

HJR

34

Senate Health, Education and Social Services Committee

Legislation Checklist

Bill number: HJR 34

Sponsor: KOPONEN

Date referred to committee: 4/23/85

Synopsis completed:

Fiscal note:

Further referrals: FINANCE

CONTACTS:

✓ Koponen (Liza McLaren)

SCHOOL FOOD SERVICE PROGRAMS

PART A

NATIONAL SCHOOL LUNCH PROGRAM

The oldest and foremost program in the child nutrition field is the National School Lunch Program (NSLP). The 79th Congress recognized the need for a child feeding program. Legislation was introduced to give the program a permanent status and to authorize the necessary appropriations for it. This legislation was identified as the NATIONAL SCHOOL LUNCH ACT of 1946; Section 2 of the Act defines its purposes:

It is hereby declared to be the policy of Congress, as a measure of national security, to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of food and other facilities for the establishment, maintenance, operation and expansion of nonprofit school lunch programs.

Public Law 336, The National School Lunch Act, was passed on June 4, 1946.

The primary purpose of school lunch is to make available to school children lunches of maximum nutritional value at a minimum cost to the child. Lunch programs are organized and administered for the benefit of children and every improvement in buying, organization, administration should be focused to this end.

FUNCTIONS:

School Lunch is intended as a laboratory for learning - not functioning solely as a service operation. Three important functions of the National School Lunch Program are:

1. To provide a noon meal for children that is nutritionally adequate, tasty, and satisfying.
2. To help children grow socially and emotionally.
3. To provide learning situations in which to improve children's food habits.

ORGANIZATION AND ADMINISTRATION

The National School Lunch Program is administered at three levels - federal, state and local. The United States Department of Agriculture (USDA) administers the program for the Federal Government. School Food Services administers the program as a part of the Division of Management, Law and Finance for the Alaska State Department of Education. The local school board administers the program at the local level.

Federal funds for the National School Lunch Program are directed to the states to reimburse participating schools based on number of meals served. Cash reimbursement is received for all children served and additional reimbursement is given for those children eligible for free and reduced price meals (see explanation page __). In addition, the United States Department of Agriculture buys and distributes commodity foods to schools in the program.

Any public or private nonprofit school or residential child care institution (RCCI) may apply to the Department of Education for a school lunch program. In order to participate, the school or RCCI must agree to:

- a. Operate the school lunch program on a nonprofit basis for all children regardless of race, color, national origin, handicap, sex or age.
- b. Serve lunches that meet nutritional standards as set by the USDA. These standards are listed below under "Meal Pattern".
- c. Provide lunches free or at a reduced price to children categorized as eligible under the school (or RCCI) food authority approved policy for the determination of eligibility for free and reduced price meals (see Section __). Children receiving these meals must not be identified or discriminated against in any way.

MEAL PATTERN: In 1980, the term "Type A Lunch" was struck from the USDA regulations. "Type A Lunch" will now be referred to as National School Lunch Program (NSLP) meal pattern. A summary of the meal patterns and variations by age group are shown on the "School Lunch Patterns" chart on page __ (next following page-delete this!!). Below are listed the four food components of a NSLP lunch.

MEAT/MEAT ALTERNATE REQUIREMENT:

A regulation of the United States Department of Agriculture states that the required amount of cooked protein must be met by the main dish or the main dish and one other menu item. The required amount is 2 ounces of cooked meat, fish or poultry or its equivalent in cheese, eggs, cooked soybeans, etc. (see chart for details).

PROPOSED FEDERAL BUDGET CUTS FY86
CHILD NUTRITION PROGRAMS

1. Eliminate Section 4 funding for the paying child (19 1/2¢ or 21 1/2¢ per lunch).
2. Eliminate cash reimbursement for paid breakfasts (15 1/4¢).
3. Eliminate Commodity support for the paying child (12¢ per lunch for entitlement commodities).
4. Freeze all reimbursements that are not terminated.
5. Lower reimbursement rate for Free and Reduced Price Lunches by approximately 12¢ and increase entitlement commodities by the same amount.

SCHOOL LUNCH PROGRAM

You cannot get an accurate perspective on the FY86 proposed cuts without taking a look at past cuts.

The National School Lunch Program has had continuous cuts in the last four years. Reimbursement for a reduced price lunch has decreased from 10 cents less than free lunch reimbursement to 40 cents less than free lunch reimbursement. The amount paid by the child is expected to make up the difference. In 1981, the Free and Reduced Price Income Eligibility Guidelines were restructured. Hardship conditions, extremely high shelter costs, medical expenses, disaster or casualty losses, and expenses for mental or physical handicaps were eliminated, and a small standard deduction was added to the guidelines. This was a significant reduction, as the high cost of rent and utilities in Alaska can easily be 50 percent of a low income family's income. In March of 1981, 43 percent of the meals served were to children qualifying for free and reduced price meals. In March of 1984, 41 percent of meals served were to free and reduced price children. This represents 13,884 fewer free and reduced price meals served monthly.

In most school feeding programs, especially those with less than 40 percent of lunches served to children qualifying for free and reduced price meals, participation of the "paying child" is essential to run a cost effective program. When costs of a program exceed income, other school district funds must be used to support the program. In 1981 the reimbursement for all lunches was reduced by 44 percent. From 30.5 cents to 17 cents. This caused districts to increase the price of lunch for the paying child, which resulted in a low rate of participation.

Reimbursement rates from 1981 to 1984 have been adjusted annually for the increase in the annual cost of living. Currently the rate is 19.5 cents for all lunches. This is still 36 percent less than it was. In 1981, the average daily attendance at schools in the program was 63,707 and the average daily lunch participation was 33,808. In 1984 the Average Daily Attendance was 71,542 and the average daily lunch participation (ADP) was 34,641. This represents an 11 percent increase in students eligible to participate in the program, and only a 2.5 percent increase in participation. This can be directly attributed to the increased cost to the paying child.

Estimated cuts in reimbursement in the Lunch and Breakfast Programs would be:

\$1,242,736 21.4%

CHILD CARE FOOD PROGRAM (CCFP)

The general comments on the School Lunch Program apply to the CCFP also. At its peak in FY80 the CCFP reimbursement covered food costs and a good portion of labor costs associated with the food program. At the present time the reimbursement does not fully cover food costs, even at Head Start Centers which are almost 100% low income children.

In 1980 the annual reimbursement per child in the Child Care Food Program in Centers was \$334.00; the cuts bring this down to \$181.00.

Providing that FY86 participation remains the same as FY85, approximately \$160,000.00 or 20% in federal funds would be cut. But in no way could participation remain the same. At least 21 sponsors of centers out of 47 would be forced to leave the Program adding an additional \$143,000.00 to the cuts bringing the percentage cut to 39%. Due to the added paper work and reduced reimbursement many other sponsors are expected to terminate participation in the Program.

Assuming that the same percentage of children qualifying for free and reduced price meals in Family Day Care Homes, the proposed cuts in this Program will eliminate 65% of the Program.

Estimated cuts in reimbursement would be:

Centers	\$302,638	39% cut
Units	646,337	65% cut
TOTAL	<u>\$948,975</u>	

January 18, 1985

The Honorable Ted Stevens
United States Senate
147 Russell Office Building
Washington, DC 20510

Dear Senator Stevens:

As the FY-86 Federal budget proposals are being made, we wish to make you aware of Alaska Department of Education's stand on Child Nutrition Programs.

We oppose a General Nutrition Assistance Block Grant. We urge permanent reauthorization of all programs.

We support the continued funding of Section 4 and commodity assistance for all children. In this State, 57 percent of children participating in schools and child care feeding programs are in the paying category. Without a subsidy for these children, the program availability to poor students would be jeopardized.

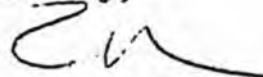
We are opposed to any funding cuts. The costs for producing meals in schools and child care centers is already much higher than the reimbursement.

We believe that good nutrition is a prerequisite to excellence in education.

The National Evaluation Study of the School Lunch Program shows that the program works. It deserves continued support and funding.

We believe that the National commitment to child nutrition must continue through Federal leadership and Federal support.

Sincerely,



Harold Reynolds, Jr.
Commissioner

SCHOOL DISTRICTS TO BE HARDEST HIT
BY PROPOSED FEDERAL BUDGET CUTS
IN SCHOOL FEEDING PROGRAMS

Below is a list of school districts whose Free and Reduced Price Meal participation is below 40 percent. Since these programs have a larger percentage of paying students, they will be hardest hit by the proposed FY86 federal budget cuts.

<u>School District</u>	<u>Percentage of Free and Reduced Price Meals in FY84</u>
* Adak	28%
Anchorage	26%
* Annette Island	28%
Bristol Bay	28%
Cordova	28%
Delta Greely	36%
Dillingham City	29%
Fairbanks North Star	30%
Galena	23%
Kenai	32%
Ketchikan	27%
Klawock	34%
Mat-Su	25%
Menana	12%
Nome City	27%
North Slope	34%
Sitka	17%
Unalaska	28%
Valdez	23%

* = REAA districts

Nationally it has been determined that a 5 cent increase in price to the paying child results in a 5% decline in participation.

The cuts propose a 31.5 cent reduction in support for each meal served to a paying child. a 30 cent increase in price would result in a 30 percent reduction in participation.

CHILD CARE CENTERS
TO BE HARDEST HIT BY
PROPOSED FEDERAL BUDGET CUTS

Below is a list of Centers that service a high percentage of non-needy children and would be impacted the most by the proposed cuts.

Aniak
Bayshore, Anchorage
Bunnell, Fairbanks
Butterfly, Anchorage
College Day, Fairbanks
Craig
Children's Community, Juneau
Little Bears, Girdwood
Nome
Ptarmigan, Valdez
St. Jude, Juneau
Totem Tots, Fairbanks
Wee Care Too, Anchorage
Wesleyan, Anchorage
Hillcrest, Anchorage
Joy, Eagle River
Anchorage Child Care
Kotzebue Day Care
Play and Learn, Fairbanks
Tanaina, Anchorage
Wee Willie Winkle, Anchorage

American School Food Service Association

4101 EAST ILIFF AVENUE • DENVER COLORADO 80222
(800) 525-8575 • (303) 757-8555

INFORMATION SHEET

SECTION 4 FUNDING

This information sheet has been prepared in response to frequently asked questions regarding Section 4 funding.

1. Q. What is Section 4 funding?
A. Section 4 is that Section of the National School Lunch Act which provides reimbursement to schools for all nutritionally adequate lunches served to children regardless of the family income of the child.
2. Q. Who receives Section 4 funding?
A. Schools participating in the National School Lunch Program receive this reimbursement for all lunches served to children which meet Federal school lunch meal pattern.
3. Q. How long has Section 4 funding been available?
A. It has been available since the enactment of the National School Lunch Act in 1946. The Act was established as a measure of national security and to safeguard the health and well-being of all the Nation's children. Section 4 was never intended to cover the full cost of providing a meal. Instead it was the cash provided to help school districts defray the basic overhead costs involved in participating in the National School Lunch Program. At the same time commodities were provided to help defray the food cost. Section 4 reimbursement was the only cash funding available to participating schools until the late 1960's. At this time, Section 11 was added to provide funding for meals served to needy children. The National School Lunch Act was never intended to become a welfare program. It is instead a health and education program for all children.
4. Q. Has the School Lunch Program been successful in improving the health of the nation's children?
A. Yes. A recent USDA study indicates that the school lunch program improves the nutritional intake of children in all income categories. Further, the Field Foundation Medical Team, which has studied the question of hunger in the poorest sections of the country, has reported to Congress that the school lunch program, along with other food programs, has dramatically reduced hunger in America.

12. Q. How will poor children be affected?
A. Any school district with a low percentage of free and reduced price lunches will find it difficult, if not impossible, to continue in the National School Lunch Program. When a school drops the National School Lunch Program poor children who cannot afford to buy a lunch will clearly be at nutritional risk. When the school lunch program becomes a welfare program instead of a health and education program for all children, the needy child will be inevitably overtly identified even in schools with a high percentage of needy children.
13. Q. If ASFSA doesn't approve of the cuts in the proposed budget, what other cuts would be acceptable?
A. Child Nutrition Programs constitute approximately 3/10 of 1 percent of the total Federal budget. In 1981 they were cut \$1.5 Billion or approximately 30 percent. This cut was proportionately 12 times greater than cuts received by any other Federal program. Child nutrition has already contributed more than its share to balancing the budget. Additional cuts will dismantle and destroy the program for all children, including the needy. Therefore, it can take no more cuts.
14. Q. I voted for the President and support his policies. I also believe in the school lunch program but am reluctant to speak out on this issue. How do I resolve my conflict?
A. ASFSA is in no way criticizing the President or opposing his policies - tax reform, defense spending, foreign relations, etc. We are simply saying that David Stockman, Director of Office of Management and Budget (OMB) is wrong on this issue. He has incorrectly advised the President on the school lunch program. Speaking out in a professional way is the right and responsibility of all citizens.

HJR ³⁴ ~~5~~ SPONSOR STATEMENT

HJR ³⁴ ~~B~~ comes in response to a letter and a resolution I received from the Fairbanks Home Economics Association alerting me to proposed cuts in federal funding for the child nutrition programs.

The Association's resolution requested that the State of Alaska spend its dollars to make up for proposed Federal government cuts to this program. Since the federal budget is still being negotiated, it seems the State should first try and prevent these federal cuts to this important program from occurring.

According to Senator Murkowski's staff the most recent version of the compromise Republican/Presidential budget still eliminate the subsidy for "high income" which would hurt Alaska. When that budget will be finalized is not known, but it is important that input in this process occurs soon. Senator Murkowski's staff person, Sheila Rogan, did mention April 22 as a date when the budget would be discussed.

TO: BETTYE
FROM: SANDRA
RE: HJR 34 - FUNDING FOR CHILD NUTRITION PROGRAMS (KOPONEN)

THE NATIONAL SCHOOL LUNCH PROGRAM PROVIDES FUNDS TO STATES TO REIMBURSE PARTICIPATING SCHOOLS. CASH REIMBURSEMENT IS RECEIVED FOR ALL CHILDREN SERVED WITH ADDITIONAL REIMBURSEMENT FOR THOSE CHILDREN ELIGIBLE FOR FREE AND REDUCED PRICE MEALS. THE FUNDS FOR NON-NEEDY CHILDREN HELP DEFRAY ADMINISTRATIVE COSTS, THUS ENCOURAGING SCHOOLS TO PARTICIPATE (ULTIMATE PURPOSE, OF COURSE, IS TO ENSURE THAT KIDS ARE RECEIVING NUTRITIONAL LUNCH).

⁸⁷
FY ~~86~~ FEDERAL BUDGET PROPOSALS WOULD CUT \$400 MILLION FROM CHILD NUTRITION PROGRAMS NATIONWIDE, WHICH MEANS MORE THAN A 30% REDUCTION IN THE LEVEL OF CASH REIMBURSEMENT TO SCHOOLS. CONCERN IS THAT SOME SCHOOLS (IT AFFECTS CHILD CARE FACILITIES, TOO) WILL BE FORCED TO DROP OUT OF THE PROGRAM.

HJR 34 URGES CONGRESS TO MAINTAIN PRESENT LEVEL OF FUNDING.
ALTERNATIVE IS TO HAVE STATE PICK UP THE ADDITIONAL COST....

CSHB 185 (Loans), Relating to the maximum loan amounts, eligibility requirements, and conditions of scholarship loans.

CSHB 185 revises the scholarship loan program (commonly known as the student loan program) based on recommendations of the Alaska Commission on Postsecondary Education. In brief, CSHB 185 would: 1) allow a student to attend summer school and charge the loan for that attendance period against the upcoming loan year; 2) defer the collection of student loans from a member of the armed forces until the completion of the borrower's first enlistment period. Currently an enlisted borrower is deferred from payment and interest does not accrue for as long as the borrower is in the military; 3) provide for denying a new loan to a borrower in default on a previous student loan, a provision currently in regulation; 4) set out those circumstances under which a person may be physically absent from the State and not lose residency. Though exceptions are currently being made by the Commission without statutory or regulatory authority, the only existing acceptable absence from the State is military service.

CSHB 34, Urging Congress to maintain the current level of federal funding for child nutrition programs.

The National School Lunch Program was established in 1946 to make available to school children lunches of maximum nutritional value at a minimum cost to the child. Federal funds for the program are directed to states to reimburse participating schools. Cash reimbursement is received for all children served with additional reimbursement for those children eligible for free and reduced price meals.

FY 86 federal budget proposals would cut \$400 million from child nutrition programs nationwide, which represents more than a 30% reduction in the level of cash reimbursements to participating schools.

HJR 34 urges Congress to maintain the present level of federal funding for the program.

SUMMARY OF PAST FEDERAL REIMBURSEMENT CUTS
To The
CHILD CARE FOOD PROGRAM

- 1/81 Snack rate reduced 3¢ (all categories)
- 9/81 Number of meals eligible for reimbursement decreased to two meals and one snack. Previously had been for three meals and two snacks. Centers continued to serve appropriate meals during a child's stay at the center, but did not receive reimbursement.
- 9/81 Paid meals (Breakfast, Lunch, Supper, Snack) all reduced approximately 45 percent.
- 1/1/82 Free and Reduced Price Guidelines were restructured, which eliminated hardship provisions (high medical, shelter, etc. costs). This further reduced the number of needy children. Especially hard hit were single parents in Alaska, many of whom paid 50% of their income for shelter costs.
- 10/1/81 Food Service Equipment Assistance (FSEA) eliminated. FSEA funds were very limited. However, this assistance for buying new equipment was extremely important to centers on a limited budget.
- 10/1/82 Tiering eliminated. This cut reimbursement for many centers in half.

At its peak the CCFP reimbursement covered food costs and a good portion of labor costs. At the present time the reimbursement does not fully cover food costs alone, even at Head Start Centers which are almost 100% low income children.

The proposed institution of a means test in the Family Day Care Home would eliminate 65% of the program. There would be no reimbursement of any kind for children not qualifying for free or reduced price meals.

The following resolution has been adopted by the Executive Board of the Alaska School Food Service Association, February 14, 1985.

CHILD NUTRITION PROGRAM PROPOSED LEGISLATION
TO COMPENSATE FOR REDUCED FEDERAL FUNDING

WHEREAS: The Child Nutrition Program in the State of Alaska services a wide range of children from all economic backgrounds; and

WHEREAS: Good nutrition is essential to growth, development, learning, and general wellness which has been provided by local school districts and child care agencies; and

WHEREAS: The National Evaluation of School Nutrition Programs, April, 1983, shows that students participating in the school lunch programs are better nourished than children who do not have access to the programs, and

WHEREAS: Efforts from seven affiliated organizations within the State have adopted the Alaska State Nutrition Committee's School Lunch Resolution of January, 1984, which emphasizes and promotes good nutrition practices; and

WHEREAS: The State of Alaska is experiencing increasing enrollment, increasing program participation, and rising costs; and

WHEREAS: The projected Federal cuts to Child Nutrition Programs will put lunch programs in jeopardy of continuing for any children; and

WHEREAS: The projected Federal cuts, representing more than a 30% reduction in cash reimbursement to statewide Child Nutrition Programs will adversely affect the quality and ability to maintain existing Child Nutrition Programs for Alaska's young people.

THEREFORE BE IT RESOLVED that participants in all Child Nutrition Programs urge the fourteenth Alaska Legislature to consider adopting legislation which will compensate for any decrease or elimination of federal financial support.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database MPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HESS 4-30-85 1:36pm

MEMORANDUM

State of Alaska

TO: Lisa McLaren, House HESS Committee
Representative Koponen's Office
Alaska State Legislature

DATE: February 27, 1986

FILE NO.: 0051M

THRU: Mary Hakala, Special Assistant

TELEPHONE NO.: 465-2865

SUBJECT: Proposed FY87 Federal Budget
Cuts for Child Nutrition
Programs

FROM: E. Ruth Benigno, R.D. *ERB*
Program Coordinator, Food Services
Educational Finance and Support Services

Attached are copies of President Reagan's proposed federal budget cuts for FY87, and other information explaining the impact of the cuts nationally and on a statewide basis in Alaska.

Looking at the total cuts proposed for all Child Nutrition Programs, there is a 17 percent cut for FY87 on a national level.

Assuming participation remains the same, the projected cuts in the Alaska School Feeding Programs are 25 percent and Child Care Food Programs in Centers are 31 percent. Please see attached worksheets.

For the Family Day Care Home Program there is no way to predict the cuts because we have no records of the income eligibility of the participants. If we assume that needy children in homes is the same percent as in centers, which is 32 percent, the Family Day Care Home Program will be virtually eliminated. (Home providers who care for five children will not remain in the program with only two children qualifying for meal reimbursement.)

The Child Care Centers with a high percentage of paid meals will not find it beneficial to continue participation.

Schools will be forced to raise prices 20-25 cents for a paid meal. Nationally, a one percent decline in participation is evidenced for every one cent increase in price.

A district-by-district and center-by-center analysis will be completed approximately March first and copies will be provided to you. This is an endeavor to predict declines in participation by school district and child care center.

Attachments
ERB:jce

ADMINISTRATION'S PROPOSED BUDGET CUTS
Fiscal Year 1987

1. National School Lunch Program

a. Eliminate cash and commodities attributable to students above 185% of the poverty line.

b. Increase commodity rate to 24¢/meal for students below 185% of poverty and lower cash rate by 12¢/meal.

2. School Breakfast Program

Eliminate cash and commodities attributable to students above 185% of the poverty line.

3. Child Care Food Program

a. Eliminate cash and commodities attributable to children above 185% of the poverty line.

b. Increase commodity rate to 24¢/meal for children below 185% of poverty and lower cash rate by 12¢/meal.

c. Eliminate special funding for audits.

d. Require means test for family day care homes.

4. Nutrition Education and Training

Eliminate N.E.T. effective October 1, 1986.

5. Summer Food Service Program for Children

a. Eliminate reimbursement for administration.

b. Lower reimbursements rate to the same as that for meals in national school lunch program.

6. State Administrative Expense Funding

Lower budget authority by \$19.6 million to recoup increased appropriation.

7. Special Milk

Eliminate program for children over 130% of poverty line.

Total cut is \$775 million below current law.

SCHOOL FEEDING PROGRAMS - LUNCH, BREAKFAST, MILK
WORKSHEET TO PROJECT EFFECT OF PROPOSED FEDERAL FY87 BUDGET CUTS

1. Number of lunches served to paying children in FY85.	3,564,46
2. Times reimbursement.	X .20
3. Sub-total.	\$(721,804)
4. Number of meals <u>1,337,820</u> times extra two cents.	(26,756)
5. TOTAL estimated section 4 reimbursement lost from the paying child.	\$(748,560)
6. Number of breakfasts served to paying children in FY85.	70,740
7. Times reimbursement.	\$ X .16
8. TOTAL estimated breakfast reimbursement lost.	\$(11,320)
9. Number of lunches served to paying children in FY85 (same figure as #1).	3,564,46
10. Times entitlement for commodities.	X .11
11. TOTAL value of USDA Commodities lost for paying child.	\$(418,820)
12. Number Free and Reduced lunches served in FY85.	2,685,58
13. Times proposed decrease in reimbursement.	X .19
14. TOTAL decrease in F & RP cash reimbursement.	\$(523,688)
15. Number F & RP lunches served in FY85 (same number as #10).	2,685,58
16. Times value of Commodity entitlement.	X .12
17. Increase in value of Commodity entitlement.	\$ 328,984
18. TOTAL federal cash reimbursement in FY85 (lunch, breakfast).	\$16,604,09
19. Times usual 4 percent cost of living increase.	X .04
20. TOTAL revenue lost due to no cost of living increase.	\$(264,160)
21. Number of half-pint milk served to paying child.	215,440
22. Times reimbursement.	X .09
23. TOTAL reimbursement lost for Special Milk Program.	\$(20,467)

SUMMARY	FOOD	\$ CASH
Line 5		(748,560)
Line 8		(11,320)
Line 11	<u>(418,825)</u>	
Line 14		(523,688)
Line 17	<u>328,984</u>	
Line 20		(264,164)
Line 23		(20,467)

TOTAL NET LOSS due to proposed budget cuts. \$ (89,841) \$ (1,568,199)

This assumes that participation in FY85 and FY87 are the same.

25% cut

* - Food not cash

(\$1,658,040)

CHILD CARE FOOD PROGRAM
WORKSHEET TO PROJECT EFFECT OF PROPOSED FY87 FEDERAL BUDGET CUTS

1. Number of lunches and suppers served to paying children in FY85.	<u>380,108</u>
2. Times reimbursement.	X .202
3. TOTAL estimated reimbursement lost from the paying child.	<u>\$(76,972</u>
4. Number of breakfasts served to paying children in FY85.	<u>244,433</u>
5. Times reimbursement.	\$ X .16
6. TOTAL estimated breakfast reimbursement lost.	<u>\$(39,109</u>
7. Number of lunches and suppers served in FY85 (same figure as #1).	<u>380,108</u>
8. Times entitlement for commodities or cash in lieu.	X .117
9. TOTAL value of USDA Commodities or cash in lieu lost for paying child.	<u>\$(44,663</u>
10. Number Free and Reduced lunches and suppers served in FY85.	<u>201,894</u>
11. Times proposed decrease in reimbursement.	X .195
12. TOTAL decrease in F & RP cash reimbursement.	<u>\$(39,369</u>
13. Number F & RP lunches and suppers served in FY85 (same number as #10).	<u>201,894</u>
14. Times value of Commodity entitlement.	X .122
15. Increase in value of Commodity entitlement.	<u>\$ 24,732</u>
16. Number paid supplements served in FY85.	<u>430,245</u>
17. Times reimbursement.	X .052
18. TOTAL decrease in paid supplement reimbursement.	<u>\$(22,588</u>
19. TOTAL federal cash reimbursement in FY85(lunch,supper,supplements,breakfast).	<u>725,590</u>
20. Times usual 4 percent cost of living increase.	X .04
21. TOTAL revenue lost due to no cost of living increase.	<u>\$(29,024</u>

SUMMARY	FOOD	CASH
Line 3		\$ (76,972
Line 6		(39,109
Line 9	<u>(44,663)</u>	
Line 12		(39,369
Line 15	<u>24,723</u>	
Line 18		(22,588
Line 21		(29,024

TOTAL NET LOSS due to proposed budget cuts. (19,931) + (207,062)

This assumes that participation in FY85 and FY87 are the same.

Total food service & cash in lieu (\$ 226,993)

31% cut

FAMILY DAY CARE HOME PROGRAM

Loss of 68 percent of reimbursement assuming number of needy children are the same percentage as in centers.

Actual FY 85 Food Service Reimbursement	\$1,185,772
Projected FY 87 Reimbursement with proposed cuts	379,447

0070M



U.S. DEPARTMENT OF AGRICULTURE

1987 BUDGET SUMMARY

FOOD AND NUTRITION SERVICE
Program Level
Fiscal Years 1985-1987

Program	1985 Actual	1986 Current Estimate	1987	
			Current Law	Proposed Legislation
(Dollars in Millions)				
Food Stamp Program	\$11,732.2	\$11,692.6 a/	\$12,001.0	\$11,687.7
Nutrition Assistance for Puerto Rico	825.0	820.0	825.0	825.0
Child Nutrition Programs:				
Cash Grants to States:				
School lunch program:				
Section 4	532.1	430.4	557.1	27.8
Section 11	2,127.6	2,210.3	2,356.0	2,372.8
School breakfast	407.0	409.9	436.4	414.1
State administrative expenses ...	46.9	48.9	51.2	51.2 b/
Summer food	115.1	121.9	132.7	111.7
Child care food	434.9	483.5	541.7	338.1
Total, Cash Grants to States ..	3,663.6	3,704.9	4,075.1	3,315.7
Commodities	475.2	511.8	501.8	510.7
Nutrition studies and surveys	2.5	2.4	2.5	2.5
Nutrition education and training	5.0	5.0	5.0	- -
Total, Child Nutrition Programs	4,146.3	4,224.1c/	4,584.4	3,828.9
Special Milk Program.....	15.5	13.1c/	16.3	1.4
Special Supplemental Food Programs:				
WIC	1,504.2	1,560.1	1,617.0	1,617.0
CSFP	38.1	40.8	38.6	38.6
Total, Special Supplemental Food Programs	1,542.3	1,600.9	1,655.6	1,655.6
Cash and Commodities for Selected Groups:				
Needy Family Program	51.8	52.9	55.3	55.3
Nutrition Program for the Elderly	120.8	125.9	132.0	132.0
Total, Cash and Commodities for Selected Groups	172.6	178.8	187.3	187.3
Temporary Emergency Food Assistance Program				
Program	56.8	47.6	- -	- -
Food Program Administration	84.2	78.5	86.1	86.1
Total, Food and Nutrition Service	<u>18,574.9</u>	<u>18,655.6</u>	<u>19,355.7</u>	<u>18,272.0</u>

a/ Reflects effect of legislation to be proposed to save \$69 million by repealing certain provisions of the Food Security Act of 1985 which are to become effective May 1, 1986.

b/ This amount will be offset by funds States are allowed to carry over for a savings of \$19.6 million.

c/ Reflects effect of legislation to be proposed to eliminate the Federal subsidy to non-needy participants in the Child Nutrition (\$66.6 million) and Special Milk Programs (\$3.5 million) for a savings of \$70.1 million.

FOOD AND NUTRITION SERVICE (FNS)

The Food and Nutrition Service, through State and local agencies, administers a number of programs which provide food assistance to individuals. FNS programs are designed to meet family food needs, the food needs of individuals with special nutritional requirements, and the food needs of persons in certain institutional settings. Programs administered by FNS include the Food Stamp Program; Nutrition Assistance for Puerto Rico; Child Nutrition Programs; Special Milk Program; Special Supplemental Food Programs; Cash and Commodities for Selected Groups; and Temporary Emergency Food Assistance Program.

Food Stamp Program. The Food Stamp Program allows needy households to obtain a more nutritious diet by providing coupons to enable them to purchase food at retail stores. One-hundred percent of benefit costs and over 50 percent of administrative costs are borne by the Federal Government. State and local governments are responsible for receiving and processing applications, as well as ensuring that the correct amount of benefits are issued to eligible households. States with overissuance errors in excess of legislatively determined levels are required to pay for a portion of the loss to the Federal Government.

For 1987, the Administration is requesting a program level of \$11.7 billion for the Food Stamp Program. A slight reduction in participation is expected based on a lower projected level of unemployment and legislation proposed in 1987. Under current law, program costs would increase to \$12 billion due to a projected increase in the cost of the Thrifty Food Plan and expanded eligibility requirements.

However, Federal costs in 1987 will be held to about the 1986 level because savings of \$350.3 million are anticipated based on the following proposed program changes:

- Hold States liable for the full dollar value of erroneously issued benefits above a tolerance level of five percent. Under current law, the States are held liable for only a fraction of their erroneous issuances above five percent. Implementation of this proposal would encourage the States to invest in error prevention and would result in savings of \$11 million in 1987.
- Make the rules regarding the treatment of cash utility assistance consistent with assistance provided through vouchers. Under current law, if a household's utility expenses are paid by a third party (vendor payment), only that portion of the household's utility expense that it pays itself can be considered as a household utility expense in calculating the excess shelter deduction. However, if a household receives cash assistance intended to help the household pay its utility expense, the entire utility expense, whether paid from the cash assistance received or the household's own resources, may be counted in the calculation of the excess shelter deduction. This proposal would prohibit counting expenses paid through cash assistance from being counted in calculating a household's excess shelter deduction. The Food Stamp Act prohibits counting energy assistance as income to the household. Allowing households to count all of its utility expenses, even those reimbursed through either a cash or a third party (vendor payment), as a utility expense is a "double benefit" to households. The proposal would save \$68 million in 1987.

- Count stipends as well as the earnings of Job Training Partnership Act (JTPA) participants as income. The Food Security Act of 1985 (Public Law 99-198) requires that earnings provided under JTPA be counted as income. Requiring that stipends also be counted as income would save \$10 million in 1987.
- Amend the State administrative funding formula. The proposal would retain the current 50 percent match provision, but would make the following changes:
 - States with average per recipient administrative expenses in excess of 175 percent of the national average would receive 25 percent Federal match for that portion of expenses in excess of 175 percent.
 - Special matches for anti-fraud and automated data processing activities would be gradually reduced from the current 75/25 Federal/State basis to a 50/50 basis.

This proposal would save \$6.3 million in 1987.

- Propose the repeal, as of May 1, 1986, of several provisions enacted under the Food Security Act of 1985 which expand program eligibility. The following provisions are being proposed for repeal:
 - Increase in the assets limit. On May 1, the limit on assets for most households will be raised from \$1,500 to \$2,000.
 - Increase in the earnings deduction. The earned income deduction, currently set at 18 percent, will rise to 20 percent on May 1.
 - Separation of the dependent care/excess shelter deduction into two deductions.
 - Increase the maximum limit of both the dependent care deduction and the excess shelter deduction.

Repealing the above provisions will save \$69 million in 1986, \$189 million in 1987, and \$230 million in 1988.

- Require that States implement a universal work requirement for employable applicants and recipients. The work requirement can consist of job search, Community Work Experience Program (CWEPE), or other types of employment and training activities. All employable applicants and recipients would be required to participate in at least one of the employment or training programs. This proposal is expected to result in net program savings of \$66 million because some applicants or recipients will either find paid employment through employment and training programs or be determined ineligible because they choose not to comply with the work requirements.

The proposed program changes noted above will be partially offset by an increase of \$37 million in 1987 due to proposed legislation affecting the Aid to Families with Dependent Children (AFDC) program.

Nutrition Assistance for Puerto Rico. Through a grant of \$825 million, this program provides assistance to the Commonwealth of Puerto Rico for food assistance to low-income households. The Secretary must review and approve the Commonwealth's annual plan of operation.

Child Nutrition Programs. Federal assistance in the form of cash and commodities is provided through State agencies to schools, institutions, day care centers and family day care homes to prepare and serve meals to children. The 1986 funding level is \$4.2 billion. The 1987 request is \$3.8 billion, \$775 million less than the 1987 current law estimate and \$395 million less than the 1986 estimate. The 1987 request is the result of the following proposals:

- Eliminate cash and commodity subsidies for meals served to non-needy children in the School Lunch, School Breakfast and Child Care Food Programs. This proposal would eliminate subsidies for meals served to children from families with incomes above 185 percent of the poverty level. Proposed legislation would also include a means test for participants in Family Day Care Homes since currently all meals in these homes are subsidized at the same rate regardless of family income. The proposal would be effective on July 1, 1986, in schools and on October 1, 1986, in the Child Care Food Program. This proposal provides approximately \$721.7 million in savings for 1987.

Note: Cash and commodity subsidies for free and reduced price meals will be adjusted so that commodities will continue to be purchased for donation to the Child Nutrition Programs at the same level as under current services.

- Eliminate special per meal administrative reimbursement rates and modify the general per meal reimbursement rates in the Summer Food Service Program. This proposal would make Summer Food Service Program rates comparable to those for free meals in the School Lunch, School Breakfast, and Child Care Food Programs. This proposal provides approximately \$21.0 million in savings for 1987.
- Eliminate the Nutrition Education and Training (NET) Program.
- Eliminate the special fund for State Child Care Food Program audits. The Uniform Single Audit Act of 1984 requires organization-wide audits for organizations receiving Federal funds, making obsolete special funding provisions, originally set up for States to conduct program specific audits. This proposal provides approximately \$7.9 million in savings.
- Offset, for 1987 only, the State Administrative Expenses (SAE) by the amount of carryover. States are allowed under current law to carryover unspent SAE funds from the year appropriated into the following year. A recent study has shown that SAE carryover has grown to about 40 percent of appropriated funds. This proposal will provide approximately \$19.6 million in savings.

School Lunch and School Breakfast Programs
Participation and Federal Subsidies

	<u>Daily Average Participation</u>			<u>Federal Subsidy</u>		
	<u>1986</u>	<u>1987</u>		<u>1986</u>	<u>1987</u>	
		<u>Existing</u>	<u>Proposed</u>		<u>Existing</u>	<u>Proposed</u>
	<u>(Thousands)</u>			<u>(¢ per meal)</u>		
<u>School Lunch Program:</u>						
1. Students from families above 185% of poverty (above \$19,703 per year for a family of 4)	11,964	12,187	- -	24.37	25.12	- -
2. Students from families between 130% and 185% of poverty (between \$13,845 and \$19,703 for a family of 4).....	1,582	1,612	1,612	102.83	108.92	108.92
3. Students from families below 130% of poverty (below \$13,845 for a family of 4)	10,103	10,741	10,741	142.98	149.09	149.09
<u>School Breakfast Program:</u>						
1. Students from families above 185% of poverty (above \$19,703 per year for a family of 4)	414	420	- -	9.84	10.34	- -
2. Students from families between 130% and 185% of poverty (between \$13,845 and \$19,703 for a family of 4)	74	81	81	45.11a/	48.44a/	48.44
3. Students from families below 130% of poverty (below \$13,845 for a family of 4)	2,345	2,489	2,489	73.43a/	79.69a/	79.69

a/ Reflects a weighted average of the Federal Subsidy for meals served in regular and severe need schools.

Special Milk Program. Through the Special Milk Program, the Department provides half-pints of milk to children in schools and institutions that do not participate in other Federal feeding programs. In 1987, the program will be funded at a level of \$1.4 million a decrease of \$11.7 million from the 1986 level of \$13.1 million. For 1987, legislation is being proposed to eliminate subsidies for milk served to children from families whose income exceeds 130 percent of poverty (\$13,845 for a family of four). The Department will continue to pay the full cost of milk served to children from families below 130 percent of poverty.

Special Supplemental Food Programs. The Special Supplemental Food Program for Women, Infants and Children (WIC) and the Commodity Supplemental Food Program (CSFP) provide nutritional assistance to pregnant and post-partum women, infants and children on the basis of financial and nutritional need. The WIC Program consists of cash grants to States, with assistance provided primarily in the form of State-issued vouchers that can be redeemed for specified foods at retail stores. The CSFP provides assistance in the form of commodities purchased or donated by USDA. The Federal Government also provides grants to States for administrative expenses.

In 1986, for WIC, total projected program funding of \$1.56 billion will provide assistance to approximately three million participants per month. In 1987, the Administration's proposal of \$1.62 billion for the WIC Program will also support about three million participants per month.

The proposed CSFP program level of \$40.8 million in 1986 and \$38.6 million in 1987 will support slightly over 140,000 participants per month in both years. In 1987, the Administration will continue to fund those elderly persons participating in CSFP during 1986. Further, the Administration is proposing to repeal the provision in the Food Security Act of 1985 requiring administrative funding be provided for commodities which are not part of the CSFP food package.

Cash and Commodities for Selected Groups. This program includes the Needy Family Program on Indian Reservations (NFPIR), the Food Distribution Program to residents of the Republic of Palau, a Trust Territory of the Pacific, and the Nutrition Program for the Elderly (NPE).

NFPIR and the Food Distribution Program for Palau are largely commodity programs; about 71 percent of program resources are used to purchase nutritious commodities. The remainder of program resources are used to pay administrative expenses incurred by distributing agencies.

For 1987, the Administration is proposing a program level of \$55.3 million for the NFPIR and the Trust Territory of the Pacific. This is a net increase of \$2.4 million over the 1986 program level and allows for inflationary increases in food costs, an increase in NFPIR participation, and an increase in administrative expenses. These increases are offset by a decrease in participation in the Trust Territory of the Pacific because the Compact of Free Association, which was signed on January 14, 1986, provides funding through other sources outside USDA for assistance to the Marshall Islands and the Federated States of Micronesia. The 1987 budget request reflects continuation of the program in Palau.

The NPE is predominantly a cash subsidy program with almost 96 percent of program resources used to make cash payments to meal providers. Meals are served to the elderly regardless of their financial circumstances.

For the NPE in 1986, funds will be held at the authorized level of \$125.9 million. A rescission will be requested for \$5.2 million. For 1987, the Administration plans to request \$132.0 million, the amount authorized.

Temporary Emergency Food Assistance Program. In 1986, the Department is providing \$50 million to help States pay for intrastate storage and distribution costs for donated Federal commodities. No funding is being requested for 1987.

Food Program Administration. Food Program Administration provides Federal oversight for the programs of the Food and Nutrition Service.

The recommended funding level for 1987 is \$86.1 million, a net increase of \$7.6 million over the 1986 level of \$78.5 million. This includes an increase of \$5.1 million for computer purchases.

SCHOOL DISTRICTS SERVING LESS THAN 30% FREE & REDUCED PRICE MEALS

October 1985

	<u>Percentage of Free & Reduced</u>	<u>Average Daily Participation</u>	<u>Number of Sites</u>	<u>Reimbursement FY85</u>	
				<u>Paid Meals</u>	<u>F&RP Meals</u>
Adak	29	272	2	\$8,774	\$17,397
Bristol Bay	8	150	2	4,608	4,617
Cordova	22	162	2	5,004	12,458
Craig	29	88	2	3,325	18,469
Galena	23	103	2	3,920	6,364
Ketchikan	26	757	5	26,207	66,118
Nenana	22	108	2	4,089	7,558
Nome	21.5	400	2	13,548	30,264
Sitka	21	834	5	27,153	46,393
Unalaska	25	83	2	2,846	6,689
Valdez	26	389	5	18,010	39,504
Yakutat	28	145	3	4,792	19,774
TOTAL		3491	34	\$122,276	\$275,606

TOTALS OF THE ABOVE Predicted to Drop Child Nutrition Programs in Alaska

12 School Districts
3491 Children
34 Schools

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CHILD CARE CENTERS SERVING LESS THAN 30% FREE AND REDUCED PRICE MEALS
October 1985

	<u>Percentage of Free & Reduced</u>	<u>Average Daily Participation</u>	<u>Number of Sites</u>	<u>Reimbursement FY85</u>
Bayshore (Anchorage)	6	29	1	\$3,210
Bethel Social Service	19	50	2	12,686
Butterfly (Anchorage)	17	32	1,	3,036
Carousel (Anchorage)	23	226	4	38,408
Chugiak	24.5	60	1	7,774
Ft. Richardson	16.5	253	3	25,873
Hillcrest (Anchorage)	5	67	1	4,797
Childrens Community (Juneau)	28	28	1	9,869
Joy (Eagle River)	8	79	1	3,944
Kotzebue	13.5	55	1	4,655
Little Bears (Girdwood)	6.5	16	1	4,590
Little Red Schoolhouse (Anch)	6.5	394	4	32,494
Nome	11.5	30	1	6,560
Parkstrip (Anchorage)	28.5	120	1	40,602
Play & Learn (Anchorage) FAIRBANKS	6.5	128	3	25,851
Ptarmigan (Valdez)	0	28	1	1,040
Naanquag (Dillingham)	28.5	50	1	*
St. Ann's (Juneau)	29.5	80	1	27,936
St. Jude (Juneau)	23	43	1	7,963
Small World (Kodiak)	8	63	2	11,733
Tanaina (Anchorage)	11.5	50	1	12,805
Wee Willie Winkle (Anchorage)	26.5	30	1	15,216
Wesleyan (Anchorage)	18	28	1	5,854
TOTAL		1939	35	\$306,897

TOTALS OF THE ABOVE predicted to drop Child Nutrition Programs

23 Centers
35 Sites
1939 Children

* New in '86

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