with the delays.

Ms. JOHNER. Thank you.

Ms. DELAURO. And I look forward to the response of the questions and I look forward to sitting down with you again. Thank you all very much.

Ms. JOHNER. Thank you very much.

Ms. DELAURO. The hearing is adjourned.

Food, Nutrition and Consumer Service
Congresswoman DeLauro
Questions Submitted by

CHILD NUTRITION PROGRAMS

Ms. DeLauro: How many participated in the school lunch program in fiscal year 2007? How many are estimated to participate in fiscal years 2008 and 2009?

Response: The information is provided for the record.

[The information follows:]

Average Daily Participation in the National School Lunch Program			
Fiscal Year	**All Children**	**Children Receiving Free Meals**	**Children Receiving Reduced-Price Meals**
2007 (actual)	30.6 million	14.9 million	3.0 million
2008 (estimated)	31.5 million	15.3 million	3.1 million
2009 (estimated)	32.0 million	16.1 million	3.2 million

Ms. DeLauro: For each category, paid lunch, free meals, and reduced price meals, what are the federal costs for fiscal years 2007, 2008 and 2009?

Response: The information is provided for the record.

[The information follows:]

National School Lunch Program Costs, by Category (Millions of Dollars)				
Fiscal Year	**Paid**	**Free**	**Reduced-Price**	**Total**
2007 (actual)	832	6,637	1,094	8,563
2008 (estimated)	891	7,096	1,182	9,169
2009 (estimated)	925	7,419	1,244	9,588

Note: Entitlement commodity costs are included above and are allocated by the proportion of total meals served.

Ms. DeLauro: How much did USDA spend in fiscal year 2007 for the snack programs created by the 1998 Reauthorization Act and what do you estimate to spend in fiscal years 2008 and 2009?

Response: The requested figures, in millions of dollars, are provided for the record.

[The information follows:]

	Fiscal Year 2007 Actual Cost	Fiscal Year 2008 Estimated Cost	Fiscal Year 2009 Estimated Cost
National School Lunch Program, Snacks only	$112.5	$123.3	$132.9
Child and Adult Care Food Program - At-Risk Snacks only	$17.7	$19.4	$20.9
Total	$130.2	$122.7	$133.9

Ms. DeLauro: How much were the States provided for integrity enforcement in fiscal year 2007 and what are the estimates for fiscal years 2008 and 2009?

Response: Section 17(i) of the Richard B. Russell National School Lunch Act provides funding to State agencies for carrying out audits and other oversight activities in the Child and Adult Care Food Program (CACFP) calculated as one percent of the CACFP funds expended by the State in the second preceding fiscal year (FY) for 2007 and increased to one and a half percent of the CACFP funds expended by the State in the second preceding fiscal year beginning FY 2008 and each year thereafter. State agencies were provided a total of $20.4 million for FY 2007 and $31.2 million for FY 2008. The estimate for FY 2009 is $32.4 million. This funding is in addition to that provided to States for their administrative expenses under State Administrative Expense funds, which may also be used for program oversight.

Pursuant to the Child Nutrition and WIC Reauthorization Act of 2004, P.L. 108-265, funding was made available to State agencies for the performance of administrative reviews and training of selected local educational agencies (LEAs) identified by the States as having demonstrated a high level of, or high risk for administrative error in the National School Lunch Program (NSLP) and School Breakfast Program (SBP). Beginning in fiscal year 2005 and for each fiscal year thereafter, $4 million is made available for these activities. Between FY 2005 and FY 2007 FNS awarded over $3.2 million in competitive grant awards. An additional $3 million has been utilized in administrative support as well as to further assist State agencies in the monitoring of meal pattern and nutrient content compliance, error reduction and program review through the provision of training and technical assistance material related to improving administrative accuracy in school meals programs; and by assisting State educational agencies in reviewing the administrative practices of LEAs as per section 7 of the Child Nutrition Act of 1966. At the end of FY 2007 there was a balance of $5.6 million in unspent training and administrative review funds. In FY 2008 FNS issued a fourth solicitation on December 11, 2007 with responses due by March 12, 2008. Applications received for this most recent solicitation are currently being reviewed.

Ms. DeLauro: Were any fiscal year 2007 CACFP integrity enforcement funds returned unspent from the States in fiscal year 2007? If so, how much?

What is the total unobligated balance currently available from previous fiscal years?

Response: Yes, States returned $1,738,236 of unspent FY 2007 CACFP integrity enforcement funds. The unobligated balance currently available from the previous fiscal year is $315,590 (a total of $3,815,590 was available from previous years, but $3,500,000 of that amount was rescinded by Section 750 of the Consolidated Appropriations Act of 2008 (P.L. 110-161)).

Ms. DeLauro: Update the table that appears in the previous hearing record showing a breakout of how the School Meals Initiative funding was spent to include fiscal years 2005 through 2007 actuals and fiscal years 2008 and 2009 estimates.

Response: The following table provides a detailed accounting on how the School Meals Initiative funds have been used by spending category. The FY 2008 allocations represent the current spending plan and the FY 2009 allocations are projected and provided for the record.

[The information follows:]

School Meals Initiative: Spending by Category 1/					
	FY 2005	FY 2006	FY 2007	FY 2008 (Estimate)	FY 2009 (Estimate)
I. Food Service Training and Technical Assistance					
Technical Assistance Materials	1,413,310	1,549,912	1,341,796	2,590,047	2,275,500
Print and Electronic Food Service Resource Systems	396,778	381,637	393,747	469,217	500,000
NFSMI Cooperative Agreement for Food Service	800,000	800,000	800,000	800,000	800,000
II. Children's Education	2,509,110	2,546,456	1,942,090	2,330,377	2,502,050
Resources					
• In-school Education Materials					
• Community Education Materials					
III. Food Service Training					
Grants to States	3,842,479	3,724,285	4,148,016	5,000,000	5,000,000
IV. USDA/FNS Direct Training and Education	0	0	0	0	0
V. Children's Communications and Technology	399,558	788,731	503,637	951,000	1,000,000
VI. Team Nutrition	112,200	5,123	23,325	70,000	75,000
Partnership Support					
• Resources for Team Nutrition Schools					
• Partnership Network Support					
VII. Evaluation & Administration	564,565	241,856	898,207	1,161,709	1,219,800
TOTAL	**10,038,000**	**10,038,000**	**10,050,818**	**13,372,350**	**13,372,350**

1/ Includes resources for the National School Lunch (NSLP) and Breakfast Programs (SBP), Child and Adult Care Food Program (CACFP), and Summer Food Service Program (SFSP).

Ms. DeLauro: Update the table that appears in the previous hearing record showing the amount of state administrative expenses that have been carried over, the amount of original allocation, and the percent of the allocation carried over. Include data from fiscal years 1995 through 2007.

Response: The information is provided for the record.

[The information follows:]

STATE ADMINISTRATIVE EXPENSE FUNDS
CARRYOVER HISTORY
(IN MILLIONS)

FISCAL YEAR	AMOUNT CARRIED OVER	AMOUNT OF ORIGINAL ALLOCATION	PERCENT OF ALLOCATION CARRIED OVER
1995	15.0	91.5	16.4
1996	15.0	97.8	15.3
1997	17.3	103.4	16.7
1998	15.4	108.3	14.2
1999	15.4	114.2	13.5
2000	14.8	117.1	12.6
2001	15.4	122.5	12.6
2002	12.7	126.1	10.0
2003	13.4	129.3	10.4
2004	19.8	139.3	14.2
2005	15.0	97.8	15.3
2006	17.3	103.4	16.7
2007*	15.4	108.3	14.2

*Please note that these data are preliminary.

Ms. DeLauro: Please update the table that appears in the previous hearing record showing the number of schools, institutions, and summer camps that participate in the Special Milk Program to include fiscal year 2007. Please provide the Committee with the amount spent on this program over five years to include planned for FY 2008 and FY 2009.

Response: The information is provided for the record.

SPECIAL MILK PROGRAM OUTLETS OPERATING BY TYPE

Fiscal Year	Schools	Institutions	Summer Camps	Total
1997	7,909	518	1,484	9,911
1998	8,109	523	1,327	9,959
1999	7,181	518	1,347	9,046
2000	6,998	492	1,148	8,638
2001	6,982	562	1,299	8,843
2002	6,538	571	1,153	8,262
2003	6,159	559	1,157	7,875
2004	5,673	593	964	8,230
2005	5,218	642	978	7,836
2006	4,987	573	884	6,444
2007	4,930	530	851	6,311

The amounts spent are as follows:

FY 2005--$16,637,000
FY 2006--$14,816,467
FY 2007--$13,796,246
FY 2008--$15,006,000 (projected)
FY 2009--$13,867,000 (projected)

Ms. DeLauro: Has FNS implemented a plan to authorize local nutrition and physical activity grants targeted to schools as authorized in the CNP reauthorization?

Response: Section 205 of the Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265) provides authority for Local Nutrition and Physical Activity Grants to selected local educational agencies (LEAs) to create healthy school nutrition environments, promote healthy eating habits, and increase physical activity, consistent with the *Dietary Guidelines for Americans*. Sec.205 authorized to be appropriated such sums as are necessary to carry out the section, and authorized the Secretary to accept cash contributions from nongovernmental organizations made expressly to further the purposes of the section. To date no funds have been appropriated or contributed for the activities authorized in Sec. 205.

However, the Act also provided $4 million to be used by USDA to carry out the technical assistance and best practices for implementing local wellness policies. FNS used $2 million of this funding for formula-based noncompetitive grants for Child Nutrition State agencies. The funds allowed State agencies to provide training and technical assistance to LEAs to adopt, implement, and measure implementation of LEAs' local wellness policies which included goals for nutrition education, physical activity, and other school-based activities to promote student wellness. The remaining $2 million was used for nutrition support purposes.

Ms. DeLauro: What is the status of the fruit and vegetable program for schools authorized and funded in the CNP reauthorization? Please provide, by state, the amount obligated each fiscal year since inception of the program.

Response: The States authorized and funded in the Child Nutrition and WIC Reauthorization Act of 2004 continue to participate in the Fresh Fruit and Vegetable Program (FFVP). The States annually select schools to participate through an application process.

The Child Nutrition and WIC Reauthorization Act of 2004 permanently authorized the FFVP in eight States and three Indian Tribal Organizations. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2006 (P.L 109-97) appropriated funds to further expand the FFVP to six additional States. The Consolidated Appropriations Act of 2008 expanded the FFVP nationwide. Most recently, the Food, Conservation, and Energy Act of 2008 permanently authorized the FFVP nationwide, changed the criteria for selecting schools to participate in the program, provided a substantial increase in funding, and changed the source of funding so the funds are now provided as a transfer from Section 32.

The allocations provided to States for the operation of the FFVP since fiscal year 2005 are provided for the record.

[The information follows:]

Fresh Fruit and Vegetable Program

State/ITO	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009 1/	Total
Alabama				$184,101	$674,894	$858,995
Alaska				184,101	440,598	624,699
Arizona				184,101	776,521	960,622
Arizona ITO	$156,845	$163,445	$156,851	147,448	*	624,589
Arkansas				184,101	568,387	752,488
California				184,101	2,571,256	2,755,357
Colorado				184,101	688,773	872,874
Connecticut		978,814		184,101	608,037	1,770,952
Delaware				184,101	451,367	635,468
District of Columbia				184,101	434,944	619,045
Florida				184,101	1,484,121	1,668,222
Georgia				184,101	966,957	1,151,058
Hawaii				184,101	476,233	660,334
Idaho		729,153		184,101	489,064	1,402,318
Illinois				184,101	1,163,440	1,347,541
Indiana	1,106,461	1,253,030	1,234,117	1,273,833	905,631	5,773,072
Iowa	889,776	947,140	995,016	1,280,747	912,545	5,025,224
Kansas				184,101	564,894	748,995
Kentucky				184,101	651,943	836,044
Louisiana				184,101	655,016	839,117
Maine				184,101	478,242	662,343
Maryland				184,101	733,729	917,830
Massachusetts				184,101	783,115	967,216
Michigan	1,303,989	1,158,012	1,185,079	1,160,594	998,265	5,805,939
Minnesota				184,101	708,738	892,839
Mississippi	1,152,123	1,016,347	1,103,855	1,349,234	981,032	5,602,591
Missouri				184,101	749,177	933,278
Montana				184,101	456,897	640,998
Nebraska				184,101	505,409	689,510
Nevada				184,101	552,383	736,484
New Hampshire				184,101	478,160	662,261
New Jersey				184,101	915,942	1,100,043
New Mexico		919,263		184,101	523,021	1,626,385
New Mexico ITO	155,308	160,777	168,704	152,118	*	636,907
New York				184,101	1,546,282	1,730,383
North Carolina	905,444	990,077	975,753	1,321,858	965,862	5,158,994
North Dakota				184,101	437,999	622,100
Ohio	1,010,369	1,001,729	1,086,251	1,231,721	1,081,133	5,411,203
Oklahoma				184,101	614,868	798,969
Oregon				184,101	622,598	806,699
Pennsylvania	1,207,934	1,248,225	932,361	1,169,324	1,138,506	5,696,350
Rhode Island				184,101	462,835	646,936
South Carolina				184,101	661,817	845,918
South Dakota				184,101	447,295	631,396
South Dakota ITO	339,707	352,464	347,325	376,371	*	1,415,867
Tennessee				184,101	765,708	949,809
Texas		1,307,397		184,101	1,819,917	3,311,415
Utah		1,025,576		184,101	565,201	1,774,878
Vermont				184,101	436,902	621,003
Virginia				184,101	858,097	1,042,198
Washington	772,044	708,754	814,688	1,009,560	803,953	4,108,999
West Virginia				184,101	507,635	691,736
Wisconsin				184,101	732,737	916,838
Wyoming				184,101	431,056	615,157

Fresh Fruit and Vegetable Program

State/ITO	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009 1/	Total
Guam					10,303	10,303
Puerto Rico					234,122	234,122
Virgin Islands					6,442	6,442
Total	9,000,000	13,960,203	9,000,000	18,389,151	39,500,000	89,849,353

* Per Section 4304 of the Food, Conservation, and Energy Act of 2008, ITOs no longer have a separate funding stream; ITO schools may participate through the State agency.
1/ The amount displayed for FY 2009 includes the initial allocation of $40 million on October 1, 2008; the additional $65 million to be provided on July 1 ,2009, will not be allocated until March 2000.

Ms. DeLauro: Please update the Committee on the study of over and under certification errors in the National School Lunch and Breakfast programs and the effect of using income data matching in these programs. Is FNS looking at over and under certification errors for the School Lunch and Breakfast programs while conducting this study? At what stage are you in conducting the study of certification errors and the effect of using income data matching?

Response: FNS conducted studies that examine erroneous payments in the National School Lunch and Breakfast Programs (NSLP/SBP Access, Participation, Eligibility, and Certification Study - Erroneous Payments in the NSLP and SBP, November 2007 (APEC)) and the feasibility of computer matching in the National School Lunch Program (Data Matching in the National School Lunch Program, December 2006).

The APEC study, a nationally representative study of the NSLP/SBP eligibility determination process, examined over and under certification errors and established a baseline for improper payments for School Year 2005-06. The study, released in November 2007, found that slightly more than one in five students were certified inaccurately or erroneously denied meal benefits, with about 15 percent of applicants receiving improperly high benefit levels (overcertification) and 7 percent receiving an improperly low benefit level (undercertification). Estimates of erroneous payments (overpayments plus underpayments) in school meal programs in School Year 2005-06 were $935 million due to certification errors and about $860 million due to non-certification operational errors related to meal counting and claiming.

The study of data matching examined the feasibility for State agencies to use computer data matching for NSLP direct certification, direct verification, and the potential expansion of direct certification using additional means-tested program data. A final report released in December 2006 provides a detailed description of how computer matching was being used in School Year 2004-2005 and how it could be used. The study concluded that computer matching for NSLP has the potential to improve the efficiency and integrity of the certification and verification process without deterring eligible households from applying for free or reduced price meals.

A Guide for State and Local Agencies was produced and released in April 2007 as a resource for those seeking to implement, expand, or improve systems for certifying and verifying children eligible for NSLP benefits.

Executive summaries and final reports associated with these two studies can be found on the FNS web site at http://www.fns.usda.gov.

Ms. DeLauro: What changes were enacted for the Child Nutrition Programs by the 2004 CNP reauthorization? What additional mandatory

activities were authorized and how much were they funded for in fiscal years 2007, 2008, and 2009?

Response: The Child Nutrition and WIC Reauthorization Act of 2004 contained over 70 provisions that made changes to the Child Nutrition Programs. A summary of the changes is provided below:

[The information follows:]

Child Nutrition and WIC Reauthorization Act of 2004
Summary of Changes to the Child Nutrition Programs

Program Access

National School Lunch Program (NSLP)/ School Breakfast Program (SBP)

- Mandates use of Direct Certification for students in Food Stamp households.
  - o Phase-in complete in School Year (SY) 2008-2009.
  - o Provides $9 million to assist in implementation of mandatory direct certification.
- Mandates use of household applications.
  - o Effective July 1, 2005
- Requires verification assistance.
  - o Effective July 1, 2005
  - o No-cost phone access for assistance for households selected for verification.
  - o Mandatory follow-up attempt for households that do not respond to verification request.
- Requires that eligibility determinations for free/reduced price meal benefits be valid for the entire school year.
  - o Effective July 1, 2004
- Makes runaway, homeless and migrant youth categorically eligible for free meals.
  - o Effective July 1, 2004
- Excludes from income eligibility determination, on a permanent basis, privatized military housing allowances.
  - o Effective June 30, 2004
- Removes cost accounting requirement in severe need assistance for the SBP.
  - o Effective July 1, 2004

Child and Adult Care Food Program (CACFP)/ Summer Food Service Program (SFSP)

- Extends and expands 14-State "Lugar" pilot.
  - o Adds private non-profit sponsors.
  - o Adds 6 States to "Lugar", effective January 2005.
- Adds the Seamless Summer Food Program option to the NSLA, allowing schools participating in the NSLP to operate a summer food program more in keeping with NSLP practices and procedures.
- Provides for a SFSP project in Pennsylvania lowering the area eligibility threshold to 40 percent in rural areas for 2005 and 2006.
- Provides for rural transportation grants in 5 States to increase SFSP participation.
  - o 3 year project

  - $1 million each for FYs 2007 and 2008
- Establishes a pilot project in not more than two States operating not more than one camp each in the SFSP to examine the impact of using area eligibility in lieu of individual income eligibility for residential camps.
- Makes permanent the provision for proprietary centers to qualify for CACFP if at least 25 percent of the children they serve are from households qualifying for free or reduced price meals.
  - Effective June 30, 2004
- Raises age of eligibility for reimbursable meals served to all children under the CACFP in emergency homeless shelters from 12 to 18.
  - Effective October 1, 2004
- Provides for a CACFP project in Nebraska lowering the area eligibility threshold to 40 percent in rural areas for tier 1 family or group day care homes for FY 2006 and 2007.
- Establishes that tiering determinations in the CACFP based on school data will be valid for 5 years (previously 3 years).
- Establishes that agreements between CACFP sponsors and their day care homes must be "permanent."
- Establishes a year-round component in California to streamline community service institutions for FY 2005 through 2009.
- Requires feasibility study on paperwork reduction opportunities in the CACFP.
- Requires that the allowable amount that may be disregarded in an audit or claim in the CACFP will match the amount established for other Child Nutrition Programs.

Healthy School Nutrition Environment

- Requires schools to offer milk in a variety of fat contents.
  - Effective July 1, 2005
- Prohibits restrictions on sale of milk on school premises.
  - Effective July 1, 2005
- Allows schools to substitute non-dairy beverages that are nutritionally equivalent (as determined by the Secretary) to fluid milk for medical or other special dietary needs at the request of a parent/guardian.
  - Effective July 1, 2005
- Requires guidance on increasing consumption of foods encouraged by the Dietary Guidelines for Americans.
  - Effective July 1, 2004
- Requires at least two food safety inspections per year for schools.
  - Effective July 1, 2005
- Requires schools to implement a HACCP system for food safety.
  - Effective July 1, 2005
- Provides for a Fruit and Vegetable Pilot Program.
  - Effective June 30, 2004
  - Continues current States and Indian Tribal Organizations: Indiana, Michigan, Iowa, Ohio, Zuni Pueblo New Mexico - 2002 Farm Bill.
  - Adds 3 additional States as well as 2 Indian Tribal Organizations: Washington, North Carolina, Pennsylvania, the Gila River Pima Community and the Tohona O'odham of the Intertribal Council of Arizona and Oglala Sioux Tribe of Pine Ridge Reservation in South Dakota and Mississippi from CDC grant.
  - Mandatory funds of $9 million per year.

- Requires establishment of a local wellness policy for local education agencies.
  - Policy must be in place for SY 2006-2007.
  - USDA to work with DHHS and DOE to develop and provide technical assistance on nutrition, etc.
- Extends the waiver of the requirement for weighted averages for Nutrient Analysis through 09/30/2009.

Integrity

- Increased verification requirements.
  - Effective July 1, 2005
  - Revises sample size of error prone applications to 3 percent with a cap of 3,000 applications and provides for an alternate system for school districts with improved response rates or with improved application approval procedures.
  - Shortens deadline for completion of verification process.
- Optional direct verification of households receiving food stamps or similar benefits through that program's certifying agency.
  - Provides $2 million to evaluate effectiveness of direct verification.
- Requires feasibility study on use of computer technology to reduce fraud, waste and abuse.
- Provides $2 million for training and technical assistance in FYs 2007 and 2008 to improve program integrity and for States to review administrative practices of local education agencies.
- Requires additional review of local education agencies (LEAs) that demonstrate high level of or high risk for administrative error.
  - Allows the State agency to retain funds payable to the LEA.
  - State agency may keep up to 25 percent of retained funds if it has a plan to improve program integrity.
  - Provides $4 million per year beginning in FY 2005.
- Increases minimum grant for SAE to $200,000.
  - Effective October 1, 2004

Ms. DeLauro: Which states were eligible to receive reimbursement for meals served to at-risk school children in fiscal year 2008? Please provide a description of the authority allowed under this provision.

Response: Afterschool meals are served to at-risk children through age 18 who participate in eligible afterschool care programs under the CACFP in selected States as authorized by law. At-risk afterschool meals were initially authorized by section 243(i) of the Agriculture Risk Protection Act of 2000 (P.L. 106-224), which amended section 17(r) of the Richard B. Russell National School Lunch Act (NSLA). Subsequent actions under the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2002, and the Consolidated Appropriations Act of 2008 extended the authority to eight States.

As stipulated by law, at-risk meals and snacks are available to children through age 18 (or any age if disabled) who are participating in an afterschool care program under the CACFP. The afterschool care program must be located in the geographical area of a school in which at least 50 percent of the children who are enrolled are certified eligible for free or reduced price meals. Although at-risk afterschool snacks are available in all States, at-risk afterschool meals are only available in States authorized by

section 17(r)(5) of the NSLA —currently, Delaware, Illinois, Michigan, Missouri, New York, Oregon, Pennsylvania, and West Virginia. To be eligible, afterschool care programs must be organized primarily to provide care to at-risk school children after school, or on weekends, holidays, or school vacations and must provide educational or enrichment activities. At-risk meals and snacks must be served free of charge to the participants and are reimbursed at the applicable free rates for meals and snacks.

Ms. DeLauro: Are there adequate resources available in fiscal year 2008 for the CNP?

Response: Yes. The amount appropriated for FY 2008 ($13,901,417,156 after rescission) plus carryover resources provide adequate resources for the Child Nutrition Programs for FY 2008.

Ms. DeLauro: The house report for fiscal year 2006 encouraged FNS to conduct a pilot study, in all or part of 5 States, as authorized by section 124 of the Child Nutrition and WIC Reauthorization Act of 2004. Was FNS able to conduct this pilot study? How much would this pilot study cost to implement? How much would it cost to implement elimination of reduced price meals for the whole program nationally? Explain the methodology used to calculate the cost estimates.

Response: While the Child Nutrition and WIC Reauthorization Act of 2004 authorized this pilot subject to the availability of funds, no funds were provided for this purpose in our fiscal year 2006 appropriation. Therefore, FNS did not conduct this pilot study. We estimate that this pilot study, conducted Statewide in five average size States, would cost $383 million over five years. We have estimated that increasing the limit for free meals to 185 percent of poverty, and thereby eliminating reduced price meals altogether, would cost $3.9 billion over five years if implemented nationwide.

Ms. DeLauro: What is the status of reviewing the new Guidelines as well as the Dietary Reference Intakes nutrient standards to identify potential changes in the meal patterns within the existing meal reimbursement structure? Has FNS published a proposed rule with changes to the meal patterns? What is the expected timeline to implement the new requirements, plan improved recipes and menus, modify contracts to obtain the needed ingredients or modified products, and train staff who prepare and serve the food?

Response: Shortly after the enactment of the Child Nutrition and WIC Reauthorization Act of 2004, the Food and Nutrition Service (FNS) assembled an internal working group to update the school meal programs consistent with the 2005 *Dietary Guidelines for Americans* (DGAs). The working group identified several complex issues that require further study. The Department decided to seek assistance from the Institute of Medicine (IOM) to recommend science-based revisions to the meal patterns and nutrient standards for the school meal programs, as IOM's guidance proved valuable to align the Women, Infant and Children food packages with the 2005 DGAs.

The Department and IOM entered into a two-year contract which began February 11, 2008. Currently, a panel of scientific experts from various professional disciplines is reviewing program requirements, operational issues, etc. to issue recommendations that will be used by the Department to update the meal patterns and nutrient standards for the National School Lunch and School Breakfast Programs. In the upcoming months, IOM will issue two reports:

- Report I (expected December 2008)will outline the criteria and process for selecting the nutrient targets and food group minimum standards; and
- Report II (expected December 2009) will provide the revised food group and nutrient standards that FNS could include in regulations, as well as a set of four-week cycle menus that meet the IOM recommendations.

IOM will conclude the program review in early 2010. After reviewing the IOM recommendations, USDA will issue a proposed rule, collect and analyze public comments, and finally publish the implementing regulations. The entire rulemaking process could take 18-24 additional months. FNS expects minor changes in the 2010 DGAs and plans to address any applicable recommendations in the proposed rule. After publication of the final rule, FNS will provide training to the States, and provide materials to assist the States in their training of the school food authorities. FNS also plans to provide a phased implementation period so that schools will have the opportunity to train staff and adjust their menus and procurement requirements.

Meanwhile, FNS is providing guidance to the State agencies for use with their school food authorities on current actions they can take to improve their program meals consistent with the 2005 DGAs. FNS has developed a series of Fact Sheets to help school menu planners increase fruits, vegetables, whole grains and fiber, and reduce sodium, cholesterol, and trans fats in school meals.

Additionally, FNS continually explores better ways to support recommendations from the *Dietary Guidelines for Americans* and *MyPyramid* when dealing with commodities. Imrovements made over the years include:

- Reducing the levels of fat, sodium, and sugar in selected commodities over the past two decades.

- Purchasing all canned fruits in juice and/or water, or light syrup. In School Year 2008 we offered unsweetened applesauce.

- Offering beef patties with a fat level as low as 10 percent and now evaluating a 95 percent lean beef patty. Other lower-fat meat offerings include 97 percent fat free turkey ham and turkey taco filling.

- Offering several varieties of lower fat cheeses and cheeses made from skim milk to include reduced-fat cheddar, part skim mozzarella, and a blended American & skim milk cheese.

- Eliminating butter as an offering to schools since 1997. In addition, shortening has been eliminated as an offering effective School Year 2008. USDA has also removed *trans* fats from all frozen potato products effective School Year 2008.

- Offering whole grain products such as whole wheat flour, whole-grain corn, brown rice, and rolled oats.

- Offering low-sodium canned dry beans and canned tomato products and is moving forward in the direction of purchasing other vegetables that are lower in sodium than our current offerings.

WOMEN, INFANTS & CHILDREN PROGRAM

Ms. DeLauro: What level of WIC participation is estimate in the budget request for fiscal year 2009?

Response: The level of WIC participation estimated in the FY 2009 budget request presumes an average monthly participation of 8.60 million.

Ms. DeLauro: What level of WIC participation was estimated in the FY 2008 budget request? What is the current average participation rate for FY 2008?

Response: The FY 2008 budget request estimated average monthly participation at 8.28 million. Actual FY 2008 data are available for October 2007 through April 2008; average monthly participation for seven months is 8.58 million.

Ms. DeLauro: What was the recovery from fiscal year 2007 into 2008 in the WIC program? How did this compare to the estimate of recoveries in the FY 2008 budget request? What are the current estimated recoveries from fiscal year 2008?

Response: The recoveries anticipated from FY 2007 into FY 2008 are estimated at $77 million. The estimate in the FY 2007 budget request was $166 million. The current estimate for recoveries from FY 2008 is $151 million.

Ms. DeLauro: What have been the carryout resources for the last five years? Please list and list separately contingency funds. What is the percentage amount of this carryout?

Response: The information is submitted for the record.

[The information follows:]

Budget Year	Projected Carryout	Projected Contingency	Total	Total Carryout As Percent of Appropriation
2004	110,188	125,000	235,188	0.0053%
2005	110,565	125,000	235,565	0.0050%
2006	273,097	141,069	414,166	0.0090%
2007	77,320	107,960	185,280	0.0035%
2008	151,277	0	151,277	0.0029%
2009	151,171	0	151,171	0.0029%

Ms. DeLauro: Do all state agencies now require documentation of income for WIC eligibility? What are the federal requirements for income eligibility? What does FNS do to verify that States are in fact enforcing these regulations?

Response: All WIC State agencies now require documentation of income, except as permitted by WIC legislation and regulations. FNS management evaluations of State agencies include on-site review of local agency certification procedures to ensure that the income documentation requirements of the regulations are in fact being enforced.

To be income eligible for the WIC Program, a categorically eligible individual (pregnant, postpartum or breastfeeding woman, or an infant or

child up to age 5) must: (1) have a family income level that is at or below 185 percent of the poverty income guidelines; or, (2) be determined automatically income eligible based on the individual's, or certain family member's, eligibility for participation in the Food Stamp, Temporary Assistance for Needy Families, or the Medicaid Programs. Generally, gross income must be used when assessing income eligibility, except when certain benefits or payments are excluded by law. These exclusions include, for example, the value of in kind housing, food stamp or school lunch benefits. In determining income eligibility, WIC legislation and regulations provide State agencies the option to exclude basic allowance for housing for military service personnel residing off military installations or in private housing, whether on or off base. Legislation and WIC regulations also provide State agencies the option to exclude the overseas continental United States cost-of-living allowance provided to active duty uniformed service members in designated overseas high-cost areas including Hawaii, Alaska and Guam. Legislation also directs State agencies to exclude the Family Subsistence Allowance received by military personnel.

Ms. DeLauro: What was the actual level of spend-forward funding in fiscal year 2007? What do you estimate the spend-forward amounts to be in fiscal years 2008 and 2009?

Response: WIC State agencies spent forward a total of just over $141.3 million from FY 2007 into FY 2008. We anticipate that State agencies will spend forward a similar amount from FY 2008 into FY 2009.

Ms. DeLauro: Please update the Committee, using specific examples, on the most serious violations in the WIC program. For each of these major violations, please provide the Committee with the number of actions taken in the most recent year available.

Response: The most serious violations in the WIC Program are identified in WIC Program regulations at 7 CFR 246.12(l)(1). These violations are considered so serious as to warrant mandatory disqualification from both the WIC Program and the Food Stamp Program. These vendor violations are:

Trafficking/illegal sales: Trafficking occurs when a WIC participant exchanges food instruments for cash or an illegal item, typically, at less than their full cash value. The buyer (vendor) redeems the food instruments for full value. Sometimes food instruments change hands several times before being redeemed by an authorized WIC vendor. Illegal sales include selling firearms, ammunition, explosives or controlled substances in exchange for food instruments.

Sale of alcoholic beverages or tobacco products: This violation occurs when a participant exchanges WIC food instruments with a vendor for alcoholic beverages, cigarettes or other tobacco products.

Claiming reimbursement in excess of documented inventory: This violation occurs when the vendor requests payment on food instruments which are unsupported by the amount of WIC food available for purchase. States use store invoices to compare, for example, how much milk was in inventory and how much was redeemed during a specific period of time.

Overcharging: Overcharging means intentionally or unintentionally charging a WIC participant more for WIC supplemental foods than is permitted under the vendor's agreement with the WIC Program. This includes charging WIC

customers more for supplemental foods than non-WIC customers, and charging the WIC Program more than the vendor's shelf price.

Improper use of food instruments: This violation occurs when an unauthorized person or an unauthorized vendor receives, transacts, and/or redeems food instruments outside of authorized channels.

Supplemental foods not received: This violation occurs when WIC is charged for supplemental food not received by the participant.

Providing credit or non-food items: This violation occurs when food instruments are sold for credit, such as when an account is set up and participants purchase foods based on the status of funds in the account, or when non-food items are purchased such as diapers, soap or soft drinks.

Providing unauthorized food items: This violation occurs when a vendor charges for supplemental foods provided in excess of those listed on the food instrument or for unauthorized foods, such as sugared cereals, juice that does not meet the program's nutritional standards, meat or other items.

With regard to participants, serious violations include:

- Intentionally making false or misleading statements or intentionally misrepresenting, concealing, or withholding facts to obtain WIC benefits;
- Exchanging food instruments or supplemental foods for cash, credit, non-food items, or unauthorized food items, including supplemental foods in excess of those listed on the participant's food instrument;
- Threatening to harm or physically harming clinic or vendor staff; and
- Participating at more than one WIC clinic site or in WIC and the Commodity Supplemental Food Program simultaneously.

State and local agency employee violations include creating fraudulent WIC cases and stealing WIC food instruments.

Currently, the WIC Program collects information from WIC State agencies on the following types of serious vendor violations: trafficking, overcharging, providing credit or non-food items, providing unauthorized food items, claiming reimbursement in excess of documented inventory, charging for foods not received, improper use of food instruments and alcohol/tobacco violations.

In FY 2007, out of a universe of 48,207 vendors, 935 committed serious violations. Seven were found trafficking, 384 overcharged, 389 provided credit or non-food items, 1 provided unauthorized food items, 41 claimed reimbursement in excess of documented inventory, 99 charged for foods not received, 11 improperly used food instruments and 3 committed alcohol/tobacco violations. Except for trafficking, Federal regulations require State agencies to document a pattern of occurrences of these violations before imposing a mandatory sanction.

Of the 935 vendors committing serious violations, 282 vendors were disqualified from the WIC Program in FY 2007. Of the remaining 653 vendors, 183 requested administrative reviews of their cases, 76 received civil money penalties, 240 were fined, and 154 received State agency sanctions.

Ms. DeLauro: What is your current estimate of the number and proportion of WIC vendors who overcharge/undercharge and how much does it cost the program based on the new study on WIC vendor management?

Response: The current estimate, based on the new study on WIC vendor management, is that in 2005 about 3.5 percent of authorized WIC vendors overcharged and 4.6 percent undercharged. Of the $3.56 billion spent by WIC on food benefits in 2005, overcharging accounted for $6.1 million and undercharging for $15.4 million - the first time undercharging exceeded overcharging. Combined, overcharges and undercharges are six-tenths of one percent of the 2005 food benefit portion of the WIC Program.

The final report and a two-page summary of the study findings are available on the FNS website at http://www.fns.usda.gov/oane/MENU/Published/WIC/WIC.htm.

Ms. DeLauro: During fiscal years 2007 and 2008, were any states forced to establish waiting lists for persons who applied for WIC benefits? If so, which states established waiting lists, how long were the waiting lists in effect, and for which priority levels were the lists established?

Response: While operating under various Continuing Resolutions during the first quarter of FY 2008, the State of Washington stopped services for applicants in priorities VI and VII in some counties. Washington lifted its service restrictions after the national WIC Program received its full year FY 2008 appropriation and distributed funds to States on January 1, 2008.

Ms. DeLauro: How quickly is an individual evaluated for eligibility? Do any states have delays in evaluating WIC participants? If so, how long does it take to get an appointment? Does FNS receive reports as to whether or not the States are meeting these specific timeframes?

Response: WIC regulations require that when the local agency is not serving its maximum caseload the local agency must accept applications, make eligibility determinations, notify the applicants of the decision, and issue food or food instruments within 20 days of when the individual visits the local agency to request program benefits. Special nutritional risk applicants, as defined by the State agency, must be processed within 10 days of the request for program benefits. However, the State agency may allow local agencies an extension of the notification period to a maximum of 15 days. In defining special nutritional risk applicants, State agencies must include, at a minimum, pregnant women with medical risk conditions and migrant farmworkers and their family members who plan to leave the local area in the near future.

WIC applicants generally call to request an appointment, although some WIC clinics also have staff available to see individuals on the day they walk in to seek program benefits. Generally, WIC applicants can get an appointment within a matter of days. When the demand for WIC benefits exceeds the amount of available funds, WIC agencies are required by WIC regulations to keep waiting lists of those applying for benefits. State agencies must use a priority system to ensure that women, infants and children with medical risk conditions are served before individuals with dietary risk conditions.

FNS conducts management evaluation reviews of State agencies' operations of the program to ensure compliance with program requirements. During these reviews, FNS would identify whether any State agency is not meeting the processing timeframes. In addition, we receive an occasional email from an

applicant who is requesting an earlier WIC appointment than the State agency has been able to provide. Generally, we believe State agencies are meeting the application processing timelines.

Ms. DeLauro: Update the tables that appear in the previous hearing record showing the status of state agency contracts for rebates on infant formula and other contracts for food. Also provide an estimate of how many participants are supported with these specific rebates.

Response: The information is submitted for the record.

[The information follows:]

Fiscal Year	Rebate Savings	Number of Participants Supported with Rebates
2000	$1,438,953,486	1,918,695
2001	$1,474,666,183	1,926,158
2002	$1,477,282,664	1,910,708
2003	$1,519,207,719	1,897,708
2004	$1,641,607,266	2,002,937
2005	$1,709,770,467	2,063,316
2006	$1,774,954,018	2,118,999
2007	$1,906,036,049	2,170,893
2008*	$2,130,000,000	2,300,000

*Preliminary

Rebates Contracts for Food(s) Other than Infant Formula				
State Agency	Food Type	Rebate	Company	Expiration Date
Connecticut	Infant Cereal	$0.812/8oz.	Gerber	9/30/09
New York	Infant Cereal	$1.0225/8oz.	Beechnut	1/31/09
Texas	Infant Cereal	$1.104/8oz.	Gerber	9/30/08
California/ Nevada	Infant Cereal	$1.207/8oz.	Gerber	1/31/10
Delaware/ District of Columbia/ Maryland/ New Jersey/ Pennsylvania/ Virginia*/ West Virginia/ Puerto Rico *VA only participates in cereal contract.	Infant Cereal Infant Juice	$0.128/oz. $0.051/oz.	Gerber	4/30/10

Ms. DeLauro: How many infant formula companies were participating at the inception of the infant formula rebate program in WIC? How many are participating currently? Which ones?

Response: Three infant formula manufacturers participated in the infant formula rebate program at its inception in 1989 when WIC State agencies were required to implement competitive bidding systems for the procurement of infant formula. The manufacturers were Abbott Nutrition (formally Ross Products Division), Mead Johnson Nutritionals and Wyeth-Ayerst Laboratories.

Currently, three manufacturers participate in the infant formula rebate program. These manufacturers are Abbott Nutrition, Mead Johnson Nutritionals, and Nestle' Infant Nutrition. Wyeth-Ayerst Laboratories stopped its domestic distribution of infant formula in 1996, thereby withdrawing from the WIC infant formula rebate program.

Ms. DeLauro: What was the cost for infant formula at the time the infant formula rebate program began? What is the cost now?

Response: It is estimated that in FY 1988 infant formula costs to the WIC Program were $597 million before rebate savings. Post-rebate infant formula costs were approximately $563 million, for a total savings of about $34 million. The pre-rebate cost of infant formula in FY 2005 (the latest estimate), was approximately $2.3 billion with a post-rebate cost of $628 million, saving the program approximately $1.7 billion. Although pre- and post-rebate infant formula costs for more recent years are not yet available, the value of infant formula rebates has continued to increase. Infant formula rebates totaled $1.8 billion in FY 2006, and $1.9 billion in FY 2007. We estimate that infant formula rebates will reach $2.1 billion in FY 2008. Another way to look at the cost is to compare an infant's pre-rebate monthly food package cost to its post-rebate cost. For FY 2005, the average monthly food package cost for an infant was $97.86; however, after rebates are applied, this cost drops to $25.52 per month.

Ms. DeLauro: Please update the table in the previous hearing record showing the number of WIC recipients receiving vouchers to be redeemed at farmers' markets, the average amount of the vouchers, and the rate of redemption for fiscal years 2001 through 2007.

Response: The information is submitted for the record.

WIC Farmers' Market Nutrition Program (FMNP)

Fiscal Year	Number of Recipients	Average Voucher Amount	Redemption Rate
2001	2,151,957	$19	56%
2002	2,162,382	$19	57%
2003	2,372,256	$19	62%
2004	2,516,724	$19	62%
2005	2,686,210	$19	58%
2006	2,497,162	$22	59%
2007	2,347,866	$22	57%

It must be remembered that despite redemption rates averaging around 60 percent, most States spend over 90 percent of the Federal food dollars received for the FMNP by taking redemption rates into account when issuing coupons to eligible participants.

Ms. DeLauro: What was the income eligibility level for WIC for a family of four and when the mother is pregnant for fiscal year 2007? What is the income eligibility requirement for fiscal year 2008?

Response: Effective July 1, 2007 through June 30, 2008, the income eligibility level for WIC is $38,203 for a family of four and $44,641 for the same family of four when the mother is pregnant. Effective July 1, 2008 through June 30, 2009 these amounts will change to $39,220 and $45,880, respectively. Please be aware, however, that legislation provides WIC State agencies the option to implement the revised income eligibility guidelines concurrently with the implementation of annual income eligibility guidelines under the Medicaid Program. The revised Medicaid guidelines were issued on January 23, 2008. Therefore, WIC State agencies that coordinate issuance of the income eligibility guidelines with the Medicaid Program may have begun implementing the newer guidelines as early as January 23, 2008. All other WIC State agencies should have implemented the new income guidelines no later than July 1, 2008.

Ms. DeLauro: Provide a table similar to the one that appears in the previous hearing record showing the income eligibility levels for WIC for school year 2008.

Response: The following sets of WIC Income Eligibility Guidelines, covers July 1, 2007 through June 30, 2009. The information is provided for the record.

[The information follows:]

WIC INCOME ELIGIBILITY GUIDELINES

EFFECTIVE JULY 1, 2008 - JUNE 30, 2009

Family Size (A Pregnant Woman Counts as 2)	Annual Federal Poverty Guidelines 100%		Annual FNS Guidelines for Reduced-Price Meals 185%
48 States, District of Columbia, Puerto Rico, Virgin Islands, and Territories, including Guam:			
1.	$10,400	:	$19,240
2.	14,000	:	25,900
3.	17,600	:	32,560
4.	21,200	:	39,220
5.	24,800	:	45,880
6.	28,400	:	52,540
7.	32,000	:	59,200
8.	35,600	:	65,860
For each additional family member add	+ $3,600	:	+ $6,660
Alaska			
1.	$13,000	:	$24,050
2.	17,500	:	32,375
3.	22,000	:	40,700
4.	26,500	:	49,025
5.	31,000	:	57,350
6.	35,500	:	65,675
7.	40,000	:	74,000
8.	44,500	:	82,325
For each additional family member add	+ $4,500	:	+ $8,325
Hawaii			
1.	$11,960	:	$22,126
2.	16,100	:	29,785
3.	20,240	:	37,444
4.	24,380	:	45,103
5.	28,520	:	52,762
6.	32,660	:	60,421
7.	36,800	:	68,080
8.	40,940	:	75,739
For each additional family member add	+ $4,140	:	+ $7,659

WIC INCOME ELIGIBILITY GUIDELINES

EFFECTIVE JULY 1, 2007 - JUNE 30, 2008

Family Size (A Pregnant Woman Counts as 2)	Annual Federal Poverty Guidelines 100%		Annual FNS Guidelines for Reduced-Price Meals 185%
48 States, District of Columbia, Puerto Rico, Virgin Islands, and Territories, including Guam:			
1.	$10,210	:	$18,889
2.	13,690	:	25,327
3.	17,170	:	31,765
4.	20,650	:	38,203
5.	24,130	:	44,641
6.	27,610	:	51,079
7.	31,090	:	57,517
8.	34,570	:	63,955
For each additional family member add	+ $3,480	:	+ $6,438
Alaska			
1.	$12,770	:	$23,625
2.	17,120	:	31,672
3.	21,470	:	39,720
4.	25,820	:	47,767
5.	30,170	:	55,815
6.	34,520	:	63,862
7.	38,870	:	71,910
8.	43,220	:	79,957
For each additional family member add	+ $4,350	:	+ $8,048
Hawaii			
1.	$11,750	:	$21,738
2.	15,750	:	29,138
3.	19,750	:	36,538
4.	23,750	:	43,938
5.	27,750	:	51,338
6.	31,750	:	58,738
7.	35,750	:	66,138
8.	39,750	:	73,538
For each additional family member add	+ $4,000	:	+ $7,400

Ms. DeLauro: Update the table that appears in the previous hearing record showing what is required to be spent nationally on nutrition education to include fiscal years 2006 and 2007 actuals and fiscal years 2008 and 2009 estimates. What is the difference between the required expenditure vs. the actual? Is the requirement in law? Please cite the authority.

Response: Section 17(h)(3)(A)(i) of the Child Nutrition Act of 1966, as amended (42 U.S.C. 1786), and implementing regulations at 7 CFR 246.14(c) require each WIC State agency to spend at least one-sixth of its expenditures for nutrition services and administration (NSA) costs on nutrition education. The required minimum expenditure for nutrition education activities is therefore calculated by dividing total NSA expenditures by six. The actual nutrition education expenditure is the amount reported by States for nutrition education activities. Actual amounts for FY 2008 and 2009 will not be known until final NSA expenditures are reported and verified during the annual closeout and reconciliation of the grants for those years. For FY 2008, the estimate is based upon the total NSA grants awarded as of July 2008. For FY 2009, the estimate is calculated using the total anticipated NSA funds based on the President's budget request. A table depicting the WIC Program's required and actual Federal nutrition education expenditures for FYs 1997 through 2007, and estimated required Federal nutrition education expenditure for FYs 2008 through 2009, is provided for the record.

[The information follows:]

ESTIMATED MINIMUM NUTRITION EDUCATION EXPENDITURE REQUIREMENT		
Fiscal Year	**Required Expenditure**	**Actual Expenditure**
1997	$168,098,021	$201,182,225
1998	$176,886,026	$213,130,729
1999	$178,623,301	$213,039,853
2000	$185,151,158	$220,827,206
2001	$187,853,116	$229,602,752
2002	$197,308,972	$253,092,488
2003	$210,273,197	$268,714,283
2004	$212,572,733	$276,010,045
2005	$223,264,496	$287,153,578
2006	$234,641,637	$305,789,068
2007	$248,009,334	$326,546,786
2008 (Estimate)	$275,817,471	
2009 (Estimate)	$260,187,840	

Ms. DeLauro: Please update the table that appears in the previous hearing record showing the amount of spend-forward funds, the amount of unspent recovery funds, and the total unspent funds to include fiscal years 1983 through 2009.

Response: The information is provided for the record.

[The information follows:]

WIC PROGRAM

FISCAL YEAR	TOTAL UNSPENT RECOVERABLE FUNDS*	SPENDFORWARD FUNDS	TOTAL	TOTAL FUNDS AS PERCENT OF APPROPRIATION
1983	$54,969,000		$54,969,000	4.74%
1984	$27,022,000		$27,022,000	1.99%
1985	$36,489,000		$36,489,000	2.43%
1986	$34,040,000		$34,040,000	2.15%
1987	$11,808,000	$7,322,438	$19,130,438	1.15%
1988	$9,252,000	$18,893,644	$28,145,644	1.56%
1989	$25,608,000	$24,997,867	$50,605,867	2.62%
1990	$28,072,000	$26,646,077	$54,718,077	2.57%
1991	$73,382,000	$27,429,625	$100,811,625	4.29%
1992	$66,232,294	$34,662,544	$100,894,838	3.88%
1993	$97,256,535	$35,658,673	$132,915,208	4.65%
1994	$136,766,131	$39,498,515	$176,264,646	5.49%
1995	$137,478,745	$47,203,091	$184,681,836	5.32%
1996	$121,623,106	$63,411,766	$185,034,872	4.96%
1997	$121,352,519	$22,013,135	$143,365,654	3.77%
1998	$152,195,963	$24,781,686	$176,977,649	4.51%
1999	$118,540,217	$33,848,962	$152,389,179	3.88%
2000	$170,690,254	$33,078,971	$203,769,225	5.05%
2001	$55,059,024	$41,344,205	$96,403,229	2.38%
2002	$121,882,791	$49,506,681	$171,389,472	3.84%
2003	$155,972,335	$47,780,177	$203,752,512	4.34%
2004	$112,820,253	$74,878,495	$187,698,748	4.07%
2005	$194,294,428	$101,448,323	$295,742,751	5.65%
2006	$289,972,817	$127,569,283	$417,542,100	8.02%
2007	$141,712,985	$141,301,658	$283,014,643	5.44%
2008**	$160,000,000	$141,301,658	$301,301,658	5.01%
2009**	$160,000,000	$141,301,658	$301,301,658	4.94%

* Data from "Summary of Closeout Data" for FYs 1983 - 2007.

** FY 2008 Unspent Recoverable from the WIC July Report to Congress
Spendforward based on FY 2007 closeout.

Ms. DeLauro: For the record, please define spend-forward funds and unspent recoverable funds.

Response: By statute and regulation all WIC State agencies are authorized to spend forward into the following fiscal year unspent nutrition services and administration funds in an amount equal to no more than three percent of their total grant. With approval, WIC State agencies may spend forward an additional ½ of 1 percent for Management Information Systems (MIS) development costs. Spendforward funds are retained at the State agency level.

Unspent recoverable funds are those unspent funds that are returned to the Department after the close of the fiscal year. These recovered funds are

reallocated to WIC State agencies the following fiscal year through a funding formula prescribed in program regulations.

Ms. DeLauro: For the record, update the tables that appear in the previous hearing record showing a breakout of WIC spend-forward, by state, to include fiscal years 2002 through 2007.

Response: The information is submitted for the record.

[The information follows:]

WIC PROGRAM

STATE AGENCY	FY 2002 NSA SPENDFORWARD	FY 2003 NSA SPENDFORWARD	FY 2004 NSA PENDFORWARD*	FY 2005 NSA SPENDFORWARD	FY 2006 NSA SPENDFORWARD	FY 2007 NSA SPENDFORWARD
NERO						
CONNECTICUT	0	$184,050	0	0	0	$326,152
MAINE	$177,738	182,955	$29,901	$246,803	$518,221	501,152
MASSACHUSETTS	938,530	565,790	1,038,854	2,205,559	2,524,137	2,847,299
N HAMPSHIRE	36,267	85,389	136,093	168,891	394,941	43,341
NEW YORK	2,102,866	3,017,287	9,985,409	10,469,183	10,520,829	10,865,822
RHODE ISLAND	199,847	207,098	427,043	417,134	530,000	631,000
VERMONT	20,774	19,072	0	11,596	0	13,771
INDIAN TWNSHP	0	0	0	0	0	0
P. POINT	0	0	0	0	0	0
SENECA NATION	0	0	0	0	0	0
SUBTOTAL	3,476,022	4,261,641	11,617,300	13,519,166	14,488,128	15,228,537
MARO						
DELAWARE	89,436	98,405	265,329	211,643	375,189	427,501
DIST OF COL	0	171,312	166,938	443,601	451,133	22,683
MARYLAND	0	0	0	0	367,178	1,547,677
NEW JERSEY	345,425	477,265	1,501,907	3,021,898	3,545,123	3,570,272
PENNSYLVANIA	1,952,686	698,440	0	3,150,165	4,673,786	1,868,646
PUERTO RICO	0	0	0	0	124,442	0
VIRGINIA	776,199	452,188	0	687,631	2,372,357	3,211,250
VIRGIN ISLANDS	55,621	54,897	0	0	0	0
W VIRGINIA	137,625	127,637	262,195	362,731	584,208	327,808
SUBTOTAL	3,356,992	2,080,144	2,196,369	7,877,669	12,493,416	10,975,837
SERO						
ALABAMA	0	0	0	817,485	270,482	0
FLORIDA	2,017,128	1,646,468	4,161,690	6,920,924	7,596,942	9,036,618
GEORGIA	1,813,176	1,333,909	3,504,472	1,804,623	5,722,417	5,090,108
KENTUCKY	747,459	452,634	672,593	600,676	1,010,669	961,894
MISSISSIPPI	559,507	403,388	1,010,303	779,476	1,069,376	2,490,690
N CAROLINA	1,651,765	1,522,078	3,358,998	5,066,254	4,859,897	3,201,268
S CAROLINA	523,565	0	360,206	1,244,357	772,625	1,201,141
TENNESSEE	0	0	0	0	0	0
CHOCTAW MS	5,580	0	15,704	0	18,856	19,169
E CHEROKEE	0	5,200	7,670	19,790	17,066	13,968
SUBTOTAL	7,318,180	5,363,677	13,091,636	17,253,585	21,338,330	22,014,856
MWRO						
ILLINOIS	2,467,143	2,374,694	2,777,184	4,591,987	5,005,590	5,943,260
INDIANA	710,991	716,750	1,943,799	2,350,531	2,394,249	2,818,738
MICHIGAN	1,745,866	1,816,276	2,722,771	4,765,744	6,145,976	6,123,758
MINNESOTA	830,358	949,911	1,935,524	1,573,000	2,328,397	2,435,715
OHIO	2,122,394	2,579,529	3,272,456	5,560,055	5,803,182	5,154,161
WISCONSIN	70,462	885,346	2,324,262	1,240,741	2,398,305	2,534,480
SUBTOTAL	7,947,214	9,322,506	14,975,996	20,082,058	24,075,699	25,010,112

WIC PROGRAM

STATE AGENCY	FY 2002 NSA SPENDFORWARD	FY 2003 NSA SPENDFORWARD	FY 2004 NSA SPENDFORWARD*	FY 2005 NSA SPENDFORWARD	FY 2006 NSA SPENDFORWARD	FY 2007 NSA SPENDFORWARD
SWRO						
ARKANSAS	0	506,308	1,699,166	1,708,573	1,958,036	0
LOUISIANA	0	0	0	2,820,647	3,117,910	3,012,722
NEW MEXICO	547,314	598,454	423,033	111,870	94,292	884,685
OKLAHOMA	0	158,818	256,615	0	100,000	0
TEXAS	6,996,480	6,662,484	14,018,019	17,657,520	12,635,652	16,950,396
ACL	4,932	5,424	0	0	0	15,441
8N PUEBLO	0	2,730	8,687	10,819	9,479	12,699
ISLETA	0	0	6,714	0	0	9,320
SANTO DOMINGO	2,644	3,975	8,328	3,719	8,665	1,430
5 SANDOVAL	4,909	5,133	0	11,200	12,610	9,170
SAN FELIPE	0	4,617	7,833	9,941	8,481	2,118
WCD	74,598	41,521	31,518	75,370	81,780	86,362
CHOCTAW OK	45,534	36,688	41,805	79,006	75,832	87,031
CHEROKEE OK	17,002	69,315	62,542	116,358	152,858	249,866
CHICKASAW	34,568	34,086	107,735	0	22,070	101,070
OTOE-MISSOURIA	9,158	3,830	0	10,816	18,213	27,270
POTAWATOMI	19,333	12,998	0	25,497	25,497	25,497
ZUNI	3,823	13,162	10,338	21,201	1,378	5,506
ITC	2,902	3,667	0	10,495	22,299	33,024
MUSCOGEE CREEK	13,182	0	0	11,093	57,582	79,003
OSAGE NATION	8,242	10,165	0	0	13,426	64,420
SUBTOTAL	7,784,621	8,173,375	16,682,333	22,684,125	18,416,060	21,657,030
MPRO						
COLORADO	434,451	558,104	428,853	455,713	1,092,703	454,451
IOWA	500,245	526,090	880,653	1,449,137	1,387,892	704,930
KANSAS	473,265	507,675	927,676	1,148,000	669,892	657,782
MISSOURI	1,069,953	953,857	2,340,746	2,283,250	2,806,595	2,852,793
MONTANA	138,189	136,079	190,916	229,145	79,219	140,162
NEBRASKA	214,665	222,943	158,872	557,903	893,974	909,851
N DAKOTA	130,278	131,556	144,186	262,019	266,418	334,049
S DAKOTA	24,805	120,855	162,713	0	25,932	13,356
UTAH	332,596	346,602	357,763	409,538	312,927	879,929
WYOMING	16,756	7,873	142,661	89,177	247,359	260,249
SHOSHONE	0	2,609	0	0	0	0
UTE MTN	543	1,709	5,836	6,160	2,924	3,807
WINNEBAGO	0	0	0	0	0	0
CHEYENNE RIVER	6,595	8,170	18,870	17,222	13,477	15,406
ROSEBUD	1,462	1,521	8,918	21,871	13,269	6,200
STAND ROCK	13,698	12,534	39,061	39,364	48,284	47,842
3 AFFILIATED	0	2,714	0	0	4,881	0
OMAHA	0	0	0	0	12,510	14,210
ARAPAHO	0	2,803	0	0	0	0
SANTEE	N/O	N/O	N/O	0	5,531	5,603
SUBTOTAL	3,357,501	3,543,694	5,807,724	6,968,499	7,883,787	7,300,620

WIC PROGRAM

STATE AGENCY	FY 2002 NSA SPENDFORWARD	FY 2003 NSA SPENDFORWARD	FY 2004 NSA SPENDFORWARD*	FY 2005 NSA SPENDFORWARD	FY 2006 NSA SPENDFORWARD	FY 2007 NSA SPENDFORWARD
WRO						
ALASKA	328,854	322,744	107,270	0	60,442	277,870
ARIZONA	976,789	1,360,148	0	1,335,846	3,381,409	3,513,883
CALIFORNIA	12,379,546	10,679,210	5,923,474	6,895,871	21,534,710	30,245,618
GUAM	93,861	90,674	91,379	44,609	195,474	206,072
HAWAII	83,583	330,941	855,746	936,315	931,492	314,911
IDAHO	142,067	114,147	179,539	481,842	411,478	658,291
NEVADA	254,848	414,828	578,446	80,320	0	695,221
OREGON	955,045	1,036,492	1,822,955	2,274,319	1,652,787	1,736,351
WASHINGTON	853,336	522,002	840,468	883,940	0	826,713
ITCN	220	0	0	0	1,193	0
NAVAJO NATION	116,972	0	844	0	198,938	199,460
ITCA	65,248	118,019	79,239	130,159	159,770	177,558
AMERICAN SAMOA	15,782	45,935	27,777	0	207,090	194,713
N MARIANA	N/O	N/O	N/O	N/O	139,080	68,005
SUBTOTAL	16,266,151	15,035,140	10,507,137	13,063,221	28,873,863	39,114,666
NATIONAL	$49,506,681	$47,780,177	$74,878,495	###########	###########	###########

N/O -- Not Operational

* WIC reauthorization legislation increased State agency spendforward authority from 1% to

Ms. DeLauro: Provide a table for the record, using the latest data available, showing actual obligations in the WIC program for the month of September for fiscal years 2000 through 2007. Please include a column that indicates the percentage of the total amount obligated in that particular fiscal year. Also, provide an explanation of why September obligations represent a higher or lower percentage than the average monthly obligation rate.

Response: The information is provided for the record.

[The information follows:]

Fiscal Year	Actual Obligations for the Month of September (in thousands)*	Percent of Total Amount Obligated
2000	$378,151	9.5%
2001	$386,424	9.3%
2002	$411,662	9.5%
2003	$451,162	10.0%
2004	$461,652	9.4%
2005	$475,023	9.5%
2006	$480,002	9.5%
2007	$515,243	9.5%

* Data have been revised to incorporate reporting changes since the last hearing record was published.

Program costs during the final month of the fiscal year tend to be higher than the typical month for several reasons. First, the September total includes Farmers Market Nutrition Program (FMNP) and Infrastructure funds; other months include only food costs and nutrition services and administration costs (NSA). Excluding FMNP and Infrastructure, the percentages would be 0.6 to 1.3 percentage points lower: FY 2000 - 8.9 percent; FY 2001 - 8.6 percent; FY 2002 - 8.9 percent; FY 2003 - 9.3 percent; FY 2004 - 8.4 percent; FY 2005 - 8.5 percent; FY 2006 - 8.1 percent; and FY 2007 - 8.7 percent.

Second, NSA costs are highest during the final month of the year. Many agencies postpone certain purchases (such as office equipment) until the end of the year to ensure that adequate funs are available for operating expenses. Another reason is that the average food cost per person tends to rise during the year and program participation often increases during the year.

Finally, preliminary September data are subject to revision, and these revisions usually decrease.

Ms. DeLauro: Provide a table showing, by state, the final unspent recoverable funds for fiscal year 2007.

Response: The information is submitted for the record.

[The information follows:]

WIC PROGRAM

STATE AGENCY	FY 2007 UNSPENT FOOD RECOVERIES	FY 2007 UNSPENT NSA RECOVERIES	FY 2007 UNSPENT TOTAL RECOVERIES
NERO			
CONNECTICUT	0	0	0
MAINE	0	$725,091	$725,091
MASSACHUSETTS	0	450,791	450,791
NEW HAMPSHIRE	$745,558	0	745,558
NEW YORK	521,490	1,342	522,832
RHODE ISLAND	18,293	353,627	371,920
VERMONT	18,904	0	18,904
INDIAN TOWNSHP	0	0	0
PLEASANT POINT	0	0	0
SENECA NATION	8,124	0	8,124
SUBTOTAL	1,312,369	1,530,851	2,843,220
MARO			
DELAWARE	165,136	63,402	228,538
DIST COLUMBIA	165,588	0	165,588
MARYLAND	0	0	0
NEW JERSEY	315,220	536,320	851,540
PENNSYLVANIA	0	0	0
PUERTO RICO	5,197,936	138,396	5,336,332
VIRGINIA	7,424,057	1,918,770	9,342,827
VIRGIN ISLANDS	0	0	0
WEST VIRGINIA	858,709	0	858,709
SUBTOTAL	14,126,646	2,656,888	16,783,534
SERO			
ALABAMA	0	0	0
FLORIDA	0	0	0
GEORGIA	0	0	0
KENTUCKY	0	0	0
MISSISSIPPI	1,591,419	247,084	1,838,503
N CAROLINA	0	0	0
S CAROLINA	2,795,711	0	2,795,711
TENNESSEE	1,460,309	0	1,460,309
CHOCTAW, MS	5,122	2,440	7,562
E. CHEROKEE	0	0	0
SUBTOTAL	5,852,561	249,524	6,102,085

WIC PROGRAM

STATE AGENCY	FY 2007 UNSPENT FOOD RECOVERIES	FY 2007 UNSPENT NSA RECOVERIES	FY 2007 UNSPENT TOTAL RECOVERIES
MWRO			
ILLINOIS	6,564,020	409,534	6,973,554
INDIANA	755,362	961,073	1,716,435
MICHIGAN	5,099,394	2,153,275	7,252,669
MINNESOTA	0	0	0
OHIO	461,319	3,509,542	3,970,861
WISCONSIN	19,756	0	19,756
SUBTOTAL	12,899,851	7,033,424	19,933,275
SWRO			
ARKANSAS	0	0	0
LOUISIANA	3,070,829	802,293	3,873,122
NEW MEXICO	0	0	0
OKLAHOMA	0	0	0
TEXAS	17,167,661	497,559	17,665,220
ACL, NM	9,110	1,242	10,352
8N PUEBLO	13,545	0	13,545
ISLETA	10,611	0	10,611
SANTO DOMINGO	8,971	0	8,971
5 SANDOVAL	11,162	0	11,162
SAN FELIPE	4,657	0	4,657
WCD, ENT	14,864	104,652	119,516
CHOCTAW, OK	40,865	0	40,865
CHEROKEE	61,181	66,637	127,818
CHICKASAW	419,847	0	419,847
OTOE-MISSOURIA	28,976	50,597	79,573
POTAWATOMI	177,538	4,645	182,183
ZUNI	36,838	0	36,838
ITC	32,010	4,177	36,187
MUSCOGEE CREEK	73,915	0	73,915
OSAGE NATION	88,577	29,927	118,504
SUBTOTAL	21,271,157	1,561,729	22,832,886

WIC PROGRAM

STATE AGENCY	FY 2007 UNSPENT FOOD RECOVERIES	FY 2007 UNSPENT NSA RECOVERIES	FY 2007 UNSPENT TOTAL RECOVERIES
MPRO			
COLORADO	1,937,454	0	1,937,454
IOWA	0	0	0
KANSAS	0	0	0
MISSOURI	3,742,765	2,691,108	6,433,873
MONTANA	0	0	0
NEBRASKA	375,019	203,946	578,965
NORTH DAKOTA	73,341	9,505	82,846
SOUTH DAKOTA	246,565	0	246,565
UTAH	1,269,382	0	1,269,382
WYOMING	389,308	171,690	560,998
SHOSHONE	703	0	703
UTE MTN	0	0	0
WINNEBAGO	500	19,245	19,745
CHEYENNE RIVER	9,746	0	9,746
ROSEBUD	0	0	0
STANDING ROCK	47,776	185,775	233,551
3 AFFILIATED	5,572	0	5,572
OMAHA	16,424	4,310	20,734
ARAPAHO	29,678	0	29,678
SANTEE	8,575	0	8,575
SUBTOTAL	8,152,808	3,285,579	11,438,387
WRO			
ALASKA	247,118	0	247,118
ARIZONA	6,602,015	1,039,894	7,641,909
CALIFORNIA	36,257,540	9,506,510	45,764,050
GUAM	322,339	0	322,339
HAWAII	0	0	0
IDAHO	0	103,151	103,151
NEVADA	987,937	0	987,937
OREGON	1,900,314	0	1,900,314
WASHINGTON	2,741,730	0	2,741,730
ITCN	68,991	0	68,991
NAVAJO NATION	945,786	0	945,786
ITCA	23,054	0	23,054
AMERICAN SAMOA	100,805	0	100,805
N MARIANA	592,027	340,387	932,414
SUBTOTAL	50,789,656	10,989,942	61,779,598
NATIONAL	$114,405,048	$27,257,937	$141,712,985

Ms. DeLauro: Update the table that appears in the previous hearing record on WIC infant participation that shows, by state, the total number of births and the number enrolled in the program for 2005 and 2006.

Response: The United States and its territories recorded 4.2 million live births in 2005. In 2006 the number rose to 4.3 million. Nearly 49 percent of infants born in these two years were served by WIC as infants.

The number of live births in the United States is from the National Vital Statistics Reports published by the National Center for Health Statistics (vol. 56, no. 6 for calendar year 2005, and vol. 56, no. 7 for calendar year 2006.) Average monthly WIC participation figures are submitted to FNS by WIC State agencies. The estimated percentage of infants who were served by WIC is calculated by dividing average monthly WIC participation by the number of live births. The tables for calendar years 2005 and 2006 are provided for the record.

[The information follows:]

	Live Births, CY2005, Final Data[1]	Average Monthly WIC Infant Participation[2], CY2005	Average Monthly Percent Served by WIC, CY2005
Alabama	60,453	33,627	55.6%
Alaska	10,459	6,472	61.9%
American Samoa	1,720	1,227	71.3%
Arizona	96,199	47,602	49.5%
Arkansas	39,208	24,949	63.6%
California	548,882	299,930	54.6%
Colorado	68,944	22,775	33.0%
Connecticut	41,718	14,434	34.6%
Delaware	11,643	5,510	47.3%
District of Columbia	7,971	4,476	56.1%
Florida	226,240	101,778	45.0%
Georgia	142,200	72,722	51.1%
Guam	3,187	1,708	53.6%
Hawaii	17,924	7,871	43.9%
Idaho	23,062	9,287	40.3%
Illinois	179,020	80,962	45.2%
Indiana	87,193	39,525	45.3%
Iowa	39,311	15,624	39.7%
Kansas	39,888	17,556	44.0%
Kentucky	56,444	30,963	54.9%
Louisiana	60,937	40,300	66.1%
Maine	14,112	5,725	40.6%
Maryland	74,980	30,666	40.9%
Massachusetts	76,865	26,935	35.0%
Michigan	127,706	53,702	42.1%
Minnesota	70,919	29,432	41.5%
Mississippi	42,395	30,777	72.6%
Missouri	78,618	36,733	46.7%
Montana	11,583	4,430	38.2%
Nebraska	26,145	10,221	39.1%
Nevada	37,268	14,254	38.2%
New Hampshire	14,420	4,247	29.5%
New Jersey	113,776	38,429	33.8%
New Mexico	28,835	16,307	56.6%
New York	246,351	121,311	49.2%
North Carolina	123,096	59,954	48.7%
North Dakota	8,390	3,375	40.2%
Ohio	148,388	83,832	56.5%
Oklahoma	51,801	30,796	59.5%
Oregon	45,922	21,085	45.9%
Pennsylvania	145,383	62,704	43.1%
Puerto Rico	50,564	44,330	87.7%
Rhode Island	12,697	5,657	44.6%
South Carolina	57,711	30,533	52.9%
South Dakota	11,462	5,549	48.4%
Tennessee	81,747	42,996	52.6%
Texas	385,915	222,395	57.6%
Utah	51,556	18,001	34.9%
Vermont	6,295	3,244	51.5%
Virgin Islands	1,605	1,066	66.4%
Virginia	104,555	35,822	34.3%
Washington	82,703	37,005	44.7%
West Virginia	20,836	11,873	57.0%
Wisconsin	70,984	27,661	39.0%
Wyoming	7,239	2,937	40.6%
United States	**4,195,425**	**2,053,280**	**48.9%**

[1] From National Vital Statistics Reports, Table 11, Vol. 56, No. 6, December 5, 2007

[2] WIC participation data from FNS National Data Bank, December 2007

	Live Births, CY2006, Preliminary Data[1]	Average Monthly WIC Infant Participation[2], CY2006	Average Monthly Percent Served by WIC, CY2006
Alabama	63,235	34,841	55.1%
Alaska	10,991	6,083	55.3%
American Samoa	1,442	1,221	84.7%
Arizona	102,475	48,821	47.6%
Arkansas	40,973	24,697	60.3%
California	562,431	308,080	54.8%
Colorado	70,750	23,666	33.4%
Connecticut	41,807	14,614	35.0%
Delaware	11,988	5,739	47.9%
District of Columbia	8,529	4,537	53.2%
Florida	236,882	107,289	45.3%
Georgia	148,619	76,098	51.2%
Guam	n.a.	1,562	n.a.
Hawaii	18,982	7,872	41.5%
Idaho	24,184	9,237	38.2%
Illinois	180,583	81,760	45.3%
Indiana	88,674	40,898	46.1%
Iowa	40,610	16,439	40.5%
Kansas	40,964	18,137	44.3%
Kentucky	58,291	32,107	55.1%
Louisiana	63,399	35,756	56.4%
Maine	14,151	5,568	39.3%
Maryland	77,478	32,780	42.3%
Massachusetts	77,769	28,031	36.0%
Michigan	127,476	54,546	42.8%
Minnesota	73,559	30,899	42.0%
Mississippi	46,069	31,876	69.2%
Missouri	81,388	37,948	46.6%
Montana	12,506	4,355	34.8%
Nebraska	26,733	10,380	38.8%
Nevada	40,085	15,054	37.6%
New Hampshire	14,380	4,248	29.5%
New Jersey	115,006	39,657	34.5%
New Mexico	29,937	16,535	55.2%
New York	250,091	121,904	48.7%
North Carolina	127,841	63,118	49.4%
North Dakota	8,622	3,535	41.0%
Ohio	150,590	86,055	57.1%
Oklahoma	54,018	30,749	56.9%
Oregon	48,717	22,419	46.0%
Pennsylvania	149,082	64,038	43.0%
Puerto Rico	48,590	42,614	87.7%
Rhode Island	12,379	5,588	45.1%
South Carolina	62,271	31,148	50.0%
South Dakota	11,917	5,509	46.2%
Tennessee	84,345	44,464	52.7%
Texas	399,612	225,262	56.4%
Utah	53,499	13,911	26.0%
Vermont	6,509	3,109	47.8%
Virgin Islands	1,431	1,084	75.8%
Virginia	107,817	37,166	34.5%
Washington	86,848	37,461	43.1%
West Virginia	20,928	12,001	57.3%
Wisconsin	72,335	28,459	39.3%
Wyoming	7,670	3,041	39.6%
United States	**4,317,458**	**2,093,965**	**48.5%**

[1] From National Vital Statistics Reports, Table 6, Vol. 56, No. 7, December 5, 2007

[2] WIC participation data from FNS National Data Bank, December 2007

Ms. DeLauro: How much is currently being spent on state management information systems by the Department?

Response: State agencies reported that nutrition services and administration expenditures for systems totaled $136,301,991 in FY 2007, the most recent year for which data is available.

This amount is equal to approximately nine percent of the total funds that were available to State agencies in FY 2007 to cover all nutrition services and administration expenses. The vast majority of these expenditures, approximately 80 percent, were for basic maintenance and operational costs. About $14.4 million of nutrition services and administration funds was spent on new systems in FY 2007, which includes planning, design, development, and implementation costs. In addition, $2.2 million of FY 2007 infrastructure funds awarded by FNS were spent to support state management information systems.

Ms. DeLauro: Considering total FNS resources available for this program, how many WIC clinics would be served by breastfeeding peer counselors? What percent of women would be able to receive counseling?

Response: The WIC Program is committed to providing breastfeeding education and support to the women who participate in the program and to their families. Breastfeeding promotion and support is an important component of WIC nutrition services. All pregnant women participating in WIC are encouraged to breastfeed.

Prior to receiving earmarked funds for peer counselors beginning in FY 2004, only seven WIC State agencies had breastfeeding peer counseling programs, and those programs operated with great variability. Since earmarked funds have been made available, approximately 86 WIC State agencies have accepted peer counseling funding each fiscal year since FY 2004. Although we are unable to report the number of WIC clinics or percent of women that are being served by peer counselors, those 86 State agencies used their funds to attend FNS-sponsored training on how to manage and structure effective, research-based breastfeeding peer counselor programs and how to recruit and train peer counselors based on a model designed for economically disadvantaged women. To receive continued funding, State agencies are required to implement or enhance a peer counseling program based on this model. Our goal is to institutionalize breastfeeding peer counseling in WIC and to assure that breastfeeding peer counselors are available at as many WIC clinics as possible within the available funding.

In FY 2007, FNS began to systematically document the breastfeeding peer counseling implementation process nationwide. Data collection and analysis is being conducted by an outside contractor. Results of this review will be used to: (1) capture and disseminate information on implementing peer counseling programs using the FNS model, including lessons learned and successful approaches used by State agencies; (2) assess the additional technical assistance and training needs of State agencies; and (3) provide a report to Congress demonstrating how State agencies are using the peer counseling funding.

Ms. DeLauro: Please update the table provided in the previous hearing record breaking out the infrastructure, special State projects, and breastfeeding promotion and support projects and the amounts for fiscal years 2006 through 2008.

Response: For FY 2008 the amount budgeted for Breastfeeding Promotion and Support and National Infrastructure Projects has increased substantially due to costs associated with the State Agency Model (SAM) project. The SAM project is the design, development and implementation of State agency model management information systems and the subsequent transfer of these model systems to other State agencies. The three groups of State agencies developing these model systems are 1) SPIRIT (Successful Partners in Reaching Innovative Technology), comprised of 13 Indian Tribal Organizations in New Mexico and Oklahoma, with Chickasaw Nation as the lead WIC State agency; 2) Mountain Plains State Consortium, consisting of Colorado (lead), Wyoming and Utah; and 3) Crossroads, comprised of North Carolina (lead), Virginia, West Virginia and Alabama. Note also that FY 2008 budgeting decisions are not final. The information is provided for the record.

[The information follows:]

Category	Actual FY 2006	Actual FY 2007	Estimated FY 2008
Infrastructure Grants to State Agencies	$4,205,327	$2,097,152	$1,400,000
Special Project Grants to State Agencies	978,994	1,783,100	500,000
Electronic Benefits Transfer Projects (EBT)	6,031,815	6,413,531	4,681,716
Breastfeeding Promotion and Support and National Infrastructure Projects	2,242,638	956,784	7,018,284
Technical Assistance	400,000	400,000	400,000
Total	$13,858,774	$11,650,567	$14,000,000

Ms. DeLauro: What is the status of implementing the WIC food package rule?

Response: On December 6, 2007, an interim final rule revising the WIC food packages was published in the Federal Register. The revisions largely reflect recommendations made by the Institute of Medicine 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. 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. The comment period for the interim final rule ends February 1, 2010. WIC State agencies must fully implement the food package revisions no later than October 1, 2009. The Food and Nutrition Service is providing technical assistance to WIC State agencies to assist them in implementing the interim final rule by the deadline.

Ms. DeLauro: What is the total need estimated for improvement of state management information systems? How much is requested in the fiscal year 2009 budget request? Were you able to obligate any of the MIS funds provided in fiscal year 2007? Provide a table that shows which years MIS funding has been provided for fiscal years 1998 through 2008 and how much was made available.

Response: In the Food and Nutrition Service's 5-Year Technology Plan, developed in FY 2000 and updated in FY 2005, 45 State agencies' WIC systems were identified as lacking basic automated functions needed to efficiently and effectively operate the WIC Program. Since that time, 10 State agencies have implemented new WIC systems. The cost of replacing the remaining 35 systems is estimated to be $25-$35 million annually over 5 years.

Due to competing needs, the President's budget request for FY 2009 does not request funding for MIS.

The appropriations language has always made the availability of MIS funding contingent upon the funds not being needed to support caseload. The funds appropriated in FYs 2004, 2007 and 2008 were needed to support participation; therefore, no funds were allocated to MIS. The information is provided for the record.

[The information follows:]

Year	Amount Appropriated	Amount Allocated for MIS
1998	0	0
1999	0	0
2000	0	0
2001	0	0
2002	0	0
2003	0	0
2004	$24.8 million	0
2005	0	0
2006	$19.8 million	$19.8 million
2007	$19.8 million	0
2008	$30.0 million	0

Ms. DeLauro: Please update the Committee on the findings of the study done by USDA to evaluate WIC program effectiveness with the $2 million provided in fiscal year 2004. What evaluations have been done in the past four years?

Response: The $2 million enabled USDA to complete the 2005 WIC Vendor Management Study, an analysis of undercover "compliance buy" transactions in a representative sample of 1,600 WIC-approved vendors nationwide. Previous studies had been conducted in 1991 and 1998; an objective of the 2005 study was to determine the extent to which vendor violations were reduced following regulatory changes made between 1998 and 2004 to reduce vendor overcharging and other violations. The study found that:

- The frequency and dollar impact of overcharging and undercharging reached historically low rates in 2005.
- Of the $3.56 billion spent by WIC on food benefits in 2005, overcharging accounted for $6.1 million and undercharging for $15.4 million - the first time undercharging exceeded overcharging.
- This results in an Improper Payments Information Act erroneous payment estimate of $21.5 million, or six-tenths of one percent of the 2005 food benefit portion of the WIC Program.

The final report and a two-page summary of the study findings are available on the FNS Web site at http://www.fns.usda.gov/oane/MENU/Published/WIC/WIC.htm.

In addition to this study, during the past four years there have been a number of studies conducted by USDA to examine some aspect of the WIC Program. However, many of these studies are small in scope and descriptive in nature, and rely heavily on WIC administrative records, rather than separate data collections. The studies listed below examine the effectiveness of the WIC Program or some of its components:

- WIC/CHIP Enrollment Demonstration Project
- Effects of WIC and Food Stamp Program Participation on Child Outcomes
- The Effect on Dietary Quality of Participation in the Food Stamp and WIC Programs
- WIC and the Nutrient Intake of Children
- WIC Staffing Data Collection Project
- WIC Program Coverage, 1994 to 2003
- Analysis of WIC Food Package Prescriptions, 1998-2002
- Expert Review of WIC Food Package (Institute of Medicine)

In addition, FNS is currently conducting a study of peer counseling as a way to encourage breastfeeding in WIC, and is developing a study to assess upcoming changes in the provision of infant formula as part of the WIC food package updates on breastfeeding.

Ms. DeLauro: What are different states doing about offering enhanced formulas to WIC participants? Has FNS been able to determine how much of an increase in the WIC food costs is expected in fiscal years 2008 and 2009 based on states offering these new formulas?

Response: Currently all State agencies offer enhanced infant formulas to WIC participants. Such formulas are quickly becoming the industry standard in the retail market place. Such products are also subject to deep discounts through each State's formula rebate contracts.

We do not have an explicit estimate of the contribution of enhanced formula to WIC food package costs in FY 2008 and 2009. We continually monitor food package costs, which reflect the impact of changes in the type of formula provided to WIC participants. Thus, we believe that the estimated FY 2008 and FY 2009 food packages costs accurately reflect the use of enhanced formulas in the WIC Program.

Ms. DeLauro: What are the average rebates that states negotiated in fiscal year 2007 for new infant formula contracts?

Response: Twelve rebate contracts were awarded during FY 2007, excluding Mississippi and Indian Tribal Organizations. Mississippi operates a direct distribution system for infant formula. Rebates ranged from a high of $3.30 for a 13-ounce can of milk-based liquid concentrate infant formula (89 percent discount on the wholesale price) in Michigan to a low of $3.10 (83.3 percent discount) in the North Carolina/New Mexico/Arkansas multi-State contract. The average rebate was $3.15 a can, yielding a wholesale discount of 85.4 percent. This FY 2007 average discount was slightly higher than the average discount of 84.11 percent received in FY 2006.

Ms. DeLauro: Were the WIC contingency funds needed to fund caseload in fiscal year 2007? If so, how much? What is the estimated contingency funds needed to fund caseload in fiscal year 2008?

Response: In fiscal year 2007, $33 million of contingency funds were needed to fund caseload. It is anticipated that the entire $150 million of contingency funds will be used to fund caseload in fiscal year 2008.

Ms. DeLauro: Please provide for the record, the amount of NSA funds obligated for the previous five fiscal years. Include the amounts spent on program management, client services, nutrition education, and breastfeeding promotion within the total. Also, include the percentage increase over the previous fiscal year for each fiscal year.

Response: The information is submitted for the record.

[The information follows:]

WIC Program
Costs Reported by State Agencies
Fiscal Years 2003-2007

Fiscal Year	Program Management*	Client Services*	Nutrition Education*	Breastfeeding Promotion*	Total NSA Expenditures*	% Change
2003	$409,133,481	$511,511,338	$269,436,580	$73,249,111	$1,263,330,510	9.26%
2004	$407,459,358	$518,348,277	$275,449,049	$75,737,325	$1,276,994,009	1.08%
2005	$417,844,027	$551,802,896	$287,153,578	$82,786,477	$1,339,586,978	4.90%
2006	$440,313,374	$574,232,494	$304,355,043	$88,948,912	$1,407,849,823	5.10%
2007	$469,240,261	$595,679,099	$324,918,283	$98,218,362	$1,488,056,005	5.70%

* Data Source: National Data Bank - WIC Program SNFA013 Reports for FYs 2003 - 2007 (Report Date: 08/05/08).

Ms. DeLauro: What is the estimated savings in fiscal year 2009 by imposing cap on NSA grants at the fiscal year 2007 level? How much would need to be appropriated in fiscal year 2009 if the cap is not provided, assuming current estimates for participation and food costs?

Response: As explained in the July 2008 WIC Report to Congress, we estimated approximately $150 million in FY 2009 savings under a cap on NSA grants at the FY 2007 level. In the absence of a cap, the program would need an additional $150 million.

The July 2008 Report estimated a total program need for FY 2009 of approximately $6.716 billion, assuming retention of the NSA cap as proposed in the President's FY 2009 budget. An additional $150 million would be necessary if a cap is not imposed.

Ms. DeLauro: What is the percentage of NSA grants relative to total WIC funding in fiscal year 2008? What is the percentage of NSA grants relative to total WIC funding in the fiscal year 2009 budget request?

Response: As of July 2008, WIC State agency grants total $6,358,037,989. Grants for nutrition services and administration (NSA) total $1,671,621,039 (26.3 percent), and grants for food total $4,686,416,950 (73.7 percent). The President's Budget request estimates fiscal year 2009 WIC State agency NSA grants to total $1,576,896,000 (26 percent) and food grants to total $4,494,360,000 (74 percent).

Ms. DeLauro: How many WIC participants will be affected by the proposal to restrict WIC benefits based on Medicaid income poverty guidelines of 250 percent? Please provide a table by state of the expected savings and change in participation expected by this proposed legislation.

Response: FNS estimates that this restriction would impact roughly 8,000 WIC participants in five States (Hawaii, Maryland, Minnesota, New Hampshire, and Vermont) and the District of Columbia, and save roughly $6 million, in FY 2009.

States with impacts are identified based on a survey conducted by the Center on Budget and Policy Priorities for the Kaiser Commission on Medicaid and the Uninsured showing that as of January 2008 these jurisdictions offered Medicaid benefits or benefits under SCHIP-funded Medicaid expansion programs to some individuals with family incomes above 250 percent of the Federal poverty guidelines. Estimates of affected participants and savings are imputed from 2006 WIC participant income data; State participant counts and dollar figures are not estimated with sufficient precision to be displayed separately.

Ms. DeLauro: Please provide for the record, by state, the number of WIC-only stores in fiscal years 2003 through 2007.

Response: The information is provided for the record.

[The information follows:]

State Agencies with Authorized WIC-only Stores

State Agency	Number and Percent of WIC-Only Stores Authorized*									
	2003		2004		2005		2006		2007	
	No.	%	No.	%	No.	%	No.	%	No.	%
Alabama	4	0.4	19	2	12	1	16	1.7	0	1.5
Arkansas	0	0	42	8	42	7	38	7	8	1.6
California	653	14	715	16	662	16	618	14.5	625	14
Connecticut	0	0	0	0	1	0.12	1	.13	0	0
District of Columbia	1	3	1	3	1	3	1	3.1	1	3.2
Florida	109	5	109	5	97	4	75	3.5	68	3.2
Georgia	6	0	22	1	20	1	16	1	14	0.8
ITCA, AZ	2	1	0	0	0	0	0	0	0	0
Kansas	1	0.2	3	1	3	1	3	0.7	3	0
Louisiana	13	1	11	1	12	1	10	1.1	7	0.9
Maryland	1	0.1	0	0	0	0	1	0.1	1	0.2
Missouri	1	2	0	0	0	0	0	0	0	0
Muscogee Creek	1	2	1	2	1	2	1	2	1	1.9
New Hampshire	0	0	0	0	1	0.43	0	0	0	0
New Mexico	4	2	7	3	3	1	0	0	0	0
North Carolina	44	2	72	3	0	0	54	2.8	13	0.7
Oklahoma	6	1	8	1	6	1	6	1.2	15	2.8
Oregon	0	0	0	0	0	0	0	0	0	0
Osage Nation, OK	2	7	2	6	2	6	0	0	0	0
Pennsylvania	0	0	0	0	0	0	1	0.04	1	0.05
Pleasant Point	0	0	0	0	0	0	0	0	2	100
Potawatomi, OK	4	13	4	11	4	10	4	10	4	10.3
Puerto Rico	48	7	51	7	56	8	49	8.5	48	9.4
Rhode Island	1	0.4	0	0	0	0	0	0	0	0
Tennessee	2	0.1	1	0.08	1	0.09	1	0.09	0	0
Texas	116	5	162	6	287	11	128	5.1	114	4.8
Utah	1	0.3	2	1	0	0	1	0.3	0	0
Virginia	6	0.6	6	1	5	1	4	0.4	1	0.1
WDC, OK	3	7	3	7	3	9	3	8.3	6	13
Total	1,029	5	1,241	2	1,219	3	1,031	2.4	932	2.15

*Shading indicates an increase in the number of WIC-only stores from prior year.
Figures represent WIC only stores and do not include any other above-50-percent vendors.
Percent (%) refers to the percentage of all authorized retail vendors, excluding pharmacies and commissaries.
Data compiled from The Integrity Profile (TIP).

Ms. DeLauro: Provide for the record, the average food package costs for the WIC program. Also provide the average food package costs by peer groups and for WIC-only stores.

Response: The FY 2009 President's budget provided the average monthly food package cost per person as follows: $39.15 in FY 2007, $42.56 in FY 2008 (estimated), and $43.55 in FY 2009 (estimated). The July monthly WIC report to Congress updated the estimated average food package cost per person to $43.83 in FY 2008 and to $45.37 in FY 2009.

Vendor peer groups are defined by the States; FNS does not specify peer group standards. We do not collect participation and redemption data at the level necessary to compute average food package costs for State-defined vendor peer groups. Similarly, FNS does not collect data at the level necessary to compute average food package costs at the WIC-only vendor level.

Ms. DeLauro: Do you think food prices and participation will be stable in fiscal year 2009?

Response: As addressed in the July 2008 WIC report to Congress, the Department currently projects that the average monthly WIC food package cost will increase by 3.5 percent in FY 2009 to $45.37.

We anticipate that average monthly participation in FY 2009 will exceed the 8.6 million estimated in the President's FY 2009 budget. We now project that average monthly participation will reach 9.0 million.

While food prices and participation have shown unusual growth this year, monthly variation in participation and food costs is typical for the WIC Program. We are committed to working with Congress to ensure the Program is funded at a level that will serve all eligible women, infants, and children seeking services.

Ms. DeLauro: Please update the Committee on the findings from the Health Systems Research, Inc. study on WIC vendor management practices.

Response: The 2005 WIC Vendor Management Study conducted by Health Systems Research, Inc. found that:

- The frequency and dollar impact of overcharging and undercharging reached historically low rates in 2005.
- Of the $3.56 billion spent by WIC on food benefits in 2005, overcharging accounted for $6.1 million and undercharging for $15.4 million - the first time undercharging exceeded overcharging.
- This results in an Improper Payments Information Act erroneous payment estimate of $21.5 million (combining overcharging and undercharging), or six-tenths of one percent of the 2005 food benefit portion of the WIC Program.

The new, lower rates of vendor mischarging appear to reflect improvements in program management as a result of the significant revision of the Federal Regulations for WIC Program Vendor Management in 2002.

The final report and a two-page summary of the study findings are available on the FNS Web site at http://www.fns.usda.gov.

Ms. DeLauro: In the fiscal year 2007 hearing record, FNS mentioned it was planning to initiate a two-phase study to examine the status of breastfeeding peer counseling efforts in WIC agencies and assess the effectiveness of different intensities of WIC breastfeeding peer counseling in a sample of states. Please update the Committee on the status of this study, and any findings to date.

Response: Data collection for Phase I of the study began in July 2008 and is still ongoing. This part of the study will describe:

- How *Loving Support* peer counseling has been implemented in States and Indian Tribal Organizations (ITOs) that accepted peer counseling funds, including challenges faced and strategies used to overcome these challenges;
- The evolution of the peer counseling program over time; and
- Peer counseling program expenditures.

Phase II of the study will examine the effects on breastfeeding duration of various ways of providing peer counseling using the *Loving Support* model. This component of the study is not designed to be nationally representative, but will focus on a small number of programs serving WIC participants with low rates of breastfeeding. Phase II of the study will begin once the results from Phase I have been reviewed.

Ms. DeLauro: How many states had implemented cost containment policies and procedures by the end of fiscal year 2007 and how many states were not in compliance at that time? Please provide for the record a list of when each affected state received certification of their cost containment plan.

Response: In FY 2007, 85 of the 90 WIC State agencies (including geographic State agencies and Indian Tribal Organizations) operated retail food delivery systems and thus were required to implement vendor cost containment policies and procedures (the exceptions were Mississippi, Vermont, the Commonwealth of the Northern Mariana Islands, and the San Felipe and Santo Domingo Tribes of New Mexico). Thirty-two State agencies chose to authorize vendors that derived more than 50 percent of their annual food sales revenue from WIC transactions. These State agencies received FNS certification by December 31, 2006, of the methods they planned to use to establish competitive price criteria for vendor selection and maximum allowable reimbursement levels for payment of WIC food instruments. The information is provided for the record.

[The information follows:]

FNS-Certified WIC Vendor Cost Containment Systems
(As of December 30, 2006)

State Agency

Alabama	New Jersey
Arizona	New Mexico
Arkansas	North Carolina[1]
California	Oklahoma
Connecticut	Oregon
Dist. of Columbia	Pennsylvania
Florida	Potawatomi
Georgia	Puerto Rico
Indiana	Rhode Island
Kansas	Tennessee
Kentucky	Texas
Louisiana	Utah
Maryland	Virginia
Massachusetts	WCD Enterprises
Muscogee Creek	West Virginia
Nevada	Wisconsin

[1] North Carolina's request for certification also covers vendors that serve the Eastern Band of Cherokees ITO.

Ms. DeLauro: Please update the Committee on the status of the alternatives analysis looking at the cost-effectiveness of using card-based electronic technology versus paper vouchers or checks for fruits and vegetables.

Response: The report, entitled "Analysis of Alternatives for Implementing a Cash Value Voucher Program", is completed and available on the FNS Web site at http://www.fns.usda.gov/wic/EBT/cvvreport.htm.

Several alternatives for delivering the cash value voucher benefit electronically were examined, using paper food instruments as a baseline. The report considered cost implications, the impact on client access and ease of use, the feasibility for retailers and States, and the ability of the instrument to control which items are purchased. While no specific alternative was recommended, the report concluded that paper food instruments offer the least costly alternative given the limited time for implementation and the necessary investment in card based delivery systems by both State agencies and food vendors. Other alternatives examined in the report included the following:

EBT–magnetic strip
EBT–smartcard
Store gift card
MasterCard®/Visa® stored-value cards
Store Loyalty cards
Electronic couponing
Internet preorder and pick-up

Ms. DeLauro: With the final rule published on the WIC food package, how will the rule be implemented? When will full implementation of the final rule be finished?

Response: On December 6, 2007, an interim final rule revising the WIC food packages was published in the Federal Register. WIC State agencies must fully implement the provisions of the rule no later than October 1, 2009. State agencies are allowed to implement the new food packages by participant category to ease the transition. To minimize participant and vendor confusion, once the State agency begins issuing the new food packages, it must be done on a Statewide basis.

The table provided for the record indicates the anticipated implementation date for each State. The implementation timeframes were determined by the State agency based on the State's assessment of changes required to its management information system, the training needs of staff, vendors and participants, and development of a new State food list. FNS is providing technical assistance to WIC State agencies to assist them in implementing the interim rule by the deadline.

The comment period for the interim final rule ends on February 1, 2010. The comment period is long enough to allow comments based on actual implementation of the requirements. After the comment period ends, FNS will analyze the comments and issue a final rule.

[The information follows:]

WIC Food Package Implementation Dates

7/31/2008

WIC State Agency	Fully Formula Fed Infants	Fully Breastfed Infants	Fully Breastfeeding Women	Partially Breastfed Infants	Partially Breastfeeding Women	Pregnant Women	Postpartum Women	Children	Food Package III
Alabama	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Alaska	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
American Samoa	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Arizona	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Arkansas	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
California	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Colorado	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Commonwealth of Northern Marianas	No information provided								
Connecticut	No information provided								
Delaware	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009
District of Columbia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Florida	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Georgia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Guam	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Hawaii	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Idaho	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Illinois	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009
Indiana	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Iowa	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Kansas	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Kentucky	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009
Louisiana	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009
Maine	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Maryland	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Massachusetts	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Michigan	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Minnesota	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Mississippi	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Missouri	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2008	10/01/2008
Montana	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Nebraska	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Nevada	No information provided								
New Hampshire	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
New Jersey	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
New Mexico	11/01/2008	11/01/2008	05/01/2009	11/01/2008	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009
New York	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009
North Carolina	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
North Dakota	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009
Ohio	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Oklahoma	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009
Oregon	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Pennsylvania	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Puerto Rico	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Rhode Island	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
South Carolina	02/01/2009	02/01/2009	02/01/2009	02/01/2009	02/01/2009	02/01/2009	05/01/2009	08/01/2009	02/01/2009
South Dakota	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Tennessee	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Texas	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Utah	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Vermont	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Virgin Islands	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Virginia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Washington	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009
West Virginia	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Wisconsin	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Wyoming	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/10/2009	10/01/2009	10/01/2009

Response: On December 6, 2007, an interim final rule revising the WIC food packages was published in the Federal Register. WIC State agencies must fully implement the provisions of the rule no later than October 1, 2009. State agencies are allowed to implement the new food packages by participant category to ease the transition. To minimize participant and vendor confusion, once the State agency begins issuing the new food packages, it must be done on a Statewide basis.

The table provided for the record indicates the anticipated implementation date for each State. The implementation timeframes were determined by the State agency based on the State's assessment of changes required to its management information system, the training needs of staff, vendors and participants, and development of a new State food list. FNS is providing technical assistance to WIC State agencies to assist them in implementing the interim rule by the deadline.

The comment period for the interim final rule ends on February 1, 2010. The comment period is long enough to allow comments based on actual implementation of the requirements. After the comment period ends, FNS will analyze the comments and issue a final rule.

[The information follows:]

Ms. DeLauro: Will State WIC agencies be able to implement a cash value voucher system for fruits and vegetables? Will states need additional NSA grant funding or MIS funding to implement? What will be the challenges in changing the WIC food package at the National and State levels?

Response: State agencies are actively developing plans for implementing the cash value voucher for fruits and vegetables to meet the regulatory implementation deadline of October 1, 2009. Two States that have implemented successful cash-value voucher pilot projects for fruit and vegetables, New York and California, have shared their experiences with other WIC State agencies. In addition, all WIC Farmers' Market State agencies have experience with cash value vouchers. FNS is providing technical assistance to WIC State agencies to assist States in implementing the interim rule by the deadline.
From an electronic benefit standpoint, one major challenge is defining the new business rules and technical requirements for an electronic cash value voucher to allow for software updates to electronic cash registers and State agency systems. The national WIC office has facilitated a workgroup of States and industry to develop these requirements in order to meet the implementation dates required by regulation.

We are also streamlining the WIC management information system approval process to enable State agencies to more easily make necessary changes to their management information systems to incorporate the cash value voucher into the new food package. The WIC Program provided $1.4 million in infrastructure funds to State agencies and we expect that State agencies will also utilize NSA funding already available for administrative costs.
The challenges at the national level in changing the food package are to provide technical assistance to WIC State agencies, industry, retailers and other partners. At the State level, the challenges include determining the changes required to its management information system, the training needs of staff, vendors and participants, and development of a new State food list. Notwithstanding these challenges, all parties agree that the benefit of an improved food package for participants is paramount.

Ms. DeLauro: For fiscal year 2008, the Department requested $5.4 billion for the WIC program. Participation and food costs saw dramatic increases between the time the President's budget was submitted and the bill was enacted. Congress provided over $6 billion for WIC, which was $633 million more than the Department requested for the program. The Administration failed to acknowledge the increased participation and food costs costs for the WIC program, while the President threatened to veto any bill that increased total spending levels above the ones set in his budget. States were threatening wait lists due to the uncertainty of whether Congress would increase funding for WIC above the President's request. Why did the Department not submit a revised budget request for fiscal year 2008 when it became apparent the budget request would not be adequate to maintain participation in the WIC program?

Response: Since 2001, the Administration has consistently sought to ensure that all eligible women, infants and children seeking to participate in the WIC Program can be served. The President's FY 2008 budget request reflected USDA's best estimates of FY 2007 WIC funding and program performance as well as the requested level of funding for FY 2008. The estimates were based on all anticipated resources, including anticipated carryout, and it was believed that those resources would be adequate to support the anticipated average monthly participation level of 8.28 million.

Ms. DeLauro: During the fiscal year 2009 hearing on the FNS budget request, the Undersecretary stated that the reason a revised budget request was not submitted was that the fiscal year 2008 budget request was sufficient for the WIC to be able to meet the needs in WIC. Please clarify why FNS in March of 2008 was still stating the fiscal year 2008 budget request was sufficient to meet the needs in WIC.

Response: The Administration has consistently sought to ensure that all eligible women, infants and children seeking to participate in the WIC Program can be served. The President's FY 2008 budget request reflected USDA's best estimates of FY 2007 WIC funding and program performance as well as the requested level of funding for FY 2008, and it was believed that those resources would be adequate to support the anticipated average monthly participation level of 8.28 million. We continue to monitor program performance and update our estimate of participation with each new reported month of participation data. As you know, this information is provided to Congress in the WIC monthly reports, as requested. In these reports, we have revised the FY 2008 participation and average monthly food package cost upwards. It is worth noting that monthly variation in participation is very typical for the WIC Program and subject to revision.

Ms. DeLauro: Please provide for the record the current estimated obligations, including contingency reserve and transfers from the Food Stamp Program, for FY 2008 for the WIC program. Also, provide the estimated participation per month, food cost per person per month, and the administrative cost per person per month. Are there adequate resources available in the WIC account currently to meet the needs in WIC in fiscal year 2008?

Response: As of the July 2008 monthly WIC Report the estimated obligations for the WIC Program for fiscal year 2008 are $6,411 million, which includes $150 million from contingency reserve and $108 million from the Food Stamp Program transfer. Adequate resources are available in the WIC account to meet estimated program needs in FY 2008. The table with the requested monthly data is submitted for the record.

[The information follows:]

WIC Program

	Participation	Food Cost	Administrative Cost
October	8.650	42.09	17.92
November	8.578	42.62	12.25
December	8.405	42.91	17.42
January	8.587	43.21	17.06
February	8.541	43.37	15.06
March	8.612	43.82	15.09
April	8.706	44.36	15.56

Ms. DeLauro: The fiscal year 2009 budget request proposes to use the contingency reserve of $150 million to cover estimated participation and food costs in the program. FNS's hearing testimony states "$150 million is requested to replenish the contingency reserve to ensure that the essential food, nutrition education, and health care referral services remain available to all eligible women, infants and children who need them." How can FNS say

it is replenishing the contingency reserve if FNS is anticipating using it in FY 2009 to meet expected participation and food costs? The hearing testimony also says "Should our estimates of program participation or costs prove too low, we have continued to protect program access for all eligible persons, a key objective of the President, through contingency reserves" and "This flexibility is essential to our ability to deal quickly and effectively with unexpected increases in food costs or participation as were experienced in FY 2007" - yet FNS is proposing to use the contingency reserve to deal with expected participation and food costs. Please explain how the budget request for fiscal year 2009 protects program access for all eligible persons should your estimates of program participation or costs prove too low for the WIC program.

Response: The Administration has consistently sought to ensure that all eligible women, infants and children seeking to participate in the WIC Program can be served. The President's FY 2009 budget request reflected USDA's best estimates of FY 2008 WIC funding and program performance as well as the requested level of funding for FY 2009.

Ms. DeLauro: Participation in the WIC program rose from an average of 8.285 million participants per month in fiscal year 2007 to 8.548 million in the first five months of fiscal year 2008. The fiscal year 2008 participation level of 8.52 million in the fiscal year 2009 budget request has already been exceeded, with participation in October of 2007 reaching 8.65 million. Yet the budget request assumes the average participation in fiscal year 2009 will be 8.6 million for fiscal year 2009. Can you explain why FNS believes participation in the WIC program will decrease in fiscal year 2009 from the October 2007 participation data?

Response: The President's FY 2009 budget request reflected USDA's best estimates of FY 2008 WIC funding and program performance as well as the best estimate of the level of funding needed for FY 2009, using the data available at the time. The President's budget request of $6,100 million proposed to support an average monthly program participation level of approximately 8.6 million persons in FY 2009. This level of participation was to be maintained as a result of savings accruing from the proposed cap on the WIC administrative grant per participant and an increase in estimated available prior year resources from FY 2008. Our analysis of participation was based on reported data available at the time. October 2007 participation data was not available for use in the estimate contained in the FY 2009 budget request. We continue to monitor program performance and update our estimate of participation with each new reported month of participation data. As you know, this information is provided to Congress in the WIC monthly reports, as requested. In these reports, we have revised the FY 2009 participation upwards. It is worth noting that monthly variation in participation is very typical for the WIC Program and subject to revision. Given the dynamic nature of this data and the timing of the participation estimate for FY 2009, the WIC participation estimate remains a challenge to the Administration.

Ms. DeLauro: Please provide for the record the current estimated funding needed, including contingency reserve and transfers from the Food Stamp Program, for fiscal year 2009 for the WIC program. Also, provide the current estimated participation per month, food cost per person per month, and the administrative cost per person per month using the most current information available. Is the fiscal year 2009 budget request adequate to meet the needs of all WIC eligible's in fiscal year 2009? Assume in this estimate, replenishment of the contingency reserve to $150 million for unexpected program needs and no NSA cap.

Response: As of July 2008, our analysis of participation and food cost data, updated with revised economic assumptions, suggest that program cost for FY 2009 will exceed levels estimated in the President's FY 2009 budget by approximately $456 million. This analysis includes using the contingency reserve of $150 million in FY 2009 to support participation, and includes the savings of approximately $150 million associated with the continuation of the FY 2009 proposal to cap the WIC administrative grant per participant. The additional information is provided below:

[The information follows:]

WIC Program Forecasts (as of June 30, 2008)		
	FY 2008	**FY 2009**
2008 Forecast Projections (updated monthly)		
Avg. Monthly Food Cost Per Person	$43.83	$45.37
Avg. Monthly NSA Cost Per Person	$15.85	$15.28
Avg. Monthly Participation (millions)	8.7	9.0
Additional Funding over Budget Authority		
Funds Needed to Serve All Projected Participants, (millions)	+ $150	+$456

Ms. DeLauro: Will FNS provide a revised budget request if it is determined that the submitted budget request will not be adequate to cover participation and food costs in fiscal year 2009?

Response: The decision to submit a revised budget request is based on many factors and is made by the senior management at USDA and the Office of Management and Budget. A revised estimate would be based on State projections for food benefit costs and participation for FY 2008 and there is always a level of uncertainty as to the future path of program participation and food cost growth. Analysis of this year-to-date WIC Program performance data remains less clear in its implications for FY 2009. As of the July 2008 monthly WIC report, our current analysis of participation and food cost data, updated with revised economic assumptions, suggest that program cost for FY 2009 will exceed levels estimated in the President's FY 2009 budget by approximately $456 million. As I have stated, the determination to seek

additional resources for FY 2009 is made within a process. We remain committed to working with Congress to find offsets within the overall Federal budget proposed by the President to ensure this important program is funded at the appropriate level.

Ms. DeLauro: Of the $150 million contingency funds FNS expects to use in fiscal year 2009, how much is estimated to be used for program benefits and how much for NSA costs? What would the amount be to fund the same estimated participation and food costs if they were provided in the program benefit amount rather than the contingency reserve, assuming the NSA formula now applies?

Response: The amounts would be the same. The assumption in the FY 2009 budget estimate is that the funds in the contingency reserve would be distributed through the WIC funding formula. Therefore, from either budget line, approximately $109 million would be used to fund program benefits and $41 million for NSA costs.

Ms. DeLauro: The Committee is interested in monitoring the implementation of the regulatory changes to the WIC food packages. Please provide the following information for the record: a) The planned implementation dates of the new food package for each participant category in each state; b) Each state's policies with regard to optional substitutions, including fresh bananas for infants; cheese, processed fruit and vegetables, whole grains, canned beans, and peanut butter for children; and cheese, tofu, soy milk, processed fruit and vegetables, whole grains, canned beans, and peanut butter for women; c) Each state's policies with regard to minimum vendor stocking requirements for fruits and vegetables; d) Each state's policies with regard to rounding up the number of cans of infant formula provided or the number of jars of baby food; and e) A summary of approved state plans for substitutions to allow for different cultural eating patterns.

Response: WIC State agencies must fully implement the food package revisions no later than October 1, 2009. The attached table indicates the anticipated implementation date for each State for each participant category. The implementation timeframes were determined by the State after assessing the changes that would be required to its management information system, the training needs of staff, vendors and participants, and development of a new State food list. The Food and Nutrition Service is providing technical assistance to WIC State agencies to assist them in implementing the interim rule by the deadline.

Most States do not plan to implement the changes until October 1, 2009. Therefore, FNS does not have information on States' policies and optional substitutions or vendor stocking requirements because States are currently developing those policies in consultation with vendors and other community partners.

The information is provided for the record.

[The information follows:]

WIC Food Package Implementation Dates

7/31/2008

WIC State Agency	Fully Formula Fed Infants	Fully Breastfed Infants	Fully Breastfeeding Women	Partially Breastfed Infants	Partially Breastfeeding Women	Pregnant Women	Postpartum Women	Children	Food Package III
Alabama	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Alaska	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
American Samoa	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Arizona	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Arkansas	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
California	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Colorado	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Commonwealth of Northern Marianas	No information provided								
Connecticut	No information provided								
Delaware	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009
District of Columbia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Florida	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Georgia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Guam	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Hawaii	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Idaho	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Illinois	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009
Indiana	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Iowa	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Kansas	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Kentucky	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009
Louisiana	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009
Maine	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Maryland	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Massachusetts	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Michigan	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Minnesota	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Mississippi	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Missouri	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2008	10/01/2008
Montana	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Nebraska	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Nevada	No information provided								
New Hampshire	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
New Jersey	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
New Mexico	11/01/2008	11/01/2008	05/01/2009	11/01/2008	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009
New York	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009
North Carolina	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
North Dakota	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009
Ohio	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Oklahoma	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009
Oregon	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Pennsylvania	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Puerto Rico	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Rhode Island	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
South Carolina	02/01/2009	02/01/2009	02/01/2009	02/01/2009	02/01/2009	02/01/2009	05/01/2009	08/01/2009	02/01/2009
South Dakota	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Tennessee	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Texas	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Utah	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Vermont	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Virgin Islands	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Virginia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Washington	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009
West Virginia	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Wisconsin	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Wyoming	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/10/2009	10/01/2009	10/01/2009

Ms. DeLauro: The Child Nutrition and WIC Reauthorization Act of 2004 provided that $30 million would be available each fiscal year for the costs of state Management Information Systems (MIS). With the uncertainty of the funding level needed to provide WIC benefits for all those that are eligible and with variable food costs, these MIS funds have been provided contingent upon the Contingency Reserve not being used to meet participation. Since then, only in FY 2006 were these funds released to the States for MIS. The President's budget request again does not request funding for MIS. IF MIS funds are not designated, NSA funds are going to be used to cover the cost of policy development, staff training, and participant education associated with the food package changes. As part of implementing the new food package changes, the States are required to develop new systems for processing the cash-value vouchers for fruits and vegetables. Where are the States going to get the funds for upgrading and reprogramming management information systems in fiscal year 2009 for the states to implement the changes to the WIC food package, especially if the NSA cap is enacted as requested in the President's budget? Is WIC MIS funding needed in FY 2009?

Response: Updating management information systems to incorporate the new WIC food package requirements is a critical component for the successful implementation of the food package rule. In FY 2008, the WIC Program allocated $1.4 million in infrastructure funds to State agencies to help offset costs to implement the new food package. For FY 2009, FNS expects that State agencies will use nutrition services and administration funding for costs associated with changes to the WIC food package, to include administrative activities such as policy development, staff training, and participant education, as well as enhancements and changes to management information systems.

COMMODITY ASSISTANCE PROGRAM

Ms. DeLauro: Provide a state-by-state breakout of all FMNP grants made to states in fiscal years 2006, 2007, and 2008.

Response: The information is provided for the record.

[The information follows:]

WIC Farmers' Market Nutrition Program

STATE AGENCY	FY 2006 PROGRAM GRANT	FY 2007 PROGRAM GRANT	FY 2008 PROGRAM GRANT
ALABAMA	$428,980	$393,238	$380,323
ALASKA	245,559	225,100	217,707
ARIZONA	256,824	235,426	227,694
ARKANSAS	207,434	190,151	183,906
CALIFORNIA	2,622,887	2,404,358	2,325,395
CHICKASAW, OK	75,000	75,000	75,000
CONNECTICUT	347,033	318,120	307,672
D.C.	329,589	302,128	292,205
5 SANDOVAL	6,337	6,337	6,337
FLORIDA	310,342	284,486	275,143
GEORGIA	1,102,499	1,016,142	982,769
GUAM	104,527	95,818	92,671
ILLINOIS	423,337	388,066	375,321
INDIANA	278,055	254,888	246,517
IOWA	542,988	497,748	481,400
KENTUCKY	245,535	225,077	217,685
LOUISIANA	6,667	6,667	6,667
MAINE	75,000	75,000	75,000
MARYLAND	373,382	342,273	331,032
MASSACHUSETTS	514,124	471,289	455,810
MICHIGAN	436,452	400,088	386,948
MINNESOTA	335,847	307,865	297,754
MISSISSIPPI	75,000	75,000	75,000
MISSOURI*	0	235,713	227,972
MS. CHOCTAWS	14,500	14,500	14,500
MONTANA	57,353	57,353	57,353
N. CAROLINA	309,433	283,652	274,336
NEW HAMPSHIRE	117,727	107,918	104,373
NEW JERSEY	1,343,170	1,231,261	1,190,823
NEW MEXICO	332,650	304,934	294,919
NEW YORK	3,769,708	3,455,625	3,342,131
OHIO	569,208	521,783	504,646
OREGON	400,053	366,722	354,678
OSAGE TRIBAL COUNCIL	31,325	31,325	31,325
PENNSYLVANIA	1,957,834	1,794,715	1,735,773
PUEBLO OF SAN FELIPE	8,666	8,666	8,666
PUERTO RICO	1,975,806	1,811,188	1,751,703
RHODE ISLAND	166,621	152,739	147,723
S. CAROLINA	140,747	129,021	124,784
TENNESSEE	81,000	75,000	75,000
TEXAS	1,397,010	1,280,615	1,238,556
VERMONT	75,000	75,000	75,000
VIRGINIA	328,468	301,101	291,212
WASHINGTON	643,471	589,859	570,486
WEST VIRGINIA	70,000	70,000	70,000
WISCONSIN	676,753	620,368	599,993
TOTALS	$23,809,901	$22,109,323	$21,401,908

* State agency declined to participate in FY 2006.

Ms. DeLauro: Provide a table that shows, by state, how funds were actually spent during fiscal year 2007 for the Commodity Assistance Program.

Response: The information is provided for the record.

[The information follows:]

CAP FUNDING IN FISCAL YEAR 2007
(Data in thousands of dollars)

State/ Territory	Total Commodity Assistance Program Funding*
Alabama	$1,173
Alaska	801
Arizona	5,010
Arkansas	823
California	30,202
Colorado	5,323
Connecticut	790
Delaware	192
District of Columbia	2,171
Florida	2,736
Georgia	2,673
Hawaii	147
Idaho	217
Illinois	5,975
Indiana	2,356
Iowa	1,794
Kansas	2,122
Kentucky	4,608
Louisiana	16,898
Maine	327
Maryland	1,123
Massachusetts	2,893
Michigan	21,804
Red Lake, Minnesota	22
Minnesota	4,700
Mississippi	2,657
Missouri	3,630
Montana	2,016
Nebraska	3,169
Nevada	1,791
New Hampshire	1,934
New Jersey	2,590
New Mexico	5,130
New York	15,216
North Carolina	2,204
North Dakota	774
Ohio	5,976
Oklahoma	556
Oklahoma Chickasaw	75
Oklahoma Osage Tribe	31
Oregon	1,376

CAP FUNDING IN FISCAL YEAR 2007
(Data in thousands of dollars)

State/ Territory	Total Commodity Assistance Program Funding*
Pennsylvania	7,647
Rhode Island	372
South Carolina	2,019
South Dakota	771
Oglala Sioux, South Dakota	147
Tennessee	4,701
Texas	11,746
Utah	354
Vermont	1,063
Virginia	1,363
Washington	2,525
West Virginia	464
Wisconsin	2,896
Wyoming	66
American Samoa	0
Guam	116
Marshall Islands	641
Northern Marianas	10
Puerto Rico	3,953
Virgin Islands	23
AMS/FSA/PCIMS Admin. Exp.	703
Anticipated Adjustment	-8,378
TOTAL	**199,207**

* CAP funding in fiscal year 2007 included the value of entitlement commodities in CSFP, administrative funding for CSFP and TEFAP, the Farmers' Market Nutrition Program, NSIP entitlement commodities, Nuclear Affected Island funding, and Disaster Assistance.
Includes $7,805,377 in TEFAP Food Stamp Commodity funds made available as Administrative funds.

Ms. DeLauro: Update the table that appears in the previous hearing record showing a breakout by state of CSFP funding to include fiscal years 2006 through 2008.

Response: The information is provided for the record.

[The information follows:]

Commodity Supplemental Food Program Funding

State/ Territory	Fiscal Year 2006* Food $	Fiscal Year 2006* Admin $	Fiscal Year 2007* Food $	Fiscal Year 2007* Admin $	Fiscal Year 2008** Food $	Fiscal Year 2008** Admin $
Alaska	371,558	130,334	386,462	53,376		134,803
Arizona	2,035,848	954,229	2,625,655	947,324		940,739
California	8,732,667	3,078,203	10,948,134	3,213,242		3,373,339
Colorado	3,486,385	1,193,799	3,984,538	507,118		1,104,198
District of Columbia	1,064,648	439,098	1,289,399	432,715		434,945
Illinois	1,566,885	885,767	2,361,511	877,716		869,405
Indiana	692,762	256,109	828,745	261,439		269,732
Iowa	539,480	222,652	621,189	227,180		216,086
Kansas	844,706	333,423	1,001,756	322,189		328,548
Kentucky	2,428,674	898,857	2,984,631	415,777		980,911
Louisiana	7,099,179	4,573,966	11,767,679	4,170,432		4,089,578
Michigan	12,256,759	4,490,742	14,641,739	4,682,278		4,861,625
Red Lake, Minnesota	15,218	5,841	15,722	6,091		6,204
Minnesota	2,324,495	802,557	2,841,403	839,427		881,829
Mississippi	1,096,827	449,711	1,480,156	417,710		437,969
Missouri	1,553,341	536,567	1,773,250	557,523		583,050
Montana	987,337	385,402	1,122,734	404,264		425,091
Nebraska	1,603,476	756,827	2,181,756	773,998		820,898
Nevada	905,066	352,044	1,020,383	357,959		371,461
New Hampshire	987,080	416,648	1,275,793	406,820		461,361
New Mexico	2,596,346	1,009,150	3,356,920	1,012,076		1,032,128
New York	5,186,593	1,804,443	5,887,599	1,854,311		1,947,032
North Carolina	139,047	74,583	196,218	74,995		75,126
North Dakota	413,889	160,216	507,301	167,127		175,413
Ohio	1,848,938	709,662	2,675,293	896,749		978,890
Oregon	208,709	78,299	220,456	42,958		84,166
Pennsylvania	2,185,205	835,702	2,751,828	871,403		912,209
South Carolina	530,160	212,744	676,809	221,224		232,192
South Dakota	420,473	160,962	518,430	121,252		176,228
Oglala Sioux, South Dakota	101,786	37,341	120,582	26,004		40,360
Tennessee	2,055,271	804,260	2,438,327	822,903		840,812
Texas	1,882,249	977,030	4,441,431	676,534		997,895
Vermont	567,935	246,524	660,234	243,093		233,132
Washington	356,362	132,094	522,885	197,906		228,871
Wisconsin	835,726	287,679	957,178	289,245		316,547
Exp***	695,476		702,682			
Anticipated Adjustment	13,135,299		-13,425,896	2,074,811		
TOTAL	**83,751,855**	**28,693,465**	**78,360,912**	**29,467,169**		**29,862,773**

* Excludes $5 million in FY 2006 and $6.3 million in FY 2007 in other costs (such as storage and transportation) for which state-level data are unavailable.

** Fiscal Year 2008 -- Figures for State food funds are not available at this time. Food funds reflect the value of food packages distributed during the course of the fiscal year. It remains to be seen how much food States will order and distribute to participants during fiscal year 2008.

***Refers to PCIMS/AMS/FSA/Computer Support charges that are subtracted from food funds.

Ms. DeLauro: Update the table that appears in the previous hearing record showing the amount of commodities purchased with appropriated funds, the amount of commodities donated to the program and a total to include fiscal years 2006 and 2007 actuals and fiscal year 2008 estimate.

Response: The information is provided for the record.

[The information follows:]

	2006 Actual	2007 Actual	2008 Estimated
RESOURCES--START OF YEAR:			
Appropriation	$108,285	$107,202	$140,700
Cash Carry-In/Recoveries	1,895	259	1,300
Rescission	-1,083	0	-985
Beginning Inventory (Federal-State-Local)	41,955	47,693	30,174
TOTAL RESOURCES	151,052	151,154	171,189
DEMAND:			
1. Program Performance Data:			
Caseload	492.613	485.614	473.473
Participation	462.349	466.094	474.642
Women-Infants-Children	*40.026*	*33.263*	*31.233*
Elderly	*422.323*	*432.831*	*443.4097*
Avg. Food Cost Person/Month (whole $):			
Women-Infants-Children	$21.96	$25.22	$27.26
FNS Funded	*17.03*	*21.92*	*24.45*
Free (donated)	*4.93*	*3.30*	*2.81*
Elderly	17.86	19.74	21.31
FNS Funded	*13.05*	*16.64*	*18.09*
Free (donated)	*4.81*	*3.10*	*3.22*
2. Food Costs:			
Food Distribution Costs	$74,316	$95,177	$105,419
Women-Infants-Children	*8,180*	*8,749*	*9,164*
Elderly	*66,136*	*86,428*	*96,255*
Commodity Administrative Costs	695	703	661
Total Food Costs	75,011	95,880	103,920
3. State Administrative Expenses	28,348	29,100	29,863
TOTAL DEMAND	$103,359	$124,980	$135,943
BALANCES--YEAR-END:			
Ending Inventory	47,693	30,174	35,246
COMMODITY ACTIVITY:			
Purchases	80,750	78,361	111,152

Ms. DeLauro: What bonus commodities did you distribute to the program in fiscal year 2007?

Response: In fiscal year 2007, the following bonus commodities were distributed for The Emergency Food Assistance Program (TEFAP): apple juice, applesauce, canned apricots, canned asparagus, frozen asparagus, green beans, beef stew, dried cherries, frozen cherries, cherry apple juice, canned chicken, geese, grape juice, grapefruit juice, lamb leg roast, lamb shoulder chops, tomatoes, instant nonfat dry milk, and peanut butter.

Ms. DeLauro: Were any TEFAP administrative funds returned to the U.S. Treasury in fiscal year 2007? If so, how much?

Response: TEFAP did not return administrative funds to the U.S. Treasury in FY 2007.

Ms. DeLauro: How much in TEFAP administrative funding was used to purchase additional commodities in fiscal year 2007?

Response: In FY 2007, $0.1 million of TEFAP administrative funding was used to purchase additional commodities at the request of the States.

Ms. DeLauro: Provide a table for the record, by state, which includes grants for the Senior Farmers Market Nutrition Program for fiscal years 2006, 2007, and 2008.

Response: The information is provided for the record.

[The information follows:]

SFMNP Funding - FYs 2006 - 2008

STATE	FY 2006	FY 2007	FY 2008
Alabama	$962,045	$982,673	$1,732,673
Alaska	67,822	69,276	92,065
Arizona *	0	0	161,111
Arkansas	92,679	94,666	119,666
California	647,870	661,762	809,837
Chickasaw Nation of Oklahoma	139,347	142,335	177,985
Colorado **	14,430	0	0
Connecticut	87,688	87,688	87,688
District of Columbia	136,989	139,926	154,926
Five Sandoval Indian Pueblos, Inc.	19,240	19,240	19,240
Florida	92,911	94,903	104,903
Georgia*	0	93,615	250,000
Grand Traverse Band of Ottawa & Chippewa Indians	8,363	8,542	9,592
Hawaii	553,412	553,412	553,412
Illinois	747,695	747,695	852,695
Indiana	38,902	39,736	59,604
Iowa	538,745	550,297	573,087
Kansas	188,580	188,580	188,580
Kentucky	265,815	271,515	316,371
Louisiana	268,972	269,972	418,972
Maine	859,035	877,454	997,454
Maryland	110,258	112,622	224,622
Massachusetts	54,741	55,915	555,915
Michigan	72,154	73,701	241,701
Minnesota	95,989	95,989	118,536
Mississippi Band of Choctaw Indians	14,637	14,951	28,451
Mississippi	67,344	68,788	102,388
Montana	41,669	42,562	101,920
Nebraska	241,595	246,775	246,775
Nevada	136,205	139,125	164,125
New Hampshire	72,869	74,431	101,431
New Jersey	657,182	671,273	1,171,273
New Mexico *	0	0	337,004
New York	1,442,159	1,473,083	1,906,553
North Carolina	42,582	43,495	86,083
Ohio	1,259,367	1,286,370	1,719,840
Oregon	742,866	758,794	906,879
Osage Tribal Council	29,507	30,140	38,140
Pennsylvania	1,443,068	1,473,011	1,907,481
Pueblo of San Felipe	15,932	16,274	17,474
Puerto Rico	904,978	924,382	1,000,000
Rhode Island	191,015	191,015	276,740
Standing Rock *	0	0	22,200
South Carolina	625,329	638,737	638,737
Tennessee	485,477	495,887	545,887
Vermont	83,979	83,979	91,479
Virginia	405,639	414,337	474,337
Washington	119,024	121,576	241,576
West Virginia	494,630	494,630	544,630
Wisconsin	262,883	268,520	343,944
Total	$15,843,618	$16,203,649	$21,835,982

* New State Agency

** State agency will not participate in FY 2008

*** Includes recovered unspent SFMNP funds from previous fiscal year and expansion funds from FY 08 Farm Bill

Ms. DeLauro: Provide a table for the record, by state, which includes funding for the Commodity Supplemental Food Program for fiscal years 2006, 2007 and 2008.

Response: The information is provided for the record.

[The information follows:]

Commodity Supplemental Food Program Funding

State/ Territory	Fiscal Year 2006* Food $	Fiscal Year 2006* Admin $	Fiscal Year 2007* Food $	Fiscal Year 2007* Admin $	Fiscal Year 2008** Food $	Fiscal Year 2008** Admin $
Alaska	371,558	130,334	386,462	53,376		134,803
Arizona	2,035,848	954,229	2,625,655	947,324		940,739
California	8,732,667	3,078,203	10,948,134	3,213,242		3,373,339
Colorado	3,486,385	1,193,799	3,984,538	507,118		1,104,198
District of Columbia	1,064,648	439,098	1,289,399	432,715		434,945
Illinois	1,566,885	885,767	2,361,511	877,716		869,405
Indiana	692,762	256,109	828,745	261,439		269,732
Iowa	539,480	222,652	621,189	227,180		216,086
Kansas	844,706	333,423	1,001,756	322,189		328,548
Kentucky	2,428,674	898,857	2,984,631	415,777		980,911
Louisiana	7,099,179	4,573,966	11,767,679	4,170,432		4,089,578
Michigan	12,256,759	4,490,742	14,641,739	4,682,278		4,861,625
Red Lake, Minnesota	15,218	5,841	15,722	6,091		6,204
Minnesota	2,324,495	802,557	2,841,403	839,427		881,829
Mississippi	1,096,827	449,711	1,480,156	417,710		437,969
Missouri	1,553,341	536,567	1,773,250	557,523		583,050
Montana	987,337	385,402	1,122,734	404,264		425,091
Nebraska	1,603,476	756,827	2,181,756	773,998		820,898
Nevada	905,066	352,044	1,020,383	357,959		371,461
New Hampshire	987,080	416,648	1,275,793	406,820		461,361
New Mexico	2,596,346	1,009,150	3,356,920	1,012,076		1,032,128
New York	5,186,593	1,804,443	5,887,599	1,854,311		1,947,032
North Carolina	139,047	74,583	196,218	74,995		75,126
North Dakota	413,889	160,216	507,301	167,127		175,413
Ohio	1,848,938	709,662	2,675,293	896,749		978,890
Oregon	208,709	78,299	220,456	42,958		84,166
Pennsylvania	2,185,205	835,702	2,751,828	871,403		912,209
South Carolina	530,160	212,744	676,809	221,224		232,192
South Dakota	420,473	160,962	518,430	121,252		176,228
Oglala Sioux, South Dakota	101,786	37,341	120,582	26,004		40,360
Tennessee	2,055,271	804,260	2,438,327	822,903		840,812
Texas	1,882,249	977,030	4,441,431	676,534		997,895
Vermont	567,935	246,524	660,234	243,093		233,132
Washington	356,362	132,094	522,885	197,906		228,871
Wisconsin	835,726	287,679	957,178	289,245		316,547
Exp***	695,476		702,682			
Anticipated Adjustment	13,135,299		-13,425,896	2,074,811		
TOTAL	**83,751,855**	**28,693,465**	**$78,360,912**	**$29,467,169**		**$29,862,773**

* Excludes $5 million in FY 2006 and $6.3 million in FY 2007 in other costs (such as storage and transportation) for which state-level data are unavailable.

** Fiscal Year 2008 -- Figures for State food funds are not available at this time. Food funds reflect the value of food packages distributed during the course of the fiscal year. It remains to be seen how much food States will order and distribute to participants during fiscal year 2008.

***Refers to PCIMS/AMS/FSA/Computer Support charges that are subtracted from food funds.

Ms. DeLauro: Do any states have approved plans for CSFP but are not yet participating? What is their requested caseload?

Response: Five States have approved plans for CSFP but are not yet participating: Delaware, Arkansas, Oklahoma, New Jersey, and Utah. Delaware requested a total of 2,500 caseload slots; Arkansas, Oklahoma and New Jersey each requested 5,000 slots; and Utah requested 10,000 slots.

Ms. DeLauro: Please update the table in the previous hearing record providing resources and demand for CSFP. Include in this table fiscal year 2009 estimates based on a caseload of 473,473.

Response: The information is provided for the record.

[The information follows:]

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

(IN THOUSANDS)

	2007 Actual	2008 Estimated	2009 Estimated
RESOURCES--START OF YEAR:			
Appropriation	$107,202	$140,700	$160,831
Cash Carry-In/Recoveries	259	1,300	0
Rescission	0	(985)	0
Beginning Inventory	47,693	30,174	36,239
TOTAL RESOURCES	155,154	171,189	197,070
DEMAND:			
1. Program Performance Data:			
Caseload	485.614	473.473	473.473
Participation	466.094	474.642	471.106
Women-Infants-Children	*33.263*	*31.233*	*28.110*
Elderly	*432.831*	*443.409*	*442.996*
Avg. Food Cost Person/Month (whole $):			
Women-Infants-Children	$25.22	$27.26	$29.84
FNS Funded	*21.92*	*24.45*	*28.61*
Free (donated)	*3.30*	*2.81*	*1.23*
Elderly	19.74	21.31	23.32
FNS Funded	*16.64*	*18.09*	*21.91*
Free (donated)	*3.10*	*3.22*	*1.41*
2. Food Costs:			
Food Distribution Costs	$95,177	$105,419	$126,124
Women-Infants-Children	*8,749*	*9,164*	*9,651*
Elderly	*86,428*	*96,255*	*116,473*
Commodity Admin. Costs	703	661	661
Total Food Costs	95,880	106,080	126,785
3. State Admin. Expenses	29,100	29,863	31,192
TOTAL DEMAND	$124,980	$135,943	$157,977
BALANCES--YEAR-END:			
Ending Inventory	30,174	35,246	39,093
COMMODITY ACTIVITY:			
Purchases	78,361	111,152	129,639

Note: State Administrative expenses are determined by a legislated rate per caseload slot with annual inflation. This grant is $59.71 for FY 2007 and $62.72 for FY 2008. Based on current BEA data, FY 2009 is estimated at $65.88. Fiscal year grant levels must be applied to the appropriate blend of calendar year caseload grants to determine total State Administrative Expense.

Ms. DeLauro: What is the estimated funding needed to fully fund a CSFP caseload of 473,473? What would be the estimated commodity draw down?

Response: The estimated cost of fully funding the 2008 caseload of 473,473 in fiscal year 2009 is $163.2 million.

The estimate assumes a slight increase in ending inventory to ensure a seamless transition of program operations from FY 2009 into FY 2010. The ending inventory is essentially a "rolling" inventory largely represented by foods purchased and/or delivered late in the last quarter of one fiscal year for distribution in the first quarter of the next fiscal year. This practice is necessary to ensure continuity of service to participants as we transition across fiscal years. The estimate reflects anticipated increases in food costs and administrative funding, and anticipated reductions in the availability of surplus commodities. The availability of surplus commodities is difficult to anticipate in advance.

Ms. DeLauro: Please explain how many people, not caseload, were cut from the program in fiscal year 2007. Please provide these numbers by state. What were the reasons for the cuts?

Response: The Revised Continuing Appropriations Resolution, 2007, provided $107.202 million to support the CSFP, equal to FY 2006. Resources available were sufficient to support a nationwide caseload level of 485,614 slots, a slight reduction from the 492,613 slots allocated nationally in 2006. This slight reduction in nationwide caseload was due to increases in food costs, a reduction in surplus foods available to support the CSFP food package, and the statutorily-mandated inflationary increase in the administrative grant per assigned caseload slot.

Based on available resources, all participating States received a base caseload in 2007 that equaled the higher of: (1) average monthly participation for the previous FY or (2) average monthly participation for the fourth quarter of the previous FY. In accordance with Federal regulations, each State's base caseload cannot exceed its total caseload for the previous caseload cycle. After allocating base caseload, remaining resources were used to allocate a minimal number of additional caseload slots to currently participating States showing exceptional performance in the prior year.

The table that is provided for the record, compares CSFP State-by-State FY 2006 average monthly participation to each State's 2007 final caseload allocations. In many cases, the average participation for FY 2006 was less than or equal to the final caseload assignments for 2007. Negative numbers are generally attributable to States exceeding their 2006 assigned caseload rather than reductions required by reduced assignments for FY 2007.

[The information follows:]

CSFP State	FY 2006 Avg. Participation	2007 Final Caseload	Difference
Alaska	2,433	2,277	-156
Arizona	15,825	16,625	800
California	54,687	53,827	-860
Colorado	18,844	18,844	0
D.C.	7,121	7,121	0
Illinois	14,463	14,463	0
Indiana	4,358	4,358	0
Iowa	3,781	3,781	0
Kansas	5,571	5,763	192
Kentucky	15,814	15,652	-162
Louisiana 1/	48,387	66,206	17,819
Michigan	80,147	78,430	-1,717
Minnesota	14,400	14,071	-329
Mississippi	7,120	6,996	-124
Missouri	9,730	9,374	-356
Montana	6,878	6,783	-95
Nebraska	13,020	13,770	750
Nevada	5,830	5,982	152
New Hampshire	6,919	7,619	700
New Mexico	17,260	16,950	-310
New York	31,719	31,068	-651
North Carolina	1,249	1,249	0
North Dakota	2,881	2,799	-82
Oglala Sioux	627	725	98
Ohio	12,493	15,892	3,399
Oregon	1,512	1,418	-94
Pennsylvania	14,945	14,600	-345
Red Lake	105	102	-3
South Carolina	3,683	3,705	22
South Dakota	2,854	2,812	-42
Tennessee	13,721	13,721	0
Texas	12,404	15,923	3,519
Vermont	4,005	4,005	0
Washington	2,307	3,652	1,345
Wisconsin	5,260	5,051	-209
TOTAL	**462,353**	**485,614**	**+23,261**

1/Due to the disruption and negative impact of the 2005 hurricanes, Louisana's 2007 base caseload equaled average monthly participation over the previous two FYs, including a proxy participation figure for September 2005.

Ms. DeLauro: How many months of commodity inventory remained at the end of fiscal year 2007 in the Commodity Supplemental Food Program? What happens to the inventory if the program were to cease as proposed by the President's budget?

Response: At the end of fiscal year 2007, 3.22 months of commodity inventory remained in the CSFP.

Should Congress choose to adopt the President's fiscal year 2009 budget request, any commodities remaining in CSFP inventories will be made available for distribution through TEFAP.

Ms. DeLauro: Have food orders for the first quarter of fiscal year 2009 been placed for the Commodity Supplemental Food Program? Since the budget eliminated funding for CSFP, and no appropriation has been enacted, how is this process being handled given the uncertainty of funding for this program in fiscal year 2009?

Response: Food orders have not yet been placed for the first quarter of FY 2009 for CSFP. To the extent that they are not needed to support the program in FY 2008, commodities in inventory at the Federal, State or local level and commodities purchased in the last quarter of FY 2008 will be carried over into FY 2009 to support the program. Should Congress support the President's FY 2009 budget request which would cease program operations, excess inventory would be transferred for distribution through TEFAP.

Ms. DeLauro: What are some of the reasons that people who participate in the CSFP might not be eligible to participate in the Food Stamp Program? Would the receipt of SSI payments make current CSFP participants ineligible for the FSP?

Response: Some current CSFP participants are ineligible for Food Stamp Program benefits because their income or resource holdings exceed FSP limits. If CSFP were to be terminated, these individuals would be subject to the same rules that apply to others living in similar circumstances, including millions of low-income elderly who are currently unable to participate in the CSFP because it is not available in their area.

California is the only State in which Supplemental Security Income (SSI) recipients are not eligible - by law - to receive food stamp benefits. This is the result of the State's choice to augment with State funds recipients' SSI payments in place of providing food stamp benefits. Elderly CSFP participants in California who also receive SSI will receive the same $20 monthly transition benefit available to other elderly CSFP participants who are not receiving food stamps when CSFP ends.

In the rest of the country, receipt of SSI benefits will not automatically make current CSFP participants ineligible for food stamp benefits. In some cases, receipt of SSI payments, in combination with other income, may lift a household's overall income above the food stamp income limits, making them ineligible for benefits.

Ms. DeLauro: How many CSFP participants do you estimate will participate in the FSP or the WIC program? What amounts are requested in the FSP and the WIC program for the additional participants moving over from the CSFP program? Please list all increases in the FNS budget related to this proposal. Of the participants that you assume will not be eligible for either the FSP or WIC, please list the age range and reason you assume they will not be eligible. How will women, infants and children that participated in the CSFP be covered under this proposal?

Response: We expect that 104,000 current CSFP participants will make the transition to food stamps - increasing the total number of former CSFP participants served by the Food Stamp Program to 205,000. The budget requests $2 million to provide outreach and $20 million for a transitional benefit to encourage all eligible elderly CSFP participants to make the transition to the Food Stamp Program. The budget also requests $52 million for food stamp benefits for the expected number of new participants. We are prepared to use the requested benefit reserve if necessary to support participation by all those who are eligible.

CSFP women, infants and children participants who are eligible for WIC benefits will be referred to that program. The total funding requested for the WIC Program includes sufficient funds to ensure services for approximately 23,000 new participants. WIC participation will provide these new participants stronger nutrition education, more active referrals to needed health care resources, and higher supplemental food benefits than the CSFP.

Based on general information about all low-income elderly, we expect that about 105,000 out of the projected 434,000 elderly CSFP participants will not be eligible for food stamps. This is because they hold countable assets that would put them over the Food Stamp Program's resource limit. Two groups of CSFP participants are ineligible for WIC benefits: children between the ages of 5 and 6 years, and women who are 6 to 12 months postpartum but not breastfeeding.

Ms. DeLauro: How would the provision in the FSP allowing CSFP participants that are 60 years of age or older be implemented? Would CSFP participants that were removed from the program in fiscal year 2009 be eligible?

Response: The President's budget requests funds to support the transition of elderly CSFP participants to the Food Stamp Program. The budget request includes $2 million to provide outreach in those States where CSFP exists and to assist CSFP individuals enrolling in the Food Stamp Program. Elderly participants who are leaving the CSFP upon the termination of its funding and who are not already receiving Food Stamp Program benefits will be eligible to receive a transitional benefit of $20 per month. This transition benefit will end in the first month following enrollment in the Food Stamp Program under normal program rules, or in 6 months, whichever occurs first. We will work diligently with our State and local partners to make the transition as smooth as possible.

CSFP participants who are removed from the program in FY 2009 would receive the transitional benefit if they were participating at the point of CSFP termination. Many of them could be eligible for the Food Stamp Program under normal program rules, as long as they meet the program's income and asset requirements.

Ms. DeLauro: The Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, 2006, provided $6 million for The Emergency Food Assistance Program. Language was also included to provide flexibility for implementing the emergency funding. Please describe to the Subcommittee how the Food and Nutrition Service implemented this disaster funding. Which states received assistance and how much was provided to each state? Have all funds been used? What is the balance as of the end of fiscal year 2007, if any?

Response: The supplemental assistance was provided to the State agencies that administer the Emergency Food Assistance Program in nine States. These included the five States directly affected by Hurricanes Katrina and Rita and the four States that received the greatest numbers of Katrina evacuees: Alabama, Arkansas, California, Florida, Georgia, Louisiana, Mississippi, Tennessee, and Texas.

The supplemental assistance was allocated according to the Federal disaster or emergency declarations that were filed by persons within each of those

States. Assistance was offered in the form of commodities, but States had the option to convert any portion of their resources to administrative funds, with appropriate justification. The two hardest-hit States, Louisiana and Mississippi, received approximately 75 percent of the supplemental resources, and elected to receive some of their assistance as administrative funds. The chart below displays the amounts provided to each State:

State	Commodities	Administrative Funds	Total
Alabama	$495,479	0	$495,479
Arkansas	37,989	0	37,989
California	56,412	0	56,412
Florida	103,535	0	103,535
Georgia	139,906	0	139,906
Louisiana	1,794,828	884,020	2,678,848
Mississippi	1,744,025	92,214	1,836,239
Tennessee	57,513	0	57,513
Texas	594,079	0	594,079
Totals:	5,023,766	976,234	6,000,000

All of these resources have been expended.

FOOD STAMP PROGRAM

Ms. DeLauro: Provide a list of states that have approved nutrition education plans and what is the total in federal expenditures for food stamp nutrition education in fiscal years 2007 and 2008 by state.

Response: In FY 2007, 52 State agencies had approved nutrition education plans with Federal expenditures (including outlays and unliquidated obligations) equaling $249,642,189. Data available for FY 2008 is from States' approved budgets plus any pending amounts, which represents $312,845,963 in Federal reimbursement. Approximately, $45 million of that total has been expended to date. More complete expenditure data for FY 2008 will be available in April 2009. The following chart presents food stamp nutrition education expenditures by State for FY 2007 and approved budget amounts for FY 2008. Please note that these numbers reflect the Federal reimbursement amount for half of the States' total costs of food stamp nutrition education.

[The information follows:]

TABLE I. Federal Expenditures For Food Stamp Nutrition Education By State

State/Region	FY 2007* FSP Nutrition Education Federal Expenditures	FY 2008** FSP Nutrition Education Estimated Expenditures
Connecticut	1,979,514	2,470,794
Maine	4,023,451	4,613,528
Massachusetts	1,916,629	2,380,243
New Hampshire	741,754	801,256
New York	10,331,225	14,487,706
Rhode Island	550,372	1,116,414
Vermont	27,500	33,001
Delaware	206,388	215,163
District of Columbia	828,109	1,889,510
Maryland	1,329,736	2,045,640
New Jersey	4,034,034	5,653,448
Pennsylvania	9,817,687	16,592,222
Virgin Islands	14,799	97,485
Virginia	3,272,744	5,192,817
West Virginia	1,431,312	1,843,396
Alabama	2,101,786	2,276,108
Florida	1,030,284	2,485,402
Georgia	6,452	1,059,109
Kentucky	1,432,519	6,933,200
Mississippi	1,519,429	1,383,365
North Carolina	715,553	1,494,686
South Carolina	133,832	115,170
Tennessee	4,234,925	2,492,000
Illinois	7,694,685	8,835,197
Indiana	2,441,971	3,755,240
Michigan	8,943,795	22,788,370
Minnesota	6,288,344	7,779,672
Ohio	1,390,482	2,277,760
Wisconsin	6,721,697	8,645,860
Arkansas	1,205,621	1,379,998
Louisiana	1,623,764	1,985,621
New Mexico	2,361,523	2,479,600
Oklahoma	3,170,500	4,190,152
Texas	4,209,401	4,444,752
Colorado	2,933,444	2,859,748
Iowa	1,461,000	1,941,098
Kansas	2,176,803	2,358,143
Missouri	6,975,064	8,069,156
Montana	532,215	678,216
Nebraska	1,139,619	1,279,765
North Dakota	1,397,065	1,636,535
South Dakota	371,575	482,254
Utah	585,338	621,000
Wyoming	1,756,490	2,320,376
Alaska	142,173	324,662
Arizona	8,055,339	13,020,826
California	112,714,178	112,316,004
Guam	--	0
Hawaii	322,531	2,021,020
Idaho	568,898	830,712
Nevada	545,416	1,200,414
Oregon	3,211,360	6,344,562
Washington	7,021,864	8,307,587
US	**$249,642,189***	**$312,845,963****

*** Federal Expenditures include outlays and unliquidated obligations**

**** Approved budgets plus pending amounts. Expenditure data for FY 2008 available approximately April 2009**

Ms. DeLauro: Update the table that appears in the previous hearing record to include fiscal year 2007 on food stamp over-issuance.

Response: The information is submitted for the record:

[The information follows:]

Over-issuances and Claims Collections (dollars in millions)			
Fiscal Year	Estimated Over-issuances	Claim Collections	Difference
1994	1,740	148	1,592
1995	1,662	149	1,513
1996	1,552	172	1,380
1997	1,424	186	1,238
1998	1,289	199	1,090
1999	1,106	213	893
2000	976	219	757
2001	1,005	208	796
2002	1,123	209	914
2003	1,080	207	873
2004	1,103	202	901
2005	1,174	207	967
2006	1,192	223	969
2007	1,212	213	999

Ms. DeLauro: It is the responsibility of FNS to review stores' requests for authorization to participate in the Food Stamp Program, review their redemption patterns, and investigate questionable transactions. How much of FNS' budget is dedicated to these activities in the fiscal year 2009 request? How much was spent in fiscal year 2007 and 2008 (estimated)? What process is used to investigate questionable transactions? How many staff are devoted to this activity? If FNS finds evidence of unauthorized participation in the Food Stamp Program, does the Agency attempt to recoup losses?

Response: For FY 2008, FNS anticipates the financial cost for the estimated 193 staff years dedicated to reviewing stores' requests for authorization to participate in the Food Stamp Program, reviewing their redemption patterns, and investigate questionable transactions to be approximately $23.4 million. Specifically, these activities include regional and field office staff who authorize and monitor stores as well as take compliance action against stores, if needed; headquarters staff who establish policy and provide operational support for retailer-related activities; and Retailer Investigations Branch (RIB) staff who carry out on-site investigations or provide management/support to the investigators. In FY 2007, FNS projected the financial cost for the estimated 197 staff years dedicated to this activity to be approximately $23.1 million. FNS is projecting that the FY 2009 staffing level will remain close to the FY 2008 level.

In FY 2008 $11.2 million in contractual costs was for the following: 1) the automated Anti-Fraud Locator Using EBT Retailer Transactions (ALERT) system contract to analyze EBT data to identify potential fraud activity; 2) technical support to continue phased enhancement of the Store Tracking and Redemption System (STARS); 3) contractual support for the current STARS

system; 4) maintenance of the retailer operations center; and, 5) the Store Visit Contracts, which provide support to the field offices in determining store eligibility. In FY 2007 $11.4 million was made available for these items.

The agency uses several approaches to investigate retailer fraud. Through the ALERT system, we assess and analyze approximately 110 million individual EBT transactions per month to identify retail firms with suspicious patterns of food stamp benefit redemptions. As a result, the government has been better able to target its compliance efforts towards stores with concrete evidence of violations. Regional, Field Office and Retailer Investigations Branch staff review ALERT results on an ongoing basis and follow up with compliance action based on ALERT data analysis or in-person investigations. In addition, investigators from the USDA's Office of Inspector General access transaction data during the conduct of criminal investigations of potential retailer fraud, and State agencies access transaction data to assist them in monitoring recipient fraud. The agency is also utilizing a statistical data warehouse to begin advanced statistical methods of data analysis.

In FY 2007, there were a total of 3,834 investigations completed by FNS' Retailer Investigations Branch. Thirty-four percent of those resulted in positive investigations or some type of violation action by the retailer. By the end of the second quarter of FY 2008, approximately 1,700 investigations had been completed.

At the end of FY 2007 165,521 stores were authorized to receive food stamp benefits. As of June 1, 2008, there are close to 170,000 stores authorized. In addition to on-site investigations, FNS field office staff also conduct compliance activity, including follow-up with retailers as a result of compliance investigations, fraud analyses of EBT transaction (ALERT) data, and imposing sanctions against stores violating the program.

In FY 2007 there were a total of 1,364 sanctions against retailers. Of these, 673 were permanent disqualifications for trafficking and were the result of either an on site investigation or EBT transactional analysis. An additional 30 retailers were prosecuted criminally for Food Stamp Program fraud. As of second quarter FY 2008, 627 sanctions were assessed against retailers including 370 permanent disqualifications.

The Food Stamp Act and the Food Stamp Program regulations give FNS the authority to impose monetary penalties against retailers who violate the Food Stamp Program. Food stamp violations can be discovered during an on-site investigation conducted by FNS personnel and/or other law enforcement entities, or through an analysis of questionable EBT transaction data. The type of monetary penalty imposed depends on the type of violation, the severity of the violation and, in some cases, the amount of food stamp redemptions at the time of the violation. Civil money penalties, fines, and fiscal claims are the administrative sanctions that are imposed by FNS against violating retailers.

To date, civil money penalties have been imposed in lieu of a disqualification action under limited circumstances. Fines are imposed against unauthorized firms that accept food stamp benefits. However, the Food, Conservation and Energy Act of 2008 has broadened FNS authority to assess monetary penalties in addition to and in lieu of administrative disqualification. FNS implementing regulations will follow.

In FY 2007, FNS collected a total of $362,860 in civil money penalties. To date in FY 2008, FNS has collected $469,362. In addition to these actions, a fiscal claim may also be established to recoup the full value of any misused food stamp benefits identified during an investigation. FNS collects the monetary penalties when assessed and returns those funds to Treasury. The monetary penalties assessed by FNS that become delinquent are referred to the Department of Treasury.

USDA has developed a method to estimate the extent of food stamp trafficking and released four prevalence estimates. The most recent one, released in December 2006, covers the period between 2002 and 2005 and is based on case actions against food retailers. These data show that significant progress has been made, program integrity has improved substantially, and the rate of trafficking (i.e., a comparison of dollars trafficked to food stamp benefits issued) continues to decline. Between the 1999-2002 and 2002-2005 reports, trafficking has decreased by more than 50 percent. The current trafficking rate has dropped from two and one-half cents to about one cent on the dollar.

Ms. DeLauro: Provide a table of all Indian tribes and their locations that are participating in the fresh produce to FDPIR to include fiscal year 2007.

Response: In FY 2007, 86 percent of the Indian and Tribal Organizations (ITOs) and State agencies that administer the Food Distribution Program on Indian Reservations (FDPIR) distributed fresh produce. An additional 4 percent were approved but did not order fresh produce in FY 2007, and 10 percent have not requested participation in the Fresh Produce Program. Chart A identifies those that were operational in fiscal year 2007. Chart B identifies those that were approved but did not order fresh produce in FY 2007. The information is submitted for the record.

[The information follows:]

Food Distribution Program on Indian Reservations
Fresh Produce Program
Fiscal Year 2007

Chart A: Operational Programs

Indian Tribal Organization	City	State
Southeast		
North Carolina Department of Agriculture and Consumer Services/Cherokee Tribe of North Carolina	Cherokee	NC
Mississippi Band of Choctaw Indians	Choctaw	MS
Midwest		
Bay Mills Indian Community	Brimley	MI
Sault Ste. Marie Tribe of Chippewa Indians	Sault Ste. Marie	MI
Keweenaw Bay Indian Community	L'Anse	MI
Pokagon Potawatomi Indians	Dowagiac	MI
Fond du Lac Reservation Business Committee	Cloquet	MN
Leech Lake Band of Ojibwe	Cass Lake	MN
Bois Forte Reservation Business Committee	Nett Lake	MN
White Earth Band of Chippewa	Mahnomen	MN
Lac Courte Oreilles Tribal Governing Board	Hayward	WI
Oneida Tribe of Indians of Wisconsin	Oneida	WI
Stockbridge-Munsee Community	Bowler	WI
Bad River Band of Lake Superior Tribe of Chippewa Indians	Odanah	WI
St. Croix Tribal Council	Webster	WI
Red Cliff Bans of Lake Superior Chippewa Indians	Bayfield	WI
Lac du Flambeau Band of Lake Superior Chippewa Indians	Lac du Flambeau	WI
Sokaogon Chippewa Community	Crandon	WI
Menominee Indian Tribe of Wisconsin	Keshena	WI
Ho Chunk Nation	Black River Falls	WI

Indian Tribal Organization	City	State
Southwest		
Five Sandoval Indian Pueblos, Inc.	Bernalillo	NM
Eight Northern Indian Pueblos Council	San Juan Pueblo	NM
Pueblo of Zuni	Zuni Pueblo	NM
Pueblo of Acoma	Acoma	NM
Comanche Tribe of Oklahoma	Lawton	OK
Chickasaw Nation of Oklahoma	Ada	OK
Muscogee (Creek) Nation	Okmulgee	OK
Wichita and Affiliated Tribes	Anadarko	OK
Choctaw Nation of Oklahoma	Durant	OK
Inter-Tribal Council, Inc.	Miami	OK
Sac and Fox Nation of Oklahoma	Stroud	OK
Pawnee Tribe of Oklahoma	Pawnee	OK
Cherokee Nation of Oklahoma	Tahlequah	OK
Ponca Tribe of Oklahoma	Ponca City	OK
Kiowa Tribe of Oklahoma	Carnegie	OK
Apache Tribe of Oklahoma	Anadarko	OK

Seminole Nation of Oklahoma	Seminole	OK
Cheyenne and Arapaho Tribes of Oklahoma	Watonga	OK
Osage Tribe of Oklahoma	Hominy	OK
Mountain Plains		
Ute Mountain Tribe of Indians	Towaoc	CO
Southern Ute Indian Tribe	Ignacio	CO
United Tribes of Kansas and SE Nebraska	White Cloud	KS
Prairie Band of Potawatomi Nation	Mayetta	KS
Kickapoo Tribe in Kansas	Horton	KS
Gros Ventre and Assiniboine Tribes	Harlem	MT
Assiniboine and Sioux Tribes	Poplar	MT
Crow Tribe	Hardin	MT
Confederated Salish and Kootenai Tribes of the Flathead Nation	St. Ignatius	MT
Chippewa-Cree Tribe	Box Elder	MT
Northern Cheyenne Tribe	Lame Deer	MT
Blackfeet Nation	Browning	MT
Trenton Indian Service Area	Trenton	ND
Spirit Lake Sioux Tribe	Fort Totten	ND
Mandan, Hidsata and Arikara Nation	New Town	ND
Turtle Mountain Band of Chippewa Indians	Belcourt	ND
Standing Rock Sioux Tribe	Fort Yates	ND
Omaha Tribe of Nebraska	Macy	NE
Santee Sioux Nation	Niobrara	NE
Winnebago Tribe of Nebraska	Winnebago	NE
Rosebud Sioux Tribe	Mission	SD
Cheyenne River Sioux Tribe	Eagle Butte	SD
Yankton Sioux Tribe	Wagner	SD
Oglala Sioux Tribe	Pine Ridge	SD
Lower Brule Sioux Tribe	Lower Brule	SD
Sisseton-Wahpeton Oyate	Agency Village	SD
Crow Creek Sioux Tribe	Fort Thompson	SD
Ute Tribe	Fort Duchesne	UT
Shoshone Tribe	Fort Washakie	WY
Arapaho Tribe	Riverton	WY
Indian Tribal Organization	**City**	**State**
Western		
Gila River Indian Community	Sacaton	AZ
San Carlos Apache Tribe	San Carlos	AZ
White Mountain Apache Tribe	Whiteriver	AZ
Colorado River Indian Tribes	Parker	AZ
Southern California Tribal Chairmen's Association	Valley Center	CA
Sherwood Valley Band of Pomo Indians	Willits	CA
Hoopa Valley Tribe	Hoopa	CA
Yurok Tribe	Crescent City	CA
Riverside/San Bernardino County Health	Beaumont	CA
Ft. Mojave Indian Tribe	Needles	CA
Tule River Tribe	Porterville	CA
Coeur D'Alene Tribe of Idaho	Plummer	ID
Shoshone-Bannock Tribes	Fort Hall	ID
Nez Perce Tribe of Idaho	Lapwai	ID
Nevada State Department of Administration	Reno	NV
Shoshone-Paiute Tribal Council	Owyhee	NV
Yerington Paiute Tribe	Yerington	NV

Warm Springs Confederated Tribes	Warm Springs	OR
Klamath Tribe	Klamath Falls	OR
Siletz Confederated Indian Tribes	Siletz	OR
Lummi Indian Tribe	Bellingham	WA
South Puget Inter-Tribal Planning Agency	Shelton	WA
Quileute Indian Tribe	La Push	WA
Colville Confederated Tribes	Nespelem	WA
Yakama Indian Nation	Toppenish	WA
Small Tribes of Western Washington	Lakewood	WA
Makah Tribal Tribe	Neah Bay	WA

Chart B: Approved, But Did Not Order Fresh Produce in Fiscal Year 2007

Indian Tribal Organization	City	State
Northeast		
St. Regis Mohawk Tribe	Hogansburg	NY
Midwest		
Little Traverse Bay Band of Odawa Indians	Harbor Springs	MI
Little River Band of Ottawa Indians	Manistee	MI
Western		
Oregon Housing and Community Services/ Confederated Tribes of Umatilla	Pendleton	OR

Ms. DeLauro: Please update the table that appears in the previous hearing record showing states that received additional funding and their error rates along with states that were assessed liabilities and their error rates using the most recent data available.

Response: The most recent data available is for FY 2007. The error rates by State, along with whether the State received a payment accuracy bonus payment, was in its first year liability status or sanctioned based on a second consecutive year in liability status are submitted for the record. Please note that a State is assessed a liability only if it is in liability status for two consecutive years. In addition, States receive a total of $24 million in performance incentives relating to payment accuracy. Three States (Maine, the District of Columbia, and Michigan) were assessed a liability in FY 2007.

[The information follows:]

FOOD STAMP PROGRAM
FY 2007
ERROR RATES, LIABILITIES & BONUS PAYMENTS

STATE	FY 2007 OVER-PAYMENTS	FY 2007 UNDER-PAYMENTS	FY 2007 PAYMENT ERROR RATE 1/	FY 2007 VAL. NEGATIVE ERROR RATE	LIABILITY STATUS	PAYMENT ACCURACY BONUS PAYMENT	NEGATIVE BONUS PAYMENT
CONNECTICUT	4.41	2.10	6.51	6.61			
MAINE	9.11	1.42	10.54	2.41	$774,441		
MASSACHUSETTS	3.11	1.26	4.38	3.84			
NEW HAMPSHIRE	4.80	1.36	6.16	1.20			
NEW YORK	4.38	1.12	5.51	8.65			
RHODE ISLAND	4.00	1.34	5.35	4.00			
VERMONT	5.39	0.85	6.24	1.80			
DELAWARE	7.46	1.90	9.36	14.89	1st year		
DIST. OF COL.	6.53	1.80	8.34	23.17	$243,245		
MARYLAND	5.97	1.23	7.20	17.66			
NEW JERSEY	4.68	1.58	6.26	13.27			
PENNSYLVANIA	2.45	0.26	2.71	7.70		$4,644,234 2/	
VIRGINIA	5.50	0.97	6.47	9.25			
VIRGIN ISLANDS	2.82	0.22	3.03	1.05			
WEST VIRGINIA	8.28	1.31	9.59	4.29	1st year		
ALABAMA	3.75	1.03	4.78	0.51			$1,715,161 4/
FLORIDA	3.94	0.21	4.15	20.02		$5,481,910 3/	
GEORGIA	7.22	0.91	8.13	8.19	1st year		
KENTUCKY	4.25	0.68	4.93	3.72			
MISSISSIPPI	2.24	0.42	2.66	3.08		$1,632,119 2/	
NORTH CAROLINA	1.72	0.52	2.23	1.70		$3,451,068 2/	
SOUTH CAROLINA	4.15	1.26	5.41	8.46			
TENNESSEE	4.37	0.76	5.13	5.00			
ILLINOIS	4.44	0.71	5.15	9.29			
INDIANA	5.52	1.42	6.94	5.90			
MICHIGAN	6.41	2.08	8.50	22.85	$3,419,074		
MINNESOTA	4.74	1.79	6.53	0.99			$1,063,350 4/
OHIO	7.26	1.91	9.17	9.75	1st year		
WISCONSIN	4.42	1.48	5.90	8.39			
ARKANSAS	6.09	0.92	7.01	9.76			
LOUISIANA	5.95	0.99	6.94	5.68			
NEW MEXICO	5.46	1.96	7.42	8.36	1st year		
OKLAHOMA	4.81	1.30	6.11	11.22			
TEXAS	5.39	0.99	6.38	19.43			
COLORADO	5.15	1.89	7.05	12.46			
IOWA	5.32	1.53	6.85	5.26			
KANSAS	3.03	0.67	3.70	1.59		$810,296 3/	$705,954 5/
MISSOURI	2.04	0.28	2.31	2.85		$2,682,498 2/	
MONTANA	5.49	1.32	6.81	2.66			
NEBRASKA	1.30	0.43	1.73	0.00		$544,319 2/	$479,050 4/
NORTH DAKOTA	2.36	0.93	3.29	4.53			
SOUTH DAKOTA	1.02	0.26	1.28	0.25		$312,145 2/	$280,981 4/
UTAH	2.55	1.25	3.80	5.60			
WYOMING	4.91	1.51	6.42	5.80			
ALASKA	2.86	1.19	4.04	6.32			
ARIZONA	3.73	1.14	4.87	9.29		$2,005,164 3/	
CALIFORNIA	4.08	1.23	5.31	17.86			
GUAM	4.45	2.10	6.55	18.66			
HAWAII	2.61	0.59	3.20	7.88			
IDAHO	3.54	0.90	4.44	5.21			
NEVADA	3.86	0.98	4.84	8.31			
OREGON	3.94	1.47	5.41	5.26			$1,755,504 5/
WASHINGTON	2.44	0.49	2.93	3.87		$2,436,247 2/	
TOTAL	4.58	1.06	5.64	10.94	$4,436,760	$24,000,000	$6,000,000

1/ Due to rounding the payment error rate may not always equal the sum of the overpayment and underpayment error rate.
2/ Lowest Payment Accuracy Bonus State
3/ Most Improved Payment Accuracy Bonus State
4/ Lowest Negative Error Rate State
5/ Most Improved Negative Error Rate State

Ms. DeLauro: For those states that were assessed liabilities, were those fines collected? Into what account do those payments go?

Response: Along with the announcement of the error rates and the amount of the potential liability, a proposed settlement agreement was provided to each State assessed a potential liability for FY 2007. Under the proposed settlement agreement, 50 percent of the potential liability was designated for new investment in activities designed to improve program administration and 50 percent of the potential liability was designated at-risk for repayment if a liability amount for an excessive payment error rate is established for FY 2008. Because a potential liability was established for FY 2007, the District of Columbia is required to repay 50 percent ($188,517.50) of the ($377,035) FY 2006 liability that was designated as at-risk for repayment by September 30, 2008. That payment will be credited to the Food Stamp Program.

Ms. DeLauro: Update the table that appears in the previous hearing record showing, by fiscal year, the amount provided for a reserve account and how much of the reserve was actually used to include fiscal year 2007 actuals and best estimate for fiscal year 2008.

Response: The information is submitted for the record.

[The information follows:]

Food Stamp Program Reserve Appropriation
(In Billions of Dollars)

Fiscal Year	Reserve Appropriation	Amount Used
1996	0.5	0
1997	0.1	0
1998	0.1	0
1999	0.1	0
2000	0.1	0
2001	0.1	0
2002	2.0	0.9
2003	2.0	1.4
2004	3.0	1.1
2005	3.0	1.0
2006	3.0	0.0
2007	3.0	0.0
2008	3.0	2.5 Est.

Ms. DeLauro: Update the table that appears in the previous hearing record showing the error rate, by state, to include fiscal years 2002 through 2007.

Response: The error rates, by State, for fiscal years 2002 through 2007 are submitted for the record.

[The information follows:]

STATE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Connecticut	11.70	8.77	4.94	6.61	5.46	6.51
Maine	6.26	13.29	10.97	7.59	9.55	10.54
Massachusetts	8.40	4.99	4.76	3.88	3.55	4.38
New Hampshire	12.03	7.52	7.10	5.91	6.16	6.16
New York	7.75	5.88	5.74	7.23	4.56	5.51
Rhode Island	10.21	8.94	13.30	9.84	4.02	5.35
Vermont	7.68	8.52	5.13	5.64	5.25	6.24
Delaware	8.46	5.38	6.24	6.46	7.92	9.36
Dist. of Col.	8.75	8.97	5.65	9.89	9.62	8.34
Maryland	8.80	7.23	5.83	5.49	6.04	7.20
New Jersey	4.08	2.43	3.01	4.79	4.15	6.26
Pennsylvania	9.49	8.21	4.00	4.51	3.64	2.71
Virginia	6.74	5.46	6.59	5.79	6.96	6.47
Virgin Islands	5.72	6.88	4.78	2.11	1.93	3.03
West Virginia	7.13	6.21	6.58	5.94	7.34	9.59
Alabama	8.74	8.02	8.01	3.68	3.80	4.78
Florida	9.61	7.93	6.16	7.19	8.59	4.15
Georgia	6.73	5.15	6.21	4.89	7.16	8.13
Kentucky	7.71	6.32	5.63	4.56	5.95	4.93
Mississippi	4.39	4.07	5.89	3.00	2.61	2.66
No. Carolina	4.70	4.94	3.17	2.97	2.83	2.23
So. Carolina	4.40	4.94	6.26	5.44	6.21	5.41
Tennessee	7.02	7.20	6.69	6.01	5.57	5.13
Illinois	8.75	4.87	5.61	5.75	6.09	5.15
Indiana	8.31	10.00	5.84	6.58	6.64	6.94
Michigan	14.10	11.10	7.19	7.34	7.53	8.50
Minnesota	5.73	7.96	6.94	7.60	7.56	6.53
Ohio	6.50	6.61	8.43	8.65	7.10	9.17
Wisconsin	12.69	9.32	6.65	5.61	6.17	5.90
Arkansas	4.29	4.02	5.33	5.43	7.15	7.01
Louisiana	5.78	5.79	4.81	5.83	8.00	6.94
New Mexico	6.71	6.16	5.59	5.99	6.78	7.42
Oklahoma	7.94	8.98	5.90	7.42	7.17	6.11
Texas	4.85	3.29	4.12	5.03	6.46	6.38
Colorado	9.66	7.40	2.93	7.42	6.68	7.05
Iowa	6.44	5.23	6.19	6.03	6.40	6.85
Kansas	11.70	10.45	5.11	4.37	6.39	3.70
Missouri	9.77	6.75	7.42	5.10	2.59	2.31
Montana	8.18	5.78	4.60	4.05	6.82	6.81
Nebraska	7.02	7.24	5.60	4.45	3.44	1.73
North Dakota	6.14	4.85	4.15	3.59	3.67	3.29
South Dakota	2.12	1.16	1.97	1.19	1.83	1.28
Utah	6.60	5.00	3.76	4.41	4.22	3.80
Wyoming	3.29	4.23	4.69	7.03	5.39	6.42
Alaska	10.99	13.88	6.96	6.51	5.81	4.04
Arizona	5.27	5.83	6.54	7.61	8.26	4.87
California	14.84	7.96	6.32	6.38	6.98	5.31
Guam	6.05	7.04	6.61	6.20	6.45	6.55
Hawaii	5.03	4.78	4.35	5.63	3.40	3.20
Idaho	9.04	11.31	9.05	8.34	4.64	4.44
Nevada	7.59	8.25	7.51	2.86	3.87	4.84
Oregon	11.07	13.00	7.86	5.71	5.28	5.41
Washington	8.16	6.28	7.62	2.72	2.59	2.93
U.S. Average	8.26	6.63	5.88	5.84	5.99	5.64

Ms. DeLauro: Explain significant increases or decreases in error rates in any individual state.

Response: States with active case error rate changes of two percent or greater from last year's error rates and activities or events that significantly contributed to those changes are as follows:

- Florida (4.44 percent decrease in error rate) - Florida has focused on error reduction and more efficient management practices over the last two years. Florida's ability to do this was enhanced by a respite from hurricanes that distracted from normal operations for several years.

- Kansas (2.69 percent decrease in error rate) - Kansas holds regional directors responsible for achieving a high food stamp payment accuracy rate and requires mandatory supervisory case reviews. Kansas has also invested in automation improvements designed to reduce worker errors.

- Arizona (3.39 percent decrease in error rate) - Arizona implemented a comprehensive corrective action plan. The State has also invested unmatched State funds on new programs to improve management skills and business practices.

- Ohio (2.07 percent increase in error rate) - During FY 2007, caseloads rose significantly, particularly among households with employed members. At the same time, a number of counties experienced hiring freezes or staff reductions. Ohio has developed a corrective action plan to address errors caused by these conditions.

- New Jersey (2.11 percent increase in error rate) - High staff turnover resulted in a sharp increase in staff training, much of which had to be provided by newly promoted supervisors. Many of these supervisors had less than two years experience themselves. New Jersey has taken steps to put corrective measures into place to address these problems.

- West Virginia (2.25 percent increase in error rate) - Increased caseloads and reduced staffing contributed to a 33 percent increase in agency-related errors. During the same period there was a 36 percent increase in errors caused by inaccurate information supplied by applicants. Our Mid Atlantic Regional Office will continue their meetings with State officials in Charleston, West Virginia in August of 2008 to discuss how the State can best address these problems.

Ms. DeLauro: Update the table that appears in the previous hearing record showing the overpayment error rate, the underpayment error rate, and the total error rate to include fiscal year 2007 actuals.

Response: The chart is updated to include the FY 2007 error rates and is provided for the record.

The information follows:]

Overpayment, Underpayment, and Total Error Rates
By Year

Fiscal Year	Overpayment Rate (percent)	Underpayment Rate (percent)	Total Error Rate (percent)
1990	7.34	2.47	9.81
1991	6.96	2.34	9.30
1992	8.19	2.49	10.68
1993	8.27	2.54	10.81
1994	7.65	2.67	10.32
1995	7.30	2.42	9.72
1996	6.92	2.31	9.23
1997	7.28	2.47	9.75
1998	7.63	3.07	10.70
1999	7.01	2.85	9.86
2000	6.51	2.40	8.91
2001	6.47	2.19	8.66
2002	6.16	2.10	8.26
2003	5.04	1.59	6.63
2004	4.48	1.41	5.88
2005	4.53	1.31	5.84
2006	4.82	1.17	5.99
2007	4.58	1.06	5.64

Ms. DeLauro: Provide an update of the table that appears in the previous hearing record showing the overpayment error rate, the dollar amount associated with this rate, and the amount recovered to include fiscal year 2007.

Response: The information is submitted for the record:

Fiscal Year	Overpayment Error Rate (percent)	Estimated Overpayment	Total Upfront Reinvestment Requirement	Potential Future Reinvestment/ Payment Contingent Based on Performance *
1993	8.27	$ 1,819,727,566	$ 23,115,437	$ 23,796,475
1994	7.65	$ 1,740,104,624	$ 4,351,784	$ 32,761,178
1995	7.30	$ 1,661,942,767	$ 2,621,137	$ 25,673,632
1996	6.92	$ 1,552,940,156	$ 2,973,434	$ 22,663,154
1997	7.28	$ 1,423,977,533	$ 11,140,270	$ 20,490,306
1998	7.63	$ 1,289,517,811	$ 19,302,146	$ 7,878,207
1999	7.01	$ 1,105,885,903	$ 20,740,226	$ 9,886,427
2000	6.51	$ 975,564,754	$ 18,552,479	$ 18,634,947
2001	6.47	$ 1,004,725,309	$ 8,927,805	$ 3,480,161
2002	6.16	$ 1,123,074,294	$ 20,266,081	$ 82,252,988
2003	5.04	$ 1,080,008,999	**	**
2004	4.48	$ 1,102,685,435	$ 1,140,343	$ 1,140,343
2005	4.53	$ 1,293,802,490	$ 1,804,019.50	$ 1,804,019.50
2006	4.82	$ 1,452,920,380	$ 896,191.50	$ 896,191.50
2007	4.58	$ 1,391,962,018	$ 4,436,760	$ 4,436,760
Total		$ 20,018,840,039	$ 140,268,113	$ 255,794,789

*Many of these contingencies have been satisfied and do not represent current liabilities.

**For 2003, no new liabilities were assessed due to Farm Bill changes that require QC sanction assessments to be made biennially rather than annually.

For FY 2000, eight States had performance targets. All other States were required to reinvest their money up-front. One State, Connecticut, had an adjusted liability of $139; this liability was waived. A second State, Kansas, opted to pay in a Letter of Credit offset its adjusted liability of $76,863.

For FY 2001, one State had a performance target. All other States were required to reinvest their money up-front. Two States, Maryland and Missouri, paid their respective liabilities of $14,895 and $431,495 through Letter of Credit offset. One State, California, appealed its $114,305,661 liability through USDA's Office of the Administrative Law Judge and subsequently settled.

For FY 2002, fifteen States had performance targets requiring potential future repayment. Three States, Delaware, Indiana, and Idaho had small liabilities that were waived. Two States, Alabama and Colorado, opted to pay their respective liabilities of $2,476 and $303,024 through Letter of Credit offset. Two States, Pennsylvania and California, appealed their liabilities through USDA's Office of the Administrative Law Judge and subsequently settled. California's appeals of the FY 2001 and 2002 liabilities were combined and resolved in a single settlement agreement in January 2005.

For FY 2004, four States incurred liabilities with performance targets requiring potential future repayment.

For FY 2005, three States incurred liabilities with performance targets requiring potential future repayment. Rhode Island was required to pay the FY 2004 liability amount placed at-risk for its FY 2005 performance in the

amount of $268,459.50. Idaho filed an untimely appeal which was rejected and, therefore, was required to pay the FY 2004 liability amount placed at-risk for its FY 2005 performance in the amount of $138,732.

For FY 2006, two States incurred liabilities with performance targets requiring potential future repayment.

For FY 2007, three States incurred liabilities with performance targets requiring potential future repayment. The District of Columbia is required to pay the FY 2006 liability amount placed at-risk for its FY 2007 performance in the amount of $188,517.50.

Ms. DeLauro: Update the table that appears in the previous hearing record showing the states and the amount of enhanced funding each received for low-error rates to include fiscal year 2007.

Response: The FY 2002 Farm Bill authorized FNS to award $48 million a year to States that demonstrate high or improved performance in the administration of the Food Stamp Program. The statute provided FNS with discretion regarding what performance to measure and how to divide the money. Performance measures for FY 2003 and FY 2004 were set via guidance. A rule finalizing performance measures for FY 2005 and beyond was published in the Federal Register on February 7, 2005 (70 FR 6313).

The performance measures are: Payment Accuracy - $24 million total divided among the 7 States with the best and the 3 States with the most improved payment accuracy rate as measured by quality control (QC) data; Negative Error Rate (NER) - $6 million divided among the 4 States with the best and the 2 States with the most improved NER as measured by QC data; Program Access Index (PAI) - $12 million divided among the 4 States with the best and the 4 States with the most improved Program Access Index as measured by census data and State administrative data, and; Application Processing Timeliness - $6 million divided among the 6 States with the highest percentage of timely processed applications as measured by QC data.

[The information follows:]

FY 2003 HIGH PERFORMANCE BONUSES

BEST PAYMENT ACCURACY RATE		MOST IMPROVED PAYMENT ACCURACY RATE	
South Dakota	$206,471	California	$6,819,955
New Jersey	$1,628,344	New Hampshire	$228,456
Texas	$7,397,749	Illinois	$4,357,620
Arkansas	$1,281,929		
Mississippi	$1,471,230		
Wyoming	$105,259		
Hawaii	$502,987		
BEST NEGATIVE ERROR RATE		**MOST IMPROVED NEGATIVE ERROR RATE**	
South Carolina	$2,780,978	Colorado	$1,356,033
Nebraska	$639,764	District of Columbia	$588,560
South Dakota	$301,292		
New Hampshire	$333,373		
BEST PROGRAM ACCESS INDEX		**MOST IMPROVED PROGRAM ACCESS INDEX**	
District of Columbia	$379,557	Delaware	$187,811
Missouri	$2,438,673	Maine	$645,237
Oregon	$1,954,598	Oklahoma	$1,499,861
Tennessee	$3,081,290	South Carolina	$1,812,972
BEST APPLICATION PROCESSING TIMELINESS			
Kentucky	$1,948,772		
Massachusetts	$1,257,396		
New Hampshire	$206,004		
Oklahoma	$1,421,687		
South Dakota	$186,181		
West Virginia	$979,960		

FY 2004 HIGH PERFORMANCE BONUSES

BEST PAYMENT ACCURACY RATE		MOST IMPROVED PAYMENT ACCURACY RATE	
South Dakota	$245,052	Alaska	$205,389
New Jersey	$2,003,796	Kansas	$861,132
North Carolina	$3,665,488	Colorado	$1,202,150
Utah	$561,367		
Pennsylvania	$5,010,200		
Texas	$10,032,175		
North Dakota	$213,251		
BEST NEGATIVE ERROR RATE		**MOST IMPROVED NEGATIVE ERROR RATE**	
South Carolina	$743,191	Florida	$2,082,303
Nebraska	$172,623	New York	$2,879,781
New Hampshire	$84,825		
Wyoming	$37,277		
BEST PROGRAM ACCESS INDEX		**MOST IMPROVED PROGRAM ACCESS INDEX**	
District of Columbia	$450,753	Arkansas	$1,465,877
Hawaii	$507,892	New Mexico	$893,081
Louisiana	$2,864,775	Oklahoma	$1,728,520
Missouri	$2,938,589	West Virginia	$1,150,513
BEST APPLICATION PROCESSING TIMELINESS			
Kentucky	$1,552,195		
Massachusetts	$1,039,891		
Oklahoma	$1,112,959		
South Dakota	$142,065		
Virginia	$1,412,102		
West Virginia	$740,788		

FY 2005 HIGH PERFORMANCE BONUSES

BEST PAYMENT ACCURACY RATE		MOST IMPROVED PAYMENT ACCURACY RATE	
South Dakota	$528,745	Washington*	
Virgin Islands	$188,353	Nevada*	
Washington	$4,882,475	Alabama*	
Nevada	$1,146,492		
North Carolina	$6,648,522		
North Dakota	$460,933		
Alabama	$4,336,006		
Massachusetts	$3,458,588		
Montana	$758,304		
Kansas	$1,590,582		
BEST NEGATIVE ERROR RATE		**MOST IMPROVED NEGATIVE ERROR RATE**	
Nebraska	$1,063,944	Delaware	$602,771
South Dakota	$533,894	Vermont	$531,432
Minnesota	$2,500,737		
Montana	$767,222		
BEST PROGRAM ACCESS INDEX		**MOST IMPROVED PROGRAM ACCESS INDEX**	
Missouri	$1,399,616	Washington	$1,192,325
District of Columbia	$293,222	Illinois	$2,366,422
Maine	$440,475	New York	$4,088,410
Tennessee	$1,729,032	Iowa	$490,498
BEST APPLICATION PROCESSING TIMELINESS			
Massachusetts	$1,092,542		
North Carolina	$2,035,244		
District of Columbia	$350,003		
Kentucky	$1,484,700		
West Virginia	$742,671		
Montana	$294,840		

*These States also ranked among the top three Most Improved States.

FY 2006 HIGH PERFORMANCE BONUSES

BEST PAYMENT ACCURACY RATE		MOST IMPROVED PAYMENT ACCURACY RATE	
South Dakota	$347,653	Rhode Island	$456,583
Virgin Islands	$148,643	Idaho	$484,888
Missouri	$3,234,784	New York	$9,837,712
Washington	$2,913,859		
Mississippi	$1,986,833		
North Carolina	$4,021,638		
Hawaii	$567,407		
BEST NEGATIVE ERROR RATE		**MOST IMPROVED NEGATIVE ERROR RATE**	
Vermont*	$268,010	Vermont*	
Nebraska	$466,639	Rhode Island	$344,790
Pennsylvania	$3,651,458		
South Dakota	$270,011		
Minnesota	$999,092		
BEST PROGRAM ACCESS INDEX		**MOST IMPROVED PROGRAM ACCESS INDEX**	
Maine	$683,692	Massachusetts	$1,726,484
Missouri	$2,254,344	Mississippi	$1,396,703
Tennessee	$2,870,339	Vermont	$268,193
Oregon	$1,695,473	Maryland	$1,104,772
BEST APPLICATION PROCESSING TIMELINESS			
Massachusetts	$1,290,453		
Kentucky	$1,449,389		
South Dakota	$224,571		
West Virginia	$719,588		
North Carolina	$2,072,590		
New Hampshire	$243,409		

*Vermont ranked among both the top four lowest negative error rate States and the top two most improved States. Therefore Minnesota also received an award.

FY 2007 HIGH PERFORMANCE BONUSES

BEST PAYMENT ACCURACY RATE		MOST IMPROVED PAYMENT ACCURACY RATE	
South Dakota	$312,145	Florida	$5,481,910
Nebraska	$544,319	Arizona	$2,005,164
North Carolina	$3,451,068	Kansas	$810,296
Missouri	$2,682,498		
Mississippi	$1,632,119		
Pennsylvania	$4,644,234		
Washington	$2,436,247		
BEST NEGATIVE ERROR RATE		**MOST IMPROVED NEGATIVE ERROR RATE**	
Nebraska	$479,050	Oregon	$1,755,504
South Dakota	$280,981	Kansas	$705,954
Alabama	$1,715,161		
Minnesota	$1,063,350		
BEST PROGRAM ACCESS INDEX*		**MOST IMPROVED PROGRAM ACCESS INDEX***	
BEST APPLICATION PROCESSING TIMELINESS*			

* To be awarded before September 30, 2008.

Ms. DeLauro: What was the national performance measure in fiscal year 2007?

Response: The national performance measure announced in June 2008 for fiscal year 2007 was 5.64 percent. Official error rates for fiscal year 2008 will be available June 30, 2009.

Ms. DeLauro: Please update for the Committee the list in the previous hearing record showing the status of all EBT plans for all participating states.

Response: The most recent information is provided below for the record. Current EBT State statuses are available on the FNS Web site at: **http://www.fns.usda.gov/fsp/ebt/ebt_status_highlights.htm**

There are 54 operational food stamp EBT systems that use on-line magnetic stripe cards. (The count includes the on-line system in Puerto Rico for the block-grant Nutrition Assistance Program.)

[The information follows:]

State	*RFP Issue Date*	*Status*
Arkansas		Working on RFP. Contract expires in March 2010.
California	May 4, 2007	Selected ACS. Conversion is planned for Fall 2009.
Iowa		Working on RFP. Contract expires June 2010.
Kentucky		Released RFP on July 9, 2008. Final proposals due Sept. 2, 2008. Web site link to RFP: https://emars.ky.gov/online/vss/Advantage To view the RFP: click on Public Access; click on Business Opportunities; click on Search for Solicitation.
Maine		Working on RFP. Contract expires March 2010.
Minnesota		Working on RFP. Contract expires October 2010.
North Dakota / South Dakota		Conversion to Efunds planned for March 13-15, 2009.
Oklahoma	May 22, 2008	State executed one of its option years with ACS through June 30, 2009. EBT-3 bids due July 23, 2008.
Puerto Rico	November 2005	Selected EVERTEC to be effective March 25, 2007.
South Carolina	May 2006	Reselected JPM Chase.
U.S. Virgin Islands	Expected June 15, 2007	Reselected JPM Chase.
Utah		Working on RFP. Contract expires June 2010.
Virginia	March 2006	Selected ACS. Conversion completed October 2007.
West Virginia	Tentatively June 2007	TBD

Ms. DeLauro: Update the table that appears in the previous hearing record showing the costs of the Special Wage Incentive Program to include fiscal year 2007 actuals.

Response: The information is provided for the record.

[The information follows:]

Fiscal Year	Administrative Costs	Benefit Costs	Total*
1996	1,460,294	19,989,371	21,449,665
1997	2,766,952	28,246,396	31,013,348
1998	3,378,546	35,218,868	38,597,414
1999	4,587,819	40,749,585	45,337,404
2000	5,970,940	48,233,065	54,204,005
2001	6,319,872	42,616,404	48,936,276
2002	8,202,099	49,429,036	57,631,135
2003	11,371,562	60,193,380	71,564,942
2004	5,768,515	66,514,224	72,282,739
2005	7,954,381	67,557,236	75,511,617
2006	292,966	17,882,119	18,175,085
2007	88,304	3,021,601	3,109,905
2008**	281,616	711,000	992,616

* Federal share of program costs.

** Amount budgeted by the Commonwealth for the payment of employer contracts under the SWIP which was terminated in December 2005. Some of these will not expire until 2008.

Ms. DeLauro: Please describe for the record the Special Wage Incentive Program.

Response: The Special Wage Incentive Program (SWIP) provided wage incentives to employers who hired Puerto Rico Nutrition Assistance Program (NAP) recipients and acted as the Commonwealth's Employment and Training Program. Due to a number of program deficiencies outlined in a December 2005 Office of Inspector General audit report, the Commonwealth chose to terminate the program at that time. Under SWIP, Puerto Rico entered into contracts with employers to pay a portion of the wages they paid to NAP recipients participating in SWIP. While sponsor agencies are no longer placing recipients in SWIP jobs, existing contracts are being honored until expiration some of which extend to 2008.

Ms. DeLauro: Update the table that appears in the previous hearing record showing the funding for food stamp block grant programs to include fiscal year 2008 estimates.

Response: The information is provided for the record.

[The information follows:]

FUNDING FOR PUERTO RICO AND AMERICAN SAMOA
(Dollars in Millions)

Fiscal Years	American Samoa	Puerto Rico
1999	$5.3	$1,200.0
2000	5.3	1,200.0
2001	5.3	1,300.0
2002	5.3	1,350.5
2003	5.6	1,395.4
2004	5.7	1,413.4
2005	5.6	1,495.3
2006	6.1	1,517.8
2007	6.2	1,551.2
2008	6.5	1,622.5

Ms. DeLauro: Update the table that appears in the previous hearing record showing a breakout of how the employment and training funds were spent to include fiscal year 2007 actuals.

Response: The information is submitted for the record.

[The information follows:]

FOOD STAMP EMPLOYMENT AND TRAINING PROGRAM
PROGRAM EXPENDITURES REPORT FISCAL YEAR 2007

	FEDERAL 100% E&T GRANT OBLIGATIONS/EXPENDITURES								STATE OBLIGATIONS/EXPENDITURES			SUMMARY OF TOTAL FEDERAL & STATE OBLIGATIONS/EXPENDITURES					
					TOTAL EXPENDED		TOTAL REMAINING										
STATE	$90 MILLION ALLOCATION	$20 MILLION ALLOCATION	SUPPLEMENTAL & CARRYOVER ALLOCATIONS	TOTAL ALLOCATION	$90 MILLION + SUPPLEMENTAL	ABAWD $20 MILLION	$90 MILLION + SUPPLEMENTAL	ABAWD $20 MILLION	TOTAL STATE 50% FUNDS EXPENDED	TOTAL STATE DEPENDENT CARE EXPENDED	TOTAL STATE TRANSPORTATION EXPENDED	TOTAL FEDERAL FUNDS EXPENDED	TOTAL STATE FUNDS EXPENDED	TOTAL FED/STATE ADMIN FUNDS EXPENDED	TOTAL FED/STATE PART REIMB EXPENDED	TOTAL PROGRAM FUNDS EXPENDED	PERCENT OF TOTAL NATIONAL EXPENDITURES
					A				B	C	D	A+B+C+D	B+C+D	A+B+B	C+C+D+D	A+B+B+C+C+D+D	
ALABAMA	$1,886,779			$1,886,779	$1,569,924		$116,955		$0	$0	$124,764	$1,694,688	$124,764	$1,569,624	$249,529	$1,819,352	0.36%
ALASKA	$243,964			$243,964	$243,964		$0		$46,877	$0	$30,226	$320,867	$76,103	$336,718	$60,482	$396,170	0.08%
ARIZONA	$2,476,426			$2,476,426	$268,223		$2,208,203		$0	$0	$90,194	$358,417	$90,194	$268,223	$180,388	$448,611	0.09%
ARKANSAS	$1,589,426			$1,589,426	$771,639		$837,799		$0	$0	$43,602	$815,241	$43,602	$771,639	$87,204	$858,843	0.18%
CALIFORNIA	$6,292,215		$2,662,888	$7,955,102	$7,586,102		$0		$22,883,988	$0	$6,654,770	$37,493,858	$29,538,758	$53,723,074	$13,309,540	$67,032,614	13.87%
COLORADO	$1,022,567	$832,031	$450,000	$2,104,598	$1,490,847	$832,031	$21,720	$0	$928,448	$413	$85,808	$2,681,646	$988,767	$3,139,770	$140,642	$3,280,412	0.68%
CONNECTICUT	$242,128		$928,630	$870,758	$814,412		$56,246		$0	$0	$16,158	$830,610	$16,158	$814,412	$32,396	$846,808	0.18%
DELAWARE	$229,895	$108,339	$1,160	$339,474	$231,135	$108,339	$0	$0	$87,883	$280,852	$18,177	$718,468	$376,862	$536,240	$556,210	$1,092,450	0.23%
DIST. OF COL	$341,623		$163,330	$504,953	$504,953		$0		$212,494	$440,700	$72,091	$1,160,238	$678,285	$909,941	$925,582	$1,835,523	0.38%
FLORIDA	$6,116,049		$877,879	$6,793,928	$4,703,928		$0		$465,130	$0	$341,331	$7,790,395	$1,006,467	$5,170,189	$682,674	$5,852,863	1.92%
GEORGIA	$2,556,473			$2,556,473	$2,073,326		$483,147		$0	$0	$247,431	$2,320,757	$247,431	$2,073,326	$494,862	$2,568,188	0.53%
GUAM	$60,000			$60,000	$49,898		$3		$101,267	$16,963	$61,770	$229,848	$178,680	$283,932	$153,564	$406,098	0.08%
HAWAII	$172,252		$103,693	$275,945	$275,945		$0		$392,703	$0	$36,808	$765,456	$429,511	$1,061,351	$73,616	$1,134,967	0.23%
IDAHO	$195,410	$161,183	$12,738	$389,331	$190,416	$123,395	$17,732	$57,788	$51,630	$0	$35,468	$400,915	$87,104	$417,087	$70,932	$488,019	0.10%
ILLINOIS	$7,660,276			$7,660,276	$7,660,276		$0		$2,627,561	$0	$884,483	$11,152,339	$3,472,063	$12,915,438	$1,888,964	$14,804,402	3.02%
INDIANA	$1,829,388			$1,829,388	$1,829,388		$0		$3,377,307	$0	$232,500	$5,139,195	$3,609,807	$8,284,002	$465,000	$8,749,002	1.81%
IOWA	$385,241		$28,425	$413,666	$222,244		$201,422		$5,134	$0	$163	$227,541	$5,297	$232,512	$326	$232,838	0.05%
KANSAS	$554,443			$554,443	$334,624		$219,819		$0	$0	$62,579	$397,103	$62,579	$334,924	$125,158	$459,582	0.10%
KENTUCKY	$2,216,421			$2,216,421	$683,446		$1,532,975		$0	$0	$32,217	$615,663	$32,217	$683,446	$64,434	$647,880	0.13%
LOUISIANA	$3,243,636			$3,243,636	$1,421,798		$1,821,838		$0	$166	$221,626	$1,643,582	$221,784	$1,421,798	$443,568	$1,865,366	0.39%
MAINE	$900,483			$900,483	$63,083		$837,360		$0	$0	$1,210	$64,293	$1,210	$63,083	$2,420	$65,503	0.01%
MARYLAND	$926,574			$926,574	$915,232		$11,442		$2,695	$8	$7,331	$925,266	$10,024	$920,602	$14,678	$935,280	0.19%
MASSACHUSETTS	$1,895,964	$683,283	$560,000	$3,139,247	$1,912,002	$683,351	$513,962	$227,932	$1,704,408	$0	$0	$4,671,741	$1,704,408	$5,774,189	$0	$5,774,189	1.20%
MICHIGAN	$3,168,217		$696,841	$3,865,058	$2,659,847		$1,208,411		$0	$0	$42,592	$2,702,239	$42,592	$2,658,847	$85,184	$2,744,031	0.57%
MINNESOTA	$835,960		$473,086	$1,308,935	$1,228,842		$79,192		$2,237,312	$0	$256,987	$3,723,743	$2,494,299	$5,704,067	$513,974	$6,218,041	1.29%
MISSISSIPPI	$1,402,017			$1,402,017	$0		$1,402,017		$0	$0	$417	$417	$417	$0	$834	$834	0.00%
MISSOURI	$2,575,374		$200,000	$2,775,374	$2,700,517		$74,857		$0	$0	$287,163	$2,987,680	$287,163	$2,700,517	$574,326	$3,274,843	0.68%
MONTANA	$273,589		$119,500	$393,089	$393,089		$0		$162,053	$0	$50,376	$606,518	$212,429	$717,195	$100,752	$817,947	0.17%
NEBRASKA	$358,071	$371,948		$730,021	$356,071	$371,949	$0	$0	$64,063	$0	$4,175	$794,088	$68,238	$854,748	$8,350	$863,098	0.18%
NEVADA	$319,542		$87,096	$372,639	$320,348		$52,292		$0	$0	$16,450	$336,798	$16,450	$320,348	$32,900	$353,248	0.07%
NEW HAMPSHIRE	$126,603			$126,603	$126,603		$0		$144,141	$0	$16,014	$286,758	$160,155	$414,889	$32,028	$446,913	0.09%
NEW JERSEY	$660,199	$1,224,847	$421,275	$2,206,321	$981,974	$1,224,847	$0	$0	$11,293,447	$7,500	$2,678,868	$16,166,656	$13,979,835	$24,793,716	$5,372,778	$30,166,491	6.24%
NEW MEXICO	$697,070			$697,070	$697,070		$0		$778,280	$860,000	$250,000	$2,285,350	$1,888,280	$2,253,630	$1,620,000	$3,873,630	0.80%
NEW YORK	$3,721,062	$8,487,568	$1,228,671	$13,435,299	$4,947,733	$8,487,568	$0	$0	$54,086,371	$2,090	$5,238,642	$62,762,782	$59,327,473	$147,508,031	$10,482,204	$152,090,235	31.47%
NORTH CAROLINA	$2,174,448		$267,405	$2,441,853	$611,166		$1,830,686		$5,920,690	$0	$437,567	$8,569,413	$6,358,257	$11,662,646	$875,114	$12,537,760	2.59%
NORTH DAKOTA	$104,335			$104,335	$104,335		$0		$0	$0	$4,088	$108,423	$4,088	$104,335	$8,176	$112,511	0.02%
OHIO	$3,261,568	$2,077,832		$5,339,389	$3,261,568	$2,077,832	$0	$0	$3,913,056	$62,831	$3,060,480	$10,289,927	$7,036,537	$14,065,502	$6,266,962	$20,332,464	4.21%
OKLAHOMA	$389,615		$379,121	$768,736	$98,978		$689,758		$0	$0	$1,302	$100,280	$1,302	$99,978	$2,604	$102,582	0.02%
OREGON	$2,029,629			$2,029,629	$2,029,629		$0		$311,702	$98	$200,584	$2,641,813	$512,184	$2,453,033	$400,964	$2,853,997	0.53%
PENNSYLVANIA	$3,827,171			$3,827,171	$3,827,171		$0		$8,439,937	$8,249,447	$13,334,582	$31,850,837	$28,023,966	$16,706,445	$43,168,058	$59,874,503	12.39%
RHODE ISLAND	$134,453		$29,537	$134,453	$81,412		$53,041		$0	$0	$0	$81,412	$0	$81,412	$0	$81,412	0.02%
SOUTH CAROLINA	$2,403,121			$2,403,121	$1,237,726		$1,165,395		$0	$0	$3,338	$1,241,063	$3,338	$1,237,726	$6,676	$1,244,401	0.26%
SOUTH DAKOTA	$233,317	$242,239		$475,556	$233,317	$242,239	$0	$0	$150,019	$0	$0	$625,575	$150,019	$775,584	$0	$775,584	0.16%
TENNESSEE	$5,482,542			$5,482,542	$4,202,968		$1,192,596		$0	$0	$409,892	$4,659,858	$409,892	$4,299,966	$819,784	$5,109,750	1.06%
TEXAS	$6,897,214	$4,918,250		$11,725,465	$6,807,214	$4,819,520	$0	$96,730	$3,474,631	$0	$836,263	$15,519,628	$4,312,894	$19,675,295	$1,676,526	$20,292,622	4.19%
UTAH	$783,296	$272,891		$1,056,187	$783,296	$73,053	$0	$199,838	$375,964	$0	$88,039	$1,159,362	$464,003	$1,608,377	$176,078	$1,784,396	0.37%
VERMONT	$168,597		$647,673	$816,270	$816,270		$0		$3,546,247	$0	$7,768	$4,370,305	$3,554,035	$7,908,764	$15,536	$7,924,340	1.64%
VIRGINIA	$1,980,865		$500,000	$2,480,865	$1,872,826		$608,039		$1,676,697	$19,387	$161,368	$3,770,308	$1,797,482	$5,326,220	$241,570	$5,567,790	1.15%
VIRGIN ISLANDS	$60,000			$60,000	$60,000		$0		$10,372	$0	$378	$60,690	$10,680	$70,684	$756	$71,340	0.01%
WASHINGTON	$1,464,195			$1,464,195	$283,710		$1,080,475		$2,186,637	$0	$90,721	$2,925,068	$2,241,358	$4,884,584	$181,442	$4,866,426	1.01%
WEST VIRGINIA	$1,979,674			$1,979,674	$850,452		$1,029,192		$0	$0	$27,662	$878,344	$27,662	$850,452	$55,724	$1,006,208	0.21%
WISCONSIN	$1,947,969		$500,000	$1,947,969	$1,947,969		$0		$5,277,265	$0	$633,869	$7,459,123	$5,911,154	$12,102,539	$1,267,738	$13,370,277	2.77%
WYOMING	$60,228		$27,989	$88,217	$74,867		$13,350		$0	$0	$2,160	$77,147	$2,160	$74,867	$4,320	$79,327	0.02%
USA	$90,000,000	$20,000,000	$10,835,722	$120,835,722	$81,509,189	$19,416,712	$19,326,533	$564,288	$144,307,073	$9,808,597	$37,298,195	$292,139,768	$191,214,865	$389,539,047	$93,815,584	$483,354,631	100%

Ms. DeLauro: Update the table that appears in the previous hearing record showing food stamp participation and unemployment rates to include fiscal year 2007 actuals and fiscal year 2008 estimates. Also, add a column that shows benefit costs.

Response: The information is submitted for the record.

[The information follows:]

Food Stamp Participation, Unemployment Rates and Benefit Costs

	Participants (millions)	Civilian Unemployment Rate (Percent)	Benefit Costs ** (in millions)
1997	22.858	4.9	$19,550
1998	19.788	4.5	$16,889
1999	18.183	4.2	$15,755
2000	17.139	4.0	$14,952
2001	17.313	4.8	$15,547
2002	19.094	5.8	$18,257
2003	21.260	6.0	$21,412
2004	23.854	5.6	$24,626
2005	25.681	5.2	$28,534
2006	26.672	4.7	$30,187
2007	26.469	4.6	$30,373
2008 *	27.796	4.9	$33,617

* Data estimated for President Budget.
** Does not include the dollars spent paid by States for voluntary state-operated programs.

Ms. DeLauro: Update the table showing FDPIR participation levels to include fiscal year 2008.

Response: The information is submitted for the record.

FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS
PARTICIPATION LEVELS
(Average monthly participation)

Fiscal Year	Individuals 1/
1996	119,969
1997	124,014
1998	124,654
1999	129,466
2000	121,466
2001	113,248
2002	110,122
2003	107,584
2004	104,356
2005	98,905
2006	89,867
2007	86,622
2008 (estimated)	87,937

1/ Data has been revised to incorporate reporting changes since the last hearing record was published.

Ms. DeLauro: Please briefly describe what FNS is doing to reduce fraud and non-fraud eligibility errors in the Food Stamp Program. Update the response from the previous hearing record.

Response: FNS has made reductions in eligibility errors and improvement in program integrity a priority for a number of years. The agency has accomplished four straight years of payment accuracy above 94 percent, achieving a historical best 94.36 percent in FY 2007.

FNS continues to employ effective and efficient strategies and activities to improve payment accuracy and assure program integrity. FNS also allocates nearly $400,000 annually to support State travel to conferences, workshops, and other meetings between States, to facilitate the sharing of best practices of effective and efficient program management techniques.

FY 2009 planned activities include:

- Continuing to support the activities of a national team of experts convened to monitor and evaluate payment accuracy progress, analyze error rate data, and exchange information on payment accuracy best practices and program improvement strategies.

- Targeting high issuance localities and high error rate States for enhanced Federal intervention and technical support. Developed in 2002, this strategy is accomplished by establishing a tier methodology for States (based on error rate performance) to support effective and consistent deployment of limited FNS resources for intervention and technical assistance.

- Continuing the exchange of best practices information through the State Exchange Program and the production of a Best Practices Guide.

- Further facilitating the commitment, involvement and collaboration among State partners and leadership at all levels through the utilization of a web-based environment dedicated to the exchange of information on error reduction issues and strategies.

- Continuing to work with States to optimize analysis based on quality control data in an effort to develop and monitor corrective action.

- Continuing to provide leadership through interactions with State policy decision makers, including participation in meetings with individual State commissioners and governors; presentations at functions such as the American Public Human Services Association, the National Conference of State Legislatures, Big Cities meetings (cities with largest food stamp participation); and sponsoring regional meetings with state commissioners and food stamp directors.

- Awarding $24 million annually to the 7 best and 3 most improved States based on their error rates.

- Increasing the effectiveness and efficiency of Federal quality control validation reviews by implementing a number of technological, structural and foundational improvements.

Ms. DeLauro: What work is FNS doing with the OIG to identify and eliminate fraud in the Food Stamp Program? Does FNS or OIG have the authority to issue fines or levy penalties? If not, who does?

Response: The Office of Inspector General (OIG) has overall responsibility for all investigative activity in the U.S. Department of Agriculture (USDA); however, OIG has delegated authority to FNS to investigate and take timely administrative action against authorized retailers found to be violating the Food Stamp Program regulations and assist OIG in identifying those situations that warrant criminal investigation and prosecution. The two agencies have signed an agreement to reinforce mutual cooperation between OIG and FNS.

USDA OIG has the authority to pursue criminal cases related to retailer fraud; however, all administrative actions are taken by FNS. This includes disqualifying and withdrawing firms, assessing civil money penalties and fiscal claims, and levying fines.

Food stamp violations can be discovered during an on-site investigation conducted by FNS personnel and/or other law enforcement entities, or through an analysis of questionable EBT transaction data. Monetary penalties are currently applied primarily when the temporary disqualification of a location would cause hardship to recipients, or when a permanently disqualified location is sold.

FNS's Retailer Investigations Branch (RIB) staff typically begins a case by attempting to purchase minor ineligible items, then escalates the case to major ineligibles (alcohol, cigarettes, etc.), and finally to trafficking (selling food stamp benefits for cash). Those cases escalated to the trafficking level, and other cases where major criminal activity is uncovered, are referred to USDA OIG for their consideration whether to take over the investigation. On those cases taken over by OIG, the RIB continues to provide assistance when requested.

FNS also provides OIG with access to its databases containing retailer information and EBT transactions, to facilitate OIG's additional analysis and provide support for its investigative activities.

In FY 2007 there were a total of 1,364 sanctions against retailers. Of these, 673 were permanent disqualifications for trafficking and were the result of either an on-site investigation or EBT transactional analysis. An additional 30 retailers were prosecuted criminally for Food Stamp fraud.

Ms. DeLauro: Based on the most recent data available, please estimate the amount of loss to the program due to trafficking or diversion of benefits.

Response: USDA conducts periodic analyses to estimate the extent of trafficking. A report documenting the most recent estimate, representing trafficking from 2002 through 2005, was published in December 2006.

Based on the most complete data available for 2002-2005, current estimates indicate that:

- Food stamp trafficking diverted an estimated $241 million annually from food stamp benefits;
- Overall, 1 cent of each benefit dollar was trafficked; and

- About 7 percent of all authorized food stamp stores engaged in trafficking.

Both the value and rate of trafficking continues to decline consistently and substantially. The rate of trafficking in 2002-2005 (about 1 cent per dollar) was less than half the rate for trafficking that was estimated to have taken place in 1999-2002 (about 2.5 cents per dollar).

Ms. DeLauro: Please update the Committee on the wireless equipment and services in farmers' markets.

Response: There are known to be logistical hurdles with getting EBT machines into all Farmers Markets. Many farmers' markets do not have electricity and/or phone lines, which are necessary to support regular EBT Point-of-Sale (POS) devices.

Fortunately, as wireless technologies have improved, more markets have been able to take advantage of wireless POS terminals. Wireless POS terminals allow for the same real time EBT transactions as wired POS. The major hurdles to using wireless technology are equipment/maintenance costs and wireless transaction fees. In many instances these costs are born by the markets themselves or by the organizations which sponsor the markets such as the Farmers' Market Federation of New York. Successful markets have leveraged grants (e.g. Agricultural Marketing Service grants or those from private foundations such as the Kellogg Foundation) and their affiliations with organizations such as the State Farm Bureau to help reduce equipment and transaction processing costs. Participating farmers have also found that the larger advantage of wireless POS is the ability to run commercial debit and credit as well as EBT transactions. As in other retailer venues, commercial transactions help to justify and offset the cost of equipment and processing. Additionally, FNS does reimburse States for 50 percent of the cost of equipment as a part of the administrative cost associated with benefit issuance.

Over the years, alternative redemption systems have also been developed to help farmers' markets adapt to this new environment. FNS approves demonstration projects using alternative forms of food stamp benefit issuance in conjunction with EBT including scrip, tokens, and receipts. These market projects allow recipients to exchange their EBT food stamp benefits for scrip and tokens to purchase produce and other eligible food products at individual farmer stalls in a farmers' market.

FNS continues to support options that allow farmers' markets to accept food stamp benefits efficiently and securely. The number of farmers markets participating in the Food Stamp Program increased by 22 percent between 2006 and 2007. In 2007, 532 farmers markets participated in the program (up from 436 in 2006), and redeemed over $1.6 million in food stamp benefits.

Ms. DeLauro: What activities are funded through the Food Stamp Program Employment and Training for Federal funds 100%; Federal funds 50%; and Participant costs 50%? What was the unobligated balance at the end of fiscal years 2006 and 2007?

Response: Activities eligible for 100 percent and 50 percent Federal funding through the Employment and Training (E&T) program include job search, job search training, workfare, work experience or training, educational programs or activities, and other projects, programs or experiments aimed at accomplishing the purpose of E&T, which is to help participants obtain

employment. The recent Farm Bill authorized up to 90 days of retention services for participants who find a job through E&T.

State agencies provide payments to E&T participants for expenses reasonably necessary and directly related to participation in E&T; FNS reimburses State agencies 50 percent of these costs. Participant costs may include but are not limited to dependent care, transportation, and other work, training or education related expenses such as uniforms, personal safety items or other necessary equipment, and books or training manuals.

The unobligated balance for fiscal year 2006 was $5,877,579. For FY 2007 it was $206,500.

Ms. DeLauro: Which states have implemented new methods of applying for FSP benefits? Please update the previous hearing record and give examples of new and innovative methods states are implementing.

Response: Many States have undertaken efforts to modernize and improve the food stamp application process to make enrolling in food stamps quicker and easier. FNS supports these efforts and is working to collect and provide information on successful State strategies.

A number of States are designing and implementing Web-based applications systems that allow individuals to apply for food stamps online. While the specific features vary across States, online applications may allow applicants to apply from any computer at any time of day, submit an application using an e-signature with no further signature required, submit paperwork by mail or electronically, and complete the interview via telephone. More State agencies are working with community based organizations to allow people to file applications at sites that may be more convenient or familiar to applicants. In some instances, a client may complete the application without having to visit a food stamp office in person. To support these efforts, food stamp participation grants have been awarded to: Arizona, Illinois, Maryland, Minnesota, Mississippi, Montana, New Jersey, Oregon, Rhode Island, Utah, Virginia, Vermont, Wisconsin and New York City.

Other States and local agencies have been awarded grants to implement innovative projects that help to improve program participation. For example:

- Pennsylvania is using grant funds to add functionality to their computer system that will allow clients to scan verification documents and forward them with the application or recertification.

- A local agency, Louisville/Jefferson County Metro Government, has been awarded a grant to pilot an online benefits tool that will determine preliminary eligibility and, with client approval, initiate the application process.

- Iowa established a centralized Statewide customer call center that responds to inquiries about food stamps and accepts applications and reported changes.

- Nevada set up kiosks that allow individuals to prescreen and apply for food stamps online in grocery stores and two welfare district offices.

- Tennessee deployed "roving" caseworkers in two urban counties to enroll and recertify applicants and participants.

States have also sought to simplify the application process through administrative waivers. Nearly half of the States have received approval to waive the face-to-face interview at initial application and/or recertification. These States are: Arizona, Arkansas, Connecticut, Delaware, Florida, Illinois, Indiana, Louisiana, Massachusetts, New Mexico, New York, North Carolina, Ohio, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont and Washington. In lieu of the face-to-face interview, State agencies conduct interviews via telephone for certain households. Eligibility workers gather the same information and take the same actions during a telephone interview as during a face-to-face interview.

Several States have implemented demonstration projects called Combined Application Projects (CAP) which use Supplemental Security Income Program information gathered by the Social Security Administration for enrollment in the FSP, eliminating the need for a face-to-face interview. Sixteen States have been approved to operate CAPs. These States are: Arizona, Florida, Kentucky, Louisiana, Massachusetts, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, South Dakota, Texas, Virginia, Washington and Wisconsin. FNS is working with West Virginia and New Mexico to approve their proposals.

FNS is engaged in several efforts to collect and disseminate information about State initiatives to improve the application process. Since 2007, FNS has participated in the Food Stamp Outreach Coalition Online Committee and worked with a group of client advocacy and policy organizations and State program administrators to collect information on State experiences in developing and implementing online applications. The Committee expects to issue a report later this year. FNS has also established an internal Modernization Policy Group to compile information on State online systems that can be shared across State agencies. Finally, to provide a current and more comprehensive picture of modernization efforts, FNS has contracted for a study that is currently in the field collecting data from all States regarding their efforts to modernize application procedures for food stamp benefits. The survey will capture information on policy, technology and organizational changes to the application process. A report on survey results is expected in Spring 2009.

GENERAL

Ms. DeLauro: Does the FNS 2009 budget request include any proposed legislation? Has the legislation been submitted to the Congress? Please provide a copy of all proposed legislation for the record. Also, please provide an explanation for any changes to the FY 2008 appropriations language as noted in the President's fiscal year 2009 submission.

Response: Yes, our fiscal year 2009 budget request includes proposed legislation. The legislation has been submitted to Congress. A summary of all proposed legislation and an explanation of changes to FY 2008 appropriation language are submitted for the record.

[The information follows:]

Explanation of Proposed Legislation:

Food Stamp Program:

Working Poor and Elderly:

- Exclude retirement savings from the asset test - Exclude retirement accounts from resources when determining eligibility for the program. This proposal would allow workers who experience hard times to receive food stamps without having to draw down retirement savings prematurely and face monetary penalties.
- Reimburse work related expenses (pilot test) - Authorize the Secretary to conduct a pilot test to allow a limited number of States the flexibility to reimburse (with matching 50 percent Federal funds) work-related expenses for any households with earned income.
- Eliminate the cap on dependent care deduction - Eliminate the current dependent care deduction limits of $200 per month for children under 2 years and $175 per month for other dependents when determining food stamp eligibility and benefit levels. This proposal simplifies program rules and supports work by allowing households to claim more of the actual dependent care expenses they incur while working or participating in work services.
- Exclude IRS-approved college savings plans - Exclude from resources the value of certain college savings plans that the IRS recognizes for tax purposes, including 529 plans operated by most States. This proposal will help families save for the children's future even if they have a temporary need for food stamps.
- Exclude military combat pay - Exclude from countable income, the additional pay military personnel receive while they are serving in an active combat zone. Excluding this special pay preserves eligibility and benefit levels for a military member's family while he or she is deployed to a combat zone.

Streamlining and Modernizing:

- Rename the Food Stamp Program - Change the name of the Food Stamp Program to the Food and Nutrition Program to reflect the advances in technology that have made the stamps obsolete and better reflect the nutritional aspects of the program.
- De-obligate food stamp coupons - De-obligate food stamp coupons as legal tender to reflect the current technological realities of the program.
- Protect recipients from reimbursing States for systematic errors - Prohibit States from establishing and collecting claims from recipients for State agency caused over-issuances resulting from widespread systemic errors while holding States responsible for the over-issuances.

Improving Program Integrity:

- Limit categorical eligibility for recipients of non-cash TANF services - Limit categorical eligibility to those participants who receive cash assistance from a program funded under TANF or SSI. This proposal ensures that those individuals eligible for the program receive benefits while eliminating categorical eligibility for those who would otherwise not be eligible to receive benefits.

- Allow flexibility in assessment of retailer fines - Allow the Secretary to assess alternative penalties for certain retailer violations. This proposal provides the Secretary flexibility in assigning fines or disqualifications and allows certain conditions and circumstances to be taken into consideration when determining the penalty.
- Allow seizure and transfer of funds in trafficking cases - Allow the Secretary, in certain egregious trafficking cases, to seize and transfer the offending retailer's funds to the Treasury immediately. This proposal would reduce the ability of trafficking retailers to continue their fraudulent activities.
- Prohibit the exchange of food for cash - Make the exchange of food purchased with food stamp benefits for cash an intentional program violation. This proposal would help ensure that benefits are used for their intended purpose.
- Charge States 5 percent of administrative costs for high negative error rates - Authorize USDA to charge State agencies five percent of administrative costs if the State is more than fifty percent above the national negative error rate for two consecutive years. This proposal emphasizes improved customer service and State agency accountability to those households that are denied benefits or are terminated or suspended from the Program.
- Eliminate re-investment for States sanctioned in 3 consecutive years - Remove the new investment option for States sanctioned for improper payments for three consecutive years. This proposal emphasizes the importance of State accountability and expected results associated with improper payments.

Improving Health through Nutrition Education:

- Recognize education as an FSP component - Strengthen efforts to integrate nutrition education into the program by recognizing that nutrition education is a component of the program.
- Obesity initiative - Invest $100 million to establish a five-year competitive grants demonstration program targeted at developing and testing solutions to the rising rates of obesity.

Food Distribution Program on Indian Reservations (FDPIR):

- Revise funding allocation formula -- Revise the current FDPIR formula to provide a structured and equitable method for allocating administrative funds among Indian Tribal Organizations (ITOs) and States participating in FDPIR. The current allocation does not correlate with participation levels.
- Increase FDPIR administrative funding - Increase funding by $27 million over 10 years to better reflect the actual administrative costs of FDPIR. It would ensure that any change to the current funding formula would allow all ITOs and States to continue their current allotments or receive a modest increase depending on their participation level.
- Expand disqualification list - Expand the list of FSP disqualifications to include persons disqualified from FDPIR for intentional program violations. This proposal will support program integrity by ensuring disqualified individuals cannot participate in either program.

Community Food Project:

- Restore funding for the Community Food Project -- The purpose of the Community Food Projects Competitive Grants Program is to support the development of community food projects with a one-time infusion of Federal dollars to make such projects self-sustaining. The program is managed by the Cooperative State Research, Education, and Extension Service.

Child Nutrition Program:

Improving Program Integrity:

- Limit Food Stamp Program categorical eligibility - interaction with the National School Lunch Program and School Breakfast Program: A change in eligibility criteria in the Food Stamp Program (eliminating categorical eligibility for recipients of non-cash TANF services) would result in fewer children being categorically eligible for the National School Lunch Program and the School Breakfast Program.

Promoting Healthy Diets:

- Increase fruit and vegetable purchases through the National School Lunch Program: An increase in fresh fruit and vegetable purchases for the National School Lunch Program would increase the availability of healthful foods that contribute to a healthful diet. The fruits and vegetables would be distributed to State agencies and schools in the same manner as commodities provided as part of a school's commodity entitlement.

- Conduct school food purchase study once every 5 years: Funding for a study of school food purchases every five years would help promote healthful eating by examining the type, quantity and value of foods purchased, and procurement practices and operating characteristics of school districts and the relationship of these characteristics to food costs.

Commodity Assistance Program:

Improving Program Integrity:

- Continuation of the Senior Farmers' Market Nutrition Program: Farm Bill proposes continuation of the SFMNP, funded by transfer from Commodity Credit Corporation.

Explanation of Changes to Proposed Appropriation Language:

The Food Stamp Program (FSP), Child Nutrition Program (CNP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and the Commodity Assistance Program (CAP) appropriation language for fiscal year 2009 include language changes that address the following issues:

- FSP. Indefinite funding authority. Indefinite funding authority for carrying out the Food Stamp Act above the anticipated level for program benefits and other non-Federal expenses would allow the program to continue to serve participants without the need for a supplemental appropriation.

- FSP. Deletes language prohibiting the use of FSP funds for conducting necessary studies and evaluations.
- FSP. Deletes language related to special military pay for servicemen deployed to a designated combat zone. This proposal is included as part of the President's Farm Bill Proposals.
- FSP. Includes language that provides funding as a monthly transitional benefit to CSFP participants upon the elimination of CSFP funding. This benefit would continue for six months or until the former CSFP participant is determined eligible and begins to participate in the Food Stamp Program, whichever occurs first.
- CNP. Deletes unnecessary language specific to the coordinated review effort.
- WIC. Eliminates special funding for management information systems.
- WIC. Requires funding for nutrition services and administration grants to States be capped at the FY 2007 level.
- WIC. Provides guidance that funds not be used for WIC benefits for individuals who receive medical assistance or whose family member is a pregnant woman or infant who receives assistance, unless their family income falls below 250 percent of the applicable poverty guidelines.
- CAP. Deletes the Commodity Supplemental Food Program from this
- appropriation.
- NPA. Broadens availability of funds to not only those programs funded in annual appropriation, but also those funded by authorizing statute or by transfer.
- NPA. Eliminates funding for the Congressional Hunger Center for which the Administration has not traditionally requested funding.

Ms. DeLauro: How has ERS provided practical, operational research to improve program operations? What studies and evaluations are FNS doing in fiscal year 2008 and proposed in fiscal year 2009? How are studies performed by ERS and FNS being defined to ensure no duplication?

Response: FNS and ERS have a study agenda that meets the needs of FNS as the action agency and ERS as a provider of economic information and research. In FY 2008, for example, ERS has examined the relationship between long-term household earnings patterns and food stamp participation, and predictors of persistent overweight among children and developmental outcomes. ERS will also provide an annual update on the extent of food insecurity in America. The two agencies consult periodically on research plans and priorities to avoid duplication, and collaborate when appropriate to capitalize on the agencies' strengths and expertise.

Notwithstanding this effort, critical information gaps exist that are best filled by FNS. The funds requested for FNS in FY 2009 will enable FNS to close some of these gaps with the focused, practical inquiries that can lead to effective policies. The budget requests specific funding in 2009 for a number of important projects. For the Food Stamp Program, these requests are for an assessment of strategies to increase participation among the elderly and working poor, a pilot test of alternative performance reporting models in States with modernized food stamp application and certification processes, and rigorous evaluation of existing food stamp nutrition education activities to build a menu of effective options. For the Child Nutrition Programs, funds are requested to support updated analysis of the nutrient content of school meals, and to measure and address sources of payment error in the CACFP.

The 2008 Farm Bill, enacted after the budget request was submitted, earmarked mandatory funds for additional policy-related research, including a series of obesity prevention demonstration projects and evaluations, an assessment of Puerto Rico's Nutrition Assistance Program, an evaluation of the Fresh Fruit and Vegetable Program, and a study of foods purchased and used in the school meals programs.

The President's budget request also includes continued funding to support a range of important program assessment activities, including focused studies of program operations, development of comprehensive measures of program performance to inform and foster outcome-based planning and management, and technical assistance to States and communities for practical demonstrations of potential policy and program improvements. Plans for specific projects are still being finalized.

Ms. DeLauro: Update the tables that appear in the previous hearing record showing both the staff year and dollar level associated with the Administrators office, the Deputy Administrators offices, and the Office Directors offices to include fiscal year 2007 actuals and estimates for fiscal years 2008 and 2009.

Response: A breakout of Nutrition Programs Administration staff year and dollar levels in the headquarters' organizations is provided for the record. The dollar level includes salaries and benefits, travel, training, and all other expenses related to staff support.

[The information follows:]

Organization	Fiscal Year 2007 Actual		Fiscal Year 2008 Estimated 1/		Fiscal Year 2009 Estimated 1/	
Office of the Administrator	2,494,579	16.5	1,068,464	6	1,091,263	6
Communications and Governmental Affairs	3,222,185	27.5	2,285,649	18.7	2,344,194	18.7
Program Service and Support	--	--	2,648,423	15.8	2,722,329	15.8
Office of Research and Analysis	4,651,663	39.7	4,901,311	40.1	5,026,855	40.1
Food Stamp Program	9,899,467	94.6	9,679,673	92.2	9,942,521	92.2
Special Nutrition Programs	9,063,377	84.1	8,531,556	79.2	8,770,911	79.2
Management	11,164,143	100.6	6,206,370	50.5	6,360,974	50.5
Management and Finance	--	--	2,164,556	14	2,225,011	14
Financial Management	8,004,282	67.5	7,535,851	63.1	7,744,992	63.1
Office of Information Technology	--	--	6,632,396	35.1	12,702,445	35.1
Total	48,499,696	431	51,654,249	415	58,931,495	415

1/ FY 2008 and 2009 Estimated Levels reflect realignments that were effective in FY 2008.

Ms. DeLauro: Provide a list of all ongoing studies and evaluations that are being conducted in all areas of the agency including the Center for Nutrition Policy and Promotion. Include a brief description of the study, the total projected cost, the amount spent to date, when it started, when it will be completed, whether its being done in-house or contracted out, who the contractor is, and whether it was mandated by law or not. Also include studies that were completed in fiscal year 2007.

Response: An updated list of all ongoing nutrition studies and evaluations conducted by FNS and the Center for Nutrition Policy and Promotion is included for the record. Unless an item specifically says that it is being done in-house, the research is being conducted through contracts, grants, and cooperative agreements with public and private organizations.

[The information follows:]

Food and Nutrition Service Studies and Evaluations
Ongoing Studies (including studies completed in Fiscal Year 2008)

Measuring Food Stamp and Other Nutrition Assistance Program Access, Trends, and Impacts

This contract provides support during fiscal years 2004-2008 for estimating effects of potential program changes, for short-turnaround analyses of current issues, for periodic analysis of participation and household characteristics, and for research needed to improve future analytic capacities. Impact analyses under the contract support many FNS legislative and budgetary proposals every year. Other organizations, such as the Congressional Budget Office, community organizations, and private research firms, rely on the regular publication of analytical and descriptive studies - including information on the characteristics of participants and participation rates among eligibles - produced under this contract to support their own analyses of the Food Stamp Program.

Total Projected Cost:	$6,721,324
Amount Spent to Date:	$5,781,000
Start Date:	September 2003
Completion Date:	March 2009
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	No

Study of Dynamics of Participation in the Food Stamp and Other Nutrition Assistance Programs

The objective of this study was to research the dynamics of participation in the major nutrition assistance programs, with particular attention to (1) updating measures of Food Stamp Program (FSP) participation dynamics and information on the circumstances that trigger entry to the program and influence participation spell lengths; (2) assess research on the likelihood of FSP participation during childhood and adulthood; and (3) update measures of the dynamics of WIC receipt by children and develop new measures for mothers.

Total Projected Cost:	$529,030
Amount Spent to Date:	$529,030
Start Date:	September 2005
Completion Date:	February 2008
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	No

Modernization of the Food Stamp Program in Florida

This study systematically examined Florida's modernization model in order to gain a better understanding of the relationship between the business model and the Food Stamp Program in terms of structure, operations, costs and performance. Project results are being used to inform FNS policy discussions, provide technical and procedurally relevant information to States, and offer Florida's Department of Children and Family Services a tool for assessing potential model enhancements and responding efficiently to a variety of stakeholder inquiries.

Total Projected Cost:	$438,543
Amount Spent to Date:	$438,543
Start Date:	September 2005
Completion Date:	November 2007
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	No

Evaluation of 2004-2005 Food Stamp Outreach Grants

Sixteen community organizations received awards to implement food stamp outreach projects to encourage participation among eligible individuals. Each grantee received technical assistance, particularly around the evaluation of the projects. The evaluation reports from each project are being synthesized to highlight outreach strategies that work best with hard to reach populations, give a better understanding of the relationship between outreach activities and food stamp participation, and identify promising outreach methods.

Total Projected Cost:	$26,250
Amount Spent to Date:	$26,250
Start Date:	September 2004
Completion Date:	January 2008
Name of Contractor:	In-house
Congressional Mandate:	No

Effects of Program Participation on Nutrient Intake and Diet Quality

This project examined the relationship between program participation, diet quality, and nutrient intake, using data from the 1999-2002 National Health and Nutrition Examination Survey. This study goes beyond traditional nutrient intake analyses by examining the dietary quality and food choices of program participants, income-eligible nonparticipants, and higher-income individuals. FNS has produced three reports - one focused on the Food Stamp Program, one dealing with WIC participants, and focused on the National School Lunch Program.

Total Projected Cost:	$571,088
Amount Spent to Date:	$522,910
Start Date:	September 2004
Completion Date:	July 2008
Name of Contractor:	Abt Associates, Inc.
Congressional Mandate:	No

Improving the Food Stamp Certification Process

Many States are considering potential improvements to program policies and procedures to achieve efficiencies and support and encourage eligible individuals to complete the application process. Changes under consideration include simpler and more standardized policies; incorporating alternatives to face-to-face interviews; using technology to replace paper processing; and engaging non-governmental staff to carry-out key application functions. This study is examining and documenting the process and performance of current procedures in terms of challenges faced and successes experienced in implementing the states' modernization initiatives, impetus for modernization, applicant contacts, number of applications completed, approved and denied, and application processing times, accuracy and costs. The

purpose is to identify approaches that could enhance the application process and compare their performance.

Total Projected Cost:	$1,182,872
Amount Spent to Date:	$527,856
Start Date:	October 2006
Completion Date:	November 2009
Name of Contractor:	The Urban Institute
Congressional Mandate:	No

Understanding the Determinants of Food Stamp Participation

One barrier to improving measures of program results is selection bias - unobserved differences between program participants and eligible non-participants that may introduce bias into measured outcomes. To assess the extent and feasibility of controlling that bias, a better understanding is needed of the characteristics and circumstances that influence a decision to participate in the Food Stamp Program. This project will review available research on the determinants of participation among different types of households and use existing survey data to see how well econometric models can classify eligible households as participants and non-participants.

Total Projected Cost:	$291,729
Amount Spent to Date:	$76,622
Start Date:	September 2007
Completion Date:	February 2009
Name of Contractor:	Abt Associates, Inc.
Congressional Mandate:	No

Feasibility of Assessing Causes of State Variation in Food Stamp Administrative Costs

This project is examining the feasibility of assessing reasons for variation in State Food Stamp Program administrative costs. The study includes interviews with Federal and State Food Stamp agencies about the type and quality of data available on State administrative costs, and examines the need for additional data collection. It also includes a discussion of analytical techniques for analysis in the absence of a controlled random-selection experimental design.

Total Projected Cost:	$122,444
Amount Spent to Date:	$66,458
Start Date:	September 2007
Completion Date:	September 2008
Name of Contractor:	Abt Associates, Inc.
Congressional Mandate:	No

Understanding the Relationship between Food Stamp Program Household Spending Patterns and Diet Quality

Recent performance reviews identified a need for better information on the effect of food stamp participation on hunger and diet quality. This project will begin to fill gaps in the information on the nature and strength of the relationship between food stamp participation, expenditures across major consumer needs (including food), and the quality of the household food supply. It will use data from the 1996 National Survey of Food Stamp Participants and the Consumer Expenditure Survey to compare spending on key goods and services among participants, low-income consumers and all

consumers, determine if an increase in food expenditures is associated with an increase in nutrient availability and nutritional quality of foods used at home, and identify factors that influence the relationship.

Total Projected Cost: $495,430
Amount Spent to Date: $343,326
Start Date: September 2007
Completion Date: June 2009
Name of Contractor: Mathematica Policy Research, Inc.
Congressional Mandate: No

School Nutrition Dietary Assessment (SNDA - III)

This study updates information on (1) characteristics of the school environment and school food service operations; (2) nutritional quality of meals offered and served in the school meal programs; (3) student participation, participant characteristics, satisfaction, and related attitudes toward the school lunch and breakfast program; and (4) student dietary intakes and the contribution of school meals to these dietary intakes. Funding was provided in fiscal year 2003 to develop a sampling frame for national studies of the school meals programs. FY 2004 funds supported the selection and recruitment of school districts, study design and instrument development, and initial data collection activities. Fiscal year 2005 funds supported additional data collection activities, data analysis and final report writing.

Total Projected Cost: $4,991,869
Amount Spent to Date: $4,732,450
Start Date: July 2004
Completion Date: December 2007
Name of Contractor: Mathematica Policy Research Inc.
Congressional Mandate: No

School Lunch and Breakfast Cost Study - II

This study provides a detailed examination of the cost of producing reimbursable meals in the National School Lunch Program (NSLP) and the School Breakfast Program (SBP) during school year (SY) 2005-06. Using the same methodology used a study of meal costs in SY 1992-93, the study examined the costs charged to school food service accounts (reported costs) as well as those incurred by the school district in support of school food authority (SFA) operations, but not charged to the SFA (unreported costs). Results of this study were compared to inflation-adjusted costs found in the earlier study. The study also examined indirect costs and indirect cost rates as they relate to the food service account and the amount of operating dollars remaining in the food service account, reasons for these balances, and potential future outlays.

Total Projected Cost: $3,738,354
Amount Spent to Date: $3,706,762
Start Date: September 2005
Completion Date: April 2008
Name of Contractor: Abt Associates
Congressional Mandate: No

NSLP/SBP Access, Participation, Eligibility and Certification Study

This study provides national estimates for erroneous payments (the sum of the absolute value of overpayments and underpayments) based on onsite data collection in School Year 2005-2006. The contractor developed the study methodology and the sampling plan based on the requirements of the Improper Payments Act of 2002 (PL 107-300) and specified in guidance issued by the Office of Management and Budget. Data collection activities were conducted onsite during School Year 2005 - 2006 in a nationally representative sample of 266 schools selected from 87 school districts across the 48 contiguous States and the District of Columbia. Estimates of error rates and erroneous payments were developed for certification errors as well as errors associated with meal counting and claiming. Estimation models were also developed to provide annual national estimates of erroneous payments in the NSLP and SBP in the interim between periodic nationally-representative studies.

Total Projected Cost:	$5,611,896
Amount Spent to Date:	$5,611,896
Start Date:	September 2004
Completion Date:	June 2008
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	Yes (supports compliance with PL 107-300)

Regional Office Review of Applications (RORA) - 2007

This study, one in an annual series, provides a nationally representative estimate of the rate of administrative accuracy of school district application approval and benefit issuance for free/reduced price meals. Sample size of school districts and applicant households is calibrated to meet the requirements of the Office of Management and Budget under the Improper Payments Information Act of 2002 P.L. 107-300. A random sample of about 50 applications in each of 56 school districts is collected and analyzed by FNS staff each year.

Total Projected Cost:	$94,500
Amount Spent to Date:	$42,000
Start Date:	September 2006
Completion Date:	September 2008
Name of Contractor:	In-house
Congressional Mandate:	No

Regional Office Review of Applications (RORA) - 2008

This study, one in an annual series, provides a nationally representative estimate of the rate of administrative accuracy of school district application approval and benefit issuance for free/reduced price meals. Sample size of school districts and applicant households is calibrated to meet the requirements of the Office of Management and Budget under the Improper Payments Information Act of 2002 P.L. 107-300. A random sample of about 50 applications in each of 56 school districts is collected and analyzed by FNS staff each year.

Total Projected Cost:	$94,500
Amount Spent to Date:	$42,000
Start Date:	September 2007
Completion Date:	June 2009
Name of Contractor:	In-house
Congressional Mandate:	No

Analysis of Verification Summary Data, School Year 2005-2006

This report will present outcomes of the verification process for the National School Lunch and Breakfast Programs (NSLP and SBP) for the 2005-2006 school year -- the first year in which new verification requirements required under the Child Nutrition and WIC Reauthorization Act of 2004 were implemented. Results of the 2005-2006 verification process and comparisons with the 2004-2005 verification results will be presented.

Total Projected Cost:	$10,500
Amount Spent to Date:	$10,500
Start Date:	August 2006
Completion Date:	September 2008
Name of Contractor:	In-house
Congressional Mandate:	No

Evaluation of Direct Verification

This study is evaluating the impact of demonstration projects in 5 States (Indiana, Oregon, South Carolina, Tennessee, and Washington) that use direct verification - computer-matching National School Lunch Program for free or reduced price meal applications to Medicaid data - to replace the standard verification process, which relies on local education agencies contact the households, and verify the facts applications by providing documentation. Direct verification is less burdensome on parents and schools, and holds the potential to increase access to school meals for those in need. The evaluation will assess the feasibility of these demonstrations to verify school lunch applications and document the lessons learned. The report to Congress, *Direct Verification Pilot Study: First Year Report*, was submitted on June 27, 2007. A second year report is anticipated December 2008.

Total Projected Cost:	$1,475,052
Amount Spent to Date:	$542,365
Start Date:	June 2006
Completion Date:	December 2008
Name of Contractor:	Abt Associates
Congressional Mandate:	Yes

Pennsylvania SFSP Rural Eligibility Pilot Project

The Child Nutrition and WIC Reauthorization Act of 2004 mandated a pilot project to reduce the area eligibility threshold for poor economic areas in rural Pennsylvania from 50 percent to 40 percent of the children eligible for free and reduced price school meals for use in the SFSP during 2005 and 2006 can claim all meals served to children as free meals. The evaluation examines the impact of the threshold change on the number of SFSP sponsors and sites participating, the geographical location of the SFSP sites, and services provided to eligible children. An evaluation report was provided to Congress in February 2008.

Total Projected Cost:	$400,000
Amount Spent to Date:	$380,120
Start Date:	September 2005
Completion Date:	December 2007
Name of Contractor:	Exceed Corporation
Congressional Mandate:	Yes

Nebraska CACFP Rural Eligibility Pilot Project

The Child Nutrition and WIC Reauthorization Act of 2004 mandated a pilot project to reduce the area eligibility threshold for tier I family or group day care homes in rural Nebraska from 50 percent to 40 percent of the children eligible for free and reduced price school meals. The evaluation examined the impact of the threshold change on the number of family day care homes (FDCHs) offering meals, the number of FDCHs in tier I as a result of the demonstration, the geographical location of the FDCHs, the services provided to eligible children, and the characteristics of eligible children. An evaluation report was provided to Congress in July 2008.

Total Projected Cost:	$400,000
Amount Spent to Date:	$358,865
Start Date:	September 2006
Completion Date:	July 2008
Name of Contractor:	McFarland & Associates
Congressional Mandate:	Yes

CACFP Sponsor Tiering Determination - III

To address requirements for data relative to the Improper Payments Information Act of 2002, FNS conducts an annual assessment of tiering levels assigned by sponsors to family day care homes for Tier I or Tier II levels of reimbursement is being conducted with a nationally representative sample of CACFP sponsors. The project produces annual estimates of the rates and erroneous payment dollars associated with improper sponsor tiering decisions.

Total Projected Cost:	$685,000
Amount Spent to Date:	$556,802
Start Date:	August 2007
Completion Date:	December 2008
Name of Contractor:	ORC/Macro
Congressional Mandate:	No

CACFP Sponsor Tiering Determination - IV

To address requirements for data relative to the Improper Payments Information Act of 2002, FNS conducts an annual assessment of tiering levels assigned by sponsors to family day care homes for Tier I or Tier II levels of reimbursement is being conducted with a nationally representative sample of CACFP sponsors. The project produces annual estimates of the rates and erroneous payment dollars associated with improper sponsor tiering decisions.

Total Projected Cost:	$434,834
Amount Spent to Date:	0
Start Date:	July 2008
Completion Date:	July 2009
Name of Contractor:	Abt Associates
Congressional Mandate:	No

CACFP Meal Claiming Data Collection Pilot

The objective of this pilot is to test and evaluate the cost, feasibility and effectiveness of each of four different methods for validating meal reimbursement claims submitted by family day care homes to their sponsors by comparing them to:

1. the recollections of parents/guardians on their children's attendance during the days and times of the claims;
2. the audit sign in/sign out logs used to track, by day and time, parents' dropping off and picking up of their children at the FDCH;
3. both audit sign in/sign out logs and the recollections of parents; and
4. estimates based on statistical projections derived from a probability sample of FDCHs observed across their scheduled breakfast, lunch, supper and snack serving times.

Total Projected Cost: $400,000
Amount Spent to Date: $135,599
Start Date: November 2006
Completion Date: December 2008
Name of Contractor: Mathematica Policy Research Inc.
Congressional Mandate: No

WIC Breastfeeding Peer Counseling Study

Peer counseling is a commonly recognized intervention in public health programs that provides community-based peer education and support from among a particular population group. The study will obtain a comprehensive and systematic picture of the implementation of the Loving Support Peer Counseling program as well as test the effectiveness of higher intensity peer counseling on duration of breastfeeding. Phase I will describe the process of the Loving Support Peer Counseling program implementation in those states that accepted breastfeeding peer counseling funds, including challenges faced and strategies used to overcome these challenges, evolution of the peer counseling program over time, and continuing costs. Phase II is to answer the question "What is the intensity of peer counseling necessary to increase duration of breastfeeding once the program has met the standards of the FNS model?" The study is not nationally representative but will focus on those programs serving a population that has the lowest rate of breastfeeding.

Total Projected Cost: $1,705,587
Amount Spent to Date: $360,462
Start Date: September 2006
Completion Date: January 2009
Name of Contractor: Abt Associates
Congressional Mandate: No

WIC Program and Participant Characteristics - (PC2008 and PC2010)

Since 1988, FNS has produced biennial reports on current participant and program characteristics in the WIC Program for general program monitoring as well as for managing the information needs of the program. FNS uses this regularly updated WIC Program information to estimate budgets, submit civil rights reporting, identify needs for research, and review current and proposed WIC policies and procedures. The biennial reports include: information on the income and nutritional risk characteristics of WIC participants, breastfeeding initiation and reporting by State, and data on WIC Program participation for migrant farm worker families. The 2008 report will be the 12th in this series.

Total Projected Cost: $1,479,650
Amount Spent to Date: $199,423
Start Date: March 2008
Completion Date: May 2011
Name of Contractor: Abt Associates
Congressional Mandate: No

National Survey of WIC Participants

The National Survey of WIC Participants periodically collects data on a nationally representative sample of approximately 3,000 program participants via personal interviews. Previous national surveys were conducted in 1984, 1988, and 1998 to identify key participant characteristics not available through State WIC management information systems and update information on nutritional risks, sources of food assistance, family composition, health insurance coverage, and other policy-relevant topics. The survey also provides critical support for FNS compliance with the Improper Payments Information Act (IPIA) and a Presidential Management Agenda goal (improved financial performance with better information on benefit payments and participant characteristics). The new survey will expand upon the previous design to provide national estimates of income certification error and the dollar level of certification-related overpayment and underpayment in the Program. In addition, information from this survey will be used by FNS, State and local agencies in decision-making to update services to most effectively meet participants' needs.

Total Projected Cost: $2,574,152
Amount Spent to Date: $159,050
Start Date: September 2007
Completion Date: December 2009
Name of Contractor: ORC/Macro
Congressional Mandate: No

Evaluation of Changes to Partial Breastfeeding Reimbursement in the WIC Food Package

The new WIC food packages increase the attractiveness of the mother's package for fully breastfeeding women. For partially breastfeeding women the new packages limit the provision of formula in the first month postpartum and reduce by half the maximum amount of the full-formula allotment in subsequent months, with the objective of increasing the initiation, intensity, and duration of breastfeeding. This study, developed in response to a recommendation from the Institute of Medicine, will examine the effect of the changes in packages for postpartum women and infants on the initiation, intensity, and duration of breastfeeding, both to determine the effectiveness of the policy change and to document any unintended consequences.

Total Projected Cost: $1,599,815
Amount Spent to Date: $107,914
Start Date: September 2007
Completion Date: December 2010
Name of Contractor: Abt Associates
Congressional Mandate: No

Annual Measures of Erroneous Payments to WIC Vendors

IPIA of 2002 (Public Law 107-300) requires annual estimates of payment error in its programs and actions taken to reduce those payments. Approximately

every seven years, FNS produces national measures of payment error based on a national survey of WIC vendors. In the interim between these large-scale surveys, annual national estimates of WIC vendor payment error are needed. The objectives of this project are to: 1) calculate an annual measure of erroneous payments to WIC vendors that is compliant with the requirements of IPIA, 2) train FNS staff on how to perform the calculation in future years, and 3) based on project results and analyses, suggest ways in which FNS and/or State agencies can better target future reviews of WIC vendors and/or improve sources of relevant data.

Total Projected Cost:	$250,000
Amount Spent to Date:	$236,396
Start Date:	July 2006
Completion Date:	September 2008
Name of Contractor:	ORC/Macro
Congressional Mandate:	No

Food and Nutrition Service Studies and Evaluations
Completed Studies
Fiscal Year 2007

Review of Selected Nutrition Education Topics

The project consists of reviewing publications in peer-reviewed journals and reports from relevant government agencies that assess the impacts of different types of nutrition education messages and nutrition education interventions of varying intensity.

Total Projected Cost:	$47,250
Amount Spent to Date:	$31,500
Start Date:	September 2004
Completion Date:	May 2007
Name of Contractor:	In-house
Congressional Mandate:	No

Evaluation of South Carolina Food Stamp Nutrition Education Demonstration

This project was intended to (1) examine the State's capacity to target nutrition education to women and their families participating in or eligible for food stamp benefits in a community with high rates of diet-related health problems, and (2) assess the impacts of that education on dietary knowledge, motivation and behavior. However, the State withdrew from project; funds were returned to FNS.

Total Projected Cost:	$270,000
Amount Spent to Date:	0
Start Date:	September 2006
Completion Date:	Cancelled in Fiscal Year 2007
Name of Contractor:	South Carolina Department of Research on Social Services
Congressional Mandate:	No

The Extent of Trafficking in the Food Stamp Program: 2005 Update

In its efforts to increase and monitor program integrity, FNS has created a data-based nationwide estimate of the prevalence of trafficking in the Food Stamp Program - one indicator of how well the program is performing. This project updated these estimates with 2002-2005 data.

Total Projected Cost:	$120,441
Amount Spent to Date:	$27,797
Start Date:	September 2005
Completion Date:	November 2006
Name of Contractor:	ORC MACRO
Congressional Mandate:	No

Feasibility of Data Matching for Certifying and Verifying NSLP Eligibility

This project explored the feasibility of States and school districts using computer matching of wage records, benefit program information, and other data sources, as a tool for determining and verifying eligibility for free or reduced price school lunches. The project collected data from State Child Nutrition agencies, education agencies, and Medicaid agencies in September 2005. Data were also collected through in-depth telephone interviews with

officials from seven States during November and December 2005 and January 2006.

Total Projected Cost:	$847,444
Amount Spent to Date:	$780,837
Start Date:	September 2003
Completion Date:	December 31, 2006
Name of Contractor:	Abt Associates, Inc.
Congressional Mandate:	Yes - P.L. 108-265

WIC Program and Participant Characteristics (PC2004 and PC2006)
Since 1988, FNS has produced biennial reports on current participant and program characteristics in the WIC Program for general program monitoring as well as for managing the information needs of the program. FNS uses this regularly updated WIC Program information to estimate budgets, submit civil rights reporting, identify needs for research, and review current and proposed WIC policies and procedures. The biennial reports include: information on the income and nutritional risk characteristics of WIC participants, breastfeeding initiation and reporting by State, and data on WIC Program participation for migrant farm worker families. The 2006 report was the 11th in this series.

Total Projected Cost:	$1,574,922
Amount Spent to Date:	$1,574,922
Start Date:	September 2003
Completion Date:	May 2007
Name of Contractor:	Abt Associates
Congressional Mandate:	No

Evaluation of the Expanded Simplified Summer Food Program

The purpose of the this pilot project (known as the "Lugar Pilots") was to encourage organizations to provide summer meals to children in States that traditionally have had lower than average participation in summer feeding programs. Under the Simplified Summer Food Program, sponsoring organizations do not have to report costs in order to receive reimbursement, nor are they limited to using administrative funds strictly for administrative costs and "food money" for meal service related operational costs. Fourteen States participated in the original pilot; the Simplified Summer Food Program is now being conducted in 13 additional States (Colorado, Louisiana, Michigan, Mississippi, Ohio and Oregon, Arizona, Maine, North Carolina, Tennessee, Washington, West Virginia, Wisconsin). Congress required an evaluation of the expanded pilot, but provided no funds; the evaluation was for this reason conducted as an "in-house" project, focused on the program's impact on growth in sponsors, sites and meals served in the pilot States.

Total Projected Cost:	$34,650
Amount Spent to Date:	$34,650
Start Date:	April 2005
Completion Date:	April 2007
Name of Contractor:	In-house
Congressional Mandate:	Yes

CACFP Sponsor Tiering Determination - I

To address requirements for data relative to the Improper Payments Information Act of 2002, FNS conducts an annual assessment of tiering levels assigned by sponsors to family day care homes for Tier I or Tier II levels of

reimbursement is being conducted with a nationally representative sample of CACFP sponsors. The project produces annual estimates of the rates and erroneous payment dollars associated with improper sponsor tiering decisions.

Total Projected Cost: $650,000
Amount Spent to Date: $650,000
Start Date: May 2005
Completion Date: December 2006
Name of Contractor: ORC/Macro
Congressional Mandate: No

CACFP Sponsor Tiering Determination - II

To address requirements for data relative to the IPIA of 2002, FNS conducts an annual assessment of tiering levels assigned by sponsors to family day care homes for Tier I or Tier II levels of reimbursement is being conducted with a nationally representative sample of CACFP sponsors. The project produces annual estimates of the rates and erroneous payment dollars associated with improper sponsor tiering decisions.

Total Projected Cost: $640,000
Amount Spent to Date: $640,000
Start Date: August 2006
Completion Date: August 2007
Name of Contractor: ORC/Macro
Congressional Mandate: No

2005 WIC Vendor Management Study

The Child Nutrition and WIC Reauthorization Act of 2004 contains a number of WIC vendor cost-containment requirements. This study obtained data from WIC State agencies on a number of vendor cost-containment issues including competitive pricing systems, competitive price selection criteria, peer groupings, and allowable reimbursement levels. Of specific interest are the cost-containment methods in place for WIC-focused stores.

Total Projected Cost: $1,996,454
Amount Spent to Date: $1,952,481
Start Date: March 2004
Completion Date: April 2007
Name of Contractor: Health Systems Research
Congressional Mandate: No

Analysis of Verification Summary Data, School Year 2004-2005:

This report presents outcomes of the verification process for the National School Lunch and Breakfast Programs (NSLP and SBP) for the 2004-2005 school-year (SY). Data were received from over 16,000 School Food Authorities (SFA), representing 90 percent of the children enrolled in NSLP/SBP. Results of the verification process are presented in terms of the overall number and percentage of non-respondents as well as the number and percentage of respondents whose certification status did and did not change as a result of verification. Results are further broken down by type of certification (free or reduced price), type of verification used (random, focused or all applications), and size of the SFA.

Total Projected Cost:	$10,500
Amount Spent to Date:	$10,500
Start Date:	December 2005
Completion Date:	November 2006
Name of Contractor:	In-house
Congressional Mandate:	No

Center for Nutrition Policy and Promotion Studies (CNPP)

Update of the Thrifty Food Plan (TFP)

The CNPP is responsible for the development of the USDA food plans, including the Thrifty Food Plan (TFP) that serves as the nutritional basis for food stamp benefit levels. The TFP specifies quantities of different types of food that households may purchase to provide nutritious meals and snacks at relatively low cost. The CNPP updated the 1999 TFP to reflect the 2005 *Dietary Guidelines for Americans* and information on food consumption patterns, food prices, and food composition. The TFP market baskets consist of the foods with which a low-cost nutritious menu can be prepared at home. CNPP addressed one research question in this TFP revision: *Can new TFP market basket incorporating current dietary guidance and consumption patterns be developed at the inflation-adjusted cost of the previous TFP?* The answer was in the affirmative. The new TFP market baskets, however, do not meet the vitamin E and potassium recommendations for some age-gender groups and do not meet the sodium recommendation for many age-gender groups. To do so would have resulted in market baskets very different from typical consumption habits (in the case of vitamin E and potassium) or would require changes in food manufacturing practices (in the case of sodium). The Thrifty Food Plan was released during April 2007.

Total Projected Cost:	$420,000
Amount Spent to Date:	$420,000
Start Date:	Fall 2005
Completion Date:	April 2007
Name of Contractor:	In-house
Congressional Mandate:	No

Cost Adjustments to the Thrifty Food Plan

The Food Stamp Act of 1997 (7 USC 2011 *et seq.*) requires USDA to adjust, on a regular basis, the cost of the TFP to reflect changes in the cost of this plan. Economists and other staff members at the CNPP fulfill this congressional mandate by incorporating relevant monthly food-at-home estimates from the Consumer Price Index into the TFP and the other three higher cost food plans (Low-cost, Moderate-cost, and Liberal). The CNPP publishes and disseminates, on a monthly basis, the cost of food at home. The monthly estimates, reported at www.cnpp.usda.gov, now use age-gender groups that more closely match the age-gender categories in the *2005 Dietary Guidelines for Americans.*

Total Projected Cost:	$21,000 per year
Amount Spent to Date:	$21,000 for FY 2008
Start Date:	1975 (or earlier)
Completion Date:	On-going
Name of Contractor:	In-house
Congressional Mandate:	Yes (7 USC 2011 *et seq.*)

Update of the Low-Cost, Moderate-Cost and Liberal Food Plans

The CNPP is responsible for the development of the USDA food plans. The Low-Cost, Moderate-Cost and Liberal Food Plans specify the quantities of different types of food that households may purchase to provide nutritious meals and snacks. These food plans are used for various purposes. Bankruptcy courts often used the value of the Low-Cost Food Plan to determine the portion of a bankruptee's income to allocate to necessary food expenses. The Department of Defense uses the value of the Moderate-Cost and Liberal Food Plans to set Basic Allowance for Subsistence rate for all enlistees. Many divorce courts use the value of the USDA food plans to set alimony payments. All of these plans are used in USDA's report *Expenditures on Children by Families*. The methods used to update the TFP are being applied to update these higher cost plans. The newly revised (2007) Low-Cost, Moderate-Cost, and Liberal Food Plans (as well as the TFP) differ from, and improve upon, the previous versions in a number of ways: (1)The Plans are based on the most current dietary standards—the 2005 *Dietary Guidelines for Americans* as well as the 2005 MyPyramid Food Guidance System.(2)The Plans use the latest data on food consumption, nutrient content, and food prices. (3)The Plans offer a more realistic reflection of the time available for home food preparation; hence, each plan incorporates more prepared foods within the recipes and requires fewer preparations from scratch. The revised Low-Cost, Moderate-Cost and Liberal Food Plans were released during November 2007.

Total Projected Cost:	$420,000
Amount Spent to Date:	$210,000
Start Date:	Winter 2007
Completion Date:	November 2007
Name of Contractor:	In-house
Congressional Mandate:	No

Evidence-Based Reviews to Support the 2010 *Dietary Guidelines for Americans*

The *Dietary Guidelines for Americans* are reviewed and issued jointly by the USDA and the Department of Health and Human Services (HHS) every five years. These Guidelines serve as the basis for Federal nutrition policy development in Government nutrition programs, including those focused on research, education, school lunch, food assistance, labeling, and nutrition information.

Historically, the Dietary Guidelines Advisory Committee has developed science-based recommendations by using a critical review approach to examine the scientific research. However, in response to OMB's guidelines for ensuring and maximizing the quality, objectivity, utility, and integrity of information disseminated by Federal agencies, the 2005 Dietary Advisory Committee used a new approach that increased the rigor and transparency of its examinations: a modified "evidence-based review." The evidence-based decision-making process is a thorough, comprehensive examination of the scientific literature that serves as a transparent method for evaluating research. The evidence-based approach is being recognized as the gold standard for developing public health guidance.

The CNPP is developing a Web-based, electronic Nutrition Evidence Library to support the 2010 *Dietary Guidelines*. To implement the Nutrition Evidence Library, CNPP will use the expertise and guidance of the NEL Executive Committee, a Federal Interest Group, Scientific Interest Group, a NEL Management Team, Evidence Abstractors, and a Research Librarian.

Total Cost:	$840,000 per year
Amount Spent to Date:	$105,000
Start Date:	2006
Completion Date:	On-going
Name of Contractor:	In-house; American Dietetic Association
Congressional Mandate:	Yes

Expenditures on Children by Families

Since 1960, the USDA has provided annual figures of expenditures on children by families, also referred to as the "cost of raising children" project. The CNPP maintains this project. These annual figures are the only economic data that are provided by the Federal Government on the cost of raising children. Child-rearing costs are used to set State child support guidelines. The Family Support Act of 1988 requires States to implement child support guidelines and to review the guidelines every four years. The Act also requires States to consider economic data on the cost of raising children when determining these guidelines. Annual estimates of expenditures on children are necessary to ensure the economic well-being of children, especially because a large percentage of single-parent families are near or below the poverty threshold. Studies have shown that adequate child support not only enhances the well-being of children, but it also reduces single-parent families' reliance on government assistance. According to *Families and Living Arrangements: 2007*, some 73.7 million children younger than 18 lived in the United States. Of these, 67.8 percent lived with married parents, 2.9 percent lived with two unmarried parents, 25.8 percent lived with one parent and 3.5 percent lived with no parent present. In addition, the child-rearing costs are used to set State foster care rates. According to the Administration for Children and Families, 518,000 children in the United States were in the foster care system during fiscal year 2005.

CNPP continues to issue annual updates of family expenditures on children. In addition, the CNPP is updating the expenditure base used to determine family expenditures on children and is developing an electronic "calculator" that average consumers can use to estimate the cost of raising child from birth through age 17. To establish the new base, CNPP will use interview data from the 2005 and 2006 Consumer Expenditure Survey. *Expenditures on Children by Families, 2008* was released in early 2008, which will be followed by the release of the "Cost of Raising a Child Calculator" in early 2009.

Total Projected Cost:	$52,500 per year
Amount Spent to Date:	$52,500 per year
Start Date:	1960
Completion Date:	On-going
Name of Contractor:	In-house
Congressional Mandate:	No

Healthy Eating Index

In 1995, the CNPP released the Healthy Eating Index (HEI), a population-based measure of overall diet quality. This and follow-up activities derive from the mandates of Public Law 101-445, the National Nutrition Monitoring and Related Research Act—7 USC 5301 *et seq.*, which directs the USDA and the Department of Health and Human Services to "improve the methodologies and technologies, including those suitable for use by States and localities, available for the assessment of nutritional and dietary status and trends" and to "develop uniform standards and indicators for the assessment and monitoring of nutritional and dietary status, for relating food consumption

patterns to nutritional and health status, and for use in the evaluation of Federal food and nutrition intervention programs" (7 USC 5313, Sec. 103(b)6-7).

The original HEI used data from the USDA's 1989-90 Continuing Survey of Food Intakes by Individuals (CSFII) to provide a "snapshot" of the foods people were eating, the amount of variety in the diet, and their compliance with specific dietary recommendations. In 1998, the HEI was revised with updated consumption and nutrient information from the USDA's 1994-96 CSFII. With the release of the USDA's 1998 supplemental CSFII on children ages 2 to 9, the CNPP calculated and reported the HEI for this group. The HEI for 1999-2000 was published in December 2002. The database used for that update was the National Health and Nutrition Examination Survey. The average HEI score for the U.S. population was 64 (of a possible 100 points), the same as that from the 1994-96 period. The HEI allows nutrition researchers and professionals to analyze how well Americans eat and to help devise effective nutrition promotion strategies.

The release of the *2005 Dietary Guidelines* necessitated a revision of the HEI because of the increased emphasis on important aspects of diet quality, such as whole grains, various types of vegetables, specific types of fat, and the introduction of the new concept of "discretionary calories." Therefore, the goal set for this revision of the HEI was to develop a tool that measures compliance with the key diet-related recommendations of the *2005 Dietary Guidelines for Americans*. The need for revision also provided the opportunity to evaluate the psychometric properties of the new index.

The components of the HEI-2005 represent all of the major food groups found in MyPyramid—Total Fruit; Total Vegetables; Total Grains; Milk, which includes soy beverages; and Meat and Beans, which includes meat, poultry, fish, eggs, soybean products other than beverages, nuts, seeds, and legumes. Additional components represent Whole Fruit; Dark Green and Orange Vegetables and Legumes; Whole Grains; Oils; Saturated Fat; Sodium; and Calories from Solid Fat, Alcohol, and Added Sugar (SoFAAS). Whole Fruit was added because the *2005 Dietary Guidelines* suggest limiting juice to less than half of total fruit intake. A new component was added for Dark Green and Orange Vegetables and Legumes because those are the three subgroups of vegetables for which current intake is furthest from recommended levels. The Whole Grains component was added because the *2005 Dietary Guidelines* specify that at least half of grain intake should be whole grain. New components were added for Oils to reflect the recommendations for oil found in MyPyramid and for Calories from SoFAAS, which serves as a proxy for discretionary calories and is described further below. Like the original, the HEI-2005 also includes components for Saturated Fat and Sodium. The Healthy Eating Index Technical report was release during November 2007. *Diet Quality of Americans in 1994-96 and 2001-02 as Measured by the Healthy Eating Index-2005*, a Nutrition Insight, was published during December 2007.

Total Projected Cost:	$262,500 per year
Amount Spent to Date:	$262,500
Start Date:	Fall 2004 (current revision)
Completion Date:	On-going; Release of development and evaluation report: November 2007; Release of population report: December 2007.
Name of Contractor:	In-house
Congressional Mandate:	No

Nutrient Content of the U.S. Food Supply

The U.S. food supply series measures the amount of nutrients available for consumption on a per person and a per day basis. The information is valuable to policymakers, food and nutrition professionals, and others who monitor the potential of the food supply to meet the nutritional needs of Americans.

The CNPP periodically publishes per capita estimates on nutrients in the U.S. food supply and is responsive to food supply activities specified in the National Nutrition Monitoring and Related Research Act (7 USC 5301 *et seq.*). Estimates of the nutrient content of the U.S. food supply (consisting of data through 2005) were released March 2008.

Total Cost:	$183,750 per year
Amount Spent to Date:	$183,750
Start Date:	1909
Completion Date:	On-going
Name of Contractor:	In-house
Congressional Mandate:	Yes (7 USC 5301 *et seq.*)

The Interactive Food Supply, released October 2000, allows users to access quantity and nutrient information that has been estimated since 1909. Additionally, users can obtain customized reports on nutrient estimates, nutrient fortifications, and Pyramid servings. The Interactive Food Supply, available at www.cnpp.usda.gov, is designed for used by nutrition educators, researchers, policymakers and consumers.

Total Cost:	$26,250 per year
Amount Spent to Date:	$26,250
Start Date:	October 2000
Completion Date:	On-going
Name of Contractor:	In-house; ASC
Congressional Mandate:	No

Ms. DeLauro: Also provide a list of all studies and evaluations that are ongoing in fiscal years 2008 or planned for 2009. Indicate which year they are planned to start and the estimated cost for each.

Response: An updated list of all ongoing studies and evaluations in fiscal year 2008 are submitted for the record. The FNS Nutrition Assistance Study and Evaluation Plan for FY 2009 follows. Most of these projects will be funded through a competitive procurement process. Because expected cost is procurement-sensitive information, the plan does not display the government's independent cost estimates.

The budget requests specific funding in 2009 for a number of important projects. For the Food Stamp Program, these requests are for an assessment of strategies to increase participation among the elderly and working poor, a pilot test of alternative performance reporting models in States with modernized food stamp application and certification processes, and rigorous evaluation of existing food stamp nutrition education activities to build a menu of effective options. For the Child Nutrition Programs, funds are requested to support updated analysis of the nutrient content of school meals, and to measure and address sources of payment error in the Child and Adult Care Food Program.

Since the budget request was submitted, the Food, Conservation, and Energy Act of 2008 earmarked mandatory funds for additional policy-related research,

including a series of obesity prevention demonstration projects and evaluations, an assessment of Puerto Rico's Nutrition Assistance Program; an evaluation of the Fresh Fruit and Vegetable Program; and a study of foods purchased and used in the school meals programs. Funding for these studies will be made available in FY 2009.

The President's Budget request includes also includes continued funding to support a range of important program assessment activities, including focused studies of program operations, development of comprehensive measures of program performance to inform and foster outcome-based planning and management, and technical assistance to States and communities for practical demonstrations of potential policy and program improvements. Plans for specific projects are still being finalized.

The information is provided for the record.

[The information follows:]

Food and Nutrition Service Studies and Evaluations
Ongoing Studies (including studies completed in Fiscal Year 2008)

Measuring Food Stamp and Other Nutrition Assistance Program Access, Trends, and Impacts

This contract provides support during fiscal years 2004-2008 for estimating effects of potential program changes, for short-turnaround analyses of current issues, for periodic analysis of participation and household characteristics, and for research needed to improve future analytic capacities. Impact analyses under the contract support many FNS legislative and budgetary proposals every year. Other organizations, such as the Congressional Budget Office, community organizations, and private research firms, rely on the regular publication of analytical and descriptive studies - including information on the characteristics of participants and participation rates among eligibles - produced under this contract to support their own analyses of the Food Stamp Program.

Total Projected Cost:	$6,721,324
Amount Spent to Date:	$5,781,000
Start Date:	September 2003
Completion Date:	March 2009
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	No

Study of Dynamics of Participation in the Food Stamp and Other Nutrition Assistance Programs

The objective of this study was to research the dynamics of participation in the major nutrition assistance programs, with particular attention to (1) updating measures of Food Stamp Program (FSP) participation dynamics and information on the circumstances that trigger entry to the program and influence participation spell lengths; (2) assess research on the likelihood of FSP participation during childhood and adulthood; and (3) update measures of the dynamics of WIC receipt by children and develop new measures for mothers.

Total Projected Cost:	$529,030
Amount Spent to Date:	$529,030
Start Date:	September 2005
Completion Date:	February 2008
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	No

Modernization of the Food Stamp Program in Florida

This study systematically examined Florida's modernization model in order to gain a better understanding of the relationship between the business model and the Food Stamp Program in terms of structure, operations, costs and performance. Project results are being used to inform FNS policy discussions, provide technical and procedurally relevant information to States, and offer Florida's Department of Children and Family Services a tool for assessing potential model enhancements and responding efficiently to a variety of stakeholder inquiries.

Total Projected Cost:	$438,543
Amount Spent to Date:	$438,543
Start Date:	September 2005
Completion Date:	November 2007
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	No

Evaluation of 2004-2005 Food Stamp Outreach Grants

Sixteen community organizations received awards to implement food stamp outreach projects to encourage participation among eligible individuals. Each grantee received technical assistance, particularly around the evaluation of the projects. The evaluation reports from each project are being synthesized to highlight outreach strategies that work best with hard to reach populations, give a better understanding of the relationship between outreach activities and food stamp participation, and identify promising outreach methods.

Total Projected Cost:	$26,250
Amount Spent to Date:	$26,250
Start Date:	September 2004
Completion Date:	January 2008
Name of Contractor:	In-house
Congressional Mandate:	No

Effects of Program Participation on Nutrient Intake and Diet Quality

This project examined the relationship between program participation, diet quality, and nutrient intake, using data from the 1999-2002 National Health and Nutrition Examination Survey. This study goes beyond traditional nutrient intake analyses by examining the dietary quality and food choices of program participants, income-eligible nonparticipants, and higher-income individuals. FNS has produced three reports - one focused on the Food Stamp Program, one dealing with WIC participants, and focused on the National School Lunch Program.

Total Projected Cost:	$571,088
Amount Spent to Date:	$522,910
Start Date:	September 2004
Completion Date:	July 2008
Name of Contractor:	Abt Associates, Inc.
Congressional Mandate:	No

Improving the Food Stamp Certification Process

Many States are considering potential improvements to program policies and procedures to achieve efficiencies and support and encourage eligible individuals to complete the application process. Changes under consideration include simpler and more standardized policies; incorporating alternatives to face-to-face interviews; using technology to replace paper processing; and engaging non-governmental staff to carry-out key application functions. This study is examining and documenting the process and performance of current procedures in terms of challenges faced and successes experienced in implementing the states' modernization initiatives, impetus for modernization, applicant contacts, number of applications completed, approved and denied, and application processing times, accuracy and costs. The purpose is to identify approaches that could enhance the application process and compare their performance.

Total Projected Cost:	$1,182,872
Amount Spent to Date:	$527,856
Start Date:	October 2006
Completion Date:	November 2009
Name of Contractor:	The Urban Institute
Congressional Mandate:	No

Understanding the Determinants of Food Stamp Participation

One barrier to improving measures of program results is selection bias - unobserved differences between program participants and eligible non-participants that may introduce bias into measured outcomes. To assess the extent and feasibility of controlling that bias, a better understanding is needed of the characteristics and circumstances that influence a decision to participate in the Food Stamp Program. This project will review available research on the determinants of participation among different types of households and use existing survey data to see how well econometric models can classify eligible households as participants and non-participants.

Total Projected Cost:	$291,729
Amount Spent to Date:	$76,622
Start Date:	September 2007
Completion Date:	February 2009
Name of Contractor:	Abt Associates, Inc.
Congressional Mandate:	No

Feasibility of Assessing Causes of State Variation in Food Stamp Administrative Costs

This project is examining the feasibility of assessing reasons for variation in State Food Stamp Program administrative costs. The study includes interviews with Federal and State Food Stamp agencies about the type and quality of data available on State administrative costs, and examines the need for additional data collection. It also includes a discussion of

analytical techniques for analysis in the absence of a controlled random-selection experimental design.

Total Projected Cost:	$122,444
Amount Spent to Date:	$66,458
Start Date:	September 2007
Completion Date:	September 2008
Name of Contractor:	Abt Associates, Inc.
Congressional Mandate:	No

Understanding the Relationship between Food Stamp Program Household Spending Patterns and Diet Quality

Recent performance reviews identified a need for better information on the effect of food stamp participation on hunger and diet quality. This project will begin to fill gaps in the information on the nature and strength of the relationship between food stamp participation, expenditures across major consumer needs (including food), and the quality of the household food supply. It will use data from the 1996 National Survey of Food Stamp Participants and the Consumer Expenditure Survey to compare spending on key goods and services among participants, low-income consumers and all consumers, determine if an increase in food expenditures is associated with an increase in nutrient availability and nutritional quality of foods used at home, and identify factors that influence the relationship.

Total Projected Cost:	$495,430
Amount Spent to Date:	$343,326
Start Date:	September 2007
Completion Date:	June 2009
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	No

School Nutrition Dietary Assessment (SNDA - III)

This study updates information on (1) characteristics of the school environment and school food service operations; (2) nutritional quality of meals offered and served in the school meal programs; (3) student participation, participant characteristics, satisfaction, and related attitudes toward the school lunch and breakfast program; and (4) student dietary intakes and the contribution of school meals to these dietary intakes. Funding was provided in fiscal year 2003 to develop a sampling frame for national studies of the school meals programs. FY 2004 funds supported the selection and recruitment of school districts, study design and instrument development, and initial data collection activities. Fiscal year 2005 funds supported additional data collection activities, data analysis and final report writing.

Total Projected Cost:	$4,991,869
Amount Spent to Date:	$4,732,450
Start Date:	July 2004
Completion Date:	December 2007
Name of Contractor:	Mathematica Policy Research Inc.
Congressional Mandate:	No

School Lunch and Breakfast Cost Study - II

This study provides a detailed examination of the cost of producing reimbursable meals in the National School Lunch Program (NSLP) and the School

Breakfast Program (SBP) during school year (SY) 2005-06. Using the same methodology used a study of meal costs in SY 1992-93, the study examined the costs charged to school food service accounts (reported costs) as well as those incurred by the school district in support of school food authority (SFA) operations, but not charged to the SFA (unreported costs). Results of this study were compared to inflation-adjusted costs found in the earlier study. The study also examined indirect costs and indirect cost rates as they relate to the food service account and the amount of operating dollars remaining in the food service account, reasons for these balances, and potential future outlays.

Total Projected Cost:	$3,738,354
Amount Spent to Date:	$3,706,762
Start Date:	September 2005
Completion Date:	April 2008
Name of Contractor:	Abt Associates
Congressional Mandate:	No

NSLP/SBP Access, Participation, Eligibility and Certification Study

This study provides national estimates for erroneous payments (the sum of the absolute value of overpayments and underpayments) based on onsite data collection in School Year 2005-2006. The contractor developed the study methodology and the sampling plan based on the requirements of the Improper Payments Act of 2002 (PL 107-300) and specified in guidance issued by the Office of Management and Budget. Data collection activities were conducted onsite during School Year 2005 - 2006 in a nationally representative sample of 266 schools selected from 87 school districts across the 48 contiguous States and the District of Columbia. Estimates of error rates and erroneous payments were developed for certification errors as well as errors associated with meal counting and claiming. Estimation models were also developed to provide annual national estimates of erroneous payments in the NSLP and SBP in the interim between periodic nationally-representative studies.

Total Projected Cost:	$5,611,896
Amount Spent to Date:	$5,611,896
Start Date:	September 2004
Completion Date:	June 2008
Name of Contractor:	Mathematica Policy Research, Inc.
Congressional Mandate:	Yes (supports compliance with PL 107-300)

Regional Office Review of Applications (RORA) - 2007

This study, one in an annual series, provides a nationally representative estimate of the rate of administrative accuracy of school district application approval and benefit issuance for free/reduced price meals. Sample size of school districts and applicant households is calibrated to meet the requirements of the Office of Management and Budget under the Improper Payments Information Act of 2002 P.L. 107-300. A random sample of about 50 applications in each of 56 school districts is collected and analyzed by FNS staff each year.

Total Projected Cost:	$94,500
Amount Spent to Date:	$42,000
Start Date:	September 2006
Completion Date:	September 2008
Name of Contractor:	In-house
Congressional Mandate:	No

Regional Office Review of Applications (RORA) - 2008

This study, one in an annual series, provides a nationally representative estimate of the rate of administrative accuracy of school district application approval and benefit issuance for free/reduced price meals. Sample size of school districts and applicant households is calibrated to meet the requirements of the Office of Management and Budget under the Improper Payments Information Act of 2002 P.L. 107-300. A random sample of about 50 applications in each of 56 school districts is collected and analyzed by FNS staff each year.

Total Projected Cost:	$94,500
Amount Spent to Date:	$42,000
Start Date:	September 2007
Completion Date:	June 2009
Name of Contractor:	In-house
Congressional Mandate:	No

Analysis of Verification Summary Data, School Year 2005-2006

This report will present outcomes of the verification process for the National School Lunch and Breakfast Programs (NSLP and SBP) for the 2005-2006 school year -- the first year in which new verification requirements required under the Child Nutrition and WIC Reauthorization Act of 2004 were implemented. Results of the 2005-2006 verification process and comparisons with the 2004-2005 verification results will be presented.

Total Projected Cost:	$10,500
Amount Spent to Date:	$10,500
Start Date:	August 2006
Completion Date:	September 2008
Name of Contractor:	In-house
Congressional Mandate:	No

Evaluation of Direct Verification

This study is evaluating the impact of demonstration projects in 5 States (Indiana, Oregon, South Carolina, Tennessee, and Washington) that use direct verification - computer-matching National School Lunch Program for free or reduced price meal applications to Medicaid data - to replace the standard verification process, which relies on local education agencies contact the households, and verify the facts applications by providing documentation. Direct verification is less burdensome on parents and schools, and holds the potential to increase access to school meals for those in need. The evaluation will assess the feasibility of these demonstrations to verify school lunch applications and document the lessons learned. The report to Congress, *Direct Verification Pilot Study: First Year Report*, was submitted on June 27, 2007. A second year report is anticipated December 2008.

Total Projected Cost:	$1,475,052
Amount Spent to Date:	$542,365
Start Date:	June 2006
Completion Date:	December 2008
Name of Contractor:	Abt Associates
Congressional Mandate:	Yes

Pennsylvania SFSP Rural Eligibility Pilot Project

The Child Nutrition and WIC Reauthorization Act of 2004 mandated a pilot project to reduce the area eligibility threshold for poor economic areas in rural Pennsylvania from 50 percent to 40 percent of the children eligible for free and reduced price school meals for use in the SFSP during 2005 and 2006 can claim all meals served to children as free meals. The evaluation examines the impact of the threshold change on the number of SFSP sponsors and sites participating, the geographical location of the SFSP sites, and services provided to eligible children. An evaluation report was provided to Congress in February 2008.

Total Projected Cost:	$400,000
Amount Spent to Date:	$380,120
Start Date:	September 2005
Completion Date:	December 2007
Name of Contractor:	Exceed Corporation
Congressional Mandate:	Yes

Nebraska CACFP Rural Eligibility Pilot Project

The Child Nutrition and WIC Reauthorization Act of 2004 mandated a pilot project to reduce the area eligibility threshold for tier I family or group day care homes in rural Nebraska from 50 percent to 40 percent of the children eligible for free and reduced price school meals. The evaluation examined the impact of the threshold change on the number of family day care homes (FDCHs) offering meals, the number of FDCHs in tier I as a result of the demonstration, the geographical location of the FDCHs, the services provided to eligible children, and the characteristics of eligible children. An evaluation report was provided to Congress in July 2008.

Total Projected Cost:	$400,000
Amount Spent to Date:	$358,865
Start Date:	September 2006
Completion Date:	July 2008
Name of Contractor:	McFarland & Associates
Congressional Mandate:	Yes

CACFP Sponsor Tiering Determination - III

To address requirements for data relative to the Improper Payments Information Act of 2002, FNS conducts an annual assessment of tiering levels assigned by sponsors to family day care homes for Tier I or Tier II levels of reimbursement is being conducted with a nationally representative sample of CACFP sponsors. The project produces annual estimates of the rates and erroneous payment dollars associated with improper sponsor tiering decisions.

Total Projected Cost:	$685,000
Amount Spent to Date:	$556,802
Start Date:	August 2007
Completion Date:	December 2008
Name of Contractor:	ORC/Macro
Congressional Mandate:	No

CACFP Sponsor Tiering Determination - IV

To address requirements for data relative to the Improper Payments Information Act of 2002, FNS conducts an annual assessment of tiering levels

assigned by sponsors to family day care homes for Tier I or Tier II levels of reimbursement is being conducted with a nationally representative sample of CACFP sponsors. The project produces annual estimates of the rates and erroneous payment dollars associated with improper sponsor tiering decisions.

Total Projected Cost: $434,834
Amount Spent to Date: 0
Start Date: July 2008
Completion Date: July 2009
Name of Contractor: Abt Associates
Congressional Mandate: No

CACFP Meal Claiming Data Collection Pilot

The objective of this pilot is to test and evaluate the cost, feasibility and effectiveness of each of four different methods for validating meal reimbursement claims submitted by family day care homes to their sponsors by comparing them to:

5. the recollections of parents/guardians on their children's attendance during the days and times of the claims;
6. the audit sign in/sign out logs used to track, by day and time, parents' dropping off and picking up of their children at the FDCH;
7. both audit sign in/sign out logs and the recollections of parents; and
8. estimates based on statistical projections derived from a probability sample of FDCHs observed across their scheduled breakfast, lunch, supper and snack serving times.

Total Projected Cost: $400,000
Amount Spent to Date: $135,599
Start Date: November 2006
Completion Date: December 2008
Name of Contractor: Mathematica Policy Research Inc.
Congressional Mandate: No

WIC Breastfeeding Peer Counseling Study

Peer counseling is a commonly recognized intervention in public health programs that provides community-based peer education and support from among a particular population group. The study will obtain a comprehensive and systematic picture of the implementation of the Loving Support Peer Counseling program as well as test the effectiveness of higher intensity peer counseling on duration of breastfeeding. Phase I will describe the process of the Loving Support Peer Counseling program implementation in those states that accepted breastfeeding peer counseling funds, including challenges faced and strategies used to overcome these challenges, evolution of the peer counseling program over time, and continuing costs. Phase II is to answer the question "What is the intensity of peer counseling necessary to increase duration of breastfeeding once the program has met the standards of the FNS model?" The study is not nationally representative but will focus on those programs serving a population that has the lowest rate of breastfeeding.

Total Projected Cost: $1,705,587
Amount Spent to Date: $360,462
Start Date: September 2006
Completion Date: January 2009
Name of Contractor: Abt Associates
Congressional Mandate: No

WIC Program and Participant Characteristics - (PC2008 and PC2010)

Since 1988, FNS has produced biennial reports on current participant and program characteristics in the WIC Program for general program monitoring as well as for managing the information needs of the program. FNS uses this regularly updated WIC Program information to estimate budgets, submit civil rights reporting, identify needs for research, and review current and proposed WIC policies and procedures. The biennial reports include: information on the income and nutritional risk characteristics of WIC participants, breastfeeding initiation and reporting by State, and data on WIC Program participation for migrant farm worker families. The 2008 report will be the 12th in this series.

Total Projected Cost:	$1,479,650
Amount Spent to Date:	$199,423
Start Date:	March 2008
Completion Date:	May 2011
Name of Contractor:	Abt Associates
Congressional Mandate:	No

National Survey of WIC Participants

The National Survey of WIC Participants periodically collects data on a nationally representative sample of approximately 3,000 program participants via personal interviews. Previous national surveys were conducted in 1984, 1988, and 1998 to identify key participant characteristics not available through State WIC management information systems and update information on nutritional risks, sources of food assistance, family composition, health insurance coverage, and other policy-relevant topics. The survey also provides critical support for FNS compliance with the Improper Payments Information Act (IPIA) and a Presidential Management Agenda goal (improved financial performance with better information on benefit payments and participant characteristics). The new survey will expand upon the previous design to provide national estimates of income certification error and the dollar level of certification-related overpayment and underpayment in the Program. In addition, information from this survey will be used by FNS, State and local agencies in decision-making to update services to most effectively meet participants' needs.

Total Projected Cost:	$2,574,152
Amount Spent to Date:	$159,050
Start Date:	September 2007
Completion Date:	December 2009
Name of Contractor:	ORC/Macro
Congressional Mandate:	No

Evaluation of Changes to Partial Breastfeeding Reimbursement in the WIC Food Package

The new WIC food packages increase the attractiveness of the mother's package for fully breastfeeding women. For partially breastfeeding women the new packages limit the provision of formula in the first month postpartum and reduce by half the maximum amount of the full-formula allotment in subsequent months, with the objective of increasing the initiation, intensity, and duration of breastfeeding. This study, developed in response to a recommendation from the Institute of Medicine, will examine the effect of the changes in packages for postpartum women and infants on the initiation,

intensity, and duration of breastfeeding, both to determine the effectiveness of the policy change and to document any unintended consequences.

Total Projected Cost:	$1,599,815
Amount Spent to Date:	$107,914
Start Date:	September 2007
Completion Date:	December 2010
Name of Contractor:	Abt Associates
Congressional Mandate:	No

Annual Measures of Erroneous Payments to WIC Vendors

IPIA of 2002 (Public Law 107-300) requires annual estimates of payment error in its programs and actions taken to reduce those payments. Approximately every seven years, FNS produces national measures of payment error based on a national survey of WIC vendors. In the interim between these large-scale surveys, annual national estimates of WIC vendor payment error are needed. The objectives of this project are to: 1) calculate an annual measure of erroneous payments to WIC vendors that is compliant with the requirements of IPIA, 2) train FNS staff on how to perform the calculation in future years, and 3) based on project results and analyses, suggest ways in which FNS and/or State agencies can better target future reviews of WIC vendors and/or improve sources of relevant data.

Total Projected Cost:	$250,000
Amount Spent to Date:	$236,396
Start Date:	July 2006
Completion Date:	September 2008
Name of Contractor:	ORC/Macro
Congressional Mandate:	No

Ms. DeLauro: Update the table that appears in the previous hearing record showing the amount, by program, spent for studies and evaluations to include fiscal year 2007 actuals and fiscal year 2008 estimates. Also include on this table the authorized level for each year.

Response: The information is provided for the record.

[The information follows:]

Authorized and Obligated Funds (In Thousands of Dollars) for Studies and Evaluations, by Program

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 1/
Program											
Food Stamps:											
Authorized	500	0	0	0	0	0	0	0	0	1,595	31,595
Obligated	497	0	0	0	0	0	0	0	0	0	0
Child Nutrition:											
Authorized	0	7,000	5,995	0	0	4,992	400 2/	2,400	0	2,000	9,000
Obligated	0	4,801	8,193	0	0	4,608	400	2,400	0	2,000	0
WIC:											
Authorized	0	0	0	0	2,000 3/	0	0	0	0	0	0
Obligated	0	0	0	0	0	2,000	0	0	0	0	0
NPA:											
Authorized	0	0	0	3,000	7,340 4/	6,195	6,195	6,195	6,195	4,600	6,195
Obligated	0	0	0	3,000	7,340	6,195	6,195	6,195	6,195	4,600	6,195
ERS:											
Authorized	12,195	12,195	12,195	9,195	5,000	5,000	5,000	5,000	5,000		
Transfer to FNS:											
Authorized	2,000	1,000	998	0	0	0	0	0	0	0	0
Obligated	2,000	1,000	998	0	0	0	0	0	0	0	0

1/ Totals include funds requested in the 2009 President's Budget, as well as funds authorized in the 2008 Farm Bill for pilot projects to evaluate healthful food incentives in SNAP ($20 million), for a study on comparable access to supplemental nutrition assistance for Puerto Rico ($1 million), for an evaluation of the Fresh Fruit and Vegetable Program ($3 million), and for a study of foods purchased and used in the school meals programs ($3 million).
2/ These funds were made available for a specific project through the Child Nutrition and WIC Reauthorization Act of 2004.
3/ These funds were authorized in FY2003 and obligated in FY2004 for the WIC Vendor Study.
4/ $1,145 million of the $7.3 million appropriated to improve food stamp and child nutrition integrity was used to fund integrity studies.

Ms. DeLauro: Provide a table that shows the number of staff funded by each appropriation provided under the Food, Nutrition and Consumer Services heading. Please show the CNPP and Team Nutrition staff years on separate lines.

Response: The information is provided for the record.

STAFF YEAR DISTRIBUTION (From All Sources of Funds)				
Project	2007 Actual	2008 Estimated	Change	2009 Budget
Food Stamp Program	64	98	0	98
Child Nutrition Programs	148	158	0	158
Team Nutrition	6	6	0	6
Nutrition Programs Administration	1,076	1,026	35	1,061
Center for Nutrition Policy and Promotion	23	24	0	24
Total Available	1,317	1,312	35	1,347

Ms. DeLauro: FNS makes available nutrition education and information to all Americans regardless of income. How much of your total agency budget is spent on nutrition education and information? How many other USDA agencies conduct nutrition education and information programs? How do you coordinate with other agencies to ensure that you are not duplicating efforts? What is the total Department spending in nutrition and education? Of this total Department-wide spending, what amount is directed towards obesity?

Response: FNS nutrition education efforts are targeted primarily to participants or potential participants in the nutrition assistance programs, rather than to the general public. The Center for Nutrition Policy and Promotion (CNPP) provides nutrition information for the general public. Major FNS/CNPP nutrition education and information expenditures are listed below:

[The information follows:]

FNS Nutrition Education and Information Expenditures (in thousands of dollars)		
Program	**FY 2008 (estimated)**	**FY 2009 (proposed)**
Food Stamp Program	$279,573	$306,786
Child Nutrition Programs	$19,256	$19,300
WIC Program (general nutrition education and information)	360,577	339,621
WIC Program (breastfeeding promotion and education)	$104,525	$104,375
Food Distribution Program	$1,246	$1,250
Other Nutrition Education	$5,433	$5,636
TOTAL, FNS	$770,610	$776,968
CNPP Nutrition Education and Information Expenditures		
Total, CNPP	$4,264	$6,494
Total, FNCS	$774,874	$783,462

The Department of Agriculture as a whole is planning to spend approximately $989 million in FY 2008 on nutrition education and proposes about $983 million in FY 2009. The Cooperative State Research, Education and Extension Service (CSREES) has a substantial commitment to nutrition education, providing $112 million of the FY 2008 total, and proposing $103 million in FY 2009. Because the promotion of healthy eating and physical activity behaviors are integrated into USDA's nutrition education and promotion interventions, the great majority of the resources devoted to this purpose - $897 million in FY 2008 and $906 million in FY 2009 - are used in efforts intended to help prevent obesity.

FNS' nutrition education activities differ from other Federal efforts because they are targeted for nutrition assistance program participants. The focus of nutrition education in the FNS programs is on promoting healthy eating and physical activity behaviors as a preventive approach for addressing diet-related health risks including overweight and obesity. As these programs serve 1 in 5 Americans over the course of a year, the investments listed above actually translate into relatively modest per participant expenditures - from roughly $70 per WIC mother per year for breastfeeding promotion, to 27 cents per student annually on average in the Child Nutrition Programs. Nutrition education expenditures constitute about 1 percent of the total nutrition assistance program budget.

The Department of Health and Human Services (DHHS) shares responsibility with CNPP and other USDA agencies to provide nutrition information for the general public. The CNPP and DHHS work together to prepare the *Dietary Guidelines for Americans*, the nation's basic nutrition policy, and a number of DHHS agencies use nutrition education and promotion as part of disease reduction and treatment strategies. As noted above, within the USDA CSREES also provides nutrition education, and the National Agricultural Library provides nutrition information and education resources as part of their information services.

In pursuing their specialized missions, FNS and CNPP work with these and other Federal agencies to ensure that nutrition education activities are coordinated and effective, messages are based on sound science, and duplication of effort is avoided.

- To coordinate policy and program activities, FNS and CNPP participate in Federal interagency committees, such as the Dietary Guidance Working Group, the Human Nutrition Coordinating Committee, Healthy People 2010 Nutrition Work Group, Interagency Child Care Group, Interagency Working Group on School Health, the *HealthierUS* Working Group, and the Nutrition and Food Safety Education Committee.

- A number of FNS nutrition education activities reflect partnerships with other Federal agencies. The Fruits and Veggies, More Matters (previously known as the National 5 A Day) partnership, for example, to promote increased consumption of fruits and vegetables, involves other USDA agencies and the Centers for Disease Control and Prevention (CDC). Similarly, the Department of Education and CDC work with FNS as a supporter of local school wellness policies and Team Nutrition, our school-based nutrition education effort.

FNS makes every effort to share and collaborate on nutrition education and information materials. FNS works with other Federal agencies in developing new materials to take advantage of specialized expertise, maximize the use of limited resources, ensure consistency and avoid duplication. FNS also permits other agencies to join in print orders on new nutrition education products, reducing costs. FNS shares completed materials through USDA's National Agricultural Library. FNS also encourages collaboration among the Federal nutrition assistance programs at the State and local levels by encouraging State programs to work together to plan and implement collaborative nutrition education interventions around a common goal by establishing State Nutrition Action Plans. To date most States and territories (49 States) have established State Nutrition Action Plans.

Ms. DeLauro: In general, what effect have constraints on state budgets had on feeding programs? Are there any particular areas in which you anticipate problems in 2009?

Response: According to a recent fiscal survey of States prepared by the National Governors Association and the National Association of State Budget Officers, in 2008, there was a significant increase in States reporting fiscal challenges. This is in contrast to the preceding several years. Thirteen States reduced their enacted budgets for FY 2008. Eighteen States anticipate negative growth for FY 2009 general funds. General economic conditions, along with increased state expenditures for programs such as Medicaid persists underlie state fiscal challenges.

Rising caseloads in several nutrition assistance programs may contribute to state budget constraints. In April 2008, the Food Stamp Program served over 28 million people. We are mindful that our State partners share the administrative costs associated with operating this program. It is important to remember, however, that the Food Stamp Program also provides an important stimulus to local economies: every additional $5 in program benefits results in more than $9 of total economic activity.

In response to continuing pressure on administrative resources, many States are exploring options to increase the efficiency of program operations and processes. FNS is doing what it can to ensure that shortages in State administrative resources and experienced staff do not result in higher error rates and reduced customer service. To that end, the budget request for $2.5 million is targeted to pilot testing a package of performance reporting alternatives to enhance our capacity to monitor modernization changes in the Food Stamp Program.

Ms. DeLauro: Please list for the record the FNS programs that require state matching funds, and the percentage required.

Response: The information is provided for the record.

[The information follows:]

Program	Matching Requirement
Food Stamp Program	FNS pays 100 percent of benefit costs, but reimburses State agencies for roughly 50 percent of administrative costs (including nutrition education and outreach) costs. (Costs on or near Indian reservations may be reimbursed at 75 percent, or higher if necessary for effective operation of the program.) Employment and training costs are reimbursed at 100 percent up to a set amount established in law, and at 50 percent beyond that level.
Child Nutrition Programs	FNS provides all benefit dollars *except* for a required match for a small portion of National School Lunch Program (NSLP) benefits. States are required to contribute resources (cash and /or in-kind) for a portion of administrative expenses for the NSLP, School Breakfast Program, Special Milk Program, and Child and Adult Care Program. (The Summer Food Service Program has no matching requirements.)
Special Supplemental Nutrition Program for Women, Infants and Children	No matching requirements. Some States contribute funds to the program to reach additional participants or to augment benefits, but there is no requirement to make this contribution.
WIC Farmers' Market Nutrition Program (FMNP)	State agencies must provide matching funds equal to not less than 30 percent of total FMNP administrative costs. For Native American FMNP agencies, FNS may negotiate a lower rate, but not less than 10 percent, if the agency demonstrates financial hardship.
Senior Farmers' Market Nutrition Program (FMNP)	FNS provides grants to cover food benefit costs only; States must provide all administrative funding.
The Emergency Food Assistance Program	All administrative funds not passed down or used on behalf of emergency feeding organizations are matched in cash (dollar-for-dollar) or in kind, *except* in American Samoa, Guam, the Virgin Islands, and the Northern Mariana Islands if the grant is under $200,000.
The Food Distribution Program on Indian Reservations	State agencies must pay for 25% of FDPIR administrative costs, in cash or in-kind. Reduction in the match is permitted based on "compelling justification" from the ITO. Relatively few ITOs match Federal funding below the 25% rate.
Commodity Supplemental Food Program	No matching requirements.

Ms. DeLauro: Please provide an organizational chart for the Nutrition Programs Administration account for fiscal years 2006, 2007, and 2008. What is the actual level of staffing expected for fiscal years 2008 and 2009?

Response: The information is provided for the record.

[The information follows:]

Organization	2006 Actual Staff Level	2007 Actual Staff Level	2008 Expected Staff Level 1/	2009 Expected Staff Level 1/
Office of the Administrator	18.2	16.5	6	6
Communications and Governmental Affairs	31.9	27.5	18.7	18.7
Program Service and Support	--	--	15.8	15.8
Office of Research and Analysis	37.4	39.7	40.1	40.1
Food Stamp Program	104.8	94.6	92.2	92.2
Special Nutrition Programs	91.6	84.1	79.2	79.2
Management	108.4	100.6	50.5	50.5
Management and Finance	--	--	14	14
Financial Management	74.4	67.5	63.1	63.1
Office of Information Technology	--	--	35.1	35.1
Regional and Field Offices	692.2	645.5	611.3	646.3
Center for Nutrition Policy and Promotion	24.3	22.7	24	24
Total	1,183.2	1,098.7	1,050	1,085

1/ The 2008 and 2009 Expected Staff Levels reflect realignments that were effective in FY 2008.

Ms. DeLauro: What did you spend in fiscal year 2007 on studies, evaluations, error reduction and cooperative services, retailer integrity and trafficking, claim verifications, reviews, or any other items that are not specifically for direct program delivery? For all FNS programs, list each item, a description, and how much is being spent.

Response: The information is provided for the record.

[The information follows:]

Account/Item	Description	FY 2007 Funding
Food Stamp Program		
Program Access Grants	Grants awarded to State agencies and community and faith-based organizations on a competitive basis to simplify the program enrollment process and enhance access to program benefits.	$5,000,000
Error Reduction (Payment Accuracy)and Cooperative Services	Includes funds for the following: Printing guidance and other items to reinforce the mission of the FSP; State Exchange Funds to promote integrity and efficiency in the FSP; support for national team of experts to monitor and evaluate payment accuracy progress, targeting high issuance/high error rate States for intervention and technical support; activities related to Treasury Offset Program (TOP) whereby debts owed by current or previous food stamp recipients for erroneous issuance are collected; quality control liabilities and other quality control litigation costs; Federal and joint efforts with States to reduce erroneous payments and for liabilities associated with erroneous payments .	$3,626,000
Retailer Integrity and Trafficking	Supports retailer compliance efforts including pre and post authorization visits, investigations, and monitoring activities related to fraud prevention (i.e. fraud includes program violations such as sale of ineligible items, and exchange of food stamp benefits for cash).	$6,672,783
Nutrition Education and Program Information	Funds available to FNS for food stamp nutrition education and national public information efforts to educate eligible persons about the nutrition benefits of the FSP. Funds are also used for a variety of other approaches to educate and help individuals access the FSP. (Note: last year's figure of $8,970,000 represented Nutrition Education and Program Information funds minus the $1,000,000 set aside for Outreach grants; we don't believe the grants should be subtracted out of this figure)	$9,955,000
Child Nutrition and WIC		
Administrative Review and Training/Grants to States (TAR)	Provides funding to State agencies that administer the National School Lunch Program for administrative reviews of local educational agencies that have demonstrated a high level of or a high risk for administrative error and training to local educational agencies and School Food Authority administrative personnel in application, certification, verification, meal counting and meal claiming procedures.	$2,098,945
Coordinated Review Effort (CRE)	Ensures compliance with the provisions of the National School Lunch Act by local food service authorities through a unified system of audits and supervisory assistance reviews conducted by State and Federal program administering agencies.	$5,212,886
Training and Technical Assistance	Provides training and technical assistance, and materials related to improving program integrity and administrative accuracy in school meals	

Account/Item	Description	FY 2007 Funding
(TAP)	programs, assists State educational agencies in reviewing administrative practices of local educational agencies, assists States in providing training in administrative practices to local educational agency, school food authority administrative personnel, and other appropriate personnel; with emphasis on the requirements established by the CN Reauthorization Act of 2004 and amendments made by that Act, and assists States in conducting administrative reviews of selected local educational agencies carried out under the NSLA.	$1,982,500
Nutrition Programs Administration		
Studies and Evaluations	Operational assessments that respond directly to the needs of program policy makers and managers, to help ensure that Federal nutrition assistance programs achieve their mission effectively.	$6,199,883
TOTAL		$40,747,997

Ms. DeLauro: Provide a detailed breakout of object class 25, Other Services, for fiscal years 2006 through 2008, and estimated 2009, for the NPA account.

Response: The information is provided for the record.

[The information follows:]

Breakout of object class 25	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Advisory and Assistance Services	$5,698,000	$5,221,000	$5,660,000	$6,205,000
Contractual Services Performed by Other Federal Agencies	4,044,000	4,949,000	3,911,000	5,600,000
Contractual Services--Other than Federal	7,732,000	8,170,000	8,358,000	10,803,000
Training	454,000	335,000	300,000	300,000
Agreements	894,000	900,000	500,000	500,000
Operation and Maintenance of Equipment	203,000	200,000	200,000	200,000
Miscellaneous	200,000	200,000	200,000	200,000
TOTAL	19,225,000	19,975,000	19,129,000	23,808,000

Ms. DeLauro: What is the pay cost percentage assumption in the NPA budget request?

Response: The President's budget assumes a 2.9 percent pay raise.

Account/Item	Description	FY 2007 Funding
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Ms. DeLauro: What is the pay cost percentage assumption in the NPA budget request?

Response: The President's budget assumes a 2.9 percent pay raise.

Ms. DeLauro: Please list the rules FNS has promulgated to implement the Child Nutrition and WIC Reauthorization Act of 2004.

Response: FNS has published the following rules that codify into the program regulations provisions from the Reauthorization Act of 2004:

WIC Program

1. WIC Food Package Revisions Interim Rule, 12/07/07
2. WIC Vendor Cost Containment Interim Rule, 11/29/05
3. Nondiscretionary WIC Certification and General Administrative Provisions Interim Rule, 03/03/08
4. Discretionary WIC Vendor Provisions Proposed Rule, 08/01/06

Child Nutrition Programs

1. Applying for Free and Reduced Price Meals in the National School Lunch Program and School Breakfast Program and for Benefits in the Special Milk Program and Technical Amendments, Interim Rule 11/13/07
2. Disclosure of Children's F/RP Meals and Free Milk Eligibility Information in the CNP, Final Rule 03/12/07
3. Fluid Milk Substitutions in the School Nutrition Programs Proposed Rule, 11/09/06
4. For-Profit Center Participation in the CACFP, Final Rule 10/23/06
5. State Administrative Expense Funds, Final Rule 08/11/06
6. Disregard of Overpayments in the CACFP, NSLP and SBP, Final Rule 05/30/06
7. Age Limits for Children in Emergency Shelters, Interim Rule 01/03/06
8. Marketing and Sale of Fluid Milk, Interim Rule 11/21/05
9. School Breakfast Program Severe Need Assistance, Interim Rule 11/02/05
10. School Food Safety Inspection, Interim Rule 06/15/05
11. Permanent Agreements for Day Care Homes, Final Rule 06/15/05
12. Duration of Tiering Determinations, Final Rule 02/22/05
13. Requirement for Variety of Fluid Milk in Reimbursable Meals, Final Rule 12/08/04
14. Waiver of the Requirement to Use Weighted Averages in the National School Lunch and School Breakfast Programs, Final Rule 12/08/04

Ms. DeLauro: Please provide a table with all mandatory funding that is provided in authorizing language for FNS programs in fiscal year 2009. List the name, program and amount.

Response: The information is provided for the record.

[The information follows:]

Authorized Mandatory Funding	FY 2009
Child Nutrition Permanent:	
Information Clearinghouse	$250,000
Food Service Management Institute	4,000,000
Fresh Fruits and Vegetables (Grants to States)	105,000,000
Technical Assistance Program Integrity	2,000,000
Administrative Review (Grants to States)	4,000,000
Total CN Permanent	115,250,000
Commodity Assistance Program:	
Senior Farmers' Market Nutrition Program (transfer)	20,600,000
Food Stamp Program:	
Participant Grants (Program Access)	5,000,000
Total FNS Authorized Mandatory Funding	$140,850,000

Ms. DeLauro: How much is assumed in the FSP, CNP, and WIC for studies and evaluations in the fiscal year 2009 budget request?

Response: The 2009 budget request includes $9 million in the Food Stamp Program account and $3 million in the Child Nutrition Programs account for specific study and evaluation projects. It also assumes $6,195,000 in the Nutrition Programs Administration account for program assessment and performance measurement activities, for a total of $18.195 million.

Since the budget request was submitted, the 2008 Farm Bill earmarked additional mandatory funds for study and evaluation activities, including:

- $20,000,000 for obesity prevention demonstration projects and evaluations;
- $1,000,000 for an assessment of Puerto Rico's Nutrition Assistance Program;
- $3,000,000 for an evaluation of the Fresh Fruit and Vegetable Program; and
- $3,000,000 for a study of foods purchased and used in the school meals programs.

Ms. DeLauro: In fiscal year 2007, how many staff monitored and investigated program violations in the FSP?

Response: In fiscal year 2007, 118.63 Food and Nutrition Service staff years were devoted to monitoring and investigating retailer program violations in the Food Stamp Program.

Ms. DeLauro: What is FNS currently doing to monitor WIC's compliance with provisions of the Improper Payments Information Act and PMA?

Response: FNS plans to continue periodic examinations of certification and vendor error in the WIC Program.

FNS has awarded a contract for data collection and analysis for its decennial national study to measure certification error in the WIC Program. The 2008 study will for the first time include a measurement of the amount of erroneous payments associated with certification error; previous studies did not include any value determination of erroneous payments. WIC Participant Characteristics data from 2004 combined with data from the last decennial study indicates that about 2.5 percent of all WIC participants are certified in error to receive benefits. A similar method or an improved alternative (conditional upon funding for its development) will be used to develop estimates for the years following the 2008 study.

FNS completed a national study on WIC vendor management in 2007. It found that of the $3.56 billion spent by WIC on food benefits in 2005, overcharging accounted for $6.1 million and undercharging for $15.4 million - the first time undercharging exceeded overcharging. Combined, overcharges and undercharges are six-tenths of one percent of the 2005 food benefit portion of the WIC Program. FNS generates annual updates for the improper payment measurement of this vendor component using statistical techniques and existing administrative and other data.

Ms. DeLauro: The fiscal year 2006 house report urged the Department to implement a Buy American procurement-training program for state and local administrators. Was FNS able to implement this program in fiscal year 2007 or 2008? Are any activities planned for this initiative in fiscal year 2009?

Response: Section 115 of the Child Nutrition and WIC Reauthorization Act of 2004 added Section 12(m) to the Richard B. Russell National School Lunch Act to authorize $1,000,000 in funding for each of fiscal years 2005 through 2009 for the Department to provide procurement training to State agencies and school food authorities. Thus far, no funding has been appropriated to carry out this provision.

Absent funding, but recognizing the importance of the Buy American provision, FNS has taken several steps to advise school food authorities of their responsibility to Buy American. Information about the Buy American provision was incorporated into the Food Buying Guide for the Child Nutrition Program. Copies of the guide were printed and approximately 200,000 were provided to every school participating in the National School Lunch and School Breakfast Programs. A memorandum was sent to all State agencies reiterating the requirements. Also, in response to requests from industry, in 2006 we issued a number of Q&As on this topic. These Q&As addressed the relevance of the Buy American provisions in the context of procurement actions under the Child Nutrition Programs. We posted these Q&As on our agency Web Site to allow for easy access by both program participants and the general public. FNS has also provided presentations and training sessions on procurement, which included Buy American discussions, at various national conferences. Additionally, FNS is in the process of developing a Web-based training curriculum for school food service professionals that will address the Buy American provision.

Ms. DeLauro: What eGovernment activities were accomplished in fiscal year 2007 and 2008 and what was the cost of each activity? What eGovernment initiatives are planned for fiscal year 2009?

Response: FNS transferred $799,900 to support Departmental eGovernment activities in FY 2007 and plans to transfer approximately $972,700 in FY 2008. These activities include the agency's contributions to the Presidential eGovernment initiatives, such as content management and enterprise services, and USDA eGovernment enablers, such as eAuthentication, AgLearn, and Living Disaster Response Program System (LDRPS). Activities planned in FY 2009 are similar to those that occurred in FY 2008.

Ms. DeLauro: For fiscal year 2008, the Department requested $5.4 billion for the WIC program. Participation and food costs saw dramatic increases between the time the President's budget was submitted and the bill was enacted. Congress provided over $6 billion for WIC, which was $633 million more than the Department requested for the program. The Administration failed to acknowledge the increased participation and food costs for the WIC program, while the President threatened to veto any bill that increased total spending levels above the ones set in his budget. States were threatening wait lists due to the uncertainty of whether Congress would increase funding for WIC above the President's request, which everyone but the Administration acknowledged would not be sufficient to carry out the program in 2008. Why did the Department not submit a revised budget request for fiscal year 2008 when it became apparent the budget request would not be adequate to maintain participation in the WIC program?

Response: Since 2001, the Administration has consistently sought to ensure that all eligible women, infants and children seeking to participate in the WIC Program can be served. The President's FY 2008 budget request reflected USDA's best estimates of FY 2007 WIC funding and program performance as well as the requested level of funding for FY 2008. The estimates were based on all anticipated resources, including anticipated carryout, and it was believed that those resources would be adequate to support the anticipated average monthly participation level of 8.28 million.

Ms. DeLauro: The 2009 President's budget again proposes to cap the amount available for grants to State agencies for nutrition service and administration (NSA) expenses to the FY 2007 level, saving $145 million. The request also proposes to use the contingency reserve of $150 million to cover estimated participation and food costs in the program. Your testimony states "$150 million is requested to replenish the contingency reserve to ensure that the essential food, nutrition education, and health care referral services remain available to all eligible women, infants and children who need them." In your testimony you say "Should our estimates of program participation or costs prove too low, we have continued to protect program access for all eligible persons, a key objective of the President, through contingency reserves" and "This flexibility is essential to our ability to deal quickly and effectively with unexpected increases in food costs or participation as were experienced in FY 2007" - yet you are proposing to use the contingency reserve to deal with expected participation and food costs. How can you say you are replenishing the contingency

reserve if you are anticipating using it in FY 2009 to meet expected participation and food costs?

Response: The Administration has consistently sought to ensure that all eligible women, infants and children seeking to participate in the WIC Program can be served. The President's FY 2009 budget request reflected USDA's best estimates of FY 2008 WIC funding and program performance as well as the requested level of funding for FY 2009. We continue to monitor program performance and update our estimate of participation with each new reported month of participation data. As you know, this information is provided to Congress in the WIC monthly reports, as requested. In these reports, we have revised the FY 2009 participation upwards. It is worth noting that monthly variation in participation is very typical for the WIC program and subject to revision. Given the dynamic nature of this data and the timing of the participation estimate for FY 2009, the WIC participation estimate is always subject to a degree of uncertainty. We are committed to working with Congress to find offsets within the overall Federal budget proposed by the President to ensure this important program is funded at a level which will serve all eligible women, infants, and children seeking services.

Ms. DeLauro: Even though Congress provided $633 million over the budget request in 2008, the 2009 budget request assumes the full use of the contingency fund in 2008 also. Participation in 2007 rose from 8.3 million participants per month to over 8.5 million. Participation in October of 2007 was over 8.6 million participants. Yet the budget request assumes the average participation in fiscal year 2009 will be 8.6 million over the fiscal year. Can you explain why you believe participation in the WIC program will decrease in fiscal year 2009 from the October 2007 participation data?

Response: The President's FY 2009 budget request reflected USDA's best estimates of FY 2008 WIC funding and program performance as well as the best estimate of the level of funding needed for FY 2009, using the data available at the time. The President's budget request of $6,100 million proposed to support an average monthly program participation level of approximately 8.6 million persons in FY 2009. This level of participation was to be maintained as a result of savings accruing from the proposed cap on the WIC administrative grant per participant and an increase in estimated available prior year resources from FY 2008. Our analysis of participation was based on reported data available at the time. October 2007 participation data was not available for use in the estimate contained in the FY 2009 budget request. We continue to monitor program performance and update our estimate of participation with each new reported month of participation data. As you know, this information is provided to Congress in the WIC monthly reports, as requested. In these reports, we have revised the FY 2009 participation upwards. It is worth noting that monthly variation in participation is very typical for the WIC Program and subject to revision. Given the dynamic nature of this data and the timing of the participation estimate for FY 2009, the WIC participation estimate remains a challenge to the Administration.

Ms. DeLauro: Given the volatility we saw in estimating the funding needs for WIC for fiscal year 2008, is it wise to assume no contingency reserve will be available in fiscal year 2009 if participation does not decrease as you are currently expecting?

Response: The Administration has consistently sought to ensure that all eligible women, infants and children seeking to participate in the WIC Program can be served. As indicated in the July monthly WIC report to Congress, our analysis of participation and food cost data, updated with revised economic assumptions, suggest that program cost for FY 2009 will exceed levels estimated in the President's FY 2009 budget by approximately $456 million. Because these numbers are subject to change and monthly variation in program participation and food costs estimates are likely to continue through the end of the fiscal year, a reassessment of the FY 2009 budget request will be made in September. We are committed to working with Congress to find offsets within the overall Federal budget proposed by the President to ensure this important program is funded at a level which will serve all eligible women, infants, and children seeking services.

Ms. DeLauro: Will you provide a revised budget request if you find that your submitted budget request will not be adequate to cover participation and food costs in fiscal year 2009?

Response: The decision to submit a revised budget request is based on many factors and is made by the senior management at USDA and the Office of Management and Budget. A revised estimate would be based on State projections for food benefit costs and participation for FY 2008 and there is always a level of uncertainty as to the future path of program participation and food cost growth. Analysis of this year-to-date WIC Program performance data remains less clear in its implications for FY 2009. As of the July 2008 monthly WIC report, our current analysis of participation and food cost data, updated with revised economic assumptions, suggest that program cost for FY 2009 will exceed levels estimated in the President's FY 2009 budget by approximately $456 million. As I have stated, the determination to seek additional resources for FY 2009 is made within a process. We remain committed to working with Congress to find offsets within the overall Federal budget proposed by the President to ensure this important program is funded at the appropriate level.

Ms. DeLauro: The Committee is very interested in monitoring the implementation of the regulatory changes to the WIC food packages. Please provide the following information:

- The planned implementation dates of the new food package for each participant category in each state.

- Each state's policies with regard to optional substitutions, including fresh bananas for infants; cheese, processed fruit and vegetables, whole grains, canned beans, and peanut butter for children; and cheese, tofu, soy milk, processed fruit and vegetables, whole grains, canned beans, and peanut butter for women.

- Each state's policies with regard to minimum vendor stocking requirements for fruits and vegetables.

- Each state's policies with regard to rounding up the number of cans of infant formula provided or the number of jars of baby food.

- A summary of approved state plans for substitutions to allow for different cultural eating patterns.

Response: WIC State agencies must fully implement the food package revisions no later than October 1, 2009. The attached table indicates the anticipated implementation date for each State for each participant category. The implementation timeframes were determined by the State after assessing the changes that would be required to its management information system, the training needs of staff, vendors and participants, and development of a new State food list. The Food and Nutrition Service is providing technical assistance to WIC State agencies to assist them in implementing the interim rule by the deadline.

Most States do not plan to implement the changes until October 1, 2009. Therefore, FNS does not have information on States' policies and optional substitutions or vendor stocking requirements because States are currently developing those policies in consultation with vendors and other community partners.

The information is provided for the record.

[The information follows:]

WIC Food Package Implementation Dates

7/31/2008

WIC State Agency	Fully Formula Fed Infants	Fully Breastfed Infants	Fully Breastfeeding Women	Partially Breastfed Infants	Partially Breastfeeding Women	Pregnant Women	Postpartum Women	Children	Food Package III
Alabama	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Alaska	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
American Samoa	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Arizona	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Arkansas	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
California	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Colorado	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Commonwealth of Northern Marianas	No information provided								
Connecticut	No information provided								
Delaware	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009
District of Columbia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Florida	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Georgia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Guam	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Hawaii	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Idaho	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Illinois	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009	08/31/2009
Indiana	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Iowa	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Kansas	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Kentucky	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009	01/09/2009
Louisiana	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009	06/30/2009
Maine	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Maryland	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Massachusetts	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Michigan	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Minnesota	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Mississippi	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Missouri	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2008	10/01/2008
Montana	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Nebraska	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Nevada	No information provided								
New Hampshire	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
New Jersey	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
New Mexico	11/01/2008	11/01/2008	05/01/2009	11/01/2008	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009
New York	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009	01/01/2009
North Carolina	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
North Dakota	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009	09/01/2009
Ohio	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Oklahoma	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009	05/01/2009
Oregon	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Pennsylvania	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Puerto Rico	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Rhode Island	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
South Carolina	02/01/2009	02/01/2009	02/01/2009	02/01/2009	02/01/2009	02/01/2009	05/01/2009	08/01/2009	02/01/2009
South Dakota	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Tennessee	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Texas	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Utah	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Vermont	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Virgin Islands	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Virginia	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009
Washington	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009	09/30/2009
West Virginia	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Wisconsin	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009	08/01/2009
Wyoming	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/01/2009	10/10/2009	10/01/2009	10/01/2008

Ms. DeLauro: The Child Nutrition and WIC Reauthorization Act of 2004 provided that $30 million would be available each fiscal year for the costs of state Management Information Systems (MIS). With the uncertainty of the funding level needed to provide WIC benefits for all those that are eligible and with variable food costs, these MIS funds have been provided contingent upon the Contingency Reserve not being used to meet participation. Since then, only in FY 2006 were these funds released to the States for MIS. The President's budget request again does not request funding for MIS. If MIS funds are not designated, NSA funds are going to be used to cover the cost of policy development, staff training, and participant education associated with the food package changes. As part of implementing the new food package changes, the States are required to develop new systems for processing the cash-value vouchers for fruits and vegetables. Where are the States going to get the funds for upgrading and reprogramming management information systems in fiscal year 2009 for the states to implement the changes to the WIC food package, especially if the NSA cap is enacted as requested in the President's budget? Do you believe that WIC MIS funds are not needed in FY 2009?

Response: Updating management information systems to incorporate the new WIC food package requirements is a critical component for the successful implementation of the food package rule. In FY 2008, the WIC Program allocated $1.4 million in infrastructure funds to State agencies to help offset costs to implement the new food package. For FY 2009, FNS expects that State agencies will use nutrition services and administration funding for costs associated with changes to the WIC food package, to include administrative activities such as policy development, staff training, and participant education, as well as enhancements and changes to management information systems.

Ms. DeLauro: In your testimony you talk about the participation growth in WIC, the Food Stamp Program and the school meals programs. Participation in the Special Supplemental Nutrition Program for Women, Infants and Children is expected to reach an all time high of 8.6 million participants a month - an increase of 18% or 1.3 million participants since FY 2001. Participation in the Food Stamp Program is expected to be 28 million - an increase of 65% or 11 million since FY 2001. Finally participation in the National School Lunch Program is expected to be 32.1 million - an increase of 17% or 4.7 million since FY 2001. Your testimony seems to be taking credit for these incredible increases in these feeding programs as part of outreach efforts. I see an economy in distress. Rising participation in these feeding programs often precede worsening conditions in the economy. What proof do you have that these increases in participation are due to program outreach and not a worsening economy?

Response: In general, increases in participation levels, as described in your question, reflect both increases in the overall number of people eligible for each program, and in the rate of participation by eligible people. Changes in the number of eligible people are largely driven by changes in economic conditions, while changes in the rate of participation can be affected by program outreach.

Since fiscal year 2001, participation rates among eligible individuals has increased for the major nutrition assistance programs. Food stamps is most notable in this regard. In 2001, only 54 percent of those eligible for benefits participated. However, by 2006, that proportion increased to 67 percent. Similarly, the rate of all school children participating in the National School Lunch Program has increased steadily since 2001. A number of factors may have contributed to this change, and we consider our efforts and those of our partners to increase awareness and understanding of the benefits and requirements of our programs among eligible people to be among them.

Much of the change in the number of eligible people reflects changes in economic conditions, although it is also impacted by legislative changes that made it easier to qualify for benefits. Changes to the Food Stamp Program in the 2002 Farm Bill, for example, included State options for simplified reporting that make it easier for low-income families to participate, restoration of eligibility for many legal immigrants, and replacement of outdated limits on the value of vehicles that participants can own.

Ms. DeLauro: In 2007, Texas canceled their contract with Accenture to run Food Stamp call centers due to problems with the privatization pilot program. Texas still moved forward with a new program called the Texas Integrated Eligibility Redesign System (TIERS), the State's new social services computer system. Back in March 2006, in the pilot stage, the system had a backlog of 6,000 unprocessed applications. The problem then is the state implemented a new system and there were not enough people trained in handling the new program and understanding the policies that determine eligibility for aid. In December 2007, the TIERS system is still experience backlogs of applications and the explanation is still a workload issue. An Austin mother of two says she has been waiting for food stamps after applying to renew in June. What is going on in TX? How come we are still seeing problems with Food Stamp delivery there and what is FNS doing to get this problem corrected?

Response: Texas implemented its modernization effort in January 2006. The effort included a restructuring project called the Integrated Eligibility and Enrollment Services (IEES) project which reduced the number of local offices and State eligibility worker staff and replaced them with private vendor-operated call centers. It also included replacing its eligibility and benefit determination system with the Texas Integrated Eligibility Redesign System (TIERS).

The IEES/TIERS project was marked by technical difficulties, staffing shortages, and inadequate training of private call center staff. Texas curtailed its plans to implement IEES and cancelled its contract with the private vendor, Accenture, in March 2007. Most client-related tasks were transferred from the vendor back to the State.

Texas continued with a limited and conditional expansion of TIERS beyond the pilot site. Subsequently, Texas experienced low and declining application processing timeliness rates, particularly among TIERS cases. In February 2008, application processing timeliness was below 50 percent in the TIERS system and less than 85 percent in the System for Applications, Verifications, Eligibility Reports and

Referral (SAVERR) legacy system. The problems with timeliness stemmed from a confluence of events.

- Staff shortages: In 2003 and 2005, the Texas State Legislature cut the Eligibility Services appropriations by almost 5,000 FTEs and mandated the privatization of call center services. While the anticipated reduction-in-force never materialized, the workforce was decimated, nonetheless, because State staff were notified of their impending layoff and left for other jobs. This year the State obtained authority to increase staff and has aggressively begun hiring to fill vacancies and add additional staff in some locations. Retention bonuses and other incentives are being used to retain existing staff and fill vacancies. However, it will take time to get to full capacity and to have staff fully trained.

- Lack of trained staff: In 2006, the State began piloting IEES with their new eligibility system, TIERS, in two counties, while maintaining their legacy system, SAVERR. The staff turnover has made it difficult to maintain a workforce proficient in both systems.

- Expansion of TIERS outside of the pilot areas: The number of cases on TIERS has expanded considerably in part because new programs have been added to TIERS. For example, the Women's Health Program which is a statewide, provider-driven program, is only accepted by TIERS. Once a household applies for these benefits, whether it lives in the TIERS pilot area or not, the food stamp case is automatically transferred and must remain with the TIERS system. In effect, the TIERS caseload has expanded beyond the pilot areas, where there are few staff trained on the TIERS system.

In February 2008, FNS requested Texas submit a corrective action plan (CAP) to address these problems. In March 2008, Texas submitted a CAP which included strategies for improving application processing timeliness, such as increased staffing, retention incentives and extending certification periods. These measures were evaluated by FNS during a review of the call centers and the Austin eligibility offices in late March and early April. The review showed that the interviews are now scheduled early enough in the application process to enable timely processing and call center performance has more consistently met contract standards. The most recent data show that timelines in June 2008 had improved to 71 percent in the TIERS system and that call center performance in July 2008 was satisfactory and often exceeded established targets.

In May 2008 FNS authorized a further limited rollout of TIERS subject to conditions such as capping rollout not to exceed 22 percent of the food stamp caseload and requiring that the State submit monthly reports on application timeliness, overdue application and response times and abandonment rate in call centers. FNS made it clear that any further rollout of TIERS beyond this initial approval will be contingent on Texas' success in improving program operations.

To ensure improvement is a top priority, FNS will continue to fulfill oversight responsibility for the rollout of TIERS by monitoring overall

performance to include system capacity, client access, timeliness rates, and call center performance. FNS will also continue to monitor reports and to be in contact with the Texas State agency to receive status updates. In addition, FNS will conduct on-site observations and reviews in the rolled-out areas.

Ms. DeLauro: I understand that FNS is monitoring the roll-out of privatization of the Food Stamp Program in Indiana. In addition, to privatizing 70% of their food stamp eligibility workforce, Indiana is also changing their business practices by allowing eligible families to apply on-line or via telephone call centers. The IN local news reported on a Statehouse new conference where leaders of three senior citizens groups presented their concerns. "They said the situation was dire for senior citizens, people with disabilities and other low-income clients who have had difficulty phoning in to a centralized call center and navigating Web pages created to expedite applications for food stamps. Stories of many people being denied benefits, such as a wheelchair-bound mother of two young children who lost their food stamps. Surveys of food pantries, nursing homes, hospitals, ministers' groups, United Ways and other social service providers found demand for those private services have shot up because people have been bumped off food stamp rolls. These problems need to be fixed before the rollout is expanded. This is beginning to sound like TX all over again. In your monitoring of the development and implementation of the IN modernization project, have you seen signs of these problems that the senior citizens groups have presented? Is your monitoring going to pick up an increased number of food stamp participants being denied benefits? Do you think IN has fixed these issues and should continue with the rollout?

Response: FNS has carefully monitored the Indiana Eligibility Modernization Project from its design through its implementation. This oversight has occurred through routine FNS monitoring of program administration across all State agencies in addition to reports designed specifically for Indiana that exceed normal reporting requirements. Because routine administrative data are often lagged, the monitoring tools developed for the Indiana project provide the most up-to-date information on application processing and other key program outcomes under the new service delivery system. In particular, FNS receives daily statistical reports that contain information on call center operations, monthly reports on application processing and timeliness, and weekly status calls with State agency staff to discuss current status, areas of concern, and Indiana's efforts to address issues. Through August 2008, FNS staff has also conducted 48 visits to local offices since the project began.

Through these various sources, FNS has identified areas of concern and advised the State of the need to address these issues. FNS is aware that some clients have reported problems with the new system, such as the concerns noted by the senior citizen groups. FNS is continuing to monitor and examine complaints about customer service. It is also important to note that while the Indiana Project establishes online applications and call centers that are designed to improve access to benefits and enhance customer service, Indiana residents continue to have access to local offices to complete the application process. FNS has had ongoing concern regarding application processing timeliness and on June 23, 2008, FNS notified the State of this concern and the

expectation that the State will realize measureable improvement in application processing timeliness before the State proceeds with additional rollout of the project. FNS has requested a State level corrective plan to address this issue and expects to receive the plan in September. It should be noted that the State had problems with timely processing applications prior to the implementation of the modernization pilot (82 percent of applications were processed timely in FY 2006; 80 percent of applications were processed timely in FY 2007) and while the corrective action plan is expected to focus on the new system it must also address the Statewide processing of applications which includes areas not yet operating under the new business model.

FNS is aware of the concerns that have been raised by individual clients and various client organizations and takes these concerns very seriously. In addition to the Ombudsman Office created for clients to report problems, the Indiana State agency has been holding a series of open houses in various pilot areas around the State. FNS supports these efforts to respond to the needs of individual clients and also believes that the State should evaluate and address any systemic problems that impede customer access. FNS plans to conduct a program access review in Indiana the week of August 18th and believes that this will provide important information to assess significant problems with program access. Complete information concerning the Indiana Food Stamp Program and Modernization Project, including information on FNS oversight, is available in the FNS Quarterly Reports to Congress, as required by P.L. 110-161, the "Consolidated Appropriations Act, 2008."

Ms. DeLauro: Is FNS monitoring how easy or hard it is for different types of clients to use these services? For example, are you collecting data on whether seniors or disabled people are able to apply for and secure benefits through these systems?

Response: FNS has several efforts completed or underway to monitor the experiences of vulnerable clients in accessing and using new service delivery models.

Routine program monitoring: FNS oversight includes tracking monthly participation counts, annual participation rates and participant characteristics, as well as application processing counts and timeliness. Because information is collected from all States and over time, it is possible to compare across States and before and after program changes occur. These ongoing data systems are useful to identify potential areas of concern.

Special oversight of specific State projects: Because routine program monitoring data are often lagged, FNS has identified the need to collect additional information for States that are adopting more substantial program changes in a shorter time period. In Indiana, for example, FNS has monitored the State's modernization project through reports developed specifically for Indiana and through numerous onsite visits, and regular, ongoing communication with State staff. This has enabled FNS to identify potential issues or problems that may affect client access and to address these issues with the State on a timely basis.

For Florida, which also adopted widespread changes to the application process, FNS conducted a case study of the Florida ACCESS model. This study compared the participation of certain vulnerable households, those with elderly or disabled members and non-English speakers, before, during and immediately after Florida implemented the new service delivery system. Case study data indicated that that the caseload composition among these groups was either unchanged or increased, suggesting that modernization did not reduce client access.

Ongoing studies: FNS is conducting two studies to monitor client experiences. The study of Enhanced Food Stamp Certification includes a survey of all States, as well as a sample of community-based organizations and local program agencies, with questions about client experiences by subgroup. The same study also includes case studies with applicant/client interviews and focus groups to assess modernization pros and cons.

A new study will begin in fiscal year 2009 to examine the performance standards and monitoring that States currently use to track modernization changes. With input from a variety of stakeholders, the study will assess the feasibility and value added of nationally implementing additional reporting requirements.

Ms. DeLauro: When the state privatized its staff about a year ago, the staff were guaranteed their jobs and pay for a 2 year period. In about a year, that protection will expire. Does USDA know if the contractors, IBM and ACS, plan to fire state staff? How would mass firings affect their performance under the contract?

Response: FNS is not aware of any plans by the State of Indiana or its contractors, IBM and ACS, to implement staffing changes under the Eligibility Modernization Project. In March 2007, about 70 percent of the State agency's staff was transferred to its contract vendors to carry out the Modernization Project. The majority of State workers who were offered employment by the contractor accepted that employment. As a result, the project was initially staffed largely by workers with prior State food stamp certification experience. Since then, the vendors have hired new staff to fill vacancies that have occurred and to increase staffing in the service centers. FNS has no knowledge of plans to terminate workers. If such a staffing change were announced, FNS would carefully review the specific plans to assess the potential impacts on program administration.

Ms. DeLauro: The President's request is once again proposing to eliminate the Commodity Supplemental Food Program (CSFP). This program provides a monthly food package to over 434,000 seniors and 30,000 women, infants and children. The budget assumes that most of these participants will and can participate in either the Food Stamp Program (FSP) or WIC. I can't believe we have to discuss the elimination of this program every year but I guess once you propose to eliminate a program, OMB won't let you ask for it in subsequent years. The CSFP program is a significant source of nutritional assistance for low-income seniors and the package can be a substantial portion of seniors' monthly allowance for food. One-half of seniors eligible for CSFP are not eligible for the Food Stamp Program or would receive $10 a month or less. CSFP may be the only food assistance easily accessible to rural, poorly served urban areas. Other seniors do not apply for food stamps,

mainly because they are homebound or without transportation and outside aid, leaving them unable to shop or use the assistance. The budget requests an additional $2.5 million from the Food Stamp Program account to test and assess alternative strategies to increase participation among two populations that are historically underserved: the low-income elderly and working poor. Why don't you wait to see what strategies work to increase participation of the low-income elderly, before kicking them off of the one program we know does work?

Response: Because CSFP is available in limited areas of 32 States, the District of Columbia, and on two Indian reservations, it is the Administration's position that those seniors eligible for CSFP - those who live in areas where CSFP operates as well as those who do not - would be served more equitably through nationally available nutrition assistance programs. The Food Stamp Program (FSP), coupled with the national network of congregate and home-delivered food programs provided by 655 Area Agencies on Aging and administered by the Administration on Aging (AoA), are the Administration's primary nutrition assistance programs for seniors age 60 and over.

The FY 2009 budget request includes $2.0 million which will be made available to Food Stamp Program State agencies in States operating CSFP, to provide outreach and assistance to individuals enrolling in the Food Stamp Program. If Congress adopts the budget request, USDA will work closely with CSFP State agencies to ensure that program participants are transitioned as rapidly as possible to other nutrition assistance programs for which they are eligible. Elderly participants who are leaving CSFP upon termination of its funding and who are not already receiving Food Stamp benefits would be eligible to receive a transitional benefit worth $20 per month, ending in the first month following enrollment in SNAP under normal program rules, or 6 months, whichever occurs first. We believe that the transitional benefit will serve to significantly increase elderly participation in the Food Stamp Program by former CSFP participants.

The budget request also provides continued, significant support for AoA nutrition assistance programs. For FY 2009, the budget request includes $410.7 million for congregate nutrition services, $193.9 million for home-delivered nutrition services, and another $153.4 million for the Nutrition Services Incentive Program. The support is equivalent to the FY 2008 funding levels for these programs, and represents increases of $11.8 million, $5.6 million, and $5.6 million, respectively, from FY 2007.

Individuals of any age, including seniors, would have access to the Emergency Food Assistance Program (TEFAP). The recently enacted Food, Conservation, and Energy Act of 2008 (P. L. 110-246) provides an additional $50 million for TEFAP food purchases for FY 2008 - bringing the total amount of funds available for such purchases in FY 2008 to $190 million - and a total of $250 million in FYs 2009 through 2012, with an inflation adjustment for FYs 2010 through 2012. It should also be noted the Farm Bill provided $190 million in additional funding for the purchase of fruit and vegetable products for eligible outlets. These purchases will benefit TEFAP.

Ms. DeLauro: The Child Nutrition and WIC Reauthorization Act of 2004 included changes designed to improve the accuracy of school meal eligibility determinations without making it more difficult for low-income children to get critical food assistance. Specifically, the legislation included a phased-in requirement that all school districts use data from the Food Stamp Program to automatically enroll children for free meals without requiring families to complete a duplicative application, a process known as "direct certification." Direct certification reduces paperwork for both schools and families and research has shown that it is highly accurate. For direct certification to reach all the children who could benefit from it — that is, all children in households receiving food stamp benefits — it is not enough for school districts to implement direct certification; USDA must ensure its effective implementation. A 2006 USDA report, *Data Matching in the National School Lunch Program*, found that even in the school districts that had already implemented direct certification, more than 30 percent of children who could have been automatically enrolled for free school meals instead were enrolled based on a duplicative application. In the states that conducted direct certification by sending letters without conducting data matches, on average 45 percent of children who could have been directly certified completed a duplicative application instead. Would FNS provide information on each state's effectiveness with respect to directly certifying children eligible for direct certification for free school meals?

Response: In School Year 2004-05, 6.7 million public school students were categorically approved for free meals based on enrollment in the Food Stamp Program or TANF. About 60 percent of these children were directly certified, and the rest were certified by applications submitted with Food Stamp Program or TANF case numbers.

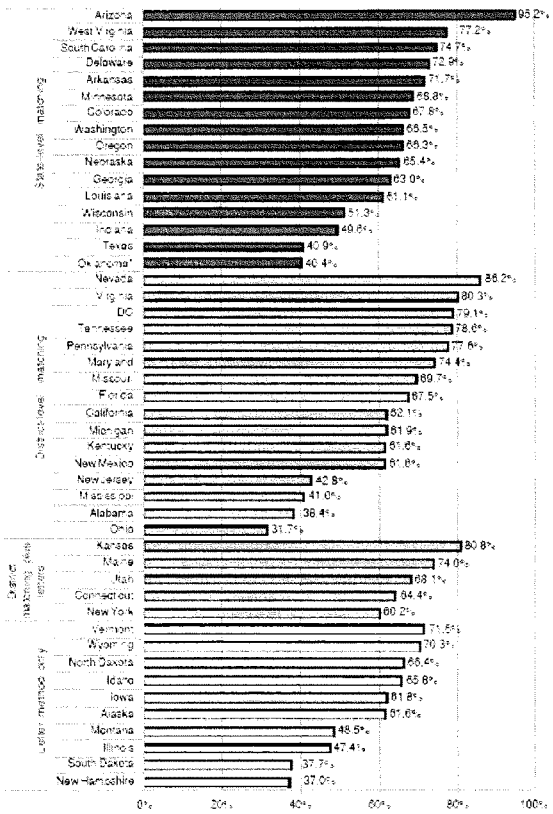
The percent of categorically approved students who were directly certified without application varied by method of direct certification. States using State-level matching directly certified 59 percent; States using district-level matching directly certified 63 percent; and States using the letter method certified 52 percent. In each of these categories there were considerable differences among States in the effectiveness of direct certification. The attached chart shows, by State, the percent of categorically approved students directly certified.

[The information follows:]

Exhibit 4 – Directly Certified Students as a Percentage of Categorically Approved Students, By State, SY2004-05

* Oklahoma offers both State and district-level matching, at school district option; 13 school districts use the State match and about 200 use a district match.

Source:
Survey of State Child Nutrition Program Directors, 2005; SY 2004–05 Verification Summary Report excluding Hawaii, Massachusetts, North Carolina, and Rhode Island because data were not available or not usable.



Source: Data Matching in the National School Lunch Program - Approaches to Direct Certification and Direct Verification: Guide for State and Local Agencies. March 2007.

Ms. DeLauro: Can FNS explain the variation amongst states, i.e. why are some states able to directly certify a larger share of children eligible for direct certification than others?

Response: The Data Matching Study indicates that there are considerable differences among States in the direct certification systems and that these differences impact the overall effectiveness of those systems. For example, some States can conduct State-level matching across districts, which is more effective than matching limited to the district level.

Other factors that contribute to variation of State direct certification systems, especially those using data matching, include (1) the timing of FS/TANF data used for direct certification (when are the data made available, and for what time period); (2) the source and timing of student records used for matching; (3) the identifiers available for matching; and (4) the ease with which school districts are able to process data received by the State. Systems are more effective that have better alignment of the timing of datasets, and that have identifiers that allow a strong match.

Ms. DeLauro: Does FNS have a goal for what share of children eligible for direct certification should be directly certified for free school meals?

Response: We do not have a target for the direct certification rate among eligible children. However, beginning in December 2008, the Department will report annually on the direct certification rate both at the national and State level. This annual reporting will provide a means for monitoring progress in increasing direct certification among eligible children, identifying States where problems may occur, and working with those States to support ongoing improvement.

Ms. DeLauro: What has FNS done to identify and promote direct certification best practices?

Response: FNS has encouraged local education agencies (LEAs) to do the following to facilitate direct certification implementation:

- Work with or seek advice from other LEAs that have more experience with direct certification, such as the public LEAs.
- Share individual students' information with other LEAs.
- Work with the State agency to implement direct certification.
- Review Part 6 of the January 2008 edition of the *Eligibility Manual for School Meals* for guidance on direct certification (http://www.fns.usda.gov/cnd/Guidance/eligibilityguidance.pdf).
- Review *Data Matching in the National School Lunch Program: 2005 - December 2006 Approaches to Direct Certification and Direct Verification: Guide for State and Local Agencies.*

FNS has also encouraged State agencies to apply for the next round of certification and verification procedures grants, which are intended to

improve and expand certification and verification provisions. The advantages of the new certification and verification provisions are: 1) ease of applying for both households and LEAs; 2) increased participation; and 3) enhanced accuracy of the certification and verification processes.

In addition, as required by the Food, Conservation and Energy Act of 2008, FNS will conduct an annual data assessment on the effectiveness of direct certification and report to Congress beginning December 2008 and every June thereafter. This annual report will identify best practices from States with the best performance or the most improved performance from the previous year. FNS will incorporate this information into our guidance and technical assistance efforts.

Ms. DeLauro: How is FNS supporting states that are attempting to develop statewide direct certification data matching systems? For example, is FNS collaborating with the Department of Education to facilitate the use of educational databases for direct certification data matches?

Response: Pursuant to the Child Nutrition and WIC Reauthorization Act of 2004, FNS has solicited two rounds of proposals for funding to assist States in implementing mandatory direct certification, optional verification, and other procedures related to certification and verification of students' eligibility to receive meal benefits in the National School Lunch Program and the School Breakfast Program. The Act made a one-time appropriation of $9,000,000 available for this effort. In FY 2006 FNS awarded $3,768,923 to State agencies. In FY 2007, FNS awarded $1,723,645 of the remaining amount available to State agencies. The FY 2008 proposals are currently under review. In an effort to further utilize these funds, FNS anticipates another round of requests for applications for FY 2009. These grants are available to State education agencies, and to State food stamp and welfare agencies engaged in direct certification activities.

Additionally, USDA has put out guidance entitled, "Data Matching in the National School Lunch Program, Approaches to Direct Certification and Direct Verification: Guide for State and Local Agencies." The guide describes the procedures and specific choices in designing systems for National School Lunch Program direct certification and direct verification. It serves as a resource for State and local agencies seeking to implement, expand, or improve systems for certifying and verifying children eligible for National School Lunch Program benefits. In particular, this guide addresses methods of designing and improving data matching systems for direct certification and direct verification.

Just as access to and use of School Meals Program applicant and participant information is specifically limited under the Richard B. Russell National School Lunch Act, 42 USC 1751, et seq. student information maintained as part of a school's educational records are closely controlled by the Family Educational Rights and Privacy Act, 20 USC 1232g. In addition, student data under the respective Federally-funded programs, is maintained at the State and local levels. We have determined that collaboration at the State, rather than the Federal level, is most effective. State agencies administering the School Meals Programs establish data sharing agreements with their State-level

counterparts administering the Department of Education programs enabling maximum direct verification activities.

Ms. DeLauro: What activities has FNS undertaken to help states identify districts that are missing children in the direct certification process and make improvements?

Response: FNS issued a guide to direct certification in 2007 which included ways States and local educational agencies could "fine-tune" their procedures to make matches more accurate in order to enroll more children who are categorically eligible. We will also be assessing performance of direct certification efforts by States as required by the Food, Conservation, and Energy Act of 2008. This assessment will offer State by State estimates of the number of children who are members of a household receiving food stamps, estimates of the subset of those children who are candidates for direct certification, and a count of children who were directly certified. While we will not be identifying school districts in our assessment, we believe that our guidance and the information on best practices will assist State agencies and school districts in their efforts to increase the number of children eligible through direct certification. We will also be reporting on the best practices used in the highest performing states.

We recently issued a reminder to our State agencies about the mandatory implementation of direct certification with the Food Stamp Program. We also clarified in that memorandum the acceptability of so-called "secondary matches" for establishing eligibility for free meal benefits. A secondary match is one in which not all data points exactly match, but little doubt exists as to the identity of the individual in question. Additionally, we also encouraged local educational agencies to conduct direct certification throughout the school year to capture children who may be newly eligible for assistance or who may be new to the school district.

Ms. DeLauro: How is FNS monitoring improvements in the reach of direct certification over time?

Response: States provide information to FNS annually on direct certification at the local school food authority level. Section 4301 of the Food, Conservation, and Energy Act of 2008 requires annual reports to Congress on the effectiveness of each State's direct certification efforts. FNS is currently using the State data to prepare the first of these reports, which is due December 31, 2008. Additional reports will be completed each June 30 thereafter.

For each State, FNS will estimate the number of school age children who receive benefits under the Food Stamp Program, the number who were directly certified for free school meals, and the number of Food Stamp participants who were not candidates for direct certification because they attended "Provision 2" or "Provision 3" schools not operating in a base year. The reports will also describe best practices from States with the most effective or most improved direct certification programs.

Over time, these reports will constitute a record of direct certification performance at the State and local school food authority levels. The information contained in these reports will be analyzed to

identify trends and monitor progress toward the goal of directly certifying all Food Stamp participant children for free school meals.

Ms. DeLauro: In December 2005, OIG presented the results of an audit of cost-reimbursable contracts between school food authorities (SFA) and a food service management company (FSMC). The audit was conducted to obtain information for the Food and Nutrition Service (FNS) to consider when developing their policies or procedures on the treatment of purchase incentives. FNS issued a final rule in October 2007, clarifying the procurement requirements for the National School Lunch, School Breakfast and Special Milk Programs. The audit was initiated to determine whether the food service management company passed on cost savings on food purchases to school food authorities when required to do so by contract. The audit found that the company did not pass on at least $1.3 million in savings it received although the 106 contracts specifically required the crediting back of the funds. When the food service management company does not pass on these incentives when purchasing food products for the schools, it increases the cost the schools are paying to feed our children, taking valuable resources away from our school systems for other educational purposes. I have recently heard concerns that a food service management company appears to still be keeping cost savings it receives when purchasing food products, even though the contract requires the savings to be passed on and the FNS requirements mandate the company cannot keep these savings. I have also heard complaints in my own district about the lack of quality, nutritional value of the food being served in the New Haven public school system by this same food service management company. I have requested GAO to look into food service management companies, including if the companies are complying with their contractual agreements and FNS regulations. What enforcement authorities does FNS, the State agencies, or the school food authorities have in enforcing contractual agreements with food service management companies?

Response: FNS does not have the resources to directly monitor contracts between School Food Authorities (SFAs) and food service management company's (FSMCs). This responsibility is delegated to State agencies (SAs) who are responsible for providing oversight and administration of the school meals programs at the local level, including ensuring school food authority meal count accuracy and compliance with other administrative requirements. SAs are required to ensure compliance with program requirements through regular audits, administrative reviews, and investigations. Likewise, they are required to annually review all contracts between school food authorities and food service management companies to assure that the SFA is complying with all of the program requirements.

Schools participating in the National School Lunch Program (NSLP) which are run by an FSMC must adhere to the same nutrition guidelines as a school operating its own food service under the NSLP. Schools must offer lunches that meet, at a minimum, the nutrition standards provided for in the NSLP regulations. Schools must keep production and menu records for the meals produced, which show how the meals contribute to the required component, food items, or menu items every day. State agencies conduct reviews, which include Coordinated Review Efforts (CRE) and School Meals Initiatives (SMI) to ensure that lunches claimed

for reimbursement by the SFA contain food menu items/components thereby meeting the meal pattern requirements required by regulations.

It is important to note that neither FNS nor the SAs are parties to the contractual agreement between the SFA and FSMC. Therefore, once a contract is executed, the SFA is bound by the terms and condition of the contract. As long as business decisions are made within the regulatory framework and are not illegal or improper, we are bound to respect them. However, to enable FNS to ensure appropriate contract terms and conditions are contained in contracts between SFAs and FSMCs, the agency published the procurement regulation you reference above on October 31, 2007, which changed the timing by which States must review contracts between SFAs and FSMCs. The purpose of this change was to allow SFAs to make State recommended or required corrections to contracts prior to their being executed.

7 CFR Part 210.16(a)(10) requires SAs to review and approve all contracts between SFAs and FSMCs prior to contract execution. SFAs must incorporate all SA required changes to an existing FSMC contract before it is executed. Any changes made by the SFA or a FSMC to a SA pre-approved prototype contract or SA approved contract term must also be approved in writing by the SA before the contract is executed. The procurement regulation also requires that costs paid from the nonprofit school food service account be net of all discounts, rebates and other applicable credits accruing to or received by the contractor or any assignee under the contract, to the extent those credits are allocable to the allowable portion of the costs billed to the SFA. During its review of a contract between a SFA and FSMC, the SA must ensure that a provision requiring that costs be net of all discounts, rebates, and other applicable credits are included in the contract. Additionally, regulations 7 CFR Part 210.16(b)(2) requires SFAs to include in their Request for Proposal and/or Invitation for Bid specific sanctions for FSMCs that violate contract terms.

We will continue to provide procurement training for SAs covering a range of topics, including: the need for the SFA to remain responsible for ensuring program accountability regardless of whether the food service is operated by a FSMC or internal staff; the need for the SFA to employ a sufficient number of qualified staff to coordinate, monitor, and control food service operations; and, the list of responsibilities that the SFA may not delegate to the FSMC.

Ms. DeLauro: Were management decisions reached on all of the recommendations made in the audit and does the new regulation put out by FNS address the concerns raised in the audit? What enforcement mechanisms can we rely on to ensure that food service management companies are carrying their end of the deal, doing their part, and serving our children nutritious, quality meals?

Response: FNS reached a management decision with the Office of Inspector General (OIG) on all recommendations in the Audit General in July 2007. The final regulation *Procurement Requirements for the National School Lunch, School Breakfast and Special Milk Programs*, published on October 31, 2007, addresses the concerns raised in the audit.

Additionally, FNS will shortly issue updated guidance for SFAs contracting with FSMCs. FNS is also developing Web-based procurement training for State agencies, and we expect to release two of three modules in calendar year 2008. The third and final module will be released early in calendar year 2009.

Controls are in place to ensure the SFA is aware that contracting with the FSMC does not relieve the SFA of its responsibility for managing the program. The State agency's ability to monitor program operations is an effective means for determining whether the FSMC is adhering to the terms and conditions of their contract with the SFA. 7 CFR Part 210.16(a)(10) requires State agencies to review and approve all contracts between SFAs and FSMCs prior to contract execution. SFAs must incorporate all SA required changes to an existing FSMC contract before it is executed. Any changes made by the SFA or a FSMC to a State agency pre-approved prototype contract or State agency-approved contract term must also be approved in writing by the State agency before the contract is executed. During its review of a contract between a SFA and FSMC the State agency must also ensure a provision requiring that costs be net of all discounts, rebates, and other applicable credits be included in the contract. Educating SFAs on their responsibility for maintaining the quality, extent, and general nature of its food service is the key to ensuring that FSMCs are carrying out their responsibilities in serving our children nutritious, quality meals.

Ms. DeLauro: I see in your testimony that you are spending about $788 million in FY 2009 on nutrition education and promotion. During the hearing this week with the Research, Education and Economics - questions came up about obesity as they relate to the Food Stamp Program. The panel answered that there was no correlation between the feeding programs and obesity but on nutrition education. So what are we getting for $788 million being spent on nutrition education and promotion?

Response: The nutrition education provided through the nutrition assistance programs plays an important role because it links the benefits of the programs to the overall nutrition and health of the participants. Nutrition education adds value by teaching the families served by the nutrition assistance programs to make healthier food selections within limited budgets and providing practical ways to maximize use of program benefits. While results are not always direct or immediate, nutrition education is an important strategy for leveraging our nutrition assistance programs to improve diets and promote good health.

Although there is limited evidence linking *specific* nutrition education interventions and the dietary changes that they are meant to motivate, this speaks more to the complexity of changing behavior than the efficacy of specific efforts. Diet-related behavior changes are complex and subject to a wide array of influences, including personal factors (motivation and behavioral skills), social factors (degree of support from family and other role models), and environmental factors (availability of healthful food choices).

Nutrition education researchers have identified key attributes of successful nutrition education and promotion approaches that have

proven effective in improving dietary practices. These include focusing on behavioral change; using motivators and reinforcements that are personally relevant to the target audience; conveying messages through multiple channels of communication; using approaches that provide for personal engagement in learning activities; and implementing the intervention with sufficient intensity and duration to allow multiple exposures to the same message. USDA makes use of these attributes to the extent possible in shaping its interventions.

Ms. DeLauro: How can you strengthen the nutrition education message to those that participate in the FNS feeding assistance programs? I will ask you the same question I asked ERS, what have you learned and what do we still not understand?

Response: Nutrition education researchers have identified key attributes of successful nutrition education and promotion approaches that have proven effective in improving dietary practices. These include focusing on behavioral change; using motivators and reinforcements that are personally relevant to the target audience; conveying messages through multiple channels of communication; using approaches that provide for personal engagement in learning activities, and implementing the intervention with sufficient intensity/duration that allows multiple exposures to the same message.

We have also learned a great deal about communicating key messages to our target audiences of low-income populations eligible for nutrition assistance, but there is more to be done to understand the factors that influence dietary choices for these groups, and the kinds of messages and interventions that will support behavior change most effectively.

Federal nutrition assistance programs are designed to work together to form a nutrition safety net that promotes access to food and improved nutrition for the children and low-income people served. While USDA seeks to strengthen the effectiveness of nutrition education within each program, we are also working to improve collaboration across programs as a way to achieve more comprehensive and integrated nutrition education for program participants. Such collaboration allows us to leverage efforts in ways that are more likely to achieve shared goals and outcomes.

FNS is focusing on opportunities to work across programs to ensure consistent application of nutrition knowledge in agency policy, regulations, guidance and technical assistance. In addition to working to strengthen program-based nutrition education and promotion activities, there are opportunities to leverage our efforts by advancing use of collaborative approaches. For example, USDA continues to support and encourage the State agencies that administer the nutrition assistance programs to work together and formulate joint State Nutrition Action Plans. To date, 49 State agencies have done so.

Ms. DeLauro: Of the 140 million pounds of beef that was recalled by the Westland Hallmark Company, over 50.3 million pounds was sold to the USDA feeding programs, with 47 million pounds going to the National School Lunch Program. Have you accounted for all of the beef that is included in this recall that went to the National School Lunch Program?

Response: USDA accounted for all product affected by the Westland Hallmark Company beef recall purchased for the National School Lunch Program. The quantities identified consisted of product served prior to the recall, raw product in inventory or further processed products in inventory at processors, distributors, State warehouses, School Food Authority or school locations.

The total pounds of recalled raw product not consumed was identified in inventory waiting processing or as a component processed into other finished products. The quantity of recalled beef in processed products was derived using standard formulation information for each of the products which includes loss of material in the course of processing.

The total quantities of remaining product reported by States are reconciled with quantities originally ordered and received, replacement orders, entitlement credits and reimbursement requests.

Ms. DeLauro: There have been many complaints about the timeliness of School Food Service Directors in receiving official information about this recall. Many of these schools received phone calls from concerned parents who learned of the recall on the news, prior to any communications being received from FNS through the State Agencies. Should FNS have the capability to communicate directly with the school food authorities about any future recalls or other potential health threats in the National School Lunch Program?

Response: USDA utilizes a component of the Electronic Commodity Ordering System (ECOS), the Rapid Alert System (RAS), which is an automated, Web-based tool to communicate emergency information to USDA commodity recipients. It allows State agency cooperators to immediately receive information by several means, including cell phone, email, or fax. The system tracks the notified recipients' electronic acknowledgement of message receipt, which confirms to USDA that all affected parties received notification.

The RAS was immediately activated following the January 30, administrative hold and provided the necessary information for States to track the product and hold it until further notice. A follow-up notice was sent to all States about the product hold by email the following morning. When the Food Safety and Inspection Service (FSIS) announced the recall on February 17, the same procedures were followed. Two more issuances through RAS and e-mail went out on February 19 and 26 to announce additional products as the trace-forward and trace-backward investigations continued.

The capability currently exists in ECOS for Recipient Agencies (RAs), such as School Food Authorities and schools, to access recall case information directly. FNS has consistently encouraged but not mandated that State agencies push this capability down to the RA level. FNS is also in the process of implementing a notification system for basic commodity recall information that will be available to anyone on a self-registration basis. This service is projected to be available in the Fall 2008.

USDA is not in a position to provide details to individual School Food Authorities on product affected by holds and recalls. After delivery of the commodity product, only the State agency and their contracted

processors, distributors, and warehouses can provide School Food Authorities with inventory and delivery details from their supply chain records. The general notification system being deployed in Fall 2008 will notify registered users of a hold or recall situation affecting USDA commodities and programs. Notified recipients will be directed to applicable Web sites such as FSIS or the Food and Drug Administration recall sites for additional information and identify State authorities responsible for administering the affected programs.

Ms. DeLauro: What lessons have you learned and what changes are you implementing based on this recall?

Response: Situations such as the recent meat recall provide opportunities to assess the operation of plans and identify areas for improvement. The resource *Responding to a Food Recall* was developed and distributed to State agencies and School Food Authorities in the Fall 2002. FNS was in the process of revising the resource when the Westland recall occurred and a result of that recall will be the addition of information in the revised resource to cover food products that are further processed as well as commercial recalls. The revised materials will be in a step-by-step, user friendly format. FNS realized as a result of the recall that all program operators could benefit from training on handling holds and recalls, therefore FNS will have the National Food Service Management Institute (NFSMI) initiate a comprehensive training plan, including assertive outreach to States, to schedule training on the revised materials. Another lesson learned was the need to assist program operators with inventory management with a special focus on tracking and identifying products in the event of a hold or recall. The FNS Cooperative Agreement with NFSMI includes the development of an inventory management package. The release of the inventory management resource will be followed by training on the materials that can be done in conjunction with the hold and recall training or as a separate component.

In 2001, FNS, the Agricultural Marketing Service, and the Food Safety and Inspection Service agreed upon a set of hold and recall procedures. These procedures were released in July 2001. The Westland recall reinforced the need to revise and update the procedures, particularly to address the ECOS and RAS component, and commodity products that are diverted for further processing. FNS is in the process of scheduling meetings to initiate the revisions to the document. These meetings will also be a platform to resolve any issued regarding further processed products and recalls.

FNS collected feedback on recall issues from State agencies and program operators in conference calls and at national meetings. One issue of particular concern was the lack of a consistent and timely flow of communication from FNS through State agencies down to the local level. As a result, FNS is pursuing communication strategies with other organizations who can serve as information multipliers, such as the School Nutrition Association, the American Commodity Distribution Association, the U.S. Department of Education. At the same time, FNS is developing an email notification system for commodity products. This new system is projected to be available in the Fall 2008, and will allow users to self-register to receive notifications. Also, in the Fall 2008, FNS will host a stakeholder meeting to gather further input on improving the hold and recall process. FNS will look for

opportunities to sponsor best practices meetings with States to promote a discussion and sharing of their hold and recall procedures.

Ms. DeLauro: How much is this recall of the beef that was provided to the National School Lunch Program expected to cost, including the cost of destroying and replacing the recalled beef? What accounts are these expenses being paid out of?

Response: To date, FNS received claims for replacement of beef, requests for entitlement credits, and claims for destruction and fees associated with the recalled beef for approximately $25 million dollars. We would expect the few remaining claims to increase this total minimally. These expenses will be paid out of the Agriculture Marketing Service's Section 32 funds.

Ms. DeLauro: Please provide copies of communications provided to the State Agencies in regards to the National School Lunch recall? Do these communications include what type of expenses will be reimbursed, the procedures and timeline for reimbursement?

Response: The communications provide an explanation of the type of expenses that will be reimbursed as well as the procedures to use, such as sample forms, and the deadlines for reimbursement claims. The communications on reimbursements can be found in the instructions issued during the time period February 17, 2008 through March 24, 2008.

The information is submitted for the record.

[The information follows:]

January 30, 2008 FNS issues HOLD announcement through the Rapid Alert System (RAS) to all State Distributing Agencies (SDAs) and ITOs

January 30, 2008 FNS notifies further processors of HOLD on coarse ground product from Westland

February 1, 2008 Additional information posted to ECOS for SDAs and ITOs

February 1, 2008 FNS holds conference call with Regional Offices

February 8, 2008 FNS extends the HOLD up to an additional 10 calendar days. Notified SDAs and ITOs through RAS.

February 8, 2008 FNS holds conference call with Regional Offices

February 17, 2008 Issued recall for Stage I (the amount of product on HOLD since January 30)

provided guidance for SDAs and ITOs on how to recall the product and destroy it

February 19, 2008 Issued recall for Stage II (the amount recalled from February 1, 2006 to September 30, 2006)

February 22, 2008 U.S. Department of Education issued a notice on behalf of USDA using the Crisis Communication System announcing the recall

February 26, 2008 Issued recall for Stage III (result of on-going Westland trace-forward information that notified processors of the fact that they were supplied raw source material for cooked and raw commodity product contracts they had been awarded)

March 24, 2008 Instructions issued for reimbursement claims

January 30, 2008 FNS issues HOLD announcement through the Rapid Alert System (RAS) to all State Distributing Agencies (SDAs) and ITOs

USDA Commodity Hold - ECOS Case 2008-003.
A product Hold has been identified for Hold - Westland Meat Co. Coarse Ground Beef A594, Case 2008-003. State Agencies receiving this product have been identified.

It's Important that you acknowledge message receipt by clicking on the link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=kct5dlzre

NOTE: If the URL above isn't active, copy and paste it in your web browser Address bar.
You have 30 minutes from 06:27 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 74319401.

Please access ECOS at https://ecos.usda.gov for more information. For questions about ECOS access - call 703-305-2914

Case: 2008-003 – Hold Westland Meat Co. Coarse Ground Beef A594

Instruction Documents

View Case Information

Westland extended HOLD notice A594 Feb 8 2008.doc (Last Updated:02/08/2008 03:51:55 PM)

Westland Meats Admin Hold - initial notice-A594-1-30-08(2)-clarification.doc (Last Updated:02/04/2008 02:26:44 PM)

Westland Meat Co Admin Hold-additional info-2-1-08-A594.doc (Last Updated:02/01/2008 05:10:36 PM)

Westland Meats Admin Hold - initial notice-A594-1-30-08(2).doc (Last Updated:02/01/2008 05:09:56 PM)

32 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Arizona Dept of Education	A594104J018 A594104J019 A594104J028 A594104J029 A594104J030 A594104J031 A594104J032 A594104J033 A594104J034 A594104J035 A594104J037
California Dept. of Ed.	A594206I149 A594206I150 A594206I151 A594206I152 A594206I153 A594206I154 A594206I155 A594206I184 A594206I185 A594206I196 A594206I197 A594206I198 A594206I199 A594206I200 A594206I207 A594206I208 A594206I209 A594206I210 A594206I211 A594206I212 A594206I213 A594206I214 A594206I215 A594206I216 A594206I217 A594206I218 A594206I219 A594206I220 A594206I221 A594206I222 A594206I223 A594206I224 A594206I225 A594206I226 A594206I227 A594206I228 A594206I229 A594206I230 A594206I231 A594206I232 A594206I233 A594206I234 A594206I235 A594206I236 A594206I238 A594206I240 A594206I243 A594206I244 A594206I245 A594206I248 A594206I249 A594206I250 A594206I251 A594206I252 A594206I253 A594206I257 A594206I258 A594206I259 A594206I260 A594206I261 A594206I262 A594206I272 A594206I273 A594206I288 A594206I289 A594206I294 A594206I295 A594206I300 A594206I302 A594206I303 A594206I304 A594206I305 A594206I310 A594206I323 A594206I324 A594206I334 A594206I339 A594206I340 A594206I341 A594206I342 A594206I343 A594206I344 A594206I360 A594206I361 A594206I362 A594206I363 A594206I364 A594206I365

Affected Organization	Affected Delivery Orders
	A594206I366 A594206I367 A594206I368 A594206I372 A594206I373 A594206I374 A594206I375 A594206I378 A594206I379 A594206I380 A594206I382 A594206I387 A594206J002 A594206J009 A594206J010 A594206J016 A594206J017 A594206J018 A594206J019 A594206J020 A594206J021 A594206J022 A594206J025 A594206J026 A594206J027 A594206J028 A594206J029 A594206J030 A594206J031 A594206J032 A594206J033 A594206J034 A594206J037 A594206J038 A594206J039 A594206J040 A594206J041 A594206J042 A594206J074 A594206J075 A594206J076 A594206J077 A594206J078 A594206J079 A594206J084 A594206J085 A594206J089 A594206J090 A594206J100 A594206J101 A594206J102 A594206J103 A594206J104 A594206J114 A594206J115 A594206J123 A594206J125 A594206J126 A594206J129 A594206J130 A594206J131 A594206J182 A594206J183 A594206J202 A594206J205 A594206J207 A594206J209 A594206J210 A594206J211 A594206J212 A594206J213 A594206J214 A594206J215 A594206J216 A594206J218 A594206J219 A594206J220 A594206J221 A594206J222 A594206J223 A594206J224 A594206J225 A594206J229 A594206J230 A594206J231 A594206J232 A594206J233 A594206J234 A594206J235 A594206J236 A594206J250 A594206J251 A594206J252 A594206J253 A594206J278 A594206J281 A594206J282 A594206J296
Colorado Department of Human Services	A594108J001 A594108J002 A594108J005 A594108J011 A594108J024
DC - State Education Office	A594111I002
Florida Dept. of Ag and Consumer Svcs	A594112I013 A594112I014 A594112I059 A594112I077 A594112I078 A594112J011 A594112J012 A594112J033 A594112J034 A594112J035 A594112J036 A594112J037 A594112J038 A594112J039 A594112J082
Georgia Department of Education	A594113I059 A594113I061 A594113I062 A594113I067 A594113I068 A594113I069 A594113J004 A594113J005 A594113J066
Idaho Dept of Education	A594116I008 A594116J001 A594116J005
Illinois State Board of Ed.	A594117I021R A594117J001 A594117J003 A594117J011 A594117J015
Iowa Dept of Education	A594119J013
Kentucky Dept of Agriculture	A594121I005 A594121J003 A594121J004 A594121J005 A594121J007
Louisiana Dept of Agriculture and Forestry	A594122I016 A594122J001 A594122J002 A594122J003 A594122J004 A594122J015 A594122J018
Maryland Dept. of Education	A594124I007 A594124I009 A594124I040 A594124J019 A594124J020
Michigan Dept of Education	A594126I035 A594126I036 A594126I037 A594126I078 A594126I079 A594126I080 A594126I082 A594126I084 A594126J001 A594126J008 A594126J032 A594126J033

Affected Organization	Affected Delivery Orders
	A594126J034 A594126J035 A594126J037 A594126J038 A594126J041
Minnesota Department of Education	A594127J010 A594127J011 A594127J018
Missouri Department of Elementary and Secondary Education	A594129J001 A594129J002 A594129J003 A594129J017 A594129J018 A594129J028 A594129J029 A594129J036 A594129J037
ND Department of Public Instruction	A594138I004 A594138J001
NE Health and Human Services	A594131J001 A594131J004 A594131J005 A594131J006
Nevada Purchasing Division	A594132I007 A594132I009 A594132I011 A594132I013 A594132I014 A594132I015 A594132J001 A594132J002 A594132J004 A594132J006 A594132J015 A594132J017 A594132J021
New Jersey Dept of Agriculture	A594134I005R A594134I006R A594134I018
New Mexico Human Services Dept	A594135J001 A594135J003 A594135J004 A594135J011
New York Office of General Services	A594136I068 A594136I112 A594136I113 A594136I115 A594136I116 A594136I117 A594136I138 A594136I139 A594136I140 A594136I151 A594136J001 A594136J002 A594136J010 A594136J011 A594136J012 A594136J037 A594136J038 A594136J042 A594136J096 A594136J117 A594136J118 A594136J119
North Carolina Dept. of Ag and Consumer Svcs	A594137J022 A594137J023
Ohio Dept. of Education	A594139I072 A594139I073 A594139I087 A594139I089 A594139I090 A594139I091 A594139J002 A594139J006 A594139J063
Oklahoma Dept. of Human Services	A594140I026 A594140I031 A594140J006 A594140J007 A594140J008 A594140J009 A594140J010 A594140J011 A594140J015 A594140J016
Oregon Dept. of Education	A594141J002 A594141J003 A594141J011
Pennsylvania Dept. of Agriculture	A594142I007 A594142I066 A594142I067 A594142J009 A594142J025 A594142J032 A594142J033 A594142J057
Tennessee Dept of Agriculture	A594147J016 A594147J017 A594147J021 A594147J022 A594147J023 A594147J028
Texas Health and Human Services Commission	A594148I088 A594148I089 A594148I090 A594148I092 A594148I093 A594148I094 A594148I129 A594148I130 A594148I131 A594148I168 A594148I169 A594148I220 A594148I221 A594148I222 A594148I223 A594148I224 A594148I247 A594148I248 A594148I253 A594148I255 A594148I256 A594148J001 A594148J002 A594148J009 A594148J010 A594148J011 A594148J012 A594148J013 A594148J014 A594148J015 A594148J016 A594148J017 A594148J018 A594148J019 A594148J020 A594148J021

Affected Organization	Affected Delivery Orders
	A594148J022 A594148J023 A594148J028 A594148J029 A594148J030 A594148J031 A594148J032 A594148J051 A594148J052 A594148J053 A594148J054 A594148J055 A594148J056 A594148J057 A594148J058 A594148J059 A594148J063 A594148J064 A594148J065 A594148J073 A594148J074 A594148J075 A594148J099 A594148J100 A594148J112 A594148J113 A594148J114 A594148J115 A594148J116 A594148J117 A594148J118 A594148J119 A594148J120 A594148J122 A594148J123 A594148J127 A594148J128 A594148J131 A594148J132 A594148J133 A594148J134 A594148J140 A594148J143 A594148J144 A594148J152 A594148J153 A594148J154 A594148J160 A594148J161 A594148J165 A594148J166 A594148J189 A594148J193 A594148J194
Utah State Office of Education	A594149J013 A594149J014 A594149J018
Virginia Dept. of Agriculture	A594151I016
Washington Child Nutrition Services	A594253I067 A594253I068 A594253I069 A594253I070 A594253I071 A594253I085 A594253I086 A594253J002 A594253J003 A594253J018 A594253J019 A594253J020 A594253J021 A594253J025 A594253J026 A594253J027 A594253J067
Wisconsin Dept of Public Instruction	A594155J013 A594155J014 A594155J029 A594155J030 A594155J056

USDA Commodity Hold - ECOS Case 2008-004.
A product Hold has been identified for Hold - Westland Meat Co. Fine Ground Beef A608 40, Case 2008-004. State Agencies receiving this product have been identified.

It's Important that you acknowledge message receipt by clicking on the link
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http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=kt5k3144e

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Recall/Hold Instructions

Case: 2008-004 - Hold- Westland Meat Co. Fine Ground Beef A608 40

Instruction Documents

View Case Information

Westland extended HOLD notice A608 Feb 8 2008.doc (Last Updated:02/08/2008 03:56:27 PM)

Westland Meats Admin Hold - initial notice-A608-1-30-08(2)-clarification.doc (Last Updated:02/04/2008 02:27:47 PM)

Westland Meat Co Admin Hold-additional info-2-1-08-A608.doc (Last Updated:02/01/2008 05:12:19 PM)

Westland Meats Admin Hold - initial notice-A608-1-30-08(2).doc (Last Updated:02/01/2008 05:11:43 PM)

31 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Alaska Dept. of Education	A608202J001 A608202J002
Arizona Dept of Education	A608104I014 A608104I017 A608104I018 A608104I019 A608104J003 A608104J004 A608104J005 A608104J006 A608104J007 A608104J008 A608104J009 A608104J010 A608104J013
California Dept. of Ed.	A608206I009 A608206I012S A608206I013T A608206I015 A608206I016 A608206I019 A608206I021 A608206I023 A608206I024 A608206I025 A608206I026 A608206I027S A608206I028T A608206I029 A608206I059S A608206I060T A608206I061 A608206I065 A608206I070 A608206I071 A608206I072 A608206I073 A608206I076 A608206I077 A608206I080 A608206I081 A608206I082 A608206J001 A608206J002 A608206J003 A608206J004 A608206J005 A608206J006 A608206J007 A608206J008 A608206J009 A608206J019 A608206J020 A608206J021 A608206J022 A608206J023 A608206J024 A608206J025 A608206J026 A608206J028 A608206J029 A608206J031 A608206J032 A608206J033 A608206J034 A608206J035 A608206J036 A608206J037 A608206J038 A608206J039 A608206J040 A608206J041 A608206J045 A608206J046 A608206J047 A608206J048 A608206J049 A608206J051 A608206J055S

Affected Organization	Affected Delivery Orders
	A608206J056T A608206J057S A608206J058T A608206J059S A608206J060T A608206J065 A608206J066 A608206J067 A608206J068 A608206J069 A608206J070
Colorado Department of Human Services	A608108I005 A608108J002 A608108J003 A608108J006
Florida Dept. of Ag and Consumer Svcs	A608112I002 A608112J004 A608112J024
Hawaii Dept. of Education	A608115I019 A608115I020S A608115I021T A608115I022U A608115I023V A608115I024S A608115I025T A608115I026U A608115I027V A608115I029S A608115I030T A608115I031U A608115I032V A608115J001 A608115J002 A608115J003 A608115J004 A608115J005 A608115J007S A608115J008T A608115J009U A608115J010V A608115J011S A608115J012T A608115J013U A608115J014V A608115J015S A608115J016T A608115J017U A608115J018V A608115J019S A608115J020T A608115J021U A608115J022V
Idaho Dept of Education	A608116I007 A608116I008 A608116I012 A608116J003 A608116J004 A608116J005 A608116J006
Illinois State Board of Ed.	A608117I029
Indiana Dept. of Education	A608118I008 A608118I009 A608118I011 A608118I020
Iowa Dept of Education	A608119I001 A608119I002 A608119I003 A608119I006 A608119I007 A608119I008 A608119I009 A608119I010 A608119I011 A608119I012 A608119I013 A608119I029 A608119I030 A608119I031 A608119I032 A608119J005 A608119J006 A608119J009 A608119J010 A608119J011 A608119J012 A608119J013 A608119J014 A608119J015
Louisiana Dept of Agriculture and Forestry	A608122I028 A608122I029 A608122I035 A608122I039 A608122I040 A608122I041 A608122I042 A608122I043 A608122I044 A608122I045 A608122J022 A608122J023S A608122J024T A608122J025
Maine Dept. of Education	A608123J003
Michigan Dept of Education	A608126I011 A608126I016 A608126I017 A608126J011 A608126J013S A608126J014T A608126J018
Minnesota Department of Education	A608127I005 A608127I007 A608127I008 A608127J003 A608127J013 A608127J014
Montana Department of Public Health and Human Services	A608230I001
Montana Office of Public Instruction	A608130I002 A608130J003 A608130J004 A608130J005 A608130J006
ND Department of Public Instruction	A608138I003 A608138J005 A608138J006 A608138J007 A608138J008
NE Health and Human Services	A608131J006S A608131J007T A608131J009S A608131J010T A608131J011 A608131J012 A608131J013S A608131J014T A608131J015S A608131J016T

Affected Organization	Affected Delivery Orders
Nevada Purchasing Division	A608132I004 A608132I005 A608132I008 A608132I010 A608132J001 A608132J002 A608132J003 A608132J006
New Mexico Human Services Dept	A608135I001 A608135I013 A608135I017 A608135I020 A608135J001 A608135J007 A608135J009 A608135J011
New York Office of General Services	A608136I043 A608136I045 A608136I046
Ohio Dept. of Education	A608139I017 A608139I018 A608139I020 A608139I021 A608139I022
Oklahoma Dept. of Human Services	A608140I004 A608140I005 A608140I006 A608140I007 A608140I008 A608140I013 A608140I014 A608140I021 A608140J004 A608140J005 A608140J006 A608140J007 A608140J008 A608140J009 A608140J010
Oregon Dept. of Education	A608141I007 A608141I009 A608141J002 A608141J004 A608141J005
South Dakota Department of ED & Cultural Affairs	A608146I006 A608146I009 A608146I010 A608146I011 A608146J003 A608146J004 A608146J005 A608146J006
Tennessee Dept of Agriculture	A608147I017 A608147I018 A608147J005
Texas Health and Human Services Commission	A608148I052 A608148I054 A608148I055 A608148I057 A608148I059 A608148I062 A608148I066 A608148I067 A608148I071 A608148I073 A608148I074 A608148I075 A608148I077 A608148I078 A608148I079 A608148I082 A608148I083 A608148I088 A608148I090 A608148I091 A608148I092 A608148I093 A608148I094 A608148I095 A608148I103 A608148I104 A608148I109 A608148I110 A608148I114 A608148I116 A608148I120 A608148I121 A608148J001 A608148J005 A608148J007 A608148J008 A608148J011 A608148J012 A608148J014 A608148J024 A608148J030 A608148J032 A608148J039 A608148J042 A608148J043 A608148J045 A608148J046 A608148J047 A608148J054 A608148J055 A608148J062 A608148J063 A608148J064 A608148J065 A608148J066 A608148J067 A608148J068 A608148J069 A608148J070 A608148J071 A608148J091 A608148J092 A608148J098 A608148J099 A608148J101 A608148J104 A608148J105 A608148J107 A608148J108
Utah State Office of Education	A608149I010S A608149I011T A608149I012U A608149J001 A608149J002 A608149J003 A608149J008S A608149J009T A608149J010U A608149J011S A608149J012T A608149J013U A608149J014S A608149J015T A608149J016U
Vermont AHS/DCF/Donated Foods	A608150J002
Washington Child Nutrition Services	A608253I009S A608253I010T A608253I011S A608253I012T A608253J005S A608253J006T A608253J007S A608253J008T A608253J009S A608253J010T
Wyoming Dept of Education	A608156J001 A608156J003 A608156J005 A608156J008 A608156J011

USDA Commodity Hold - ECOS Case 2008-005.
A product Hold has been identified for Hold - Westland Meat Co. Fine Ground Beef A609 , Case 2008-005. State Agencies receiving this product have been identified.

It's Important that you acknowledge message receipt by clicking on the link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=kk32t1sqe

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You have 30 minutes from 05:42 pm Central time to respond to this notification.

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Recall/Hold Instructions

Case: 2008-005 - Hold- Westland Meat Co. Fine Ground Beef A609

Instruction Documents

View Case Information

Westland extended HOLD notice A609 Feb 8 2008.doc (Last Updated:02/08/2008 03:57:19 PM)

Westland Meats Admin Hold - initial notice-A609-1-30-08(2)-clarification.doc (Last Updated:02/04/2008 02:28:25 PM)

Westland Meat Co Admin Hold-additional info-2-1-08-A609.doc (Last Updated:02/01/2008 05:13:36 PM)

Westland Meats Admin Hold - initial notice-A609-1-30-08(2).doc (Last Updated:02/01/2008 05:13:10 PM)

17 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Alabama Dept. of Education	A609101I021S A609101I022T A609101I023S A609101I024T A609101I025U A609101J003S A609101J004T A609101J005U A609101J006S A609101J007T A609101J008U A609101J009S A609101J010T
Arizona Department of Economic Security	A609B04I004 A609B04J001
California Dept of Social Services	A609506I007S A609506I008T A609506I009 A609506J001 A609506J002
FNS Households	A609998I120A A609998I121A A609998I131 A609998I430 A609998I431 A609998J007 A609998J110 A609998J211
Georgia Dept of Human Resources	A609213I005
Indiana Office of Lt. Governor	A609218I025S A609218I026T A609218I027U A609218I028S A609218I029T A609218I030U A609218I031S A609218I032T A609218J009S A609218J010T A609218J011U A609218J012S A609218J013T A609218J014U A609218J015S A609218J016T
Maryland Dept. of Human Resources	A609224I002
Minnesota	A609G27I011S A609G27I012T A609G27J003S

Affected Organization	Affected Delivery Orders
Department of Human Services	A609G27J004T A609G27J005
Montana Department of Public Health and Human Services	A609230J001 A609230J002
ND Department of Public Instruction	A609138J001 A609138J003 A609138J004
NE Health and Human Services	A609131J001
New York Office of General Services	A609136I005
North Carolina Dept. of Ag and Consumer Svcs	A609137I023 A609137I024 A609137I025 A609137I026 A609137I027
Ohio Department of Job & Family Services	A609339I002S A609339I003T
Texas Health and Human Services Commission	A609148I011 A609148I012 A609148I014 A609148I016 A609148I017 A609148I018 A609148J001 A609148J002 A609148J003
Utah State Office of Education	A609149I001
Wisconsin Dept of Health and Family Svcs	A609G55J001S A609G55J002T

(Note: each case had one of these files below posted for the case. The text for each file was the same for A594, A608 and A609. Only A609 is shown below.)

Westland Meats Admin Hold - initial notice-A609-1-30-08(2).doc (Last Updated:02/01/2008 05:13:10 PM)

Out of an AMS abundance of caution AMS has made a decision to conduct an administrative hold on ground beef products produced by Westland Meats for Fiscal Year 2007 and Fiscal Year 2008 (between October 1, 2006 and February 29, 2008). Product should be placed on hold; further instructions will be issued at a later date.

Please be advised, Westland has been suspended from the program until further notice.

If you have questions about this administrative hold action contact your FNS Regional Office, or Marion Hinners (703-305-2647) or Brenda Halbrook (703-305-2608).

Westland Meat Company Administrative Hold
Additional Information
February 1, 2008

Timeline for hold actions
Per *Commodity Hold and Recall Process* procedures, dated July 2001, the initial hold period for products is 10 calendar days from the announcement of the hold. At the end of the 10 day period, instructions will be issued about next steps.

Further information on identifying product placed on Administrative Hold
You can identify product received from Westland Meat Company by the following:

- Boxes will have the company name, Westland Meat Company, printed on the box
- The Establishment Number ' Est. 336' will be printed on the box
- An inspection legend (a circle on the box or box label) with name of the U.S. Department of Agriculture and possibly the Establishment Number printed within the circle.

Product from further processors who received Westland Meat Company Ground Beef also on hold
Finished product processed from Westland Meat Company beef also should be placed on hold. FNS notified further processors and provided them with affected contract numbers. Processors were to notify States that received further processed products containing beef from Westland Meat Company. Processors will provide information to States on how to identify these products so that they can be placed on hold. If further processors used a distributor to send product to schools, it is the responsibility of the distributor to notify the recipients.

Data for the ECOS Response Form
As you notify recipients and locate product for the administrative hold, please compile a count of product and enter the data into the Recall/Hold Response Form in ECOS. Product should be kept on hold at all sites, but no centralization of product is necessary at this time.

Westland Meats Admin Hold - initial notice-A609-1-30-08(2)-clarification.doc (Last Updated:02/04/2008 02:28:25 PM)

Below is a clarification about the **dates** in the initial notice. *(Changes are in italics.)* **There is no change from the initial notice in the contracts and delivery orders affected. The hold action has not been expanded.**

Out of an AMS abundance of caution AMS has made a decision to conduct an administrative hold on ground beef products produced by Westland Meats for contracts awarded FY 2007 and FY 2008 *for deliveries November 16-30, 2006 through Feb 1-15, 2008. Note, there is no change in the contracts and delivery orders affected.*

Product should be placed on hold; further instructions will be issued at a later date.

Please be advised, Westland has been suspended from the program until further notice.

If you have questions about this administrative hold action contact your FNS Regional Office, or Marion Hinners (703-305-2647) or Brenda Halbrook (703-305-2608).

Hallmark/Westland Meat Company HOLD – Update
Commodity Code A-609

The USDA has extended the Administrative HOLD on Hallmark/Westland Meat Company products for up to an additional 10 calendar days. The original hold will expire at midnight, Saturday, February 9th. The extended hold, for up to an additional 10 days, will expire at midnight, Tuesday, February 19th. States should continue to report inventory holdings on the Rapid Alert System electronic response form. FNS Regional Office personnel will help with gathering and reporting the data.

From: Hinners, Marion
Sent: Thursday, January 31, 2008 9:38 AM
To: Pichel, Stephen; Vingiello, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahlberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Marlene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN
Cc: Halbrook, Brenda
Subject: Important information re: Westland Meats Company - Administrative Hold on product

All,

We received news yesterday of serious allegations concerning the treatment of cattle at Westland Meat Company, a slaughter facility. For your information, AMS immediately suspended Westland Meat as a supplier to USDA yesterday (Jan. 30) and placed an administrative hold on all products in or destined for Federal food and nutrition programs. AMS furnished FNS contract information yesterday afternoon, which we entered into the Rapid Alert System, and messages went out last night. . Red meat processors were also notified last night. This is what we have done since finding out yesterday.

The product holds that were issued were for:

A594 coarse ground beef	32 State Agencies affected
A608 fine ground beef 40	29 State Agencies affected
A609 fine ground beef 1	17 State Agencies affected

You will probably get questions from your States. At this time all recipients, including schools, should put the product on hold and should not use it. More information and instructions will be supplied as discussions occur here and decisions are made.

Please see this link for a statement from the USDA Secretary concerning Westland Meat Co. Please don't hesitate to ask if you have further questions

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2008/01/0025.xml

January 30, 2008 FNS notifies further processors of HOLD on coarse ground product from Westland

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From: Cantfil, Peggy
Sent: Wednesday, January 30, 2008 7:55 PM
To: Cantfil, Peggy; NPA
Cc: McCullough, Cathie; Hinners, Marion; Duane.Williams@usda.gov; ECOS, Help Desk; Lisi, Brenda; Vogel, Ronald; Sullivan, Dennis; Fitzgerald, Janice; Halbrook, Brenda; mfflowers@aol.com
Subject: IMPORTANT NOTICE: USDA Commodity Hold - ECOS Case 2008-003 Coarse Grind Beef A594
Importance: High

Mary Beth Called Cathie she has approved please send to red meat processors
thanks for sending ASAP

From: Cantfil, Peggy
Sent: Wed 1/30/2008

NOTICE to COARSE GROUND MEAT PROCESSORS
Delivery Orders filled from Westland Meat Co. and subcontractor Veteran's for Kids under the following contract numbers should be placed on hold.
Finished product processed from meat from the contracts listed below should also be placed on hold.
State DA's with coarse ground orders filled with the following contracts have been noticified
and recieved the email below.
The USDA weblink to the Secretary's statement regarding this hold is also listed below.

Contract Number FY08 **Westland Meat**
120287004
120287027
120287064
120287082
120287103
Contract Number FY 07 **Westland Meat**
120277010
120277030
120277050
120277085

120277125
120277169
120277180
120277193
120277203
120277215
120277246
120277255
120277272
120277294
120277319
120277340
120277416

Veteran's for Kids Sub
Contract Number FY08
120287024
120287126
Veteran's for Kids Sub
Contract Number FY07
120277217
120277228
120277258
120277333
120277366

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2008/01/0025.xml

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From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Wed 1/30/2008 7:27 PM
To: Cantfil, Peggy
Subject: USDA Commodity Hold - ECOS Case 2008-003.
USDA Commodity Hold - ECOS Case 2008-003.
A product Hold has been identified for Hold - Westland Meat Co.

Coarse Ground Beef A594, Case 2008-003.

State Agencies receiving this product have been identified.

Please access ECOS at https://ecos.usda.gov for more information. For questions about ECOS access - call 703-305-2914

From: NPA
Sent: Wednesday, January 30, 2008 9:22 PM
To: NPA
Subject: IMPORTANT NOTICE to COARSE GROUND MEAT PROCESSORS
Importance: High

IMPORTANT NOTICE to COARSE GROUND MEAT PROCESSORS

Delivery Orders filled from Westland Meat Co. and Westland Meat Co. subcontracting for Veteran's for Kids
under the following contract numbers should be placed on hold.

Finished product processed from meat from the contracts listed below should also be placed on hold.
State DA's with coarse ground orders filled with the following contracts have been notified and received the email below.
The USDA weblink to the Secretary's statement regarding this hold is also listed below.

Contract Number FY08
Westland Meat

120287004
120287027
120287064
120287082
120287103
Contract Number FY 07
Westland Meat

120277010
120277030
120277050
120277085
120277125
120277169
120277180
120277193
120277203
120277215
120277246
120277255
120277272
120277294
120277319
120277340
120277416

Westland Meat Subcontract
for Veteran's for Kids FY08
120287024
120287126

Westland Meat Subcontract
for Veteran's for Kids Sub FY07
120277217
120277228
120277258
120277333
120277366

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2008/01/0025.xml

February 1, 2008 Additional information posted to ECOS for SDAs and ITOs

From: Halbrook, Brenda
Sent: Friday, February 01, 2008 6:12 PM
To: Hennelly, Chris; Castillo, Georgina; Pichel, Stephen; Vingiello, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahlberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Marlene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN
Cc: Lisi, Brenda; McCullough, Cathie; Brothers, David; Halbrook, Brenda; Hinners, Marion; Mickelson, Stephanie
Subject: More information on Westland Meat Hold

Hi Everyone:

Here are a few things that we promised you.

The attachment contains the additional information that we put on the Recall page in ECOS.

Below are two links:

The first link goes to the FSIS catalog of Meat, Poultry, and Egg Processor establishments. FSIS assigns an Establishment Number to each of the facilities that it has regulatory authority over and inspects. All of these facilities, their names, their other "Also Doind Business As" names, addresse(s), and Establishment Numbers are at this link. You can search by facility name, or Establishment Number. If you want to look up Westland Meats, it is listed in the "H" section for Hallmark/Westland Meat Company; or, you can look up Establishment Number 336.

http://www.fsis.usda.gov/Regulations_&_Policies/Meat_Poultry_Egg_Inspection_Directory/index.asp

The second link is posted to the USDA home page and contains both the transcript and audio versions of yesterday's media conference call. I strongly urge all of you to either read it, or listen to it. There is a wealth of information in these records.

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=2008/02/0028.xml

If you have any questions, just give me a call or drop me an e-mail.

Many thanks to all of you for help with the seemingly never-ending string of issues!

Brenda
703-305-2608

February 1, 2008 FNS holds conference call with Regional Offices

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From: Halbrook, Brenda
Sent: Thursday, January 31, 2008 7:23 PM
To: O'Reilly, Patricia; Weaver, Penny; Farquharson, Kirk; Hortin, Steve; Wheeler, Cynthia; Coronado, Rosa; DiTano, Melisa; Schock, Patti; Woodbridge, Michael; Ihm, Young; DeBoer, Don; Bates, Sharon; Sweitzer, Kathy; HOFFMAN, HARVEY; WHITMORE, DAN; KWIT, JOHN; MARCOCCIA, JERRY; Czajkowski, Andrea; Wilborne, Kirk; Stein, Marlene; Mansfield, Debbie; Pagliaro, Valerie
Cc: Lisl, Brenda; McCullough, Cathie; Halbrook, Brenda; Hinners, Marion; Mickelson, Stephanie
Subject: Special RO Food Safety Conf Call to discuss Humane Society allegations and Westland Meat Packing Co.

Hi Everyone:

Things are moving rapidly on the issues that arose as a result of the media release of footage taken by the Humane Society of the United States, alleging abuse of animals at the Westland Meat Packing Co.

I thought it might be good to get together on the phone tomorrow to talk about the developments and give you some information and answer your questions to the best of our ability so that you can assist the States.

I don't know how many of you will be available on a Friday, but we'll set the call for 2pm Eastern.

The dial-up information is 1-866-917-3268
Passcode: 5067202

There is no specific agenda.

I hope that many of you will be able to join us.

Thank you so much for your time and effort.

Brenda

Brenda Halbrook, M.S., R.D.
Director, Food Safety Staff
Office of Emergency Management and Food Safety
Food & Nutrition Service, USDA
phone: 703-305-2608
fax: 703-305-2420
brenda.halbrook@fns.usda.gov

February 8, 2008 FNS extends the HOLD up to an additional 10 calendar days. Notified SDAs and ITOs through RAS.

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-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Friday, February 08, 2008 4:50 PM
To: Halbrook, Brenda
Subject: USDA Commodity Hold - ECOS Case 2008-003.

USDA Commodity Hold - ECOS Case 2008-003.
The product Hold has been extended on Westland Meat Co. Coarse Ground
Beef
A594, Case 2008-003.

It's Important that you acknowledge message receipt by clicking on the
link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PW
F_PWP=PWP&results.ANSWER=YES&ID=kythh1166

NOTE: If the URL above isn't active, copy and paste it in your web
browser
Address bar.
You have 30 minutes from 03:50 pm Central time to respond to this
notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code
74766916.

Please access ECOS at https://ecos.usda.gov for more information.  For
questions about ECOS access - call 703-305-2914
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-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Friday, February 08, 2008 4:56 PM
To: Halbrook, Brenda
Subject: USDA Commodity Hold - ECOS Case 2008-004.

USDA Commodity Hold - ECOS Case 2008-004.
The product Hold has been extended on Westland Meat Co. Fine Ground Beef
A608 40, Case 2008-004.

It's Important that you acknowledge message receipt by clicking on the link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=kuhed1116

NOTE: If the URL above isn't active, copy and paste it in your web browser
Address bar.
You have 30 minutes from 03:55 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 74769977.

Please access ECOS at https://ecos.usda.gov for more information. For questions about ECOS access - call 703-305-2914

-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Friday, February 08, 2008 5:00 PM
To: Halbrook, Brenda
Subject: USDA Commodity Hold - ECOS Case 2008-005.

USDA Commodity Hold - ECOS Case 2008-005.
The product Hold has been extended on Westland Meat Co. Fine Ground Beef
A609 , Case 2008-005.

It's Important that you acknowledge message receipt by clicking on the link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=k3b3b1k2r

NOTE: If the URL above isn't active, copy and paste it in your web browser
Address bar.
You have 30 minutes from 04:00 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 74772237.

Please access ECOS at https://ecos.usda.gov for more information. For questions about ECOS access - call 703-305-2914

Hallmark/Westland Meat Company HOLD – Update
Commodity Code A-609

The USDA has extended the Administrative HOLD on Hallmark/Westland Meat Company products for up to an additional 10 calendar days. The original hold will expire at midnight, Saturday, February 9th. The extended hold, for up to an additional 10 days, will expire at midnight, Tuesday, February 19th. States should continue to report inventory holdings on the Rapid Alert System electronic response form. FNS Regional Office personnel will help with gathering and reporting the data.

From: McCullough, Cathie
Sent: Friday, February 08, 2008 4:48 PM
To: 'Alaska Commodity Program'; 'Annemarie Garceau '; 'Barbara Faust (UT)'; 'Becky Leschner'; Beville, Beth; 'Beverly Hassell '; 'Bill Gelsomino'; 'Brad Petersen '; 'Catherine Wilhelm'; 'Cathy Quick'; 'Charlene Johnson (Utah)'; Cook, Cheryl; 'Cheryl Schubel '; 'Colleen Fillmore'; Weekly, Elodia; 'Craig Brooks (SC)'; Carter, Darrell; 'Dean W. Flaws'; 'Dennis W. McNees'; 'Diane Bottom'; 'Dina Lorenzo'; 'Donna Henderson'; 'Donna Matsufuru '; Richards, Donna; 'Donny Cooper'; Bell, Cynthia; 'Elaine Scott '; 'Ellen Hester'; 'Emily Malone '; 'Eva Lopez-Contreras'; 'Forest Farris '; 'Frank Speed '; 'Gary Gay'; 'Gary Hilch '; 'Gary Karr Supervisor '; Dunaway, Geoffrey; 'George.Sneller'; 'Gloria Van Treese '; Shupe, Greg; Foy, Gregory; 'Henry Bender'; 'Holly Peake '; 'Ike Santos (GU)'; 'J. R. Green '; 'Jean Paxson '; WRO-FDP-Nevada State(2); 'Jenny Butcher'; 'Jim Copp '; 'Jo Dawson (AK)'; 'Joan Franklin'; 'Johnny Adams '; 'Judy Wilson'; 'Julia West '; 'Kim Jones '; Burtnett, Kory; 'Laura Sime '; 'Linda Coate'; 'Linda Glaser '; 'Linda Hubeny '; 'Linda Smith'; 'Lori Allen '; 'Luann Shipley (UT)'; 'Lynn Jackson '; 'Martha Herlihy'; 'Mary Erickson '; 'Mary Szafranski '; Scaggs, Melinda; Birkmeyer, Michael; 'Mike St. Romain '; Derr, Nancy; 'Patrica Stieren '; 'Paula Price'; 'Pauline Raia '; 'Pete Neri '; Gambutti, Phil; 'Phillip Rohrs '; 'Priscilla Ammerman'; 'Randy Sanchez'; 'Rhonda Buedefeldt'; 'Robert Murphy '; 'Robert Stowell '; 'Ron Hamilton'; 'Roxann Greenlee'; 'Roy Meller'; Bedwell, Ruth; 'Sandra Kangas'; 'Skip Skinner '; 'Steve Castanis '; Mosher, Sue; 'Teresa Ulery '; Youngcourt, Teresa; 'Terrence McNamera '; 'Terry Minton'; 'Tian Shih (CA)'; 'Tina Herzog '; Nations, Tom; 'Tom Osterhout '; 'Valerie Bowers (GA)'; 'Walter Beesley'; 'Warren Gaddis'; Bogan, Yvette; Solivan, Zulma
Cc: Hennelly, Chris; Castillo, Georgina; Pichel, Stephen; Vingiello, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahlberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Marlene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Halbrook, Brenda; Hinners, Marion; Fitzgerald, Janice; Brothers, David; Sullivan, Dennis
Subject: Hallmark/Westland Meat Co. HOLD - Update
Importance: High

The USDA has extended the Administrative HOLD on Hallmark/Westland Meat Co. products for up to an additional 10 calendar days. The original hold will expire at midnight, Saturday, February 9. The extended hold, for up to an additional 10 days, will expire at midnight, Tuesday, February 19. States should continue to report inventory holdings on the Rapid Alert System electronic response form.

Please call your Regional Office if you have questions.

From: McCullough, Cathie
Sent: Friday, February 08, 2008 4:50 PM
To: 'Alice Sullivan (Wy)'; 'Barbara Faust (UT)'; Beville, Beth; 'Bev Berends (ID)'; 'Bill Wilson (KY)'; 'Brenda Hanbury (IL)'; 'Cecilia Lyons (OR)'; 'Charlene Allert (UT)'; Cook, Cheryl; 'Connie Greer/Ty Morris (MN)'; Bell, Cynthia; Carter, Darrell; 'David Reeves (GA)'; 'Deanna Morasco (OR)'; 'Donny Cooper (AL)'; Cier, Edward; 'Elaine Scott (SD)'; Weekly, Elodia; 'Forest Farris (MT)'; 'Frances Rubio (AZ)'; 'Gail Dunphy (RI)'; 'Gary Hilch (MO)'; 'Gary W. Gay (NC)'; 'Gene Sue Weppner (ID)'; Dunaway, Geoffrey; 'Gloria Van Treese (FL)'; 'H. Peter Wilson (CA)'; 'Holly Peake (VT)'; Colon Rondon, Idalia; 'Ike Santos (GU)'; 'Jane Smith (MS)'; 'Jeanne Barcus (OH)'; WRO-FDP-Nevada State(2); 'John Dasovick (ND)'; 'Julia West (NE)'; 'Kathy Rhodes (MI)'; 'Kim Eads (WA)'; 'Kim M. Jones (IA)'; 'Larry Young (SC)'; 'Linda Coate (AK)'; 'Luann Shipley (UT)'; 'Lynn Jackson (AR)'; 'Maria Stinger (ID)'; 'Martha Herlihy (MA)'; 'Mary Ann Chartrand (MI)'; 'Michael Hane (HA)'; 'Mike St. Romain (LA)'; Bernardy, Olga; Joralemon, Patricia; 'Patti Herrick (WI)'; 'Paula J. Price (OK)'; 'Pauline Raia (NM)'; 'Phyllis Lloyd (IN)'; 'Randy Emerson '; 'Randy Mraz (ME)'; 'Rick Betsworth (KY)'; 'Robert Murphy (MO)'; 'Ron Hamilton (KS)'; 'Roy Meller (MO)'; 'Sam Varela (TX)'; Francisquini, Shiara; 'Susan A. Gajda (CT)'; 'Tamarah Shannon (CO)'; Youngcourt, Teresa; 'Terry Minton (TN)'; 'Tim Drake (ME)'; 'Tom Osterhout (NY)'; 'Yadira Diaz (PR)'
Cc: Hennelly, Chris; Castillo, Georgina; Pichel, Stephen; Vinglello, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahlberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Marlene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Halbrook, Brenda; Hinners, Marion; Fitzgerald, Janice; Brothers, David; Sullivan, Dennis
Subject: Hallmark/Westland Meat Company HOLD - Update

The USDA has extended the Administrative HOLD on Hallmark/Westland Meat Co. products for up to an additional 10 calendar days. The original hold will expire at midnight, Saturday, February 9. The extended hold, for up to an additional 10 days, will expire at midnight, Tuesday, February 19. States should continue to report inventory holdings on the Rapid Alert System electronic response form.

Please call your Regional Office if you have questions.

From: McCullough, Cathie
Sent: Friday, February 08, 2008 4:51 PM
To: WRO-FDP-ANTHC; 'Apache Tribe (OK) '; 'Assiniboine and Sioux Tribes (Ft. Peck Res.) (MT)'; ITO-BR; ITO-BM; 'Blackfeet Nation (MT) Victor Connelly '; ITO-BF; WRO-FDP-BURNS Paiute; 'Cherokee Nation (OK) '; 'Cherokee Reservation (NC) '; 'Cheyenne River (SD) '; 'Cheyenne-Arapahoe (OK) '; 'Chickasaw Nation (OK) '; 'Chippewa-Cree Tribe (Rocky Boy's Res.) (MT)'; 'Choctaw Nation (OK) '; 'Choctaw Reservation (MS)'; WRO-FDP-Coeur d'Alene; 'Colorado River Indian Tribes (AZ) '; WRO-FDP-Colville; 'Comanche Nation (OK) '; 'Confederated Salish & Kootenai Tribes of the Flathead Nation (MT)'; WRO-FDP-Warm Springs; 'Crow Creek Sioux (SD) '; 'Crow Tribe (MT)'; 'Eight Northern Pueblo (NM) '; 'Five Sandoval (NM) '; ITO-FDL; WRO-FDP-Ft. Mojave; 'Ft. Totten Agency (Spirit Lake) (ND) '; WRO-FDP-Gila River5; ITO-GP; 'Gros Ventre & Assiniboine Tribes (Ft. Belknap) (MT)'; 'Hoopa Valley (CA) '; 'Intertribal Council (OK) - Memayfield'; ITO-KB; 'Kickapoo Tribe (KS) '; 'Kiowa Tribe (OK) '; 'Klamath Reservaiton (OR) '; ITO-LCO; ITO-LDF; ITO-LL; ITO-LRB; ITO-LTBB; 'Lower Brule Sioux (SD) '; WRO-FDP-Lummi
Cc: Hennelly, Chris; Castillo, Georgina; Pichel, Stephen; Vingiello, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahlberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Marlene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Halbrook, Brenda; Hinners, Marion; Fitzgerald, Janice; Brothers, David; Sullivan, Dennis
Subject: USDA HOLD is Exended

The USDA has extended the Administrative HOLD on Hallmark/Westland Meat Co. products for up to an additional 10 calendar days. The original hold will expire at midnight, Saturday, February 9. The extended hold, for up to an additional 10 days, will expire at midnight, Tuesday, February 19. States should continue to report inventory holdings on the Rapid Alert System electronic response form.

Please call your Regional Office if you have questions.

From: McCullough, Cathie
Sent: Friday, February 08, 2008 4:51 PM
To: 'Makah Tribal Council (WA) '; 'Menominee Indian Tribe (WI) - Roberts'; 'Mille Lacs Band of Chippewa Indians (MN)'; 'Montana SA '; 'Muscogee (Creek) (OK) '; WRO-FDP-Dave Bowman; WRO-FDP-Nevada State(3); WRO-FDP-Nez Perce; 'North Carolina SA '; 'North Dakota SA '; 'Northern Arapaho (WY) '; 'Northern Cheyenne Tribe (MT)'; 'Oglala Sioux (SD) (ostfoods@yahoo.com)'; 'Omaha Tribe (NE) '; ITO-ONE; 'Oregon SA '; 'Osage Tribe (OK)'; 'Pawnee Tribe (OK) '; ITO-POK; 'Ponca Reservation (OK) '; 'Prairie Band of Potawatomi (KS) '; 'Pueblo of Acoma (NM) '; 'Pueblo of Zuni (NW) '; WRO-FDP-Quechan; WRO-FDP-Quileute; WRO-FDP-Quinault; ITO-RC; ITO-RL; WRO-FDP-RSBCH; 'Rosebud Sioux (SD) (rstcfsp@gwtc.net)'; 'Sac and Fox Tribe (OK)'; WRO-FDP-San Carlos; 'Santee Sioux (NE) '; ITO-SSM; 'Seminole Nation (OK)'; 'Seneca Nation (NY) '; WRO-FDP-Sherwood Pomo; 'Shoshone Tribe (WY) '; 'Shoshone-Bannock Tribes (ID) '; WRO-FDP-Shoshone Paiute; 'Siletz Confederated Indian Tribes (OR)'; 'Sisseton-Wahpeton (SD)'; 'Sisseton-Wahpeton (SD) '; WRO-FDP-STOWW; 'So. California Tribal Assoc. (CA) '; ITO-SOK; WRO-FDP-SPIPA; 'Southern Ute (CO) '; WRO-FDP-Spokane; ITO-SC; 'St. Regis Mohawk (NY) '; 'Standing Rock Sioux (ND) '; ITO-SBM; 'Three Affiliated Tribes (Ft. Berthold) (ND)'; WRO-FDP-TON2; 'Trenton Indian Service Are (ND) '; WRO-FDP-Tule River; 'Turtle Mountain (ND)'; 'United Tribes of Kansas and SE Nebraska (KS) '; 'Ute Mountain Tribe (CO) '; 'Ute Tribe (UT) '; WRO-FDP-Warm Springs; 'White Earth Humanities Center (MN) '; WRO-FDP-White Mtn Apache; 'Wichita Reservation (OK) '; 'Winnebago Tribe (NE) (wincommd@huntel.net)'; WRO-FDP-Siletz 2; 'Yakama Nation (WA) '; 'Yankton Sioux (SD) '; WRO-FDP-Yerington Paiute; WRO-FDP-Yurok
Cc: Hennelly, Chris; Castillo, Georgina; Pichel, Stephen; Vingiello, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahlberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Marlene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Halbrook, Brenda; Hinners, Marion; Fitzgerald, Janice; Brothers, David; Sullivan, Dennis
Subject: USDA HOLD is Extended

The USDA has extended the Administrative HOLD on Hallmark/Westland Meat Co. products for up to an additional 10 calendar days. The original hold will expire at midnight, Saturday, February 9. The extended hold, for up to an additional 10 days, will expire at midnight, Tuesday, February 19. States should continue to report inventory holdings on the Rapid Alert System electronic response form.

Please call your Regional Office if you have questions.

From: McCullough, Cathie
Sent: Friday, February 08, 2008 5:06 PM
To: Hennelly, Chris; Castillo, Georgina; Pichel, Stephen; Vinglello, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahlberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Mariene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Halbrook, Brenda; Hinners, Marion; Fitzgerald, Janice; Brothers, David; Sullivan, Dennis
Subject: About that HOLD notice

Hi all – My apologies – I can see this list of Regional Contacts is out of date. I needed to get this msg. out ASAP. Would you please forward the msg. to anyone I may have missed who is interested and we'll have to clean the list up later.

Also, we talked about HQ sending the general notice out to State DA's for NSLP, and RO's forwarding the notice for TEFAP and FDPIR. Then I found distribution lists for those programs, so I went ahead and sent a msg. to each. My guess is those lists need updating too, so again, if you see someone who needs to be copied, please fwd.

As Janice Fitzgerald just told me, I took this action without the advice of counsel, so feel free to chastise away! Of course, at this point, you'll have to get in line and take a number! Thanks again for all of your help and have a good weekend.

Cathie

February 8, 2008 FNS holds conference call with Regional Offices

From: Halbrook, Brenda
Sent: Friday, February 08, 2008 6:47 PM
To: Buford, Shirley; Coronado, Rosa; KWIT, JOHN; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Pichel, Stephen; Vinglielo, Adrienne; Crane, Alan; Czajkowski, Andrea; Rodriguez, Armando; Martin, Barbara; Bates, Sharon; MCGILL, CARLA; Wheeler, Cynthia; DeBoer, Don; DiTano, Melisa; Wahiberg, Ellen; Figueroa, Rosemary; O'Brian, Gina; HOFFMAN, HARVEY; MARCOCCIA, JERRY; Farquharson, Kirk; Wilborne, Kirk; Kirk, Lanna; Walter, Laura; Lee, Kathryn; Lapeze, Louise; Mansfield, Debbie; Woodbridge, Michael; Pagliaro, Valerie; O'Reilly, Patricia; Schock, Patti; Stein, Marlene; Hortin, Steve; 'Steve Stathopolous at home'; Ihm, Young; 'Alison Pack'; Hinners, Marion; Jackson, Francine; Lisi, Brenda; 'Margaret Venuto'; Mickelson, Stephanie; Nordlund, Carmen; Wagoner, William; Brothers, David; Cantfil, Peggy; McCullough, Cathie; Delorenzo, Robert; Fabina, Janice; Leggett, David; Flowers, Mary Beth; Gaston, Nancy; Roberts, Shirley; Gordon, Sheldon; Allen, Special; Thackeray, Sherry
Cc: Halbrook, Brenda; Vogel, Ronald; Whitney, Mary Jane; Steiner, Eric; O'Connor, Tim; Viens, Madeline
Subject: Link to all USDA information on Hallmark/Westland issue

Here is a link to a site on the USDA webpage that collects all of the postings on press releases, transcripts, and audio records of conference calls held to date on the Hallmark/Westland Meat Company issues.

You may want to send it along to your State Agency cooperators and other interested parties.

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB?contentidonly=true&contentid=usda_actions.xml

Brenda

February 17, 2008 Issued recall for Stage I (the amount of product on HOLD since January 30, 2008) -provided guidance for SDAs and ITOs on how to recall the product and destroy it

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-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Sunday, February 17, 2008 8:44 PM
To: Hinners, Marion
Subject: USDA Commodity Recall - ECOS Case 2008-003.

USDA Commodity Recall - ECOS Case 2008-003.
All Hallmark/Westland coarse ground beef A594 has been recalled.

It's Important that you acknowledge message receipt by clicking on the
link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PW
F_PWP=PWP&results.ANSWER=YES&ID=3bbb5kny3

NOTE: If the URL above isn't active, copy and paste it in your web
browser
Address bar.
You have 30 minutes from 07:44 pm Central time to respond to this
notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code
75045732.

Please access ECOS at https://ecos.usda.gov for more information.  For
questions about ECOS access - call 703-305-2914
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Case: 2008-003 - Recall Westland Meat Co. Coarse Ground Beef A594

Last Updated: 03/11/2008 08:43:17 AM

Instruction Documents

View Case Information

How to identify further processed products in recall 1.doc (Last Updated:03/10/2008 12:40:37 PM)

Westland Updated instructions Feb 21 08 1.doc (Last Updated:02/21/2008 07:57:18 PM)

Westland Destruction-Reimburse Form FINAL 1.doc (Last Updated:02/21/2008 07:13:28 PM)

Westland processed products destruction verification FORM 1.doc (Last Updated:02/21/2008 07:12:16 PM)

Westland A594 Destruct Reimb Inst Feb 17 2008.doc (Last Updated:02/17/2008 07:24:28 PM)

Westland A594 Destruction-Reimburse Form FINAL.doc (Last Updated:02/17/2008 07:24:08 PM)

Westland extended HOLD notice A594 Feb 8 2008.doc (Last Updated:02/08/2008 03:51:55 PM)

Westland Meats Admin Hold - initial notice-A594-1-30-08(2)-clarification.doc (Last Updated:02/04/2008 02:26:44 PM)

Westland Meat Co Admin Hold-additional info-2-1-08-A594.doc (Last Updated:02/01/2008 05:10:36 PM)

Westland Meats Admin Hold - initial notice-A594-1-30-08(2).doc (Last Updated:02/01/2008 05:09:56 PM)

32 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Arizona Dept of Education	A594104J018 A594104J019 A594104J028 A594104J029 A594104J030 A594104J031 A594104J032 A594104J033 A594104J034 A594104J035 A594104J037
California Dept. of Ed.	A594206I149 A594206I150 A594206I151 A594206I152 A594206I153 A594206I154 A594206I155 A594206I184 A594206I185 A594206I196 A594206I197 A594206I198

Affected Organization	Affected Delivery Orders
	A594206I199 A594206I200 A594206I207 A594206I208 A594206I209 A594206I210 A594206I211 A594206I212 A594206I213 A594206I214 A594206I215 A594206I216 A594206I217 A594206I218 A594206I219 A594206I220 A594206I221 A594206I222 A594206I223 A594206I224 A594206I225 A594206I226 A594206I227 A594206I228 A594206I229 A594206I230 A594206I231 A594206I232 A594206I233 A594206I234 A594206I235 A594206I236 A594206I238 A594206I240 A594206I243 A594206I244 A594206I245 A594206I248 A594206I249 A594206I250 A594206I251 A594206I252 A594206I253 A594206I257 A594206I258 A594206I259 A594206I260 A594206I261 A594206I262 A594206I272 A594206I273 A594206I288 A594206I289 A594206I294 A594206I295 A594206I300 A594206I302 A594206I303 A594206I304 A594206I305 A594206I310 A594206I323 A594206I324 A594206I334 A594206I339 A594206I340 A594206I341 A594206I342 A594206I343 A594206I344 A594206I360 A594206I361 A594206I362 A594206I363 A594206I364 A594206I365 A594206I366 A594206I367 A594206I368 A594206I372 A594206I373 A594206I374 A594206I375 A594206I378 A594206I379 A594206I380 A594206I382 A594206I387 A594206J002 A594206J009 A594206J010 A594206J016 A594206J017 A594206J018 A594206J019 A594206J020 A594206J021 A594206J022 A594206J025 A594206J026 A594206J027 A594206J028 A594206J029 A594206J030 A594206J031 A594206J032 A594206J033 A594206J034 A594206J037 A594206J038 A594206J039 A594206J040 A594206J041 A594206J042 A594206J074 A594206J075 A594206J076 A594206J077 A594206J078 A594206J079 A594206J084 A594206J085 A594206J089 A594206J090 A594206J100 A594206J101 A594206J102 A594206J103 A594206J104 A594206J114 A594206J115 A594206J123 A594206J125 A594206J126 A594206J129 A594206J130 A594206J131 A594206J182 A594206J183 A594206J202 A594206J205 A594206J207 A594206J209 A594206J210 A594206J211 A594206J212 A594206J213 A594206J214 A594206J215 A594206J216 A594206J218 A594206J219 A594206J220 A594206J221 A594206J222 A594206J223 A594206J224 A594206J225 A594206J229 A594206J230 A594206J231 A594206J232 A594206J233 A594206J234 A594206J235 A594206J236 A594206J250 A594206J251 A594206J252 A594206J253 A594206J278 A594206J281 A594206J282 A594206J296
Colorado Department of Human Services	A594108J001 A594108J002 A594108J005 A594108J011 A594108J024
DC - State Education Office	A594111I002
Florida Dept. of Ag and Consumer Svcs	A594112I013 A594112I014 A594112I059 A594112I077 A594112I078 A594112J011 A594112J012 A594112J033 A594112J034 A594112J035 A594112J036 A594112J037 A594112J038 A594112J039 A594112J082
Georgia Department of	A594113I059 A594113I061 A594113I062 A594113I067 A594113I068 A594113I069 A594113J004 A594113J005

Affected Organization	Affected Delivery Orders
Education	A594113J066
Idaho Dept of Education	A594116I008 A594116J001 A594116J005
Illinois State Board of Ed.	A594117I021R A594117J001 A594117J003 A594117J011 A594117J015
Iowa Dept of Education	A594119J013
Kentucky Dept of Agriculture	A594121I005 A594121J003 A594121J004 A594121J005 A594121J007
Louisiana Dept of Agriculture and Forestry	A594122I016 A594122J001 A594122J002 A594122J003 A594122J004 A594122J015 A594122J018
Maryland Dept. of Education	A594124I007 A594124I009 A594124I040 A594124J019 A594124J020
Michigan Dept of Education	A594126I035 A594126I036 A594126I037 A594126I078 A594126I079 A594126I080 A594126I082 A594126I084 A594126J001 A594126J008 A594126J032 A594126J033 A594126J034 A594126J035 A594126J037 A594126J038 A594126J041
Minnesota Department of Education	A594127J010 A594127J011 A594127J018
Missouri Department of Elementary and Secondary Education	A594129J001 A594129J002 A594129J003 A594129J017 A594129J018 A594129J028 A594129J029 A594129J036 A594129J037
ND Department of Public Instruction	A594138I004 A594138J001
NE Health and Human Services	A594131J001 A594131J004 A594131J005 A594131J006
Nevada Purchasing Division	A594132I007 A594132I009 A594132I011 A594132I013 A594132I014 A594132I015 A594132J001 A594132J002 A594132J004 A594132J006 A594132J015 A594132J017 A594132J021
New Jersey Dept of Agriculture	A594134I005R A594134I006R A594134I018
New Mexico Human Services Dept	A594135J001 A594135J003 A594135J004 A594135J011
New York Office of General Services	A594136I068 A594136I112 A594136I113 A594136I115 A594136I116 A594136I117 A594136I138 A594136I139 A594136I140 A594136I151 A594136J001 A594136J002 A594136J010 A594136J011 A594136J012 A594136J037 A594136J038 A594136J042 A594136J096 A594136J117 A594136J118 A594136J119
North Carolina Dept. of Ag and Consumer Svcs	A594137J022 A594137J023
Ohio Dept. of Education	A594139I072 A594139I073 A594139I087 A594139I089 A594139I090 A594139I091 A594139J002 A594139J006 A594139J063

Affected Organization	Affected Delivery Orders
Oklahoma Dept. of Human Services	A594140I026 A594140I031 A594140J006 A594140J007 A594140J008 A594140J009 A594140J010 A594140J011 A594140J015 A594140J016
Oregon Dept. of Education	A594141J002 A594141J003 A594141J011
Pennsylvania Dept. of Agriculture	A594142I007 A594142I066 A594142I067 A594142J009 A594142J025 A594142J032 A594142J033 A594142J057
Tennessee Dept of Agriculture	A594147J016 A594147J017 A594147J021 A594147J022 A594147J023 A594147J028
Texas Health and Human Services Commission	A594148I088 A594148I089 A594148I090 A594148I092 A594148I093 A594148I094 A594148I129 A594148I130 A594148I131 A594148I168 A594148I169 A594148I220 A594148I221 A594148I222 A594148I223 A594148I224 A594148I247 A594148I248 A594148I253 A594148I255 A594148I256 A594148J001 A594148J002 A594148J009 A594148J010 A594148J011 A594148J012 A594148J013 A594148J014 A594148J015 A594148J016 A594148J017 A594148J018 A594148J019 A594148J020 A594148J021 A594148J022 A594148J023 A594148J028 A594148J029 A594148J030 A594148J031 A594148J032 A594148J051 A594148J052 A594148J053 A594148J054 A594148J055 A594148J056 A594148J057 A594148J058 A594148J059 A594148J063 A594148J064 A594148J065 A594148J073 A594148J074 A594148J075 A594148J099 A594148J100 A594148J112 A594148J113 A594148J114 A594148J115 A594148J116 A594148J117 A594148J118 A594148J119 A594148J120 A594148J122 A594148J123 A594148J127 A594148J128 A594148J131 A594148J132 A594148J133 A594148J134 A594148J140 A594148J143 A594148J144 A594148J152 A594148J153 A594148J154 A594148J160 A594148J161 A594148J165 A594148J166 A594148J189 A594148J193 A594148J194
Utah State Office of Education	A594149J013 A594149J014 A594149J018
Virginia Dept. of Agriculture	A594151I016
Washington Child Nutrition Services	A594253I067 A594253I068 A594253I069 A594253I070 A594253I071 A594253I085 A594253I086 A594253J002 A594253J003 A594253J018 A594253J019 A594253J020 A594253J021 A594253J025 A594253J026 A594253J027 A594253J067
Wisconsin Dept of Public Instruction	A594155J013 A594155J014 A594155J029 A594155J030 A594155J056

USDA Commodity Recall - ECOS Case 2008-004.
All Hallmark/Westland fine ground beef A608 has been recalled.

It's Important that you acknowledge message receipt by clicking on the link
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http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=3a5j5knd3

NOTE: If the URL above isn't active, copy and paste it in your web browser Address bar.
You have 30 minutes from 07:39 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 75042986.

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Recall/Hold Instructions

Case: 2008-004 - Recall - Westland Meat Co. Fine Ground Beef A608 40

Last Updated: 03/11/2008 08:44:50 AM

Instruction Documents

View Case Information

Westland Updated instructions Feb 21 08 2.doc (Last Updated:02/21/2008 07:57:50 PM)

Westland Destruction-Reimburse Form FINAL 2.doc (Last Updated:02/21/2008 07:14:40 PM)

Westland processed products destruction verification FORM 2.doc (Last Updated:02/21/2008 07:14:29 PM)

Westland A608 Destruct Reimb Inst Feb 17 2008.doc (Last Updated:02/17/2008 07:25:54 PM)

Westland A608 Destruction-Reimburse Form FINAL.doc (Last Updated:02/17/2008 07:25:34 PM)

Westland extended HOLD notice A608 Feb 8 2008.doc (Last Updated:02/08/2008 03:56:27 PM)

Westland Meats Admin Hold - initial notice-A608-1-30-08(2)-clarification.doc (Last Updated:02/04/2008 02:27:47 PM)

Westland Meat Co Admin Hold-additional info-2-1-08-A608.doc (Last Updated:02/01/2008 05:12:19 PM)

Westland Meats Admin Hold - initial notice-A608-1-30-08(2).doc (Last Updated:02/01/2008 05:11:43 PM)

31 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Alaska Dept. of Education	A608202J001 A608202J002
Arizona Dept of Education	A608104I014 A608104I017 A608104I018 A608104I019 A608104J003 A608104J004 A608104J005 A608104J006 A608104J007 A608104J008 A608104J009 A608104J010 A608104J013
California Dept. of Ed.	A608206I009 A608206I012S A608206I013T A608206I015 A608206I016 A608206I019 A608206I021

Affected Organization	Affected Delivery Orders
	A608206I023 A608206I024 A608206I025 A608206I026 A608206I027S A608206I028T A608206I029 A608206I059S A608206I060T A608206I061 A608206I065 A608206I070 A608206I071 A608206I072 A608206I073 A608206I076 A608206I077 A608206I080 A608206I081 A608206I082 A608206J001 A608206J002 A608206J003 A608206J004 A608206J005 A608206J006 A608206J007 A608206J008 A608206J009 A608206J019 A608206J020 A608206J021 A608206J022 A608206J023 A608206J024 A608206J025 A608206J026 A608206J028 A608206J029 A608206J031 A608206J032 A608206J033 A608206J034 A608206J035 A608206J036 A608206J037 A608206J038 A608206J039 A608206J040 A608206J041 A608206J045 A608206J046 A608206J047 A608206J048 A608206J049 A608206J051 A608206J055S A608206J056T A608206J057S A608206J058T A608206J059S A608206J060T A608206J065 A608206J066 A608206J067 A608206J068 A608206J069 A608206J070
Colorado Department of Human Services	A608108I005 A608108J002 A608108J003 A608108J006
Florida Dept. of Ag and Consumer Svcs	A608112I002 A608112J004 A608112J024
Hawaii Dept. of Education	A608115I019 A608115I020S A608115I021T A608115I022U A608115I023V A608115I024S A608115I025T A608115I026U A608115I027V A608115I029S A608115I030T A608115I031U A608115I032V A608115J001 A608115J002 A608115J003 A608115J004 A608115J005 A608115J007S A608115J008T A608115J009U A608115J010V A608115J011S A608115J012T A608115J013U A608115J014V A608115J015S A608115J016T A608115J017U A608115J018V A608115J019S A608115J020T A608115J021U A608115J022V
Idaho Dept of Education	A608116I007 A608116I008 A608116I012 A608116J003 A608116J004 A608116J005 A608116J006
Illinois State Board of Ed.	A608117I029
Indiana Dept. of Education	A608118I008 A608118I009 A608118I011 A608118I020
Iowa Dept of Education	A608119I001 A608119I002 A608119I003 A608119I006 A608119I007 A608119I008 A608119I009 A608119I010 A608119I011 A608119I012 A608119I013 A608119I029 A608119I030 A608119I031 A608119I032 A608119J005 A608119J006 A608119J009 A608119J010 A608119J011 A608119J012 A608119J013 A608119J014 A608119J015
Louisiana Dept of Agriculture and Forestry	A608122I028 A608122I029 A608122I035 A608122I039 A608122I040 A608122I041 A608122I042 A608122I043 A608122I044 A608122I045 A608122J022 A608122J023S A608122J024T A608122J025
Maine Dept. of Education	A608123J003
Michigan Dept of	A608126I011 A608126I016 A608126I017 A608126J011

Affected Organization	Affected Delivery Orders
Education	A608126J013S A608126J014T A608126J018
Minnesota Department of Education	A608127I005 A608127I007 A608127I008 A608127J003 A608127J013 A608127J014
Montana Department of Public Health and Human Services	A608230I001
Montana Office of Public Instruction	A608130I002 A608130J003 A608130J004 A608130J005 A608130J006
ND Department of Public Instruction	A608138I003 A608138J005 A608138J006 A608138J007 A608138J008
NE Health and Human Services	A608131J006S A608131J007T A608131J009S A608131J010T A608131J011 A608131J012 A608131J013S A608131J014T A608131J015S A608131J016T
Nevada Purchasing Division	A608132I004 A608132I005 A608132I008 A608132I010 A608132J001 A608132J002 A608132J003 A608132J006
New Mexico Human Services Dept	A608135I001 A608135I013 A608135I017 A608135I020 A608135J001 A608135J007 A608135J009 A608135J011
New York Office of General Services	A608136I043 A608136I045 A608136I046
Ohio Dept. of Education	A608139I017 A608139I018 A608139I020 A608139I021 A608139I022
Oklahoma Dept. of Human Services	A608140I004 A608140I005 A608140I006 A608140I007 A608140I008 A608140I013 A608140I014 A608140I021 A608140J004 A608140J005 A608140J006 A608140J007 A608140J008 A608140J009 A608140J010
Oregon Dept. of Education	A608141I007 A608141I009 A608141J002 A608141J004 A608141J005
South Dakota Department of ED & Cultural Affairs	A608146I006 A608146I009 A608146I010 A608146I011 A608146J003 A608146J004 A608146J005 A608146J006
Tennessee Dept of Agriculture	A608147I017 A608147I018 A608147J005
Texas Health and Human Services Commission	A608148I052 A608148I054 A608148I055 A608148I057 A608148I059 A608148I062 A608148I066 A608148I067 A608148I071 A608148I073 A608148I074 A608148I075 A608148I077 A608148I078 A608148I079 A608148I082 A608148I083 A608148I088 A608148I090 A608148I091 A608148I092 A608148I093 A608148I094 A608148I095 A608148I103 A608148I104 A608148I109 A608148I110 A608148I114 A608148I116 A608148I120 A608148I121 A608148J001 A608148J005 A608148J007 A608148J008 A608148J011 A608148J012 A608148J014 A608148J024 A608148J030 A608148J032 A608148J039 A608148J042 A608148J043 A608148J045 A608148J046 A608148J047 A608148J054 A608148J055 A608148J062 A608148J063 A608148J064 A608148J065 A608148J066 A608148J067 A608148J068 A608148J069 A608148J070 A608148J071 A608148J091 A608148J092 A608148J098 A608148J099 A608148J101 A608148J104 A608148J105 A608148J107 A608148J108
Utah State Office of	A608149I010S A608149I011T A608149I012U

Affected Organization	Affected Delivery Orders
Education	A608149J001 A608149J002 A608149J003 A608149J008S A608149J009T A608149J010U A608149J011S A608149J012T A608149J013U A608149J014S A608149J015T A608149J016U
Vermont AHS/DCF/Donated Foods	A608150J002
Washington Child Nutrition Services	A608253I009S A608253I010T A608253I011S A608253I012T A608253J005S A608253J006T A608253J007S A608253J008T A608253J009S A608253J010T
Wyoming Dept of Education	A608156J001 A608156J003 A608156J005 A608156J008 A608156J011

-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Sunday, February 17, 2008 8:34 PM
To: Hinners, Marion
Subject: USDA Commodity Hold - ECOS Case 2008-005.

USDA Commodity Hold - ECOS Case 2008-005.
All Hallmark/Westland fine ground beef A609 has been recalled.

It's Important that you acknowledge message receipt by clicking on the link
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http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=3s3hhknd3

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Address bar.
You have 30 minutes from 07:33 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 75041814.

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Recall/Hold Instructions

Case: 2008-005 - Recall - Westland Meat Co. Fine Ground Beef A609

Last Updated: 03/11/2008 08:48:23 AM

Instruction Documents

View Case Information

Westland Updated instructions Feb 21 08 3.doc (Last Updated:02/21/2008 07:58:19 PM)

Westland Destruction-Reimburse Form FINAL 3.doc (Last Updated:02/21/2008 07:15:47 PM)

Westland processed products destruction verification FORM 3.doc (Last Updated:02/21/2008 07:15:38 PM)

Westland A609 Destruct Reimb Inst Feb 17 2008.doc (Last Updated:02/17/2008 07:27:07 PM)

Westland A609 Destruction-Reimburse Form FINAL.doc (Last Updated:02/17/2008 07:26:52 PM)

Westland extended HOLD notice A609 Feb 8 2008.doc (Last Updated:02/08/2008 03:57:19 PM)

Westland Meats Admin Hold - initial notice-A609-1-30-08(2)-clarification.doc (Last Updated:02/04/2008 02:28:25 PM)

Westland Meat Co Admin Hold-additional info-2-1-08-A609.doc (Last Updated:02/01/2008 05:13:36 PM)

Westland Meats Admin Hold - initial notice-A609-1-30-08(2).doc (Last Updated:02/01/2008 05:13:10 PM)

17 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Alabama Dept. of Education	A609101I021S A609101I022T A609101I023S A609101I024T A609101I025U A609101J003S A609101J004T A609101J005U A609101J006S A609101J007T A609101J008U A609101J009S A609101J010T
Arizona Department of Economic Security	A609B04I004 A609B04J001
California Dept of	A609506I007S A609506I008T A609506I009 A609506J001

Affected Organization	Affected Delivery Orders
Social Services	A609506J002
FNS Households	A609998I120A A609998I121A A609998I131 A609998I430 A609998I431 A609998J007 A609998J110 A609998J211
Georgia Dept of Human Resources	A609213I005
Indiana Office of Lt. Governor	A609218I025S A609218I026T A609218I027U A609218I028S A609218I029T A609218I030U A609218I031S A609218I032T A609218J009S A609218J010T A609218J011U A609218J012S A609218J013T A609218J014U A609218J015S A609218J016T
Maryland Dept. of Human Resources	A609224I002
Minnesota Department of Human Services	A609G27I011S A609G27I012T A609G27J003S A609G27J004T A609G27J005
Montana Department of Public Health and Human Services	A609230J001 A609230J002
ND Department of Public Instruction	A609138J001 A609138J003 A609138J004
NE Health and Human Services	A609131J001
New York Office of General Services	A609136I005
North Carolina Dept. of Ag and Consumer Svcs	A609137I023 A609137I024 A609137I025 A609137I026 A609137I027
Ohio Department of Job & Family Services	A609339I002S A609339I003T
Texas Health and Human Services Commission	A609148I011 A609148I012 A609148I014 A609148I016 A609148I017 A609148I018 A609148J001 A609148J002 A609148J003
Utah State Office of Education	A609149I001
Wisconsin Dept of Health and Family Svcs	A609G55J001S A609G55J002T

Hallmark/Westland Meat Company
Recall/Destruction/Reimbursement Information

The "HOLD" placed January 30, 2008 on Hallmark/Westland beef has now gone to "RECALL."

A Class II recall has been announced by the Food Safety and Inspection Service (FSIS) on all Hallmark/Westland Meat Company products dating back to February 1, 2006. A Class II recall is a health hazard situation where there is a remote probability of adverse health consequences from the use of the product.

This recall will be in two stages: Stage I is for product currently on hold; Stage II will be for product received between February 1, 2006 and October 1, 2006.

- This announcement is for Stage I product.
- A separate announcement will be issued on Tuesday, February 19, 2008 for Stage II product.

What products are affected?

- Fine grind ground beef purchased by USDA from Hallmark/Westland.
- Further processed products produced from Hallmark/Westland meat provided by USDA.
- Fine grind product may be identified by the Establishment Number (Est. 336)
- Further processed products will **not** contain either the Hallmark/Westland name or its establishment number. You will need to contact your further processor for this information.

All Hallmark/Westland product, including further processed products containing any amount of Hallmark/Westland meat must be destroyed and cannot be used or reconditioned for human consumption.
Further processed product disposal should be arranged between the SDAs and the further processor.

How to dispose of 50 cases or less of recalled products:
You are authorized immediately to destroy on-site 50 or fewer cases of USDA-purchased Hallmark/Westland fine grind ground beef. These products must be rendered unfit for human consumption according to destruction guidance from your State or local health authority.

- Destruction must be witnessed by a person of authority, (such as a food service director) and one other person.
- Each witness must sign the destruction verification form.
- The type of product, quantity, and destruction method must be noted on the form.
- **Forms are found on the ECOS "recall/hold instructions page."**

How to dispose of more than 50 cases:
More than 50 cases (but less than a truckload) of product must be taken to a landfill, incinerated, or sent for inedible rendering.

- Destruction of these larger quantities must be witnessed by a representative of the local health department and an official from the landfill, incineration plant, or rendering plant.
- The destruction verification form must be signed by these two witnesses.
- The type of product, quantity, and destruction method must be noted on the form.
- **Forms are found on the ECOS "recall/hold instructions page."**

How to dispose of truckload quantities:
Very large quantities (truckload) held at cold storage facilities, warehouses, or further processors will require special arrangements with landfills or other disposal sites, incinerators, or rendering facilities. In the case of these very large quantities, SDAs will need to coordinate with State or Federal officials (FSIS or AMS) to receive certification that the product was destroyed and cannot be consumed. **Forms are found on the ECOS "recall/hold instructions page."**

What if I cannot easily submit further processed product into the ECOS system?
You may submit spread sheets, tables, charts, or equivalent information on further processed product to your respective FNS Regional Office. Your data will be accounted for through a separate system.

What other information should I submit?
Please submit to your respective Regional Office any spread sheets, tables, charts, or equivalent information on the exact location of recalled product in schools: school name, street address, and type and quantity of product on hand. This information will assist the FSIS with its recall effectiveness checks.

Replacement Questions:
USDA will pursue every avenue available to provide replacement raw commodity. You will receive further information on this question from your FNS Regional Office.

Reimbursement Issues:

Payment to further processors:
SDAs should pay further processors for:

- Any further processed product that has been delivered into the State
- Any further processed product that is waiting to be delivered to the State
- Any storage costs (for up to one month) of raw product that has been at the further processor awaiting processing.

Reimbursable Expenses
The following are reimbursable expenses:

- Transportation

- Storage
- Destruction
- Processing

All reimbursable expensed MUST have accompanying receipts.

Non-reimbursable Expenses
The following are examples of, but not limited to, non-reimbursable expenses

- Storage at school level
- Overtime compensation for employees
- Long-distance phone calls and other associated administrative expenses
- Reimbursement for commercially-purchased food used in place of the recalled product

Westland A594 Destruction-Reimburse Form FINAL.doc (Last Updated:02/17/2008 07:24:08 PM)

Hallmark/Westland A594
Destruction Verification and Reimbursement Form

Name of State Agency _____
Tax identification number_____
(Only one payment per State)

Commodity	# of Cases Destroyed	Contract #	Destruction Method

(Attach a separate page, or spread sheet, for information that exceed the capacity of this form)

Witnesses	Print Name	Signature	Date Destruction Observed:
Witness 1			
Witness 2			

Brief Description of Costs to be Reimbursed:	Total Cost

Payee Information:

Name and Title

_____

Address

_____

—

Phone Number:

To document costs associated with this recall send this form and attach all original bills/receipts for costs incurred to your FNS Regional Office.

Hallmark/Westland Meat Company
Recall/Destruction/Reimbursement Information

I. Recall Scope

All beef products from the Hallmark/Westland Meat Company produced between February 1, 2006 and February 2008 have been recalled.

A Class II recall has been announced by the Food Safety and Inspection Service (FSIS) on all Hallmark/Westland Meat Company products dating back to February 1, 2006. A Class II recall is a health hazard situation where there is a remote probability of adverse health consequences from the use of the product.

The recall is in two stages:

- **Stage I covers for product on hold since January 30, 2008.**
- **Stage II covers product produced between February 1, 2006 and September 30, 2006.**
- Stage II expanded the recalled products so you should contact your processors to determine if you have received additional recalled product from them.

What products are affected?

- Fine grind ground beef purchased by USDA from Hallmark/Westland.
- Fine grind product may be identified by the Establishment Number (Est. 336)
- Further processed products produced from Hallmark/Westland meat provided by USDA.
- Further processed products will **not** contain either the Hallmark/Westland name or its establishment number. You will need to contact your further processor for this information.

II. Reporting Inventory on Hand and Served:

DUE DATES:
All recalled commodity products should have inventory data submitted at the **same time** for both Stage I and Stage II.

Complete, or as complete as possible, data on product received, served and on-hold should be submitted in ECOS by **February 28, 2008**.

We do not need all of the associated paperwork by that date.

DATA:
What if I cannot easily submit further processed product into the ECOS system?

You may submit spread sheets, tables, charts, or equivalent information on further processed products held in your State to your respective FNS Regional Office. Your data will be accounted for through a separate system.

Destruction verification data can be submitted later, along with reimbursement vouchers and all associated receipts. Send destruction verification and voucher forms to your FNS Regional Office.

III. FSIS Recall Effectiveness Check Location Reports:
Please submit to your respective Regional Office any spread sheets, tables, charts, or equivalent information that you used to locate recalled product in school districts/schools/food banks/etc. in your State. Information should be listed by name, street address, and type and quantity of product in inventory. We will take location information available at any level. This information will assist the FSIS with its required recall effectiveness checks. As distributors of food, we all are bound by federal regulations to provide this information to FSIS.

IV. Destruction and Disposal Instructions:

All Hallmark/Westland product, including further processed products containing any amount of Hallmark/Westland meat must be destroyed and cannot be used or reconditioned for human consumption.

How to dispose of 50 cases or less:
You may immediately destroy on-site 50 or fewer cases of USDA-purchased Hallmark/Westland fine grind ground beef or finished end products delivered from a further processor/distributor. This product must be rendered unfit for human consumption according to destruction guidance from your State or local health authority.

- Destruction must be witnessed by 2 people: a person of authority (such as a food service director) and one other person.
- Both witnesses must sign a destruction verification document.
- The type of product, quantity, and destruction method must be noted.
- Cases may be consolidated for destruction if preferable.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

How to dispose of more than 50 cases:
More than 50 cases (but less than a truckload i.e. 1000 cases) of product must be taken to a landfill, incinerated, or sent for inedible rendering.

- Destruction of these larger quantities must be witnessed by 2 people: a representative of the landfill, incineration plant, or rendering plant: AND a government official i.e. a State/local health inspector, a food service director, or someone of authority from the SDA's office or their designee.
- Both witnesses must sign a destruction verification document.
- The type of product, quantity, and destruction method must be noted.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

How to dispose of truckload quantities:
Very large quantities (1000 cases+) held at cold storage facilities or warehouses will require special arrangements with landfills or other disposal sites, incinerators, or rendering facilities.

- The destruction verification document must be signed by two witnesses: a representative of the landfill, incineration plant, or rendering plant: AND a government official, i.e. a State/local health inspector, food service director, or someone of authority from the SDA's office or their designee.
- If none of these officials is available the SDAs may coordinate with Federal officials (FSIS or AMS) to witness the destruction. They are a backup resource. Call Ken Harnett of AMS Grading @ 720-497-2536 or Leonard Woody @720-497-2551.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

V. Reimbursement Issues: All commodities have the same reimbursable and non-reimbursable expense guidance.

One public voucher (FSA-21) is allowed per State. States must roll-up all expenses for raw and finished product held in the State and submit the claim on a Public Voucher, with all supporting destruction verification documents and receipts attached.

Reimbursable Expenses
The following are reimbursable expenses:

- Transportation
- Storage at the State level since the hold was announced January 30, 2008
- Destruction
- Processing, ingredients, etc.

All reimbursable expenses MUST have accompanying receipts.

Non-reimbursable Expenses
The following are examples of, but not limited to, non-reimbursable expenses

- Storage at school level
- Overtime compensation for employees
- Long-distance phone calls and other associated administrative expenses
- Reimbursement for commercially-purchased food used in place of the recalled product
- Value of commercial products that were produced from commercial Westland beef are subject to commercial recall and restitution should not be included in reimbursable expense submissions.

VI. Specific Reimbursement Information:

Fine grind and finished products held at the State:

- Public vouchers should be sent to your respective FNS Regional Office.
- If State/school districts have paid a further processor and now destroy product, the paid invoice must be attached to the claim for reimbursement.

Processors holding raw and finished product:
We are working to resolve the payment issues. We have asked further processors to hold off on additional billing to a State or RA for a little while so that we can find a way to streamline the payments. We will provide additional guidance.

VII. Replacement Questions:
USDA will pursue every avenue available to provide replacement raw commodity. You will receive further information on this question from your FNS Regional Office.

REMEMBER: Document all of your costs associated with this recall.

Westland Destruction-Reimburse Form FINAL 1.doc (Last Updated:02/21/2008 07:13:28 PM)

Hallmark/Westland
Destruction Verification and Reimbursement Form
A 608 and A609 Fine Grind

Name of State Agency _____
Recipient Agency _____

Commodity	# of Cases Destroyed	Contract #	Destruction Method

(Attach a separate page, or spread sheet, for information that exceed the capacity of this form)

Witnesses	Print Name	Signature	Date Destruction Observed:
Witness 1			
Witness 2			

Brief Description of Costs to be Reimbursed:	Total Cost

Payee Information:

Name and Title

_____

Address

_____

Phone Number:

To document costs associated with this recall send this form and attach all original bills/receipts for costs incurred to your FNS Regional Office.

Westland processed products destruction verification FORM 1.doc (Last Updated:02/21/2008 07:12:16 PM)

Hallmark/Westland Destruction/Reimbursement Form
Finished Processed Product

State Agency _____
Recipient Agency _____

Product ID/code	# of Cases Destroyed	Processor or Brand name	Destruction Method/Location

(Attach separate pages/spreadsheet for information that exceed this form capacity)

Witnesses	Print Name	Signature	Date Destruction Observed:
Witness 1			
Witness 2			

Brief Description of Reimbursable Costs: (If none leave blank)	Total Cost
Transport to destruction site..... Up to one month storage before delivery to school..... Destruction cost for supplies, non-overtime labor, and disposal fees..... Processing/Fee for service cost.....	

Non-reimbursable expenses include: storage at school level, overtime compensation, purchased replacement product for recalled beef, phone calls and admin expenses.

Payee Information:
Name and Title

_____

Address

_____

_____
__

Phone Number:

_____

List your costs associated with this recall to your State Distributing Agency. Attach original bills/receipts for payment. SDAs forward all to your FNS Regional Office with
Hallmark/Westland contract number_____ .

Guidance for States: How to help schools identify further processed products affected by the Hallmark/Westland Meat Company recall

Delivery order (D/O) numbers for product destined to further processors **may or may not** affect your schools.

Do not forward D/O number information to your schools. You must contact all of your further processors who will provide specific information regarding recalled finished items, such as lot numbers and product codes.

The D/O is NOT pertinent to schools due to USDA's recommended processor inventory management practices. USDA initiated and approved inventory management practices to facilitate just-in-time delivery to schools and first in first out (FIFO) inventory control for food safety reasons.

CLASS II RECALL
HEALTH RISK: LOW
FSIS-RC-005-2008

Congressional and Public Affairs
Amanda Eamich (202) 720-9113

CALIFORNIA FIRM RECALLS BEEF PRODUCTS DERIVED FROM NON-AMBULATORY CATTLE WITHOUT
THE BENEFIT OF PROPER INSPECTION

WASHINGTON, Feb. 17, 2008 – Hallmark/Westland Meat Packing Co., a Chino, Calif., establishment, is voluntarily recalling approximately 143,383,823 pounds of raw and frozen beef products that FSIS has determined to be unfit for human food because the cattle did not receive
complete and proper inspection. Through evidence obtained by FSIS, the establishment did not consistently contact the FSIS public health veterinarian in situations in which cattle became non-ambulatory after passing ante-mortem inspection, which is not compliant with
FSIS regulations.

Such circumstances require that an FSIS public health veterinarian reassess the non-ambulatory cattle which are either condemned and prohibited from the food supply, or tagged as suspect. Suspect cattle receive a more thorough inspection after slaughter than is customary.

This noncompliant activity occurred occasionally over the past two years and therefore all beef product produced during the period of time for
which evidence indicates such activity occurred has been determined by FSIS to be unfit for human consumption, and is, therefore, adulterated.

This recall is designated as Class II due to the remote probability that the beef being recalled would cause adverse health effects if consumed. FSIS made this determination because the animals passed ante-mortem inspection but should have been identified as suspect requiring additional
inspection after slaughter to determine if there is evidence of disease, injury, or other signs of abnormalities that may have occurred
after ante-mortem inspection.

In July 2007, FSIS issued a final rule "Prohibition of the Use of Specified Risk Materials for Human Food and Requirements for the Disposition of Non-Ambulatory Disabled Cattle." This rule requires that a case by case disposition must be made by an FSIS Public Health Veterinarian for every animal that becomes non-ambulatory disabled ("downer") after passing ante-mortem inspection.

The prohibition of downer cattle from entering the food supply is only one measure in an interlocking system of controls the federal government
has in place to protect the food supply. The government has multiple safeguards regarding BSE in place and the prevalence of the disease in the United States is extremely low.
Other BSE security measures include the feed ban that prohibits feeding ruminant protein to other ruminants and an ongoing BSE surveillance program that began before the confirmation of the first BSE positive cow in the U.S. in 2003.

As another measure to reduce the risk of potential exposure to consumers, FSIS requires the removal of specified risk materials (SRM) so
they do not enter the food supply. Several FSIS line inspectors are stationed at designated points along the production line where they are able to directly observe SRM removal activities.

The products subject to this recall were sent to wholesale distributors nationwide in bulk packages and are not available for direct purchase by consumers. All products subject to recall bear the establishment number "EST. 336" inside the USDA mark of inspection. The products were produced on various dates from Feb. 1, 2006 to Feb. 2, 2008. Companies are urged to check their inventories and hold the products until
the recalling firm makes arrangements for final disposition of the products.

Hallmark/Westland Meat Packing Company. USDA's Food Safety and Inspection Service (FSIS) has evidence that Hallmark/Westland did not consistently contact the FSIS public health veterinarian in situations in which cattle became non-ambulatory after passing ante-mortem inspection, which is not compliant with FSIS regulations. Because the cattle did not receive complete and proper inspection FSIS has determined them to be unfit for human food and the company is conducting a recall.

The United States enjoys one of the safest food supplies in the world. To help ensure the safety of the food supply, we implement a series of safeguards to protect against foodborne disease. These safeguards include in-plant procedures to reduce dangerous foodborne pathogens such as E. coli O157:H7 and Salmonella. It also includes the removal of specified risk materials-those tissues demonstrated to contain the bovine spongiform encephalopathy agent in infected cattle-from the human food chain, along with the U.S. Food and Drug Administration's 1997 ruminant to ruminant feed ban. The prohibition of non-ambulatory cattle from the food supply is an additional safeguard against bovine spongiform encephalopathy.

Upon notification of possible violations of USDA regulations, we immediately began an investigation and placed products from this plant destined for the National School Lunch Program, the Emergency Food Assistance Program and the Food Distribution Program on Indian Reservations on hold. Since then, we also suspended all Federal food and nutrition program contracts with Hallmark/Westland Meat Packing Company. To date, Hallmark/Westland Meat Packing Company remains suspended by the Food Safety and Inspection Service. The products destined for the Federal food assistance programs, including the National School Lunch Program, will now be removed from schools and other holding facilities and destroyed.

I am dismayed at the in-humane handling of cattle that has resulted in the violation of food safety regulations at the Hallmark/Westland Meat Packing Company. It is extremely unlikely that these animals were at risk for BSE because of the multiple safeguards; however, this action is necessary because plant procedures violated USDA regulations.

In addition, our Office of the Inspector General and the Food Safety and Inspection Service continue the investigation. We will respond immediately if further findings warrant. Details about this recall and USDA actions are available at www.usda.gov/actions . "

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Here is the official FSIS Recall Release:

Recall Release

The following products are subject to recall:

- Various weight boxes of "WESTLAND MEAT CO., BURRITO FILLING MIX."
- Various weight boxes of "WESTLAND MEAT CO., PACKED FOR JACOBELLIES SAUSAGE CO., 74/26 GROUND BEEF."
- Various weight boxes of "WESTLAND MEAT CO., RAW GROUND BEEF MEATBALL MIX FOR FURTHER PROCESSING."
- Various weight boxes of "WESTLAND MEAT CO., COARSE GROUND BEEF 'FOR COOKING ONLY', FAT: 15%."
- Various weight boxes of "WESTLAND MEAT CO., COARSE GROUND BEEF 'FOR COOKING ONLY'."
- Various weight boxes of "WESTLAND MEAT CO., COARSE GROUND BEEF TO BE FURTHER PROCESSED INTO COOKED ITEMS, FAT: 15%."
- Various weight boxes of "WESTLAND MEAT CO., COARSE GROUND BEEF 85/15."
- Various weight boxes of "WESTLAND MEAT CO., COARSE GROUND BEEF 93/7."
- Various weight boxes of "WESTLAND MEAT CO., FINE GROUND BEEF 'FOR COOKING ONLY', FAT: 15%."
- Various weight boxes of "WESTLAND MEAT CO., FINE GROUND BEEF 'FOR COOKING ONLY'."
- Various weight boxes of "WESTLAND MEAT CO., 90 - 10% GROUND BEEF, 3/16 GRIND."
- Various weight boxes of "WESTLAND MEAT CO., GROUND BEEF 1 LB. PACKAGE, FAT: 15%."
- Various weight boxes of "WESTLAND MEAT CO., GROUND BEEF, FAT: 15%."
- Various weight boxes of "WESTLAND MEAT CO., RAW BONELESS BEEF TRIMMINGS, 'FOR COOKING ONLY'."
- Various weight boxes of "WESTLAND MEAT CO., RAW BONELESS BEEF, 'FOR COOKING ONLY'."
- Various weight boxes of "WESTLAND MEAT CO., BEEF GROUND 50/50% LEAN."
- Various weight boxes of "WESTLAND MEAT CO., BEEF GROUND 73/27% LEAN."
- Various weight boxes of "WESTLAND MEAT CO., BEEF GROUND 81/19% LEAN."
- Various weight boxes of "WESTLAND MEAT CO., BONELESS BEEF 90/10."
- Various weight boxes of "WESTLAND MEAT CO., GROUND PORK FOR FURTHER PROCESSING NOT TO EXCEED 30% FAT."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF TRI TIP."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF TOP SIRLOIN BUTT."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF STRIP SIRLOIN."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF RIB EYE LIP-ON."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF PISMO TENDERLOIN."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF O/S SKIRT."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF I/S SKIRT."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF FLANK STEAK."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF BOTTOM SIRLOIN FLAP."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF STRIP LOIN BONE-IN, FURTHER PROCESS 1X1."
- Various weight boxes of "PACKED FOR: KING MEAT CO., BEEF EXPORT RIB 2X2, FURTHER PROCESS."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF RIBEYE ROLL LIP-ON."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF RIBEYE ROLL LIP-ON."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF PLATE, OUTSIDE SKIRT."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF PLATE, OUTSIDE SKIRT."

- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF PLATE, INSIDE SKIRT."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF PLATE, INSIDE SKIRT."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF LOIN, STRIP LOIN, BONELESS."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF LOIN, STRIP LOIN, BONELESS."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF LOIN, BOTTOM SIRLOIN BUTT, FLAP, BONELESS."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF LOIN, BOTTOM SIRLOIN BUTT, FLAP, BONELESS."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF LOIN, TOP SIRLOIN BUTT, BONELESS."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF LOIN, TOP SIRLOIN BUTT, BONELESS."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF LOIN, TENDERLOIN, FULL, SIDE MUSCLE ON, DEFATTED."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF LOIN, TENDERLOIN, FULL, SIDE MUSCLE ON, DEFATTED."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF FLANK STEAK."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF FLANK STEAK."
- Various weight boxes of *REGAL* brand "USDA SELECT, BEEF, BOTTOM SIRLOIN BUTT TRI TIP BONELESS."
- Various weight boxes of *REGAL* brand "USDA CHOICE OR HIGHER, BEEF, BOTTOM SIRLOIN BUTT TRI TIP BONELESS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF LIVERS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF FEET."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF TRIPE."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF REGULAR TRIPE."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF HONEYCOMB TRIPE."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF TAILS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF CHEEK MEAT."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF TONGUES."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF TONGUE TRIMMINGS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF BONELESS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF RIBS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF HEARTS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF CHEEKS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF PLATES."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF SMALL INTESTINES."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF LIPS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF SPLEENS."
- Various weight boxes of "HALLMARK MEAT PACKING BEEF SALIVARY GLANDS, LYMPH NODES AND FAT [TONGUES]."
- Six-gallon containers of "HALLMARK MEAT PACKING BEEF BILE."
- One- and six-gallon containers of "HALLMARK MEAT PACKING BEEF BLOOD, .2% SODIUM CITRATE ADDED."

Some of the Westland Meat Co. branded products were purchased for Federal food and nutrition programs and, since Jan. 30, 2008, USDA has
had an administrative hold on all products from Westland Meat Co. in all of these outlets including, in the National School Lunch Program, the Emergency Food Assistance Program and the Food Assistance Program on Indian Reservations. Based on this Class II recall, officials of the Food and Nutrition Service

and Agricultural Marketing Service will work closely with State food and nutrition officials to minimize any disruptions
caused by the removal and disposal of recalled Westland Meat Co. products.

Media and consumers with questions about the recall should contact company Plant Manager Stan Mendell or Food Safety Consultant Steve
Sayer at (909) 590-3340.

Consumers with food safety questions can "Ask Karen," the FSIS virtual representative available 24 hours a day at AskKaren.gov. The toll-free USDA Meat and Poultry Hotline 1-888-MPHotline (1-888-674-6854) is available in English and Spanish and can be reached from 10 a.m. to 4 p.m. (Eastern Time) Monday through Friday. Recorded food safety messages are available 24 hours a day.

#

NOTE: Access news releases and other information at the FSIS Web site at http://www.fsis.usda.gov

USDA RECALL CLASSIFICATIONS

Class I This is a health hazard situation where there is a reasonable probability that the use of the product will cause serious, adverse health consequences or death.

Class II This is a health hazard situation where there is a remote probability of adverse health consequences from the use of the product.

Class III This is a situation where the use of the product will not cause adverse health consequences.

February 19, 2008 Issued recall for Stage II (the amount recalled from February 1, 2006 to September 30, 2006)

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-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Tuesday, February 19, 2008 7:04 PM
To: Hinners, Marion
Subject: USDA Commodity Recall - ECOS Case 2008-007.

USDA Commodity Recall - ECOS Case 2008-007.
Stage II recall on A594 Hallmark/Westland Meat Company, Case 2008-007.

It's Important that you acknowledge message receipt by clicking on the
link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PW
F_PWP=PWP&results.ANSWER=YES&ID=3ghwtk6sb

NOTE: If the URL above isn't active, copy and paste it in your web
browser
Address bar.
You have 30 minutes from 06:03 pm Central time to respond to this
notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code
75084426.

Please access ECOS at https://ecos.usda.gov for more information.  For
questions about ECOS access - call 703-305-2914
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Recall/Hold Instructions

Case: 2008-007 - Stage II A594 Hallmark/Westland Meat Company

Last Updated: 02/29/2008 11:01:19 AM

Instruction Documents

View Case Information

How to identify further processed products in recall 2.doc (Last Updated:03/10/2008 12:42:08 PM)

Westland Updated Instructions Feb 21 08 4.doc (Last Updated:02/21/2008 07:58:50 PM)

Westland Destruction-Reimburse Form FINAL 4.doc (Last Updated:02/21/2008 07:17:08 PM)

Westland processed products destruction verification FORM 4.doc (Last Updated:02/21/2008 07:17:00 PM)

Westland A594 Destruct Reimb Inst Stage II Feb 19 2008.doc (Last Updated:02/19/2008 06:05:10 PM)

Westland A594 Destruction-Reimburse Form Stage IIFINAL.doc (Last Updated:02/19/2008 06:04:35 PM)

30 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Arizona Dept of Education	A594104H003 A594104I020 A594104I021 A594104I027 A594104I028 A594104I029 A594104I037 A594104I041 A594104I042
California Dept. of Ed.	A594206H039 A594206H040 A594206H041 A594206H042 A594206H076 A594206H077 A594206H080 A594206H081 A594206H086 A594206H087 A594206H088 A594206H089 A594206H090 A594206H091 A594206H092 A594206H093 A594206H094 A594206H095 A594206H096 A594206H097 A594206H098 A594206H123 A594206H124 A594206H125 A594206H126 A594206H129 A594206H130 A594206H172 A594206H177 A594206H178 A594206H179 A594206H180 A594206H189 A594206H193 A594206H210 A594206H239 A594206H241 A594206H308 A594206H313 A594206H314 A594206H323 A594206H324 A594206H327 A594206H328 A594206H329 A594206H330 A594206H331 A594206H332 A594206H336 A594206H337 A594206H338 A594206H339 A594206H340 A594206H342 A594206H343 A594206H344 A594206H346 A594206H347 A594206H350 A594206H351 A594206H352 A594206H353 A594206H355 A594206H356

Affected Organization	Affected Delivery Orders
	A594206H358 A594206H359 A594206H360 A594206H361 A594206H362 A594206H363 A594206I001 A594206I001S A594206I002 A594206I003 A594206I004 A594206I048 A594206I049 A594206I052 A594206I053 A594206I054 A594206I055 A594206I056 A594206I057 A594206I058 A594206I059 A594206I066 A594206I067 A594206I068 A594206I079 A594206I080 A594206I081 A594206I082 A594206I083 A594206I084 A594206I097 A594206I098 A594206I099 A594206I100 A594206I101 A594206I102 A594206I103 A594206I115 A594206I116 A594206I117 A594206I291 A594206I306 A594206I307 A594206I314 A594206I315
Colorado Department of Human Services	A594108I001
DC - State Education Office	A594111H003
Florida Dept. of Ag and Consumer Svcs	A594112H052 A594112H053 A594112H054 A594112H055 A594112I015 A594112I016 A594112I023 A594112I025 A594112I026 A594112I027 A594112I047
Georgia Department of Education	A594113I022 A594113I023
Idaho Dept of Education	A594116I002
Illinois State Board of Ed.	A594117I001 A594117I003 A594117I039
Indiana Dept. of Education	A594118I001 A594118I005
Iowa Dept of Education	A594119I006
Louisiana Dept of Agriculture and Forestry	A594122I002 A594122I003 A594122I004
Maryland Dept. of Education	A594124H029 A594124H030 A594124H038 A594124H040 A594124H041 A594124H042 A594124H043 A594124I003 A594124I004 A594124I005 A594124I006
Michigan Dept of Education	A594126H059 A594126I009 A594126I048
Minnesota Department of Education	A594127I005 A594127I006 A594127I007 A594127I008 A594127I009 A594127I022 A594127I023
Missouri Department of Elementary and Secondary Education	A594129I001 A594129I002 A594129I003 A594129I007 A594129I008 A594129I019
Nevada Purchasing Division	A594132H012 A594132I001 A594132I002 A594132I004
New Jersey Dept of Agriculture	A594134H041 A594134H043
New Mexico Human	A594135I008 A594135I009 A594135I010 A594135I011

Affected Organization	Affected Delivery Orders
Services Dept	A594135I014
New York Office of General Services	A594136H062 A594136H072 A594136H073 A594136H074 A594136H075 A594136H116 A594136H117 A594136H122 A594136H134 A594136H135 A594136H136 A594136H137 A594136H138 A594136H139 A594136H140 A594136H141 A594136H142 A594136H143 A594136H144 A594136H145 A594136H146 A594136H147 A594136I006 A594136I007 A594136I014 A594136I058 A594136I059 A594136I062 A594136I063 A594136I065 A594136I067
North Carolina Dept. of Ag and Consumer Svcs	A594137I001 A594137I002 A594137I011 A594137I014
Ohio Dept. of Education	A594139H065
Oklahoma Dept. of Human Services	A594140I009 A594140I010 A594140I011 A594140I012 A594140I016 A594140I017 A594140I019
Pennsylvania Dept. of Agriculture	A594142I002 A594142I039 A594142I056 A594142I057
Rhode Island Food Distribution Program	A594144I001 A594144I003
South Carolina Dept. of Education	A594145I018
Tennessee Dept of Agriculture	A594147I004 A594147I005 A594147I007 A594147I015
Texas Health and Human Services Commission	A594148H127 A594148H128 A594148H129 A594148H130 A594148H151 A594148H152 A594148H157 A594148H158 A594148H159 A594148H160 A594148H173 A594148H174 A594148H175 A594148H176 A594148H177 A594148H178 A594148H179 A594148H180 A594148H181 A594148H187 A594148H188 A594148H189 A594148H190 A594148H191 A594148H192 A594148H193 A594148H194 A594148H195 A594148H205 A594148H206 A594148H207 A594148H208 A594148H213 A594148H214 A594148H215 A594148H227 A594148H229 A594148H230 A594148H231 A594148H233 A594148H234 A594148H235 A594148H240 A594148H241 A594148H242 A594148H246 A594148H247 A594148H248 A594148I007 A594148I008 A594148I009 A594148I010 A594148I011 A594148I013 A594148I014 A594148I015 A594148I033 A594148I034 A594148I035 A594148I038 A594148I039 A594148I040 A594148I041 A594148I042 A594148I043 A594148I046 A594148I056 A594148I057 A594148I059 A594148I073 A594148I074 A594148I075 A594148I076 A594148I077
Virginia Dept. of Agriculture	A594151H033 A594151H034 A594151H035 A594151H036 A594151H037 A594151H038 A594151H039 A594151I027
Washington Child Nutrition Services	A594253H047 A594253H048 A594253H050 A594253H051 A594253H061 A594253I004 A594253I005
Wisconsin Dept of Public Instruction	A594155I026 A594155I027

-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Tuesday, February 19, 2008 7:15 PM
To: Hinners, Marion
Subject: USDA Commodity Recall - ECOS Case 2008-008.

USDA Commodity Recall - ECOS Case 2008-008.
Stage II recall on A608 Hallmark/Westland Meat Company, Case 2008-007.

It's Important that you acknowledge message receipt by clicking on the link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=3wtxhkr3b

NOTE: If the URL above isn't active, copy and paste it in your web browser
Address bar.
You have 30 minutes from 06:15 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 75088344.

Please access ECOS at https://ecos.usda.gov for more information. For questions about ECOS access - call 703-305-2914

Recall/Hold Instructions

Case: 2008-008 - Stage II A608 Hallmark/Westland Meat Recall

Last Updated: 02/29/2008 11:02:25 AM

Instruction Documents

View Case Information

Westland Updated instructions Feb 21 08 5.doc (Last Updated:02/21/2008 07:59:14 PM)

Westland Destruction-Reimburse Form FINAL 5.doc (Last Updated:02/21/2008 07:17:58 PM)

Westland processed products destruction verification FORM 5.doc (Last Updated:02/21/2008 07:17:49 PM)

Westland A608 Destruct Reimb Inst Stage II Feb 19 2008.doc (Last Updated:02/19/2008 06:16:44 PM)

Westland A608 Destruction-Reimburse Form Stage II FINAL.doc (Last Updated:02/19/2008 06:15:54 PM)

14 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Arizona Dept of Education	A608104I008 A608104I009 A608104I010 A608104I011
California Dept. of Ed.	A608206H015 A608206H066 A608206H067 A608206H070 A608206I003 A608206I004 A608206I005 A608206I006 A608206I007 A608206I008 A608206I038 A608206I039 A608206I040 A608206I041 A608206I042 A608206I046 A608206I048 A608206I049 A608206I050 A608206I053S A608206I054T A608206I074 A608206I075
Colorado Department of Human Services	A608108I001
Hawaii Dept. of Education	A608115I005 A608115I006S A608115I007T A608115I008U A608115I009V A608115I010 A608115I015S A608115I016T A608115I017U A608115I018V
Indiana Dept. of Education	A608118I014
Iowa Dept of Education	A608119I018 A608119I019 A608119I020 A608119I021 A608119I022 A608119I023 A608119I024 A608119I025 A608119I026 A608119I027 A608119I028

Affected Organization	Affected Delivery Orders
Michigan Dept of Education	A608126I009
Minnesota Department of Education	A608127I024 A608127I025 A608127I026
Montana Office of Public Instruction	A608130I004
Nevada Purchasing Division	A608132H011 A608132H012 A608132H013 A608132I002 A608132I003
South Dakota Department of ED & Cultural Affairs	A608146I002 A608146I003 A608146I005
Texas Health and Human Services Commission	A608148I001 A608148I005 A608148I011 A608148I018 A608148I019 A608148I021 A608148I022 A608148I026 A608148I027 A608148I030 A608148I031 A608148I032 A608148I033 A608148I034 A608148I042 A608148I043 A608148I044 A608148I045 A608148I046 A608148I047 A608148I049 A608148I106
Utah State Office of Education	A608149I003S A608149I004T A608149I005 A608149I006
Wyoming Dept of Education	A608156I001 A608156I003 A608156I004 A608156I005

-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Tuesday, February 19, 2008 7:27 PM
To: Hinners, Marion
Subject: USDA Commodity Recall - ECOS Case 2008-009.

USDA Commodity Recall - ECOS Case 2008-009.
Stage II recall on A609 Hallmark/Westland Meat Company, Case 2008-009.

It's Important that you acknowledge message receipt by clicking on the link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=34hwtkr8b

NOTE: If the URL above isn't active, copy and paste it in your web browser
Address bar.
You have 30 minutes from 06:26 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 75088971.

Please access ECOS at https://ecos.usda.gov for more information. For questions about ECOS access - call 703-305-2914

Recall/Hold Instructions

Case: 2008-009 - Stage II A609 Hallmark/Westland meat recall

Last Updated: 02/29/2008 11:03:06 AM

Instruction Documents

View Case Information

Westland Updated instructions Feb 21 08 6.doc (Last Updated:02/21/2008 07:59:36 PM)

Westland Destruction-Reimburse Form FINAL 6.doc (Last Updated:02/21/2008 07:18:39 PM)

Westland processed products destruction verification FORM 6.doc (Last Updated:02/21/2008 07:18:31 PM)

Westland A609 Destruct Reimb Inst Stage II Feb 19 2008.doc (Last Updated:02/19/2008 06:27:58 PM)

Westland A609 Destruction-Reimburse Form Stage II FINAL.doc (Last Updated:02/19/2008 06:27:30 PM)

9 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Alabama Dept. of Education	A609101H007S A609101H008T A609101H009U
FNS Households	A609998H131 A609998H132 A609998H530 A609998I141
Kansas Department of Social and Rehabilitation Services	A609420H002
Minnesota Department of Human Services	A609G27H012S A609G27H013T A609G27H014
Montana Department of Public Health and Human Services	A609230H004
MS Department of Human Services	A609628H001
ND Department of Public Instruction	A609138H004
NE Health and Human Services	A609131H002
Texas Health and Human Services Commission	A609148H007 A609148I001

Hallmark/Westland Meat Company
Recall/Destruction/Reimbursement Information

All beef products from the Hallmark/Westland Meat Company have been recalled between February 2006 and February 2008.

A Class II recall has been announced by the Food Safety and Inspection Service (FSIS) on all Hallmark/Westland Meat Company products dating back to February 1, 2006. A Class II recall is a health hazard situation where there is a remote probability of adverse health consequences from the use of the product.

The recall is in two stages: Stage I was for product on hold since January 30, 2008.

This notice is for Stage II for product ordered between February 1, 2006 and September 30, 2006.

- This announcement is for Stage II product.

What products are affected?

- Fine grind ground beef purchased by USDA from Hallmark/Westland.
- Further processed products produced from Hallmark/Westland meat provided by USDA.
- Fine grind product may be identified by the Establishment Number (Est. 336)
- Further processed products will **not** contain either the Hallmark/Westland name or its establishment number. You will need to contact your further processor for this information.

All Hallmark/Westland product, including further processed products containing any amount of Hallmark/Westland meat must be destroyed and cannot be used or reconditioned for human consumption.
Further processed product disposal should be arranged between the SDAs and the further processor.

How to dispose of 50 cases or less of recalled products:
You are authorized immediately to destroy on-site 50 or fewer cases of USDA-purchased Hallmark/Westland fine grind ground beef. These products must be rendered unfit for human consumption according to destruction guidance from your State or local health authority.

- Destruction must be witnessed by a person of authority, (such as a food service director) and one other person.
- Each witness must sign the destruction verification form.
- The type of product, quantity, and destruction method must be noted on the form.

- **Forms are found on the ECOS "recall/hold instructions page."**

How to dispose of more than 50 cases:
More than 50 cases (but less than a truckload) of product must be taken to a landfill, incinerated, or sent for inedible rendering.

- Destruction of these larger quantities must be witnessed by a representative of the local health department and an official from the landfill, incineration plant, or rendering plant.
- The destruction verification form must be signed by these two witnesses.
- The type of product, quantity, and destruction method must be noted on the form.
- **Forms are found on the ECOS "recall/hold instructions page."**

How to dispose of truckload quantities:
Very large quantities (truckload) held at cold storage facilities, warehouses, or further processors will require special arrangements with landfills or other disposal sites, incinerators, or rendering facilities. In the case of these very large quantities, SDAs will need to coordinate with State or Federal officials (FSIS or AMS) to receive certification that the product was destroyed and cannot be consumed. **Forms are found on the ECOS "recall/hold instructions page."**

You should submit inventory and destruction data into ECOS.

What if I cannot easily submit further processed product into the ECOS system?
You may submit spread sheets, tables, charts, or equivalent information on further processed product to your respective FNS Regional Office. Your data will be accounted for through a separate system.

What other information should I submit?
Please submit to your respective Regional Office any spread sheets, tables, charts, or equivalent information on the exact location of recalled product in schools: school name, street address, and type and quantity of product on hand. This information will assist the FSIS with its recall effectiveness checks.

Replacement Questions:
USDA will pursue every avenue available to provide replacement raw commodity. You will receive further information on this question from your FNS Regional Office.

Reimbursement Issues:

Payment to further processors:
SDAs should pay further processors for:

- Any further processed product that has been delivered into the State
- Any further processed product that is waiting to be delivered to the State
- Any storage costs (for up to one month) of raw product that has been at the further processor awaiting processing.

Reimbursable Expenses
The following are reimbursable expenses:

- Transportation
- Storage
- Destruction
- Processing

All reimbursable expenses MUST have accompanying receipts.

Non-reimbursable Expenses
The following are examples of, but not limited to, non-reimbursable expenses

- Storage at school level
- Overtime compensation for employees
- Long-distance phone calls and other associated administrative expenses
- Reimbursement for commercially-purchased food used in place of the recalled product

Westland A594 Destruction-Reimburse Form Stage IIFINAL.doc (Last Updated:02/19/2008 06:04:35 PM)

Hallmark/Westland A594 Stage II
Destruction Verification and Reimbursement Form

Name of State Agency _____
Tax identification number_____
(Only one payment per State)

Commodity	# of Cases Destroyed	Contract #	Destruction Method

(Attach a separate page, or spread sheet, for information that exceed the capacity of this form)

Witnesses	Print Name	Signature	Date Destruction Observed:
Witness 1			
Witness 2			

Brief Description of Costs to be Reimbursed:	Total Cost

Payee Information:

Name and Title

_____

Address

_____

_____

Phone Number:

_____

To document costs associated with this recall send this form and attach all original bills/receipts for costs incurred to your FNS Regional Office.

Hallmark/Westland Meat Company
Recall/Destruction/Reimbursement Information

I. Recall Scope

All beef products from the Hallmark/Westland Meat Company produced between February 1, 2006 and February 2008 have been recalled.

A Class II recall has been announced by the Food Safety and Inspection Service (FSIS) on all Hallmark/Westland Meat Company products dating back to February 1, 2006. A Class II recall is a health hazard situation where there is a remote probability of adverse health consequences from the use of the product.

The recall is in two stages:

- **Stage I covers for product on hold since January 30, 2008.**
- **Stage II covers product produced between February 1, 2006 and September 30, 2006.**
- Stage II expanded the recalled products so you should contact your processors to determine if you have received additional recalled product from them.

What products are affected?

- Fine grind ground beef purchased by USDA from Hallmark/Westland.
- Fine grind product may be identified by the Establishment Number (Est. 336)
- Further processed products produced from Hallmark/Westland meat provided by USDA.
- Further processed products will **not** contain either the Hallmark/Westland name or its establishment number. You will need to contact your further processor for this information.

II. Reporting Inventory on Hand and Served:

DUE DATES:
All recalled commodity products should have inventory data submitted at the **same time** for both Stage I and Stage II.

Complete, or as complete as possible, data on product received, served and on-hold should be submitted in ECOS by **February 28, 2008**.

We do not need all of the associated paperwork by that date.

DATA:
What if I cannot easily submit further processed product into the ECOS system?

You may submit spread sheets, tables, charts, or equivalent information on further processed products held in your State to your respective FNS Regional Office. Your data will be accounted for through a separate system.

Destruction verification data can be submitted later, along with reimbursement vouchers and all associated receipts. Send destruction verification and voucher forms to your FNS Regional Office.

III. FSIS Recall Effectiveness Check Location Reports:
Please submit to your respective Regional Office any spread sheets, tables, charts, or equivalent information that you used to locate recalled product in school districts/schools/food banks/etc. in your State. Information should be listed by name, street address, and type and quantity of product in inventory. We will take location information available at any level. This information will assist the FSIS with its required recall effectiveness checks. As distributors of food, we all are bound by federal regulations to provide this information to FSIS.

IV. Destruction and Disposal Instructions:

All Hallmark/Westland product, including further processed products containing any amount of Hallmark/Westland meat must be destroyed and cannot be used or reconditioned for human consumption.

How to dispose of 50 cases or less:
You may immediately destroy on-site 50 or fewer cases of USDA-purchased Hallmark/Westland fine grind ground beef or finished end products delivered from a further processor/distributor. This product must be rendered unfit for human consumption according to destruction guidance from your State or local health authority.

- Destruction must be witnessed by 2 people: a person of authority (such as a food service director) and one other person.
- Both witnesses must sign a destruction verification document.
- The type of product, quantity, and destruction method must be noted.
- Cases may be consolidated for destruction if preferable.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

How to dispose of more than 50 cases:
More than 50 cases (but less than a truckload i.e. 1000 cases) of product must be taken to a landfill, incinerated, or sent for inedible rendering.

- Destruction of these larger quantities must be witnessed by 2 people: a representative of the landfill, incineration plant, or rendering plant: AND a government official i.e. a State/local health inspector, a food service director, or someone of authority from the SDA's office or their designee.
- Both witnesses must sign a destruction verification document.
- The type of product, quantity, and destruction method must be noted.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

How to dispose of truckload quantities:
Very large quantities (1000 cases+) held at cold storage facilities or warehouses will require special arrangements with landfills or other disposal sites, incinerators, or rendering facilities.

- The destruction verification document must be signed by two witnesses: a representative of the landfill, incineration plant, or rendering plant: AND a government official, i.e. a State/local health inspector, food service director, or someone of authority from the SDA's office or their designee.
- If none of these officials is available the SDAs may coordinate with Federal officials (FSIS or AMS) to witness the destruction. They are a backup resource. Call Ken Harnett of AMS Grading @ 720-497-2536 or Leonard Woody @720-497-2551.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

V. Reimbursement Issues: All commodities have the same reimbursable and non-reimbursable expense guidance.

One public voucher (FSA-21) is allowed per State. States must roll-up all expenses for raw and finished product held in the State and submit the claim on a Public Voucher, with all supporting destruction verification documents and receipts attached.

Reimbursable Expenses
The following are reimbursable expenses:

- Transportation
- Storage at the State level since the hold was announced January 30, 2008
- Destruction
- Processing, ingredients, etc.

All reimbursable expenses MUST have accompanying receipts.

Non-reimbursable Expenses
The following are examples of, but not limited to, non-reimbursable expenses

- Storage at school level
- Overtime compensation for employees
- Long-distance phone calls and other associated administrative expenses
- Reimbursement for commercially-purchased food used in place of the recalled product
- Value of commercial products that were produced from commercial Westland beef are subject to commercial recall and restitution should not be included in reimbursable expense submissions.

VI. Specific Reimbursement Information:

Fine grind and finished products held at the State:

- Public vouchers should be sent to your respective FNS Regional Office.
- If State/school districts have paid a further processor and now destroy product, the paid invoice must be attached to the claim for reimbursement.

Processors holding raw and finished product:
We are working to resolve the payment issues. We have asked further processors to hold off on additional billing to a State or RA for a little while so that we can find a way to streamline the payments. We will provide additional guidance.

VII. Replacement Questions:
USDA will pursue every avenue available to provide replacement raw commodity. You will receive further information on this question from your FNS Regional Office.

REMEMBER: Document all of your costs associated with this recall.

Hallmark/Westland
Destruction Verification and Reimbursement Form
A 608 and A609 Fine Grind

Name of State Agency _____
Recipient Agency _____

Commodity	# of Cases Destroyed	Contract #	Destruction Method

(Attach a separate page, or spread sheet, for information that exceed the capacity of this form)

Witnesses	Print Name	Signature	Date Destruction Observed:
Witness 1			
Witness 2			

Brief Description of Costs to be Reimbursed:	Total Cost

Payee Information:

Name and Title

_____

Address

_____

Phone Number:

To document costs associated with this recall send this form and attach all original bills/receipts for costs incurred to your FNS Regional Office.

Westland processed products destruction verification FORM 4.doc (Last Updated:02/21/2008 07:17:00 PM)

Hallmark/Westland Destruction/Reimbursement Form
Finished Processed Product

State Agency _____
Recipient Agency _____

Product ID/code	# of Cases Destroyed	Processor or Brand name	Destruction Method/Location

(Attach separate pages/spreadsheet for information that exceed this form capacity)

Witnesses	Print Name	Signature	Date Destruction Observed:
Witness 1			
Witness 2			

Brief Description of Reimbursable Costs: (If none leave blank)	Total Cost
Transport to destruction site..... Up to one month storage before delivery to school..... Destruction cost for supplies, non-overtime labor, and disposal fees..... Processing/Fee for service cost.....	

Non-reimbursable expenses include: storage at school level, overtime compensation, purchased replacement product for recalled beef, phone calls and admin expenses.

Payee Information:

Name and Title

_____

Address

_____

_____

Phone Number:

_____

List your costs associated with this recall to your State Distributing Agency. Attach original bills/receipts for payment. SDAs forward all to your FNS Regional Office with
Hallmark/Westland contract number_____ .

How to identify further processed products in recall 2.doc (Last Updated:03/10/2008 12:42:08 PM)

Guidance for States: How to help schools identify further processed products affected by the Hallmark/Westland Meat Company recall

Delivery order (D/O) numbers for product destined to further processors **may or may not** affect your schools.

Do not forward D/O number information to your schools. You must contact all of your further processors who will provide specific information regarding recalled finished items, such as lot numbers and product codes.

The D/O is NOT pertinent to schools due to USDA's recommended processor inventory management practices. USDA initiated and approved inventory management practices to facilitate just-in-time delivery to schools and first in first out (FIFO) inventory control for food safety reasons.

From: Halbrook, Brenda
Sent: Tuesday, February 26, 2008 6:59 PM
To: Buford, Shirley; Hennelly, Chris; Castillo, Georgina; KWIT, JOHN; Hankins, Lou; MIKKELSON, JULIE; PIPITONE, JACQUELINE; Coronado, Rosa; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Bates, Sharon; CANNON, FLORENCE; Castillo, Georgina; Coronado, Rosa; Czajkowski, Andrea; DeBoer, Don; Harmon, James; Hennelly, Chris; HOFFMAN, HARVEY; Hortin, Steve; Ihm, Young; Kellogg-Eby, Sarah; Kirk, Lanna; Magnarelli, John; Mansfield, Debbie; MARCOCCIA, JERRY; Mendoza, Jesus; O'Reilly, Patricia; Pagliaro, Valerie; Sanchez, Darlene; Schock, Patti; Smith-Holmes, Sarah; Soja, Sally; Stein, Marlene; VANHOUSE, ROBERTA; Wheeler, Cynthia; Woodbridge, Michael
Cc: Vogel, Ronald; Whitney, Mary Jane; Steiner, Eric; Hinners, Marion; Halbrook, Brenda; O'Connor, Tim; McCullough, Cathie; Brothers, David; Cantfil, Peggy; Castro, Laura; Fitzgerald, Janice; Sullivan, Dennis; Lewis, Rhonda; Gordon, Sheldon; Lisi, Brenda; 'Sessions, William'; 'Williams, Duane'; 'Morris, Craig -AMS'
Subject: Additional Products Identified in Westland Recall

Hello Everyone:

Additional products have been identified through on-going trace-back and trace-forward activities related to Westland Meat Company products. AMS identified an additional 1,021,520 pounds of cooked and raw products that must be included in the recall of products that have entered Federal food and nutrition programs. Attached are revised instructions that were posted to ECOS this evening, along with a slightly revised sample destruction form, and the new list of affected States/District of Columbia.

The newly identified products are:

A706 Beef Frz Homestyle SPP Patty Cooked

A716 Beef Sloppy Joe Mix Cooked

A717 Beef Crumbles w/SSP

A626 Beef Patties Frozen 100% Beef

Fifteen States were identified in the list of recipients of this additional product. Of the 15 affected States, Massachusetts is a new entry into the previous list of 44 States and the District of Columbia affected by the overall recall. The count of affected States now is 45 with the addition of MA.

Please send this information forward to affected and interested parties.

Thank you.

Brenda

Brenda Halbrook, M.S., R.D.
Director, Food Safety Staff
Office of Emergency Management and Food Safety
Food & Nutrition Service, USDA
phone: 703-305-2608
fax: 703-305-2420
brenda.halbrook@fns.usda.gov

From: Halbrook, Brenda
Sent: Wednesday, February 27, 2008 8:52 AM
To: Halbrook, Brenda; Buford, Shirley; Hennelly, Chris; Castillo, Georgina; KWIT, JOHN; Hankins, Lou; MIKKELSON, JULIE; PIPITONE, JACQUELINE; Coronado, Rosa; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Bates, Sharon; CANNON, FLORENCE; Castillo, Georgina; Coronado, Rosa; Czajkowski, Andrea; DeBoer, Don; Harmon, James; Hennelly, Chris; HOFFMAN, HARVEY; Hortin, Steve; Ihm, Young; Kellogg-Eby, Sarah; Kirk, Lanna; Magnarelli, John; Mansfield, Debbie; MARCOCCIA, JERRY; Mendoza, Jesus; O'Reilly, Patricia; Pagliaro, Valerie; Sanchez, Darlene; Schock, Patti; Smith-Holmes, Sarah; Soja, Sally; Stein, Marlene; VANHOUSE, ROBERTA; Wheeler, Cynthia; Woodbridge, Michael
Cc: Vogel, Ronald; Whitney, Mary Jane; Steiner, Eric; Hinners, Marion; O'Connor, Tim; McCullough, Cathie; Brothers, David; Cantfil, Peggy; Castro, Laura; Fitzgerald, Janice; Sullivan, Dennis; Lewis, Rhonda; Gordon, Sheldon; Lisi, Brenda; 'Sessions, William'; 'Williams, Duane'; 'Morris, Craig -AMS'
Subject: States that received Stage III Westland products

Hello Everyone:

My apologies. I meant to list the States that received the Stage III Westland products.

Those States are: AL, AK, GA, IL, MA, MI, MT, NJ, NM, NC, OR, TN, TX, VA, WY.

Please forward the earlier e-mail to these State Agencies. The Rapid Alert System did notify individuals in those States, but we want to be sure that everyone who needs to know has heard about it.

Thank you very much!

Brenda

Brenda Halbrook, M.S., R.D.
Director, Food Safety Staff
Office of Emergency Management and Food Safety
Food & Nutrition Service, USDA
phone: 703-305-2608
fax: 703-305-2420
brenda.halbrook@fns.usda.gov

February 22, 2008 U.S. Department of Education issued a notice on behalf of USDA using the Crisis Communication System announcing the recall

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From: Whitney, Mary Jane
Sent: Thursday, February 28, 2008 2:44 PM
To: 'Carr, Dana'
Cc: Steiner, Eric; Vogel, Ronald; Halbrook, Brenda; McCullough, Cathie; Long, Cindy
Subject: ED's Crisis Communications System

Dana,

Our Associate Administrator, Eric Steiner, asked me to contact you with a request to use the Department of Education's Crisis Communications System for a follow up message to school officials. This message (attached) would provide school officials with additional information relating to the beef recall. We believe this information will assist school officials in explaining the recall activities to the school community at large.

Thank you for your assistance

Mary Jane Whitney
Assistant to the Associate Administrator
For Special Nutrition Programs
Food and Nutrition Service, USDA

A Message from the U.S. Department of Agriculture

Information for School Officials and Parents Regarding the Hallmark/Westland Meat Product Recall

- On February 17, 2008, the United States Department of Agriculture (USDA) notified States that beef produced by the Hallmark/Westland Meat Packing Company from February 1, 2006, to February 4, 2008 was voluntarily recalled due to regulatory noncompliance.

- Some of the USDA commodity beef supplied to the National School Lunch Program was produced by Hallmark/Westland. In addition, schools may have purchased Hallmark/Westland beef commercially.

- On January 30, 2008, USDA instructed all school districts to hold and immediately discontinue use of any commodity Hallmark/Westland beef products in their inventory.

- Products affected by the recall are no longer being served in schools. To minimize disruption to school food service operations, USDA is working closely with States to quickly provide replacement commodity product from validated sources or credit their commodity entitlement accounts.

- USDA has given assurance that the health risk of consuming the affected beef is negligible. USDA remains confident in the safety of the food supply, including beef and other products available through the National School Lunch Program.

- No reports of illness have been associated with the affected product.

For more information, please visit www.usda.gov/actions.

February 26, 2008 Issued recall for Stage III (result of on-going Westland trace-forward information that notified processors of the fact that they were supplied raw source material for cooked and raw commodity product contracts they had been awarded)

-----Original Message-----
From: FoodSafety@fns.usda.gov [mailto:FoodSafety@fns.usda.gov]
Sent: Tuesday, February 26, 2008 6:23 PM
To: Hinners, Marion
Subject: USDA Commodity Recall - ECOS Case 2008-010.

USDA Commodity Recall - ECOS Case 2008-010.
Expanded Westland Recall Stage 3: Additional Commodity Products. Case 2008-
010.

It's Important that you acknowledge message receipt by clicking on the link
below:
http://www.envoyxpress.com/eds/bin/pwisapi.dll?PWFORM=21&PWF_PWP=PWP&PWF_PWP=PWP&results.ANSWER=YES&ID=3u5ihkjm4

NOTE: If the URL above isn't active, copy and paste it in your web browser
Address bar.
You have 30 minutes from 05:22 pm Central time to respond to this notification.

Or visit http://www.envoyxpress.com/eds/Respond and enter code 75677757.

Please access ECOS at https://ecos.usda.gov for more information. For questions about ECOS access - call 703-305-2914

Recall/Hold Instructions

Case: 2008-010 - Westland Recall Stage III Additional Commodities Identified

Last Updated: 02/26/2008 06:03:35 PM

Instruction Documents

View Case Information

Westland Stage III instructions Feb 26 08 3.doc (Last Updated:02/26/2008 06:06:18 PM)

Westland Destruction-Reimburse Example Stage III FINAL 2.doc (Last Updated:02/26/2008 06:06:01 PM)

15 State Agencies have been identified as receiving product associated with this case.

Affected Organization	Affected Delivery Orders
Alabama Dept. of Education	A717101J008
Alaska Dept. of Education	A706202J001
Georgia Department of Education	A706113H006S A706113J011U A716113H004S A716113H005T A717113H008 A717113H009 A717113I002S A717113I003T A717113J002S A717113J003T
Illinois State Board of Ed.	A706117J011
Massachusetts - Department of Education	A626125I001
Michigan Dept of Education	A717126J001S A717126J002T A717126J003U
Montana Office of Public Instruction	A717130J001 A717130J003
New Jersey Dept of Agriculture	A717134H005 A717134I003 A717134I004
New Mexico Human Services Dept	A717135H002
North Carolina Dept. of Ag and Consumer Svcs	A716137H001S A716137H002T A717137H002 A717137J001 A717137J002 A717137J004 A717137J009
Oregon Dept. of Education	A717141J003
Tennessee Dept of Agriculture	A706147J003S A706147J004T

Affected Organization	Affected Delivery Orders
Texas Health and Human Services Commission	A717148J003
Virginia Dept. of Agriculture	A717151H001S A717151H002T
Wyoming Dept of Education	A717156J001

Hallmark/Westland Meat Company
Recall/Destruction/Reimbursement Information

I. Recall Scope

All beef products from the Hallmark/Westland Meat Company produced between February 1, 2006 and February 2008 have been recalled.

A Class II recall has been announced by the Food Safety and Inspection Service (FSIS) on all Hallmark/Westland Meat Company products dating back to February 1, 2006. A Class II recall is a health hazard situation where there is a remote probability of adverse health consequences from the use of the product.

The recall has extended to Stage III and involves two processors of commodity cooked product and one supplier of beef patties. This action is the result of on-going Westland trace-forward information that notified processors of the fact that they were supplied raw source material for their cooked and raw commodity product. The contract information used to locate affected commodity only identified these processors, not the source of the material that they used for the final commodity product.

What products are affected?

- **A706 – Beef Frz Homestyle SPP Patty Cooked**
- **A716 – Beef Sloppy Joe Mix Cooked**
- **A717 – Beef Crumbles w/SSP**
- **A626 – Beef Patties Frozen 100% Beef**

Once these products are located, the inventory should be reported in ECOS and the product should be destroyed (see Section IV).

How do I identify these products?
One of three Establishment Numbers will appear inside the USDA mark of inspection on the box:
Est. 31835
Est. 05886
Est. 22090

II. Reporting Inventory on Hand and Served:

DUE DATES:
All Stage III recalled commodity products should have inventory data submitted into ECOS by Monday March 10, 2008.

We do not need all of the associated paperwork by that date.

DATA:
Destruction verification data can be submitted later, along with reimbursement vouchers and all associated receipts. Send destruction verification and voucher forms to your FNS Regional Office.

III. FSIS Recall Effectiveness Check Location Reports:
Please submit to your respective Regional Office any spread sheets, tables, charts, or equivalent information that you used to locate recalled product in school districts/schools/food banks/etc. in your State. Information should be listed by name, street address, and type and quantity of product in inventory. We will take location information available at any level. This information will assist the FSIS with its required recall effectiveness checks. As distributors of food, we all are bound by federal regulations to provide this information to FSIS.

IV. Destruction and Disposal Instructions:

All Hallmark/Westland product, including further processed products containing any amount of Hallmark/Westland meat must be destroyed.

How to dispose of 50 cases or less:
You may immediately destroy on-site 50 or fewer cases of USDA-purchased Hallmark/Westland fine grind ground beef or finished end products delivered from a further processor/distributor. This product must be rendered unfit for human consumption according to destruction guidance from your State or local health authority.

- Destruction must be witnessed by 2 people: a person of authority (such as a food service director) and one other person.
- Both witnesses must sign a destruction verification document.
- The type of product, quantity, and destruction method must be noted.
- Cases may be consolidated for destruction if preferable.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

How to dispose of more than 50 cases:
More than 50 cases (but less than a truckload i.e. 1000 cases) of product must be taken to a landfill, incinerated, or sent for inedible rendering.

- Destruction of these larger quantities must be witnessed by 2 people: a representative of the landfill, incineration plant, or rendering plant: AND a government official i.e. a State/local health inspector, a food service director, or someone of authority from the SDA's office or their designee.
- Both witnesses must sign a destruction verification document.
- The type of product, quantity, and destruction method must be noted.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

How to dispose of truckload quantities:
Very large quantities (1000 cases+) held at cold storage facilities or warehouses will require special arrangements with landfills or other disposal sites, incinerators, or rendering facilities.

- The destruction verification document must be signed by two witnesses: a representative of the landfill, incineration plant, or rendering plant: AND a government official, i.e. a State/local health inspector, food service director, or someone of authority from the SDA's office or their designee.
- If none of these officials is available the SDAs may coordinate with Federal officials (FSIS or AMS) to witness the destruction. They are a backup resource. Call Ken Harnett of AMS Grading @ 720-497-2536 or Leonard Woody @720-497-2551.
- **Optional forms are found on the ECOS "recall/hold instructions page."**

V. Reimbursement Issues: All commodities have the same reimbursable and non-reimbursable expense guidance.

One public voucher (FSA-21) is allowed per State. States must roll-up all expenses for raw and finished product held in the State and submit the claim on a Public Voucher, with all supporting destruction verification documents and receipts attached.

Reimbursable Expenses
The following are reimbursable expenses:

- Transportation
- Storage at the State level since the hold was announced January 30, 2008
- Destruction
- Processing, ingredients, etc.

All reimbursable expenses MUST have accompanying receipts.

Non-reimbursable Expenses
The following are examples of, but not limited to, non-reimbursable expenses

- Storage at school level
- Overtime compensation for employees
- Long-distance phone calls and other associated administrative expenses
- Reimbursement for commercially-purchased food used in place of the recalled product
- Value of commercial products that were produced from commercial Westland beef are subject to commercial recall and restitution should not be included in reimbursable expense submissions.

VI. Replacement Questions:
USDA will pursue every avenue available to provide replacement raw commodity. You will receive further information on this question from your FNS Regional Office.

REMEMBER: Document all of your costs associated with this recall.

Hallmark/Westland
Destruction Verification and Reimbursement Form
A626, A706, A716, A717

Name of State Agency _____
Recipient Agency _____

Commodity	# of Cases Destroyed	Contract #	Destruction Method

(Attach a separate page, or spread sheet, for information that exceed the capacity of this form)

Witnesses	Print Name	Signature	Date Destruction Observed:
Witness 1			
Witness 2			

Brief Description of Costs to be Reimbursed:	Total Cost

Payee Information:

Name and Title

_____

Address

_____

_____

Phone Number:

_____

To document costs associated with this recall send this form and attach all original bills/receipts for costs incurred to your FNS Regional Office.

From: Halbrook, Brenda
Sent: Tuesday, February 26, 2008 6:59 PM
To: Buford, Shirley; Hennelly, Chris; Castillo, Georgina; KWIT, JOHN; Hankins, Lou; MIKKELSON, JULIE; PIPITONE, JACQUELINE; Coronado, Rosa; Sweitzer, Kathy; Weaver, Penny; WHITMORE, DAN; Bates, Sharon; CANNON, FLORENCE; Castillo, Georgina; Coronado, Rosa; Czajkowski, Andrea; DeBoer, Don; Harmon, James; Hennelly, Chris; HOFFMAN, HARVEY; Hortin, Steve; Ihm, Young; Kellogg-Eby, Sarah; Kirk, Lanna; Magnarelli, John; Mansfield, Debbie; MARCOCCIA, JERRY; Mendoza, Jesus; O'Reilly, Patricia; Pagliaro, Valerie; Sanchez, Darlene; Schock, Patti; Smith-Holmes, Sarah; Soja, Sally; Stein, Marlene; VANHOUSE, ROBERTA; Wheeler, Cynthia; Woodbridge, Michael
Cc: Vogel, Ronald; Whitney, Mary Jane; Steiner, Eric; Hinners, Marion; Halbrook, Brenda; O'Connor, Tim; McCullough, Cathie; Brothers, David; Cantfil, Peggy; Castro, Laura; Fitzgerald, Janice; Sullivan, Dennis; Lewis, Rhonda; Gordon, Sheldon; Lisi, Brenda; 'Sessions, William'; 'Williams, Duane'; 'Morris, Craig -AMS'
Subject: Additional Products Identified in Westland Recall

Hello Everyone:

Additional products have been identified through on-going trace-back and trace-forward activities related to Westland Meat Company products. AMS identified an additional 1,021,520 pounds of cooked and raw products that must be included in the recall of products that have entered Federal food and nutrition programs. Attached are revised instructions that were posted to ECOS this evening, along with a slightly revised sample destruction form, and the new list of affected States/District of Columbia.

The newly identified products are:

A706 Beef Frz Homestyle SPP Patty Cooked

A716 Beef Sloppy Joe Mix Cooked

A717 Beef Crumbles w/SSP

A626 Beef Patties Frozen 100% Beef

Fifteen States were identified in the list of recipients of this additional product. Of the 15 affected States, Massachusetts is a new entry into the previous list of 44 States and the District of Columbia affected by the overall recall. The count of affected States now is 45 with the addition of MA.

Please send this information forward to affected and interested parties.

Thank you.

Brenda

Brenda Halbrook, M.S., R.D.
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Office of Emergency Management and Food Safety
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Cc: Vogel, Ronald; Whitney, Mary Jane; Steiner, Eric; Hinners, Marion; Halbrook, Brenda;

O'Connor, Tim; McCullough, Cathie; Brothers, David; Cantfil, Peggy; Castro, Laura; Fitzgerald, Janice; Sullivan, Dennis; Lewis, Rhonda; Gordon, Sheldon; Lisi, Brenda; 'Sessions, William'; 'Williams, Duane'; 'Morris, Craig -AMS'
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Director, Food Safety Staff
Office of Emergency Management and Food Safety
Food & Nutrition Service, USDA
phone: 703-305-2608
fax: 703-305-2420
brenda.halbrook@fns.usda.gov

From: Brothers, David
Sent: Monday, March 24, 2008 10:25 AM
To: Brian Hofmeier; Chad Shepherd; Dan; donald@donleefarms.com; Ford, Karen; Glen Golomski; Jay Jaquess; John Soules; John Traxler; Jon Sugimoto; Kaj Annalise Sonjia; Kip Miller; ipline@culinarystandards.com; Michael Turley; Pat Zamora; Raymond Magee; Shari Mueller; Sue Hartung; Terry Burnham; Valerie Fairbanks; Valerie McCoy; Bates, Sharon; Churma, Jim; Connolly, Patti; Coronado, Rosa; Czajkowski, Andrea; HAMDAN, SAMIA; Harmon, James; HOFFMAN, HARVEY; Hortin, Steve; Ihm, Young; Kirk, Lanna; Lee, Kathryn; Magnarelli, John; Mansfield, Debbie; Mendoza, Jesus; MIKKELSON, JULIE; MP SNP FD Operations; O'Reilly, Patricia; Pagliaro, Valerie; Sanchez, Darlene; Veasley, Betty; Walker, Constance Kramer; Wheeler, Cynthia; WHITMORE, DAN; Woodbridge, Michael
Cc: 'sandyfisher@innernet.net'; Girard, Charles; West, Janet; Lewis, Rhonda; Sessions, William; 'Williams, Duane'
Subject: FW: Claims Guidance & Crediting entitlement
Importance: High

To expedite claims review and payment we have three attachments: the instruction, an AMS checklist for documentation and a suggested Excel workbook sample.

Clarification regarding the crediting of entitlement follows:

If a State wishes to have their beef replaced we will puchase beef for delivery July-Sept and not charge entitlement.
States with 3/4 of a truck i.e. 30,000 pounds destroyed may round up to a full truck. The survey order due date has been extended to April 18.
Where a State is logistically challenged to replace beef physically, we will credit SY 07/08 entitlement. This is at the State's discretion.

Fine Grind Beef Crediting: State should provide a hallmark/westland fine grind beef orders from the recall that are in a SH status with a 2008
allocation number (FY 08 funds) to regional offices to credit. Beef purchased for delivery Nov 16, 2007 and later will have 2008 allocation numbers.
Regions will apply adjustment code B to the quantity of cases that has been verified as on hold to be destroyed.
Please let Janet West and Rhonda Lewis know the order that has been credited. This will free up entitlement that will rollover into SY 08/09.

Bulk coarse grind A594 entitlement crediting has one more step.
This crediting can only take place after Dave Brothers has confirmed with the processor that the State is in a positive balance on their monthly performance report
and finished product has been paid for by either the State or school district.

Attachment – Westland claims procedures

Hallmark/Westland Beef Recall

We have additional instructions on how to proceed to expedite claims related to this recall. We have set April 22nd as the date for States to submit their full claims to the FNS. FNS will initially review the claim and documentation. If the documentation is complete, it will be forwarded to Agricultural Marketing Service for processing and payment. These claims will be subject to audit and therefore backup documentation is critical.

Excel Workbooks or spreadsheets are the preferred recap method with receipts and supporting documentation clearly identified to a particular item or claim. This format will expedite payment

How do we claim for reimbursement of the expenses related to this recall?

Recipients: Provide the State with documentation of expenses related to this recall. Documentation should include destruction documents, invoices that show what was paid for finished product destroyed, transportation to the dump if applicable, dumping fees, and costs for storage away from the school.

For product at a distributor that was destroyed on your behalf, the distributor can submit invoices to you and you can include them in your claim to the State. You should provide documentation to support each cost claimed. Those documents must be submitted to the State with your claim. Keep copies for your own records.

To expedite review, submitted documentation should reference the appropriate cell in each excel spread sheet. For example:

If an invoice for $100 is part of the total cost of destruction shown in the spreadsheet cell G15, mark that invoice with "Recipient G15" in the top right corner.

Processors: Processors should submit evidence of destruction of both raw and finished products to the State. Any raw delivery orders (DO) that you destroyed should be submitted to the State that they were consigned to for replacement.

A spreadsheet of finished end products destroyed should be submitted to the State for which the product was produced. If the product was produced for general inventory without a specific State defined, submit that portion of your

claim to the State whose DO was used to produce the finished product. The raw material should be repurchased by USDA.

Your fee for service should be billed FOB location of product when hold was announced. USDA will not pay for freight charges that were never shipped to final destination Your spreadsheet should include the product name, product code; raw pounds needed to produce a case, net weight of the case, fee for service, storage for 1 month if applicable, and destruction costs broken out by transportation, and landfill costs. Backup documentation should support each cost claimed. Those documents should be submitted to the State with your claim. Keep copies for your records. Documentation should be associated with the affected cell in each spreadsheet. For example:

An invoice for $100 is part of the total cost of destruction shown in cell G15 of your spreadsheet. Mark the invoice "Processor G15" in the top right corner

Distributors: A distributor can submit destruction documentation for finished end product and commodity product not delivered and evidence of expenses broken out by product name, product code, lot number, or other identifiers directly to the affected State for inclusion in the State claim to USDA. You should associate documentation with the affected cell in each sheet. For example:

Invoice for $100 is part of the total cost of destruction shown in cell G15 of your spreadsheet. Mark that invoice "Distributor G15" in the top right corner
States: Each State should validate the documentation submitted, determine a total claim for the State, enter orders to USDA for repurchase of raw product or request that the regional office credit your SY 07/08 entitlement. Documents should be submitted to FNS office for review.

The AMS will validate the claim cost and total value and make one payment to each affected State. It will be the State's responsibility to make payments to the individual claimants within the State. Depending on the complexity of your State's claim and to preserve the integrity of the referenced cell numbers, it may be helpful to break an Excel workbook into several sheets for each State claimant, for example: State, recipient A, B, C..., processor A, B..., and distributor A, B.... You should associate your documentation with the affected cell in each sheet. For example:

If an invoice for $100 is part of the total cost of destruction shown in cell G15 of the State spreadsheet, mark that invoice "State G15" in the top right corner. If you have 10 documents for the State, put a rubber band around them. 10 for the processor put a rubber band around them, etc.,
Please submit the excel workbook electronically to David.Brothers@fns.usda.gov
Backup documentation may be mailed under separate cover to him at 3101 Park Center Drive, 5th Floor, Alexandria, Virginia, 22302.

Deleted: ¶

Attached is the checklist that AMS will use in validating each claim and a sample work book

Attachment – AMS Checklist

Document Review Checklist
Product recalled by AMS

Item description	Yes/Included	No/Missing	Comments
Tax payer number/Vendor Express Number provided			
Public Voucher FSA-21 properly completed & signed			
Supplemental Workbook and spread sheets included			
Storage cost included/ no more than 1 month storage			
Warehouse house receipt that documents in-out charges (if applicable)			
Weight receipt for product taken to landfill			
Landfill receipt			
Product destroyed at school			
Document provided to support the denaturing and destruction of the product			
Documentation provided that supports the quantity destroyed (spread sheets etc.)			
Receipt for product used to denature product (bleach)			
Finish Product Invoices			
FOB Processor fee for service minus freight to recipient			
Non Allowable charges			
Overtime charges associated with product recall			
Administrative/Clerical charges associated with product recall			
Purchase of commercial food to replace the recalled product			
Mileage of staff to over see destruction of product			
Disposal of other product not associated with recall			

Attachment – Sample Claims Workbook

New York State warehouse claims	Column G
Tax ID…blah blah…	
	Cost
Storage	
Transportation	
Dave's Pizza	
Sysco	

NYC
Brooklyn
Albany
Pain and Suffering (just kidding!)

Destrution Cost - Row 15	**$100.00**	**Invoice reference for Destruction Cost = G15**
total	$100.00	

Ms. DeLauro: What are the standards set by FNS for the quality of the beef that comes into the National School Lunch Program? Do you set the standard that no beef will come from downer cattle or is that AMS? How do you enforce these standards?

Response: All products purchased for the National School Lunch Program must be processed under Food Safety and Inspection Service (FSIS) supervision in accordance with requirements of the Federal Meat Inspection Act. FSIS assures that products are wholesome and that processing plants operate under sanitary conditions. The Agricultural Marketing Service develops purchase specifications that list quality criteria that are designed to meet the needs of the school lunch program. Regarding the purchase of ground beef, a Technical Requirements Schedule (http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELPRDC5066617) has a checklist of requirements that prescribes stringent requirements addressing downer cattle, along with requirements for origin, harvest, removal of objectionable materials, microbial requirements for boneless and finished product, state of refrigeration, and packaging and packing. AMS monitors each contractor to assure that all ground beef is processed according to all program requirements.

Ms. DeLauro: For TEFAP, bonus commodities have dropped from $319 million in 2001 to $58 million in 2007, reducing the overall program available in half. In CSFP, free commodities provided to the program under market support authorities in FSA and AMS, are also decreasing. At the same time, donations from grocery stores to food banks have fallen as supermarket chains increase in efficiency and tighten inventory controls. We see that the economy is dire need of help and at the same time, bonus and free commodities are dropping off for the programs that provide assistance to low-income families and elderly. What can FNS do to offset the impact of decreasing commodities on food banks and the CSFP program?

Response: The types and amounts of commodities purchased under agriculture support programs and donated for use in nutrition assistance programs, such as TEFAP and CSFP, are dependent on market conditions. Over the last couple of years, domestic markets were relatively strong, and foreign demand for American commodities was at record levels. When agricultural markets are strong there is less need for USDA to make purchases to support American agriculture. As a result, the value of bonus commodities donated to TEFAP between FY 2005 and FY 2007 declined by approximately 62 percent, from $154.2 to $58.5 million. In CSFP, that value dropped almost 37 percent from $37.6 million in FY 2005 to $23.7 million in FY 2007.

To help offset the decline in purchasing power and bonus foods, USDA recently began the Stocks-for-Food (CCC Barter) initiative. Under this initiative, government-owned surplus stocks such as cotton and wheat are being exchanged for value-added products such as canned chicken, beef, and pork, beef stew, canned vegetables, and peanut butter. TEFAP has been the primary beneficiary of this initiative and is expected to receive approximately $83 million in additional commodities this year under the barter, and CSFP is expected to receive approximately $ 8.4 million. The CCC Barter was an innovative way for USDA to increase the amount of food available for distribution to those in need of nutrition assistance and will help offset some of the decline in commodity foods this year.

In addition, the Department recently announced a $50 million purchase of bonus pork products.

The Food, Conservation, and Energy Act of 2008 (the Farm Bill) provided an additional $50 million for TEFAP commodity purchases this year, increasing FY 2008 TEFAP commodity resources to a total of $190 million. For FYs 2009-2012, the Farm Bill increases the amount of funds available to purchase TEFAP commodities to $250 million, which will be adjusted for inflation beginning in FY 2010.

TEFAP is a popular, but relatively small, source of foods for the emergency food assistance system as a whole. Donations from industry and individuals have historically provided the vast majority of foods for the food banks, soup kitchens, and food pantries that participate in TEFAP.

Ms. DeLauro: In FY 2008, increases were provided over the President's budget request for the Child Nutrition Program for Team Nutrition and for food safety education and encouraged FNS to develop materials to educate children and their families on food safety issues including anaphylaxis. Increases were also provided in the Child Nutrition Program and the Food Stamp Program to assist the Center for Nutrition Policy and Promotion in the development and maintenance of MyPyramid and Dietary Guidelines materials in support of nutrition education and in the Food Stamp Program for modernization and innovation projects. Can you update the Subcommittee on what FNS is doing with these funds for food safety and nutrition education in FY 2008?

Response: The additional food safety funding in FY 2008 has allowed FNS to expand its food safety efforts. At the same time, FNS has actively sought collaborations and partnerships with other Federal departments and agencies to leverage its food safety impact. Currently FNS is the lead agency for the National Coalition for Food Safe Schools, a group that developed the Food Safe Schools Action Guide (Action Guide). The Action Guide is a practical resource that assists schools in taking a team approach that includes families and students to address the safety of food in school settings. FNS funded a grant to the National Environmental Health Association to promote the Action Guide approach especially to health inspectors who have responsibility for inspecting school kitchens. FNS is providing technical assistance on a project funded by the Centers for Disease Control and Prevention (CDC) to update and highlight the allergy and anaphylaxis information in the Action Guide. The project will develop and test model policy for handling children with food allergies in schools. FNS is collaborating with the School Nutrition Association, the International Food Information Council and the Food Allergy and Anaphylaxis Network to coordinate food allergy projects and is updating guidance to schools related to food allergies.

FNS utilizes data from CDC on foodborne illness outbreaks, data from the Food and Drug Administration (FDA) on food safety in retail foodservice operations, including schools, and feedback from FNS program operators to inform and guide its food safety priorities. These data indicate proper cooling of foods is an area of concern for school foodservice operations. Therefore, FNS has funded a project in collaboration with FDA to study and develop procedures for cooling in a

school foodservice setting that will provide practical procedures to assist schools. Similarly, CDC data revealed that the majority of foodborne illness outbreaks in schools were caused by norovirus. FNS is working with the CDC and the National Education Association to develop a practical handbook on how to clean hard surfaces in schools to disinfect for norovirus. FNS continues grant funding to the National Food Service Management Institute (NFSMI) to develop food safety materials and conduct food safety education training including implementation of a comprehensive training initiative on responding to food recalls, inventory management, and handling other emergency situations. NFSMI will also develop a norovirus educational campaign for FNS program operators. Finally FNS will conduct pilot table top exercises for State program operators to simulate the intentional contamination of food in the National School Lunch Program and assist program operators in developing, testing and modifying food defense and emergency management plans.

In FY 2008, the Center for Nutrition Policy and Promotion (CNPP) used the increases in its appropriated budget through the Child Nutrition Program and the Food Stamp Program to develop, maintain, and enhance nutrition education materials that will help the members of these populations. Nutrition education for the recipients of these food assistance programs needs to be based on the most current, evidence-based science. CNPP contracted for training and coordination of abstractors for the Nutrition Evidence Library what will be one of the major tools or sources of evidence available to the 2010 Dietary Guidelines Advisory Committee as it summarizes the body of evidence, makes decision, and forms recommendations. CNPP also contracted for the services of a nutritionist and a research librarian to support the USDA Nutrition Evidence Library. The nutritionist will manage day-to-day operations of the Nutrition Evidence Library. The librarian will will develop conduct searches related to questions of the Dietary Guidelines Advisory Committee. CNPP also established the framework for the work of the 2010 DGAC that will review and possibly update the *Dietary Guidelines* on which the nutrition education and nutrition research priorities for the populations of the food assistance programs are based. USDA contracted with a meeting planner that will be responsible for assisting the co-executive secretaries with the technical activities that ensure coordinated deliberations for the DGAC. Increases in appropriated funds were also used to continue the hosting of MyPyramid.gov at the National Information Technology Center and the development of new educational tools, including the MyPyramid Menu Planner and another tool being developed that will focus on helping parents/caregivers understand the nutrition needs of toddlers. The hardware and software improvements to the suite of MyPyramid web-based tools and new print materials are directed to the general population and the recipients of the child nutrition and food stamps populations.

Ms. DeLauro: The budget request includes $2 million for data collection and analysis for the fourth School Nutrition and Dietary Assessment. The third assessment was released in November 2007 and showed many schools are still not serving lunches that meet current USDA standards. Also, USDA began working with the Institute of Medicine (IOM) last November on recommendations for updating the meal pattern based on the 2005 Dietary Guidelines. Why did it take USDA two

years to begin working with IOM on updating meal patterns based on the 2005 Dietary Guidelines?

Response: The recommendations of the *2005 Dietary Guidelines* for Americans are more prescriptive than previous versions and require significant changes to the meal patterns and nutrient standards for the National School Lunch Program and School Breakfast Program. FNS staff worked extensively on revising the meal patterns and nutrient standards, but identified a number of difficult issues that would benefit from deliberation and analysis by an independent panel of experts. The Department decided to seek the expertise of the Institute of Medicine because of their success in providing analysis and recommendations to the Department in making changes to the WIC food package.

Ms. DeLauro: When do you think the IOM will issue recommendations for the Child Nutrition Programs?

Response: The Department and IOM entered into a two-year contract which began February 2008. Currently, the panel of experts is gathering information to outline the criteria and process for the needed decision-making. The final report from IOM is anticipated by December 2009.

Ms. DeLauro: What guidance are you providing to the schools in the meantime for updating meal patterns based on the 2005 Dietary Guidelines?

Response: While the Department feels that it is critical to take the time to ensure that changes to the regulations are made with full and complete deliberation, we are taking action now to help schools make changes.

On December 17, 2007, FNS published a policy memorandum providing schools guidance on incorporating the *2005 Dietary Guidelines for Americans* into school meals. Additionally, nine fact sheets addressing the major components of the 2005 Dietary Guidelines for Americans were developed. Each fact sheet addresses the key issues, provides tips that school food service directors and managers can implement within the existing meal requirements, and provides a link to USDA commodities. The series of one-page fact sheets addresses the following key topics:

- Use Low-fat Milk, Cheese, and Yogurt
- Jazz Up Your Menus with Fruits
- Vary Your Vegetables
- Serve More Dry Beans and Peas
- Serve More Whole Grains
- Be Salt Savvy - Cut Back on Sodium
- Include Fiber-Rich Foods
- Limit Saturated Fat and Cholesterol
- Trim Trans Fat
- Meeting the Challenge of Rising Food Costs

The New Dietary Guideline Fact Sheets are available on line at: http://www.fns.usda.gov/tn/Resources/dgfactsheet_hsm.html

FNS' HealthierUS School Challenge (HUSSC) is an important element in

our strategy for supporting schools in promoting students' diets consistent with the *2005 Dietary Guidelines for Americans*. Since 2004, FNS has been recognizing schools that have taken a leadership role in helping students learn to make healthy eating and active lifestyle choices through the Challenge. Schools have been awarded a gold, silver or bronze level award for making changes to their school nutrition environments, improving the quality of the foods served, and providing students with more nutritious, healthy choices. FNS recently announced new HUSSC criteria that have been updated and revised to reflect the *2005 Dietary Guidelines for Americans*. To ease the transition, the new criteria will be effective January 1, 2009. The new criteria include requirements for a new higher award level: *Gold Award of Distinction*.

Ms. DeLauro: What percentages of schools are currently serving meals based on the 2005 Dietary Guidelines?

Response: USDA does not have this information because current standards for reimbursable school lunches are not based on the 2005 *Dietary Guidelines*. We have contracted with the Institute of Medicine (IOM) to recommend school meal standards based on the most recent dietary recommendations. USDA expects to update the meal standards following receipt of the IOM review and recommendations.

The Department's most recent assessment of the program, released in late 2007, compared program meals to the nutrition standards in effect in School Year 2004, which are based on the *1995 Dietary Guidelines* and consistent with the *2000 Dietary Guidelines*. The study found that:

- More than 70 percent of schools served meals that met standards for many nutrients that contribute to healthy diets, including protein, iron, calcium, and vitamins A and C. National School Lunch Program participants consumed more of six key nutrients at lunch than non-participants.

- However, few schools (six to seven percent) met all nutrition standards, primarily due to not meeting standards for fat, saturated fat and calories.

Although most schools offered an opportunity for students to select a balanced meal, few students made the healthful choice and selected a low-fat meal. 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.

Ms. DeLauro: What enforcement does FNS have to make sure schools serve meals that meet the 2005 Dietary Guidelines?

Response: Any entity that participates in the National School Lunch Program must meet all program requirements established in law and/or regulations, including the nutritional standards based on the *Dietary Guidelines for Americans*. Program regulations found at 7 CFR 210.19 require State Agencies to conduct program reviews of local food service operations to monitor compliance with the established nutrition standards. In the last two years, FNS has provided technical assistance to the State agencies to ensure that monitoring

procedures are being followed correctly. We have also reminded them of their obligation to meet Federal nutritional requirements in order to receive reimbursements for school meals and the need for adequate oversight to ensure that Federal funds are properly spent.

While FNS is working with the IOM to update the program regulations to reflect the *2005 Dietary Guidelines for Americans*, we are providing practical guidance to the State agencies to help schools implement the latest dietary recommendations within current program requirements. For example, we have issued a series of fact sheets with easy tips for menu planners to prepare school meals with more fruits, vegetables, whole grains, and fat-free or low-fat milk and milk products - the food groups emphasized by the 2005 Dietary Guidelines.

FNS' HUSSC is also an important element in our strategy for helping schools move towards the *2005 Dietary Guidelines for Americans*. The HUSSC criteria have recently being revised to reflect the *2005 Dietary Guidelines for Americans* and will be effective January 1, 2009.

Ms. DeLauro: The Child Nutrition Reauthorization and WIC Act of 2004 required schools to incorporate HACCP into their food service operations in school years 2005/2006. I am encouraged that schools are required by Federal law to comply with HACCP principles and in fact are the only retail foodservice operations that are required to comply with HACCP. The Reauthorization Act also increased the school food safety inspections requirement from one to two per school year. Yet it appears that there is no actual enforcement authority to make schools comply with this requirement. Can you please talk about what FNS is doing to communicate with the States about the HACCP and inspection requirements?

Response: FNS issued implementation memoranda for State agencies on the food safety inspection requirement (December 16, 2004) and the Hazard Analysis Critical Control Point (HACCP) requirement (January 10, 2005). We issued an additional memorandum for State agencies on July 12, 2005 with a set of questions and answers to address implementation issues. In addition, FNS published an interim rule in the Federal Register on June 15, 2005 regarding school food safety inspections. A regulation to codify the HACCP requirement is expected to be published in the Federal Register on August 5, 2008.

Since June 2005 to the present, FNS has conducted outreach efforts by making presentations on the food safety requirements at National and State conferences and meetings. For three years in a row beginning in 2005, FNS conducted sessions at the National Environmental Health Association Annual Educational Conference to explain the new and expanded food safety requirements to the environmental health specialists and health inspectors who would be conducting the inspections for schools, as well as to provide technical assistance to schools for developing food safety plans based on HACCP principles.

FNS has worked with the National Food Service Management Institute (NFSMI) to develop a HACCP workbook, video, and template plan for program operators. NFSMI is available to conduct training on this material and to assist any State agency, School Food Authority or school with the development of their HACCP plans. Furthermore, the

Institute has provided training on how to develop and implement a food safety program to over 10,000 school nutrition personnel across the country. Trainers attending these programs continue to deliver the training at the district and school level.

FNS has no direct authority over the State and local agencies responsible for conducting the food safety inspections. Although there are no specific penalties for non-compliance with the inspection requirement, schools that participate in the National School Lunch Program must comply with all of the program requirements. FNS collects annual data from the State Agencies on the level of compliance with the inspection requirement and continues to encourage State agencies to work with their food safety counterparts to facilitate school compliance with the inspection requirement. In addition, States in their reviews of the local schools continue to request corrective action to ensure the inspection and HACCP requirements are met. FNS will continue to communicate with State Agencies, inspectors, and other stakeholders to ensure that schools make progress in meeting the inspection requirement. At the same time, State agencies will continue to assist their school food authorities through technical assistance, administrative reviews, and other means. During administrative reviews, school food authorities will be asked about the schedule of food safety inspections and the HACCP-based food safety program. Written guidance used by State Agencies for administrative reviews has been recently updated to include these requirements.

Ms. DeLauro: Given the recall of beef, why is FNS not emphasizing the safeguards currently in place for schools to ensure safe food is provided to our children?

Response: FNS provides about 20 percent of the food products used by program operators in the National School Lunch Program (NSLP), the remaining 80 percent are procured directly by State agencies, school food authorities, or schools. All products must be produced in compliance with applicable Federal food safety regulations. The Agricultural Marketing Service (AMS) acts as the procurement agency for the FNS commodity programs. Procedures followed by AMS provide assurance regarding the safety of products purchased for the NSLP. Currently FNS has introduced a Commodity Image Initiative to highlight the quality and safety of the foods provided through our commodity distribution programs. Upon receiving commodity products, program operators must assure the safety of the foods served to children through safe food handling procedures. Schools that serve meals under the NSLP are required to maintain proper sanitation and health standards in conformance with all applicable State and local laws and regulations.

The Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108-265) required schools to obtain two school food safety inspections per school year, to be conducted by a State or local governmental agency responsible for food safety inspections. The law also required schools to implement a food safety program based on HACCP) principles in SY 2005 - 2006. The program also addresses standard operating procedures, such as sanitation. Schools are the only retail foodservice operation currently required by Federal law to have a food safety program based on HACCP principles.

FNS has been at the forefront of food safety materials development for the NSLP for more than a decade. In the mid 1990's, FNS developed *Serving It Safe*, an instructional manual and interactive CD-ROM for school foodservice on food safety and safe food handling. The initial print order and distribution in 1996 was for some 27,500 copies that were distributed to States and school districts. In 2003, the National Food Service Management Institute (NFSMI) issued between 40,000 and 50,000 revised, updated copies and most recently, in 2005, translated it into Spanish and distributed 16,000 copies each of both English and Spanish to school districts. *Serving It Safe* was recognized by the National Restaurant Association as a sound food safety training tool for retail foodservice outlets, including schools. NFSMI has also developed and distributed other food safety resources for school foodservice, such as the Thermometer Resource Kit, Standard Operating Procedures for School Foodservice, and a hand washing resource kit. NFSMI also conducts food safety training for State agencies, School Food Authorities and schools.

Ms. DeLauro: What enforcement authority does FNS have to make schools comply with these food safety requirements and what additional authority do you need to be more effective in enforcing these requirements?

Response: FNS and State agencies have the authority based on the legislation and regulations to assure compliance with these food safety requirements. Any entity that participates in the National School Lunch Program must comply with all of the program requirements. Currently, there are no specific penalties for non-compliance with the food safety requirements; however, States in their reviews of the local schools would request corrective action to ensure the requirement is met. In addition, FNS collects annual data from State agencies on the number of food safety inspections obtained by schools.
Although FNS has no direct authority over the State and local agencies responsible for conducting the food safety inspections, we will continue to communicate with State agencies, inspectors, and other stakeholders to ensure that schools make progress in meeting the inspection requirement. At the same time, State agencies will continue to assist their school food authorities through technical assistance, administrative reviews, and other means. During administrative reviews, school food authorities will be asked about the schedule of food safety inspections and the HACCP-based food safety program. Written guidance used by State agencies for administrative reviews has been recently updated to include these requirements.

Ms. DeLauro: The 2008 Farm Bill was recently enacted and contained many changes to the FNS nutrition programs. Please provide a summary of the changes in the Farm Bill that affect FNS and the estimated schedule for implementation.

Response: A list of provisions in the Food, Conservation and Energy Act of 2008 that affect Federal nutrition assistance programs is attached.

Pursuant to Section 4407, most provisions under Title IV (Nutrition) take effect on October 1, 2008. FNS is providing implementation information to States to support timely implementation of all provisions that impact the receipt of benefits by program participants.

The agency expects to monitor State implementation and follow up with technical assistance as necessary. Formal rulemaking for most Title IV provisions will be developed and pursued in 2009.

[The information follows:]

FOOD, CONSERVATION AND ENERGY ACT OF 2008
TITLE IV - NUTRITION PROGRAMS

Section 4001 - Renaming of the Food Stamp Act and Program - This provision renames the Food Stamp Program the Supplemental Nutrition Assistance Program (SNAP) and renames the Food Stamp Act of 1977 the Food and Nutrition Act of 2008. (Section 4002 makes conforming amendments.)

Section 4101 - Exclusion of certain military payments from income - This provision excludes combat-related military pay from consideration as income when determining eligibility and benefit levels if the additional pay is the result of deployment to or service in a combat zone and was not received immediately prior to serving in a combat zone.

Section 4102- Strengthening the food purchasing power of low-income Americans - This provision raises the minimum standard deduction from $134 (current) to $144 for FY 2009 and indexes it to inflation starting in FY 2010.

Section 4103 - Supporting working families with child care expenses - This provision eliminates the cap on the deduction for dependent care expenses, allowing working families with children to deduct the entire amount of child care expenses when calculating eligibility and benefit levels.

Section 4104 - Asset indexation, education and retirement accounts - The provision indexes the asset limit to inflation and adjusts it to the nearest $250 increment beginning October 1, 2008. Each adjustment is based on the unrounded amount for the prior 12-month period. It also excludes most education and retirement accounts as countable resources in determining SNAP eligibility.

Section 4105 - Facilitating simplified reporting - This provision authorizes all households to be placed on simplified reporting, eliminating the prohibition on simplified reporting for elderly, disabled, homeless and migrant households.

Section 4106 - Transitional benefits option - This provision allows State agencies to provide transitional benefits to households leaving a State funded cash assistance program.

Section 4107 - Increasing the minimum benefit - This provision indexes the minimum benefit to 8 percent of the cost of the maximum allotment for a household containing 1 member.

Section 4108 - Employment, training, and job retention - This provision permits the use of education and training (E&T) funds for post-employment job retention services for up to 90 days. It clarifies that any individual voluntarily electing to participate in an E&T program is not subject to the hour of work limitation.

Section 4111 - Nutrition Education - This provision clarifies the legal basis and requirements for nutrition education in the Supplemental Nutrition Assistance Program.

Section 4112 - Technical clarification regarding eligibility - This provision requires USDA to define the term "fleeing" and "actively seeking', and ensures that State agencies use consistent procedures that disqualify individuals whom law enforcement authorities are actively seeking for the purpose of holding criminal proceedings against the individual.

Section 4113 - Clarification of split issuance - This provision clarifies that States must issue Supplemental Nutrition Assistance Program benefits to individuals in one lump sum monthly unless a benefit correction is necessary.

Section 4114 - Accrual of benefits - This provision requires State agencies to establish a procedure for recovering electronic benefits from a household's account if the account hasn't been accessed within 6 months. It requires State agencies to expunge benefits that have not been accessed by a household after a period of 12 months. It requires the State agency to notify households if their benefits are moved off-line and to make the benefits available within 48 hours upon the request of a household.

Section 4115 - Issuance and use of program benefits - This provision prohibits States from issuing paper coupons as of the date of enactment of the Farm Bill. It de-obligates paper coupons as legal tender one year from this date, and makes EBT cards the sole method of delivery. It updates the statute with more current EBT terminology. This provision prohibits interchange fees to retailers for EBT transactions.

Section 4116 - Review of major changes in program design - This provision requires USDA to develop standards for identifying major changes in the operations of State agencies and requires States to notify USDA upon implementing a major change in operations and collect any information required by USDA.

Section 4117 - Civil rights compliance - This provision applies four major civil rights laws (the Age Discrimination Act of 1975, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and Title VI of the Civil Rights Act of 1964) to all aspects of the Supplemental Nutrition Assistance Program.

Section 4118 - Codification of access rules - This provision requires States to comply with USDA rules requiring bilingual personnel and material in areas in which a substantial number of low income household members speak a language other than English.

Section 4119 - State option for telephonic signature - This provision allows States to establish a system by which an applicant may sign an application through a recorded verbal assent over the telephone. The system must record the verbal assent, include effective safeguards against impersonation, identity theft and invasions of privacy, not interfere with the right to apply in writing, provide the household a written copy of the application with instructions for correcting any errors, and make the date of application the date of the verbal assent.

Section 4120 - Privacy protections - This provision requires States to establish safeguards that would prohibit the use or disclosure of information obtained from households except to persons directly connected with the administration or enforcement of 1) the Food and Nutrition Act, 2) related regulations, 3) Federal assistance programs, or 4) Federally-assisted State programs.

Section 4121 - Preservation of access and payment accuracy - This provision adds plans for proper testing to the list of criteria USDA must apply when deciding whether to approve federal funding for new State automated systems, including pilot projects in limited areas for major systems changes.

Section 4122 - Funding of employment and training programs - This provision makes E&T funding allocations to States available for fifteen months rather than until expended.

Section 4131 - Eligibility Disqualification - This provision allows disqualification of a person who has been found by a court or administrative agency to have (1) intentionally obtained cash by purchasing products with SNAP benefits that have containers requiring return deposits, discarding the product, and returning the container for the deposit amount, or (2) intentionally sold food purchased using SNAP benefits. The disqualification period must be prescribed by regulation.

Section 4132 - Civil penalties and disqualification of retail food stores and wholesale food concerns - This provision allows USDA both to assess a civil penalty and to disqualify a retail or wholesale food store authorized to participate in SNAP, and eliminates the minimum disqualification period. As a condition of reinstatement, a store that has been previously disqualified or assessed a penalty may be required to furnish a bond for five years to cover the value of benefits that the store may accept in the future. The provision also allows USDA, in certain cases, to suspend a retail store or wholesale food concern from processing benefits pending administrative action to disqualify the store.

Section 4133 - Major systems failures - This provision allows USDA to prohibit State agencies from collecting claims from a household and to assert a claim against a State in cases of major systemic error resulting in substantial overpayments. It allows for administrative and judicial review and alternative methods of collection if the State fails to make a payment.

Section 4141- Pilot projects to evaluate health and nutrition promotion in the supplemental nutrition assistance program - This provision authorizes USDA to carry out pilot projects to develop, test and evaluate methods of using the SNAP program to improve the dietary and health status of households eligible for or participating in SNAP and to reduce overweight and obesity. It provides $20 million in mandatory funding for a project to test point-of-purchase incentives for healthful foods (to be made available on October 1, 2008, to remain available until expended), and authorizes appropriations for other projects. It requires the Secretary to submit an annual report to Congress on the status of each pilot and the results of the evaluations as well as to broadly disseminate the evaluation results. It authorizes to be appropriated the necessary sums to carry out this section but includes $20,000,000 in mandatory funding.

Section 4142 - Study on comparable access to supplemental nutrition assistance for Puerto Rico - This provision requires the USDA to carry out a study of the feasibility and effects of including Puerto Rico as "State" in lieu of providing a block grant. It requires the Secretary to submit a report within two years of enactment of the Farm Bill.

Section 4201 - Emergency Food Assistance - This provision increases TEFAP commodity purchases to $190 million for FY 2008, $250 million for FY 2009, and $250 million adjusted for inflation for FY 2010 through 2012. It eliminates the need for periodic updates for TEFAP State plans except when operations change,

authorizes $100 million for TEFAP administrative funding, and includes donated wild game in the list of allowable uses of funding.

Section 4202 - Emergency Food Program Infrastructure Grants - This provision sets up a program of grants to emergency feeding organizations to (A) expand the capacity and infrastructure of food banks, statewide food bank associations and food bank collaboratives that operate in rural areas, and (B) improve the capacity of food banks to procure, receive, store, distribute, track and deliver time sensitive or perishable food products. It authorizes $15 million for each of FY 2008 through 2012.

Section 4211 - Assessing the Nutritional Value of the FDPIR Food Package - This provision prohibits participation of individuals in the SNAP if they have been disqualified from FDPIR (but not vice versa). It authorizes the purchase (subject to appropriations) of bison meat for FDPIR recipients. It authorizes $5 million in appropriations for USDA to purchase traditional and locally-grown foods for FDPIR participants if such products can be purchased cost-effectively, and requires a survey of FDPIR participants to determine which traditional foods are most desired. It also requires study of the FDPIR food package in comparison to the SNAP, to the Dietary Guidelines, and to the needs of low-income Native Americans. (No funds provided.)

Section 4221 - Commodity Supplemental Food Program - This provision eliminates the preference requirement for women and children in the CSFP.

Section 4231 - Senior Farmers' Market Nutrition Program - This provision authorizes honey as eligible food, excludes SFMNP benefits from consideration as income for other programs, and prohibits the collection of sales tax on program benefits.

Section 4301 - State Performance on Enrolling Children Receiving Program Benefits for Free School Meals - This provision requires the Secretary to report on the effectiveness of each State in enrolling school-aged children receiving SNAP benefits for free meals through direct certification. A report is due to Congress not later than December 31, 2008 and each year thereafter on June 30.

Section 4302 - Purchases of Locally Produced Foods - This provision directs USDA to encourage, advise and allow institutions to use geographic preference in procurement activities to purchase unprocessed locally grown and raised agricultural products.

Section 4303 - Healthy Food Education and Program Replicability - This provision expands grant priorities to include promotion of healthy food education in the school curriculum, and establishes a pilot program for high poverty schools to target grants to public or non-profit entities in up to 5 States to develop and operate community gardens at high-poverty schools. (No funds provided.)

Section 4304 - Fresh Fruit and Vegetable Program - This provision provides grants to all States to make free fresh fruits and vegetables available in elementary schools throughout the day a part from the regularly scheduled meal service. It limits participation to schools with 50 percent or greater free- or reduced-price enrollment, and gives priority to the highest poverty schools, and establishes per student grant levels of $50 to $75. For transition purposes, the provision permits the continued participation of currently participating secondary schools through 2010, and all other currently participating or selected schools to participate in SY 2008/09. It provides mandatory funding of $40 million in October 2008, $65 million in July 2009, $101 million in July

2010, $150 million in July 2011, and $150 million indexed to the CPI in July 2012. It requires the Secretary to evaluate and report not later than September 30, 2011, making available $3 million for the evaluation for obligation through FY 2010.

Sec 4305 - Whole Grain Products - This provision authorizes the purchase of whole grains and whole grain products for use in school meals in addition to commodities regularly provided. It requires evaluation of increased consumption and acceptability of whole grain products among children, recommendations for integration of whole grain products and any other outcomes, due not later than September 30, 2011.

Sec 4306 - Buy American Requirements - This provision recommends the Department undertake training, guidance, and enforcement of the various current Buy American requirements, including those of the Richard B. Russell National School Lunch Act.

Section 4307 - Survey of food purchased by school food authorities - This provision requires USDA to carry out a survey for fiscal year 2009 of foods purchased by schools participating in the National School Lunch Program. Provides $3 million in CCC funds to carry out the survey.

Section 4401 - Bill Emerson National Hunger Fellow and Mickey Leland International Hunger Fellows - This provision reauthorizes both programs; authorizes grant funding to the Congressional Hunger Center.

Section 4402 - Assistance for community food projects - This provision reauthorizes Community Food Projects with $5 million in mandatory annual funding, and provides an additional $1 million annually in FYs 2009 through 2011, and $2 million in FY 2012, to support a new Healthy Food Urban Enterprise Development Center.

Section 4403 - Joint nutrition monitoring and related research activities - This provision directs USDA and HHS to continue to provide jointly for national nutrition monitoring and related research activities.

Section 4404 - Section 32 Funds for Purchase of Fruits, Vegetables and Nuts to Support Domestic Nutrition Assistance Programs - This provision increases requirement to use Section 32 funds to purchase of fruits, vegetables and specialty crops beyond the current $200 million level by the following amounts: , the Secretary must purchase the following additional amounts of fruits, vegetables and nuts for the domestic nutrition assistance programs as follows: $190 million in FY 2008, $193 million in FY 2009, $199 million in FY 2010, $203 million in FY 2011, and $206 million in FY 2012, and each FY thereafter. Provision also requires the purchase of at least $50 million in fruits, vegetables, and specialty crops for distribution to schools and service institutions.

Section 4406 - Reauthorization - This provision extends authorization through 2012 for TEFAP administrative funding, the Commodity Distribution Programs, CSFP administrative funding, and surplus commodity distribution. Provision also extends Senior Farmers' Market Nutrition Program funding through 2012 at $20 million per year (from CCC).

Section 4407 - Effective and Implementation Date - This provision sets the effective date for Title IV provisions, except as otherwise provided, at October 1, 2008.

Ms. DeLauro: In FY 2008, we provided authority and funding to expand the Fresh Fruit and Vegetable Program to all States that were not already served by the authorized pilot program. Can you provide this Subcommittee with the timeline for implementation of the National Fresh Fruit and Vegetable Program? Can you lay out for us how the process is going? Please discuss the differences between the original pilot program and the program as authorized in the 2008 Farm Bill.

Response: Both the Consolidated Appropriations Act of 2008 (signed December 26, 2007) and the Food, Conservation, and Energy Act of 2008 -- the Farm Bill -- (enacted May 22, 2008) provided funds for the nationwide expansion of the Fresh Fruit and Vegetable Program (FFVP). In order to implement the FFVP nationwide, FNS has taken or is taking the following steps:

- Held conference calls in February 2008 with each of our Regional Offices and their states to provide guidance on the implementation process, program operations, and strategies for success.

- Issued an implementation memorandum on March 12, 2008 that consolidated all the relevant information from the conference calls.

- Issued a policy memorandum on July 11, 2008 setting forth the criteria established in the Farm Bill for the program's expansion.

- Conducted two workshops in mid-July at the School Nutrition Association Annual National Conference with representatives from our seven regional offices and virtually every State agency.

- Issued an additional technical assistance memorandum on July 31, 2008 as a follow-up to the July workshops. FNS completed a second round of conference calls by August 7, 2008 with each Regional Office and their respective states to provide an additional forum for regional and state staff to ask questions and for FNS to provide further guidance.

- Continue to work with our Regional Offices to provide guidance and technical assistance to States as questions arise.

Currently all States are moving forward with program implementation. We expect that the FFVP will be fully operational by the first quarter of the school year 2008-2009. FNS believes nationwide implementation of the FFVP is going well and on schedule.

The main differences between the original pilot program, as authorized under the Farm Security and Rural Investment Act of 2002, and the FFVP as authorized in the 2008 Farm Bill are the following:

- Number of states/schools - The pilot project limited the program to four States (25 schools each) and selected schools in one Indian Tribal Organization. The Farm Bill expanded the program to the 50 States and the District of Columbia, and it further expanded the Program to include Guam, Puerto Rico and the Virgin Islands. In addition, the Farm Bill does not limit the number of schools within each state, rather, it provides specified levels of funding and permits States to determine the number of schools, within specified constraints.

- Permanent authority - The original FFVP started as a pilot program and became a permanent program in limited states under the Child Nutrition and WIC Reauthorization Act of 2004. The Farm Bill continued the FFVP as a permanent program and expanded the program nationwide, with significantly increased funding.

- Selection criteria - State Participation in the pilot program was based on criteria developed by Centers for Disease Control and Prevention, as well as the Bureau of Labor Statistics and the Bureau of Census. The main selection criteria included overall poverty rate, the fruit and vegetable consumption rates, and the rate of participation in the National School Lunch Program. The 2008 Farm Bill now includes all States, but established additional selection criteria for schools, some of which include:

  - limiting participation to elementary schools,
  - selecting schools that have at least 50 percent free and reduced price participation,
  - conducting outreach and selecting the neediest schools, and providing a per-student funding of $50.00 and $75.00.

Ms. DeLauro: The FY 2009 budget again proposes to restrict WIC benefits for individuals who receive medical assistance or whose family member is a pregnant woman or infant who receives assistance, unless their family income falls below 250 percent of the applicable poverty guidelines. How many states would this restriction affect and how many participants do you estimate fall above the 250 percent threshold? Describe the expected change in the state approval process if this restriction becomes law.

Response: FNS estimates that this restriction would impact roughly 8,000 WIC participants in five States (Hawaii, Maryland, Minnesota, New Hampshire and Vermont) and the District of Columbia, and save roughly $6 million in FY 2009.

WIC clinics in States that have income thresholds above 250 percent of the federal poverty guidelines for Medicaid or SCHIP-funded Medicaid expansion programs will have to collect income data at certification for all WIC applicants. Applicants in these States will not be accepted as income-eligible on the basis of documented eligibility for the States' Medicaid or SCHIP-funded Medicaid expansion programs alone. However, all States currently have procedures in place to collect income information from applicants who do not participate in one of the programs that confers adjunctive eligibility for WIC benefits.

Questions from Mr. Farr

Child Nutrition and WIC Reauthorization Act

Mr. Farr: Since the start of fiscal 2004, the Child Nutrition and WIC Reauthorization Act of 2004 has annually provided $4,000,000 for Administrative Review and Training Grants. Under the statute, this money is to remain available until expended. Am I correct in that each year since 2004 FNS has awarded an average of about $1 million per year? Is there now $9 million available to the states?

Response: The Child Nutrition and WIC Reauthorization Act of 2004, P.L. 108-265 provides $4 million per year for this purpose, beginning in 2005. These funds remain available until expended. FNS has awarded a total of $3,208,775.98 during fiscal years 2005 through 2007, an average of approximately $1,069,592 per year ($919,721 in FY 2005; $1,285,236.98 in FY 2006; and $1,003,818 in FY 2007).

Each year since FY 2005, FNS has issued an annual solicitation notifying States of the availability of $4 million in funds for the performance of administrative reviews and training of selected local educational agencies (LEAs) identified by the States as having demonstrated a high level of, or high risk for, administrative error in the National School Lunch Program (NSLP). Between FY 2005 and FY 2007 FNS awarded over $3.2 million in competitive grant awards to selected LEAs.

An additional $3 million has been utilized in administrative support as well as to further assist State agencies in the monitoring of meal pattern and nutrient content compliance, error reduction and program review through the provision of training and technical assistance material related to improving administrative accuracy in school meals programs; and by assisting State educational agencies in reviewing the administrative practices of local educational agencies as per section 7 of the Child Nutrition Act of 1966. At the end of FY 2007 there was an approximate balance of $5.6 million in unspent training and administrative review funds, and in FY 2008 another $4,000,000 was provided, resulting in a total balance available of approximately $9.6 million. FNS issued a fourth solicitation on December 11, 2007, with a due date for response on March 12, 2008. Applications received for this most recent solicitation are currently being reviewed.

Mr. Farr: Would you provide for us, by fiscal year, the number and dollar value of applications received, the number and dollar value of applications awarded, the unexpended balance by fiscal year and in total, and the opening and closing dates for applications, as well as the award dates? Please include in your report a list of the successful awards by fiscal year, with a brief description of each project and what has been accomplished to date?

Response: Pursuant to the Child Nutrition and WIC Reauthorization Act of 2004, P.L.108-265, FNS released the initial solicitation for funding to State agencies (SAs) on December 21, 2004, with a due date for response on February 14, 2005. This funding was made available to perform administrative reviews and training of

selected LEAs identified by the States as having demonstrated a high level of, or high risk for, administrative error in the National School Lunch Program (NSLP).

In response to the FY 2005 solicitation, FNS received five requests. After a round of clarifications/justifications all five were awarded funding, as shown below:

	Amount Requested	Amount Awarded
FY 2005 Totals:	$920,581	$919,721
Balance Available:	$4,000,000	Remaining balance: $2,912,892 (Less awards and admin costs)

In FY 2006 FNS issued a second solicitation on October 25, 2005, with a due date for response on January 27, 2006. In response to the solicitation, FNS received request from 11 SAs. Eight were approved, one denied and two withdrew their requests after a round of clarifications.

FY 2006 Request and award amounts:

	Amount Requested	Amount Awarded
FY 2006 Totals:	$3,708,571.58	$1,285,236.98
Balance Available	$6,912,812	Remaining balance: $4,329,893 (Less awards and admin costs)

In FY 2007 FNS issued a third solicitation on February 1, 2007, with a due date for response on April 2, 2007. In response to the solicitation, FNS received request from four SAs. Three were approved and one withdrew their request after a round of clarifications.

FY 2007 Request and award amounts:

	Amount Requested	Amount Awarded
FY 2007 Totals:	$1,671,156	$1,003,818
Balance Available	$8,329,893	Remaining balance: $5,600,627 (Less awards and admin costs)

FNS issued a fourth solicitation on December 11, 2007. The FY 2008 grant review process is currently underway.

The enclosed charts provide an overview of the Administrative Review and Training Grant activities accomplished to date. The incorporated is information for each State receiving a grant, including their respective project summaries/activities.

GRANT AMOUNT	STATE AGENCY (SA)	FY 2005 DESCRIPTION OF GRANT ACTIVITY
$164,550	Idaho Department of Education (ID DOE)	• Due to a limited number of follow up reviews in the State, the SA identified high-risk/error prone local educational agencies (LEAs) as those LEAs in rural areas with limited means to attend training, those with low education levels, small labor populations and high turnover due to retirements. The SA developed and implemented statewide regional training under a systemized map grouping process that maximizes efficiency. • ID DOE received the cost to cover a cadre of trainers, conducted train the trainer efforts and implemented a well structured compliant system for targeted sponsors coupled with development of resources and material to support the training efforts.
$92,756	District of Columbia Special Nutrition and Commodity Programs (DC DOE)	• The biggest challenge facing the DC Public Schools is the lack of updating benefit issuance documents (BIDS) for completed applications in a timely fashion. DC DOE expanded the number of administrative reviews, provided individual training and technical assistance to new Foodservice Directors and conducted training workshops coupled with follow up reviews to measure the effectiveness of revised procedures and training. • Based on the SA historical review activities, major errors regarding meal counting and claiming procedures are prevalent resulting in the need for additional administrative reviews and training coupled with follow up visits to measure effectiveness. In addition, based on reviews of public charter/private schools, administrative errors regarding the meal counting and claiming procedures requires additional administrative reviews of the largest error prone charter/private schools.
$34,675	Maine Department of Education (ME DOE)	• Due to local employee turnover, reviewers found more and more errors which create an environment of high risk for administrative errors. To address this problem ME DOE requested grant funding to train staff from school districts that have had Performance Standards violations over a five year period. The SA conducted three two day "Back to Basics" trainings for participants including new directors, new food service and school district employees.
$377,740	Michigan Department of Education (MI DOE)	• Due to high volume/risk coupled with staff turnover in charter schools, MI DOE requested grant funding to increase review activity and create a technology based web training system to sustain administrative reduction errors between review cycles as well as maximize the number of School Food Authorities (SFAs) reached. • Funding was awarded for a Staff Analyst to conduct additional reviews, staff consultant to facilitate development of the internet learning system, travel, supplies, etc.
$250,000	Montana Department of Education (MT DOE)	• The SA increased professional staff by one full-time equivalent to provide additional support to schools identified as error prone. • MT DOE conducted follow up reviews with additional technical assistance for SFAs that have Performance Standard Violations to decrease error rate. • The SA provided training opportunities for new and/or small SFAs that implemented programs prior to 2006-2007 school year and provided on-site technical assistance. The State conducted a minimum of 32 regional training sessions and offered on-site technical assistance designed to give an overview of use of computer software to enter agreement information and submit monthly claims.

GRANT AMOUNT	STATE AGENCY (SA)	FY 2006 DESCRIPTION OF GRANT ACTIVITY
$96,958	Alaska Department of Education (AK DOE)	• Due to high staff turnover, the SA is developing and implementing a comprehensive training module coupled with follow up in SFAs/schools to monitor progress. • The targeted problems of student eligibility, verification (related to changes associated with reauthorization) and meal counting and claiming, affects seven SFAs with a combined enrollment of 3,719 that contains 16 sites with an enrollment of 1,849. • AK DOE was provided the cost to cover a contractor to develop and implement training, conduct follow-up site visits, and produce summary reports to the State. • One-third of a FTE position (SA Foodservice Coordinator to oversee the project) was charged to the grant.
$222,000	Florida Department of Education (FL DOE)	• Based on the SA historical review activities/review statistics, ten SFAs and schools containing seventy-seven sites were identified as having a higher risk for administrative error in the four problem areas of meal counts and claims, application errors, production records/menus and Procurement.. • Five-day training sessions in four regions of the State were developed by eight contract resources acquired through the National Food Service Management Institute (NFSMI) with the overall project being managed by Florida State University. Measurement is a large part of the project resulting in reviewers collecting baseline of where the error-prone SFAs are coming from, and they will have to review again to see what impact the training had.
$77,023.50	District of Columbia Department of Education (DC DOE)	• Due to the lack of capacity and a high rate of staff turn over in charter/private schools, the SA expanded the administrative review process training to principals, assistant principals, business/operations managers and foodservice staff. The SA conducted four trainings at the start of the 2006-07 school year; eight follow up reviews from the 2005-06 review cycle after receiving training and; eight additional sites visited from the 2006-07 review cycle to evaluate the effectiveness of the training. • Many of the charter/private schools rely on manual counting systems to provide daily meal counts. By doing so, several schools are prone to human error. The SA conducted site visits at ten schools identified by the State as those without automated point of service systems and have had consistent problems in meal counting and claiming; evaluation of data and development of step-by-step procedures/tools and; conduct five additional site visits to measure the effectiveness of the new tool.
$55,578	Utah Department of Education (UT DOE)	• Based on historical Coordinated Review Effort (CRE) review data, charter schools, smaller school districts and districts with new directors have had problems with program operations. To that end, the State conducted additional reviews (pre and post/follow up) in 44 charter schools, smaller districts and districts with new directors. • The States hired a contract reviewer to perform additional administrative reviews and hired a curriculum development specialist to design six training modules plus reproduction to address review findings/ deficits in program operations.

GRANT AMOUNT	STATE AGENCY (SA)	FY 2006 DESCRIPTION OF GRANT ACTIVITY
$82,760	Washington State Office of Public Instruction (WA DPI)	• Fifteen LEAs were identified as having significant problems and needing one-on-one training and in most cases; a CRE to document the LEA's progress was required. Out of the 15, seven had problems associated with the lack of cross training where new directors/supervisors were hired; six continued to require corrective action in specific program operation areas and; two changed from being managed by a Food Service Management Company to self operating which lead to problems associated with the tasks relating to food production. • Funding was awarded to contract a project coordinator to oversee the grant process, write RFAs, conduct training, and prepare reports. • Additional funding was awarded to hire and train (train the trainer) three contractors with strong food service management backgrounds to provide one-on-one training, with follow up visits to ensure the training was implemented, and to conduct additional CRE reviews.
$343,332	Pennsylvania Department of Education (PA DOE)	• Based on results from review activities and input from the Pennsylvania Department of Education's Field Advisors (monitors), the SA developed a comprehensive oversight and training plan that provides multiple educational opportunities considering diverse learning styles, the need for sustainable materials, and SFAs' limited resources to fund employees to travel to training events. The State hired an additional field advisor to work intensively with error prone SFAs and contract with Penn State University to manage and promote the training components and develop educational materials. • The problem areas identified were: meal counting and claiming; applications errors and; verification and certification. To address these issues, the SA conducted additional reviews/oversight, conducted two regional workshops (1 ½-2 hours hands-on sessions) and created on-line training modules (downloads, print materials, video clips etc).
$219,788.48	California Department of Education (CA DOE)	• Based upon a historical analysis of CRE reviews in the State, the SA hired a part-time contractor to develop, implement and monitor multiple strategies, which will reduce error prone SFAs' risk of administrative error. • The SA implemented small group workshops conducted by two trainers plus resource binders for each participant. Contracted for the development and evaluated six regional small group workshops across the State. Each of the 118 high risk SFAs identified was required to attend. • The SA engaged in a short term contract for one trainer to conduct four hours of on-site technical assistance in 34 error prone SFAs to develop implement and evaluate the effectiveness of the on site training and materials.

GRANT AMOUNT	STATE AGENCY (SA)	FY 2006 DESCRIPTION OF GRANT ACTIVITY
$187,797	Iowa Department of Education (IA DOE)	• Due to an increased strain on local budgets, SFAs lacked the resources to replace vacating staff. Some SFAs had one individual performing multiple job functions while others did not have the needed cross-training or written procedures to ensure program integrity when individuals leave. The intent was to increase program integrity of the SFAs identified as high risk by reducing or eliminating administrative errors. The SA conducted the following: 1) Developed core resources for staff development time to create a comprehensive resource manual on meal eligibility determination, verification, meal components and claiming and; Contracted/purchase IT support to enhance the piloted, "Iowa Certification and Verification Excel Spreadsheet" (ICAVES) for identifying error prone applications and to simplify the verification process; Purchased a laptop computer and peripherals to provide technical assistance, perform review activity and track grant activity; Produced ICAVES CDs and; printing cost/postage of core resources. 2) Provided in-depth training and technical resources to two new SFAs and four future SFAs (two each year) to reduce or eliminate their risk of administrative error and to conduct a review early in the SFA's participation in NSLP. 3) Provided on-site training and performed follow up reviews in SFAs/schools with higher error rates (5 percent or greater certification/counting/claiming error rates or PS 1 violation during SY 04-05; provide training for a maximum of 20 anticipated future SFA/schools per year (FY 07 & 08) for a total of 40 visits and; a maximum of five SFAs per year (FY 07, 08 and 09) for follow up visits. 4) In order to decrease or eliminate the risk of SFA administrative errors, the SA conducted a total of 12 training sessions (four hour sessions each in 06, 07 and 08) for new, and refresher training for SFAs who have recently hired staff or newly assigned staff that have administrative responsibility, but have had little or no training. 5) Provided targeted administrative training to SFAs not meeting or following the established timelines for the verification process as required by reauthorization and; the SFAs identified as high risk were monitored to ensure completion of the verification process by Nov 15.

GRANT AMOUNT	STATE AGENCY (SA)	FY 2007 DESCRIPTION OF GRANT ACTIVITY
$180,592	Idaho Department of Education (ID DOE)	• Due to high staff turnover in rural areas with small labor pools and limited resources to attend training, the SA is developing and implementing a comprehensive training program for charter schools/tribal schools and those with new supervisors. • The goal is to provide materials and resources for the NSLP Director at the specific sites determined to have a potential of high risk on all topics concerning the administration of the CN program. • ID DOE was awarded the cost to cover six regional trainings, followed up by one-on-one on-site training coupled with a pared down CRE in six selected sites. • Due to high staff turnover and the unique environment found in residential child care institution (RCCI) facilities, the SA is developing a training manual and conducting one statewide training for 24 RCCI facilities.
$439,914	Hawaii Department of Education (HI DOE)	• Based upon a historical analysis of CRE reviews in the State, the SA will hire a grant coordinator/trainer/reviewer and three trainers/reviewers to provide training to SFAs; conduct one-on-one and follow up training; and, conduct CRE reviews in 29 error prone schools. In addition, 11 selected error-prone SFAs operating private, charter, and RCCIs will receive individualized one-on-one personalized training and one follow-up visit with a CRE review occurring during the 2008-09 school year. • HI DOE also requested training/administrative review material.
$383,312	Wisconsin Department of Public Instruction (WI DPI)	• As a result of findings and recommendations from an OIG audit, the SA will hire two additional consultants to conduct additional CRE reviews and provide hands-on training at nine schools. • WI DPI was also awarded resources for a comprehensive training program (training manual, on-site assistance and web-based training) to decrease performance standards violations for 18 selected schools. • Additional budgeted line items include: Total for manual and "WiseLine" development); Initial staff training on grant; Grant wrap-up and CRE Closure and allocated cost for usage of computers.

Mr. Farr: Why are you awarding such a small portion of the available funds? Is the application time frame too short? Is the scope of action within the solicitation too narrow? Are there requirements in the solicitation that potential applicants tell you are too onerous? Are you now including grants for technology as a part of the ART grants?

Response: The expected outcome of these grants is to decrease administrative errors in those LEAs identified by States as having problems or where problems are likely to arise.

Over the past three years, relatively few States have applied for these funds and of those who have applied, far less funds have been requested than have been made available. Some States have indicated that limited staff resources make error prone LEA identification and grant administration challenging on the State level. States are currently required to conduct a minimum number of reviews of their LEAs on a cycle basis. Many States have commented that the staff resources required to conduct additional reviews over and above their normal cycle makes applying for these funds somewhat difficult. In response to these concerns, FNS is exploring NSLP free and reduced price meal application verification data and other potential data sources to assist states in further identifying which LEAs are most likely to be error prone.

Technological solutions that will assist in error reduction in those selected LEAs identified by the States as having demonstrated a high level of, or high risk for, administrative error in the NSLP have always been considered for funding. As a result of review and clarifications of previous applications, some States notified FNS that the allowability of technology proposals was not explicit in previous requests for proposals. In response to State requests for clarification on this issue, FNS has revised the FY 2008 request for proposals so that it would explicitly mention technological solutions which address the purposes of the Administrative Review and Training grant as an option for grant funding.

Each solicitation for request of grant funds has been made available through www.grant.gov and the FNS Web site, www.fns.usda.gov, for a period of no less than 60 days, which is considered the standard time frame for the majority of FNS' grant solicitations. None of the potential applicants has ever implied that the duration of the solicitation has been either too short or an inadequate amount of time in which to prepare their proposals. In addition to further notifying States of the availability of this funding, copies of each solicitation were transmitted to each NSLP State Director upon the date of issuance.

FNS has consistently notified the States of the availability of this funding and stressed the importance of strengthening program integrity through the utilization of the Administrative Review and Training Grants. Through various presentations and trainings nationwide with our regional offices, State agency Directors, national partners such as the School Nutrition Association, Food Research and Action Committee and America's Second Harvest, we have informed the States of the program improvements that can be obtained through increased local level review and targeted training.

Questions from Ms. Kaptur

Food Stamp Program

Ms Kaptur: Ms. Johner, I would like to thank you for joining me in Ohio to hear first hand about the tremendous need faced by the Hunger community. As we saw first hand, the food banks are facing a real crisis. Donations are down, poverty is rising, heating costs are up, homelessness is skyrocketing, our economy is in crisis and our housing market is in meltdown while our food banks are the front line. This is all at a time when we are trying to rework the framework for making our nutrition programs work not only for the needy but the local agricultural production community. I would appreciate your impressions on our discussion.

Response: I appreciated the opportunity to hear directly from the citizens of Toledo and the surrounding area on the many challenges facing the local community and farmers. Those discussions were a great first step to identify the issues and get the local community together to begin a constructive dialogue. Solutions to these problems are best developed from the ground up. In fact, I have started a practice of roundtable discussions in several States that provide for dialogue, sharing of information, and problem-solving opportunities regarding these very issues and look forward to a return trip to Ohio to further discuss opportunities to improve access to USDA's critical nutrition programs which currently touch one in five Americans yearly.

Ms Kaptur: How can we get these plans started?

Response: During my visit last February, I committed to return to Ohio and conduct a roundtable discussion to identify solutions such as utilizing available Federal resources and identifying ways that local growers and farmers can access FNS programs, including the Senior Farmer's Market Program and Food Stamp Program. I am scheduled to be in Toledo on July 23 for the roundtable, and have invited the State to engage in this process as well since they are a key partner. It will take commitment from the local, State and Federal levels to solve the issues facing Ohioans.

Ms Kaptur: How can we get AMS and Extension involved in this effort?

Response: I have already engaged my counterparts in leadership at USDA, and will travel with Under Secretary Rey to visit farms and other local and State organizations. In addition, we are working to specify methods for developing links between local producers and nutrition programs, and we look forward to working with the local and State representatives to identify ways to begin to move forward. My staff will brief your staff regarding follow-up actions.

Senior Farmers' Market

Ms Kaptur: How to we get an EBT machine at every single farmers market? What are the legal and structural hurdles that we need to overcome?

Response: There are no legal hurdles associated with getting EBT machines into all farmers' markets; however, there are logistical hurdles. Many farmers' markets do not have electricity or phone lines, which are necessary to support regular EBT Point-of-Sale (POS) devices.

Fortunately, over the years, alternative redemption systems have been developed to help farmers' markets adapt to this new environment. FNS approves demonstration projects using alternative forms of food stamp benefit issuance in conjunction with EBT, including scrip, tokens, and receipts. These projects allow recipients to exchange their EBT food stamp benefits for scrip or tokens to purchase produce and other eligible food products at individual stalls in a farmers' market.

Additionally, as wireless technologies have improved more markets are able to take advantage of wireless POS terminals. Wireless POS terminals allow for the same real time EBT transactions as wired POS. The major hurdles to using wireless technology are equipment and maintenance costs and wireless transaction fees. In many instances, these costs are born by the markets themselves or by the organizations which sponsor the markets. Successful markets have leveraged grants (e.g. Agricultural Marketing Service grants or those from private foundations such as the Kellogg Foundation) and their affiliations with organizations such as the State Farm Bureau to help reduce equipment and transaction processing costs. Participating farmers also found that the larger advantage of wireless POS is the ability to run commercial debit and credit as well as EBT transactions. As in other retailer venues, commercial transactions at farmers' markets help to justify and off-set the cost of equipment and processing.

FNS continues to support options that allow farmers' markets to accept foods stamp EBT benefits efficiently and securely. The number of farmers' markets participating in the Food Stamp Program increased by 22 percent between 2006 and 2007. In 2007, 532 farmers' markets participated in the program (up from 436 in 2006), and redeemed over $1.6 million in food stamp benefits.

To further Federal and State governments' support of farmers' market participation in the Food Stamp Program, our State EBT partners and FNS will dedicate a full day to farmers' market issues at the 2008 National EBT Director's Meeting in Utah in April 2008.

To view what States are doing to improve access to food stamp benefits via use of EBT in farmers' markets, please see our Web site at http://www.fns.usda.gov/fsp/ebt/ebt_farmers_markstatus.htm.

Ms. Kaptur: If the Farm Bill approves higher authorizations for the Senior Farmers Market Nutrition Program, are we ready to roll out the program to new states?

Response: If the Farm Bill provides an increase to the program, the Department is ready to bring on new States.

Commodity Supplemental Food Program (CSFP)

Ms Kaptur: When we were visiting the CSFP loading facility, I was struck by the determination of the local volunteers. It was almost as if they were too busy dealing with the tremendous need to notice the cameras and the glitz. The volunteers seemed to care more about boxing the canned goods more than their Congresswoman and the head of the nutrition programs. I think this is emblematic of the challenge we face. The nutrition community is shell shocked, desperately struggling just to stay above water that they can't think with vision about where we need to go. It is our job to use our positions to provide a vision for the future of nutrition. I would love to hear your ideas about how we help nutrition take the next step. What programs can we start implementing or what proposals can we move to get the hunger community plugged into the sustainable agriculture community?

Response: The 2008 Farm Bill will provide us with opportunities for linking the hunger community with the sustainable agriculture community. For example, when the Farm Bill is implemented, schools may choose to use a geographic preference when procuring unprocessed agriculture products with Federal funds. Purchasing locally-grown products at reasonable costs may provide excellent opportunities to promote community-based sustainable agricultural initiatives.

The Farm Bill also proposes increased funding for the Seniors Farmers' Market Nutrition Program. Through the program, USDA awards grants to States, Territories, and Indian Tribal Organizations to provide low-income seniors with coupons that can be exchanged for eligible foods at farmers' markets, roadside stands, and community supported agriculture programs. The purpose of the program is not only to encourage the purchase and consumption of locally-grown products, but also to help develop new and additional outlets for local farmers.

The Farm Bill also proposes to fund grants to support Community Food Projects. Projects eligible for funding will receive a one-time contribution of Federal assistance to become self-sustaining. The projects must be designed to meet the needs of low-income individuals, while increasing the self-reliance of communities in providing for their food needs.

Although these Farm Bill provisions are a step forward in linking the hunger community with the sustainable agriculture community, the Child Nutrition and WIC Reauthorization, which takes place in 2009, will provide another opportunity to examine ways in which these communities can work together. We would be glad to talk with you about additional opportunities.

Questions from Mr. Latham

Food Stamp Fraud

Mr. Latham: The IG continues to focus on Food Stamp fraud, as in the past. Does this focus suggest that you are having difficulty in getting a handle on this issue, and what kinds of frauds do you usually encounter?

Response: The Food Stamp Program (FSP) accounts for approximately $40 billion in benefits annually. Increasing and enhancing program integrity is a continual responsibility and goal of the U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS).

FNS is responsible for oversight and integrity of the FSP and works cooperatively with the Office of Inspector General (OIG) to identify and eliminate fraud. The OIG has overall responsibility for all investigative activity within the USDA.

OIG has the authority to pursue criminal cases related to retailer fraud, and has delegated authority to FNS to investigate and take timely administrative action (e.g., disqualification and withdrawal of firms, and/or assessment of monetary penalties) against authorized retailers found to be violating FSP regulations.

Fraudulent activity that is uncovered during investigations or electronic monitoring of benefit redemption activity includes the sale of minor ineligible items, the sale of major ineligibles (alcohol, cigarettes, etc.), and finally, trafficking, which is the sale of food stamp benefits for cash.

In FY 2007, there were a total of 1,364 sanctions against retailers. Of these, 673 were permanent disqualifications for trafficking, while 691 retailers were disqualified for the sale of ineligible items. In addition, 809 retailers were warned about potential violations of FSP rules and were provided additional training materials.

Recent studies note that we have made significant progress combating retailer fraud. The most recent FNS trafficking study, covering 2002 through 2005, indicates that both the value and rate of trafficking continue to fall. Based on a comparison of consistently produced estimates, the value of trafficked benefits from 2002 to 2005 was less than 20 percent of the value diverted in 1993. Nationwide implementation of EBT is thought to have been a major factor behind the improvement over this period. The rate of trafficking in the period from 2002 to 2005 (about 1 cent on the dollar) was less than half the rate in the period from 1999 to 2002 (about 2.5 cents on the dollar).

Further, trafficking declined even as food stamp participation and total benefits increased. Between 1999 and 2005 the number of participants increased from 18 million to nearly 26 million, and the value of food stamp redemptions grew from $15.8 billion to $28.6 billion. The proportion of benefits redeemed through EBT increased from about 90 to 100 percent.

In October of 2006, the Government Accountability Office (GAO) provided a report to Congress titled *Food Stamp Trafficking*. GAO noted that FNS, using EBT data, has made significant progress in taking advantage of new opportunities to monitor and disqualify traffickers.

GAO noted that, despite the progress FNS has made, in particular in combating trafficking, the FSP remains vulnerable. GAO stated that food stamp trafficking will continue to be lucrative for retailers as long as the potential rewards outweigh the penalties and there are recipients willing to exchange their benefits for cash. GAO also acknowledged that FNS did not have authority to impose stiffer penalties on retailers other than program disqualification or, in limited situations, civil money penalties in lieu of disqualification. One recommendation made in the GAO report was that FNS request that it be granted the authority to levy additional penalties.

The recently enacted Food, Conservation, and Energy Act of 2008 (the Farm Bill) provides FNS with authority to impose additional monetary penalties and, in consultation with OIG, to hold funds in the most egregious trafficking cases. Regulations relative to the stronger penalties provided for in the Farm Bill will be forthcoming.

Recipient fraud occurs when an individual intentionally lies about or withholds information concerning the household's circumstances in order to receive more benefits. The FY 2007 payment error rate of 5.64 percent is an historical low and is 37 percent lower than the FY 2000 payment error rate of 8.91 percent. This rate, while not a direct indicator of fraud, does measure whether households are receiving the correct amounts of benefits.

In FY 2007, 48,785 individuals were disqualified from the program for fraud. While this is an increase from the prior year (34,796 were disqualified in FY 2006), this is not an indication of more fraud in the program; the additional disqualifications may be attributed to increased participation along with State agencies making better use of fraud detection tools.

FNS believes that continued attention to fraud is critical to maintaining the integrity of the FSP.

Mr. Latham: How do you comply with prohibitions in the law against illegals' obtaining Food Stamp and related benefits - in other words, do you require some type of identification or other verification in order to sign up?

Response: Pursuant to 7 CFR 273.2(f)(1)(ii), State agencies must verify the immigration status of individuals who apply for food stamp benefits. Household members applying for food stamp benefits who are not American citizens are required to provide their USCIS (U.S. Citizenship and Immigration Services) documentation of legal alien status as a condition of eligibility. State agencies must then go through a rigorous process of verifying the validity of those documents. Most States can verify immigration status through the Systematic Alien Verification for Entitlements (SAVE) database. If the

State agency does not have access to SAVE, they must verify the validity of the alien documents with USCIS.

School Lunch Program

Mr. Latham: In the past, the Department IG has found high error rates in the School Lunch Program among children registered for the program who are not eligible from a parental income perspective. Do you still find high error rates, and what mechanisms have been put in-place recently to mitigate this problem?

Response: In November 2007, USDA released the first nationally-representative estimate of payment errors in the National School Lunch (NSLP) and School Breakfast Programs (SBP). The Department's *Access, Participation, Eligibility and Certification* (APEC) study estimated that $1.8 billion in payment errors, including both overpayments and underpayments, were made in the National School Lunch and School Breakfast Programs during the 2005-2006 school year, representing 18 percent of total program funding. The study also estimated the net cost to the government from payment errors (overpayments minus underpayments) was $1.03 billion.

The study estimates about $936 million in erroneous payments related to certification error (approximately $759 million for NSLP and $177 for SBP), meaning children were improperly categorized to receive free, reduced or paid meals. Certification errors are a result of misreporting of household income or errors made by schools and school districts in determining appropriate level of Federal payment. In the study, household misreporting (23 percent of applicants) was nearly three times more likely than school district administrative error (8 percent of applicants).

It's important to note that the data used for the APEC study was collected before provisions of the Child Nutrition and WIC Reauthorization Act of 2004 were fully implemented. USDA has implemented program changes made in the last reauthorization that address school meal certification problems. For example, schools are now required to use food stamp direct certification to determine free meal eligibility and may also use data from the Temporary Assistance for Needy Families and the Food Distribution Program on Indian Reservations. Full school year eligibility and household applications, rather than individual applications, have simplified the program and are expected to reduce errors. Modified verification requirements and optional direct verification of eligibility, in addition to additional State oversight for error prone school districts, have also been fully implemented.

The Department has revised the eligibility guidance used by school districts to make free and reduced price eligibility determinations. We have also revised the Coordinated Review Effort (CRE) instruments and developed training materials to incorporate legislative and regulatory changes that will improve the monitoring of program requirements. We have updated the CRE forms, instructions and guidance and delivered four nationwide training sessions for State agency and Federal employees who are involved in the CRE process.

USDA is also taking a new approach to how State agencies conduct CREs. We recently issued a memo which prohibits State agencies from conducting what we call "practice" or "Pre-CRE" reviews. This prohibition is intended to ensure that the CRE accurately identifies program errors.

Furthermore, we are working with the National Food Service Management Institute to develop and provide web-based training to States and schools on certification and other accountability issues. Also, we will be partnering with the School Nutrition Association to coordinate efforts on training and technical assistance to its membership on accountability issues.

A USDA report titled *Accuracy of SFA Processing of School Lunch Applications - Regional Office Review of Applications* disclosed that in the school year 2005/06 more than 96 percent of students who were approved for meal benefits on the basis of an application were receiving the correct level of benefits, based on the information in the application files. Three percent of all students who submitted an application for meal benefits had an administrative error in the processing of their applications, down slightly from 3.5 percent in the previous school year, although not statistically significant.

Since many of the errors are associated with the determination of a household's gross income, USDA has issued guidance recommending that school districts minimize income conversion calculations. We have also recommended that school districts compare reported household income to the published Income Eligibility Guidelines for the appropriate frequency and household size, or annualize all income when reported incomes are received at different frequencies, rather than converting all income to a monthly amount. We are also recommending that school districts follow up on incomplete applications before they make an eligibility determination.

USDA recognizes that any approach to improve eligibility certification must not compromise program access for low-income families or increase the burden on schools. In addition, the cost required to improve accuracy must not be greater than the achieved savings. We intend to continue working on various error-reduction strategies while trying to balance access and accuracy.

Mr. Latham: What do you see as the most significant abuse in the School Lunch Program from a misuse standpoint?

Response: The APEC study found that the great majority of payment errors in school meal programs were caused by one of three problems: (1) misreporting of income by households that apply, (2) administrative errors by schools in processing applications, and (3) errors by cashiers in counting reimbursable meals.

Commodity Food Supplemental Program (CSFP)

Mr. Latham: I have heard various estimates of the number of eligible senior citizens who may get knocked off the CSFP program in the coming fiscal year. Can you give me your estimate?

Response: The President's Budget proposal for fiscal year 2009 eliminates funding for the CSFP and transitions the current participants to either the Food Stamp Program or to the WIC Program, as appropriate. Thus, we anticipate that the 434,067 seniors projected to participate in the CSFP in fiscal year 2008 will not participate in the program in fiscal year 2009.

Mr. Latham: Can you give us the numbers estimates that you are using for the cost of a food package for FY-09?

Response: Because funding for the CSFP is eliminated in the President's Budget for fiscal year 2009 we did not estimate the food package cost for that year.

TUESDAY, APRIL 1, 2008.

RURAL DEVELOPMENT

WITNESSES

THOMAS C. DORR, UNDER SECRETARY, USDA RURAL DEVELOPMENT
BEN ANDERSON, ADMINISTRATOR, BUSINESS AND COOPERATIVE PROGRAMS
RUSSELL T. DAVIS, ADMINISTRATOR, RURAL HOUSING SERVICE
JAMES M. ANDREW, ADMINISTRATOR, RURAL UTILITIES SERVICE
W. SCOTT STEELE, BUDGET OFFICE, DEPARTMENT OF AGRICULTURE

Ms. DELAURO. Good morning. The hearing will come to order.

And I want to welcome you, Mr. Under Secretary and the rest of your team here, Mr. Anderson, administrator for rural business—cooperative service; Mr. Davis, administrator for rural housing services; Mr. Andrew, administrator for rural utilities service, and our perennial and favorite here, W. Scott Steele, budget officer.

Thank you all very, very much, and Mr. Secretary, I'm really delighted that I had the opportunity to meet with you yesterday before today's hearing to discuss this year's Rural Development budget request.

Thank you for coming today with the team to discuss the budget with the subcommittee.

Federal efforts to strengthen rural America and to preserve the strength that it provides our entire nation are really critical to facilitate growth, and soften the impact of population loss.

Indeed, Rural Development is one of the most important areas in USDA's broad portfolio. It touches almost every aspect of people's lives in rural America, and I believe you share this view, that we have an obligation to get it right.

To be sure, not all rural areas are alike culturally or economically, and each has its own unique challenges. What is clear, however, is that the challenges are growing.

Under Secretary Dorr, your mission could not be more important. Our goals are straightforward. We seek not only to sustain our rural communities, but also to create new possibilities for growth and development in their small town economies.

I look forward to your comments in today's discussion as we consider how the budget should strive to meet those goals.

As the current economic downturn continues to weigh very heavily on families in every region of our nation, I believe we have a particular responsibility to ensure our rural communities have the tools to survive. I believe government has a duty to help provide the same quality of life opportunities to rural America that are shared by other parts of this country.

I have some concerns about the USDA's ability to meet that task. I outlined some of those concerns I have about the administration's

rural development budget with you already. But let me just address a few of them in a little greater depth.

Overall Rural Development funding is about $805 million below the amount provided in 2008, excluding the increase in the rental assistance account.

In particular, the budget request provides $24 million for the rural community facilities program. That's a $45 million or 65 percent cut below the amount provided in 2008.

The budget request provides $30 million for the Rural Business program, $57 million, or 65 percent below the amount provided in 2008, and $269 million for the Rural Water and Waste Disposal program, or $290 million, 52 percent below 2008.

It eliminates funding for Community Facility Grants and the Rural Business and Enterprise Opportunity programs. It does the same when it comes to housing, eliminating funding for the direct single family housing loan program, zeroing out the Section 515, multi-family housing direct loan program.

These programs offer interest assistance and focus primarily on the very low and low-income borrower. At the same time, the budget again proposes to increase fees for the guaranteed program from 2 to 3 percent, making it even more expensive to the borrower, while reducing the budget for its program costs.

Ultimately, between the fee proposal and eliminating the direct housing program, the budget request provides $21 million, or $207 million, 91 percent below the amount provided in 2008.

These cuts to rural housing are particularly troubling in the context of today's sub-prime mortgage crisis. Programs like these are supposed to offer a safe alternative to sub-prime mortgages for creditworthy low and moderate-income rural home buyers. Now is not the time to undermine.

In addition to serious questions about the budget, I also believe we must take a hard look at the announcement last week that Open Range has been approved to receive a $267 million loan to provide broadband service to 518 rural communities in 17 states.

This loan represents 90 percent of the funds provided in fiscal 2008 for the broadband program, and I think we should discuss the Rural Development office's ability to manage a project of this size.

There are no easy solutions to the big challenges facing rural America. Indeed, building a healthy rural economy requires more than simple supports for farm products.

It means investing in entrepreneurship in rural areas, early childhood centers, rehabilitation, medical centers, providing infrastructure for electricity, clean water, water treatment, and yes, Internet, broadband that connects rural communities to the global community and the global economy.

It means harnessing innovation, pursuing energy independence, making a bold new commitment to renewable energy. And the list goes on.

But if we are going to make rural America as productive and sustainable in the 21st century as it was in the last, we are going to have to step up and use federal policy as a valuable tool to put middle and working class rural families center stage.

Today's hearing is about examining this budget through that lens. Does it soften the impact of population loss and take delib-

erate steps to foster new growth? Does it reflect our priorities as a nation? And does it meet our obligation to rural America?

I thank you again, Under Secretary Dorr, for being here, and I now would like to recognize our ranking member, Mr. Kingston.

Mr. KINGSTON. Thank you, Madam Chair.

I don't have any real opening statement, but I do want to underscore that on the farm bill, there's a proposed increase on mandatory rural health care facilities, and frankly, I don't see how we're ever going to balance the budget with all the new mandatory spending that the president has proposed on the farm bill.

The farm bill, as you know, is 63 percent food and nutrition, and there's a big expansion of mandatory eligibility under that, and then you have this mandatory spending.

And I don't quite follow how the administration can spend so much time on the commodity program of the farm bill, which I think is 17 percent, and act like payment limitation is the biggest problem that's out there, when, with a sleight of hand, the remaining balance of the farm bill is getting dedicated more and more, year after year, to mandatory spending, and, as you know, that's just one bill of lots and lots of bills that we have to fund.

And I think if we're going to have more flexibility, we can't lock ourselves into all this mandatory spending.

And I just wanted to make that point.

Ms. DELAURO. Thank you, Mr. Kingston.

And Under Secretary Dorr, we await your testimony, and obviously, everyone's testimony will be part of the record, the official record, so I'll ask you to commence and to summarize your remarks in any way that you so choose.

Thank you.

OPENING STATEMENT

Mr. DORR. Thank you, Madam Chairwoman and Ranking Member Kingston, members of the subcommittee. I do appreciate the opportunity to again appear before you to discuss USDA Rural Development's budget for fiscal year 2009.

Before beginning, I would like to once again pay tribute to the 6,100 men and women across the country who together are USDA Rural Development.

We are an agency in transition. That is both a challenge, but I believe an opportunity. And I am proud to report that our associates have risen to both, all across the country.

We are now implementing new business plans in every state. We have already reached our new FTE, full-time equivalent target of 6,100. We are completing our office realignments, which will bring our field structure to 448 offices. These are reductions of 13 percent and 44 percent, respectively, since 2001.

At the same time, we are investing in training and technology to support a leaner staff in a restructured technologically intensive environment. We are reaching out to new partners and seeking to engage untraditional lenders. We are simplifying and streamlining program delivery to accelerate this process.

We continue to shift our emphasis from grants to loans and loan guarantees in order to leverage our resources and serve more people, and at the same time, we are developing new tools, such as

SEBAS, the Socio-Economic Benefits Assessment System, which enables us to improve program evaluation as well as help us do a better job of targeting our investments in the future.

These things ultimately will make us a leaner, more efficient, more responsive partner for rural businesses, rural families, and rural communities.

So as I come before you for the last time to present the budget on behalf of the Bush administration, I would like to say simply that I am immensely proud of the way our employees have met these challenges.

Change is hard. It takes good people to get it done. We have good people, and they are in fact getting it done.

The President's fiscal year 2009 budget proposes $2.1 billion in budget authority to support a program level of $14.9 billion for USDA Rural Development.

As was the case last year, this budget request does not include significant additional funding contained in the President's separate Farm Bill proposal.

Mandatory funding for rural health care facilities, renewable energy loans and grants, rural water and waste water disposal systems, broadband access loans, distance learning, and telemedicine grants are all in the Farm Bill, and obviously, those we'll not be discussing today.

The fiscal year 2009 budget is not, though, a status quo proposal. It accommodates the institutional and programmatic transformation which I've just noted. It recognizes the opportunities inherent in distributed computing and broadband, and renewable energy, and in an ever more diversified rural economy.

It recognizes the need to engage rural America's wealth in a transparent, responsible, and fiduciarily sound manner, to not just create wealth, but to actually capture and leverage it for sustainable growth in rural communities.

And it recognizes that we cannot remain a static provider of traditional programs via traditional methods and hope to remain relevant in this new, dynamic, and ultimately increasingly competitive environment.

The budget protects the most vulnerable rural residents by fully funding multi-family housing rental assistance, while allocating $100 million for a new pilot program of rental assistance vouchers, and at the same time, it shifts funding for both single and multi-family housing construction to guarantee platforms to serve more people more efficiently.

The budget funds critical infrastructure priorities, while focusing electric program lending on transmission, distribution, and system improvements along with environmental improvements rather than solely on baseload generation, and it seeks a $49 million budget authority to support $738 million in direct and guaranteed loans and grants for Rural Business and Cooperative programs.

Without question, the budget does make hard choices. It recognizes and accepts the challenges of this budget cycle and focuses resources on new challenges and opportunities.

I appreciate the support of the subcommittee for rural America. We look forward to working with you to carry on this important work. And I thank you for the opportunity to work with you.

[The information follows:]

USDA RURAL DEVELOPMENT

Statement of Thomas Dorr, USDA Under Secretary for Rural Development, before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Madam Chairwoman and Members of the Subcommittee, thank you for this opportunity to present the President's Fiscal Year 2009 Budget for USDA Rural Development.

I am accompanied today by the Mr. James Andrew, Mr. Ben Anderson, and Mr. Russ Davis, the Administrators of USDA Rural Development's Utilities, Business and Cooperative, and Housing programs respectively. I ask that their witness statements be included in the record.

For Fiscal Year (FY) 2009, the President's budget proposes $2.1 billion in budget authority to support a program level of $14.9 billion for USDA Rural Development. These totals, however, do not include the significant additional funding contained in the President's separate and pending Farm Bill proposal. This is, therefore, an inherently two-track discussion.

You will recall that we were in the same situation last year; as Yogi Berra might have put it, this is "déjà vu all over again." As was the case a year ago, several of the President's major initiatives for USDA Rural Development are carried separately in the Farm Bill and are, therefore, not reflected in the current budget request:

- The budget request we are discussing today, for example, contains no funding for the Renewable Energy and Energy Efficiency Loan and Grant Program. The President, in fact, has proposed a significant increase in mandatory funding for this program but these funds are contained in the Farm Bill.

- The President proposed significant mandatory Farm Bill funding for rural health care facilities, mandatory Farm Bill funding to reduce the backlog in applications for rural water and wastewater systems, and mandatory Farm Bill funding for Community Facilities loan and grant programs that assist rural first responders, for broadband access loans, and for distance learning and telemedicine grants. Again, all of these Farm Bill proposals are in addition to the budget we are discussing today.

- Finally, the deployment of rural broadband is a significant Farm Bill issue, as well as a high priority for USDA Rural Development. Last year, we proposed new regulations to strengthen the Broadband Program. We have withheld publication of the final rule until the Farm Bill is enacted.

We are anxious for a speedy conclusion to the Farm Bill debate. For the time being, however, I will confine my remarks to the FY 2009 Budget proposals submitted, exclusive of the additional Farm Bill funding.

USDA Rural Development Fiscal Year 2009 Budget

The FY 2009 Budget request reflects the continuing realignment of USDA Rural Development to meet new challenges and opportunities. Mr. Andrew, Mr. Anderson, and Mr. Davis have reviewed our Utilities, Business and Cooperative, and Housing and Community Facilities programs in specific detail in their witness statements. I would like to provide a strategic context to that discussion.

Role of USDA Rural Development: Growth and Change

The FY 2009 Budget is not a status quo proposal. The mission of USDA Rural Development is to increase sustainable economic opportunities and improve the quality of life in rural communities. Our role is growing; USDA Rural Development's loan and loan guarantee portfolio, for the first time in history, now exceeds $100 billion.

Our mission is also evolving. The rural economy is increasingly diversified. The deployment of renewable energy is a national priority as well as an historic opportunity for economic growth, new jobs, and wealth creation in rural areas. Broadband and information technology are eroding the old barriers of time, distance, and isolation. Both businesses and individuals have gained new and unprecedented freedom of location. Technology enables rural communities to provide better health care, better schools, and other vital community services.

The FY 2009 Budget, therefore, recognizes the need to engage rural America's wealth in a transparent, responsible, and fiduciarially sound manner to not just create wealth, but to capture and leverage it for sustainable growth in rural communities. High-priced energy has created challenges, but a great unsung story associated with it is the rapid growth in rural wealth. These are assets that can be leveraged. If we can successfully displace one billion barrels – or more – of imported oil with domestically produced energy, that alone would represent a new market larger than the projected net farm income for 2008 as established by the Economic Research Service -- and biofuels are just one of the new economic drivers coming into play.

It is clear that as an agency we must adjust to these changes. Many rural stakeholders have embraced a new and more aggressive vision for rural development, and so have we. We cannot remain a static provider of traditional programs in traditional locations via traditional methods and hope to remain relevant in this new, dynamic, and increasingly competitive rural marketplace. In the past we have too often been perceived as merely a lender of last resort. Today, we strive to function as an investment bank for rural America, and as a catalyst for change in rural America. We are streamlining programs, realigning offices to better address market needs, and setting new priorities. We are challenging our staff to rise to new opportunities; they have responded superbly.

These initiatives are the culmination of almost seven years of careful planning and methodical implementation. I recognize that this is the last time I will come before you to present a budget on behalf of the Bush Administration. Let me say simply that we – both we at USDA Rural Development and the Members of this Subcommittee – are the trustees of a long

and honorable tradition of service to rural America. I am proud of what we have accomplished in the past seven years. We have come a long way. There is much yet to be done.

USDA Rural Development: Agency in Transition

USDA Rural Development is an agency in transition. The FY 2009 Budget request includes an increase in USDA Rural Development's S&E account, to $700 million, to support a major, multi-year program of modernization and realignment. Specifically:

- In FY 2001, Rural Development's FTE staff year estimate was 7,020. We are on track to reach our proposed FTE staff year estimate of 6,100 by FY 2009. This has been accomplished through attrition and a limited number of voluntary early retirements.

- Several hundred small, single-purpose offices are being consolidated in order to streamline operations and ensure that all programs are available at all locations. Each State has developed a new business plan and is on track to complete realignment by mid-2008. At that point, we anticipate that the field structure will consist of 448 offices.

- The savings generated from office consolidations and FTE reductions are being partially reinvested in training and technology. In addition, we require an increase of $26.6 million in the FY 2009 S&E account for capital improvements which will support changing market demands.

- We are investing in technology to improve efficiency and transparency. We have developed a new tool, the Socio-Economic Benefits Assessment System (SEBAS), to increase accountability and improve the targeting of resources. We are working, both through proposed legislative changes and via administrative reform, to streamline program platforms and simplify administration both for our own staff and our customers.

As we consolidate offices, we are retraining staff to assume new responsibilities and increase productivity, even as we reduce total numbers. We also continue to shift our emphasis from grant and direct loan programs to loan guarantees in order to leverage more private investment, improve the quality of our loan portfolio, and serve more people and communities at lower cost.

The enhanced business plans we are now implementing are positioning us to respond to new market demands and anticipated program delivery expectations. They reflect our commitment to economy, efficiency, and the need to leverage technical advances to sustain and deliver services in a challenging budget environment. With these changes, along with our ongoing branding, marketing and outreach efforts, USDA Rural Development will be able to serve more customers over a larger geographical area with improved service and better stewardship of public resources.

Doing More with Less

We are proud of our record of increasing investment in rural America while holding the line on spending. This has driven investments in training, productivity enhancing technology, and an ongoing shift to guaranteed lending platforms. We are committed to sustaining this progress in the years ahead.

A decade ago, in FY 1999, $2.2 billion in budget authority supported a program level of $9.6 billion. The FY 2008 Budget authority of $2.3 billion will support a program level projected at $18.5 billion. For FY 2009, we are requesting a budget authority of $2.1 billion to support a program level of $14.9 billion, exclusive of the separate Farm Bill initiatives. We continue to explore avenues for increasing efficiency and are working hard to encourage a culture of innovation across USDA Rural Development.

Housing and Community Facilities

The FY 2009 Budget requests approximately $1.1 billion in budget authority to support a program level of approximately $6.7 billion for our Single Family Housing, Multi-Family Housing, and Community Facilities programs.

We are committed to assisting rural Americans in achieving the dream of homeownership, to ensuring that low-income rural residents have access to decent, affordable

housing, and to helping rural communities provide quality health care, good schools, and other essential community services. The FY 2009 Budget sets clear priorities in these areas.

The first priority of our housing programs must be to protect the most vulnerable rural residents. The FY 2009 budget requests $997 million, an increase of $518 million over the FY 2008 figure, to fully fund the Rental Assistance (RA) Program.

This is by far the largest FY 2009 Budget increase in Rural Development. In recent years, inherently short-term savings have been achieved by reducing the term of RA contract renewals. As we have discussed with the Committee on many occasions, this tactic has postponed but not eliminated full-cycle renewal costs. The bill is now coming due. We have completed the transition to one-year renewals. The average income of RA recipients is about $8,500 a year. The majority are elderly or disabled. Full funding of RA is an urgent priority.

As a part of the RA request, we are allocating $100 million for a new pilot program for rental assistance vouchers. Providing vouchers in a few select properties in lieu of traditional RA will allow us to target the rental subsidy to low-income tenants rather than the property owners and their projects and would begin to give us some flexibility in funding that currently is not the case with traditional RA grants.

A second objective is to maximize the return on the taxpayers' dollar by shifting from grants and direct loans to loan guarantees wherever possible. In the Multi-Family Housing Program, for example, the FY 2009 Budget requests $1.7 million in budget authority to support

$300 million for guaranteed lending for new construction and rehabilitation of multi-family housing properties. This represents a 51 percent increase in program level over FY 2008 despite a savings of $40 million in budget authority. This is achieved via a shift to guaranteed lending.

Similarly, the budget proposes a robust Single Family Housing program level of more than $4.8 billion achieved with a savings of $142 million in budget authority. These savings are again generated by a shift to guaranteed lending. We believe that this will allow us to serve more individuals across all income levels.

Finally, for the Community Facilities Program, the FY 2009 Budget seeks $512 million, including $302 million for direct loans and $210 million for loan guarantees. In addition, the President has proposed significant levels of mandatory Farm Bill funding to reduce the backlog of applications for the rural health-care facilities and first-responder programs.

Utilities Programs

The FY 2009 Budget proposes approximately $6.7 billion for rural utilities programs. Infrastructure is the foundation of a modern quality of life and is essential for sustainable economic and community development. Rural areas continue to face the special challenges of providing modern infrastructure in a low-population density environment, and assisting them in meeting these challenges remains a core mission for USDA Rural Development.

For the rural Electric Programs, the FY 2009 Budget proposes $4.1 billion in direct loans. The significant change in this area is the replacement of the current Federal Financing Bank loan

program with a program that provides loans made directly from Treasury. This will improve program efficiency without impacting borrowers. We continue to focus our Electric Program's lending to transmission, distribution, system improvements, and environmental improvements.

In addition, the budget proposes a continuation of Telecommunications Programs funding at slightly increased levels and $20 million for Distance Learning and Telemedicine grants. Rural broadband is a high priority and the budget requests $298 million for the Broadband Program. We anticipate that the amount requested will be sufficient to meet program demand.

For the Water and Waste Disposal Programs, the FY 2009 Budget provides for $1.3 billion in direct loans (vs. $1.0 billion in FY 2008), $75 million in guaranteed loans (same as FY 2008), and $220 million in grants (vs. $469 million in FY 2008). Due to lower interest rates, reduced subsidy rates, and a greater emphasis on direct and guaranteed lending rather than grants, we anticipate that more communities can be assisted using less budget authority than estimated in FY 2008. Finally, in addition to the FY 2009 Budget request, it should be noted that the President has proposed substantial mandatory Farm Bill funding to address the backlog of applications in this area as well.

Business and Cooperative Programs

The FY 2009 Budget request seeks $49 million budget authority to support $738 million in direct and guaranteed loans and grants for Rural Business and Cooperative Programs. The budget proposes to fund the Business and Industry Guaranteed Loan Program, the Intermediary

Relending Program, and the Rural Cooperative Development Grant Program. We anticipate that in FY 2009 these programs will assist approximately 700 small businesses and create or save more than 34,000 jobs in rural communities.

As this budget request suggests, USDA Rural Development's Business and Cooperative Programs are being transformed. As noted earlier, we have developed a new accountability tool, SEBAS, that will improve program assessment and targeting of funds. We have established a Delivery Enhancement Task Force to simplify and standardize our grant, loan, and loan guarantee platforms across all program areas. We have made renewable energy our priority in our business programs and are reassigning and training staff to respond to a rapidly evolving rural business environment.

Pursuant to these objectives, the President in the Farm Bill has proposed a comprehensive streamlining of our business and cooperative programs. We believe we can serve our borrowers more efficiently through a consolidated and streamlined program structure.

The FY 2009 Budget request also includes no funding for the Renewable Energy and Energy Efficiency Program because the President has separately proposed substantially increased mandatory funding in the Farm Bill. In addition, the Farm Bill proposes a significant funding increase for the Biomass Research and Development Program.

Conclusion

In closing, the FY 2009 Budget request recognizes and accepts the challenges of this budget cycle. It focuses resources on new challenges and opportunities. It reflects an agency in rapid transition and invests in information technology and training to give our staff the tools they need to succeed in a new, more dynamic environment. It continues the evolution away from grants and direct loans to more efficient guaranteed lending platforms. It provides a strong foundation for increasing economic opportunity and improving the quality of life in rural America.

This concludes my testimony, and I will be happy to respond to your questions. Thank you.

USDA RURAL DEVELOPMENT

Statement of Ben Anderson, Administrator of the Rural Business-Cooperative Service before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Madam Chairwoman and members of the Subcommittee, I am pleased to present the Administration's Fiscal Year (FY) 2009 Budget for USDA Rural Development's rural business and cooperative programs.

Madam Chairwoman, the programs and services of USDA Rural Development, in partnership with other public and private sector businesses, continue to improve the economic climate of rural areas through the creation or preservation of sustainable business opportunities and jobs, and by helping to close the gap in opportunity for the under-served rural areas and populations.

The $49 million requested in budget authority for rural business and cooperative programs will support $738 million in direct and guaranteed loans and grants, and will assist in creating or saving 34,715 jobs by providing financial assistance to approximately 700 small businesses. The Subcommittee should review the FY 2009 Budget request in concert with the Administration's Farm Bill proposals that will ensure the continuation of a strong rural economy through USDA Rural Development programs.

Business and Industry Guaranteed Loan Program

For the Business and Industry (B&I) program, the FY 2009 Budget includes $30 million in budget authority to support $700 million in guaranteed loans. We estimate that the funding requested for FY 2009 will create or save approximately 8,879 jobs and provide financial assistance to approximately 360 businesses. Because the B&I program provides lenders with reduced exposure on guaranteed loans, the lenders are able to meet the needs of more businesses at rates and terms the businesses can afford. Individual farmers also qualify for the program to assist in the purchasing of cooperative stock in a start-up or existing cooperative established for value-added processing.

Intermediary Relending Program Rural Development Loan Fund

The FY 2009 Budget includes $14 million in budget authority to support $33.8 million in loans under the Rural Development Loan Fund. We estimate that the proposed level of funding will create or save approximately 25,836 jobs.

Rural Cooperative Development Grant and Small, Socially Disadvantaged Producers Grant Programs

For FY 2009, the Budget requests $4.5 million for the Rural Cooperative Development Grant (RCDG) program, of which $1.5 million is for grants to assist small, socially disadvantaged producers. The RCDG Program provides funds to establish and operate centers for developing new cooperatives and improving the operations of existing cooperatives with the primary goal of improving the economic conditions of rural areas. This program complements

our national and State office technical assistance efforts by increasing outreach and assisting in the development of feasibility studies.

The Small, Socially Disadvantaged Producers Grant program provides funding for cooperatives or associations of cooperatives whose primary focus is to provide assistance to small, socially disadvantaged producers whose governing board and/or membership is comprised of at least 75 percent socially disadvantaged members. Grants may be used for developing business plans, conducting feasibility studies, or developing marketing plans for farmers, ranchers, loggers, agricultural harvesters, and fishermen whose gross annual sales do not exceed $250,000.

Madam Chairwoman, and members of the Subcommittee, this concludes my testimony for the Rural Development FY 2009 Budget for Rural Business and Cooperative Programs. I look forward to working with you to administer our programs.

USDA RURAL DEVELOPMENT

Statement of Russell T. Davis, Administrator of the Rural Housing Service, before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Madam Chairwoman and members of the Subcommittee, thank you for this opportunity to present the President's Fiscal Year (FY) 2009 Budget for USDA Rural Development's rural housing and community facilities programs.

As an integral part of USDA Rural Development, this year the rural housing programs will assist over 40,000 new home buyers, 460,000 individuals who rent, and nearly 2,000 communities who obtain essential community facilities and equipment.

The FY 2009 Budget sets three clear priorities. First, we protect the lowest income and most vulnerable residents. Second, we continue our funding approach moving from direct loans to guaranteed loans in both single family and multifamily housing; this will assist significantly more families and cover all income ranges from very low-income through moderate income levels. Third, we are focusing on property rehabilitation and improved operating efficiency to help more families and at the same time improve the quality of the environment in which our residents live.

The proposed budget for rural housing and community facilities programs in FY 2009 supports a program level of approximately $6.7 billion in loans, loan guarantees, grants, and technical assistance. Budget Authority requests are up by $203.3 million.

Program Highlights

I will start with highlights from our major programs.

In FY 2009, the President's Budget proposes to increase Rental Assistance (RA) and vouchers by $518 million to renew 82 percent of the 2009 expiring RA contracts. RA provides assistance with rent and utility expenses to very-low and low-income individuals. FY 2009 presents a particularly difficult year as we are moving RA to one-year contracts, requiring us to renew approximately 230,000 units. The Administration is committed to fully meeting this increase as protecting tenants is our number one housing priority.

This funding level will allow us to assure that tenants currently receiving RA will retain their subsidy for another year. With an average income of about $8,500 per year, these are our most vulnerable tenants.

Across the board, our strategy is to move grant funding to loans and loan funding to guarantees. This will allow us to leverage a much greater amount of budget authority and outside private money. Community Facilities Direct Loan program funding will increase to $302 million with a budget authority cost of $17 million. Single Family Housing Programs funding will increase to $4.9 billion with a budget authority cost of $49 million.

Multi-Family Housing Programs

The Multi-Family Housing (MFH) budget preserves Rural Development's commitment to maintaining affordable housing for the many rural Americans who rent their homes. Our existing portfolio provides decent, safe, sanitary, and affordable residences for approximately 460,000 tenant households. Of the $997 million requested for RA, $897 million will be used for renewals of RA contracts and $100 million will be used for a new pilot program for RA vouchers.

Providing vouchers in a few select properties in lieu of traditional rental assistance will allow us to target the rental subsidy to the low-income tenants rather than the property owners and their projects and would begin to give us some flexibility in funding that currently is not the case with traditional rental assistance grants. In addition, this is the direction that the HUD programs have gone, and would bring consistency to all Federal housing rental assistance programs. Funding vouchers will ultimately allow RHS to combine vouchers with loan guaranteed as the way to provide this type of housing assistance in the future, more heavily relying on the private sector, and making the beneficiaries feel some ownership of the benefit. Instilling an appreciation for the benefit is also why we believe the minimum rent requirement on the vouchers is key. The 2009 Budget also proposes that recipients of the rental assistance payments and vouchers contribute a minimum of $50 toward their monthly rent. The minimum rent and the voucher proposal are two ways in which this 2009 Budget provides a sense of ownership to the tenant beneficiary in project-based housing.

Under a successful demonstration program in 2007 we were able to provide rehabilitation and preservation for 87 properties nation-wide at a cost of less than $30,000/unit, compared to new construction at a cost of $150,000/unit. We have also provided 1,700 housing vouchers to tenants who may be subject to rent increases as a result of prepayment. The success of the demonstration program lends credibility to a fully-authorized permanent program, which will provide long-term portfolio sustainability and affordable housing for low-income families in rural America for years to come. The Administration strongly supports authorization of a permanent program; credibility in the market cannot be maintained on a year-to-year trial basis.

In FY 2009, funding for Section 514/516 Farm Labor Housing has been shifted to other program areas. The farm labor housing industry has encountered a number of challenges in recent years, which has led to significantly lower interest in this type of housing among developers. Issues include high development costs, an aging housing stock, shifting eligibility in tenant populations (and consequent cash-flow uncertainty for owners), and an adverse business environment in many areas. These challenges have led to hesitancy by eligible entities in pursuing new Farm Labor Housing construction.

Section 538 Guaranteed Multi-Family Housing Program

We are increasing program funding for our Section 538 Multi-Family Housing Guaranteed Program by leveraging our budget authority more efficiently. The 2009 Budget proposes eliminating guarantee fees and interest subsidies. This will allow us to increase our program level for the program from $129 million to $300 million with $1.7 million in budget authority. Overall, we will be able to increase the total amount of newly constructed units which

will allow us to continue to provide affordable housing to those in need, including very-low income families. Additionally, a major strength of the Section 538 Program is that we will be able to construct new properties with less agency development costs and greater third party leveraged funds in comparison to the Section 515 Direct Rental Housing Loan Program.

The FY 2009 Budget request will fund $300 million in Section 538 Multi-Family Housing guaranteed loans, funds that may be used for new construction and repairing 515 properties. The Section 538 Guaranteed Program continues to experience ever-increasing demand and brisk growth, and is rapidly becoming recognized within the multi-family housing finance, development, and construction industry as a viable conduit to facilitate the financing of housing projects in rural areas.

In FY 2007, we distributed more than $90 million in guarantees to fund properties that attracted approximately $400 million in other sources of funds. The risk exposure to the government continues to be very low, as loan guarantees to total development costs are well under 30 percent. We also have a delinquency rate of approximately 5 percent. Approximately 95 percent of the applications were awarded Low-Income Housing Tax Credits from the various State governments where the projects were located. This type of leveraging helps ensure that properties are affordable for low-income families.

Since inception of the program, the Section 538 Guaranteed Program has issued approximately 170 guarantees totaling over $250 million. These USDA Rural Development loan guarantees will provide over 8,000 affordable rural rental units. In addition, the program has

more than 150 applications under consideration that will provide an additional 6,410 units of housing for rural residents.

Single Family Housing Programs

The Single Family Housing (SFH) programs provide several opportunities for rural Americans with very low- to moderate-incomes to purchase homes. Of the $4.9 billion in program level requested for the SFH programs in FY 2009, $4.8 billion will be available as loan guarantees of private sector loans. No funding is requested for direct loans, but our commitment to serving those most in need in rural areas remains strong. Program level funding in FY 2009 for the Single Family Housing program will provide homeownership for approximately 43,000 rural families. We recently submitted legislation to authorize a demonstration program for subsidized guaranteed loans. We are examining alternatives to use the authority to serve more very low-income families; however, the FY 2009 Budget does not provide funding for this program.

Effective outreach and a quality guaranteed product, coupled with low interest rates, have increased demand for the Section 502 guaranteed program. Currently, approximately 2,000 lenders participate in the guaranteed SFH program. The competitive low-interest rate environment has enabled the rural housing program to serve low-income families, who would typically receive a Section 502 direct loan, with a guaranteed loan instead. To help decrease the Federal cost of this program, we are again requesting the authority to charge up to a 3 percent guarantee fee for purchase loans. This fee can be financed as part of the loan amount so that it

does not impose an up-front cost that some borrowers may not be able to pay. The fee for refinancing loans would remain at 0.5 percent.

Overall, our Single Family Housing programs remain strong. The volume for our guaranteed loans doubled in FY 2007 and we have been able to help fill the void left by the recent credit crunch in the financial markets. USDA Rural Development's Single Family Housing portfolio has avoided recent problems arising in the mortgage industry through responsible lending practices. By offering traditional fixed single family loans with full documentation, we will continue to help thousands of rural Americans achieve the dream of homeownership.

Community Programs

The Community Facilities budget request will provide essential community facilities, such as educational facilities, fire, rescue, and public safety facilities, health care facilities, and child care centers in rural areas. The total requested program level of $512.4 million includes $302.4 million for direct loans and $210 million for loan guarantees. In partnership with local governments, State governments, and Federally-recognized Indian Tribes, the FY 2009 Budget will support more than 544 new or improved public safety facilities, 115 new and improved health care facilities, and approximately 147 new and improved educational facilities to serve rural Americans.

In FY 2007, we invested over $92 million in 183 educational and cultural facilities serving a population totaling over 2 million rural residents, over $148 million in 677 public

safety facilities serving a population totaling over 3.6 million rural residents, and over $253 million in 147 health care facilities serving a population totaling over 3.8 million rural residents. Funding for these types of facilities totaled over $485 million. The remaining balance was used for other essential community facilities such as food banks, community centers, municipal buildings, fair grounds, and homeless shelters.

Demand for the Community Facilities programs remains strong. One great success story for the program in FY 2007 was Mackinac Straits Health Systems, located in Michigan's Upper Peninsula. Built in 1953, this critical access hospital lacked adequate space and modern facilities to accommodate the changing health care needs in the area. Rural Development was able to partner with the local community to replace the existing facility with a direct loan of $10.4 million and a guaranteed loan of $26.8 million. With the additional assistance of $3 million raised from a capital campaign and the contribution of the 16.5 acre site from the Sault Ste Marie Tribe of Chippewa Indians, residents of Michigan's eastern Upper Peninsula now have access to modern health care at the new 110,000 square foot critical access hospital.

Conclusion

Through our budget, and the continued commitment of President Bush, rural Americans will have programs and opportunities available to enrich their lives and improve the communities they live in. We recognize that we cannot do this alone and will continue to identify and work with partners to improve the lives of rural residents.

I would like to thank each of you for your support of the rural housing and community facility programs' efforts. I look forward to working with you in moving the FY 2009 Budget forward, and welcome your guidance as we continue our work together.

USDA RURAL DEVELOPMENT
Statement of James M. Andrew, Administrator of the Rural Utilities Service before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies.

Madam Chairwoman and members of the Subcommittee, thank you for the opportunity to present the President's Fiscal Year (FY) 2009 Budget for USDA Rural Development's utilities programs. Together we can provide a strong, dependable infrastructure in the rural United States.

A strong rural America is important for a strong Nation and rural utilities programs are an important part of the USDA Rural Development mission. Safe, affordable, modern utility infrastructure is an investment in economic competitiveness and serves as the foundation of economic development. Changes in the landscape of rural America, along with developments in technology and changes in market structure, combined with an aging utility infrastructure, are impacting the electric, telecommunications and water sectors. With the help of USDA Rural Development's utilities programs, rural communities can face the challenges of participating in today's economy, and residents of those communities are able to experience an improved quality of life.

The $49.2 billion rural utilities loan portfolio includes investments in 8,000 small community and rural water and waste disposal systems, as well as approximately 1,300 electric

and telecommunications systems serving rural America. This local/Federal partnership is an ongoing success story. Seventy-five percent of the Nation's landmass continues to be rural, encompassing 25 percent of the population. For an economy to prosper, we need infrastructure investment to spur economic growth, create jobs and improve the quality of life in rural America.

Electric Programs

The FY 2009 Budget for the Electric Programs provides a program level of $4.1 billion requiring no budget authority. This level includes a hardship loan program of $100 million and $4 billion for a new direct loan program. This proposed new program will replace the Federal Financing Bank (FFB) loans with direct loans made by the agency to increase program efficiency. The new direct loans would bear interest at the Treasury rate, plus 12.5 basis points, the same as presently charged on FFB loans. Legislation effecting this change will be submitted to the authorizing committees. The Electric Programs will continue to finance transmission, distribution, as well as system improvements to existing generation facilities. In addition, there is an increasing demand for environmental improvements to existing generation facilities and through the FY 2009 Budget request, we will be able to meet some of this demand.

Telecommunications Programs

One of the most dynamic and rapidly changing aspects in rural America is high speed communications. Job growth, economic development, and the quality of life in rural America are directly tied to access to today's high speed telecommunications. We administer the

traditional Telecommunications Infrastructure loan program, and the Distance Learning and Telemedicine Loan and Grant Programs, as well as the Broadband Loan Program.

The FY 2009 Budget for the Broadband Loan Program proposes a program level of $298 million requiring $11.6 million in budget authority. The budget proposes that these funds be loaned at a rate of interest equal to the cost of money to the Federal Government.

We continue to review every aspect of the program with a view toward making needed improvements. A proposed regulation seeking comment on improvements was released on May 11, 2007. We received hundreds of comments from 38 interested parties. We are currently reviewing those comments to determine what changes need to be made to finalize the new regulations. We are also considering the details of the House and Senate Farm Bills and how the final bill may impact these regulations. Balancing fiduciary responsibility with mission delivery is a vital goal. A successful project opens the door to economic development and an improved quality of life in rural America.

In the traditional Telecommunications Programs, the FY 2009 Budget proposes a program level of $690 million, requiring $525 thousand in budget authority. Included is $145 million in direct 5 percent loans, $250 million in direct Treasury Rate loans, and $295 million for a new direct loan program to replace the FFB guaranteed loans.

Distance learning and telemedicine technologies are having a dramatic effect on the lives of rural residents. This program helps rural schools and learning centers to take advantage of the

information age and enables rural hospitals and health care centers to have access to quality medical services only found in large hospitals. The Distance Learning and Telemedicine (DLT) Program pulls together the best of Federal assistance and local leadership. The FY 2009 DLT budget proposes $20 million for DLT Grants. The President's budget does not request loan program funding because the demand for loans to schools and hospitals is low and funding is available from previous years to support new loans in FY 2009.

Water and Environmental Programs

The Water and Environmental Programs provide the most basic of infrastructure needs for rural citizens: clean, safe, affordable drinking water and ecologically sound wastewater disposal. No element is more vital to human life and dignity as clean, safe water. Rural communities are challenged to provide this vital service while facing increasing regulatory requirements, aging infrastructure and persistent drought conditions across a large area of the country.

The FY 2009 Budget proposes a program level of $1.6 billion in loans, loans gurantees and grants, requiring $269 million in budget authority. The total includes $1.3 billion in direct loans and $75 million in loan guarantees for the Water and Waste Disposal Programs. At that program level, the direct loan program requires $49.2 million in budget authority. The budget also proposes $216.4 million in Water and Waste Disposal Grants and $3.5 million in Solid Waste Management Grants.

Summary

Rural utilities programs help provide safe, clean, water; modern communications; and reliable, affordable electric power so that businesses can develop and homes can have light and heat. We can do our part in helping Rural Development build communities from the ground up.

Thank you for the opportunity to present the President's FY 2009 Budget for USDA Rural Development's utilities programs.

Ms. DELAURO. Thank you very, very much, Mr. Under Secretary.

Let me just begin the questioning with something that I said in my opening remarks.

And the budget request proposes—it's also something you said in your testimony, that this is, it's a budget that is very, very similar to what we saw last year, so maybe I would characterize it as "deja vu all over again" plus more, and in this context.

ELIMINATION OF PROGRAMS

The budget request proposes to eliminate the following programs: community facility grants, rural business opportunity grants, rural business enterprise grants, Section 502 direct single family housing loans, Section 515 direct multi-family housing loans.

New to be eliminated are the multi-family housing revitalization loans, mutual self-help housing grants, farm labor housing loans, farm labor housing grants, rural economic development loans, rural economic development grants, value added agricultural product marketing development grants—that's new, rural empowerment zones and enterprise communities—that was there last year, new renewable energy loans, renewable energy grants—same as last year, broadband telecommunication grants.

Also, the budget request proposes to significantly cut the following programs: Section 504 direct housing repair loans, rural electric loans, distance learning and telemedicine grants, and water and waste grants.

This year, you're proposing to rescind prior new year funds for multi-family housing revitalization and broadband loans.

The list grows every year on the direct loan and grant programs you are proposing to eliminate or significantly cut in your evolution from grants and direct loans to loan guarantees.

It will take almost $670 million to restore these programs to the 2008 levels.

Now, last year, most of the increase that we had in the bipartisan bill that this subcommittee produced put back much of this money.

And let me just ask you about the program elimination.

Aren't the eliminations, cuts, are they more about the fact that you were not given the dollars from the OMB sufficient to fund these programs rather than, in my view, an indefensible policy decision to shift from grants to loans; and how will the farm bill offset all of these loan and grant program eliminations; and what are your contingency plans if—I don't know any piece of legislation in this institution that gets all that it asks for, what you will not get from the farm bill, if we produce a farm bill at all.

Mr. Secretary.

Mr. DORR. Well, I appreciate your concerns, and I realize that this is a budget that is in transition.

Number one, resources are tight. When you look at the aggregate amount of grants that are directed in this budget, as opposed to a year ago, we're at nearly the same amount of money.

We have worked very hard to make sure that, in the multi-family housing portfolio, that we aggressively work to protect those who need the greatest protection, and that is the tenants of our multi-family portfolio.

As a result, we've put several hundred million dollars of assistance back into rental assistance, as well as added another $100 million to the voucher program.

Obviously, we had to take it from somewhere. We had to look at what was working and what wasn't.

We, I believe, in our housing efforts, have done a marvelous job, our staff has done a marvelous job of fixing a multi-family portfolio that had a lot of challenges, and so that when we're done, ultimately, we will have a portfolio that has been restructured, that will have nearly maintained upwards of 90 percent of all the available units, and that will have maintained housing for those who need it the most in rural America.

Probably 55 to 60 percent of our tenants are single, elderly, female and single parents.

And in so doing, if we continue on this path that we are on, I believe we will get it done.

We will have also restructured the portfolio so that we will have rehabilitated the majority of these properties so they have another 20-year life span at a cost of something in the neighborhood of $26,000 to $30,000 a unit, as opposed to rebuilding them at a cost of in excess of $100,000 to $125,000. That obviously required making changes.

In the process of doing that, we looked at our other programs, and you alluded to the value added producer grant program, which I believe we put into the Farm Bill proposal as a discretionary funding item, not a mandatory funding item. We did not attach funding to it.

We also have substantive grants added in the Farm Bill proposal. We obviously don't know where the Farm Bill is going to be at at this point.

But in that context, we have also recognized that once we begin to effectively engage the equity that is in rural America, and I believe I've stated this in my testimony submitted earlier, over the last five years, farmer and rancher-enforced private properties have increased an aggregate of about $1 trillion in value. There is an inordinate amount of investment capital in rural America.

And we think that one of the most effective things that we can do is engage the owners, the private property owners, the community bankers, the farm credit systems, to essentially put skin in the game, and if we can provide loan guarantees, whether it is in housing, whether it's in multi-family housing, whether it is in energy or other developmental projects, the likelihood of success, extraordinary success, is much greater.

So yes, we've made some decisions. We've made some choices.

We may have some philosophical differences on the choices that we made. But we do believe that, long-term, this is a good direction and an appropriate direction to go.

Ms. DELAURO. Thank you.

My time is up.

Mr. Kingston.

RURAL ECONOMY

Mr. KINGSTON. Thank you, Madam Chair.

Mr. Dorr, in terms of the rural situation in America right now, the rural economic situation, commodities are going up, and I guess let me ask you this, in terms—we all know corn has gone up.

Haven't other commodities, as well, as evidenced by the fact that I think you're not paying that many counter-cyclical payments?

Mr. DORR. I believe in general commodities have gone up, yes.

Mr. KINGSTON. And in general, land is going up?

Mr. DORR. That's correct.

Mr. KINGSTON. How does that—is that benefitting the farmers?

Do you have statistical data to show that the economic picture in rural America is perhaps better than it's been in 10 years or whatever?

Mr. DORR. Well, probably the two easiest numbers, our net farm income was a record last year, is projected to be another record this year. Net farm exports were a record.

I believe that net farm equity, as I just alluded to, is an all-time high, and the debt to equity ratios are I believe 8 or 9 percent debt to the equity.

So I believe those, as two basic figures, would indicate the rural economy, from an agricultural standpoint, is in pretty good shape.

Mr. KINGSTON. Can you get me those specifics?

Mr. DORR. Certainly.

We can—we will work with our Office of Chief Economist, who pulled together the latest numbers.

Mr. KINGSTON. And since those are statistics, it's a fact, then, that the rural economy is strong?

Mr. DORR. Well, I mean, there are obviously always particular situations where you might challenge that, but generally speaking, yes, I think the rural economy is very strong.

Mr. KINGSTON. The reason why I'm asking that is, the Federal Government is always quick to find something that's broken and say, "We need a new program, we need new money," and I say the Federal Government, meaning each branch, the executive and the legislative branch.

Do you agree with that?

Mr. DORR. Well, I would agree that appears to be the tendency. I don't know that I agree with that approach.

Mr. KINGSTON. Well, that being the case, though, is there something if the economy is strong that you can back off from?

And I know you're backing off on the labor program, but are there things that maybe we don't need to be doing in this economy that we've done in other economies?

Mr. DORR. I guess I'm not—I mean, are you talking about agriculturally, rural, in the general sense?

Mr. KINGSTON. No, on rural development.

Mr. DORR. In rural development?

I mean, I think we have—if you look at our numbers, when we started, when this Administration came to town in 2001, Rural Development was investing about $9 billion annually in rural America at a budget cost of around $2.1 or $2.2 billion.

This year, we are in a position to invest in fiscal year 2008 about $17.5 billion at a budget cost of about exactly the same as it was in 2001.

The thing that we have done more than anything else is taken an approach that it is appropriate for the Federal Government to provide loan guarantees, if that's what's necessary to facilitate the startup of these new economic opportunities in rural America.

Consequently, I think that's been a reasonable shift. I think it's appropriate.

I believe I've said this in the past, but I'll repeat it.

For 75 years, we in the Federal Government have literally financed most everything in rural America, and consequently—and for good reason. I'm not being critical of that.

I mean, everything from beginning to wire rural America with electricity to running the telephone lines, to digging the ponds, to tiling it, to building the terraces, subsidizing agribusiness through Title I.

As a result, I think what we ultimately have done is stifled the innovativeness and the entrepreneurial activity in rural America in ways that we didn't anticipate. We didn't do any of this maliciously.

Loan guarantees actually facilitate your traditional lenders, your farm credit system and others, to really step up.

And you have bright, entrepreneurial, innovative people who say, "We want to start an ethanol plant, we want to start a wind farm, we want to start some sort of a food processing system."

Historically, there was not really many places to go to get some additional assistance to assure these lenders, who typically weren't used to working in this environment, to engage, and that is now happening on a more regular basis, and I think that is an appropriate policy approach in the direction that we're going.

Mr. KINGSTON. I just want to give you a chance to make that point, because I think it is important for these people to hear.

$2 billion used to leverage out to 9, and now it leverages out to 17, perhaps because of the strong economy, but in recognition of the programs that you've initiated.

Mr. DORR. You know, I appreciate that, and one of the comments that I frequently make is that our budget is roughly $2 billion in Rural Development, net farm equity is over $2 trillion. That essentially tells you who is the dog and who is the tail.

Mr. KINGSTON. Okay. Well, I'll yield back.

But I really do want to get those numbers on net export and equity——

Mr. DORR. We will certainly get those numbers to you.

[The information follows:]

NET FARM INCOME

Income statement for U.S. farm sector, 2004-2008F						
Component accounts	2004	2005	2006	2007P	2008F	1998-2007 average
02/12/08	$ billion					
Cash income statement:						
1. Cash receipts	237.3	240.7	239.3	285.4	313.2	219.0
Crops 1/	113.7	115.9	120.0	143.9	174.6	108.5
Livestock	123.6	124.9	119.3	141.4	138.7	110.5
2. Direct government payments 2/	13.0	24.4	15.8	12.0	13.4	17.4
3. Farm-related income 3/	17.1	16.2	17.5	18.8	19.4	15.7
4. Gross cash income (1+2+3)	267.4	281.3	272.5	316.2	346.0	252.1
5. Cash expenses 4/	185.2	195.5	204.7	228.6	249.4	184.1
6. NET CASH INCOME 5/ (4-5)	82.2	85.8	67.9	87.6	96.6	68.0
Farm income statement:						
7. Gross cash income (1+2+3)	267.4	281.3	272.5	316.2	346.0	252.1
8. Nonmoney income 6/	17.3	19.3	20.5	23.8	24.7	15.7
9. Inventory adjustment	11.2	(1.1)	(1.6)	5.7	0.8	1.0
10. Gross farm income (7+8+9)	296.0	299.6	291.5	345.7	371.5	268.9
11. Total expenses	210.0	222.5	232.5	257.0	279.2	207.8
12. NET FARM INCOME (10-11)	85.9	77.1	59.0	88.7	92.3	61.1

F = forecast. P = preliminary. na = not applicable. ( ) = negative number. Numbers may not add due to rounding.

1/ Includes CCC loans.

2/ Government payments reflect payments made directly to all recipients in the farm sector, including landlords. The nonoperator landlords' share is offset by its inclusion in rental expenses paid to these landlords and thus is not reflected in net farm income or net cash income.

3/ Income from custom work, machine hire, recreational activities, forest product sales, and other farm sources.

4/ Excludes depreciation and perquisites to hired labor.

5/ Excludes farm households.

6/ Value of home consumption of farm products plus the imputed rental

value of operator dwellings.

Note: This farm income forecast reflects the USDA's assessment of the outlook for commodities as reflected in the latest available WASDE report.

The WASDE reports are available at http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194

Source: USDA Economic Research Service, February 12, 2008

Net Agricultural Exports

U.S. agricultural trade, fiscal years 2003-2008, year ending September 30

Item	2003	2004	2005	2006	2007	Forecast Fiscal 2008	
						Nov	Feb.
				$ billion			
Exports	56.0	62.4	62.5	68.6	81.9	91.0	101.0
Imports	45.7	52.7	57.7	64.0	70.0	75.5	76.5
Balance	10.3	9.7	4.8	4.6	11.9	15.5	24.5

Reflects forecasts in the February 8, 2008, *World Agricultural Supply and Demand Estimates* report. Source: Compiled by USDA using data from Census Bureau, U.S. Department of Commerce.

Net Farm Equity

Balance sheet of the U.S. farming sector, 2004- 2008F

Financial measures	**2004**	**2005**	**2006**	**2007P**	**2008F**	**Change in 2008**
02/12/08	$ million					%
Farm assets	1,584,842	1,769,339	1,979,087	2,222,619	2,514,132	13.1
Real estate	1,307,597	1,484,989	1,682,381	1,912,194	2,196,346	14.9
Livestock and poultry	79,420	81,097	80,747	80,649	80,607	(0.1)
Machinery and motor vehicles 1/	102,190	105,006	113,144	116,538	119,246	2.3
Crops stored 2/	24,435	24,291	22,699	27,407	27,610	0.7
Purchased inputs	5,700	6,491	6,460	7,019	7,483	6.6
Financial assets	65,500	67,465	73,656	78,812	82,839	5.1

Total farm debt 3/	182,965	193,230	207,325	219,912	227,949	3.7
Real estate	96,872	101,518	109,038	117,497	120,781	2.8
Farm Credit System	37,723	40,125	43,851			
Farm Service Agency	2,222	2,050	2,260			
Commercial banks	35,233	36,939	40,521			
Life insurance companies	10,912	11,019	11,019			
Individuals and others	10,782	11,384	11,388			
Nonreal estate	86,093	91,712	98,287	102,415	107,168	4.6
Farm Credit System	21,896	24,218	27,905			
Farm Service Agency	3,242	3,015	2,758			
Commercial banks	45,830	48,523	51,671			
Individuals and others	15,125	15,956	15,953			
Farm equity	1,401,877	1,576,109	1,771,762	2,002,707	2,286,183	14.2
Selected ratios:	Percent					
Debt-to-equity	13.1	12.3	11.7	11.0	10.0	
Debt-to-asset	11.5	10.9	10.5	9.9	9.1	

Note: F = forecast & P = preliminary. Numbers may not add due to rounding. Balance sheet is as of December 31.

1/ Includes only farm share of value for trucks and automobiles.

2/ Non-CCC crops held on farms plus value above loan rates for crops held under CCC.

3/ Includes CCC storage and drying facilities loans but excludes debt on operator dwellings and for nonfarm purposes.

Mr. KINGSTON. Thanks.

Ms. DELAURO. Mr. Jackson.

Mr. JACKSON. Thank you, Madam Chair, and thank you, Mr. Secretary.

ASSISTANCE FOR LOW-INCOME SUBURBAN COMMUNITIES

The second congressional district of Illinois that I represent is very unique.

I represent both Chicago, the urban metropolis, and suburban communities with populations ranging from 4,000 to 40,000.

One of the suburban communities I represent is Fort Heights.

In 2001, Fort Heights was in desperate need of new drinking water. Their system was producing unsafe water that was literally brown.

And because of the small population of Fort Heights, USDA Rural Development was able to come into the community through loans and grants and installed a new water system for the community, including a new water tower.

At the completion of the project, I toasted, alongside with Illinois Rural Development staff, clear, cool, drinking water.

This was a great day for the residents of Fort Heights. I appreciated the help of the Illinois Rural Development department, and I look forward to working with them, as well.

But there are many other communities that need the same help.

With that said, what programs exist to help other low-income suburban communities like Fort Heights that are caught between large municipalities, not quite rural areas, but just beyond their borders, enormous and vast pockets, if you will, or parts of our country that are rural?

The suburbs I represent are obviously eligible for help from Rural Development because their population is under 50,000, but does their proximity to big cities sometimes prevent them from getting help?

And I want to close with just a small anecdote.

When I first got here, and I was trying to get fresh water for Fort Heights, many of my colleagues, even my colleagues on the Democratic side of the aisle, kept referring to me as the congressman from Chicago, the congressman from Chicago.

And in their minds, whenever they were helping Mayor Daley or helping Chicago, they were helping members of the Illinois Chicago delegation.

But between Chicago and the congressional district that I specifically represent, Chicago at one level of another has much representation here in the Congress, but it's these small rural communities that fit your definition, that fit the other elements of my congressional district's definition, that have absolutely nothing to do with the municipality of Chicago.

And so when I would make arguments for these small municipalities that fit the definition of rural and therefore qualified for Rural Development activities, I might as well have been talking to a wall, because many Members of Congress could not recognize or did not see me as representing a rural area. They see me as urban is what it is.

Your thoughts, please, about what these communities can do, what Rural Development can do, and does their proximity to big cities prevent them from getting necessary help?

Mr. DORR. Well, let me say at the outset that when the Washington Post was writing their series of articles on Rural Development, I wish they would have discussed this with you, because you've clearly identified one of the significant challenges that we're engaged in, the population definitions of rural, and what happens to those small communities that somehow find themselves positioned adjacent to or too close to a large metropolitan area to qualify for a variety of Rural Development programs.

Mr. JACKSON. I'm sure the Washington Post saw me as representing Chicago, and not rural areas, but thank you, Mr. Secretary.

Mr. DORR. Well, nevertheless, there was a great deal of discussion about that very issue.

And quite honestly, it's been my experience, for the short term that I've been here, that defining rural is becoming a, and has always been, a significant challenge.

All I would suggest is that we are in the process of working through the Farm Bill to try to streamline to make a more effective definition of rural, one that would allow us to then have the authority to prioritize certain components of this, particularly when it gets to the things like water and environmental programs and other things that are very essentially to these small communities.

I don't know that that's a good answer. It is a difficult issue, one that we deal with all the time, and we're fully aware of it.

We're continually trying to do what we can to not only streamline and better define, but to shoehorn, where we have to, communities in to fit programs when there are these defined needs.

Mr. JACKSON. Thank you, Mr. Secretary.

Thank you, Madam Chair.

Ms. DELAURO. Thank you.

FARM COMMUNITY VERSUS RURAL COMMUNITY

I just would take a second to say, and hopefully we can get into it later, that there really is a difference in the farm economy versus the rural economy, and often those two things get elided as to what is happening, and I think there is a real distinction there which we ought to probe in terms of the statistics, if you will, in terms of the wealth of rural America versus the wealth of a farm economy.

Mr. Latham.

Mr. LATHAM. Thank you, Madam Chairman, and you just took the words out of my mouth.

But first of all, I want to—this is your last hearing before the subcommittee.

I want to thank you for your service, and as a fellow Iowan, I really do appreciate what you've done in thinking outside the box, and made rural development something that is really developing rural America, and it's a big change from what it used to be.

And I appreciate the activity, the being visible, being available, that the department has been.

And the chairwoman really hit on what was my point. At Alexander, Iowa today, when land was three, four years ago, $2,500

maybe, an acre, today $6, 7, 8,000 an acre, you've got commodity prices, corn is well over $5 a bushel, soybeans probably $12, 13 a bushel, cash.

But Alexander, my, you know, home town, is—you can't buy a gallon of gasoline, you can't buy a gallon of milk there.

So there is all of this new-found wealth in rural Iowa, and rural America, but for a lot of people, the communities are dying, yet.

We've had a real change with the energy production, ethanol, wind energy, like you mentioned before, biofuels. There's some real problems on the horizon, I think.

We've got in my district today a $60 million new biodiesel plant that they did a test run and they have never started it up because of the cost of soybean oil today.

I think we've got some real challenges.

I just, not really a specific question, but what do you see as far as the opportunities and challenges that are out there?

Because there is this division, like the chairwoman said, between, well, how the farmers are doing and how the communities are doing.

Mr. DORR. Well, I don't think there's any question that that's the brain drain, the out-migration in rural areas, disassociated with the aggregating increase in size of farms. There's always been a challenge.

I do believe that there are some fundamental things that are changing, and they're not going to be perhaps self-evident overnight.

But, for example, when the highways, when the interstates and the railroads bypassed the community, it was effectively redlined, and that precipitated its demise.

We are, in many respects, doing a better job, but I would be the first to admit we're still struggling with trying to figure out how to use government to effectively deploy broadband access to rural communities.

But if we do that, you essentially give these rural communities the opportunity to engage in a global economy in ways that they've never had prior to this time.

That being the case, broadband, in and of itself, in my view, mitigates a lot of the traditional redline issues.

Secondly, alternative energy, renewable energy, and I know you collectively are aware that I have focussed a lot on that, but I read an interesting article just a couple of days ago where T. Boone Pickens made the observation that he had historically not supported renewable biofuels and now thought it made a significant amount of sense, given where the industry has migrated to.

And the real simple fact is that right now today we're exporting well over $500 billion, maybe $600 billion annually to import oil.

Most of that money ultimately could slosh around right back in rural America in ways that I don't think we've ever thought about in the past and would not require a quid pro quo in a foreign policy arena. We could just keep it here.

If we get to the president's 20 and 10 initiative by 2022 of 36 billion, that's almost a billion barrels of oil equivalent. That's the same as greater than net farm income.

When you do that, all at once a number of other things happen. These create high-value jobs, but it's not just the jobs at the plant.

They create a whole host of changes in regard to how do you integrate legacy, or how do you integrate distributed energy systems into these legacy systems?

The bottom line is that all of these things that are going on in rural America are largely a function of distributed computing.

You can put up a price competitive 100 million gallon ethanol plant as opposed to a 400,000 barrel a day refinery, and you can make them cost effective in rural America.

That's going to require policy change, it's going to require state public utility commission change, it's going to require a whole host of distribution and logistics management issues.

These are all going to be dependent upon jobs that are very intellectual in nature. They're going to give young people an opportunity to return to these rural areas if they so choose.

And I think that, in the front end of this, it's probably difficult to try to ascertain what exactly they're going to be.

But in the long run, I just look at it in the context of a half a trillion dollars.

A half a trillion dollars that we could perhaps keep in rural America over a long period of time is obviously going to create a lot of opportunity, and I think that probably is the sum and substance of it.

Mr. LATHAM. Does that filter down, though, I mean, outside of the landowners and the farmers themselves? That, to me, is——

Mr. DORR. Well, I think it can.

Mr. LATHAM. Okay. Thanks.

Obviously, our timer is not working very well.

Mr. JACKSON. It told me to stop.

Ms. DELAURO. Interesting that median income is 25 percent lower and the poverty rate is 28 percent higher than in the metro areas, so your point is well taken.

Mr. Bishop.

HELPING SMALL COMMUNITIES

Mr. BISHOP. Thank you, Madam Chairman, and welcome to you and I thank you for your service.

Mr. Dorr, you may know my district has some of the poorest counties in the entire state of Georgia on a per capita basis, including Chatahoochie, Baker, Calhoun, Clay, Randolph, Stewart, Carroll, Clipman, and Webster Counties.

Over the past several years, my staff has attempted to work with your agency to provide much-needed assistance in these communities, particularly in the areas of housing, infrastructure development, including water and sewer improvements, as well as economic development and job creation.

And this is particularly true in Chatahoochie City County, which is now a consolidated city county, which has a base population of approximately 3,000 or 4,000 if you exclude the military population that is stationed at Fort Benning, and this community is in desperate need of a water tank as well as sewer improvements.

Last year, the subcommittee report directed the department to take a closer look at this and other needs in the district, including

the Zion City housing project and America Sumter County, Georgia, and we haven't seen very much movement on it. We haven't seen much cooperation or assistance in this regard.

Tell me, where can some of our poorest rural communities turn if they can't get help from USDA, can't navigate the bureaucratic maze that USDA has, and they can't afford the matching requirements for grants, and most of the other challenges?

I was struck by the movement, particularly in your appropriations, to guaranteed loans as opposed to direct loans, and of course small and disadvantaged communities, particularly those communities that have minority populations, they're not going to have the relationships with those financial institutions that will give them the guaranteed loans, and historically, they've always had to come directly to USDA.

You're abandoning a program which is the last and the only hope of small, disadvantaged communities and farmers, for that matter, to this guaranteed program, which is really shifting responsibility, which I would think that rural development would want to assume and to discharge very, very zealously, because historically, it has not been done by the private sector otherwise, and it's still not being done, even with the guaranteed program, because you don't get the participation, particularly from the people who need the help.

Mr. DORR. We will certainly follow up on this particular issue.

I appreciate the concerns that you've outlined and the challenges.

We are and have worked with a group called the Southern Foundation, I believe it is, out of Helena, Arkansas, that has established a series of banks that are largely being developed to work with minority communities to effectively provide these kinds of assistance and services with, I think, some very, very, the leader of that organization, a fellow by the name of Joe Black, I would suggest that perhaps we could work out something with Mr. Black to have an opportunity to work with some of the folks in these communities.

I do believe that, longer term, to the extent that—and our state directors do have the flexibility to shift some of these grants around and to leverage them more or less as certain circumstances warrant.

But I do believe, in the long run, that direct loans and grants from the Federal Government tend to stifle entrepreneurial activity and innovative activity in these communities.

I realize that some of them have greater challenges, and I think we need to try to do what we can in a straightforward and honest way to work with them, and I'd be more than willing to do it.

But again, as I indicated at the very outset, one of the big challenges that we——

Mr. BISHOP. Mr. Dorr, I don't mean to interrupt you, but it seems to me that you're just adding another layer of bureaucracy when you do the guarantee.

That does more to stifle entrepreneurship, except for the banking end of it.

The entrepreneur that wants to do something in a rural community, that can go directly to USDA and get a loan and go to work with his investment of capital directly from USDA, that cuts out a whole lot of that bureaucratic red tape.

And I don't know about the entrepreneurial creation, but it seems to me like it's just creating activity for financiers, as opposed to the people who really are going to be doing the nitty gritty, where the rubber meets the road, work.

Mr. DORR. In our B&I program, the direct loan had a, the direct loan program in 2001 had a default rate of 47 percent.

Our guaranteed portfolio has a default rate of about 5¾ percent today.

Mr. BISHOP. That's because they don't make the loans to the people who need them. That's exactly, that underscores the point.

Ms. DELAURO. Mr. LaHood.

BROADBAND IN RURAL AMERICA

Mr. LAHOOD. Mr. Dorr, thank you for your service.

I want to be one of those who also thanks the staff that you have in Illinois. They've done an extraordinary job.

Doug Wilson heads up the operation there, and he and his staff have done a terrific job.

We've taken advantage of about every program that rural development has offered.

I hope you'll convey to Doug our sentiments, that at least in the 20 counties that I represent, almost all rural, we are involved with new water supplies, new sewers, and lots of opportunities for different alternatives. So we appreciate the work that you all do.

I agree with you 1,000 percent on the way to make rural communities relevant is through broadband.

I would have hoped that, and I know it's something that you're interested in, I would have hoped it would have been the priority of this administration, I hope it's the priority of the next administration, if we're going to keep people in rural communities, we have to connect them to the world. The only way to do that is through broadband.

I mean, many of these communities, as you've said, were redlined, either by the elimination of a road or a railroad or whatever, and that's where rural areas are losing, because there's a disconnect between them and the world.

And, you know, some of them have computers, many of them don't, but I'd like to know, you know, your feeling in this budget on where we're going with broadband and if it—what kind of a priority it is for the remainder of your term and the term of this administration.

Mr. DORR. Well, I think we can state unequivocally that the administration and those of us involved in rural development are very, very supportive of deployment of broadband accessibility wherever we can possibly get it.

I would also, as I have in the past, be less than forthright if I didn't say that it has been a distinct challenge.

I think when policymakers in general envisioned deploying broadband to rural America, it was envisioned in the context of how we were able to do it with rural electrification or deployment of rural telecom, and had it been that way, I think it would have been far less complicated.

The problem that we've run into is that we have a number of competitors, and where we have absolutely no service or maybe a

very underserved environment, we have difficulty developing a business model or a business plan for those that come in and desire to provide service that will ultimately fly.

And so consequently, trying to build this out in that kind of a competitive or semi-competitive environment has been a much more challenging issue than we had anticipated.

As I know that you're probably all aware, we just recently, as a matter of fact last week, announced an award of a broadband loan to a company called Open Range. It was a $266 million loan.

The company put up $109 million of their own equity. It is using WiFi or Wimax technology in conjunction with low Earth orbit satellites, so that there will be a terrestrial component, as well as a satellite component. They're going to deploy broadband in 17 states.

Their original five-year plan addresses nearly 500 communities, potentially a half a million recipients.

It's an interesting one, because I think in the long run we're going to get questions from anyone, regardless of how we do it, but the fascinating part of it, as far as I'm concerned, is that, for the first time, we have people bringing a scaleable model to something that looks like it has a very good chance of working.

Our people started working on this loan two years ago. It is much different than when it started out.

That loan process wasn't static. It's very definitive, and I think it's a good business plan.

We're going to closely monitor it, and hopefully it works, and if it does, I think it will give us some good indicators of how we can better deliver these broadband services down the road.

Mr. LAHOOD. Thank you.

Ms. DELAURO. Mr. LaHood, I'm going to get you a copy of an article that was in the International Herald Tribune, which talks about the European Union taking the lead in broadband growth, and where the various countries are, because I think I know that this is an area that is very, very important for you, and it makes some description of the kinds of things that they are doing.

Mr. Farr.

Mr. FARR. Thank you, Madam Chair.

COMMUNITY FACILITIES IN CALIFORNIA

I have three questions, one about a loan guarantee and the other about farmworker housing, and I'll try to get to them, because I can't stay for a second round.

I represent a very rural area of California, the central part of California.

We have a hospital in the southern end of my county called Memorial in King City, and it's about 70 miles from any other hospital.

It serves a rural population, a lot of farmworkers, and from time to time, the large military training base there, that has no medical facilities, other than just a check-in clinic.

And this hospital has gotten into some financial problems and has applied for a loan guarantee, and the guarantee that they've applied for has worked out a waiver of a tangible balance sheet eq-

uity requirement for $8.5 million in the business and industry loan guarantee.

The USDA's California rural development office has apparently approved all of this, has submitted it to Washington, and here is where it's got stuck in the bureaucracy.

I wrote a letter to Mr. Anderson last month asking him to get it unstuck, and I understand that the national office executive loan committee convened on March 17th to consider this request.

It was determined by them that the OGC, the Office of Attorney General, or of General Counsel was necessary to further consider the request, and it was promised that the OGC approval would be sought in very short order.

Well, it seems that nobody can find the papers, OGC has not received any request, it remains unclear, after multiple conference calls from the folks in the district and in Region 9, and e-mails and dialogues, that the rural business cooperative services has not even made the determination of whether to present this to OGC.

Can you get unstuck for me and get it done? The office, you know, is very good, they put out about $100 million worth of loan guarantees, they're solidly behind this, and this hospital, without this loan guarantee, will go bankrupt.

Mr. DORR. I am aware of the situation, and I will assure you that we'll look into it.

I understand that there has been a new management team recently brought into this hospital, and my understanding was that there was some revisiting of some of these plans and the numbers.

Mr. Anderson, do you have any other comments?

Mr. FARR. Just whatever it is.

Mr. DORR. Right.

Mr. FARR. Can we get it done, so we can get some information back to them?

Mr. DORR. We will certainly take a look at it. We will get back to you, and we will get back to them.

[The information follows:]

Rural Development National Office staff met with Congressman Farr in person to discuss the Hospital's application on April 17, 2008. The agency provided details on its analysis of the Hospital's financial status and discussed various prospects for improving that status. Rural Development indicated it was receptive to participating in a meeting with the hospital, hospital financial advisors, and potential lenders to discuss the application further and explore options for further consideration of the proposal.

Mr. FARR. Thank you. I mean, hopefully, in a very timely fashion.

FARM LABOR HOUSING

The second issue I have is the followup on this discussion of rural development.

An example, the city of Salinas. We have city centered growth, because we want to have people live in the cities, not on top of ag lands. You know, protect the ag lands, have people commute out to the fields.

And so we get down to a couple of questions.

One is, what is a farmworker community? We've had to have waivers, and those have happened before to get farmworker housing.

But the other problem is really one of just a definition of what is a farmworker. California has a different definition than USDA.

And what we would like to do, and I don't know how we're going to solve this, but I'll have to meet with you to get a waiver or to work out some new language.

We have people that are in the processing sheds, and they're known as processors, but they're not like—you know, they're not really processing.

The food doesn't change its status. It's essentially still raw food when it comes in and raw food when it goes out. It's just packaged.

Lettuce is put in a bag, a lot of that—that's the processing of kind of the shipping and preservation of it, and these, mostly women, in these processing places, don't qualify as farmworkers, although they are. They're under the same wages and contracts and are working for the same ag growers.

So I'd like to see if we could get a waiver using the state's definition of farmworker or language change that includes the processing of raw vegetables, and I want to meet with you to see if we can work that out, as soon as possible.

Mr. DORR. We'll be delighted to sit down with you.

Mr. FARR. And maybe to bring to us what your difficulties are with that kind of change.

And lastly, I don't think there's anybody in the Congress that's more interested in affordable housing. We're in the coast of California.

The future is that if we—we're in, you know, what I call the in and out economy.

I live in an area where you got to get fresh produce out. We sell $3 billion worth of crops. We harvest 85 crops.

They're all fresh crops. They got to get on trucks. Pick today, out—and they're out tonight, and in the stores tomorrow or the next day.

Our roads are all rural, they're two lane, they're going to get clogged with everybody now commuting to work, and so what happens is that what we need to do is what I call inclusionary housing. We got to build the jobs' housing balance.

If you provide a job, and we're making companies do that now, you move in as a corporation to our area, which we love to have you, but you have to provide the housing close to where you work. So we include affordable housing.

The difficulty is that that is usually all done through HUD, the HUD stuff, not with farmworkers, because that's your jurisdiction.

So what I really want to do is to get a greater outreach in the rural communities as to what you can do to help for farmworker housing.

And what we ask here is essentially to find out exactly what you're doing to promote the farmworker housing, whether the state rural development offices are promoting it through community meetings, encouraging applications to industry groups, and asking if there are any plans to do a portfolio assessment similar to the assessment done for multi-family housing loan portfolio to find out

what population and housing needs are for the rural labor housing program.

I can tell you it's keen in California, and we'd like to have you, the department, being as aggressive in this field as HUD is working with the county housing authority.

Mr. DORR. We will certainly look into that.

Russ, do you have any——

Mr. DAVIS. Sure.

If I could just say that farm labor housing new construction is something actually where we no longer have a monopoly.

The largest builder is the low-income housing tax credit program, and in fact, the developers have found it to be, being a younger, newer program, it is more flexible and is very attractive to the developers.

Our program has just become too expensive. We're spending $150,000 per unit on average to build one apartment unit, essentially, plus we're adding rental assistance to it.

We could help far more people with the same amount of money.

We're finding it's much more efficient to leave that construction to market rate housing, the tax credit use of vouchers, which is one thing we are proposing——

Mr. FARR. But I tell you, the combination works best of all, and I put together the first time that we'd ever worked with a housing authority and HUD on property owned by you in Soledad, California where we brought and dedicated for farmworker housing.

Because we brought the whole gamut of loan portfolios and incentives together, we were able to build twice as much housing——

Mr. DAVIS. Oh, it is very nice for the people who get the funding, because there is a lot of concentrated grant money, essentially.

The problem is that it doesn't go very far. We only built 17 properties last year in the whole country.

Mr. FARR. Well, let's get together and figure out how to make this work.

Mr. DAVIS. We'd be happy to talk about updating it.

Mr. FARR. Thank you.

Ms. DELAURO. Mrs. Emerson.

Mrs. EMERSON. Thank you, Chairwoman.

Thanks for being here, Mr. Dorr.

HOUSING LOAN CRISIS

I think it was in your testimony that you referred to rural development as an investment bank for rural America. And given the state of the nation's investment banks, that comparison alone may be cause for some concern.

Tell us a little bit about what rural development's risk exposure, in your home loan programs, might be, and what steps you all take to protect homeowners as well as taxpayers from the lending crisis.

Mr. DORR. Actually, our risk exposure is really quite good, and I think maybe it would be best to turn it over to Mr. Davis and let him explain this.

But the bottom line is that, in our single family housing programs, we essentially have never offered ARMs, we have not offered teaser rates.

We have made it very clear at the get-go, whether they were direct or whether they were guaranteed loans, exactly what would be the homeowner's payment, and in the environment when interest rates were dropping and home values were escalating and homeowners had considerable equity, we actually urged folks to get out of our program, to go to private financing, to lock in the lower rates, to mitigate the fact that if they had a direct loan, in which case if they stuck with it, or wanted to get out on their own, a lot of that appreciated equity would go back to the government, and we felt it was important to try to get them to end up with as much of that equity as possible.

Russ, do you have anything else?

Mr. DAVIS. If I can just say that 100 percent of our loans are not sub-prime, 100 percent loan-to-value. We've never had a lower delinquency rate in our history.

And a large part of that is because we didn't have the automatic ARM resets, but also because rural America really never got the bubble.

There's a lot of outmigration, there's a lot of economies hurt by manufacturing pullback and so forth.

And so we really are providing what the private sector has pulled out of.

Our volume has almost doubled in the past year. Private sector lenders are leaving, we're coming in. We'll go up about 25,000 loans in volume this year.

And one thing that is really important, and that is how careful we are to try to get the low credit borrowers into the program.

Twenty-three percent of our borrowers have a FICO score of under 619, or no FICO score at all, so a quarter of our borrowers are locked out of the private sector, anyway.

So we're doing our job as lender of last resort in a big way, and that's why we're really focusing on the guarantees.

Mrs. EMERSON. That's good news.

Fortunately, in my very rural area, people just don't have—we don't have that housing crisis that St. Louis or even Kansas City might have.

PERSISTENT POVERTY COUNTIES

Last year at this hearing, Mr. Dorr, we discussed what rural development was doing for persistent poverty counties, and I'm very sad and distressed to say that so many of mine happen to fall into that category.

And I had mentioned at that time that there was a need for an increased focus on the roughly 340 non-metro persistent poverty counties, and we did hear what rural development does to target these counties.

However, about a month after this conversation, I read in the Washington Post this article that I know you all are aware of, that quotes, since 2001, quote, "more than three times as much money went to metropolitan areas with populations of 50,000 or more, $30.3 billion, as to poor or shrinking rural counties, $8.6 billion. Recreational or retirement communities alone got $8.8 billion." So I have a few questions.

Number one, is this a reasonable ratio?

Two, does rural development need new or different tools to reach into these communities?

According to your testimony, since 1999, rural development's budget authority has increased by $100 million, and the program level has nearly doubled to $18.5 million.

Is there any relationship between this increase in the program level and the apparent lack of investment in persistent poverty counties?

So I'd like you to answer those questions, but with the caveat that believe me, I understand that you all are only a partner with local communities, and I need you to help us with the answers to those questions, but also help us figure out what I and my colleagues and other local leaders could be doing to help these communities who are persistent poverty communities capitalize on USDA rural development resources.

Sorry, that's a long question with some——

Mr. DORR. No, it is, and it's a tough question, and I frankly would be disingenuous if I told you I had an answer for it.

I do believe that our approach, one of the things, for example, that we're doing in our B&I program is making a very, and that's the business and industry loan guarantee program in conjunction with a number of our renewable energy, or the value added program or other things, is we are taking I believe 20 or 22 states in which we historically have not had aggressive relationships and B&I development relationships with the local lenders, and we are actually going out and making an effort to contact every rural lender in those 20 states.

Giving you one example, we had one state that, about two-and-a-half years ago, made about $20 million in annual loan guarantees to the B&I program.

This year, through a very aggressive outreach effort, they will, presently six months into the year, have $120 million of loan guarantees on the books.

I believe that the only way we ultimately get through this persistent poverty issue is that we have to generate economic activity in those communities based on whatever the structural strengths of them are.

The long-term infrastructure issues will be addressed if you have strong economic activity, and whether or not we can address it in every one of these counties, whether or not, as the Post articles point out, we can redirect how that occurs, is an ongoing challenge.

Rural definitional issues, there are a number of challenges that we have historically dealt with, and we're trying to redefine our rural definition to give us greater flexibility in identifying those priority areas.

If we're successful at getting that done, we can, and better define those priority areas, perhaps we can do a better job of targeting the resources that we have in some of these areas.

But a lot of it has to do with the way in which we historically have been structured.

Historically, we were structured such that we waited for people to come into our offices. We're not doing that any more.

What we have done through our restructuring process is specifically designed to get our people cross-trained to be able to deliver

more than one program, and we have great expectation that they will spend a great deal of their time out looking for business, working with constituents, exploring opportunities with local lenders, local developers, local councilmen, whatever the case might be.

And to the extent that we're able to carry through on that, I believe we'll begin to generate a lot more interest and activity in these areas that you're talking about.

Mrs. EMERSON. Thank you.

Ms. DELAURO. Ms. Kaptur.

Ms. KAPTUR. Thank you, Madam Chair.

Welcome, Mr. Secretary, and your associates. Glad to have you here today. And thank you for the special effort you made to stop by and see members prior to your testimony today.

Thank you. We deeply appreciate it.

OPEN RANGE COMMUNICATIONS BROADBAND LOAN

Just for the record, the Open Range communications proposal that you've been heavily involved in includes 17 states.

I take it Ohio is not one of those states. Am I correct in that understanding?

Mr. DORR. I believe it is.

Ms. KAPTUR. It is one of the states? So any part of Ohio that's rural would qualify?

Mr. DORR. There are—the loan application and the approval process specifically designated certain counties and certain communities.

Ultimately, as this plan is built out and they attain the build-out designated in their plan, my expectation is that they will wish to expand to other areas that are underserved adjacent to the areas that they're presently serving.

Ms. KAPTUR. If there's any information about Ohio, I would greatly appreciate that as part of the record.

Mr. DORR. Sure.

Mr. Andrew indicates that we are—they are going to be building out in 50 communities in Ohio, they'll be investing about $24 million of this project in Ohio.

Ms. KAPTUR. Do we know—Ohio has 88 counties. Do you know how many counties that may touch?

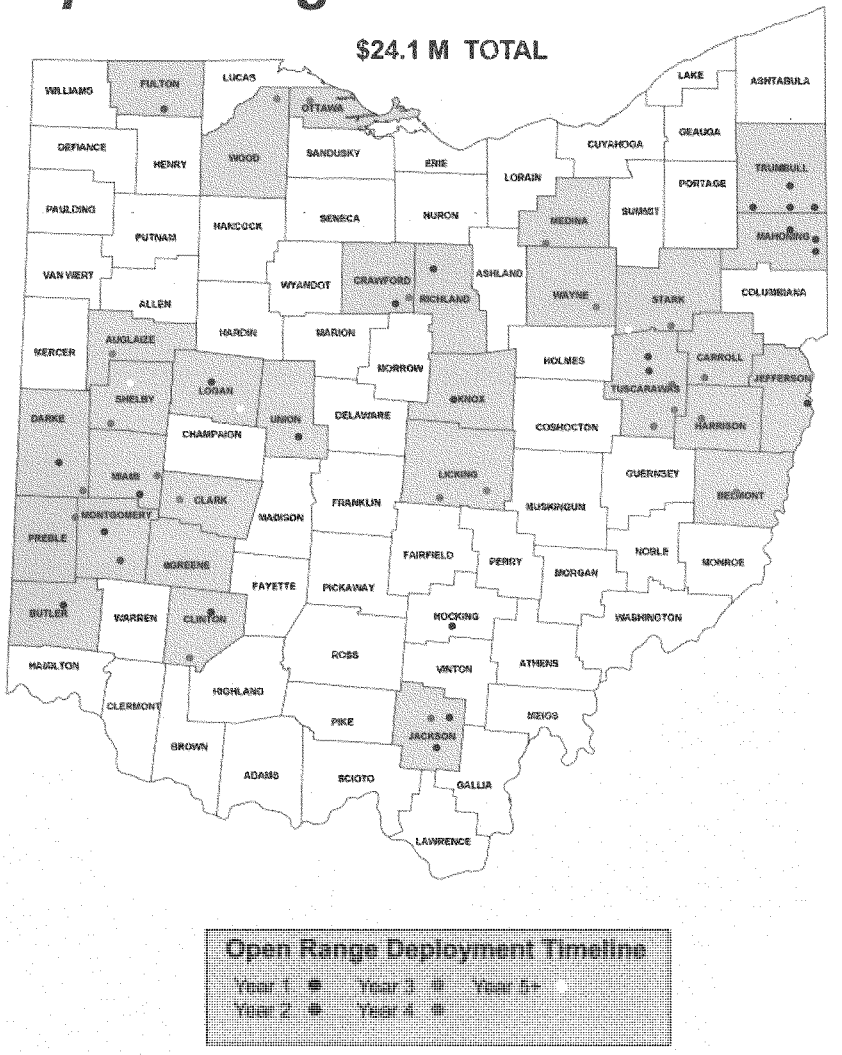
Mr. DORR. I don't, but we can get that information to you.

Ms. KAPTUR. All right.

Mr. DORR. We would be delighted to.

[The information follows:]

Open Range Service for Ohio



Open Range Project Information

- $267 Million total investment to provide Broadband service
- Service for 17 states and 518 rural communities
- Construct a licensed, wireless Wi-Max system

Open Range's Impact in Ohio

- $24.1 Million total investment to provide Broadband service
- Provides service to 51 communities in 30 Ohio counties

Counties/communities Served

Auglaize	St. Marys
Belmont	St. Clairsville
Butler	Trenton
Carroll	Sherrodsville
Clark	New Carlisle
Clinton	Midland Wilmington
Crawford	Crestline Galion
Darke	Greenville Pitsburg
Fulton	Wauseon
Greene	Bellbrook
Harrison	Deersville
Jackson	Coalton Jackson Wellston
Jefferson	Stuebenville
Knox	Mt. Vernon
Licking	Heath Kirkersville
Logan	Bellefontaine Zanesfield Village
Mahoning	Campbell Struthers Youngstown
Medina	Harrisville
Miami	Casstown Tipp City
Montgomery	Clayton Moraine
Ottawa	Clay Center
Preble	Verona
Richland	Shelby
Shelby	Kettlersville Russia
Stark	East Sparta Wilmont
Trumbull	Girard Howland Center Hubbard Newton Falls Cortland
Tuscarawas	Dover Midvale New Philadelphia Port Washington Uhrichsville
Union	Marysville
Wayne	Orrville
Wood	Rossford

Ms. KAPTUR. Thank you for your leadership on that.

RENEWABLE ENERGY

I agree with the statement that you made not so long ago. Renewable energy is the biggest opportunity for economic growth and wealth creation in our country. I totally agree with that.

The facts are that since this president has assumed office, America is importing a billion more barrels of oil per year than at the beginning of this decade.

Whereas in the past, we had about a third of our trade deficit was comprised of petroleum imports, today it is 51 percent. So it's getting worse.

So all of us have an enormous role to play in that. I'm glad you see the Department of Agriculture's in that, Mr. Secretary.

And I'm very interested in the fact that in the budget submission, and I realize we have a farm bill out there, but in the budget submission, the administration, in terms of energy, zeroed out rural economic development loans, value added grants, renewable energy efficiency grants, renewable energy efficient loans.

I know your interest and your deep commitment to energy independence. Could you sketch for this committee how you view your role in that, as a result of this budget submission.

And also in answering that question, in last year's appropriation bill, we had specifically identified wind production as a priority area for the utilities program. Could you address that, as well, as you respond to this question?

And I thank you so much.

Mr. DORR. Well, certainly.

Yes, you're correct, in terms of what is in the 2009 budget submission.

I also, however, wish to point out that the Farm Bill proposal that was presented by the president and Secretary Johanns now well over a year ago clearly had a large component committed in what we call a new platform structure for energy programs.

I believe the request was for a budget authority that would support a $2.1 billion loan guarantee program for biofuels, particularly in cellulosic refining, enviro-refineries.

We had submitted a budget request for $500 million for the research title.

We had included another, I believe, $500 million for what was the old energy efficiency and renewable energy portfolio, and I believe there was another $150 million submitted in that for research in the old 9008 biomass research and development portfolio.

Clearly, we don't know where the farm bill is at this point. I sincerely hope we have a bill that will support what the president has laid out in this.

The thing that I think is also important to point out, and obviously we're on different sides of the aisle, but I believe the President has had an extraordinarily strong commitment to renewable energy, and in that vein, early on, we got very engaged at USDA working collaboratively with the Department of Energy, and I believe that the relationship that we have developed with the Department of Energy using their technical and research assistance in the implementation of our energy efficiency and renewable energy pro-

gram, or the 9008 biomass R&D program, has been extraordinarily beneficial. We're not duplicating things that they do and vice versa.

So that collaboration has actually evolved now to a greater extent through the biomass R&D board in which we have co-chairs, and the Secretary of Agriculture and the Secretary of Energy co-chair that committee.

I'm the designee from Agriculture. Alexander Karsner is the designee from Energy.

But we also meet monthly with representatives from EPA, CEQ, and all the other agencies very much involved with this entire issue, and I think it's bringing a lot of focus to the entirety of the efforts.

In response to your last question about wind, clearly, wind is a large component of renewable.

Mr. Andrew's programs allocate $200 million a year to renewables as a set-aside. Jim, do you want to address that issue?

Mr. ANDREW. It is not specifically designated. I mean, we did specifically designate for renewables.

We have done several wind projects. We have several that we're looking at right now with at least 500 megawatts of power that will be incorporated—$200 million out of our budget set aside for renewables——

Ms. KAPTUR. Are those mostly west of the Mississippi rivers, sir?

Mr. ANDREW. No. Two of them are in Missouri, one of them is in North Dakota, one is going to be in parts of South Dakota.

Ms. DELAURO. Thank you, Ms. Kaptur.

We will move to a second round, and obviously, more questions. Just a couple of points, I think, for clarification.

And I'm not going to ask you to do this now, Mr. Secretary, but I think that there's over-reliance on what is going to come from the farm bill, and we are going to be in very, very serious shape if the extent to which you are hoping that the farm bill is going to provide you with all of these resources.

As I said earlier on, there isn't any request that is 100 percent, and I haven't yet heard anything about contingencies as to what we do with all of these programs if there is no farm bill.

ELIMINATION OF PROGRAMS

But let me move to a couple of other areas.

This is—the Economic Research Service was here about three weeks ago. I want to just give you this quote.

"Analysis shows that poor rural counties generally receive more grants and fewer guaranteed loans than rural counties in general. Poor communities often lack the ability to repay loans, given their limited tax base.

This problem is exacerbated in small communities where the per person costs of providing public services are high. Consequently, the recent shift from rural development grants to direct or guaranteed loans may make it more difficult for low-income rural communities to finance local environmental infrastructure, telecommunication services, and community facilities."

ERS, sitting where you are not three weeks ago.

The rural development budget proposes to eliminate most of the grant programs, some of the direct loan programs, in favor of guaranteed loan programs.

But budget justifications say more communities can take on debt to address needs in this low interest rate environment.

How do you plan to assist the other communities that cannot afford to take on debt, the more impoverished communities that need environmental infrastructure, telecommunication services, and community facilities?

Mr. DORR. I was not aware of that document until after the fact, and had I been asked to edit it, I probably would have at least asked where they pulled all of that together.

Again, we all know that there are certain communities that have significant problems.

We have limited resources. We have aggressively tried to address many of the housing issues that we felt we could address within the context of this budget.

Our grant levels are nearly, including the rental assistance, nearly at the same level that they were a year ago, and we will continue within the framework of the limited resources we have to try to mitigate those, but also try to facilitate mechanisms to create opportunities that historically haven't been looked at.

Ms. DELAURO. Without rental assistance, which you're correct about that, but you also talk about your mission as to, and first priorities, as to dealing with the most vulnerable and the lowest-income areas, and clearly, I'm going to have you talk to ERS as to where they got their data, but that's data that they provided us here.

LOW-INCOME HOUSING

In terms of rural housing, again, a proposal to eliminate direct Section 502 single family housing, direct Section 515 rural rental housing.

The budget says that we will receive a legislative proposal to increase the guarantee from 2 to 3 percent.

Budget request is also proposing to remove the subsidized interest authorization and the fee component of the Section 538 guaranteed multi-family housing loan program.

How will these guaranteed programs provide the same home ownership or rental opportunities that are provided through the direct Section 502 single family housing, direct Section 515 rural housing loan programs that you propose to eliminate?

Also, you are also going to increase fees in the guaranteed programs. It would seem that you have given up on helping very low-income achieve housing assistance.

Mr. DORR. I'm actually going to ask Mr. Davis to respond to that, but before he does, I just want to say at the outset, I don't think there is, we have not given up at all.

As a matter of fact, I believe that our housing programs have been extraordinarily aggressive and successful over the last few years.

We know that we can clearly reduce costs and access a lot more potential homeowners, even in these very low-income categories, as we have already been doing through the guarantee portfolio.

We believe that, properly structured, we can continue that trend with perhaps some more level of enhanced subsidy.

But, for example, just to access that market, you have 2,300 bankers that are involved in our programs, as opposed to 448 offices.

Just merely to be able to contact people and to get them into the program alone through these kinds of marketing strategies makes a big difference in the number of people you can contact, plus we——

Ms. DELAURO. Before we move to Mr. Davis, let me just add, on February, I believe it was February 28th, the secretary wrote to the president of the Senate, the vice president, "I'm submitting—Rural Housing Section 502 Guaranteed Loan Enhancement Act of 2007."

In the letter itself it says that the average income of a direct home ownership customer 2007 is approximately $25,000, because you've got—it says that we're going to deal with direct home ownership programs targeted to very low-income home owners.

Now, the data that is then presented indicates that the average income of a guaranteed home ownership customer in fiscal 2007 was approximately $45,000, and the majority of customers are in the moderate income range.

The statute allows USDA to guarantee only fixed rate 30-year term loans to ensure long-term affordability.

Through the proposed new subsidized guaranteed home ownership program, USDA anticipates helping families with an income of approximately $35,000 at a lower cost than providing direct loans.

You're not going to deal with the people who are at the lower income people. This is the recent legislation sent up here to deal with this 502 program.

So one more time, you are not going to be dealing with the low-income people, the lowest-income people that you lay out as your first and foremost responsibility.

Mr. DORR. Well, and I appreciate your concerns on this. I think therein lies the crux of this entire sub-prime issue.

Obviously, there are all kinds of debates about whether or not, in a general sense, we were placing people into homes who couldn't afford homes, who would have been better off in apartments, and consequently, whether we're going from 25 to 35 thousand, but we are in fact funding rental assistance in a way that would make affordable multi-family housing——

Ms. DELAURO. My time has expired.

Mr. DORR. Okay.

Ms. DELAURO. We're going to get to that, and we're going to get to the sub-prime before this hearing is concluded.

Mr. Kingston.

DEFAULT RATE FOR BUSINESS PROGRAMS

Mr. KINGSTON. Mr. Dorr, you had mentioned earlier that there was a default rate on the direct loan of 47 percent and 5.75 percent on guarantee?

Mr. DORR. That was on the business and industry loan portfolio, not the housing portfolio.

Mr. KINGSTON. That statistic caught my attention, anyhow. Can you talk about that, why the default rate is so high?

Mr. DORR. Well, I think this is anecdotal and subjective on my part, but it would appear to me, as a farmer and a businessman, that what was occurring, obviously, were well-intended people presenting opportunities in which government employees were making a determination as to whether or not a business opportunity was viable, and so it was a decision that was made between a government lender and a private investor as opposed to a decision that's made between the private investor enticing an originator, his local banker, and perhaps other investors to look at the project, to really flesh it out, make sure that it's viable, and then ultimately, if they concurred, to originate a loan that they ultimately bring to Rural Development to lay off some of the risk through the guarantee.

Clearly, what you do, it's much like the Open Range loan.

It took two years to make the Open Range loan, and in that process, it effectively got scrubbed—more technology, more refinements in the business plan, and a whole host of other things took place.

That's essentially what happens in the guarantee process, and I believe that because you've got local investors, local business people, and local originators involved in the process, there's a much higher level of chance of success, and consequently, the long-term benefits are substantively reduced default rates.

Ms. DELAURO. Mr. Kingston, can you yield for a second?

Mr. KINGSTON. Yes.

Ms. DELAURO. I will give you the additional time.

I think there's a—isn't this a product of an administrator who was pushing bad loans against staff advice, and my understanding was that he subsequently has resigned, but he even had asked staff, when they began to find out about what he was doing here, that he asked to have the documents shredded. He has subsequently resigned.

But I mean, part of what you're saying in terms of this rate was an administrator who was in fact pushing bad loans.

I'll increase your time, and I'm sorry to take away, but I think this is an appropriate time to mention this.

Mr. DORR. Well, I believe that occurred prior to this administration.

I'm not aware of a staffer who was doing that during this administration, and we are still working through those loans——

Ms. DELAURO. Wasn't B&I killed after that, though, wasn't that the case?

Mr. DORR. No. No, I mean, we still have the business and industry loan program going forward aggressively.

Ms. DELAURO. But the direct piece, the direct piece.

Mr. DORR. We, when we got there, we made a decision that we would disengage from making direct loans, as a result of the portfolio that we had.

I was not aware of the prior activity of the prior staff people.

RENEWABLE ENERGY WEALTH IN RURAL AMERICA

Mr. KINGSTON. Okay. Mr. Dorr, on a different subject, you had mentioned that there would be a half a trillion dollars in wealth moving to rural America?

Mr. DORR. What I was indicating was that, if we're importing roughly 5½ to 6 billion barrels of crude oil a year, at $100 a barrel is a half a trillion to 600 billion, if we can displace a billion barrels of that, or over a period of decades, much larger percentage of that, that's income that can be largely generated from rural resources.

I mean, biomass, wind is generally cited in rural areas, photovoltaics can frequently be put on buildings, large solar generation projects are rural in origin. So yes, a lot of that would be originated in rural areas.

Mr. KINGSTON. Well, in terms of the money that's going there now, the new wealth, how much money actually gets to the hand of smaller farmers and the general population versus large corporate players?

Mr. DORR. That's a terrific question. It's one that I've spent a lot of time thinking about.

I'm not sure we have enough time here at the committee to go through it.

But I will give you one very quick example.

Mr. KINGSTON. I want to say, Ms. Kaptur, I think, would probably be interested in this answer, as well, so if it is something that you can——

Mr. DORR. I'd be delighted to—I'll give you one example.

My home town of Marcus, Iowa, started development of an ethanol plant in 2001 about the time I left. I was not in a position to participate in it. It went on line in 2003.

The original shares, of which they raised locally about $15 million, they needed some investors to put in some additional money, local shares were sold for $1,000 a share.

Today, more or less, they've split, but back to the old basis, they're now worth something in the neighborhood of $9,000 to $10,000 a share.

The company has now doubled its capacity to 100 million gallons.

I believe that they have paid out nearly, at least 10 and maybe more thousand dollars in dividends against those original shares, so everybody has got their money back more than once.

Land values have obviously escalated in the area. The community has built a new truck stop. They're building a new motel. They're building several new homes in the community.

That plant has, I believe, probably in excess, nearly four dozen jobs, all high-value jobs.

That plant was built at the very outset, at the front end of the ethanol, the dry mill process.

To raise $80 million of capital in a rural community is a very cost-prohibitive thing, when you have to go out and do that many transactions.

And so now, when you have technology and a business model that works, it's easier to go to Sioux City or Omaha or Des Moines or Washington or Toledo or wherever. You can raise the money in four or five or six transactions.

My concern is not that rural Americans can no longer invest in this.

What we have to do in the context of policy makers is figure out ways to make it less onerous for local people to invest in funds that developers can go to so that ultimately, 20 or 30 or 40 percent of

these funds can actually be local funds, but run through a local investment vehicle.

Those are going to be state issues as well as investment and security regulatory issues at the Federal level.

I think we need to address those and ultimately, if we do, we can keep a lot of this wealth in these rural areas if we're creative about how we do it.

Mr. KINGSTON. Thank you.

Ms. DELAURO. Mr. Bishop.

Mr. BISHOP. Thank you very much.

Mr. Dorr, I know you're a short-timer, but I would like very much if you or some of your staff could come and visit my district and actually sit down with some of the communities like Chattahoochee County, to work through some of these issues, so that we can have—their basic need is just a well, so they can provide water and sewer.

BUSINESS AND INDUSTRY LOAN GUARANTEES

But let me turn to the loan guarantees and the rural banks, following up on some of what was alluded to earlier.

The rural development business and industry loan guarantee program guarantees loans for banks in rural communities and the businesses that will provide economic growth for our rural communities.

There have been several instances where USDA has been accused of hanging these small banks out to dry, and where you have actually defaulted on the guarantee.

One example, which of course makes small banks reluctant to participate in the guarantee program, the example is in the First State Bank of Blakely, Georgia.

The complaints in my office have been that the program regulations placed all the responsibility on the lender to determine the eligibility of a proposed borrower and a loan for a guarantee, and in short, once the lender has certified that a loan is eligible, the agency must issue a guarantee, and it has no discretion to undertake its own review to refuse a guarantee.

Shouldn't the agency have some of that responsibility? We've got a First State Bank participating in the guarantee loan program. There was a default.

And of course, when they turned to USDA to make them whole, USDA said, "No, you shouldn't have made the loan." And so they were left hung out to dry.

And of course, we tried to intercede to assist them, to no avail.

They went all the way up through the process, but still, you know, it left a very, very—a real chilling effect on local community banks getting involved in a guarantee program when they're worried about, if they do participate, being left out to dry in case they need the guarantee that's supposed to be brought out as a backup for them.

Mr. DORR. Well, I'm not familiar with this particular situation. I also know that there have been some of these kinds of cases that have arisen over the years.

We have, at least I have aggressively tried to institute processes and oversight in a way that would preclude these sorts of things

from happening, but I would be glad to sit down and review it with you or, you know, get into this.

I do know that it is, historically, it has been the requirement in the guarantee program that the banks provide servicing of these guaranteed loans. They originate them.

We know that they can sell off part of the loan. But we also know that by servicing, they can also generate revenue.

But we do expect them to service the loan, because we don't have people out there next door to whomever this new company might be.

I suspect in this particular case there were probably some disagreements as to, you know, how the servicing was handled. I don't know.

But I do know that we're doing everything we can to try to make certain that those kinds of issues don't occur on a regular basis——

Mr. BISHOP. Do you understand then the concern that the subcommittee has with the shift of the guarantee program away from the direct programs which seem to be backing away from providing the service to the people who actually need it, and, you know, it's almost passing the buck, and not really actually grabbing the bull by the horns to help our rural communities that need the help, where there is the poverty, where there's the greatest need for economic development, the greatest need for the broadband and the Internet to try to equalize that playing field, but it seems as if the policies that you're putting in place are actually doing the opposite to what you profess to be your objective.

Mr. DORR. These issues that you raise relative to this First State Bank of Blakely are, in all sincerity, rather rare, and so I mean, I understand your concerns, but I do believe that, in the long run, and it takes some time to transition into these, but in the long run, the wealth that we create, that's created by this partnership of local participants, the local banks, the local entrepreneurs, that the loan guarantee from the Federal Government in the long run pay pretty substantive dividends.

We certainly would be delighted to come down and spend some time, even in the short time we have, to see if there is something that we can do that would address some of these issues.

Mr. BISHOP. Thank you. But may I just make one statement, Madam Chairman?

The problem is that, and when you look at rural communities, you don't have a lot of rural banks, and they all know each other and they all are aware when one of their brother banks, brother or sister banks gets burned, and they try to learn from those experiences, and if they don't trust USDA, the guarantee program, they're not going to participate, because they don't want to be stuck like their neighbor was stuck.

Ms. DELAURO. Mr. Lahood.

Mr. LAHOOD. Thank you, Madam Chair.

BROADBAND FUNDING

Let me go back to this broadband issue.

The chairwoman brought to my attention, that you had the authority to provide broadband loans at 4 percent, but none of those funds have been requested for this program, and so we're curious

as to your explanation why these funds have not been requested for these broadband loans at 4 percent to rural communities.

Mr. DORR. I believe in the budget that we proposed we were also, excuse me, in the Farm Bill proposal, we had added, I believe it was about 375 million as proposed infrastructure issues that would have been utilized in the broadband area in conjunction with the anticipated carryover funds that we had in the existing program.

Mr. LAHOOD. So are you saying that because you were writing—participating in the writing of the farm bill, you decided to use this money and lop it over into that program, or lop it over into the new farm bill, or what?

I don't understand——

Mr. DORR. We were, we have embarked on something called the Delivery Enhancement Task Force, which could get pretty muddy, but essentially what it is is a process to, and I may have mentioned this last year, but we historically say we have somewhere between 40 and 50 programs in rural development.

Essentially what we have are grant programs, direct loan programs, and loan guarantee program.

They were so convoluted and complex that it seemed to make sense that we ought to look at how we could mitigate the delivery, the ease of delivery, both for our constituents and for our associates and their ability to deal and roll out these new programs.

What we've done essentially is aligned them, what we call platforms, a loan platform, a direct loan platform, a loan guarantee platform, and a grant platform.

In the Farm Bill proposal, as we laid this out, we delivered, we developed a grant platform approach, and in that, we put, and a loan guarantee approach, and we plugged in a number of these new options and new approaches in the context of the Farm Bill proposal with the budget authority, what I believe in the overall president's proposal was about $4.8 billion over baseline. That obviously is a subject for debate that's still going on.

So no, we did not displace funds. In fact, we enhanced our rural development programs with the way in which we approached that and layered on the 2009 budget approach.

Mr. LAHOOD. Well, you're from Iowa and I'm from Illinois. I just want a simple answer to the question.

Why didn't you request the funds? Why weren't the funds that were a part of your budget at a 4 percent rate, why weren't they requested?

Just give me a simple answer. Don't do bureaucracy speak to me here.

Mr. DORR. We thought we had adequate funds and we thought it was appropriate the way we budgeted them into the Farm Bill proposal.

Mr. LAHOOD. So you didn't want to spend them under the current program, you wanted to put them into the new farm bill?

Mr. DORR. We had authority under the current program with carryover dollars, and we felt that, in conjunction with what we would get through the Farm Bill proposal, would be more than enough to take care of that program.

Mr. LAHOOD. So rather than requesting the money, you decided to take that money and include it as a part of the new farm bill? Is that right?

Mr. DORR. I believe that's probably one way of viewing it, yes.

Mr. LAHOOD. Look, if your previous answer to my question earlier under the first round was that you're committed to broadband, which I believe you are, coming from Iowa, I know you know the value of it, and you expressed that, I don't understand why, you know, if there are—I know in Illinois there's some broadband proposals out there. Senator DURBIN has been leading the charge on this with our delegation.

I don't quite understand why, when you know there are proposals out there, you wouldn't make the request for the money for those states that are ready to go or at least want to get this program started, rather than moving it into a new farm bill. I don't get it.

Mr. DORR. That was the decision that was made. That's——

Mr. LAHOOD. By the secretary or who?

Mr. DORR. It was a decision that we made as we put together our budget in the context of the entire budget proposal for both the 2009 budget and obviously what we felt was an appropriate and a progressive Farm Bill proposal that was submitted in January of 2007.

Mr. LAHOOD. I'll be honest with you.

You know, your answer in the first round showed a strong commitment to broadband.

Mr. DORR. That's correct.

Mr. LAHOOD. This mechanism, by transferring the money, shows no commitment to broadband.

You had money. It was never requested. There are states out there that are ready to go with broadband. And yet you're lopping it over to a new farm bill, which we can't get agreement on.

You know what? I don't understand the logic of that, at all.

Was that your decision or was that—I'm asking, was that your decision or the decision of somebody higher up?

Mr. DORR. It was a decision that we worked out within the department.

Mr. LAHOOD. Did you agree with it?

Mr. DORR. Yes. I mean, it was a decision that we concurred on.

Mr. BISHOP. Will the gentleman yield?

Mr. LAHOOD. of course.

Mr. BISHOP. You're saying that when you were working out your budget, Mr. DORR, for that particular project's programs, you didn't consult with OMB at all?

OMB had no part in your decision not to request it and the decision to carry it over rather than request it?

Mr. DORR. Certainly there are a number of people involved in these decisions.

Mr. BISHOP. I'm talking about the agency, OMB, Office of Management and Budget——

Mr. DORR. Certainly.

Mr. BISHOP [continuing]. White House.

Mr. DORR. Mr. Steele's office, the Office of Management and Budget, a number of us worked together on these projects, and

when we get down working through them, we clearly come to a conclusion.

I think that there was—wait a minute, what's this?

Mr. STEELE. Excuse me.

In the budget, we have $298 million of direct loan activity for broadband.

Mr. DORR. Right.

Mr. STEELE. In the budget.

Mr. DORR. Right.

Mr. STEELE. We're not eliminating anything, we're trying to continue——

Mr. DORR. Exactly.

Mr. STEELE [continuing]. The broadband direct loan program.

Mr. LAHOOD. Madam Chair, can I just ask my question again? I'm going to just read this to you.

You have authority—you have authority to provide broadband loans at 4 percent to rural communities where broadband services do not currently exist, yet you have not requested funding for this program.

It would seem this subsidized program would help get broadband to rural, underserved areas, so why are you not requesting funding?

And your answer is, because you took the money—well, fine.

Shake your head no. Give me a better answer, then. If you—are you telling me there's $270 million in the current budget?

Ms. DELAURO. But it is at Treasury rate. It's at Treasury rate. It is not at the 4 percent rate.

You're using the Treasury rate dollars and, the Treasury rate, and not the 4 percent rate.

Mr. DORR. That's right. And the Treasury rate money is very, very close to the 4 percent money.

Mr. LAHOOD. Well, look, please don't tell me that you're committed to broadband when you haven't requested the money and you took the money and lopped it over into a new farm bill that we haven't passed yet.

So please, sir, don't tell me that you're committed to broadband when you haven't requested the money, and there are states out there that are ready, including Illinois.

The silence is deafening. Thank you.

[The information from USDA follows:]

United States Department of Agriculture
Rural Development
Office of the Under Secretary

USDA Rural Development's Broadband Loan program was first authorized in the 2002 Farm Bill. Mandatory funds were made available in FY 2003 for three components of the broadband loan program:

1. Direct 4% Hardship Loans
2. Treasury Rate Loans
3. Guaranteed Loans

After enactment of the 2002 Farm Bill, USDA Rural Development published regulations in the *Federal Register* implementing the program. Requirements for the **4% Hardship Loans** are specified in 7 CFR Part §1738.30(b). In brief, to be eligible, an applicant must propose to serve a community that:

1. Has a population of less than 2,500 inhabitants;
2. Is not currently receiving broadband service;
3. Is located in a county with per capita personal income that is less than or equal to the national average per capita personal income;
4. Is located in a service area with a certain maximum population density.

To date, USDA Rural Development has obligated only one 4% Hardship Loan. The loan was made to Cheyenne River Sioux Tribe Telephone Authority (CRSTTA) in Eagle Butte, South Dakota. The loan was approved on February 11, 2004, in the amount of $4,230,000.

Applicants have informed USDA that it is difficult to develop a feasible business plan in an area that meets the requirements for the 4% Hardship Loan. Most applicants chose to utilize our Treasury Rate Broadband Loan program. As a result, USDA Rural Development has not sought additional funds for 4% Hardship Loans.

The interest rate for our Treasury Rate Loan program as of April 1, 2008, would be 4.3% for a 30-year loan. For information, a 7-year loan as of the same date is 2.88%. This program does not have the restrictions of the 4% Hardship Loan program. As a result, USDA Rural Development has obligated 81 broadband loans under the Treasury Rate authority totaling $1.65 billion since 2002.

For FY 2009, USDA Rural Development is seeking $11 million in budget authority to support $298 million in program broadband loans. Since there has been only one completed application for the hardship program, no specific funds were requested for 4% hardship loans, and the budget anticipates making only Treasury Rate Loans. However, the appropriation language for the request does not preclude making 4% Hardship Loans.

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Ms. DELAURO. Thank you, Mr. LaHood.

Ms. Kaptur.

Ms. KAPTUR. Thank you, Madam Chair.

DEFINING RURAL AREAS

In last year's questioning, Mr. Secretary, I asked you about certain dysfunctions inside of the rural development budget where you have agricultural enterprises that are operating within cities, and obviously cities aren't eligible for agriculture funds.

For example, greenhouses. I represent the two largest greenhousing, floriculture, nursery counties in Ohio.

The response of the agency last year to me when I said, "Can you look at site specific agricultural enterprises that, through no fault of their own, are inside city limits and are neglected enterprises," the answer the administration submitted back to me was that, "Rural development is aware that, for example, greenhouses are among those entities that have been feeling the effects of population growth and increasing density in formerly rural areas. We are hoping we can complete our research and consider alternatives to our current methods of determining location-based eligibility issues."

Could you tell me, or someone from the agency, have you made any progress on that research, and what do we have to offer rural enterprises that, through no fault of their own, end up being inside a city or inside an urban county?

Mr. DORR. We've actually laid on the table in the Farm Bill debate a proposal that would make available B&I loan guarantees to a city or town with a population of 50,000 or more, that would exclude communities of 50,000 or more, and the urbanized area that is contiguous and adjacent to it.

To the extent that these communities of 50,000 with urbanized areas contiguous to it are where these operations are located, then, frankly, we are precluded statutorily from making loans to them.

Ms. KAPTUR. But if they are under the IRS Code in every other measure an agricultural enterprise, all I'm asking you to do is to look at their conundrum.

Most of our small truck farmers and our orchard producers, our greenhouse growers, are near their market, and I'm not asking you to make a major change in the way that you deliver programs, but if you look at these struggling enterprises that are the major farms that feed our—that give donations to our food banks, that operate without any government subsidy—these are unsubsidized, they're not necessarily row crop producers, but they are growing vegetables, they're growing fruits, they're growing herbs, they're operating their greenhouse floriculture nursery—there's some dysfunction within USDA.

I understand the definition, and I heard what Congresswoman Emerson said about all this money goes to urban areas.

Well, there's quite a bit of money that goes to rural areas for row crop producers. But if you are an unsubsidized farmer and you are out there in the market and USDA ignores you, that's not right. That's not right.

There ought to be some kind of way to make a, we used to just call it nonconforming use in city planning. If they're operating as agriculture, see them as agriculture.

Mr. DORR. We are precluded by statute from making these loans. If the statute is changed, then we could address this issue.

But if they are statutorily precluded, I'm not certain what either Rural Development or anyone else in USDA can do to mitigate—

Ms. KAPTUR. But there ought to be a waiver, there ought to be ability for a waiver. I would appreciate any advice.

We don't want to mess up your operations, but it's unfair to these people, most of whom are small businesses, small family run enterprises, to treat them any different than somebody who is outside, you know, the border of the city limits or the county limits, when they're in the same business.

So I would really, I'm urging you, please, give me ideas.

Mr. DORR. Well, I think it is an, it requires some sort of statutory fix.

I suspect if I waived statutes that you and your members put in place, I would be spending time someplace else.

So we can waive a reg, but I'm not aware——

Ms. KAPTUR. Maybe you need a waiver authority is what I'm saying. I can't believe that other members don't have this issue.

And it's come up time and time again, if a greenhouse is located five miles down the road, they're eligible, if they live in a town of 5,000, but if somebody happened to end up in the city next to this area, and they're stuck there with all the other—I mean, hey, I got farmers with tractors being stolen inside the city limits.

I mean, there's all kinds of issues these people face, and yet USDA turns their back on them.

I think there ought to be some type of waiver authority. Maybe we have to write it into law.

I know my time has expired, Madam Chair, but this is really frustrating. And America today has over 300 million people.

When I was born, they had 146 million people. We're just getting more and more—we'll have 500 million people by 2050 in this country.

And, you know, our objective is so help the farmers that want to stay in business, so something is not right there, and I was just looking for any suggestions you might have.

We'll write legislation up here, but your vast experience might help us tailor it in a way that would not be terribly difficult for you to implement. That's what I was——

Mr. DORR. I would be delighted—if you would send a request to us, we would be delighted to provide whatever assistance we could in drafting.

Ms. KAPTUR. Thank you.

Ms. DELAURO. Ms. Kaptur, let me just say as well, that when we get the information, we ought to sit down and have committee members and so forth take a look at this and see what might make sense, because your point is well taken that there's probably a lot of communities that are facing the difficulty.

BUSINESS AND INDUSTRY PROGRAM

Let me make a point about the guaranteed business and industry loan program that's been talked about a lot today. The President's budget proposes to reduce funding for the guaranteed business and industry loan program by $300 million. The budget also proposes to eliminate rural business enterprise grants, rural business opportunity grants, renewable energy loan and grant program, the value-added producer grants.

I continue to say that given that the farm bill may not be passed before fiscal year 2009, though we all hope it will be, I have not seen any indication, any information, and I suppose what I'd like to do is to understand from you and for the record, if you will, if you will lay out for us how do we plan to fund all of these programs while reducing the guaranteed business and industry loan program? So if you could provide that information for us, it would be helpful.

[The information follows:]

RURAL BUSINESS PROGRAM FUNDING

When the President's FY09 budget was formulated, we anticipated that a new Farm Bill would be in place by FY09. The Administration's Farm Bill proposal includes provisions and funding for the Renewable Energy loans and grants program. The Farm Bill also proposes authority for a business grant platform. If mandatory funding does not materialize for the programs proposed in the Farm Bill, they can be operated with discretionary funding at the levels that Congress appropriates.

RENTAL ASSISTANT PILOT PROGRAM

Let me ask about the rental assistance pilot program. The President's budget request is for a new $100 million pilot program for rental assistance vouchers to target rental assistance to low-income tenants rather than the property owners. Why is the pilot program necessary? Wouldn't the existing voucher program allow you the same flexibility that you are seeking?

Mr. DORR. Russ, do you want to deal with that one?

Mr. DAVIS. Yes. You've asked two questions. First of all, why is it necessary? And two, could the current program handle it? The necessity is that there have been great changes in the population in rural America, and where we built the houses 40 years ago is not necessarily where the people or the need is any more.

We're asking that about a tenth of our portfolio have the flexibility essentially to have the subsidies follow the people instead of being stuck in—nothing against Western Kansas, but there are places in the country that have had serious migration. So there's a flexibility aspect of that.

Also, there's a cost aspect, that there are markets where a voucher would be cheaper than the property that is there, particularly the older, obsolete properties that have high energy costs and so forth. So, more flexible and cheaper.

As to whether we could use the current voucher program, we only have a one-year demonstration, and we thank the committee for that. We're actually saving, we saved 1,700 families last year from eviction or loss of their home by having those vouchers. But right now their only protection vouchers. They can only be used for

somebody who is in a property that's being lost to the program. So we can't use those vouchers for anything greater.

Ms. DELAURO. So what will—the properties that are there, what will happen to those properties?

Mr. DAVIS. According to our engineering study, about a tenth of our portfolio is economically or physically obsolete. Properties get old, and we have properties——

Ms. DELAURO. And you don't have the current tools to put those properties in shape?

Mr. DAVIS. Well, the biggest tool we have right now is the revitalization program. Again, that's a demo that this committee has given us, and we're saving about a hundred properties a year with that, so that's a great program. But there are properties that they're just too old, and it would cost too much to fix them.

Ms. DELAURO. So you would raze them? R–a–z–e.

Mr. DAVIS. Well, we wouldn't do that. We would sell them off into the private sector essentially through whatever mechanism, foreclosure or whatever. The private sector would take those and we would use the vouchers to——

Ms. DELAURO. Can you get for us, you know, examples of the properties that you are describing, and——

Mr. DAVIS. Sure.

Ms. DELAURO [continuing]. You know, where they are, what they're——

Mr. DAVIS. We would be happy to. And—go ahead.

[The information follows:]

Rural Development's primary priority is to protect tenants, either through provision of the affordable rental housing itself or through vouchers that will make it easier for tenants to have access to affordable housing.

A small percentage of Rural Development's Multi-Family Housing properties have come into disrepair and require substantial funding to rehabilitate in order to make them decent, safe and sanitary. We are uncertain of the exact scope of this type of property within our portfolio at this time. Sometimes, the cost of rehabilitation far exceeds the cost to build new housing, or it is not economically viable to rehabilitate a property due to economic conditions impacting demand for rental units in a particular market.

The following are several recent examples of properties where it was determined to be more practical to provide alternatives through the use of vouchers than repair existing units.

A property in Alaska suffered structural damages. Alaska's harsh weather and negligence by the owner combined to create serious physical problems that made the units uninhabitable. This is a 40-unit property, currently less than half filled. The estimated cost to bring this property to acceptable condition was $6.5 million, or $163,000 a unit. USDA Rural Development has executed foreclosure and plans to sell the property to mitigate losses. The tenants will be provided Rural Development vouchers when the foreclosure is finalized.

In Oregon, a 38-unit property which had suffered from years of neglect resulted in USDA Rural Development taking the property into inventory through receivership. As the Receiver, Rural Development has worked to find an acceptable owner to take over the debt and pay the cost of repairs to this property, which is estimated to be $2,965,000 or about $78,000 a unit. No such buyer who will operate the property under federal standards can be found. Since a viable owner cannot be identified, USDA Rural Development has executed foreclosure and plans to sell the property to mitigate losses. Tenants are eligible for Rural Development vouchers which may be used elsewhere to obtain affordable housing.

In Louisiana, a 16-unit property was severely damaged by Hurricanes Katrina and Rita. Insurance proceeds were minimal. While waiting for the insurance appeal to be resolved, the property suffered additional damage from mold that was not covered by insurance. The pervasive mold could only be mitigated by tearing down the structure. The owner was unable to obtain tax credits to help finance rebuilding the property. The new construction cost of this property is estimated to be $1,733,000

or $108,000 a unit. Cited by the town because the property was a health and safety hazard, the owner has demolished the property. Rural Development vouchers for displaced tenants have been provided that may be used to secure other affordable housing.

Ms. DELAURO. No, no. You go ahead.

Mr. DAVIS. I was just going to say that there's two preservations problems we face. One is preservation of the subsidies, but preservation of properties. Properties get old, roofs fall in, there's fires. And we're trying to, it's that second category that actually has a bigger risk to us. Ninety percent of our properties have inadequate reserves to last another 20 years. We're very concerned about the physical protection of the program.

Ms. DELAURO. I will just express our concern here is that are we looking at a proposal to reduce the amount of rental assistance necessary in future years? And that is truly what concerns me with this effort, because as I take a look at what happened with HUD, with the Housing and Urban Development, we did move from project-based contracts, and then we moved to tenant-based focus, and now what we have seen is the scaling, drastically scaling back of those tenant-based vouchers and Section 8, et cetera. Are we looking at a similar trajectory here of a project tenant moving downward to less rental assistance?

Mr. DAVIS. Absolutely not. Our policy is to renew contracts and to protect all of our low-income tenants. Our budget increase is I believe $500 million for rental assistance.

Ms. DELAURO. It's $518 million. So let me just add this for a second and have my colleagues bear with me. You say that that's to renew 82 percent of the 2009 expiring RA contracts. Are you proposing to not renew 18 percent of the expiring contracts in 2009?

Mr. DAVIS. Well, the dollar amount is sufficient to handle 100 percent of the subsidized units. What we're saying is that there is a portion of the portfolio that we can house those people cheaper and more flexibly with vouchers. But this is not a major drastic change. This is for the small part of our portfolio, 10 percent that we think is obsolete, misplaced, overpriced. And this is a fix, not a change.

Ms. DELAURO. But one-tenth is about 18 percent.

Mr. DAVIS. I'm not sure about the 18 percent.

Ms. DELAURO. I mean, no, there's the one-tenth that—18 percent——

Mr. DAVIS. The difference is that there is about 10 percent of the portfolio has long-term contracts. They had five or 20-year contracts, and those don't need to be renewed. They have enough cash in the bank to go for another 5 or 20 years. So we're talking about just a small portion of the portfolio.

Ms. DELAURO. Mr. Kingston.

FARM LABOR HOUSING

Mr. KINGSTON. Thank you, Rosa. Mr. Davis, you had mentioned earlier about you found that it was costing $150,000 a unit for apartments. Do you want to expand on that?

Mr. DAVIS. Well, this is the farm labor housing program. There are a couple of things that add to the cost. Number one, it's subject to Davis-Bacon 515 isn't. There are a lot of things like that. But

also farm labor housing has to be made stronger. There's a lot more turnover in the units, and so we have to use heavier materials and just build them stronger because people are in and out of there with boots, mud, whatever. It has to be built tough to last.

Mr. KINGSTON. How much extra does Davis-Bacon cost?

Mr. DAVIS. I could get you numbers on that. I'm not—I know that there are a series of different provisions for new construction of farm labor that we don't have in 515.

[The information follows:]

The section 516 Farm Labor Housing (FLH) grant program requires that all projects utilizing grant funds must certify that laborers building or rehabilitating the property must receive prevailing wages as required under Davis-Bacon. Projects that utilize only the section 514 Farm Labor Housing loan program do not have this requirement, nor does the section 515 Multi-Family Housing new construction or rehabilitation programs. However, the majority of the FLH projects financed by Rural Development utilizes a combination of both section 514 FLH loans and section 516 FLH grants, and consequently must abide by Davis-Bacon wage determinations.

USDA Rural Development does not have precise figures on the additional costs the prevailing wage requirement adds to the overall costs of the FLH projects. It is estimated that labor is approximately 30 percent of the cost of building a FLH project and that the prevailing wage requirement adds approximately 20–30 percent to the cost of the labor. With the average cost of building a FLH unit at approximately $150,000 based on the 2006 data, the labor component is estimated to be approximately $45,000 per unit. The impact of Davis-Bacon is estimated to add approximately $10,500 per unit or approximately 7.5 percent of the cost per unit.

Mr. KINGSTON. And when you say that they have to be built stronger, stronger than what? What are you comparing it to?

Mr. DAVIS. Well, I'm comparing it to our Section 515 new construction. But a lot of it is just the type of the units have changed. We used to build a lot of dormitories. You could put four bunks in a room. Now we're building four- or five-bedroom units because we're seeing large families instead of single migrant workers, we're seeing a lot of families who have large numbers of children and then the parents go work farther out. It's just a different product.

Mr. KINGSTON. Are these for H2A workers or for anybody?

Mr. DAVIS. We have—and Section 514 and 516 of the Housing Act restricts us to only citizens or permanently admitted aliens with green cards. H2A doesn't fall under that, and so we're limited.

Mr. KINGSTON. Do you have any other problems that you want to bring up on it?

Mr. DAVIS. On farm labor housing?

Mr. KINGSTON. Yeah.

Mr. DAVIS. You know, obviously, we support the idea of farm labor housing. It's just in its current configuration, we can't put the money out responsibly and in a way that we think is—we can do it other ways a lot cheaper. Let me put it that way.

Mr. KINGSTON. Okay. Let me yield back.

Ms. DELAURO. Let me just take—well, Mr. Bishop.

RURAL COOPERATIVE DEVELOPMENT GRANTS

Mr. BISHOP. Thank you very much. Rural cooperative development grants program is small, but it's very effective in funding co-op development centers that provide critical technical assistance to co-ops that are revitalizing rural communities. Despite annual demand, which more than doubles the amount that's been given out

annually, the program has never received more than around $6 million or $6.5 million.

Given this fact, given the fact that the program has leveraged millions of dollars for cooperative development in rural areas, created hundreds of jobs and businesses, and providing grants to far fewer centers that are seeking to be funded, wouldn't it make sense for you guys to be requesting more money for this program by rural areas?

Mr. DORR. I believe that the way the program is presently operating, we are addressing the majority of the needs.

Mr. BISHOP. You're saying that you didn't have a greater demand than you were able to fulfill?

Mr. DORR. We always have greater demands than we can fulfill, on virtually any program at a particular point in time or in whatever set of unique circumstances.

Mr. BISHOP. Isn't this acute? I mean, don't you always have that repetitively every year? A greater than demand than you have funds? And wouldn't that suggest in your planning that you would ask for more money?

Mr. DORR. There is always an acute demand for grants. There's no question about that. Grants are obviously something that people look at a great deal. What we have tried to do with this Rural Development grant program is foster an appropriate utilization of those funds to build out other economic opportunities, and I am certain that if we had more grant funds, there would undoubtedly be requests for them. We believe this is an appropriate level for that program.

Mr. BISHOP. But if you run out, and if the program is delivering the desired results, wouldn't that magnify your results if you asked for more money and you were able to magnify your output? Wouldn't that give you greater results?

Mr. DORR. If that was the result, yes, that would.

Mr. BISHOP. Are you saying that they're not working?

Mr. DORR. No. I'm not saying that they're not working. I'm saying that there are challenges to any grant program, and we believe that, I think we've requested this year about $5 million for the program. We work closely with those that are engaged in the program. We're actually trying to work on a couple of agendas, not agendas, but a couple of projects that enhance the productivity from producers that are involved in——

Mr. BISHOP. Isn't that a drop in the bucket, though, compared to many of your other programs? This is a small amount of money that has the capacity and the potential and has apparently proven to be exponential in the results that it gives. So why would you cut back on that when—I mean, it's like being penny wise and pound foolish.

Mr. DORR. Well, certainly there are challenges for resources, and this was a decision that we made, and we may disagree on it, but we believe that this is—this is a program that continues to function pretty well the way we have it, and we continue to work with the participants.

Mr. BISHOP. I just—I'm just baffled that you have such lofty goals and objectives, yet you, when it comes to acting on them, you seem to be actually doing the opposite. You know, you're cutting

back your requests for resources to deliver on the programs that you say are so important and that are so workable. It sounds like doublespeak.

Mr. DORR. Well, Mr. Anderson just sent me a note, and he indicated, because he administers the program, but he had indicated that this is pretty consistent with the demand. And I believe that's true. We have not had substantively greater demand for that program than, I think we've got $5 million in the budget for that this year.

Mr. BISHOP. And last year it was six, six and a half?

Mr. DORR. No. I think it was five. What was it, five last? Okay. It was $9 million last year. Excuse me.

Mr. BISHOP. You reduced it 40 percent.

Ms. DELAURO. Ms. Kaptur.

RENEWABLE ENERGY OPPORTUNITIES

Ms. KAPTUR. Thank you, Madam Chair. Mr. Secretary, again I repeat your quote, which I really like, "renewable energy is the biggest opportunity for economic growth and wealth creation in our lifetimes."

And I'm glad my colleague, Congressman Kingston, has returned, because I wanted to follow up on his excellent questioning a little bit earlier, and our mutual desire to keep wealth and grow wealth so that those who are most involved in agriculture and in production benefit. And I don't believe we have the financial structure yet. It's evolving, but we don't have it yet, that permit them to buy in and to benefit.

We've had several, for example, in Ohio, that have tried to raise the capital you talked about and found themselves unable to do this so some of the big players in the market come and get involved and are moving forward.

I want to share a quote. You mentioned the Anderson Company in our discussions yesterday. And there was a great—one of the Andersons was Bob Anderson, who is no longer living. And he said to me, you know, Marcy, he said—and they've been involved in agriculture and farming in our community for generations—he said where we went wrong in farming years ago is, he said we didn't allow the farmer to buy up the chain of production.

We didn't have the financial means for them to do that, and so now we face an agriculture in America where two or three companies own the ability to control the chicken market, the poultry market, three or four the beef market. I mean, if you really look at the way this is structured. And in many cases, our farmers are becoming sharecroppers again rather than—this may not be happening in Iowa, but I think it is to some extent—where people become contract farmers rather than freeholders.

And this is a system I personally do not like, especially with East European background, I know what that system feels like at its worst, and it's not a good system. We always—our country was founded on freeholding. This was the idea. And what I am concerned about in the energy market and where I think you are in a unique role, because of your combination of farming and business background, we need a mechanism to permit farmers and others

who support the development of this energy industry across rural America to buy in.

I think back to the old Roosevelt model of postal savings stamps. This will sound a little strange. But we found a way to get a denomination that people could buy, no matter what their income, and they ended up buying into that security, that bond.

We need something that will permit individuals, perhaps even communities that want to come together and help, to buy into this industry that is just growing at such a fast rate it sort of scares me sometimes, because I think maybe this is going to go the route of the dot.coms. And because we don't have the financial mechanism in place, we're going to have a lot of collapses. Bad things are going to happen, because we don't have the financial architecture in place.

We've had situations where foreign companies are coming into Ohio and trying to strike deals with our Farm Bureau, for example, to just lease, say to our farmers, you know, well, we'll lease a corner of your acreage there. You know, we'll pay you fifty bucks a month or a hundred. You know, it sounds great, right? No. Because they don't own it.

So my question to is, in your meetings, are you thinking about a way of creating a financial mechanism so that individuals and farmers can—and those who would want to help this industry grow, where we could either securitize or bond or find a means for them to buy in to create that financial platform? We had a biodiesel plant just blow up in our region. Thank God nobody was killed. But they were scraping pennies to try to make this thing work. It shouldn't be that hard. USDA should be there. And they actually got one of those 900——

Mr. DORR. Six.

Ms. KAPTUR [continuing]. Six? Five hundred thousand dollar grants, you know. They got used equipment. They were trying to do this, and I think, you know, these are inventive people. They shouldn't have to go through—it shouldn't be this hard when they want to do this.

Our counties, that our urban counties want to buy some of what they're producing to power, let's say our downtown civic center, there's no means to connect the city to the producers out there, to take the biomass material and bring it in. It's too hard. It's too hard to—we've got to find ways to connect rural to urban procurement, and we've got to find a financial means to help them invest and to let these deals go forward.

You have guarantee authority. You have some loan authority. I know you're thinking about this already. Can you share any of that with us at a big enough level where it would make a difference in communities that are trying to bring up these new, and invest in these new wind farms and solar fields and so forth?

Mr. DORR. Well, we have given a lot of thought to it. I think these are of statutory and ultimately regulatory issues that probably have to be addressed at some point. The reason largely—and I've said this earlier—the reason that many of these distributed energy systems are cost effective is because you have distributed computing. That means that in a general sense, the size and the scope of these various projects will be considerably smaller, yet they'll be

multi-million-dollar projects than if you were dealing with a 400 megawatt nuclear or coal-fired generation plant or a more traditional fossil fuel refinery of some sort or a coal mine.

Once they begin to work, then it becomes very easy to finance them. The transaction costs involved in trying to get local investment in small sums is a dealbreaker. It kills it. So what you have to try to do in the bigger sense, in the bigger picture, is figure out ways to mitigate the transaction cost, to mitigate the business model and regulatory issues to aggregating those resources so that you can allow local ownership or local participation in these projects.

And that, frankly, in many cases, is as much a state issue as it is a Federal issue. For example, how do you integrate a 20 megawatt wind farm into a legacy REC or investor-owned utility transmission system? They react and say, you know, we can't put this in our net metering basis because we already have contracts. We already have commitments. And they're right. Does that mean that they're wrong or that they're nasty because they won't let you in? No. It does mean that we have to sit down and get realistic and sensitive about what do we have to do to develop new regulations and new business models that acknowledge the kind of consistent demand in electric growth that occurs in Toledo or wherever and that part of that can be met by these community-owned wind projects or these other distributed owned energy opportunities in ways that make that sense. I think it can be done, but it's just going to take a lot of hard regulatory and public policy work to develop the mechanisms to do this.

Ms. DELAURO. Thank you. I just have two or three questions to finish up. I don't know if my colleagues do. If we do, we will get these questions answered. I think Mr. Kingston doesn't have any more questions. But if one should come to your mind, Mr. Kingston. And we are over the time, but we won't take your time much longer, Mr. Secretary.

BROADBAND PROGRAM

On the broadband issue, just a couple of comments. It looks—the OIG in their audit in September 2005 found that the program had not maintained its focus on rural communities without preexisting service. Eight hundred ninety-five million dollars in loans, grants, funded at the time are reviewed—OIG reviewed 599 million and questioned the use of over 340 million, almost 57 percent of the approved funds reviewed.

I'm still concerned that RUS is not focusing the loan program on unserved communities, and there is going to be another OIG review, as I understand it. Publishing the final rule that would incorporate changes recommended in the 2005 OIG report has been delayed by the Department to incorporate additional changes made to the program once again in the farm bill.

Will you move forward and publish the final rule if the farm bill is not signed into law by April 30th, 2008?

Mr. DORR. We will certainly proceed, depending upon what happens with the Farm Bill, to get the final reg out, yes. I believe that is incumbent upon us to do that.

I would like to just for a moment go back to the discussion that I had with Mr. LaHood.

Ms. DELAURO. Yeah. Let me just——

Mr. DORR. Sure. Certainly. Go ahead.

OPEN RANGE LOAN

Ms. DELAURO. Could you have made the open range loan under the new rule as the loan is currently structured?

Mr. DORR. In all likelihood, it may have been very difficult. And therein again gets to the issue of why this program is so difficult to administer. Because trying to identify those areas that could stand on their own or they're completely unserved and underserved is very difficult.

Ms. DELAURO. Well that is—it would appear that your answer is a no in that respect or it would have been more difficult. So I don't know what additional modifications would be necessary to make the loan agreement meet the requirements of the final rule, which is more unserved areas, less competitors allowed into underserved areas.

And I'm going to submit for the record, which is one of the reasons why in terms of the vigilance and the monitoring of this loan is something that I believe that this committee has an obligation to look very, very carefully at, and in terms of what would be useful to us in terms of that monitoring and the reporting requirements on this loan, because I think we have—are within a month of a new rule with regard to this, and then we have just negotiated the largest loan in the history of this project—of this program that will not conform to a new rule. And it has been delayed because of a farm bill.

And it would seem to me that we have almost allowed something to happen without the new set of rules and regulations that we want to implement, and it is of a magnitude and scope that is beyond anything else that we have done and that we may have the ability to monitor in the way that would ensure that federal dollars and taxpayer dollars and everybody else's dollars are going to be safeguarded.

Mr. DORR. You make some good points. But let me point the following out. This loan has ultimately become, we believe, a very strong loan. It took over two years to make the loan, as I indicated before. It is using very unique new technology. There are certain prescriptions that suggest that if they are, if in, and I believe your staff has seen a copy of the letter of conditions or the attachments that went with that loan—if certain conditions are not met by September 1 of 2008, we clearly have the ability to, if we so choose, rescind the obligation of that loan. And I can assure you that we are going to monitor this very closely.

For the first time in a loan of this nature, I have specifically indicated that we will assign three of our general field representatives who will do nothing but live, eat and breathe this loan from the time they break ground, and it is a go, until it is done. We will work with the firm and work with our State Rural Development directors to make sure that all rural citizens are aware of this opportunity as it's spelled out in those states.

Again, I go back to the fact that we all want broadband deployment, and we all realize that we are effectively redlined without access to the Internet. And yet there are a varying number of competitive technologies that are out there that make it very complicated for the Federal Government to intrude in the private sector's realm of opportunity. And whether we're doing it, in the final analysis, right or wrong I guess history will judge. But we're doing the best we can and our staff is doing I think an extraordinary job of trying to pull this together.

Ms. DELAURO. I don't deny that, but I do say this, and I will repeat, because I think it's important to know that we have spent how long in terms of putting together this new rule. And the rule has been delayed, and delayed, and delayed. And now once more delayed because of the farm bill. And in the interim, we are not abiding by what good minds, a myriad of diverse views and opinions felt was the direction in which we ought to proceed in terms of achieving the goal that you want to achieve and what this nation needs to achieve in this area. And we may be at cross purposes with this loan and with the final rule.

Mr. DORR. Well——

Ms. DELAURO. And that is—I mean, I really do believe that that is, you know, it really is, if you will, a dereliction of what our obligations are in terms of the—what it is that we are trying to achieve.

Mr. BISHOP. Will the gentlelady yield?

Ms. DELAURO. Yes.

Mr. BISHOP. To underscore what the gentlelady is saying, isn't this loan going to usurp just about all of the authority and capacity for this particular broadband program so that there's nothing left for other communities that are not covered by open range to have access?

Ms. DELAURO. It's about 90 percent of what we have appropriated. But there is carryover money there, but your point is well taken, because we did this when we—and I might add, and I would just say this in compliments to this committee, on a bipartisan basis—the review of that loan, the review of that loan came, I believe, directly out of the questions asked on both sides of the aisle from this subcommittee. That loan was to have been finalized months ago, but it was taken in for a review based on the questions that came out of this committee.

So we are—our responsibility is to be vigilant with the money that we appropriate. Ninety percent of the appropriated money is being used for this loan. Yes, you have carryover. We are concerned as to what happens to the appropriated tax dollars. I think we have—you've stated your position. We have stated our position, and it will—is going to be—we're taking it on as to monitor and evaluate what happens with this loan.

Mr. DORR. I just have one question. You indicated that there was dereliction of our duty or responsibilities, and if you would care to lay those out at some point, I would be most interested in finding out where we've been derelict.

Ms. DELAURO. Well, I would just say this about—and I—because I want to be precise in language. It seems to me not exactly coincidental that the final rule is not enacted and you felt a moment ago

that it was the obligation if we're not getting anywhere with the farm bill, that in fact we would proceed to having a final rule by the end of April. And yet, in March—in March, we granted a loan that by your words say it would have been difficult to finalize the negotiations on because of the new requirements that have, as I said, been discussed for a very long time. And they have been—apparently we have sorted it out.

Mr. DORR. Well, let me make this observation. The number of calls that I received from the members in this loan, I had none that were in opposition to this loan. We probably took a tougher look at this loan in our office than any other loan for some of the reasons that you're laying out.

In fact, we have $700 million of existing appropriated and carryover authority. This does not deplete the program. We will have $395 million available next year in our telecom and treasury programs. This is new technology. This is a way to mitigate some of those availability issues, and we are going to monitor it very, very closely, and we will share that information with you on a regular basis.

Ms. DELAURO. I appreciate that, but I will also say that I do not believe it is coincidental that the final rule was not enacted prior to this contract being let. That's my point. If somebody can persuade me to the contrary, it doesn't have to be here today. Afterward, I would be happy to be persuaded, but I do believe that this—there was someone someplace somewhere who had in mind that, wow, we are going to have a rule that would preclude us doing this, new technology and all. Let's examine it. Let's look at it. Let's get it done. But we are going to delay the final rule until this is done. Now, I don't see how that——

Mr. DORR. I would respectfully differ from you completely on that matter. That was not the intent. What we were waiting for was a number of things that we believe may come through the legislation that would conform with the way the rule was and would mitigate elongating the difficulty in making additional loans. If that was an error in judgment, I'll subscribe to that. But there was nothing at all in the discussion in our office in the way in which we approached this that was subject to making a loan predicated on prior to a new rule being imposed. And, frankly, that bothers me that you would assume that that's the way we approached it, because that was definitely not the case.

Ms. DELAURO. Well, I hadn't approached it until this point, till I find out that, yes, in fact we'll move forward with the final rule by the end of April if the farm bill doesn't generate that. But I take you at your word, and I hope that you do understand my concern, serious concern, that it just seems—I would be derelict in my duty if I did not ask the question, given specifically that the size of this loan—the size of it—and the historical size of it, I would not be doing my job, Mr. Secretary.

Mr. DORR. Well, I appreciate your comments, and on the lighter side, I informed almost everyone that I was involved with in making this loan that I anticipated the respected chairwoman would probably have some of these concerns, so this does not surprise me, and I anticipated your oversight.

Ms. DELAURO. Thank you. Does anyone have any further questions? I do have one or two things I would want to—Ms. Kaptur?

BIOENERGY AND RENEWABLE ENERGY

Ms. KAPTUR. Thank you very much, Madam Chair. I just wanted to place on the record the cross-cutting budget that we requested in the area of bioenergy, renewable energy programs, we estimate this year $103,975,000 in those programs. The proposed budget is a cut of $85,436,000. I respect what you're saying, that you're waiting for the farm bill, I don't agree with the decision that was made in the bioenergy area. So I do want to place that on the record.

You also mentioned in your testimony, your questioning, that you're involved with the Department of Energy and other agencies in interagency cooperation on the energy issue. I want to encourage you on in those efforts.

Mr. DORR. Thank you.

Ms. KAPTUR. And make a suggestion. I've not been able to get this done. I have a bill to do it. You know, we have a strategic petroleum reserve, and I really react when I hear that middle word. And I really believe America should have a strategic energy reserve, including biofuels. I have one mechanism to get there.

I would encourage you to perhaps take a look at that bill, and in your discussions with the Department of Energy, consider how the Department of Agriculture could help transform America from a petroleum-based economy, a carbon-based economy, to a carbohydrate-based economy, along with other alternatives that we have before us. So I just wanted to mention that to you. And you're in a unique position in that interagency group.

Also, I wanted to ask Mr. Andrews—Mr. Andrew—in the area of renewables—solar, wind, geothermal—you mentioned several proposals that you have been funding through the utility service. Could you give me a sense of how many—the volume of the requests that you receive in the growing market of renewable energy, what total dollar volume you might be being asked for versus what you're able to fund? And then could you just very briefly describe one or two projects underway that you consider successful that have been launched by local consortias of farmers or farmers in cooperation with municipal powers, for example, or rural electrics that are generating energy through wind, through solar, through geothermal? So the first question is on the volume of requests versus what you're able to fund in the renewables area, and then could you discuss a couple of projects you consider model around the country?

Mr. ANDREW. First of all, the volume is picking up. The $200 million that I mentioned earlier that we've been setting aside for several years, we've only put out about $190-some million. But the volume is picking up because we're pushing it very hard through our state offices.

The wind farms I mentioned earlier, which by the way are west of the Mississippi——

Ms. KAPTUR. Thank you.

Mr. ANDREW. Knowing where you're from, I just assumed you were talking about east, but you were talking about west. They are west of the Mississippi.

Ms. KAPTUR. Some people mix us up with Iowa, Idaho——

Mr. ANDREW. You're right.

Ms. KAPTUR [continuing]. Ohio. We all have a lot of vowels.

Mr. ANDREW. Anyway, I'm glad I had the opportunity to clear that up. In Georgia, for example, I'll use that as an example. We have a project there where we're taking, there's a farmer, there's a gentleman up in north Georgia who recognized that we had a lot of chicken manure, they couldn't get rid of it. We're building, we have funded a process where they're going to be burning chicken manure and wood waste out of construction to generate electricity, that will be about 20 megawatts of power that that will be generating, and the electric co-ops are going to put that into their green power——

Ms. KAPTUR. Will the gentleman yield? I'm glad you're talking about that because in Ohio, we have a problem with dairy manure. And I don't see the kind of leadership there that you're describing in Georgia in terms of your poultry farmers.

Mr. ANDREW. Well, frankly, that came from the farmer—I mean, the individual himself, if that's what you're referring to.

Ms. KAPTUR. All right.

Mr. ANDREW. In the Dakotas, we've got a dairy farm that was down there by Dairyland Power, which is a generation transmission co-op. They're located in Wisconsin, excuse me. My geography is bad today. But anyway, they've got a dairy farmer was buying the methane gas that comes out of the farm, they're burning it and generating electricity and putting it on the grid.

We have several projects that we're talking to now. For example, wood biomass. There's three sites in Georgia as a matter of fact. We'll be taking wood and burning it. It would be renewable.

Ms. KAPTUR. Sir, may I ask you, could you—could somebody in your agency give me a little summary of those so I could send them to some of our farmers and say, look, this is what's being done——

Mr. ANDREW. Sure.

Ms. KAPTUR [continuing]. Are you aware of this program? Do you do both grants and loans, or just loans?

Mr. ANDREW. Just loans.

Ms. KAPTUR. Just loans. And what is the interest rate on those loans?

Mr. ANDREW. Treasury. We'll be glad to, because we're proud of it. And we're trying to do more and more and more. Our outreach that Tom mentioned earlier, is going to have a great deal to do with this, too, because we're telling more people that we've got these things available.

Ms. KAPTUR. If you're trying to urge farmers to do this, sir, even though they may be paying Treasury rate on the loan, they're getting a payback through energy generation aren't they?

Mr. ANDREW. Yes, if they're putting—yes.

Ms. KAPTUR. Yes. You see, and they really have to—we have to help them understand how this works so they don't feel like they're going to lose their shirts if they get involved in this.

Mr. ANDREW. Right.

Ms. KAPTUR. So I would appreciate information we could share with Ohio farmers. I'd really appreciate that.

Mr. ANDREW. The state director, Randy, has done a good job of this. We've done a lot of work with Randy on this project.

[The information follows:]

Below are several examples of renewable energy and energy efficiency projects Rural Development has been involved in that have benefited farmers. Comprehensive information on Rural Development's section 9006 renewable energy loan and grant program can be found at: http://www.rurdev.usda.gov/rbs/farmbill/what_is.html

Highland Township Wind Farm - Iowa

In 2005, financial assistance from Rural Development's Renewable Energy and Energy Efficiency Program provided for the construction of seven large wind turbines on farm ground north of Jefferson, Iowa, in Greene County. The turbines, owned by local farmers and businessmen, began generating electricity in the summer of 2007. Electricity from the turbines is being sold to a local electricity company.

Rural Development provided each farmer/businessman with a Renewable Energy Grant in 2005 ranging from $234,000 to $270,000 - for a total of $1.7 million.

Solar Drip Irrigation System - Georgia

In 2007, a grant for $5,374 was provided to a Georgia farmer to help create a drip irrigation system to high density fruit tree plantings. The irrigation system, using solar power, will pay for itself in about six years. After that, operating costs will remain constant and low.

Renewable Energy and Energy Efficiency Improvements - Illinois

In 2007, Rural Development made a $250,000 energy efficiency grant to a greenhouse operation to expand their operation into a new facility. The energy efficiency improvements made to their process and building were proven to create more of a savings than upgrading their existing facility. Some of the energy efficient equipment purchased with grant funds was used to capture excess heat from a neighboring Waste Management plant. They are believed to the first greenhouse to use the byproduct of a methane-based generating facility. Total energy costs for this new greenhouse will be reduced by about 80 percent.

Renewable Energy and Energy Efficiency Improvements - Vermont

In 2007, a farmer received a $15,056 renewable energy grant and a $15,057 loan guarantee to install a wood boiler and a solar PV system to energize an historic apple packing facility. The systems will provide 100% of the thermal and electricity needed for the apple packing facility and will generate a total 701.9 million BTUs annually. The total project costs of $60,226 with $6,130 annual energy savings compared to buying electricity and oil for energy equates to a 10 year simple payback on the investment

Renewable Energy and Energy Efficiency Improvements

In 2007, a farm in Vermont, received a $357,988 grant and a $326,767 loan guarantee to construct a manure-to-methane anaerobic digester system that will produce 1,712,580 kWh of electricity annually to be sold to the local electric utility. Total project costs were $1,431,950 with net income estimated to be $224,867 from electricity production and sales, which equates to a 6.4 year simple payback.

Ms. KAPTUR. Thank you.

WATER AND WASTE PROGRAM BACKLOG

Ms. DELAURO. Under Secretary, this is a question about rural water and waste and the long-term needs. I know that the Department has put forth a one-time funding increase proposal in the farm bill to address this. But it doesn't close—it's not close to meeting the need. The proposal would have only covered about a quarter of the current backlog, as I understand it, of the projects.

How does Rural Development anticipate lowering the water and waste grant backlog and considering that rural development studies show the need for the program to be in excess of $80 billion over the next 20 years, are there any proposals you're considering to ensure this backlog will not continue to grow?

Mr. DORR. Well, there has historically been a backlog in this program. As you recall, the 2002 Farm Bill did in fact give additional funds that allowed us to address about $700 million of that. And as you correctly indicate, we have proposed some additional resources to do that in the Farm Bill.

I frankly don't know that the backlog will ever go away. We have had an ongoing outmigration out of rural America. That has meant that we have not sustained or invested in new water and waste infrastructure. We are now beginning to see a stabilization in some areas where this is changing or areas where these systems are worn out. And it's all catching up with us. And it's an issue that I suspect we will continue to work on for some time.

One of the things we have clearly done, and I know you're well aware of this, is we have adjusted our loan grant relationship, taking advantage of the lower cost of money over these last few years, to try to extend these funds, and yet maintain a very affordable water and sewer rate in the communities that participate.

We'll probably have some disagreements on the approach we've taken on this, but we'll continue to do what we can with the funds that we have available, and we believe that we are addressing this as aggressively as is reasonable.

SINGLE FAMILY HOUSING LOANS

Ms. DELAURO. This is my final question. This is again about the Section 502 guaranteed single-family housing loan program. I think you would concur a safe alternative for subprime mortgages, for creditworthy low- and moderate-income rural home buyers. The subcommittee provided about $5.3 billion in fiscal year 2008 for the direct and guaranteed section of 502 single-family housing loan programs.

Given the unprecedented demand the guaranteed program is experiencing, do you expect that demand will remain strong and grow throughout the rest of the fiscal year as the market continues to adjust from the diminished availability of subprime loans for home purchase loans? Will you have sufficient funds to meet this demand?

Mr. DORR. I would turn to Russ on that. We evaluate that monthly, sometimes biweekly. There was a period of time early in the fiscal year when we thought we weren't, then the market

slowed down, we thought we would. Russ, where do you think we are at this point?

Mr. DAVIS. Our demand is accelerating every month. We now are using $700 million of carry forward from last year, and Katrina money will get us just barely into September. We're looking at options for how we get through the fiscal year, but we are experiencing accelerating demand.

Ms. DELAURO. Well, will you then need to—are you planning—you're transferring authority to move funds from other housing programs to this program. What programs will you transfer from?

Mr. DAVIS. Well, obviously, we'll use that as a last resort if we can't find some other way to smooth out the demand or so forth. But we would look to see if there are any programs that don't have 100 percent demand. Actually, it happens that we have programs that don't get 100 percent applications, and we would look to those.

Ms. DELAURO. What programs are you thinking of?

Mr. DAVIS. Well, an example was in previous years has been farm labor housing. Developers have been going to low-income housing tax credits, and we've had extra money.

Ms. DELAURO. Is the direct single-family housing loan program seeing the same unprecedented demand in 2008 over last year's activities? And if so, how much demand has increased over the previous fiscal year?

Mr. DAVIS. We're seeing pretty much flattened demand. One thing that's interesting is that there is competition between direct and guaranteed. And people come into our offices and they say, oh, I can get a house today in the guaranteed program or I can wait and get a direct loan a year from now and buy $20,000 more house. Some people decide to wait for the subsidy and buy a bigger house. We would prefer that they go into the guarantee program, which is stronger and has a better record of home ownership.

Ms. DELAURO. Mm-hmm. And maybe I know the answer to this already, but I think you've got a request of $4.8 billion.

Mr. DAVIS. Mm-hmm.

Ms. DELAURO. The adequacy of 4.8, you know, with the demand, do we see it dropping from 7 billion to 4.8? That's——

Mr. DAVIS. If I could throw in a commercial for the fee increase. The entire mortgage industry has realized that it has mispriced mortgages. And 2 percent is our fee right now, and for 2 percent, we're taking all the risks of a hundred and two percent mortgage. By going to 3 percent, we would have essentially a break-even credit subsidy rate. We could do a trillion dollars. I mean, we would be not limited by budget authority. We really think the fee increase would make this a program forever.

Ms. DELAURO. Well, but there again, you know, we could—and I don't want to get back into this again because I think it—but it bears the conversation then that you're then looking at the inability of people to, you know, deal with an escalated fee cost. I mean, so there you've got, you know, a market issue as well there in terms of going to 3 percent and the inability then of people who are at the low end to be able to deal with that kind of an increase.

Mr. DAVIS. There is a tradeoff, but we view it as—the fee increase comes out to about $5.20 a month or so. That means you buy a house, you know, without the garbage disposal or something.

You know, it buys $600 less house. Or view it as a loan that you would not have been able to get in the private sector. We are doing loans that the private sector won't touch. And that has value.

Ms. DELAURO. Well, I think that that is, you know, part of the continued debate. And I guess in terms of a final comment that I would make, it goes back to the beginning conversation a couple of hours ago.

I think it's true that the more rural a place is, the more difficult the circumstances are. And we see that borne out by the statistics. I mentioned median income is 25 percent lower. Poverty rate is 28 percent higher than in the metro areas. You've got today 31 percent of food stamp beneficiaries are living in rural areas.

When you talk about the wealth of the communities, yeah, I concur that there are pockets where that is occurring. But I think that that is the exception, is my view, and not the norm, for rural communities, which gets me back to the mission and role of this agency, which is I think substantial and one that we all have a very, very keen interest in. And when I look to both my colleagues who are here with me now, who are from Georgia, and these issues are more critical in the South, and rural poverty is probably—the South has the highest percentage in that area, that we have to take a hard look at the programs and the direction that we are taking these programs based on economic research and their data, et cetera about what direction our programs take in order to be able to meet the needs that would state that we want to try to meet.

And I thank you all very, very much for your time and for, you know, staying over, et cetera, and appreciate your work, and I appreciate the committee members in hanging in there as well.

Thank you very, very much to all of you, Mr. Secretary and your team.

Fiscal Year 2009 Hearing Questions

Rural Development

Questions for the Record Submitted by Congressman Sanford D. Bishop, Jr.

RURAL DEVELOPMENT AGENCY ISN'T EFFECTIVE FOR 2nd CD's POOREST COUNTIES

Mr. Bishop: Mr. Dorr, as you may know, my district has some of the poorest counties in the entire state, on a per capita basis, including Chattahoochee, Baker, Calhoun, Clay, Randolph, Stewart, Terrell, Quitman and Webster Counties.

Over the past several years, my staff has attempted to work with your Agency to provide much needed assistance in these communities, particularly in the areas of housing, infrastructure development including water and sewer improvements, as well as economic development and job creation.

This is particularly true of Chattahoochee County, which has a base population of approximately 3,000 to 4,000, excluding soldiers stationed at Ft. Benning, and is in desperate need of a new water tank, as well as sewer improvements. Last year, the Subcommittee report directed the Department to take a close look at this and other needs in my district, and frankly, we have not seen much movement, cooperation or assistance in this regard.

Where can our nation's poorest rural communities turn if they cannot navigate the bureaucratic maize at USDA, or can't afford the matching requirements for grants or any of a host of other challenges?

I would like to invite you to come down to my district and see and listen first hand to the challenges faced by these communities in their attempted dealings with the Agency.

Response: Thank you for your comments. We do our best to ensure that Rural Development programs are accessible and user friendly in all areas. Unfortunately, matching requirements are a congressional mandate that we are unable to waive. We would be happy to have a senior official from our National Office visit your district to see first hand the challenges that your constituents face in their communities.

RURAL HEALTHCARE

Mr. Bishop: I continue to be very concerned that access to health care in our rural communities, including emergency services, is significantly inadequate. Can you provide us an update on USDA's initiatives in this area, as well as the current level of coordination between USDA and HHS on the provision and/or access to healthcare in rural Georgia/America?

Response: Rural Development shares your concerns about timely access to quality health care services. Since 2001, we have invested more than $2.047 billion in Community Facilities (CF) funds to help rural communities develop or improve 1,204 health care facilities. In FY 2008 alone, Rural Development invested more than $114.7 million in the construction of 19 replacement or renovated critical access hospitals. Just over $4.1 million went for new equipment in 17 critical access hospitals. Since FY 2001, more than 170 rural critical access hospitals have been replaced or renovated, at a cost of more than $653 million in Rural Development funds. Another $12.8 million has been invested in equipment for 58 of these facilities. Other health care investments in this period included assisted living facilities, nursing homes, vocational and medical rehabilitation centers, and mental health centers.

Mr. Bishop: Do we have an accurate understanding of the challenges facing our nation's rural communities in terms the basic availability of health care services?

Response: Rural Development has an understanding of the challenges facing rural communities in terms of health care. Our field personnel work closely with local officials throughout the planning, financing, and construction phases of Rural Development activities. We maintain close working relationships with the Department of Health and Human Services' Health Resources and Services Administration. In addition, we attend and participate in national and regional conferences of industry-related groups, including the National Rural Health Association. The agency also has developed relationships with a number of the leading health care facilities consultants across the country. Through these relationships and our hands-on work with the communities themselves, Rural Development has a depth of understanding in this area.

HIV/AIDS

Mr. Bishop: Can you update the Subcommittee on the Department's efforts with respect to HIV/AIDS prevention and education in rural America?

Response: The Rural Development Community Facilities program provides direct and guaranteed loans and grants for the development of essential community facilities in rural areas. The Department does not track prevention or education programs provided in these facilities.

Mr. Bishop: As you know, Georgia continues to be number one in new AIDS cases nationwide, particularly among African American women. Is the USDA doing anything in this regard, specifically targeting rural communities?

Response: USDA Rural Development specifically targets the health care needs of rural communities through its Community Facilities program. More specifically, we were able to assist the Shellman Medical Clinic with grant funds for their recent project.

ADMINISTRATION'S BUDGET REQUESTS

Mr. Bishop: In Rural Housing program, the Administration proposes terminating direct loans for the rural multifamily rental housing program (Section 515), the single family housing program (Section 502), and the farm labor housing program (Section 514/516). Rental Assistance grants would increase to $997 million, up 93 percent. Would you explain why, in the middle of a housing crisis, would the administration propose the elimination of these direct loan programs?

Response: We are shifting budget authority from direct to guaranteed loans because it allows us to assist more rural Americans. Guarantees allow us to leverage a much greater amount of program funding while continuing to serve many of the same customers that would traditionally look to the direct loan programs for financing. By shifting budget authority to guaranteed loans in FY 2009 we will be able to increase Single Family program level funding to over $4.8 billion. Multi-Family guaranteed lending will increase to $171 million from the FY 2008 budget of approximately $129 million to the proposed $300 million in the FY 2009 budget.

We increased Rental Assistance in FY 2009 because protecting tenants is Rural Development's number one housing priority. Rental Assistance and vouchers increased by $518 million because of a shift to renew contracts on an annual basis. By funding Rental Assistance at this level in FY 2009, we are able to

renew 100 percent of the 2009 expiring RA contracts which represent over 100,000 tenants.

RURAL WATER CHALLENGES

Mr. Bishop: As you know, last year the State of Georgia faced one its most difficult challenges with respect to water and water management. Our state, as well as others in the southeast, endured one of the worst droughts in the past 100 year's history.

So I am particularly disturbed by the Department's direction this year in terms of funding for rural water and waste disposal system grants, under the Rural Community Advancement Program, is reduced by $318 million in the President's budget request -- from $536 million in FY 08 to $218 million in FY09.

Response: The Administration's 2009 Budget proposed substantially the same program level of $1.6 billion as the 2008 Budget for the overall water and waste disposal programs. The proposed FY 2009 subsidy rate was almost half of the FY 2008 rate which would allow for a greater efficiency in the Budget Authority to loan conversion. Rural Development State Directors do have authority to transfer up to 25 percent between loan and grant funds. This flexibility allows funds to be directed to meet local priorities.

LOAN GUARANTEES/RURAL BANKS

Mr. Bishop: The USDA Rural Development Business and Industry Loan Guarantee program guarantees loans for banks in rural communities to lend to businesses which would provide economic growth for our agrarian communities. I've heard of several instances where USDA has hung these small banks out to dry and defaulted on the guarantee. One example is the First State Bank of Blakely, Georgia. Complaints to my office have been that the B&I Program regulations place "total" responsibility on the lender to determine the eligibility of a proposed borrower and loan for a guaranty. In short, once a lender has certified that a loan is eligible, the Agency *must* issue a guarantee, and has no discretion to undertake its own review or to refuse a guarantee. Shouldn't some of the responsibility be placed on the shoulders of USDA Rural Development? Why should small banks shoulder the responsibility?

Response: USDA Rural Development thanks the Committee for their interest in the Business and Industry (B&I) guaranteed loan program and takes the concerns raised by the Committee very seriously. We have evaluated these concerns extensively at all levels throughout the Department of Agriculture and can assure you that we are committed to maintaining the integrity of the program, while adhering to the intent of Congress. We strongly support the B&I program, and are pleased with the positive impact it has had on rural communities.

We rarely rescind a federal guarantee. In fact, our regulations allow the denial of a guarantee only in instances where fraud and/or misrepresentation by the lender has occurred. It is important to note that loss claims are not reduced or terminated because of the actions of the borrower. Because the lender is required to oversee, monitor, and ensure that the requirements are met to fulfill the contract, the lender must be knowledgeable of the borrower's actions and implement corresponding actions that protect both its interests as well as that of the agency. The Full Faith and Credit provision of the Loan Note Guarantee executed for fraud or misrepresentation of which the lender has knowledge, participates in, or condones.

Generally, the agency consults with the Office of the Inspector General (OIG) and the Office of the General Counsel (OGC) before taking any adverse administrative action. However, when these actions have been taken, the determination was made based on a preponderance of reviewed and analyzed

evidence that documented that such action should be taken by the agency to protect the interest of U.S. taxpayers.

The agency spends many hours reviewing the information prior to the release of an adverse decision letter. When the Agency takes an adverse action, the lender and borrower are given their administrative rights as set forth in 7 CFR subpart 11, National Appeals Division. The administrative rights include reconsideration, mediation and appeal hearing. Every effort is afforded the participant to present its defense of the claims reported in the adverse decision letter. We are resolute in our commitment to implement the USDA Rural Development mission, to uphold the public's trust and to execute our fiduciary responsibilities.

The Full Faith and Credit provision further provides that any loss payment to the lender may be reduced to the extent that any loss is occasioned by the lender's negligent loan servicing.

USDA Rural Development reduces the loss payment to the lender only when there are quantifiable acts of negligent servicing committed by the lender. If this occurs, we first associate each act of negligence to a dollar amount of loss. The loss claim is then reduced by that amount. It is possible that the quantifiable act(s) of negligence may reduce the loss claim to zero. In cases where the lender services the loan in a manner which constitutes negligence, we will not honor either a portion of the loss claim or the loss claim in its entirety depending upon the magnitude of these negligent services.

While we act in partnership with the lender on the B&I Guaranteed Loan, the lender has the primary responsibility for loan origination and servicing. The lender provides us with certifications and signs contractual documents acknowledging their responsibilities under this program.

The lender's responsibility for loan making and servicing are set forth in RD Instructions 4279-A, 4279-B, and 4287-B. The Conditional Commitment, along with other contractual documents, is the agency's notice to the lender that the requested loan guarantee is approved subject to the completion of all conditions and requirements set forth by the agency. The lender, in turn, will certify that all conditions have been met.

The regulations allow the lender to close a loan without the agency's prior or post loan closing review. The lender certifies to approximate 15 points which include that all requirements of the Conditional Commitment have been or will be met. The agency issues the guarantee based on those certifications, along with receipt of the guarantee fee, and the executed Lender's Agreement, which is the legal binding contract between the lender and the agency. The Lender's Agreement addresses the enforcement of the guarantee in the first paragraph of the form in that the lender enters into this agreement to meet the regulatory requirements as a condition for obtaining the guarantee.

The USDA Rural Development regulations in place in FY 2003 for the oversight of loan origination and servicing for the B&I Guaranteed Loan Program state that the lender is solely responsible for collecting, reviewing, and verifying the financial information used to approve credit decisions and service the loan. When the application is received by USDA Rural Development, it includes the lender's credit analysis and business plan for the potential borrower. These documents are the basis for the USDA Rural Development making a decision as to whether to issue a guarantee. The regulations and supplemental contractual agreements also define what is contractually required of the lender in order for the lender to expect us to pay a claim under the terms of the Loan Note Guarantee.

ALTERNATIVE ENERGY POLICY AND COMMODITY PRICES

Mr. Bishop: The ongoing volatility in the grain markets has had a dramatic impact on our economy and contributed disproportionately to inflation pressures as well.

For example, the livestock industry struggled to adjust to $3 per bushel corn for most of last year, and prices exploded to over $5 per bushel in January with no expectation of dropping.

An unprecedented demand for corn, wheat and soybeans is driving the price surge, along with strong export demands and the increased government mandates for ethanol development, are the primary causes for the price surge.

How can we broaden the interest and use of other alternative bio-fuel, including switch-grass, wood, and peanut by products, to help alleviate the upward price pressures we're seeing, particularly on corn?

Response: The Business and Industry (B&I) guaranteed loan program requires energy projects financed to be commercially available technologies. Under the Renewable Energy and Energy Efficiency Improvements Program (Section 9006 of the 2002 Farm Bill) the agency can finance commercially available technologies as well as pre-commercial technologies. Pre-commercial technologies are those which have emerged through the research and development process and have technical and economic potential for commercial application, but are not yet commercially available. The authorities in these programs do not allow the financing of alternative biofuel projects until the technology is proven.

In addition, the U.S. Department of Agriculture (USDA) and the U.S. Department of Energy (DOE) jointly solicit applications for financial assistance addressing research and development of biomass based products, bioenergy, biofuels and related processes. This program is known as Biomass Research and Development Initiative. The following three Technical Areas are eligible to be funded under this program.

(1) Feedstock production through the development of crops and cropping systems relevant to production of raw materials for conversion to biobased fuels and biobased products. (USDA Topic)

(2) Product diversification through technologies relevant to production of a range of biobased products (including chemicals, animal feeds, and cogenerated power) that eventually can increase the feasibility of fuel production in a biorefinery. (USDA Topic)

(3) Analysis that provides strategic guidance for the application of biomass technologies in accordance with realization of improved sustainability and environmental quality, cost effectiveness, security, and rural economic development, usually featuring system-wide approaches. (USDA Topic)

The program is unique in looking toward other possible alternatives in the biofuel feedstocks outside of the existing corn kernel ethanol technology.

Mr. Bishop: In your opinion, what will be the impact of these user fees on the basic consumer as well as the agriculture industry as a whole?

Response: Currently the agency charges the lender a one-time guarantee fee of 2 percent for the B&I Guaranteed Loan Program and a one-time guarantee fee of 1 percent for the Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loan Program. Under certain circumstances the one-time fee may be reduced to 1 percent for the B&I program. The agency also charges the lender an annual renewal fee based on the year in which the loan was obligated for the B&I Guaranteed Loan and the Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loan Programs. Currently, the fee

is .25 percent for B&I and .125 percent for the Renewable Energy Systems and Energy Efficiency Improvements Guaranteed Loan Program.

The fees are charged to lenders originating guaranteed loans. Lenders normally pass these fees on to the consumer. We believe these fees allow us to administer programs that protect the taxpayers' interests while carrying out the purposes of the program with minimal impact on consumers.

MINORITY PROGRAMS

Mr. Bishop: One of my primary concerns is that the USDA's Rural Development hasn't shown or seemed particularly concerned about the issues confronting black and Hispanic rural communities for housing, utilities, healthcare and other issues. I have several majority minority counties in my district like Baker, Calhoun, Clay, Randolph, Stewart, Terrell, with Quitman and Webster having high percentages of minority populations, which coincidentally, are also some of the poorest counties in the State of Georgia. What programs, activities and plans does Rural Development have for such communities?

If available, can you tell us what, if any grants or loans, or other specific program activities have gone into these specific Georgia communities in the past year? The last 5 years?

Response: About 14 years ago, USDA Rural Development created a working partnership between the 1890 Land Grant Institutions and USDA Rural Development through a cooperative agreement for the purpose of the 1890 Institutions to provide technical assistance for business creation in targeted economically challenged rural communities, to conduct educational programs that develop and improve upon the professional skills of rural entrepreneurs, and to provide outreach and promote USDA-Rural Development programs in small rural communities with the greatest economic need.

The program initiative developed is the "1890 Land Grant Institutions Rural Entrepreneurial Outreach and Development Initiative (1890 REOD Initiative). Each year, the Under Secretary, Mr. Dorr, provides on an average $1.5 million to fund competitive cooperative agreement awards to support this initiative. On the average, 13 of the 18-1890 Land Grant Institutions receive an award of about $115,000 to carry out this outreach initiative.

Reports from the 1890s' and on-site visits show that businesses have been impacted, jobs created and new business start-up. Fort Valley State, Fort Valley, GA, an 1890 institution, has received 8-10 awards over the last 10 years.

Rural Development has several programs designed to address housing needs in poverty stricken areas. One such program is the Housing Preservation Grant (HPG) program. This HPG program provides grants to local non-profit organizations which provide repairs free of charge to single family home owners and multi-family tenants who are not financially able to perform the repairs.

In 2007, Southwest Georgia CAA, Inc., a non-profit organization, received a grant for $164,717. In 2006, Southwest received $191,479, and in 2005 it received $136,062 in grant funds. Southwest Georgia CAA, Inc. also received a grant for $247,715 in 2004.

Southwest Georgia CAA, Inc., services the following counties: Baker, Calhoun, Colquitt, Decatur, Doughterty, Early, Grady, Lee, Miller, Mitchell, Seminole, Terrell, Thomas, and Worth. These grant funds went directly to Southwest Georgia CAA, Inc., to assist very-low and low income tenants complete repairs on their apartments or homes.

Also, the table below illustrates obligations in the selected counties for the Single Family Housing programs showing the number and percent by minority and non-minority applicants.

[The information follows:]

Single Family Housing Programs
Minority and Non-Minority Applicants

Baker, Calhoun, Clay, Quitman, Randolph, Stewart, Terrell, Webster County	# Loans	% of pop
Rural Population	33,065	
Rural Population Non Minority	14,831	44.9%
Rural Population Minority	18,234	55.1%

		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Guaranteed	# Loans	4	3	0	1	0	0
	Amt Obligated	$187,070	$194,109	$0	$70,380	$0	$0
Rural Population Non Minority	# Loans	2	2	0	0	0	0
	% of Pop	50.0%	66.7%	0.0%	0.0%	0.0%	0.0%
	Amt Obligated	$104,769	$112,231	$0	$0	$0	$0
Rural Population Minority	# Loans	2	1	0	1	0	0
	% of Pop	50.0%	33.3%	0.0%	100.0%	0.0%	0.0%
	Amt Obligated	$82,301	$81,878	$0	$70,380	$0	$0
Direct	# Loans	4	8	8	7	3	4
	Amt Obligated	$265,512	$580,736	$616,390	$638,529	$187,700	$340,700
Rural Population Non Minority	# Loans	0	1	2	2	0	2
	% of Pop	0.0%	12.5%	25.0%	28.6%	0.0%	50.0%
	Amt Obligated	$0	$104,779	$141,790	$138,934		$174,700
Rural Population Minority	# Loans	4	7	6	5	3	2
	% of Pop	100.0%	87.5%	75.0%	71.4%	100.0%	50.0%
	Amt Obligated	$265,512	$475,957	$474,600	$499,595	$187,700	$166,000
504 Loans	# Loans	13	14	10	7	6	4
	Amt Obligated	$66,765	$129,208	$66,499	$66,850	$42,088	$29,938
Rural Population Non Minority	# Loans	4	0	1	0	1	1
	% of Pop	30.8%	0.0%	10.0%	0.0%	16.7%	25.0%
	Amt Obligated	$19,505	$0	$7,499	$0	$2,000	$7,499
Rural Population Minority	# Loans	9	14	9	7	5	3
	% of Pop	69.2%	100.0%	90.0%	100.0%	83.3%	75.0%
	Amt Obligated	$47,260	$129,208	$59,000	$66,850	$40,088	$22,439

504 Grants	# Loans	16	5	14	10	4	4
	Amt Obligated	$117,015	$33,490	$92,650	$69,600	$62,000	$25,800
Rural Population Non Minority	# Loans	4	0	2	0	1	1
	% of Pop	25.0%	0.0%	14.3%	0.0%	25.0%	25.0%
	Amt Obligated	$27,015	$0	$12,500	$0	$7,500	$7,500
Rural Population Minority	# Loans	12	5	12	10	3	3
	% of Pop	75.0%	100.0%	85.7%	100.0%	75.0%	75.0%
	Amt Obligated	$90,000	$33,490	$80,150	$69,600	$54,500	$18,300

The following is a listing of Rural Development Business Programs guaranteed loans and grants made in the Second Congressional District of Georgia from Fiscal Year 2003 to present.

[The information follows:]

Rural Development Business Programs Guaranteed Loans and Grants
Second Congressional District of Georgia
Fiscal Years 2003 to Present

DATE CLOSED/ OBLIGATED	COUNTY	BORROWER OR GRANTEE NAME	TYPE	AMOUNT
6/20/2003	MILLER	COLQUITT/MILLER ARTS COUNCIL, INC	GRANT ONLY	$20,807.00
6/30/2003	MITCHELL	SOWEGA ECONOMIC DEVELOPMENT CORP	GRANT ONLY	$80,799.00
10/21/2003	QUITMAN	UNIFIED GOVERNMENT GEORGETOWN-QUITMAN CO	GRANT ONLY	$80,800.00
10/21/2003	RANDOLPH	RANDOLPH CO DEV	GRANT ONLY	$81,018.90
12/15/2003	CLAY	SOUTHWEST GA REGIONAL DEV. AUTHORITY	GRANT ONLY	$99,999.00
1/8/2004	STEWART	STEWART WEBSTER RURAL HEALTH, INC.	GRANT ONLY	$99,641.00
1/16/2004	RANDOLPH	LOWER CHATTAHOOCHEERDC	GRANT ONLY	$16,000.00
3/1/2004	WEBSTER	ERTH PRODUCTS, LLC, WAYNE KING, SR	GUARANTEED LOAN	$2,140,000.00
7/29/2004	SEMINOLE	AMERICAN PEANUT GROWERS GROUP, LLC	GUARANTEED LOAN	$10,000,000.00
8/26/2004	TAYLOR	THE GOLDEN RULE, INC.	GRANT ONLY	$98,600.00
1/10/2005	STEWART	RICHLAND CITY OF	GRANT ONLY	$99,999.00
1/25/2005	MILLER	HENNY PENNY VIDEO PRODUCTION	GRANT ONLY	$98,600.00
7/11/2005	MILLER	MILLER CO HOSPITAL, AUTHORITY OF	GRANT ONLY	$32,129.00
8/16/2005	MACON	COMMUNITY TRANSPORTATION, INC.	GRANT ONLY	$38,000.00
9/21/2005	MACON	DEVELOPMENT AUTHORITY OF MACON COUNTY	GRANT ONLY	$99,000.00
9/21/2005	MACON	SCHLEY-SUMTER-MACON COUNTIES JT.DEV.AUTH	GRANT ONLY	$99,999.00
5/16/2006	RANDOLPH	SHELLMAN CITY OF	GRANT ONLY	$99,000.00
10/4/2006	LEE	SUMTER ELECTRIC MEMBERSHIP CORP	DIRECT LOAN ONLY	$740,000.00
6/6/2007	BAKER	EAST BAKER HISTORIC21ST CENTURY COMMUN	GRANT ONLY	$16,000.00
6/19/2007	MILLER	COMMUNITY DEV CORP OF SOUTHWEST GEORGIA	GRANT ONLY	$50,000.00
9/23/2005	CRISP	CRISP COUNTY-CORDELE IDA	GRANT ONLY	$99,999.00

9/23/2005	CRISP	CRISP COUNTY-CORDELE IDA	GRANT ONLY	$99,999.00
6/25/2005	CRISP	CRISP COUNTY-CORDELE IDA	GRANT ONLY	$99,999.00
6/15/2007	DECATUR	BAINBRIDGE-DECATUR CO. COUNCIL FOR ARTS	GRANT ONLY	$85,000.00
6/15/2007	DOOLY	CRISP/DOOLY JOINT DEV. AUTHORITY	GRANT ONLY	$50,000.00
6/18/2004	DOOLY	DOOLY CO IDA	GRANT ONLY	$99,999.00
8/3/2005	DOOLY	DOOLY CO IDA	GRANT ONLY	$99,999.00
6/29/2005	DOOLY	MIDDLE FLINT REGIONAL DEVELOPMENT CENTER	GRANT ONLY	$99,999.00
1/1/2006	DOOLY	SOUTHWEST GA UNITEDEMPOWERMENT ZONE	GRANT ONLY	$99,512.00
6/17/2004	DOOLY	SOUTHWEST GA UNITEDEMPOWERMENT ZONE	GRANT ONLY	$50,000.00
6/27/2005	DOOLY	SOUTHWEST GA UNITEDEMPOWERMENT ZONE	GRANT ONLY	$50,000.00
6/25/2005	DOOLY	SOUTHWEST GA UNITEDEMPOWERMENT ZONE	GRANT ONLY	$99,900.00
6/28/2006	DOOLY	SOUTHWEST GA UNITEDEMPOWERMENT ZONE	GRANT ONLY	$50,000.00
9/30/2003	DOOLY	UNADILLA DOWNTOWN DEV AUTHORITY	GRANT ONLY	$99,999.00
6/22/2006	DOOLY	VIENNA CITY OF	GRANT ONLY	$96,085.00
6/25/2007	SEMINOLE	DONALSONVILLE, CITY	GRANT ONLY	$50,000.00
6/22/2004	THOMAS	THOMASVILLE CITY OF	GRANT ONLY	$98,600.00
6/26/2008	Terrell	CITY OF DAWSON	GRANT ONLY	$41,523.00
6/30/2008	Macon	OGLETHORPE, CITY OF	GRANT ONLY	$75,000.00
6/26/2008	Sumter	SOUTH GEORGIA TECHNICAL COLLEGE	GRANT ONLY	$75,000.00
2/13/2008	Sumter	WINDHAM CASTINGS, INC.	GUARANTEED LOAN	$1,800,000.00
6/30/2008	Crisp	CRISP COUNTY BOARD OF COMMISSIONERS	GRANT ONLY	$19,000.00
6/25/2008	Crisp	CRISP COUNTY-CORDELE IDA	GRANT ONLY	$99,999.00
6/25/2008	Crisp	CRISP/DOOLY JOINT DEV. AUTHORITY	GRANT ONLY	$99,999.00

In the past 5 years, Rural Development has provided loan and grant assistance related to water projects in Calhoun and Stewart County. These projects include the following:

County	Borrower	Project Name	Loan Amount Obligated	Grant Amount Obligated	Date Obligation
Calhoun	City of Arlington	Sewage System Improvements	1,340,000	3,900,000	08/20/2003
Stewart	City of Richland	City of Richland Water System Improvements	1,149,000	873,860	08/09/2005

Rural Development has also funded a project in these areas through the Broadband Loan and Loan Guarantee Program. The Broadband South LLC loan covers communities in Terrell, Randolph, Calhoun and Baker counties along with communities in 14 other counties in Georgia and Florida. The total loan was for $33,809,000.

Mr. Bishop: I am told that there are no programs through the USDA that is specifically targeted toward the rural and community development of minority communities. Why is this? How can we get minority communities back up to a level playing field?

Response: Rural Development works with the USDA Office of Outreach to Outreach Rural Development programs to small and limited resource farmers and participates in the USDA Small and Beginning Farmers and Ranchers program outreach activities.

We do not target specific populations. However, we are proud of our record on serving minority communities. Rural Development's single family direct and guaranteed loan programs have extremely high minority lending rates. On average, our mutual self-help housing program has over a fifty percent minority lending rate.

Rural Development has funding dedicated specifically for Enterprise Zones and Economic Communities that are designed to assist impoverished areas. Several programs provide set asides for these EZ/EC areas. They are the Section 515 Rural Rental Housing Direct program and the Section 533 Housing Preservation Grant program. An amount of annually appropriated funds for each program is set aside for those EZ/EC designated areas. Rural Development received no applications from organizations seeking these set asides in Georgia in the past few years.

Below are obligations for the Single Family Housing programs showing the number and percent by minority and non-minority applicants.

Single Family Housing Programs
Minority and Non-Minority Applicants

Georgia	
Rural Population	2,322,290
Rural Population Non Minority	1,857,493
Rural Population Minority	464,797

		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Guaranteed	# Loans	489	745	745	384	436	779
Rural Population Non Minority	# Loans	418	669	669	322	361	630
	% of Pop	85.5%	89.8%	89.8%	83.9%	82.8%	80.9%
Rural Population Minority	# Loans	71	76	76	62	75	149
	% of Pop	14.5%	10.2%	10.2%	16.1%	17.2%	19.1%
Direct	# Loans	399	522	351	345	360	254
Rural Population Non Minority	# Loans	202	267	171	185	172	107
	% of Pop	50.6%	51.1%	48.7%	53.6%	47.8%	42.1%
Rural Population Minority	# Loans	197	255	180	160	188	147
	% of Pop	49.4%	48.9%	51.3%	46.4%	52.2%	57.9%
504 Loans	# Loans	123	136	159	154	143	116
Rural Population Non Minority	# Loans	37	46	40	56	43	36
	% of Pop	30.1%	33.8%	25.2%	36.4%	30.1%	31.0%
Rural Population Minority	# Loans	86	90	119	98	100	80
	% of Pop	69.9%	66.2%	74.8%	63.6%	69.9%	69.0%
504 Grant	# Loans	183	170	318	314	177	138
Rural Population Non Minority	# Loans	54	45	81	72	58	35
	% of Pop	29.5%	26.5%	25.5%	22.9%	32.8%	25.4%
Rural Population Minority	# Loans	129	125	237	242	119	103
	% of Pop	70.5%	73.5%	74.5%	77.1%	67.2%	74.6%

Both the Section 502 Single Family Housing Guaranteed and Direct Loan Programs are structured to provide very low-, low- and moderate-income families an opportunity to achieve the dream of homeownership in rural communities across America. The portion of loans made directly to or guaranteed for minority borrowers consistently exceeds the portion of minorities living in rural areas.

The USDA prohibits discrimination in all of its programs and activities on the basis of race, color, national origin, sex, religion, age, disability political beliefs, sexual orientation, and marital or family status.

We are proud of the investments made in these communities and believe that our programs make a difference to our Nation's poorest rural communities. When program funding is limited, our programs are funded based on community need, taking into consideration several factors including: population, economic conditions including examination of the lowest median household income, job creation opportunities, and those with the highest unemployment rates.

RURAL HOUSING

Mr. Bishop: Is there a comprehensive, goal oriented housing plan of action for rural America? If so, could you explain it and some of its objectives to me? What is the level of substandard housing in rural America? Does the USDA have any coordination with HUD?

Response: We have not undertaken a comprehensive study on the level of substandard housing in rural America. Rural Development does coordinate with HUD on a number of different issues and we are always looking for new partnerships.

One of Rural Developments programs, the Housing Preservation Grant (HPG) program, is designed to address the substandard housing in rural America. The HPG program provides grants to non-profit organizations which provide renovations to very low and low income tenants and homeowners. These grants repair houses and apartments that have become substandard and are in need of immediate repairs.

Also, the USDA's Section 502 Guaranteed Loan Program coordinates with HUD in automation initiatives. The mortgage scorecard used in the Guaranteed Underwriting System (GUS) is a modified version of the one used by FHA.

Fiscal Year 2009 Hearing Questions

Rural Development

Questions for the Record Submitted by Congresswoman Kaptur

ENERGY INDEPENDENCE

Ms. Kaptur: I have long been a supporter of using the Department of Agriculture as a primary vehicle for reinventing rural America in the 21st century. While Rural Development has a traditional focus that the agency must continue to excel in, the agency also has an unique role for the economy of tomorrow. Energy independence is at its core, economic development for rural America. As the steward of this organization, I would appreciate your plans on the energy independence goals. In particular, I would like for you to comment on the energy budget cuts proposed in the 09 budget.

Response: It is anticipated that the proposed Farm Bill will provide adequate mandatory funding for this program. The rural natural resources available including wind, solar, biomass, and geothermal will help the Nation reduce its need on foreign oil. During FY 2007, the Renewable Energy and Energy Efficiency program provided $76.2 million in grants and loan guarantees to approximately 436 farmers, ranchers and rural small businesses throughout the United States and will be a key program to help Rural America expand its renewable energy resources. Along with our existing program authorities, this funding will allow us to make substantial investments in renewable energy systems and energy efficiency improvements.

Ms. Kaptur: I can appreciate that you have faced a difficult budget situation and that you do not believe this is a status quo budget. However, how can you claim to promote energy independence when you have proposed zeroing out numerous rural development programs. In the budget request, the administration zeroed out Rural Economic Development Loans, Value-added Grants, Renewable Energy/Efficiency Grants, Renewable Energy/Efficiency, Loans. These programs are the life blood of the rural development program but this budget does not account for these emerging needs. Please justify for this committee your decision to end these programs.

Response: Cutting the budget for the Renewable Energy and Energy Efficiency Improvements Program or any of the programs that support Rural Economic Development would be a devastating blow to Rural America. The natural resources which include wind, solar, biomass, and geothermal will help the Nation reduce its need for foreign oil. During FY 2007, the Renewable Energy and Energy Efficiency program provided $76.2 million in grants and loan guarantees to approximately 1,260 farmers, ranchers, and rural small businesses throughout the United State and will be a key program to help Rural America expand on an already successful program. Along with our existing program authorities, this funding will allow us to make substantial investments in renewable energy systems and energy efficiency improvements.

Ms. Kaptur: As we have said many times before, the portfolio of rural development is broad in scope and breath. From the rural utilities program to rural housing, these programs can affect the lives of millions not traditionally served by government. In particular, I am interested in your plans for rolling out energy independence through the energy delivery systems structured into rural development. Please outline for the committee some of your successes in using the rural utilities and rural electric coops as a delivery mechanism for alternative energy programs.

Response: Rural Development, Utilities Program Rural Electric Cooperatives, provide energy audits to their customers which help identify potential energy efficiency improvements. Those audits may result in Rural

Development grants and or loans for energy efficiency improvements. In addition, the Rural Economic and Development Loan and Grant programs offer financial assistance to the same Utilities Program borrowers, which in turn provides zero interest loans to rural businesses/communities for renewable energy and energy efficiency improvements, and technical assistance via energy audits. In the case of a Rural Economic Development Grant, a revolving loan fund is established to continue to support economic development as the zero interest loan to the third party is repaid.

The Renewable Energy and Energy Efficiency program offers eligible entities grants to provide assistance to agricultural producers and rural small businesses by conducting energy audits and renewable energy development assistance and funding of feasibility studies. Eligible entities that qualify to provide the energy audits and renewable energy development assistance include: a unit of State, tribal, or local government; a land-grant college or university or other institution of higher education; a rural electric cooperative or public power entity; and other similar entities as determined by the Secretary. In addition, each Rural Development State Office had designated an Energy Coordinator with the primary responsibility of coordinating outreach and program delivery in the state.

Ms. Kaptur: In the FY 2008 appropriations bill, the committee specifically identified wind production as a priority area for the utilities program. Please outline the steps that the agency has taken to fulfill this specifically identified issue area during your planned activities for the coming year and the dollar figure allocated to wind projects in the Rural Development budget.

Response: The Rural Development Utilities Programs are working with a number of cooperatives and private developers in the upper Great Plains. Additional projects may also be submitted for consideration. The Electric Program is actively engaged in outreach to provide Treasury Rate Loans to electric cooperatives that are interested in producing renewable energy from methane, wind, or woody biomass.

The Rural Utilities Service (RUS) is actively engaged in outreach efforts with electric cooperatives that are interested in producing renewable energy, including wind. The agency meets with cooperative managers and interested parties and discusses the possibilities of funding projects and does presentations to electric cooperatives to educate them about the available funds for traditional and renewable sources of energy, including wind. RUS is working with a number of cooperatives and private developers on wind projects, including three major wind projects in the upper Great Plains. Additional projects may also be submitted for consideration.

Ms. Kaptur: Are there any structural challenges that prevent the roll out of wind production through the utilities programs?

Response: There is a general lack of transmission capacity that limits fuller exploitation of wind resources in remote rural areas. Therefore, most of the existing projects are of a smaller scale and the power generated is used locally as opposed to being able to move it to larger markets.

EXPANDING RURAL DEVELOPMENT'S PORTFOLIO

Ms. Kaptur: The agency has made significant changes in many of the delivery programs from direct loans and grants toward loan guarantees. Please outline the different types of management challenges posed by administering a loan guarantee versus a direct loan and grant program. By transitioning away from grant programs, it becomes more difficult for new market entrants to access these systems. While on the aggregate there is clearly more capital

available by increasing the pot, eliminating grants makes it particularly difficult for small producers without the capital requirements to receive.

Response: We have steadily shifted our emphasis from grants and direct loans to guaranteed loans. Grants and loans remain an important part of the portfolio; they fill important niches by assisting entrepreneurs to build businesses. For example, a recipient of one of our grants may use the grant funding to conduct a feasibility study and business plan which might result in a guaranteed loan to finance the business. When our revolving fund loan recipients want to expand their businesses many of them are also recipients of loan guarantees.

The shift in emphasis allows us to budget more efficiently. It is also good policy because it orients us toward partnerships, market disciplines, and sustainable development. This shift has approximately doubled our program level from 10 years ago, and we are administering the increased program level with fewer staff. This is highly cost effective for the taxpayer.

There are different management challenges with administering a guaranteed portfolio. These include less direct contact and supervision of the borrower, increased emphasis on lender monitoring and oversight, program administration, and training both field staff and lenders on new programs and initiatives. Continual developments of strategies are necessary to encourage lenders to provide services to underserved populations and communities.

Ms. Kaptur: For instance, while there has clearly been a role for rural development in the state of Ohio, it has not largely been seen in my district. It is my belief that the access to some of your programs remains limited to areas that have been the traditional actors, not necessarily the type of small developers that are needed ensure the investment in these rural communities is not concentrated by big city interests only concerned with the bottom line and not true rural development.

Response: In FY 2007, Rural Development created a strategic plan which requires all States to do marketing outreach to all communities in their perspective State utilizing all the Rural Development programs available that Congress makes available through appropriated funds.

For most of our programs the eligible rural area where we can make loans and grants has been defined by Congress. We work within the confines of that definition to provide services where they are most needed. When program funding is limited, our programs are funded based on community need, taking into consideration several factors including: population, economic conditions including examination of the lowest median household income, job creation opportunities, and those with the highest unemployment rates. In addition, the agency can give priority to certain projects where economic distress is extreme.

Rural Development strives to offer programs in all eligible areas. We welcome suggestions on areas where outreach may be needed and thank you for your comments.

Rural Development has funded more than $30 million in water and waste water projects in Lucas, Lorain and Erie counties in the last 5 years. In addition, Rural Development is in the process of underwriting a project for the Lorraine Water District for $912,000. In some cases, these projects benefit residents in multiple districts in Ohio. In 2007, Rural Development provided $24.7 million for the LORCO Sewer Project which crosses both Districts 9 and 13. In 2008, a $5.4 million guarantee for the LORCO project was also awarded. In addition, a $4.7 million loan/$1.6 million grant was provided for the Northern Ohio Rural Water extension project. An additional $1.5 million is currently under consideration to fund NORW's acquisition of a water system in Holiday Lakes. Rural Development's staff works within Ohio to ensure that areas of

need are addressed. Processing priority is given to the smallest and lowest income areas through a point system established in our regulation. Our local staff continues to reach out to all eligible areas, including those in the 9th district, and work to provide assistance where we are able.

National office staff attends and presents program information at industry conferences and meetings. The meetings include State telecommunications associations conferences, technology showcases, and events targeted at specific populations or market segments, such as Distance Learning conferences, economic development summits, the Minnesota Tribal Telecommunications Conference, and the National Center for American Indian Enterprise Development's Annual Reservation Economic Summit (RES2008).

These efforts have increased participation in the programs by non-traditional, smaller companies. In fact, more than 30 percent of the borrowers under the Broadband Loan Program are start-up organizations. In addition, many not-for-profit and faith-based or community-based organizations participate in our loan and grant programs.

PROMOTION OF LOCALLY OWNED DEVELOPMENT

Ms. Kaptur: What steps are you taking to ensure that your portfolio of loans and grants are benefiting small communities and not just be used to enrich large corporations with no interest in rural development and no stake in local ownership and investment?

Response: Rural Development makes loans and grants to provide business credit needs in rural areas, often in partnership with private lenders. However, each request for assistance is that a loan guarantee or grant is evaluated on its own merits within the confines of our regulations. Our programs provide assistance to rural economies by providing employment opportunities for rural residents and helping the community with taxes and services.
Although the B&I program has no upper size limit for applicant entities, the vast majority of our business loan financing has gone to locally owned family businesses. One of the agency's annual performance goals for the B&I program is assistance provided to small businesses. Additionally our Section 9006 energy financing programs are limited to agricultural producers and businesses that meet the Small Business Administration's definition of a small business.

For most of our programs the eligible rural area where we can make loans and grants has been defined by Congress. We work within the confines of that definition to provide services where they are most needed. When program funding is limited, our programs are funded based on community need, taking into consideration several factors including: population, economic conditions including examination of the lowest median household income, job creation opportunities, and those with the highest unemployment rates. In addition, the agency can give priority to certain projects where economic distress is extreme.

Ms. Kaptur: Does the decision to support a $267 million loan for open wave communications dry up the needed capital for small investment within the loan program? This company is a national company without a stake in many of the small communities where their services are being rolled out into. What types or added hurdles has the agency placed onto open wave communications to ensure that they serve the needs of localities, not just treating them as a cash generator?

Response: It does not. The Open Range loan was obligated this fiscal year from carryover budget authority for FYs 2007 and 2008 totaling $495 million. An additional $297 million was provided this fiscal year and there are sufficient resources to meet current demand. With regard to the

applicant's community service, Open Range must have in place customer service contracts for deploying and maintaining service as well as interfacing with customers on the local level.

Ms. Kaptur: In the 2007 farm bill, I was a strong supporter of efforts to expand the farm credit system as a crucial part of the portfolio for investing in rural America. During House consideration of this proposal, the House gutted the provisions largely as an uninformed response from those scared about the increased role for farm credit. Yet, it has long been my assertion, that unless you use farm credit to empower rural America, energy independence infrastructure development will continue to become increasingly concentrated.

While the farm credit system proposal has been fundamentally altered, are there other alternative steps that we can take, as a government to ensure that local producers continue to have a stake in the infrastructure we are trying to develop?

Response: There are many steps we can take to encourage local producers and other rural investors to participate in new business opportunities, including the development of renewable energy infrastructure.

USDA Rural Development administers over 40 programs. We are working hard to break down stove piping, develop synergies, and work across traditional program boundaries. Since Fiscal Year 2001, with regard specifically to renewable energy, numerous separate Rural Development programs have invested in renewable energy and energy efficiency projects. We are prepared to use our programs' flexibly and creatively to support viable projects as they arise.

We recognize that the development of renewable energy is perhaps the greatest new opportunity for wealth creation in rural America in our lifetimes. Given its feedstock and sitting requirements, renewable energy is disproportionately rural energy. Farmers and other rural landowners own the underlying resources. In part, because of the effects of renewable energy, farm equity has more than doubled since 2000 to an estimated $2.3 trillion in 2008.

There is clearly both an opportunity and financial capacity for producers and other rural investors to participate as equity investors in renewable energy enterprises. In addition to our direct program support for renewable energy investments, USDA Rural Development is also working to identify business and investment models that facilitate the aggregation of local capital, and encourage a local ownership interest.

POPULATION LIMITS

Ms. Kaptur: The Department of Agriculture by its nature seems to have difficulty recognizing that agricultural production is often located in areas that are not rural. The size limitations in various communities seem to represent the fundamental strain within the thinking of USDA to assist farmers wherever they are. I certainly understand that your definition or rural is based on statute but many producers are located in multiple locations and participate in cooperatives that go beyond boundaries. Please outline the legal flexibilities for using these types of determinations in serving farming communities where they are, not where they should be.

Response: The population limitations for the Business and Industry (B&I) program are statutory.

Under our present regulations, cooperative organizations that are headquartered in a non-rural area may be eligible for a B&I loan if the loan is used for a project or venture that is located in a rural area. B&I loans

to eligible cooperative organizations may also be made in non-rural areas provided: (i) The primary purpose of the loan is for a facility to provide value-added processing for agricultural producers that are located within 80 miles of the facility; (ii) The applicant satisfactorily demonstrates that the primary benefit of the loan will be to provide employment for rural residents; (iii) The principal amount of the loan does not exceed $25 million; and (iv) The total amount of loans guaranteed under this section does not exceed 10 percent of the funds available for the fiscal year.

Fiscal Year 2009 Hearing Questions

Rural Development

Questions for the Record Submitted by Congressman Tom Latham

SMALL BUSINESS ADMINISTRATION PROGRAMS

Mr. Latham: Mr. Dorr, in late 2007, GAO began looking at different types of collaborative efforts where your agency can best work with SBA in rural areas. Can you tell us what types of inter-agency initiatives you envision carrying out in collaboration with SBA, and where you see the biggest potential in using Rural Development & SBA programs to enhance the economies of rural areas of the country?

Response: The Small Business Administration (SBA) and Rural Development can work together to make joint lender presentations and training sessions. Outcomes of a recent joint session was the increase in SBA lenders making RD B&I loans and B&I referrals to SBA 504 Program. Potential exists for RD making loans on otherwise SBA eligible projects. When this occurs it is due to lender dissatisfaction with the Certified Development Company's handling of 504 applications; so competition is healthy to increase customer service. SBA has huge lender network and RD has small lender network. RD stands to gain from SBA outreach and advertising. SBA gains from their lenders being informed of RD programs for their areas. In addition, SBA and Rural Development have worked together collaboratively to implement and administer the Rural Business Investment Program.

EVALUATION RURAL DEVELOPMENT PROGRAMS

Mr. Latham: Like all government programs, Rural Development programs should be evaluated from time to time to gauge their effectiveness. Does your agency carry out such evaluations and, if so, what programs have you found that should be replaced or fine-tuned? Also, which ones are working most effectively?

Response: All government programs over 20 million are evaluated through the Office of Management and Budget under the Program Assessment Rating Tool (PART). The Section 502 Guaranteed Loan Program was evaluated in 2007 and received a rating of "Effective". The Section 502 Direct Loan Program and the Mutual Self-Help Housing -- Technical Assistance Grants Program were rated as "Moderately Effective" in the latest rating in 2004.

In 2007 the Water and Environmental Program received a score of 89.5 percent and an "Effective" PART rating ranking it amongst the top-rated programs in the government. The President's FY 2008 budget included ratings for 977 Federal programs. Of the 977 Federal programs, 35 were primarily credit programs. Rural Development's Water and Environmental Programs received the highest score of those federal credit programs (tied with HUD's Indian Housing Loan Guarantee Program) and was one of only three that received an "EFFECTIVE" rating. In addition, internal program reviews are conducted, and result in improved administration of various program areas.

RURAL WATERWASTE PROJECTS

Mr. Latham: Can you tell the subcommittee the approximate dollar level of the backlog for rural wastewater projects? Is it in or around the $2B range?

Response: Yes, the backlog of completed applications for rural water and wastewater projects is $2.1 billion.

DIRECT LOANS AND GUARANTEED LOANS

Mr. Latham: As you know, there are those who say that, in the long run, direct Rural Housing Loans are cheaper to the government than guaranteed loans because of loan origination fees, foreclosure and other costs. What types of evaluations have you done to determine if direct loans are cheaper than guaranteed loans, and what have been your findings?

Response: We have not undertaken a comprehensive study on this matter to date. Our guaranteed loans have quite low delinquency and default rates which make them very competitive with other loan products.

Multi-family housing has not done any evaluations on the cost of direct loans versus guarantee loans; however, the overall cost of these programs is calculated using the credit subsidy rate for each program. These credit subsidy rates include all of the fees generated, defaults and the other components that affect the cash flow from these loans. In general, the subsidy costs of direct loan programs are higher than those of guarantee programs. In addition, the administrative costs for a direct loan program are always higher than for loan guaranteed.

Mr. Latham: Are you aware of any instances in the Rural Guaranteed Loan Program where banks have made loans based on inflated appraisals and, if so, what actions have you taken?

Response: We are not aware of any loans that have been made based on inflated appraisals.

Each appraisal is reviewed by agency staff before a Loan Note Guarantee is issued, and there have been no loans guaranteed based on inflated appraisals. The Section 502 Single Family Housing Guaranteed Loan Program incorporates three different types of appraisal reviews as a means of monitoring appraisals.

1. Administrative Review: An administrative review is done on all appraisals. It is made to determine whether the appraisal presents an appropriate value for market conditions. The agency reviewer determines whether the appraisal is complete, there is a proper number of current comparables, and that the comparable sales approach was used to establish market value.

2. Technical Desk Review: A technical desk review is the next level of review, to determine whether the appraisal made by the appraiser meets the technical requirements of the Uniform Standards of Professional Appraisal Practices (USPAP) as promulgated by the Appraisal Foundation. The reviewer, typically a Rural Development Staff Appraiser, must be satisfied that the appraiser presented an appraisal that was complete, mathematically correct, the reasoning clear, and the value conclusion supported. At least 5 percent of appraisals receive desk reviews.

3. Technical Field Review: Field reviews will be completed by a Rural Development Staff Appraiser to determine if the lender's appraiser has followed accepted appraisal techniques and arrived at a logical

conclusion. The number of field reviews varies by State staffing levels.

In addition, appraisals are reviewed as part of the loss claim processing. We have rejected claims based on faulty appraisals.

OVERALL STATE OF THE RURAL ECONOMY

Mr. Latham: Record prices for commodities across the board are being received and are predicted to continue. Land prices are reaching and breaking record levels and acreage is being bought by farmers at record rates through out Rural America. All of this would imply that the rural economy is doing and is going to be doing much better than the nation as a whole.

Is that a fair assessment, and if it is not, how could it not be correct, that is what is going on that prevents the rural communities from reaping the benefits of these record prices and record farm income?

Response: High commodity prices in recent years have contributed to continued strength of the food and fiber sector of the Nation's economy. Net farm income is forecasted to be $92.3 billion, up 4.1 percent above the $88.7 billion farmers are projected to have earned in 2007, and 51 percent above its 10-year average of $61.1 billion. Net cash income, at $96.6 billion, is forecasted to be $9 billion, 10 percent above 2007, which was the previous record. Net cash income is projected to rise more than net farm income because of the large carryover of crops harvested in the prior year, which will be sold in 2008. The forecasted value of crop production in 2008 ($175.5 billion) exceeds the 2007 record by $25.9 billion, a 17 percent increase. Prices of major crops (corn, soybeans, wheat) were trending upward in late 2007 and are expected to maintain or add to those gains in 2008.

Higher farm income and farmland values will undoubtedly improve the economic picture in many rural areas in the U.S. However, the relationship between national farm income and the well being of rural communities is complex due to several factors. The farm sector is a relatively small portion of the local economy in most rural areas, with 403 of 2,052 nonmetro counties classified as farming dependent according to the Economic Research Service county economic typology. Moreover, many farms are located in or near urban areas, limiting the economic benefits to rural America.

Even in farming-dependent areas, local communities may not feel the full effects of rising farm income and land prices. Many farmers, for example, lease a portion of the farmland used for production, and the rents paid on this increasingly valuable land often flows to landlords residing elsewhere. Likewise, the net income from livestock produced under contract will accrue to contract owners who may not live in rural areas. In addition, farmers in small rural places by necessity tend to spend a large part of their income in towns and cities with a greater number and variety of retail establishments. Recent economic data supports the notion of a complex link between farm and rural community well being. Nonfarm job growth in the first part of this decade has been slower in major corn production counties than in counties without extensive cropland, and corn-producing areas as a whole continue to lose population.

Mr. Latham: Do you have any statistics that can show the extent to which the sub prime mortgage crash has impacted the rural economy? With land prices rising so rapidly, what is happening to home values? Are they rising too or is there a weakening of home values even though farm land values are rising?

Response: Our single family housing portfolio remains strong with low delinquency and foreclosure rates; in ten of the last twelve months we have

experienced historical low delinquencies. In the majority of rural counties, out-migration continues to exert downward pressure on home prices.

Mr. Latham: FHA is offering to allow troubled sub prime mortgagees refinance with FHA on new, less onerous terms. Is USDA aggressively offering Section 502 direct or guaranteed loans to individuals that are threatened with foreclosure on a sub prime loan? Is legislation needed for USDA to become more involved?

Response: Our housing programs are primarily geared towards home acquisition and home repair.

The Direct program has some authorities for refinancing on an exception basis (refinancing is permitted in limited circumstances). An applicant may be eligible for refinancing if they are:

1. clearly unable to continue making payments,
2. at risk of losing it through foreclosure, and
3. the delinquency is due to circumstances beyond the applicant's control, for example, loss of a job or illness.

The Guaranteed program does not have authority to refinance loans unless the loan is a Section 502 Direct or Guaranteed loan.

HOUSING GRANTS AND LOANS

Mr. Latham: The Administration has again proposed to eliminate Section 502 direct loans.

First, what are the characteristics of the borrowers today in terms of their financial condition and how are they using the loans. For example, is the subsidy actually needed to make home ownership affordable or is it being used to purchase a larger more expensive house than would other wise be affordable? How long are the loans usually held by borrowers? What is the delinquency rate now and over the life of a loan what percentage of the borrowers will lose their homes?

Response: The Direct program is restricted to borrowers with income that is less than 80 percent of the Area Median Income (AMI). Approximately 45 percent of the Direct Loans are made to borrowers with annual incomes less than 50 percent of the area median income. In FY 2007, the average 502 Direct obligation was approximately $105,800. The average dwelling size was a 3-bedroom home with approximately 1,300 square feet of living space.

- Average household size is 3 persons
- Average adjusted income is $24,600 per year
- Net assets (Assets - Liabilities) average $2,400

502 Direct Loans

Loan Purpose	% of Loans Made	Average Loan Amount
BUILD/PURCHASE NEW	38.07%	$113,350
PURCHASE EXISTING	46.92%	107,871
PURCH EXISTING & REPAIR	10.91%	90,909
REFINANCE AGENCY DEBT	0.08%	66,426
REFINANCE & REPAIR	1.19%	98,852
REPAIR	2.82%	32,599
Total, Average loan		$105,839

Families with our Direct loans have a success rate exceeding 98 percent (with 98 percent of customers retaining their homes). Forty-six percent of the 502 loans serviced receive subsidy. Approximately 5-6 percent of loans become "self-sufficient" by graduating to private industry financing each year; this percentage increases when interest rates drop.

The current 14 percent delinquency rate for the Single Family Housing Direct loan portfolio compares very favorably to the sub prime industry. It is also somewhat favorable when compared to delinquency reported by HUD programs. Delinquency is not tracked by year of origination.

Mr. Latham: Second I note that the subsidy rate for the program is dropping by one third from 9 to 6 percent in 2009. Why is this occurring and doesn't this suggest that the program is working better and should be retained not abandoned?

Response: There are a number of reasons for the drop in the subsidy rate for the direct loan program including historically low interest rates and the rapid appreciation of homes over the last several years. Low interest rates have resulted in lower program costs for subsidized loans which in turn have allowed us to decrease our subsidy rate.

The rapid appreciation of homes over the last several years resulted in substantial borrower equity. When a borrower sells or no longer occupies their USDA-financed home, we require repayment of at least a portion of the subsidy provided to them through a shared appreciation agreement. An increase in repayment of subsidies has allowed us to decrease our loan subsidy rates for the direct loan program.

Mr. Latham: Your budget includes a proposal to reduce the subsidy rate for Section 538 multi family guaranteed loans. However if not adopted, the subsidy rate for the multi family guarantee program would go from 9.4% to 15.7% just to retain the same amount of lending as provided in 2008. Can you tell us what is going on here that would so dramatically increase the amount of subsidy required?

Response: The Section 538, after 10 years of operation, has incurred its first series of defaults. There are a few large loans that are in default, which is the primary reason for the increase in the subsidy rate. Furthermore, because the program is small, only $200 million in closed loans, a few defaults have a disproportionately large impact on the subsidy rate. The program has adopted several measures to ensure that those credits that have defaulted would not be acceptable credits today. For example, loan guarantees over a specific loan to cost ratio or a loan guarantee over a specified dollar amount, must have prior National Office approval before it can proceed.

Mr. Latham: Your statement suggests that the use of guaranteed homeowner loans is rapidly increasing. Do you have sufficient loan limitation this year to accommodate the increase and if not, when will you run out of money and how will you manage the shortfall?

Response: The 502 Single Family Housing Guarantee loan program will not "run out of money". It is apportioned on a quarterly basis to ensure that funding is available throughout the year. In addition, like all of the Rural Development programs, funding is not determined by demand. As there is a backlog in the Water and Wastewater program of $2.1 billion, so can there be a backlog in any of the RD programs, including 502 Guarantees.

The 502 guarantee program relies on annual appropriations from Congress, and in the past, the program had a design flaw because lenders using the program threatened to not participate if funding ran out prior to the end of the fiscal year. Rural Development has corrected this flaw by designing controls

that will better ensure steady funding and access to the program throughout the fiscal year. The controls include limiting funds to first-time homebuyers when demand exceeds available funding, and providing more frequent communications and options to lenders when funds availability may be an issue. Rural Development has worked with its Office of General Counsel to provide for a means for participating to continue to originate and close program loans even when funds are temporarily exhausted. This is accomplished by Rural Development issuing conditional commitments for loan approvals "subject to the availability of funds" during those periods.

When there are extenuating circumstances that increase demand to a greater extend than anticipated there are avenues we can pursue. For instance, as credit has gotten tighter in this current financial climate, the demand for this program has increased more than expected. USDA is distributing additional funds to account for this unexpected demand by using its interchange authority outlined in 7 U.S.C. 2257. This will allow us to case the backlog potential for this program.

Mr. Latham: Most other federal guarantee programs have the ability to adjust premiums or take other measures to ensure that they operate at least as "budget neutral." The 502 program continues to require a taxpayer subsidy. What authorities does USDA currently have to make the guaranteed program operate with no required subsidy? What, if any flexibility or administrative authority do you have now to achieve that?

Response: The Section 502 Single Family Housing Guaranteed Loan Program's subsidy rate is based on a one-time fee of 2 percent of the proposed loan amount that is paid by the borrower. The guarantee fee of 2 percent is statutory. The Administration recommends that Congress give USDA Rural Development the discretion to adjust the guarantee fee up to 3 percent. A 3 percent fee would reduce the subsidy rate for the program to nearly zero.

Mr. Latham: I note that there is a large amount of funds targeted to 502 guarantees for refinancing loans are going unused. Why are these funds not being used? Do you expect a resurgence of refinanced loans if long term interest rates decline? In the meantime why are you requesting more funds in 2009 given the amount of carry over?

Response: The Section 502 Single Family Housing Guaranteed Loan Program for refinancing is limited to Section 502 Direct loans and existing Guaranteed loans. The rising interest rate environment of 2007 resulted in less demand for refinancing and caused a carry over of refinance funding.. We are presently experiencing a resurgence of refinance loans with the recent declining interest rates. Approximately $6.7 million in refinance loans were obligated in FY 2007 and over $45 million have been obligated through the second quarter of FY 2008. We expect to obligate nearly all our refinance funding in FY 2008 and are requesting more refinance funds for FY 2009 to handle the forecasted increase in demand.

In addition, the BA for 502 guarantees and re-financing s is interchangeable. But for budgeting purposes, we always show a planning amount for both types of loan guarantees. If demand changes between the 2 types, we have the flexibility to use all the BA for the type that is in demand in that year, so the money does not go unutilized.

FARM LABOR HOUSING GRANTS AND LOANS

Mr. Latham: Clearly the Department sees a big problem with the farm labor housing program since it proposes to eliminate the program in its entirety, both grants and loans.

Why is the program currently significantly under subscribed? What are the other problems that you are finding that would suggest its termination is the best solution? What alternatives exist to fix the problems rather than eliminate the program?

Response: The farm labor housing industry has encountered a number of challenges in recent years, which has led to a significant decrease in demand for this type of housing. Issues include high development costs, an aging housing stock, shifting eligible populations, and adverse environmental conditions. These challenges have led to hesitancy by eligible entities in pursuing new Farm Labor Housing construction.

The Farm Labor Housing program also requires that tenants living in properties financed using farm labor funding must be, "… a citizen of the United States or a person legally admitted for permanent residence. [Section 514 (f)(3)(A)]" This statutory requirement has caused a chilling effect on potential tenants to our properties. Existing farm labor properties have experienced a problem when some prospective tenants are asked for documentation to show they qualify.

Crop harvesting and demographic changes have contributed to the change in demand for farm labor housing. As mechanization has increased, fewer farm workers are needed to harvest some crops. The harvesting season for some crops exists just a few months a year and then farm workers rotate to other areas to harvest other crops.

The agency has begun engaging the farm labor worker community in a series of dialogues to develop alternative methods of meeting the housing needs of this population. The outcome of these meetings should provide the agency with insight into the issues and suggestive solutions.

In FY 2009, proposed funding for Section 514/516 Farm Labor Housing new construction has been shifted to other program areas. An alternative solution would be to utilize less expensive loan funds, such as the Section 538 Guaranteed Loan Program funds, to construct new farm labor housing, and the agency's revitalization demonstration program to rehabilitate and preserve the existing farm labor housing stock.

Mr. Latham: Can you give us an idea of what farm labor housing looks like? Is it mostly on the farm used by many migrants or is farm labor housing more likely to occur in large tracts off the farm largely used as home bases?

Response: The Farm Labor Housing program consists of two types of housing: on-farm and off-farm. On-farm labor housing is generally a single-family house located on a specific working farm and near the main farming operations. These houses are usually rented to the farm manager and provided in exchange for his services managing the farm.
Off-farm labor housing is just that-located away from any one specific farm and it generally looks like a standard apartment complex. Apartment sizes are larger to accommodate larger families which is a tenant characteristic of Farm Labor Housing, and community rooms are larger than standard community rooms to accommodate educational classes sometimes offered by the borrower, who is a nonprofit organization. Some off-farm labor housing is dormitory-style to accommodate a migrant labor clientele.

The Farm Labor Housing outstanding loan balance is about 2 percent of the overall Multifamily Housing Section 515 and Section 514 loan portfolio. The majority of projects in the farm labor housing portfolio for migrant workers consist of off-farm. The States having the greatest number of farm labor housing projects are Mississippi, Arkansas, California, Florida, and Texas.

Mr. Latham: On average how much does a unit cost to construct and who is responsible during times when the units are unoccupied. What do migrant workers pay for staying in a unit?

Response: The construction costs for an affordable housing vary by State and depend in large part on the cost of land and construction in those areas. In very high land cost areas, the cost of building an affordable housing unit could be as high as $150,000. In other areas where the land costs are much cheaper the costs would average around $100,000. The costs of building these units are also impacted by the statutory requirement that builders must pay prevailing wages (Davis-Bacon Act).

The agency lends funds to the owner of the property and the owner manages the property within program guidelines, so if the properties have vacancies the owners attempt to rent the units to the next available tenants. Tenants pay no more than 30 percent of their income toward rent. The rent varies across the country.

Mr. Latham: Is the demand for housing by migrant workers also dropping or is the main issue or problem with this type of housing?

Response: The main issue concerns eligibility and the definition of "domestic farm laborer". The current definition only allows United States Citizens and legally admitted permanent residents. Other issues include high development costs, an aging housing stock, shifting eligibility in tenant populations (and consequent cash-flow uncertainty for owners), and an adverse business environment in many areas. These challenges have led to hesitancy by developers in pursuing new Farm Labor Housing construction.

Mr. Latham: What is the condition, on average, of the current farm labor housing stock and what means are available to maintain the stock? What are the owners required to do?

Response: There are approximately 15,000 Farm Labor Housing units in the portfolio. A significant number are either relatively new (not requiring rehab yet) or have been rehabbed recently. We currently rehab about 750 units per year. We plan to address long term rehabilitation needs through the Multi-Family Housing Revitalization Program as envisioned in statutory changes proposed by the agency, when it is authorized by Congress.

MULTIFAMILY REVITALIZATION OF EXISTING STOCK

Mr. Latham: The budget proposes to eliminate funds for new construction of rental housing and also proposes to eliminate funds to which owners would have access to repair and maintain the existing stock of rental units.

What is the Department's solution, then, to the problem of maintaining an adequate supply of rental units in rural communities?

Response: We plan to address long term rehabilitation needs of our rental housing portfolio through the Multifamily Housing (MFH) revitalization program as envisioned in statutory changes proposed by the agency, when it is authorized by Congress. We feel that the cost effective revitalization tools contained in that legislation provide an optimal strategy for addressing the portfolio's long term needs. After three years of successfully fine tuning those concepts through the demonstration program provided in the USDA appropriation bills, we look forward to requesting funding of that program when it is written into our authorizing statute. We would also point out that the FY 2008 USDA appropriation language establishes that the funding for the MFH revitalization demonstration program is "no year" money, which will allow the agency to continue to work with any unused demonstration funding during FY 2009.

MUTUAL AND SELF HELP NEW CONSTRUCTION

Mr. Latham: The Department must also have serious problems with the Mutual and Self help program since it is also proposing to eliminate that grant program.

Assuming that a Section 502 mortgage is used for financing, on average, what is the total amount of taxpayer subsidy from all grants, loans and expenses that actually is provided to build a new house under this program?

Response: We estimate the average cost per house in budget authority to the taxpayer is approximately $30,000. This includes $11,300 budget authority for the 502 direct loan, $18,000 (per home) in technical assistance provided to the homeowner and $769 (per home) in technical and management assistance and oversight provided to the grantee.

Mr. Latham: Do grantees have to provide non federal sources of funds as a match and is the grant program competitively run or allocated by some other means?

Response: Grantees are not currently required to provide matching funds. We are looking to move the program to a competitive basis with Departmental Regulation 3015, which will require grants over $75,000 to be awarded competitively. CFR 3551 will establish the requirement for an annually published Notice of Funding Availability (NOFA) in the Federal Register that will outline the scoring criteria to be used in making award determinations. The NOFA will provide for multiple funding rounds and establish separate competitive pools for new applicants and existing grantees. The Self Help regulation has yet to complete the comment process.

Mr. Latham: What is a grant's primary purpose? That is what does it fund? Does a grant pay for bricks and mortar or salary and expenses for the non profits?

Response: Services provided by technical assistance grantees include recruitment and packaging of loan applications, providing homebuyer education, and teaching construction skills to participants. Section 523 grant funds are not used to purchase building materials or for the construction of homes.

Eligible organizations may use Section 523 grant funds for the following purposes: hire the personnel to carry out a technical assistance program; pay necessary and reasonable office and administrative expenses; purchase or rent equipment such as power tools for use by families participating in self-help housing construction; and pay fees for training self-help group members in construction techniques or for other professional services needed.

RENTAL ASSISTANCE FUNDING LEVELS

Mr. Latham: You have a proposal to include $100 million in tenant-based rental assistance (vouchers) to move families away from unsafe or unsanitary conditions.

Are you confident that this is not just an idle threat over the owners and that there is sufficient decent, safe and sanitary alternative housing in the area, assuming that the residents prefer to stay in the area? If not will these vouchers be tied to the family (tenant-based) and fully portable?

Response: Rural Development's first priority is to continue tenant protections in the form of Rental Assistance (RA) renewals. We then intend to utilize some balance of the funds for an RA Voucher pilot program to evaluate

ways to reduce the budgetary cost of the RA program. We believe RA Vouchers will enable properties in strong rental markets to convert over to the private market yet still keep housing affordable for families. RA Vouchers could also be used to assist tenants in Rural Development properties where traditional RA is not available, including the Section 538 Guaranteed loan program. Utilizing a voucher provides more flexibility than the traditional program, for both the tenant and Rural Development. With the pilot program, there are several different approaches we want to test to determine which are most effective in achieving the goal of protecting tenants at the least cost for the government.

Mr. Latham: The amount needed to renew existing vouchers nearly doubles from $472 million to $900 million. I realize that we are now finally on an annual renewal basis. However, this is a large increase.

Response: Rental Assistance is the difference between 30 percent of a tenant's monthly income and the rental rate approved by Rural Development after review and approval of the property's annual operating budget. Of those budgets, approximately 12 percent is for utility costs, 16 percent is for debt service and 10 percent is for management fees to owners. We are concerned over the escalating costs of property operations and are looking for ways to reduce those costs, introduce efficiencies, and thereby reduce the overall cost of RA.

But RA only covers on average 60% of units, and all of the utility allowance is paid by USDA. So based on the $1 billion (approximately) in RA for 2009, approximately $220 million goes to utilities, about $200 million to debt service, and $130 million to management fees.

Rural Development expects to renew about 231,000 units in FY 2009 compared to 104,000 in FY 2008. In FY 2009, Rural Development will renew the FY 2008 104,000 units plus about 126,000 units coming up for renewal from FY 2007 2-year contracts, FY 2005 4-year contracts, and contracts entered into prior to FY 2004 when contract terms limits were instituted by Congress.

Mr. Latham: Of the $900 million in renewal funds, how much is for utility costs, how much is for debt service and how much is for management fees to the owners? Are the funds needed each year based on a cost plus model by the owners or are they based on comparable market rents in the area?

Response: Rental Assistance pays the difference between the "basic" rent charged for an apartment [the rent necessary to pay for budgeted operating and maintenance items] and 30 percent of a tenant's average annual income. Rental Assistance does not pay for specific budget line items, but rather contributes toward rental income to pay for operations and administrative expenses, approximately 12 percent is for utility costs, 16 percent is for debt service and 10 percent is for management fees to owners. The renewal funds needed each year are based on prior year actual usage, with an inflation adjustment in accordance with GAO instructions.

Mr. Latham: Finally, how much of this year's increase is due to the termination or opt out of long term contracts? How many long term contracts covering how many units are still in effect and when will these likely have to also be annually renewed?

Response: The increase in Rental Assistance for FY 2009 is not related to the termination or opt out of long term contracts. The increase is due to the expected number of units needing renewal. Some old contracts continue to pay out at very low rates, extending their life for a much longer period than originally intended. Current estimates indicate that about 40,000 units from these older contracts will come up for renewal between FY 2010 and FY 2016.

Rural Development has been very successful in its efforts to utilize Rental Assistance to the maximum extent possible. Over the last three years, the number of rent overburdened tenants in our properties has fallen 17 percent.

RURAL BUSINESS-COOPERATIVE SERVICE

Mr. Latham: The amount requested for the Rural Business and Industry loan program is significantly less than last year due to expected carryover.

What are the issues with the program that is seems to always be undersubscribed? Are there fixes that are needed? It would seem that especially in a time of a weakening economy these programs are needed and must work well to help create jobs.

Response: Fiscal year 2008 is the first year in recent memory where there were no concerns about the adequacy of the funding level for the Business and Industry (B&I) program or the timing of receipt of the B&I appropriation. Given this fact, our State Offices have generated obligations totaling $690,409,394 through June 25, 2008.

When B&I Guaranteed Loan Program activity was on the rise in the late 1990's, B&I funding authority failed to keep pace. We managed to out-produce our funding from 1997-1999 by drawing on unused carryover funds from previous years funding. Finally, in 1999 record production exhausted these carryovers, and a funding shortage manifested itself in 2000, creating delays, disappointments, and lender consternation about the ability of the B&I program to deliver on a reliable, business-like basis. It has taken 10 years for the program to recover from that (even the restored, increased funding of 2001-2003 proved too late to win bankers back to the program).

The Agency began implementation of a media blitz in February 2008 that targeted State Offices that have not historically utilized its B&I program allocation. The results of that blitz have not yet been realized, but obligations have been increasing dramatically. Delays in receiving program appropriations have historically caused a slow start each fiscal year. Projects are often time-sensitive and lenders cannot wait for program funds to become available so lenders make other arrangements for financing.

Mr. Latham: By the same token the IRP (intermediary re-lending program) is over subscribed and has the same mission. What is the difference between the programs that makes one more successful than the other?

Response: The Business and Industry Guaranteed Loan (B&I) Program, and Intermediary Relending Program (IRP) have different and distinct missions. The purpose of the B&I Program is to improve, develop, or finance business, industry and employment and improve the economic climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. It is not intended that the guarantee authority will be used for marginal or substandard loans or for relief of lenders having such loans. The inability to obtain credit elsewhere is not an eligibility criterion for this program. Loan guarantees made under the B&I program are normally limited to $10 million.

The IRP mission is to alleviate poverty and increase economic activity and employment in rural communities, especially disadvantaged and remote communities, through financing targeted primarily towards smaller and emerging businesses in partnership with other public and private resources and in accordance with State and regional strategy based on identified community needs. This purpose is achieved through loans made to intermediaries that establish programs for the purpose of providing loans to ultimate recipients for business facilities and community developments in a rural area. The

inability to obtain credit elsewhere is an eligibility criterion for this program. Loans to ultimate recipients under the IRP Program are limited to $250,000.

Since these programs have distinct constituencies, differing missions, authorities, and outcomes the success rate of these programs is not comparable.

Mr. Latham: You have proposed no funding for several programs such as ATTRA, and Value Added Marketing Program with no real rationale. Do you consider these two programs to be earmarks?

Response: The Administration's position has been not to fund the ATTRA program because it is considered an earmark. Value Added Producer Grants (VAPG) and some of the other programs were authorized in the previous Farm Bill which expired at the end of FY 2007 and it is redundant to other Rural Development programs. Hence we could not put forth funding without authority to spend.

RURAL UTILITY SEVICE

Mr. Latham: The Administration recently eliminated coal fired power plants from loans for new capacity. In your opinion, how can or will utilities in the REA system be expected to meet the rapid and significant increase in demand for electricity? Is it realistic to assume that the gap in demand can be made up by alternative fuels and greater efficiency in the near term? Will the lack of lending for coal eventually drive utilities out of the REA?

Response: The Administration's deferral of base load generation affects all sources of fuel not just coal. This was done as a temporary measure only because the program needed to develop a new subsidy rate to accurately project the risk in building new generation plants. That has been accomplished and language was included in the 2007 Farm Bill to authorize the assessment of a fee to cover the subsidy cost.

It is not realistic to assume that existing and future demand can be made up through renewable sources or energy efficiency. Until the agency is authorized to assess a fee to cover the cost of new generation facilities, rural generation and transmission cooperatives are faced with accessing capital from the commercial markets at significantly higher cost or attempting to meet demand through the construction of gas-fired intermediate and peaking facilities which are very expensive to operate.

Mr. Latham: With respect to your proposal to shift nuclear energy grant applications to the Department of Energy, would the REA remain involved at all or would the entire decision process be shifted left to DOE?

Response: We have had a number of discussions with DOE on how best to operate the program. We will continue those discussions with the anticipation that the Rural Development Electric Program will have a role in those decisions.

Mr. Latham: I see that across the board electric and telecommunications subsidy costs are dropping rapidly from 2008 to 2009 and in some cases have gone from costing the taxpayer money to actually making a little money from the deals.

Response: The subsidy costs of the programs are subject to continual change depending on the risk of the specific programs and changes in the interest rates. We do anticipate that the rates will continue to be very

reasonable investments for the taxpayers particularly when considering the multiplier effects of these investments in rural America.

Mr. Latham: Can you explain what is going on in the industry to cause this good news for the taxpayer and why should we not be taking advantage of the change?

Response: These infrastructure investments are crucial to the continued growth in rural areas and expansion of the investment opportunities and RUS plans to do that to the extent possible with our current resources.

BROADBAND LENDING

Mr. Latham: The ERS is studying how the market place can best act to tell USDA when and to what extent federal intervention is appropriate.

In the meantime how will your regulations and program grant and loan criteria be implemented to avoid providing Federally subsidized loans that would interfere with an established market, or might prevent a market from being developed.

Response: With regard to our broadband grant program, eligible communities are those that have no broadband service. That finding is verified by Rural Development personnel prior to awarding funds. With regard to our loan program, proposed Farm Bill will reinforce our efforts to ensure minimal participation in environments where the private market has been substantially established. Based on the proposed statute, we anticipate implementing new regulations that will:

1. Reduce federally subsidized lending in markets where sufficient competition already exists by limiting loans in areas where three or more entities are providing service; and
2. Target un-served and underserved communities by limiting loans where 75 percent or more of the households have access to broadband service.

Mr. Latham: Do you agree that, to the maximum extent possible, USDA must do everything it can to ensure that the private sector provides the services wherever it can?

Response: Yes, and our new regulations will reflect this. Specifically, the regulations will target unserved areas by requiring that at least 25 percent of the households in a proposed application be unserved (or served by only one provider). In addition, no financing will be provided where the private market has already been well established by at least three existing service providers, as noted by the answer to your previous question.

Mr. Latham: Your budget proposes to eliminate $300 million in broadband loans, which Congress provided in the past and that you assume will not be used.

Simply put do you think there is too much money in the program? By eliminating the loans all together are you saying that the demand will never catch up?

Response: It is not a matter of whether there is too much money in the program or not. The Administration submitted a fiscally responsible budget based on the fiscal realities at the time the budget request was formulated. For instance, at the time of the budget formulation, the agency had not used all of the appropriated authority and had budget authority remaining that was adequate to meet current demand. In fact, a substantial amount of budget

authority expired in FY 2008 and $495 million in two year authority - 2007 and 2008 - was not used in 2007.

Further, to meet future demand, the Administration, as part of its Farm Bill proposal, requested $500 million in budget authority in part for meeting future broadband funding requests.

Mr. Latham: Why is the program getting off to such a slow start? What is the total amount of loans provided to date? How does that compare to the total loan level authorized and funded to date, including the $300 million you want to eliminate?

Response: To address the "slow start," it should be noted that these loans are very complex in nature and require a substantial amount of review and processing to ensure the systems can be built and deliver the intended services. In addition, 35 percent of the companies that have applied for broadband loans have been new/start-up companies with no financial history and consequently require more scrutiny. Not all applications are successful. The agency has processed over $4.5 billion in applications. More than $2.3 billion worth of those applications did not work. The total amount of the loans approved to date is $1.7 billion. These statistics speak highly of the staff's efforts in processing applications in as timely a manner as possible with the available resources. The chart below details the available authorizations and approvals by year.

Rural Development Broadband Loans

Year	Program Level Available (Includes Unused Carryover)	Obligations Approved	Carryover
2002-2003	$1,568,308,000	$56,263,000	$1,512,045,000
2004	2,220,213,000	602,946,931	1,617,266,069
2005	2,171,840,000	112,195,000	2,059,645,000
2006	1,158,076,000	329,209,000	828,867,000
2007	1,008,585,000	250,959,000	757,626,000
2008(YTD)	808,684,000	332,651,000	

Mr. Latham: Of the loans agreed to, how many loans and for what value, have not actually materialized in on the ground installation due to defaults, poor performance or changes in the agreements that delayed their initiation?

Response: To date, 15 loans have been deobligated/cancelled totaling $493.5 million - due to loan cancellation requests, non-performance, or inability to fulfill the terms of the loan agreement.

Mr. Latham: For the Open Range Loan that was recently announced, have those funds now been actually obligated or do additional conditions need to be met before obligation of funds will occur? If obligated what year's funds will be used, 2007 or 2008?

Response: On March 21, 2008, Open Range accepted Rural Development's loan offer. Funds have been obligated using the two year budget authority appropriated for FYs 2007 and 2008. Open Range is currently satisfying all of its legal requirements necessary to execute loan documents and expects to close this fall.

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