



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 20, 2010

Healthy, Hunger-Free Kids Act of 2010

*As ordered reported by the Senate Committee on Agriculture,
Nutrition, and Forestry on March 24, 2010*

SUMMARY

The legislation would reauthorize—through 2015—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). CBO estimates that enacting this legislation would increase direct spending by \$68 million over the 2010-2015 period and decrease direct spending by \$11 million over the 2010-2020 period. (The bill would increase revenues by less than \$500,000 over the 2010-2020 period.) Pay-as-you-go procedures would apply because enacting the legislation would affect direct spending and revenues.¹

Additionally, CBO estimates that implementing this bill would have discretionary costs of \$35.9 billion over the 2011-2015 period, assuming appropriation of the necessary amounts. Most of these costs are 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).

1. Different time periods apply for the current pay-as-you-go rules in the House of Representatives and the Senate. CBO estimates that enacting the bill would reduce direct spending by \$2 million over the 2010-2014 period, but increase direct spending by \$33 million over the 2010-2019 period. (The legislation would increase revenues by insignificant amounts over both of those periods.)

The bill 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 standards established by the Secretary of Agriculture. Because of uncertainties about the standards that the Secretary would establish under this bill, CBO cannot estimate 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 the Healthy, Hunger-Free Kids Act of 2010

	By Fiscal Year, in Millions of Dollars												2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020	
CHANGES IN DIRECT SPENDING														
Estimated Budget Authority	0	-165	-362	74	23	-19	-17	-24	-25	-33	-40	-449	-588	
Estimated Outlays	0	-92	-166	115	141	70	33	-1	-29	-38	-44	68	-11	
CHANGES IN REVENUES														
Estimated Revenues	0	*	*	*	*	*	*	*	*	*	*	*	*	
NET CHANGE IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES														
Impact on the Deficit ^a	0	-92	-166	115	141	70	33	-1	-29	-38	-44	68	-11	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION														
Estimated Authorization Level	1	7,688	7,650	7,740	7,834	7,959	0	0	0	0	0	38,872	38,872	
Estimated Outlays	0	5,674	6,865	7,694	7,783	7,900	1,970	792	0	0	0	35,916	38,678	

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

a. Positive numbers indicate increases in deficits; negative numbers indicate decreases in deficits.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes the bill will be enacted by the end of the fiscal year. The bill specifies that most provisions would become effective on October 1, 2010.

Direct Spending and Revenues

CBO estimates that enacting the bill would increase direct spending by \$68 million over the 2011-2015 period and decrease direct spending by \$11 million over the 2011-2020 period. Table 2 details the components of the estimated effects. CBO estimates that enacting the bill also would increase revenues by less than \$500,000 over both the 2011-2015 and 2011-2020 periods. (We estimate no direct spending or revenue effects for 2010.)

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 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 \$1.1 billion over the 2011-2015 period and \$3.2 billion over the 2011-2020 period.

Environmental Quality Incentives Program (EQIP). EQIP provides financial assistance to agricultural producers to implement conservation practices. The Food, Conservation, and Energy Act of 2008 (Public Law 110-246) provided funding of \$1.588 billion for 2011 and \$1.750 billion for 2012 for new contracts each year. Section 442 would reduce those annual amounts to \$1.447 billion beginning in 2011, for a total savings of \$746 million over the 2011-2015 period and \$2.2 billion over the 2011-2020 period.

Nutrition Education and Obesity Prevention Grant Program. Section 241 would establish a new grant program for nutrition education purposes as part of the Supplemental Nutrition Assistance Program (SNAP). The bill would eliminate the current practice by which state spending (both cash and in-kind) on approved activities for nutrition education is matched by the federal government as part of their SNAP administrative costs. The bill would provide \$375 million for grants in fiscal year 2011, and adjust that amount for inflation in future years. Those funds would be distributed by formula to the states and there would no longer be a requirement for states to provide matching funds. States could use the money to provide nutrition education and obesity prevention programs to SNAP recipients and other low-income individuals.

Table 2. Estimated Direct Spending Under the Healthy, Hunger-Free Kids Act of 2010
(by fiscal year, in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011- 2015	2011- 2020
CHANGES IN DIRECT SPENDING												
Performance-Based Rate Increase ^a												
Estimated Budget Authority	0	0	400	410	376	387	398	410	422	434	1,186	3,237
Estimated Outlays	0	0	340	408	381	385	397	408	420	432	1,129	3,171
EQIP												
Estimated Budget Authority	-141	-303	-303	-303	-303	-303	-303	-303	-303	-303	-1,353	-2,868
Estimated Outlays	-41	-116	-164	-197	-228	-258	-287	-303	-303	-303	-746	-2,200
Nutrition Education												
Estimated Budget Authority	10	-15	-50	-80	-115	-145	-180	-210	-245	-275	-250	-1,305
Estimated Outlays	10	-15	-50	-80	-115	-145	-180	-210	-245	-275	-250	-1,305
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	31	45	54	63	70	82	90	100	106	111	263	752
Estimated Outlays	27	43	53	62	69	81	89	98	105	110	254	737
Direct Certification												
Estimated Budget Authority	5	7	15	24	42	47	52	54	59	61	93	366
Estimated Outlays	1	8	16	23	40	46	52	54	58	60	88	358
Technical Assistance, Demonstration Projects, and Grants												
Estimated Budget Authority	23	2	57	7	7	7	7	7	7	7	96	131
Estimated Outlays	7	10	17	23	19	17	17	7	7	7	76	131
Eliminating Applications												
Estimated Budget Authority	5	1	2	3	6	10	14	19	24	28	17	113
Estimated Outlays	1	3	4	3	5	9	13	18	23	28	16	108
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	5	5	5	5	5	5	5	5	5	5	26	51
Estimated Outlays	5	5	5	5	5	5	5	5	5	5	26	51
Total Changes												
Estimated Budget Authority	-165	-362	74	23	-19	-17	-24	-25	-33	-40	-449	-588
Estimated Outlays	-92	-166	115	141	70	33	-1	-29	-38	-44	68	-11

Notes: Components may not sum to totals because of rounding. EQIP = Environmental Quality Incentives Program; CACFP = Child and Adult Care Food Program.

a. Estimate includes interactions with other provisions.

Based on historical spending patterns and the ability of states to use in-kind resources toward the federal match, CBO estimates that spending under current law will grow by 8 percent per year on average over the next decade, significantly higher than the proposed funding under the bill. Thus, CBO estimates that enacting this proposal would reduce direct spending by \$1.3 billion 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. Therefore, CBO estimates that enacting this provision would save \$1 billion over the 2011–2020 period.

Child and Adult Care Food Program (CACFP). The bill makes several changes to the Child and Adult Care Food Program that would expand participation or alter the way the program is administered. In total, CBO estimates that this legislation would increase direct spending for CACFP by \$737 million over the 2011-2020 period.

Expansion of Afterschool Meals for At-Risk Children. Section 122 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 after-school 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 after-school snacks were served.

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, we assume 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, after-school 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.

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 low-income children, 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 \$29 million over the 2011-2015 period and \$61 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. 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 \$10 million over the 2011-2015 period and \$35 million over the 2011-2020 period.

Direct Certification. The bill has several provisions related to direct certification. In total, CBO estimates that enacting those provisions would cost \$358 million over the 2011-2020 period. Since 2008, all school food authorities (SFAs) have been required to obtain documentation directly from the Supplemental Nutrition Assistance Program 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 would lead to schools serving more reimbursable meals.

Direct Certification for Children Receiving Medicaid Benefits. Section 103 would establish a pilot program to allow selected school districts to directly certify certain students who receive Medicaid benefits for free school meals. By 2015, CBO estimates that about 115,000 students annually would be newly certified for free school meals.

Schools currently do not have the authority to use Medicaid data to directly certify students. Under the bill, the pilot program would expand over three years beginning on July 1, 2012, so that by the 2014-2015 school year, the Secretary of Agriculture could select districts that collectively serve up to 10 percent of students certified for free and reduced-price meals nationwide.

The pilot would allow schools to directly certify students on 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 the requirement to complete a paper application, CBO assumes 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 \$5 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 \$328 million over the 2011–2020 period.

Improving Direct Certification. Section 101 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 FNS, CBO expects that this proposal would 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 101 would increase direct spending by \$20 million over the 2011-2015 period and by \$30 million over the 2011-2020 period, CBO estimates.

Technical Assistance, Demonstration Projects, 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, those provisions would cost \$131 million over the 2011-2020 period.

- Section 141 would provide \$50 million in 2013 for research on the causes and consequences of childhood hunger and characteristics of households that experience childhood hunger, and demonstration projects to test new strategies to end childhood hunger.
- Section 221 would provide \$10 million in 2011 for technical assistance to develop regulations for the nutritional content of meals served through CACFP and guidance for physical activity in child care settings.
- Section 223 would provide \$5 million in 2011 for the Secretary to study the nutritional quality of food served and opportunities for physical activity in day care homes and centers.
- Section 243 would provide \$5 million per year starting in 2013, 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.
- Section 306 would provide \$5 million in fiscal year 2011 and \$1 million in each year thereafter 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.
- Section 307 would provide \$2 million for fiscal year 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 352 would provide \$1 million per year for fiscal year 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.

Eliminating Applications. Section 104 would give local educational agencies (LEAs) 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. CBO estimated the impact of each option independently and then estimated the interaction between the two. After

accounting for the interaction between those two options, CBO estimates that enacting section 104 would cost \$16 million over the 2011-2015 period and \$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 actual 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 of 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 304 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 \$25 million over the 2011-2015 period and \$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, 404, 405, 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 \$5 million per year for program management above current-law levels. Funding for the information clearinghouse would be extended through 2015 and would cost \$1 million over the 2011-2015 period. In addition, the bill would increase funding for the Food Service Management Institute by \$1 million per year and provide \$4 million per year for federal administrative support. In total, enacting those provisions would cost \$51 million over the 2011-2020 period, CBO estimates.

Provisions with Insignificant Costs, Savings, or Revenues. CBO estimates that many other provisions in the bill could affect outlays or revenues but would total less than \$500,000 in any year and over the 2011-2020 period. (Some provisions would authorize the appropriation of funds to provide grants to states 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 102 would make certain foster children categorically eligible for free meals.
- Section 111 would align the eligibility criteria for public and private sponsoring organizations who participate in the Summer Food Service Program (SFSP) and eliminate the current size restriction on for-profit sponsors.
- Section 112 would require state agencies to ensure that school food authorities that participate in the NSLP inform families of the availability of meals through the SBP and SFSP.
- Section 143 would require the Secretary to examine the practices of states and local educational agencies regarding credit for children's costs of school lunches and breakfasts, and would then implement and test new standards.

- Section 205 would establish rules for the prices school food authorities can charge for paid lunches. Because this provision would require some schools to raise their lunch prices, participation in the NSLP would decline modestly.
- Section 303 would give the Secretary the authority to impose fines against an SFA, school, or state agency that fails to correct severe mismanagement of a child nutrition program, disregards a program requirement of which the institution has been informed, or fails to correct repeated violations of program requirements. CBO estimates that this provision would increase revenues by less than \$500,000.
- Section 332 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 hearing 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 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 a year of enactment.
- Section 362 specifies that any institution or person that has been terminated from any child nutrition program may not be approved to participate in any other child nutrition program.

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 additional new discretionary programs through 2015. As shown in Table 3, CBO estimates that implementing this legislation would result in new discretionary outlays of \$35.9 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.

Table 3. Spending Subject to Appropriation Under the Healthy, Hunger-Free Kids Act of 2010

	By Fiscal Year, in Millions of Dollars						2010-2015
	2010	2011	2012	2013	2014	2015	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION							
Reauthorize WIC							
Estimated Authorization Level	0	7,317	7,390	7,470	7,557	7,673	37,407
Estimated Outlays	0	5,451	6,604	7,405	7,489	7,597	34,546
Other WIC Provisions							
Estimated Authorization Level	0	240	243	253	260	269	1,265
Estimated Outlays	0	181	219	250	256	265	1,171
New Grants							
Estimated Authorization Level	0	85	5	5	5	5	105
Estimated Outlays	0	21	21	21	21	21	105
Administrative Costs							
Estimated Authorization Level	1	36	11	11	11	11	81
Estimated Outlays	0	17	16	16	16	16	81
Studies and Demonstrations							
Estimated Authorization Level	0	10	1	1	1	1	14
Estimated Outlays	0	4	5	3	1	1	13
Total Changes							
Estimated Authorization Level	1	7,688	7,650	7,740	7,834	7,959	38,872
Estimated Outlays	0	5,674	6,865	7,694	7,783	7,900	35,916

WIC Reauthorization. This bill would reauthorize and make changes to 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 5 years of age.

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 about \$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 re-certified 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 re-certified. 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 \$134 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 \$652 million over the 2011-2015 period, assuming appropriation of the authorized 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.

New Grants. Several provisions in the bill would authorize a combined \$105 million in funding for new grant programs related to nutrition and school meals. CBO estimates that implementing those grant programs would cost \$105 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

- Section 113 would authorize the appropriation of \$20 million for competitive grants to provide technical assistance and improve retention of sponsors in the SFSP.

- Section 142 would authorize the appropriation of such sums as are necessary for 2011 through 2014 for a competitive grant program to combat childhood hunger. Based on the costs of similar grant programs, CBO estimates that implementing the State Childhood Hunger Challenge Grants would cost \$50 million over the 2011–2015 period.
- Section 210 would authorize the appropriation of \$10 million for the Secretary to provide competitive grants to school food authorities for a pilot program to increase the availability of organic foods in the NSLP.
- Section 243 would authorize the appropriation of such sums as are necessary for a grant program to increase access to locally grown foods in school meal programs. This authority would be in addition to the annual \$5 million in mandatory funds provided for the same purpose in this bill. CBO estimates that implementing this provision would cost \$25 million over the 2011-2015 period.

Administrative Costs. Three provisions would reauthorize existing authority for the appropriation of funds for administrative costs at a total cost of \$81 million over the 2010-2015 period, assuming appropriation of the necessary amounts, CBO estimates.

- Section 403 would authorize funding of \$1 million per year for procurement training beginning in 2010.
- Section 408 would authorize funding for compliance and accountability reviews for institutions participating in any child nutrition program. It also would increase the authorization of appropriations from \$6 million to \$10 million per year, beginning in 2011.
- Section 421 would authorize the appropriation of such sums as are necessary for technology infrastructure grants. CBO estimates that implementing this provision would cost \$25 million over the 2011-2015 period.

Studies and Demonstrations. The bill also would authorize funding for studies and demonstrations at a total cost of \$13 million over the 2011-2015 period, CBO estimates, assuming appropriation of the necessary amounts.

- Section 204 would authorize \$3 million in fiscal year 2011 for the Department of Agriculture to conduct a study, in conjunction with the Centers for Disease Control and Prevention, on the effectiveness of school wellness policies.

- Section 209 would authorize such sums as are necessary to provide information to the public on the school nutrition environment. Based on similar programs, CBO estimates that implementing this provision would cost \$8 million over the 2011–2015 period.
- Section 244 would authorize the appropriation of such sums as are necessary for the Department of Agriculture, in consultation with the Department of Health and Human Services, to establish a research and demonstration project on behavioral economics as it relates to food service in schools. Based on spending patterns in similar projects, CBO estimates that implementing this provision would cost \$2 million over the five-year 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.

Table 4. CBO Estimate of Pay-As-You-Go Effects for the Healthy, Hunger-Free Kids Act of 2010, as ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry on March 24, 2010

	By Fiscal Year, in Millions of Dollars												2010- 2015	2010- 2020
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020			
NET INCREASE OR DECREASE (-) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact	0	-92	-166	115	141	70	33	-1	-29	-38	-44	68	-11	

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

For large entitlement programs like 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 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.

Mandates

The bill would impose a mandate on schools by requiring schools to comply with nutrition standards for all foods sold in schools and 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. To comply with the nutrition standards, CBO estimates that schools would lose revenues of more than \$100 million, annually, beginning the first year the regulations took 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 pricing 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 that improved the nutritional quality of meals, CBO estimates schools would incur costs between \$200 million and \$400 million annually in the first year the requirements took effect. Schools that comply with the new menu planning and nutrition standards would, however, receive an increase in federal reimbursement, approximately \$300 million beginning 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 for implementing 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

The bill would impose a mandate, as defined in UMRA, on the private sector requiring entities selling food on the school campus or at any time during the school day to comply with science-based 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).

ESTIMATE PREPARED BY:

Federal Costs:

Nutrition programs—Kathleen FitzGerald, Emily Holcombe, and Jennifer Reynolds
EQIP—Jim Langley

Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum

Impact on the Private Sector: Keisuke Nakagawa

ESTIMATE APPROVED BY:

Peter H. Fontaine
Assistant Director for Budget Analysis