



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 25, 2010

### **H.R. 5504** **Improving Nutrition for America's Children Act**

*As ordered reported by the House Committee on Education and Labor on July 15, 2010*

#### **SUMMARY**

The legislation would reauthorize and amend child nutrition programs—primarily the National School Lunch Program (NSLP), the School Breakfast Program (SBP), and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Those authorizations would extend through 2015. CBO estimates that enacting this legislation would increase direct spending by \$2.0 billion over the 2011-2015 period and by \$6.5 billion over the 2011-2020 period. (The bill would increase revenues by less than \$500,000 over the 2011-2020 period.) Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

Additionally, CBO estimates that implementing H.R. 5504 would have discretionary costs of \$36.2 billion over the 2011-2015 period, assuming appropriation of the necessary amounts. Most of those costs would be for the reauthorization of WIC, which received an appropriation of \$7.3 billion in fiscal year 2010.

The bill would impose new requirements on states and schools that implement child nutrition programs. Those requirements would be intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). Beginning the first year that the mandates take effect, CBO estimates that the aggregate costs of the mandates to states and schools would exceed the threshold established in UMRA for intergovernmental mandates (\$70 million in 2010, adjusted annually for inflation).

H.R. 5504 would impose a mandate, as defined in UMRA, on the private sector by requiring entities selling food on a school campus or at any time during the school day to comply with science-based nutrition standards established by the Secretary of Agriculture. Because of uncertainties about the standards that the Secretary would establish under this legislation, CBO cannot determine whether the costs to the private sector would exceed the threshold established in UMRA (\$141 million in 2010, adjusted annually for inflation).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the legislation is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

**TABLE 1. BUDGETARY EFFECTS OF H.R. 5504, THE IMPROVING NUTRITION FOR AMERICA'S CHILDREN ACT**

	By Fiscal Year, in Millions of Dollars										2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
<b>CHANGES IN DIRECT SPENDING</b>												
Estimated Budget Authority	158	128	561	616	614	693	749	882	1,096	1,223	2,078	6,720
Estimated Outlays	59	148	519	617	621	684	741	864	1,065	1,204	1,965	6,523
<b>CHANGES IN REVENUES</b>												
Estimated Revenues	*	*	*	*	*	*	*	*	*	*	*	*
<b>NET CHANGE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>												
Impact on the Deficit <sup>a</sup>	59	148	519	617	621	684	741	864	1,065	1,204	1,965	6,523
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>												
Estimated Authorization Level	7,733	7,725	7,810	7,904	8,030	0	0	0	0	0	39,200	39,200
Estimated Outlays	5,708	6,941	7,762	7,843	7,954	2,003	793	*	*	*	36,207	39,004

Note: \* = less than \$500,000.

a. Positive numbers indicate an increase in the deficit.

## BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes H.R. 5504 will be enacted early in fiscal year 2011 and that the amounts necessary to implement the bill will be appropriated for each year.

### Direct Spending and Revenues

CBO estimates that enacting H.R. 5504 would increase direct spending by \$2.0 billion over the 2011-2015 period and \$6.5 billion over the 2011-2020 period. Table 2 details the components of those estimated effects. CBO estimates that enacting the bill also would increase revenues by less than \$500,000 in every year and over the 2011-2015 and 2011-2020 periods.

**TABLE 2. ESTIMATED DIRECT SPENDING UNDER H.R. 5504**

	By Fiscal Year, in Millions of Dollars											2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020	
CHANGES IN DIRECT SPENDING													
Performance-Based Rate Increase <sup>a</sup>													
Estimated Budget Authority	0	1	401	412	378	392	405	423	446	466	1,192	3,324	
Estimated Outlays	0	1	341	410	383	390	403	420	442	463	1,135	3,253	
Direct Certification													
Estimated Budget Authority	4	24	28	50	67	125	150	237	402	496	173	1,584	
Estimated Outlays	4	21	27	47	65	116	147	225	379	483	164	1,515	
Meals Outside of School													
Estimated Budget Authority	65	91	101	127	138	148	162	183	202	211	522	1,428	
Estimated Outlays	56	87	99	122	135	146	160	181	199	210	499	1,395	
Commodity Support													
Estimated Budget Authority	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-500	-1,000	
Estimated Outlays	-100	-100	-100	-100	-100	-100	-100	-100	-100	-100	-500	-1,000	
CACFP													
Estimated Budget Authority	16	26	29	30	31	35	35	37	38	39	132	316	
Estimated Outlays	14	24	29	30	30	35	35	36	38	38	127	309	
SFSP													
Estimated Budget Authority	19	25	25	27	27	29	29	31	32	32	125	280	
Estimated Outlays	16	24	25	26	27	29	29	31	32	32	120	275	
State Nutrition and Wellness													
Estimated Budget Authority	26	26	27	27	27	28	28	28	29	29	133	275	
Estimated Outlays	22	26	27	27	27	28	28	28	29	29	129	271	
School Breakfast Grants													
Estimated Budget Authority	15	18	25	26	27	26	26	24	24	23	111	234	
Estimated Outlays	12	17	24	26	27	27	26	25	24	23	106	231	
Technical Assistance, Research, and Grants													
Estimated Budget Authority	110	14	24	14	14	1	1	1	1	1	174	179	
Estimated Outlays	31	45	46	26	23	6	1	1	1	1	169	179	
Eliminating Applications													
Estimated Budget Authority	*	1	2	3	6	10	14	19	24	28	12	108	
Estimated Outlays	*	1	2	3	5	9	13	18	23	28	11	103	

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars										2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
Independent Review												
Estimated Budget Authority	-3	-4	-6	-6	-7	-7	-7	-7	-8	-8	-26	-63
Estimated Outlays	-2	-4	-6	-6	-7	-7	-7	-7	-8	-8	-25	-62
Reauthorization of Expiring Provisions												
Estimated Budget Authority	6	6	6	6	6	5	5	5	5	5	30	55
Estimated Outlays	6	6	6	6	6	5	5	5	5	5	30	55
Total Changes in Direct Spending												
Estimated Budget Authority	158	128	561	616	614	693	749	882	1,096	1,223	2,078	6,720
Estimated Outlays	59	148	519	617	621	684	741	864	1,065	1,204	1,965	6,523

Note: Components may not sum to totals because of rounding; CACFP = Child and Adult Care Food Program; SFSP = Summer Food Service Program; \* = less than \$500,000.

a. Estimate includes interactions with other provisions.

**Performance-Based Rate Increase.** Section 201 would increase federal reimbursements to schools, beginning in fiscal year 2013, by 6 cents for all lunches in schools that serve both breakfasts and lunches that meet regulations concerning meal patterns and nutrition standards. The increase of 6 cents would be adjusted each year for inflation. Under the legislation, states would be responsible for certifying that schools comply with the new guidelines. Additionally, the bill would provide \$50 million per year for two years for state administrative expenses related to certifying schools.

CBO estimates that nearly all schools would receive the higher reimbursement rate. Including interactions with other provisions in the bill, CBO estimates that this provision would increase direct spending by \$3.3 billion over the 2011-2020 period.

**Direct Certification and Categorical Eligibility.** H.R. 5504 has several provisions related to direct certification and categorical eligibility for free meals. In total, CBO estimates that enacting those provisions would cost about \$1.5 billion over the 2011-2020 period.

Students who are considered categorically eligible for free meals—such as children living in families that receive Temporary Assistance for Needy Families—do not have to provide household income information to be certified for benefits. Those students only need to show proof of program participation, such as a case number on their application.

Since 2008, all school food authorities (SFAs) have been required to obtain documentation directly from the Supplemental Nutrition Assistance Program (SNAP) to directly certify students in SNAP households for free meals. Directly certified students do not have to complete applications and do not have to verify their incomes. CBO expects that increasing direct certification and categorical eligibility would lead to schools serving more reimbursable meals.

*Direct Certification for Children Receiving Medicaid Benefits.* Section 103 would give school districts in selected states the option to directly certify certain students who receive Medicaid benefits for free school meals. Participation by states would be phased-in over time beginning with two states in July 2011. All states would have the option to participate beginning with the school year that starts on July 1, 2019. In the school year that starts in July of 2015, 10 states would have the option to participate. CBO estimates that approximately 155,000 students would be newly certified for free meals in that year. By 2020, when all states could participate, CBO estimates that about 900,000 students annually would be newly certified for free school meals under this provision.

Schools currently do not have the authority to use Medicaid data to directly certify students. The legislation would allow schools the option to directly certify students participating in Medicaid for free meals, provided their income as measured by the Medicaid program is below 133 percent of poverty. Because Medicaid uses a different measure to determine eligibility, students who are currently eligible for paid or reduced-price meals based on their gross household income would become newly eligible for free meals. In addition, because direct certification relieves students' families from the requirement to complete paper applications, CBO expects that some students who are income-eligible for free meals but currently do not participate would become newly certified for free meals and begin to use the program.

The bill also would provide \$1 million in fiscal year 2011 for a study of direct certification with Medicaid. In total, CBO estimates that enacting section 103 would increase direct spending by \$1.5 billion over the 2011–2020 period.

*Improving Direct Certification.* Section 102 would set new standards for direct certification in the NSLP and provide \$12 million for state performance awards. The bill would establish a target for SFAs to directly certify 80 percent of eligible students in the 2011-2012 school year, with that target rising to 95 percent two years later. SFAs directly certified, on average, about 70 percent of students in SNAP households in the 2008-2009 school year. Under the bill, the Secretary of Agriculture would require states that do not meet those targets to develop and implement improvement plans. CBO expects that this policy would lead to a modest increase in the number of children directly certified.

Currently, some SFAs directly certify students by requiring them to submit a letter from the SNAP office to the school. The bill would prohibit that method for direct

certification. Based on information from the Food and Nutrition Service (FNS), CBO expects that this proposal would modestly increase direct certification rates.

In total, CBO estimates that about 4,500 students a year, on average, would be newly certified for free meals as result of those changes. Enacting section 102 would increase direct spending by \$30 million over the 2011-2020 period, CBO estimates.

*Direct Certification of Military Personnel.* Section 107 would allow direct certification of children whose families receive a Family Subsistence Supplemental Allowance (FSSA) through the military. The FSSA is a cash benefit paid to certain members of the military, who meet eligibility requirements based on family size and income, to assist with their food costs. A few hundred military families receive an allowance each year, and based on their income and family size, all children in these families are eligible for free meals. CBO expects that direct certification would slightly increase the number of children certified who would receive meals. CBO estimates that this provision would cost less than \$500,000 per year and approximately \$1 million over the 2011-2020 period.

*Categorical Eligibility of Foster Children.* Section 101 would make certain foster children categorically eligible for free meals. Because most of these children are already certified as eligible for free meals, CBO estimates that this provision would cost less than \$500,000 in every year and over the 2011-2020 period.

**Programs to Provide Meals Outside of School during the School Year.** The bill would expand a current pilot program and authorize three new pilot programs to serve additional meals after school and on weekends, holidays, and vacations during the school year. CBO estimates that, in total, those provisions would cost approximately \$500 million over the 2011-2015 period and \$1.4 billion over the 2011-2020 period.

*Outside-of-School Meal Service through the Child and Adult Care Food Program (CACFP).* Section 123 would allow more organizations participating in the CACFP at-risk snack program to serve suppers after school in addition to the snacks already served. Currently, an afterschool program that has an educational component and is located in an area where at least half of the student body is certified for free or reduced-price meals can be reimbursed for snacks served free to students. In fiscal year 2009, almost 33 million snacks were served after school.

Under current law, organizations that participate in CACFP at-risk snack programs in 13 states and the District of Columbia also can be reimbursed for suppers. Just over 19 million reimbursable suppers were served to students in 2009. This provision would allow programs nationwide to be reimbursed for suppers.

Based on data from the states that currently participate in the supper option, CBO estimates that there would be some additional growth in the number of sites in the at-risk

program and that roughly 60 percent of sites would begin to serve suppers. CBO estimates that each site would serve, on average, 7,000 suppers per fiscal year. However, in some states, afterschool programs may already serve suppers through the CACFP if the site qualifies as a day care center. Based on data on meals in day care centers and information from states, CBO estimates that about 25 percent of the meals that are now served through day care providers would be served through the at-risk program under the bill. By 2015, CBO estimates that there would be almost 21 million additional suppers served, rising to 29 million by 2020. Enacting this provision would increase direct spending by \$215 million over the 2011–2015 period and \$641 million over the 2011–2020 period, CBO estimates.

*Outside-of-School Meal Service through the NSLP.* Section 105 would authorize a pilot program in five states in which sites that can serve snacks after school through the NSLP under current law also would be reimbursed for suppers served after school and meals served on weekends, holidays, and vacations during the school year. As in the current NSLP snack program, schools that serve populations where at least 50 percent of students are certified for free or reduced-price meals would be reimbursed for all meals at the free rate. Schools in other areas would be reimbursed for meals based on the eligibility of individual participants. The bill instructs the Secretary to select states that demonstrate support for afterschool programs, have the administrative capacity to run this pilot, and develop outreach and implementation plans.

CBO assumes that the Secretary would select five states that cumulatively have above-average participation in the NSLP snack program. Based on participation data for the CACFP supper option, we anticipate there would be some additional growth in the number of sites in the NSLP out-of-school program. Based on participation in similar programs, CBO estimates that by the end of the 10-year period, 60 percent of sites would serve suppers after school and 10 percent would serve meals on some weekends, holidays, and vacations during the school year. (Some sites that would have served snacks under current law would probably choose to serve suppers only.) CBO estimates that about 20 million meals would be served through this pilot program each year.

Some sites and children that we would expect to participate in the expanded CACFP at-risk program also would participate in the expanded NSLP snack program. Therefore, enacting both programs at the same time would have a total cost less than the sum of the costs of each program enacted on its own. Accounting for the enactment of a CACFP at-risk afterschool nationwide expansion, CBO estimates that the year-round school based meal pilot would increase direct spending by \$125 million over the 2011–2015 period and \$387 million through 2020.

*Outside-of-School Meal Service through the Summer Food Service Program (SFSP).* Section 113 would authorize a pilot program in 10 states in which sites that participate in the SFSP during the summer months (excluding public schools) may serve snacks and

meals after school and on weekends, holidays, and vacations during the school year. To participate, sites must be located in areas where at least 50 percent of the student body is certified for free or reduced-price meals, as in the current SFSP program. Sites would be reimbursed at the rates for free snacks and meals. The bill specifies that the Secretary select California, which currently operates a pilot program in which SFSP sites can serve snacks after school during the school year, as one of the 10 pilot states.

CBO assumes that the Secretary selects California and nine other states that cumulatively have above average participation in the SFSP program to participate in the pilot. Most sites would probably serve snacks and we estimate that by the end of the 10-year time period, 60 percent of sites would serve suppers. Based on data from the CACFP at-risk program and the current SFSP pilot in California, CBO estimates that sites that serve snacks would serve 7,500 per year, on average, and sites that serve suppers would serve 6,000 per year, on average. CBO estimates that over 20 million meals and snacks would be served through this pilot program each year.

Similar to the experience for the previous pilot program, we expect that some of the same children and sites that would participate in the CACFP after school expansion also would participate in this program. CBO estimates that the SFSP pilot program would increase direct spending by \$110 million over the 2011-2015 period and \$317 million over the 2011-2020 period, assuming enactment of the CACFP at-risk afterschool expansion.

*Weekends and Holidays without Hunger.* Section 145 would provide \$10 million in each of fiscal years 2011 through 2015 for a pilot to provide children with nutritious, readily consumable food to take home on weekends and vacations during the school year. CBO estimates that this provision would increase direct spending by \$50 million over the 2011-2020 period.

**Commodity Support.** Under current law, the Food and Nutrition Service (FNS) is required to spend at least 12 percent of the total cash assistance in the NSLP on commodities. Through fiscal year 2010, the value of bonus commodities can be counted toward this requirement. Bonus commodities are purchases made by the Department of Agriculture and donated to the NSLP. Section 401 would extend the authority to count the value of bonus commodities toward the 12 percent requirement through fiscal year 2020. Based on recent levels of donations, CBO estimates that the NSLP would receive \$100 million per year in bonus commodities, reducing spending in the program by that amount. H.R. 5504 would not change donations of bonus commodities to the NSLP, but the program would make fewer commodity purchases than would be required under current law to meet the 12 percent requirement. Therefore, CBO estimates that enacting this provision would save \$1 billion over the 2011–2020 period.

**Child and Adult Care Food Program.** The bill would make several changes to the CACFP that would increase participation and alter the way the program is administered.



In total, CBO estimates that enacting those provisions would increase direct spending for CACFP by \$309 million over the 2011-2020 period.

*Simplifying Area Eligibility Determinations in CACFP.* Homes that provide day care services can participate in the CACFP and are divided into two tiers. Reimbursement rates are higher for meals served in tier 1 homes, which are either located in low-income areas, serve children from low-income families, or have low-income providers. Current law defines a low-income area as one in which at least half the students in the local elementary school qualify for free or reduced-price meals. All other meals are reimbursed at the lower tier 2 rate. Section 121 would allow day care homes to qualify for tier 1 status as long as any school in the district meets the low-income qualifications. CBO estimates that when this provision is fully phased in, approximately 2,250 tier 2 homes would switch to tier 1 status and 225 new day care homes would join the program. Based on the average costs for this program, CBO estimates that enacting this provision would cost about \$6 million per year, totaling \$61 million over the 2011-2020 period.

*CACFP Reimbursement for Additional Meals.* Under current law, day care centers and homes can be reimbursed for up to two meals and one snack per child per day. Section 122 would allow centers and homes in five states, chosen by the Secretary, to be reimbursed for an additional meal or snack served to children in day care for eight hours or more per day. Based on research about child care patterns, CBO estimates that about 70 percent of children in care are there for at least eight hours per day, and that about one-quarter of those children would receive additional food, primarily snacks. CBO estimates that enacting this provision would increase direct spending by \$136 million over the 2011-2020 period.

*CACFP Administrative Provisions.* Section 334 would alter the way organizations that sponsor day care homes in the CACFP are reimbursed for administrative costs and beginning on July 1, 2011, would provide sponsors with an additional \$5 per home per month above the reimbursement levels set under current law. Section 335 would provide an opportunity for states to receive additional funding to conduct audits of institutions participating in the CACFP. CBO estimates that enacting those provisions would increase direct spending on administrative and audit costs in the CACFP by \$112 million over the 2011-2020 period.

**Summer Food Service Program (SFSP).** The bill would make several changes to the SFSP that would affect program participation and increase spending on administration. In total, CBO estimates that enacting those provisions would cost \$120 million over the 2011-2015 period and \$275 million over the 2011-2020 period.

*Rural Access to SFSP.* Section 114 would alter SFSP eligibility criteria so that more sites in rural areas would become eligible to participate in the program. Under current law, sites can participate in the SFSP if they are located in areas where at least 50 percent of

children are eligible for free or reduced-price meals. The provision also would allow sites located in rural areas where at least 40 percent of children are eligible for free or reduced-price meals to participate. Based on an analysis of school-level demographic data, CBO estimates that enacting this provision on its own would bring about 4,000 new SFSP sites into the program at a cost of \$121 million over the 2011-2020 period. Since those sites also would be able to serve snacks and meals in 10 states due to the outside-of-school meal service provision in this bill, CBO estimates an additional cost of \$51 million over the 2011-2020 period. In total, enacting this provision would cost \$172 million over the 2011-2020 period.

*Outreach to Eligible Families.* Enacting section 112 would provide \$10 million per year for outreach to promote participation in the SFSP and the School Breakfast Program, and thus would cost \$100 million over the 2011-2020 period.

*State Health Inspections.* Currently, states receive funding for health inspections of SFSP sites at an amount equal to the lesser of actual costs and 1 percent of total program funds. Section 323 would allow states to receive up to 2 percent of their total program funds for health inspections. Based on data on current spending levels, CBO estimates that this provision would increase direct spending by \$4 million over the 10-year period.

**State Nutrition and Wellness Promotion.** Section 207 would provide funding to states to conduct a variety of activities to encourage healthy eating, such as nutrition education for students and technical assistance to school meal programs. Funds would be distributed to states by a formula: one-half cent per lunch reimbursed through the NSLP in the second preceding year. CBO estimates enacting this provision would increase direct spending by \$271 million over the 2011-2020 period.

**School Breakfast Expansion Grants.** Section 106 would provide \$10 million in fiscal year 2011 for grants to schools to establish or improve their breakfast programs. Schools that receive grants would be required to employ methods of improvement that are considered best practices by the Secretary of Agriculture. Schools that serve at least 40 percent of their meals to students certified for free or reduced-price meals would be eligible for the grants. Schools where at least 75 percent of meals are served to students certified for free or reduced-price meals and schools identified for improvement under section 116 of the Elementary and Secondary Education Act of 1965 would be given priority for funding.

CBO estimates that approximately 2,000 schools would receive grants under this program. Based on information from similar state-run grant programs, CBO expects that about one-fifth of the schools receiving grants would use the funds to establish new breakfast programs and another one-fifth would implement alternate delivery methods (such as serving breakfast in the classroom). Based on research on school breakfast

programs, CBO estimates that these changes could have significant effects on participation in the SBP in those schools.

CBO estimates that this provision would result in approximately 10 million to 15 million additional breakfasts served through the SBP per year, mostly to students certified for free meals. CBO estimates that this provision would increase direct spending by \$106 million over the 2011-2015 period and \$231 million over the 10-year period, which includes both the costs of the grants and the costs of increased participation in the SBP.

**Technical Assistance, Research, and Grants.** The bill would provide funding for technical assistance, demonstration projects, and several grant programs that would increase direct spending by the amounts specified in the legislation. In total, enacting the following provisions would cost \$179 million over the 2011-2020 period.

- Section 141 would provide \$10 million in 2013 for research on the causes and consequences of childhood hunger and characteristics of households that experience childhood hunger.
- Section 142 would provide \$50 million in 2011 for a competitive grant program for states to combat childhood hunger.
- Section 205 would provide \$500,000 per year through fiscal year 2015 for the Department of Agriculture, in conjunction with the Centers for Disease Control and Prevention, to provide technical assistance to local educational agencies (LEAs), school food authorities, and states for use in establishing and promoting healthy school environments.
- Section 208 would provide \$10 million per year through fiscal year 2015 for grants and technical assistance so that schools can implement farm-to-school programs to provide local produce in schools, build school gardens, and conduct other similar activities. It also would provide \$200,000 in 2011, and \$100,000 in each of fiscal years 2012 through 2014 for the creation of an information exchange regarding farm-to-school programs.
- Section 221 would provide \$10 million in 2011 for technical assistance and guidance to state agencies and institutions participating in the CACFP to promote the consumption of nutritious foods and physical activity. It also would provide \$25 million in 2011 for competitive grants to states to promote health and nutrition in CACFP.
- Section 242 would provide \$4 million in 2011 for procurement assistance.

- Section 252 would provide \$1 million for a pilot program to supply schools with plant-based alternate protein products.
- Section 254 would provide \$1 million for a pilot program to supply schools with low-fat cheeses for use in the NSLP and SBP.
- Section 301 would provide \$2 million for 2011 to conduct a study of, issue guidance on, and promulgate regulations on the allocation and impact of costs other than food or labor charged to school food authorities.
- Section 304 would provide \$3 million upon the date of enactment for a study of administrative review systems in the NSLP and SBP.
- Section 352 would provide \$1 million per year for 2011 and every year thereafter for the Secretary to establish a product codes database for use in implementing an electronic benefits transfer system in WIC.
- Section 363 would provide \$2 million per year for the Secretary to establish a program of required education, training, and certification for those responsible for the management of school food authorities and to establish standards for selection of state agency directors responsible for the NSLP and the SBP.

**Eliminating Applications.** Section 104 would give local educational agencies two new options for establishing the percentage of meals served that are reimbursed at the free and reduced-price rate. LEAs that participate in either option would not need to collect household applications from students to determine free or reduced-price meal eligibility and would be required to serve meals free of charge to all students.

The two new options would allow schools to use alternate procedures for claiming meal reimbursement in exchange for serving meals free of charge. After accounting for the interaction between those two options, CBO estimates that enacting section 104 would cost \$108 million over the 2011-2020 period.

*Direct Certification Option.* Under section 104, participating LEAs would receive reimbursements for free meals based on their direct certification rates according to a formula specified in the bill. The remaining meals would be reimbursed at the rate for paid meals. The bill would allow a limited number of states to participate through July 1, 2014, at which point any state could participate. Prior to July 1, 2014, participating schools or school districts would need to directly certify at least 40 percent of their students; after that date, the Secretary could set a different minimum threshold.

CBO expects that schools and school districts with high percentages of students eligible for free or reduced-price meals would be the most likely to participate. Based on administrative data from FNS and information on participation in existing alternative options for eliminating yearly applications, CBO estimates that by the end of the 10-year period, about 300 schools would participate in this option. At those schools, CBO estimates that a slightly higher percentage of meals would be reimbursed at the free rate. Because all meals would be served free of charge, CBO also anticipates increased participation in both the NSLP and the SBP.

*Survey Option.* Section 104 also would direct the Secretary of Agriculture to identify and implement alternative means of establishing the percentages of meals served to students eligible for free and reduced-price meals. The bill would allow the Secretary to use the American Community Survey or other data sources to approximate the makeup of students and replace the collection of household applications for free and reduced-price meal eligibility. Schools that participate in this option would be required to serve breakfasts and lunches free of charge to all students.

CBO expects that schools that would participate have high percentages of students eligible for free or reduced-price meals. Based on data on the percentage of students eligible for free and reduced-price meals in all schools and information on the number schools that currently participate in other alternate meal counting provisions, CBO estimates that approximately 2,200 schools would participate in this option by 2020. We expect increased participation among students in the NSLP and SBP due to meals being served free of charge.

**Independent Review.** Section 310 would require local educational agencies that demonstrate high levels of administrative error to have a second person review eligibility determinations for free and reduced-price meals. CBO estimates that a second review would lead to, on net, a reduction in meal benefits. Using data from FNS, CBO estimates that enacting this provision would reduce direct spending by \$62 million over the 2011-2020 period.

**Reauthorization of Expiring Provisions.** Sections 402 through 422 would reauthorize a number of expiring provisions in the Richard B. Russell National School Lunch Act and the Child Nutrition Act of 1966. Consistent with the budget projection rules in the Balanced Budget and Emergency Deficit Control Act, the costs of extending the provisions in sections 402, 403, and 422 are included in CBO's baseline and are therefore not included in the tally of incremental spending attributed to this bill. Those amounts total roughly \$3 billion over the 2011-2015 period.

The bill would provide an additional \$6 million per year for program management above current-law levels: \$1 million per year to the information clearinghouse through 2015; increased funding for the Food Service Management Institute of \$1 million per year; and

\$4 million per year for federal administrative support. In total, enacting those provisions would cost \$55 million over the 2011-2020 period, CBO estimates.

**Other Provisions with Insignificant Costs, Savings, or Revenues.** CBO estimates that many other provisions in H.R. 5504 could affect outlays or revenues but that such effects would total less than \$500,000 in any year and over the 2011-2020 period. (Some provisions would authorize the appropriation of funds for activities related to mandatory spending for the child nutrition programs, but the expected interactions between potential appropriations and the mandatory programs would be small and are not included below.)

- Section 111 would align the eligibility criteria for public and private sponsoring organizations who participate in the SFSP and eliminate the current size restriction on for-profit sponsors.
- Section 143 would establish procedures for schools to notify households that accumulated debts for school meals. It would also require schools to provide meals to children on any day that they can pay, regardless of outstanding debt. This provision would require the Secretary of Agriculture to examine the practices of states and local educational agencies regarding credit for school lunches and breakfasts, and implement and test new standards. Depending on the recommendations the Secretary defines, this provision could affect participation in the NSLP and SBP.
- Section 144 would direct FNS to carry out a study of the states currently participating in the afterschool supper program through CACFP and report to the Congress within one year of enactment.
- Section 253 would allow the Secretary to establish an adjustment for the additional reimbursements provided under section 201 for meals served in Alaska, Hawaii, Guam, American Samoa, Puerto Rico, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands.
- Section 309 would give the Secretary the authority to impose fines against SFAs, schools, or state agencies that fail to correct severe mismanagement of child nutrition programs, disregard program requirements of which the institutions have been informed, or fail to correct repeated violations of program requirements.
- Section 322 would require the Secretary to develop procedures regarding termination hearings for institutions participating in the SFSP. It would also require the Secretary to make available a list of institutions that have been disqualified from the program.

- Section 331 would direct the Secretary to promulgate regulations to ensure that state agencies use a fair and timely hearing process to reduce the amount of time between a state's action and the hearings in cases where an action of the state affects an institution's participation or reimbursement rates.
- Section 333 would allow family or group day care homes that participate in the CACFP to assist in the transmission of data concerning the household income of the children they serve, in accordance with a policy developed by the Secretary and with written consent of the children's parents or guardians.
- Section 337 would allow organizations that sponsor day care homes in the CACFP to request meal reimbursement payments one month in advance, based on their customary claims history. Advance payments would be reconciled with actual claims in that month. Currently, day care centers and homes receive reimbursement payments after claims have been submitted.
- Section 362 would not allow any institution or person that has been terminated from any child nutrition program to participate in any other child nutrition program.
- Section 409 would establish rules for the amount of per-meal revenue collected for paid meals. Because this provision would cause some schools to raise their meal prices, participation in the NSLP and SBP would decline.

### **Spending Subject to Appropriation**

The bill would reauthorize and amend discretionary programs previously authorized by the Richard B. Russell National School Lunch Act and the Child Nutrition Act of 1966 and would authorize new discretionary programs through 2015. As shown in Table 3, CBO estimates that implementing this legislation would result in discretionary outlays of \$36.2 billion—primarily for the WIC program—over the 2011-2015 period, assuming the appropriation of the necessary amounts. The projected annual funding of \$7.7 billion to \$8.0 billion per year under the bill compares to the level of roughly \$7.3 billion that was appropriated for WIC in 2010.

**WIC Reauthorization.** This bill would reauthorize the Special Supplemental Nutrition Program for Women, Infants, and Children. WIC provides supplemental foods, health care referrals, and nutrition education to pregnant and post-partum women with low income and infants and children up to five years of age.

**TABLE 3. SPENDING SUBJECT TO APPROPRIATION UNDER H.R. 5504**

	By Fiscal Year, in Millions of Dollars					2011-
	2011	2012	2013	2014	2015	2015
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Reauthorize WIC						
Estimated Authorization Level	7,317	7,390	7,470	7,557	7,673	37,407
Estimated Outlays	5,451	6,604	7,405	7,489	7,597	34,546
Other WIC Provisions						
Estimated Authorization Level	245	253	258	265	274	1,295
Estimated Outlays	185	226	256	262	270	1,199
Grants						
Estimated Authorization Level	93	63	63	63	63	345
Estimated Outlays	40	76	71	65	63	315
Administrative Costs						
Estimated Authorization Level	42	12	12	12	12	90
Estimated Outlays	20	18	18	17	17	90
Studies and Reports						
Estimated Authorization Level	30	0	0	0	0	30
Estimated Outlays	9	11	6	4	0	30
New Programs						
Estimated Authorization Level	6	7	7	7	8	33
Estimated Outlays	3	6	6	6	7	27
Total Changes						
Estimated Authorization Level	7,733	7,725	7,810	7,904	8,030	39,200
Estimated Outlays	5,708	6,941	7,762	7,843	7,954	36,207

Note: Components may not sum to totals because of rounding; WIC = The Special Supplemental Nutrition Program for Women, Infants, and Children.

The bill would reauthorize the appropriation of such sums as may be necessary for WIC. For fiscal year 2010, the Congress appropriated about \$7.3 billion for WIC. Based on historical spending patterns and adjusting for anticipated inflation, CBO estimates that reauthorizing WIC would cost \$34.5 billion over the 2011-2015 period, assuming appropriation of the authorized amounts.



**Other WIC Provisions.** The bill would make several other changes to the WIC program that CBO estimates would cost \$1.2 billion over the 2011-2015 period.

*Certification.* The bill would allow states to certify children participating in WIC for a period of up to one year. Under current law, children are only certified for six months and must be recertified to continue receiving benefits. CBO expects this provision would increase the number of children in the program at any one time by retaining children who might not have been recertified. CBO estimates that implementing this provision would cost \$372 million over the 2011-2015 period, assuming the appropriation of the necessary amounts.

*Infrastructure.* The bill would authorize the appropriation of \$139 million in 2010 for infrastructure and management information systems and would further allow the authorization of appropriations to grow by inflation from 2011 through 2015. (In 2010, the Congress provided \$157 million for those activities.) The bill also would require states to implement electronic benefits transfer systems by 2020, unless granted an exemption from the Secretary. CBO expects that the funds necessary to implement the electronic benefits transfer systems would be provided from the funds authorized for infrastructure and management information systems. CBO estimates that implementing this provision would cost \$675 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

*Farmers' Market Nutrition Program.* The bill would authorize the appropriation of such sums as are necessary for the Farmers' Market Nutrition Program (FMNP). The FMNP operates in 45 states and Indian Tribal Organizations and provides benefits to WIC participants to purchase fresh, unprepared, locally grown products at farmers' markets. The program received an appropriation of \$20 million in fiscal year 2010. CBO estimates that reauthorizing the FMNP would cost \$101 million over the 2011-2015 period, assuming appropriation of the estimated amounts.

*Evaluation.* The bill also would authorize appropriations for WIC evaluation funds and would increase the maximum cap on expenditure from \$5 million to \$15 million. CBO estimates that funding for this provision would cost \$46 million over the 2011-2015 period, assuming appropriation of the authorized amounts.

*Review of Supplemental Foods.* The bill would authorize an appropriation of \$5 million for fiscal year 2012 for the Secretary to review the supplemental foods under the WIC program and provide this information to the public.

**Grants Programs.** Several provisions in H.R. 5504 would authorize funding for new grant programs related to child nutrition, including grants to provide technical assistance to SFSP sponsoring organizations and grants to schools to increase the availability of organic foods in the NSLP. CBO estimates that implementing these provisions would

cost \$315 million over the 2011-2015 period, assuming appropriation of the estimated amounts.

**Administrative Costs.** Several provisions would authorize the appropriation of funds for administration and technical assistance in child nutrition programs at a total cost of \$90 million over the 2011-2015 period, assuming appropriation of the necessary amounts, CBO estimates. Those provisions include an authorization of funding for compliance and accountability reviews and for technical assistance for procurement activities.

**Studies and Reports.** The bill also would authorize funding for studies and reports at an estimated total cost of \$30 million over the 2011-2015 period, assuming appropriation of the necessary amounts. Studies authorized include an evaluation of the direct certification community eligibility option, an analysis of current overt identification practices, a report on schools' access to equipment used in meal programs, and research on nutrition and physical activity in day care.

**New Programs.** The bill authorizes two new programs related to child nutrition. CBO estimates that they would cost \$27 million over the 2011-2015 period, assuming appropriation of the estimated amounts.

*Milk Reimbursement in Healthier U.S. Schools.* H.R. 5504 would authorize such sums as are necessary for a program that would reimburse certain schools for milk served outside of the NSLP and SBP. Eligible schools include those that meet the requirements of the Healthier U.S. Schools Challenge, or similar requirements established by the Secretary. Based on information about Healthier U.S. Schools and data on the costs of similar programs, CBO estimates that this program would cost \$19 million over the 2011-2015 period.

*Nutrition Corps.* The bill would authorize such sums as are necessary for a Nutrition Corps to increase access to and the quality of nutrition programs and support local agriculture. The Secretary of Agriculture would enter into an agreement with the Corporation for National and Community Service to carry out this program. Based on the cost of similar programs run by the Corporation, CBO estimates that this provision would cost \$8 million over the 2011-2015 period.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

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**CBO Estimate of Pay-As-You-Go Effects for H.R. 5504, the Improving Nutrition for America’s Children Act, as ordered reported by the House Committee on Education and Labor on July 15, 2010**

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	By Fiscal Year, in Millions of Dollars												2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020	
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>														
Statutory Pay-As-You-Go Impact	0	59	148	519	617	621	684	741	864	1,065	1,204	1,965	6,523	

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

### **Intergovernmental Mandates**

For large entitlement programs like the child nutrition programs, the Unfunded Mandates Reform Act defines an increase in the stringency of conditions as an intergovernmental mandate if the affected governments lack authority to offset those costs while continuing to provide required services. The bill would alter, and in several cases increase, conditions for receiving assistance under the child nutrition programs. Because states and schools have limited flexibility to amend their programmatic or financial responsibilities in the program, the new requirements would be intergovernmental mandates. In aggregate, CBO estimates that the costs to governmental entities would exceed the annual threshold established in UMRA (\$70 million in 2010, adjusted annually for inflation) beginning in 2012.

H.R. 5504 also would impose a mandate on schools by requiring them to comply with nutrition standards for all foods sold in schools, on school campuses, at any time during the school day. Those standards also would apply to meals served outside the school meal program (for instance, foods sold through vending machines, school stores, snacks bars, and a la carte sales). Sales from those foods account for the majority of revenues—over \$2 billion annually—that schools generate from foods sold outside the school meal program. In complying with the nutrition standards, CBO estimates that schools would lose revenues of more than \$100 million, annually, beginning the first year the regulations take effect.

The bill also would require schools to comply with new standards for operating school meal programs as well as new standards for activities conducted outside the current regulatory authority of the child nutrition program. For example, the bill would require schools to:

- Make potable water available, free of charge, to children at meal times,
- Provide meals that comply with new menu planning and nutrition standards,
- Extend food safety standards to any facilities that store, prepare, or serve food, and
- Comply with new federal revenue standards for school meals that are provided to children who are not approved for federal benefits.

Schools would incur costs to comply with these new requirements. The most significant costs would result from increases in food and labor costs associated with meeting the new nutrition standards. Based on data from schools that have adopted policies to improve the nutritional quality of meals, CBO estimates schools would incur costs between \$200 million and \$400 million annually in the first year the requirements take effect. Schools that comply with the new menu planning and nutrition standards would, however, receive an increase in federal reimbursement, beginning with approximately \$300 million in 2013. In addition, some schools would generate additional revenues from the increase in prices charged to children who are not approved for federal benefits.

Finally, states that implement the school lunch and breakfast programs are responsible for carrying out administrative duties including overseeing schools that operate the programs. The bill would require states to increase the number of eligible children who are approved for free meals because of their participation in other federal programs. It also would require states to meet new standards for hiring and training staff, and certify schools that meet new federal requirements for meals. CBO estimates that the costs to states to comply with these mandates would be less than \$50 million annually. The bill also would provide federal funds to states to implement some of those responsibilities.

## **Other Impacts**

States and schools would benefit from other provisions in the bill that authorize grant funds and reauthorize the WIC program. New requirements on state WIC programs, including cost containment measures and electronic benefit transfers, would not constitute intergovernmental mandates because they would result from voluntary participation in a federal program.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 5504 would impose a mandate, as defined in UMRA, on the private sector requiring entities selling food on a school campus or at any time during the school day to comply with science-based nutrition standards established by the Secretary of Agriculture. Because of uncertainties about the standards that the Secretary would establish under this legislation, CBO cannot determine whether the costs to the private sector would exceed

the threshold established in UMRA (\$141 million in 2010, adjusted annually for inflation).

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