

CBO

Child Nutrition Programs: Spending and Policy Options



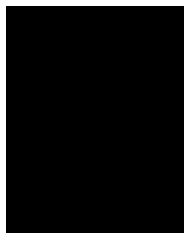
SEPTEMBER 2015

Notes

Unless otherwise specified, all years referred to in this report are federal fiscal years, which run from October 1 to September 30, and are designated by the calendar year in which they end.

Unless otherwise specified, all spending amounts are reported in 2014 dollars. Adjustments for inflation are made by using the price index for personal consumption expenditures prepared by the Bureau of Economic Analysis.

The photograph on the cover, which comes from Flickr's Creative Commons, was taken on September 7, 2012, by Lance Cheung for the U.S. Department of Agriculture (20120907-FNS-LSC-0288). The source photograph is available at www.flickr.com/photos/41284017@N08/7995808882/.



Contents

| | |
|---|----|
| Summary | 1 |
| How Do the School Meal Programs Operate? | 1 |
| What Are Some Characteristics of NSLP and SBP Participants? | 2 |
| How Do Child Nutrition Programs Affect Participants? | 2 |
| What Has Caused Changes in Spending for Child Nutrition Programs? | 2 |
| What Are Some Options to Change Child Nutrition Programs? | 2 |
| Child Nutrition Programs | 3 |
| BOX 1. THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM | 4 |
| National School Lunch Program and School Breakfast Program | 5 |
| BOX 2. THE SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN | 8 |
| Other Child Nutrition Programs | 8 |
| Characteristics of NSLP and SBP Participants | 10 |
| Demographics | 10 |
| Geographic Variation in Participation | 11 |
| Food Insecurity | 12 |
| Outcomes From Participating in Child Nutrition Programs | 14 |
| Trends in Federal Spending for Child Nutrition Programs | 16 |
| Changes in the Number and Types of Meals Served | 17 |
| Changes in Meal Reimbursements | 21 |
| Options to Change Child Nutrition Programs | 22 |
| Option 1: Eliminate the Reimbursement for Meals for Students From Higher-Income Households | 23 |
| Option 2: Replace Child Nutrition Programs With a Smaller Block Grant | 23 |
| Option 3: Increase the Income Limit for Free School Meals | 25 |
| Option 4: Increase Reimbursement Rates by 10 Cents | 25 |
| List of Tables and Figures | 27 |
| About This Document | 28 |



Child Nutrition Programs: Spending and Policy Options

Summary

Several federal programs support children's nutritional needs. In 2014, the federal government spent about \$20 billion to reimburse schools, child care centers, and after-school programs for children's meals. Those programs benefit mainly school-age children from low-income households. Other nutrition programs provide benefits directly to such households: the Supplemental Nutrition Assistance Program (SNAP; formerly the Food Stamp program) and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The largest of the five school- and center-based programs, the National School Lunch Program (NSLP), fed about 30 million children each school day in 2014 and cost \$12.7 billion. The federal government spent another \$3.7 billion in 2014 to feed about 14 million children through the School Breakfast Program (SBP). The government also spent \$3.6 billion to provide nutritional assistance in locations outside schools and during the summer, as well as to augment children's diets with milk. This report focuses on the school lunch and breakfast programs, which account for more than 80 percent of all spending for child nutrition programs.

Population growth, higher reimbursement rates, policy changes, and other factors more than doubled spending in real terms (meaning that values are adjusted for inflation) on child nutrition programs from 1990 to 2014. Continued increases in food prices and demographic changes are expected to contribute to further growth in spending on child nutrition programs. Under current law, the Congressional Budget Office projects, spending would rise to about \$31 billion in nominal dollars by 2025. Adjusted for expected inflation, that value represents an increase of 26 percent over 2014 spending.

How Do the School Meal Programs Operate?

The federal government reimburses participating schools for at least part of the cost of each meal that they serve to

students that meets nutrition standards. Household income typically determines how much the student is expected to pay for a meal and the amount of the government's reimbursement to the school:

- Meals are free for students from households with income of up to 130 percent of the federal poverty guidelines (commonly known as the federal poverty level, or FPL) or who meet criteria for categorical eligibility (that is, they automatically qualified by participating in certain other federal or state programs); those meals are reimbursed by the federal government at the highest rate.
- Students from households with income between 130 percent and 185 percent of the FPL pay a small amount for their meals (referred to as reduced-price meals), which the government reimburses at a lower rate.
- Students from households with income greater than 185 percent of the FPL pay a price for their meals that is set by the school; those meals (referred to as paid meals) are reimbursed at a still lower rate.

Schools that do not participate in the child nutrition programs do not receive federal reimbursements for any of the meals they serve, regardless of the household income of the child who receives the meal.

Beyond federal reimbursements for meals, participating schools receive commodity food products purchased by the Department of Agriculture (USDA) and may receive additional reimbursements if the share of students eligible for free and reduced-price meals exceeds certain thresholds. Although all meals served through child nutrition programs must meet nutritional standards, schools may receive additional reimbursements when state authorities certify such compliance.

What Are Some Characteristics of NSLP and SBP Participants?

Compared with children ages 5 to 18 overall, children in the school lunch and breakfast programs have different socioeconomic profiles. For example, a larger share of participants in those programs comes from lower-income households. Breakfast participation more closely reflects the child poverty rate in a state than does lunch participation. Participants in both programs are more likely to come from households headed by a single woman and identify themselves as non-Hispanic black or Hispanic. At some point in the year, nearly half of low-income households with children receiving a free or reduced-price lunch experienced food insecurity (difficulty providing enough food for all members of the household owing to a lack of resources). That proportion was more than twice as high as the overall proportion for households with children.

How Do Child Nutrition Programs Affect Participants?

The effects of participating in NSLP, SBP, or other child nutrition programs on children's nutritional intake, health outcomes, and educational achievement are unclear. Researchers studying that question have often reached conflicting or inconclusive results, in large part because it is often difficult to isolate the effects of the program from those of other factors.

What Has Caused Changes in Spending for Child Nutrition Programs?

Since 1990, federal spending for child nutrition programs has more than doubled in real terms. In 2014, schools and child care centers served 25 percent more lunches than in 1990 and more than tripled the number of breakfasts they served that year, providing many more meals at the free and reduced-price level. Demographic and economic factors; policy choices; and state, local, and household decisions contributed to growth in the number of meals served. Federal reimbursements per meal—which adjust automatically each year for changes in the price of food—also increased. And since October 2012, schools whose lunches state officials certify as meeting federal nutritional standards have received a small additional reimbursement.

What Are Some Options to Change Child Nutrition Programs?

To explore how changing child nutrition programs would affect federal spending, CBO assessed four options:

- Option 1. Eliminate the reimbursement for paid meals.
- Option 2. Replace child nutrition programs with a smaller block grant.
- Option 3. Increase the income limit for free meals.
- Option 4. Increase reimbursement rates by 10 cents.

By eliminating all reimbursements for meals served to students from households making more than 185 percent of the FPL, Option 1 would target federal reimbursements to children from households with the lowest incomes, reducing federal spending by \$11 billion from 2016 through 2025. One consequence, however, is that schools might raise prices for students from higher-income families. Some students might stop purchasing meals, causing schools to lose revenue and possibly leave the programs. If schools left, federal reimbursements for meals served to lower-income children also would cease.

For Option 2, CBO has estimated the savings from two alternatives for converting child nutrition programs to block grants. One alternative would peg the initial amount of the block grant to the 2007 budget authority for child nutrition programs and, over time, allow the grant to increase with a general measure of inflation. That alternative would reduce projected federal spending by about a third, \$81 billion, from 2016 to 2025. Another alternative would initially base the grant on 2014 budget authority and allow the amount of the grant to increase with growth in food prices; that alternative would reduce federal spending by \$21 billion (or about 8 percent) over the same period. These options would result in less federal spending because they would not adjust for changes in the number of meals served. Other base amounts of the grant or changes in growth rates would reduce federal spending by different amounts.

A block grant would make federal spending more predictable and would allow states more freedom to design programs suited to local needs. However, block grants that are smaller than the funding that current legislation would provide would probably eliminate access to nutrition programs for some children and reduce it for others. Such grants would also leave the programs unable to respond automatically to economic downturns.

Table 1.

Participation and Spending in Federal Child Nutrition Programs, 2014

| | Average Daily Participants (Millions) | Meals (Millions) | Cost (Billions of dollars) |
|---|--|---------------------|-------------------------------|
| National School Lunch Program | 30 | 5,020 | 12.7 |
| School Breakfast Program | 14 | 2,274 | 3.7 |
| Other Federal Child Nutrition Programs | | | |
| Child and Adult Care Food Program | 4 | 1,981 | 3.1 |
| Summer Food Service Program | 3 | 160 | 0.5 |
| Special Milk Program (Half-pints of milk) | | 50 | * |

Source: Congressional Budget Office, based on data from the Food and Nutrition Service, www.fns.usda.gov/pd/child-nutrition-tables.

Notes: * = between zero and \$50 million.

The Department of Agriculture does not report how many children participate in the Special Milk Program.

The federal government also makes funding available to states to supplement schools' purchases of fruits and vegetables through the Fresh Fruit and Vegetable Program. The Food and Nutrition Service reported that \$175 million was made available for the 2014–2015 school year, but CBO does not have information on program spending or participation.

Option 3, increasing the income limit for free meals, would effectively replace reduced-price meals with free meals; that option would increase federal spending by \$6 billion through 2025, CBO estimates. That change would increase revenues for schools and reduce the administrative burden of collecting fees for reduced-price lunches. However, this option could expand federal benefits to some families that can already afford what they pay for meals.

Option 4, increasing the reimbursement rate for meals by 10 cents, would increase federal spending by \$10 billion through 2025, CBO estimates. Those funds would allow schools to better meet the costs of providing meals to students and could help schools comply with updated nutrition standards but also would benefit schools that meet the standards without additional funding.

Child Nutrition Programs

The National School Lunch Program, the School Breakfast Program, and three other child nutrition programs administered by USDA's Food and Nutrition Service reimburse participating schools, child care centers, and after-school programs for part of the cost of meals to feed children and a small number of elderly and disabled adults (see Table 1).¹

Federal child nutrition programs are mandatory, or direct spending, programs. Most mandatory programs (Medicaid, for example) automatically have the authority

to spend whatever is needed to provide benefits to all eligible people who choose to participate. In contrast, funds for the child nutrition programs are appropriated annually—but, in practice, the money appropriated for those programs each year is the amount expected to cover the cost of providing benefits to all eligible applicants (and it generally does).² Many child nutrition programs also have smaller discretionary spending components, with specific projects funded in annual appropriation acts.

The federal child nutrition programs benefit children in schools and child care settings; other federal nutrition programs benefit households that often include children. The largest of those, SNAP, helps low-income households purchase food.³ The Food and Nutrition Service estimates that in 2013, 14.2 million school-age children and an additional 6.7 million preschool-age children lived in households that participated in SNAP (see Box 1). Those children represented about 44 percent of all SNAP

1. One of those three other programs, the Child and Adult Care Food Program, provides meals to 120,000 elderly or functionally impaired adults who receive care in nonresidential day care centers. Those people receive about 4 percent of the program's meals and account for about 4 percent of its cost.
2. If appropriated funds could not cover the cost of providing benefits to those who are eligible and receive meals, USDA would presumably request an additional appropriation.
3. For more information on SNAP, see Congressional Budget Office, *The Supplemental Nutrition Assistance Program* (April 2012), www.cbo.gov/publication/43173.

Box 1.**The Supplemental Nutrition Assistance Program**

The Supplemental Nutrition Assistance Program (SNAP; formerly known as the Food Stamp program) helps low-income households purchase food. In 2014, the federal government provided benefits to about 47 million people at a cost of about \$76 billion (see the figure). Although SNAP benefits support the nutritional needs of people of all ages, in 2013 about 44 percent of beneficiaries were children, including 14.1 million school-age children and 6.7 million pre-school-age children. On a prorated basis that year, SNAP benefits for those children amounted to about \$35 billion.

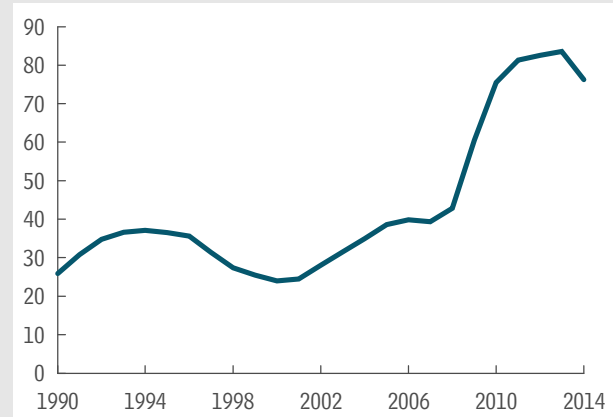
Although federal laws and regulations dictate the basic parameters of SNAP, states may modify the program through several policy options. Rules affecting eligibility therefore vary among the states. Benefit calculations, however, are generally the same nationwide, as is the maximum benefit that participants can receive. Federal and state governments share administration of the program and share administrative expenses, which totaled about \$7 billion in 2014.

Households become eligible for SNAP either because their members already participate in other assistance programs or on the basis of the household's income and assets. About 90 percent of households receiving SNAP benefits in fiscal year 2013 were considered categorically eligible: They automatically qualified by participating in other federal or state programs. A quarter of those households qualified because members received cash assistance from Temporary Assistance for Needy Families (TANF), Supplemental Security Income, or certain state programs that serve people with low income. In the remaining three-quarters of categorically eligible households, all members received (or were authorized to receive) noncash benefits from TANF (such as child care, transportation assistance, or a pamphlet describing TANF programs) and thereby qualified for SNAP benefits.

Households not categorically eligible for SNAP can qualify by meeting certain income and asset tests. Those tests are set by law and vary by household characteristics. In the month that households apply, gross income cannot exceed 130 percent of the monthly federal poverty guidelines, with net income (gross income minus certain allowable deductions) no more than 100 percent of those guidelines. For example, in most areas of the country, a four-person household

Spending on the Supplemental Nutrition Assistance Program

Billions of 2014 Dollars



Source: Congressional Budget Office, based on data from the Food and Nutrition Service and the Bureau of Economic Analysis.

must have no more than \$2,000 in net income to qualify. In addition, qualifying households must hold no more than \$2,250 in assets (cash or financial accounts) in 2015, excluding the value of a home, retirement or education savings accounts, and (in most states) cars. Households with at least one person age 60 or older or one disabled member have a higher asset limit.

SNAP benefits are based on a household's net income and size. The maximum benefit is determined by the number of people in the household and the cost of the Thrifty Food Plan, a basket of USDA-selected foods to provide a nutritious diet for a household of that size. In fiscal year 2015, for example, the maximum monthly benefit for a family of four in the contiguous United States is \$649; that maximum applies if the household has no net income. For each dollar that a household's net income increases above zero, SNAP benefits are reduced by 30 cents.

The government distributes SNAP benefits through EBT (electronic benefit transfer) cards, which people use to purchase food. EBT cards also limit what items people may purchase with SNAP benefits. Prohibited items include foods that are hot at the point of sale (for example, pizza sold by the slice), alcoholic beverages, tobacco products, vitamins, medicines, and other nonfood items (such as diapers, soaps, or other household supplies).

participants that year.⁴ WIC offers food vouchers and nutritional counseling for pregnant, postpartum, or breastfeeding women, infants, and other children under age 5 (see Box 2 on page 8). Through WIC, the federal government delivered nutrition benefits to 8.3 million people each month. Women and infants (up to 1 year old) each accounted for about one-quarter of WIC’s 8.3 million participants in 2014; children ages 1 to 4 accounted for the rest.

National School Lunch Program and School Breakfast Program

NSLP and SBP are the largest federal child nutrition programs, serving 30 million and 14 million children, respectively, on average each school day. In 2014, 52 percent of children from the ages of 5 to 18 participated in the school lunch program, and 23 percent participated in the school breakfast program. Together those two programs accounted for \$16.3 billion in federal outlays in 2014—82 percent of federal spending on child nutrition programs that year. Schools that participate in the lunch and breakfast programs receive reimbursements and other payments from the federal government.

The lunch and breakfast programs have similar structures. Children who participate receive meals at school; the federal government reimburses schools for those meals according to children’s household income or other characteristics of their household or school. To qualify for federal reimbursement, meals must meet USDA nutrition standards.

Qualifying for Free and Reduced-Price Meals. All children enrolled in schools that participate in the lunch or breakfast program may purchase the meals supported through the programs. However, children from low-income households may be eligible to receive those meals for free or at a reduced price; in 2014 such meals accounted for more than two-thirds of lunches served and an even larger share of breakfasts. Meals served through the lunch and breakfast programs are commonly referred to as follows:

- *Free meals* are served to students from households with incomes of up to 130 percent of the FPL or who meet criteria for categorical eligibility.⁵
- *Reduced-price meals* are served to students from households with incomes between 130 percent and 185 percent of the FPL. Such students pay no more than 40 cents for lunch and 30 cents for breakfast.
- *Paid meals* are served to students from households with incomes above 185 percent of the FPL. The school sets the price of a meal; in the 2011–2012 school year, the average price of a lunch varied from \$2.00 to \$2.20, depending on grade level.⁶

Students can qualify as *individuals* for free or reduced-price meals in two ways: by application or through categorical eligibility. Often, a member of the household applies to the school or school district to show that the household’s current income makes the student eligible. The student retains that eligibility for the rest of the school year but can apply for a higher reimbursement amount if the household’s economic circumstances worsen. Alternatively, students can automatically qualify for free meals if they are categorically eligible. To meet that criterion, students must live in a household in which someone receives benefits through SNAP, Temporary Assistance for Needy Families (TANF), the Food Distribution Program on Indian Reservations (FDPIR), and (in some states) Medicaid. Foster, homeless, runaway, and migrant children also qualify for free meals.⁷ Schools can determine categorical eligibility from a household’s application or by directly certifying eligibility with those other government programs.

Schools have several options that allow them to serve all meals at no charge to students and simplify the application process. Beginning with the 2014–2015 academic year, schools nationwide that operate in predominantly low-income areas could opt for the Community Eligibility Provision (CEP). Under that provision, schools can

4. Food and Nutrition Service, *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2013*, Report SNAP-14-CHAR (December 2014), Table 3.5, <http://go.usa.gov/3DXrx>.

5. In 2015, the FPL for a four-person household was \$24,250.
 6. Food and Nutrition Service, *Special Nutrition Program Operations Study: State and School Food Authority Policies and Practices for School Meals Programs School Year 2011–12*, Nutrition Assistance Program Report (March 2014), p. 11, <http://go.usa.gov/3DXkm>.
 7. The school district and social service agencies work together to identify runaway, homeless, and migrant children.

Table 2.**Basic Federal Reimbursement per Meal in the National School Lunch Program and School Breakfast Program, by Type of Meal, 2015–2016 School Year**

Dollars

| Meal and Eligibility Status | Contiguous States | Alaska | Hawaii |
|-----------------------------|-------------------|--------|--------|
| Lunch | | | |
| Free | 3.07 | 4.99 | 3.60 |
| Reduced price | 2.67 | 4.59 | 3.20 |
| Paid | 0.29 | 0.48 | 0.34 |
| Breakfast | | | |
| Free | 1.66 | 2.66 | 1.94 |
| Reduced price | 1.36 | 2.36 | 1.64 |
| Paid | 0.29 | 0.43 | 0.33 |

Source: Congressional Budget Office, based on data from the Food and Nutrition Service, “School Programs: Meal, Snack, and Milk Payments to States and School Food Authorities,” <http://go.usa.gov/3s5pV> (PDF, 102 KB).

Note: Payment rates were slightly lower in the 2013–2014 school year, the primary school year during fiscal year 2014.

offer all students free meals without collecting individual applications.⁸ Participating schools must offer free lunches and breakfasts to all students. For a school to qualify, at least 40 percent of students must be eligible for free meals because they participate in SNAP, TANF, or FDPIR, or on the basis of their status as foster, homeless, runaway, or migrant children. Two similar alternatives—Provisions 2 and 3—allow schools to serve meals free to all students while requiring applications once every four years. Unlike CEP, however, those provisions do not require schools to serve free lunch and free breakfast to all students, but schools may choose to serve only one of those meals free to all.⁹

Reimbursements to Participating Schools for Breakfast and Lunch Programs.

For each meal a school serves,

8. Adopting CEP in food service programs may require schools and districts to adjust how they collect information about students’ household income to qualify for federal education funding under Title I programs. Many school districts use data about students’ eligibility for free and reduced-price meals to help allocate Title I funds and to meet certain requirements under Title I to report on the academic progress of economically disadvantaged children. The federal Department of Education has offered guidance on using other poverty data sources for Title I purposes and on ways to use community eligibility data to allocate Title I funds among schools within a district. See Office of Elementary and Secondary Education, *Guidance: The Community Eligibility Provision and Selected Requirements Under Title I, Part A of the Elementary and Secondary Education Act of 1965, as Amended* (January 2014), www2.ed.gov/programs/titleiparta/13-0381guidance.doc (818 KB).

it gets a basic per-meal payment, and it may receive additional payments if a large share of its students are from low-income households. Schools in the lunch program also receive commodity foods through USDA and payments for meals that a state agency certifies as meeting federal nutrition standards.

The basic per-meal reimbursement depends on the household income of the student receiving the meal—that is, whether the student qualifies for a free, reduced-price, or paid meal (see Table 2), whether the meal is breakfast or lunch, and the school’s state (schools in Alaska and Hawaii receive larger reimbursements). Through the lunch program, schools may also receive federal reimbursements for after-school snacks served in programs sponsored or operated by schools.

Both the school lunch and the school breakfast program offer additional per-meal reimbursements for schools with large enrollments of low-income students. In both programs, schools qualify for the additional reimbursement on the basis of the share of free or reduced-price lunches served two years earlier. In the lunch program, if

9. Offering free meals to all students increases participation in the program, both by students who would be eligible for a free meal on the basis of income and those who would not. See, for example, Diane Whitmore Schanzenbach and Mary Zaki, *Expanding the School Breakfast Program: Impacts on Children’s Consumption, Nutrition and Health*, Working Paper 20308 (National Bureau of Economic Research, July 2014), www.nber.org/papers/w20308.

that measure reached 60 percent, per-meal reimbursements increase by 2 cents. The bar for the breakfast program is lower: Schools that reach a 40 percent share receive an additional payment for each free or reduced-price breakfast (33 cents in most states for the 2015–2016 school year).

Federal reimbursements are calculated differently for schools that opt for CEP, Provision 2, or Provision 3. Under CEP, the federal government multiplies the percentage of students who are directly certified to receive free meals on the basis of their households' participation in SNAP or other federal programs, or who are foster, homeless, runaway, or migrant children, by 1.6 to determine the share of meals it reimburses at the free rate. Any remaining meals are reimbursed at the paid rate. Schools must cover any remaining costs from nonfederal funds. Under Provision 2, a school determines students' eligibility for free or reduced-price meals in one year and counts the meals it serves that year at each reimbursement amount. In the next three years, the reimbursement equals the percentages established in the base year multiplied by the number of reimbursable meals served and the current reimbursement rate per meal. Under Provision 3, a school may choose to receive the same amount of cash reimbursements and commodities that it did in the last year it determined eligibility and counted meals by type. Under either alternative, schools must use nonfederal funds to pay the difference between federal reimbursements and the cost of serving all meals for free.

In addition to income-based reimbursements, all schools participating in the school lunch program receive an allotment (worth 23.75 cents for the 2015–2016 school year) for each meal served in the previous school year (regardless of household income) with which to purchase commodity foods through USDA.¹⁰ USDA purchases domestic agricultural products for the program and lists foods from which schools may select each year up to their allotted amount. Under certain circumstances, schools may receive the cash value in place of commodities. Though USDA provides the foods through the lunch program, schools may also use the products in the breakfast program. Schools can receive bonus commodities that result from USDA's surplus purchases of domestic agricultural goods.

10. Current law specifies the amount of the per-lunch commodity benefit, which is adjusted each year for inflation as measured by the producer price index for foods used in schools and institutions.

Finally, under the Healthy, Hunger-Free Kids Act of 2010 (HHFKA), schools are eligible to receive an additional reimbursement of 6 cents per lunch if the relevant state agency certifies that school meals meet federal nutrition standards. The next section discusses those standards.

Nutrition Standards. To improve children's health and reduce childhood obesity, the HHFKA required USDA to establish nutrition standards for the school meal programs. Those standards were based on recommendations from the Institute of Medicine and the *Dietary Guidelines for Americans, 2010*. Schools generally choose the foods to serve students, but the menus must satisfy federal requirements. To comply with the standards, lunches must include five components: fruits, vegetables, milk, grains, and meat or a meat alternative. The standards designate weekly and daily portion sizes for each component and require that a variety of vegetables be offered throughout the week. Milk must be low-fat or, if flavored, nonfat. Students may opt not to take all five components at any given meal, but for reimbursement through the lunch program, students may decline only two of the five components and must take at least one fruit or vegetable.

Beyond those requirements, the lunch program has minimum and maximum calorie requirements for meals for each of three grade level groupings (K–5, 6–8, and 9–12), targets for maximum sodium and saturated fat content, and a ban on trans fats. Although not every meal a school serves must meet those specifications, the average meal served in a week must. Nutrition standards for breakfast are different from those for lunch. Meals served through the breakfast program must contain milk, fruit, and whole grains, and schools may replace some of the whole grains with meat or meat alternatives. Like the lunch program, the breakfast program caps the amount of sodium and saturated fats permitted, and each grade level grouping has minimum and maximum calorie requirements.¹¹

To encourage participation in the breakfast program, USDA reimburses schools for breakfast served outside traditional cafeterias. Some schools use SBP funding to offer breakfast in the classroom or grab-and-go breakfasts.

11. Earlier nutrition standards included many of the same meal components, though with different requirements for portion sizes, required food groups in each meal, and nutrient and calorie ranges.

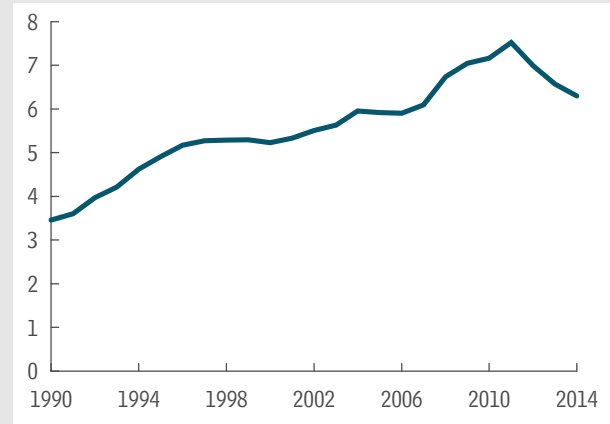
Box 2.**The Special Supplemental Nutrition Program for Women, Infants, and Children**

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) offers nutritional assistance to low-income women who are pregnant, postpartum, or breastfeeding and to young children. The program provides supplemental foods, nutritional counseling, and referrals for health care and other social services. WIC differs from most child nutrition programs in some important ways: The program targets women and their children who are not yet school-age, benefits are funded through discretionary appropriations, and benefits are in the form of vouchers rather than prepared meals. In 2014, WIC spent \$6.3 billion to deliver benefits to 8.3 million people, on average, each month. In real (inflation-adjusted) terms, federal spending on WIC more than doubled from 1990 to 2011, but decreased by 16 percent, or more than \$1 billion, between 2011 and 2014 (see the figure).

Women and infants (up to 1 year old) accounted for about one-half of WIC's 8.3 million participants in 2014, with children ages 1 to 4 accounting for the rest, whereas most child nutrition programs focus on school-age children. To qualify for WIC, a person must have household income that does not exceed 185 percent of the federal poverty level. Participation in the Supplemental Nutrition Assistance Program (SNAP), Medicaid, or Temporary Assistance for Needy Families (TANF) by the person or a family member automatically satisfies the income criteria. Unlike other federal nutrition programs, WIC is open to individual women and their children only after a health care professional judges their nutritional status to be at risk. Almost all women, infants, and children who are otherwise eligible for WIC are judged to be

Spending on the Special Supplemental Nutrition Program for Women, Infants, and Children

Billions of 2014 Dollars



Source: Congressional Budget Office, based on data from the Food and Nutrition Service and the Bureau of Economic Analysis.

at nutritional risk. The determination of nutritional risk can be based on a medical condition (such as anemia, weight problems, or past pregnancy complications) or dietary risks (such as inappropriate feeding practices or nutrition not meeting the current *Dietary Guidelines for Americans*).¹

1. Paul Johnson and others, *National and State-Level Estimates of Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Eligibles and Program Reach, 2012: Final Report*, Special Nutrition Programs Report WIC-15-ELIG (submitted by the Urban Institute to the Food and Nutrition Service, January 2015), <http://go.usa.gov/3GzzG> (PDF, 1.9 MB).

Continued

Other Child Nutrition Programs

The government spent \$3.6 billion for the other three federal child nutrition programs in 2014, 18 percent of federal spending on child nutrition programs that year. Those programs provide meals and snacks for children in locations outside school and during the summer when school is not in session. They also supply milk in schools that do not participate in other nutrition programs.

Child and Adult Care Food Program. The Child and Adult Care Food Program (CACFP) served meals and snacks to 3.9 million children and adults on average each day in day care facilities in 2014. Children in child care or other comparable facilities received 96 percent of CACFP meals; elderly or functionally impaired adults in nonresidential adult day care centers received the rest. In 2014, the federal government spent \$3.1 billion through CACFP.

Box 2.

Continued

The Special Supplemental Nutrition Program for Women, Infants, and Children

Funding for WIC benefits is discretionary, meaning that annual appropriation legislation determines funding each year. For most of the child nutrition programs, the government must, by law, serve all who are eligible, adjusting funding to serve all enrollees. However, the annual appropriation amount for WIC limits what the federal government can spend on the program. If a state or local agency lacks enough federal funding to enroll all possible WIC beneficiaries, that agency must establish a waiting list. Once spaces open up, priority goes to pregnant and breastfeeding mothers and to infants with medical nutritional risk. In recent years, WIC has had enough funding to serve all eligible applicants.

More than 70 percent of WIC funds are designated for food purchases. Most of the child nutrition programs offer prepared meals at a school or other care facility. WIC, in contrast, typically delivers benefits as vouchers or electronic benefit transfers that allow the individual to purchase specific foods in certain quantities each month. Each type of beneficiary (women who are

pregnant, postpartum, or breastfeeding, and infants and children under age 5) is allotted a set of foods intended to serve the nutritional needs of the individual. For example, the food package for women who are fully breastfeeding is larger than that for other postpartum women who are not breastfeeding. The set of foods for infants who are not breastfeeding includes infant formula and, for older infants, baby foods and cereals. Although the federal government sets the types and quantities of food in each food package, each state designates products that satisfy those requirements.

Besides food vouchers, WIC offers participants several other benefits. Breastfeeding mothers can receive education and counseling and breast pumps to support continued breastfeeding. WIC also provides nutrition education and counseling for all participants. Finally, the state and local agencies that implement WIC must also refer participants to other health, welfare, and social services they may qualify for, including SNAP, Head Start, TANF, and immunization programs.

CACFP meals may be served in private homes where day care is provided or in day care centers. Both types of facilities must be licensed and approved by the state. The facilities can be public, nonprofit, or for-profit, but a certain share of the enrollees at the for-profit centers must be from households with low income. CACFP centers include the following: child care centers, which offer care for infants, young children, and school-age children outside school hours; Head Start programs; after-school enrichment programs for at-risk children in low-income areas; emergency shelters; and adult day care facilities that serve adults who are age 60 or over or functionally impaired.

The varied facilities that participate in CACFP receive federal funds in several ways for the meals they serve, but all reimbursed meals must meet federal nutrition guidelines for the age group served. States also are eligible for CACFP funds to cover expenses of supervising the program and assisting participating facilities.

Summer Food Service Program. The Summer Food Service Program (SFSP) supports meals and snacks served

to children at schools, camps, and other organizations during the summer when school is not in session.¹² In 2014, the federal government spent \$466 million through SFSP on 160 million meals served at 45,000 sites. Peak participation in July included nearly 3 million children. Children receive SFSP-reimbursed meals at three types of facilities:

- *Open sites* are located in areas where a certain share of the school-age population qualifies for free and reduced-price meals. Those sites serve meals to all children in the area on a first-come, first-served basis.
- *Closed enrolled sites* offer free meals to children enrolled in a program or activity. Such sites must either be located in a similarly eligible area or have at least half of enrolled children eligible for free or reduced-price meals.

12. For schools that operate year-round, the program also subsidizes meals and snacks served during school vacations.

- *Camps*, which the government may reimburse for serving meals to children who meet income eligibility requirements.

Special Milk Program. Schools, child care institutions, and camps that do not participate in other federal child nutrition programs may participate in the Special Milk Program (SMP). Through SMP, the federal government reimburses those facilities for each half-pint of milk they serve (20 cents for each half-pint in the 2015–2016 school year). Some schools that participate in the meal programs also participate in SMP for the milk they serve to children in half-day prekindergarten or kindergarten programs that do not serve other school meals. In fiscal year 2014, facilities served about 50 million half-pints of milk through SMP, at a federal cost of \$11 million. Participating schools and institutions agree to operate their milk programs on a nonprofit basis and to use the federal funds to reduce the price of milk for children. If household income would make a student eligible for free meals, that child’s milk can be served free and the federal government reimburses the school for the cost of that milk.

Characteristics of NSLP and SBP Participants

In 2014, an average of about 30 million children received meals through the National School Lunch Program and 14 million children received meals through the School Breakfast Program each day. Because those programs are larger than other child nutrition programs, in both spending and participation, more information is available on the demographic and socioeconomic characteristics of their participants than for those in the other programs. In particular:

- Compared with all school-age children, participants in the school lunch and breakfast programs are more likely to come from lower-income households, less likely to come from households headed by a married couple, and more likely to identify themselves as non-Hispanic black or Hispanic.
- Children who receive free or reduced-price lunches are more likely to come from a household that has experienced food insecurity than is the case for nonparticipating children from households with similar income.
- Children who participate in the breakfast program are also likely to participate in the lunch program, but the programs’ participants reflect different socioeconomic profiles. For example, participation in the breakfast program is more closely aligned with a state’s child poverty rate than is participation in the lunch program.

Demographics

Children who participate in the school lunch and breakfast programs are more likely to live in households headed by a single woman and are more likely to have household income at or below 185 percent of the federal poverty thresholds than are all school-age children. In this section, CBO draws on data from the U.S. Census Bureau’s Survey of Income and Program Participation (SIPP) to classify participants by ethnicity and race, age, ratio of income to poverty, and household composition.¹³

Income-to-Poverty Ratio. According to SIPP data, participants in the school meal programs are much more likely than are all school-age children to have household income that is below the federal poverty thresholds (see Figure 1). And students who receive free lunches or breakfasts are much more likely to come from households with income below that of other participants. In 2011, nearly half of students who received free meals lived in poverty, compared with 22 percent of students overall.¹⁴

Household Composition. Children in the school lunch and breakfast programs in 2011 were more likely than were all students to live in households headed by a single woman (see Figure 2). Among participating children, those who received free school lunches or breakfasts in 2011 were more likely than other participating children to live in households headed by a single woman. About

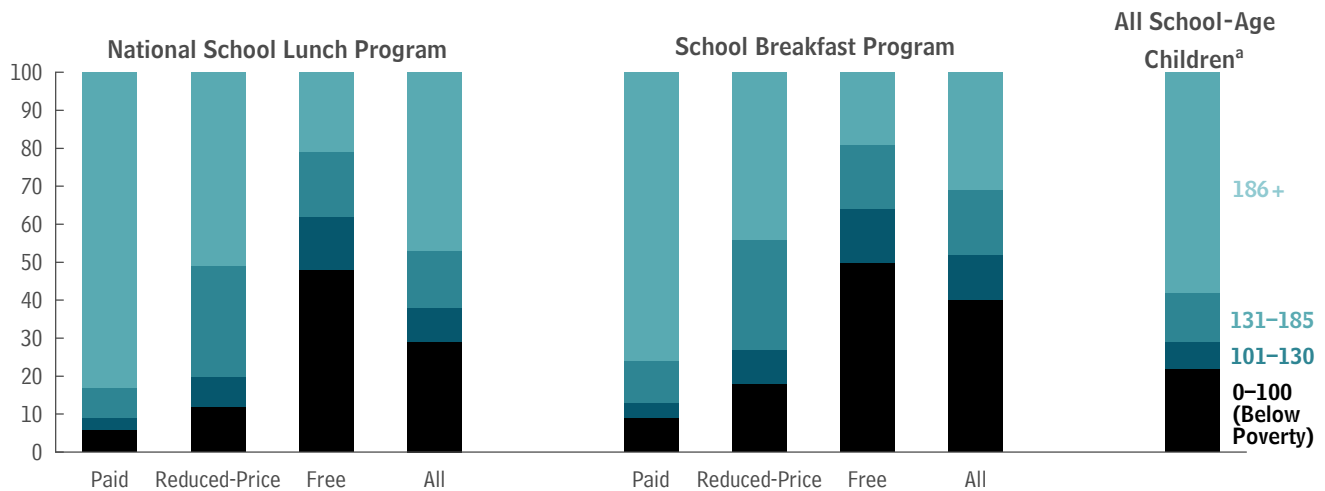
13. This analysis updates similar calculations based on earlier data in a paper by Constance Newman and Katherine Ralston, *Profiles of Participants in the National School Lunch Program: Data From Two National Surveys*, Economic Information Bulletin 17 (Economic Research Service, August 2006), <http://go.usa.gov/3wrXj>.

14. The ratio of household income to the federal poverty thresholds may not match the levels specified in the programs’ eligibility criteria because a student’s eligibility is typically determined once per school year depending on household income in the current month (or in a more typical month, if the current month’s income is uncharacteristically high). Incomes reported in the SIPP are based on the time of the survey and may not match what would have been reported on an application for free or reduced-price school meals. Also, for a discussion of the variability in reported household income in the SIPP, see Congressional Budget Office, *Recent Trends in the Variability of Individual Earnings and Household Income* (June 2008), Appendix, www.cbo.gov/publication/41714.

Figure 1.

Participation in the School Lunch and Breakfast Programs, by Income-to-Poverty Ratio, 2010–2011 School Year

Percent



Source: Congressional Budget Office, based on data from the Census Bureau’s Survey of Income and Program Participation.

a. Includes all children ages 5–18 regardless of participation in school meal programs. Values show household income as a percentage of the federal poverty threshold (in 2011, the threshold was about \$23,900 in 2014 dollars for a family of four with two children).

45 percent of participants receiving free meals lived in such households, compared with 15 percent to 20 percent of participants who received paid meals and one-quarter of all school-age children.

Ethnicity and Race. Children in the school lunch and school breakfast programs are more likely than all school-age children to identify themselves as non-Hispanic black or Hispanic (see Figure 3). In 2011, about 45 percent of lunch participants and 61 percent of breakfast participants were in those two groups, compared with 37 percent of all school-age children.

Among participants in the school lunch and school breakfast programs, non-Hispanic black and Hispanic children accounted for a larger share of the children receiving free and reduced-price meals than they did of children paying full price. For example, about two-thirds of children who received free lunches (64 percent) and free breakfasts (68 percent) identified themselves as belonging to one of those groups.

Geographic Variation in Participation

Participation in child nutrition programs varies from state to state for several reasons, including differences in incomes and poverty rates, which affect eligibility, and in how states decide to implement the programs. Because eligibility for programs such as SNAP and TANF can

qualify a child for free meals, the criteria that states set for participation in those programs can affect eligibility for child nutrition programs. States also determine what food service programs schools must offer and fund those programs at different levels.¹⁵ School districts have discretion about the foods they serve, provided that they meet USDA nutrition standards. Those food choices can affect students’ willingness to eat the meals served.

North Dakota had the highest participation in the school lunch program in 2014, with 70 percent of children ages 5 to 18 receiving meals (compared with the national average of 52 percent).¹⁶ That was nearly twice the rate in Alaska, which had the lowest lunch participation rate—

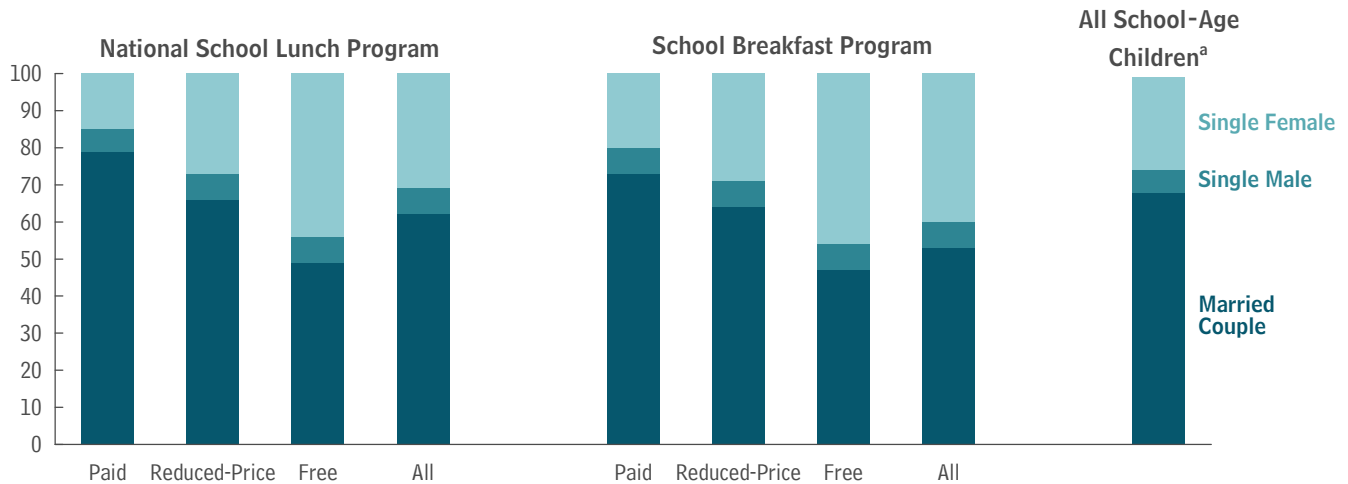
15. See, for example, School Nutrition Association, “School Meal Mandates and Reimbursements Across the U.S.: School Year 2013–2014—As of November 2013,” <http://tinyurl.com/prs4lhk> (PDF, 430 KB).

16. To determine state-level participation rates, CBO calculated the ratio of 2014 NSLP and SBP participants from data reported by the Food and Nutrition Service to the population ages 5–18 determined by the Census Bureau as of July 2014. That calculation does not include people receiving benefits in Guam, Puerto Rico, or the U.S. Virgin Islands. It also excludes the children of armed forces personnel attending Department of Defense schools overseas. Free and reduced-price participation rates reflect the ratio of NSLP and SBP participants at the free and reduced-price levels to the population ages 5–18.

Figure 2.

Participation in the School Lunch and Breakfast Programs, by Type of Household, 2010–2011 School Year

Percent



Source: Congressional Budget Office, based on data from the Census Bureau’s Survey of Income and Program Participation.

b. Includes all children ages 5–18 regardless of participation in school meal programs.

36 percent. Participation in the breakfast program varied even more, ranging from a high of 44 percent in West Virginia to a low of 10 percent in New Hampshire (compared with the national average of 23 percent).

Overall participation rates by state encompass all reimbursement levels. For participation at only the free and reduced-price levels, states with the highest participation rates are among the states with the highest child poverty rates (see Figure 4). In particular, 7 of the 10 states with the highest shares of children living in poverty were among the 10 states with the highest rates of participation in the breakfast and lunch programs at the free and reduced-price levels. In the breakfast program, there are fewer differences among states between overall participation and participation at the free and reduced-price levels than there are in the lunch program; free meals play a much larger role at breakfast than at lunch. In 2014, schools served 78 percent of breakfasts free to students, whereas 64 percent of lunches were free.

School districts with a larger share of children living in poverty report larger federal nutrition payments per student than lower-poverty school districts (see Table 3 on page 15). In 2013, the quintile of school districts with the highest child poverty rates (with an average of 35 percent of children living in poverty) received \$454 per student from the federal government for child nutrition

programs.¹⁷ That amount is more than three times the \$123 per student that school districts with the lowest levels of child poverty received. School districts received much smaller amounts from states for school nutrition programs; many districts reported no state payments for child nutrition programs.

Food Insecurity

About 80 percent of households with children were considered “food secure” throughout calendar year 2013, meaning that all members always had access to enough food for an active, healthy life. (Food security is determined by responses to a set of questions in a supplement to the Current Population Survey.)¹⁸ The remaining 20 percent of households with children, 7.5 million households, were food insecure (that is, they had difficulty providing enough food for all members owing to a lack of resources) at least some time during the year. In half of those households, children and adults alike were food insecure at some point in the year.

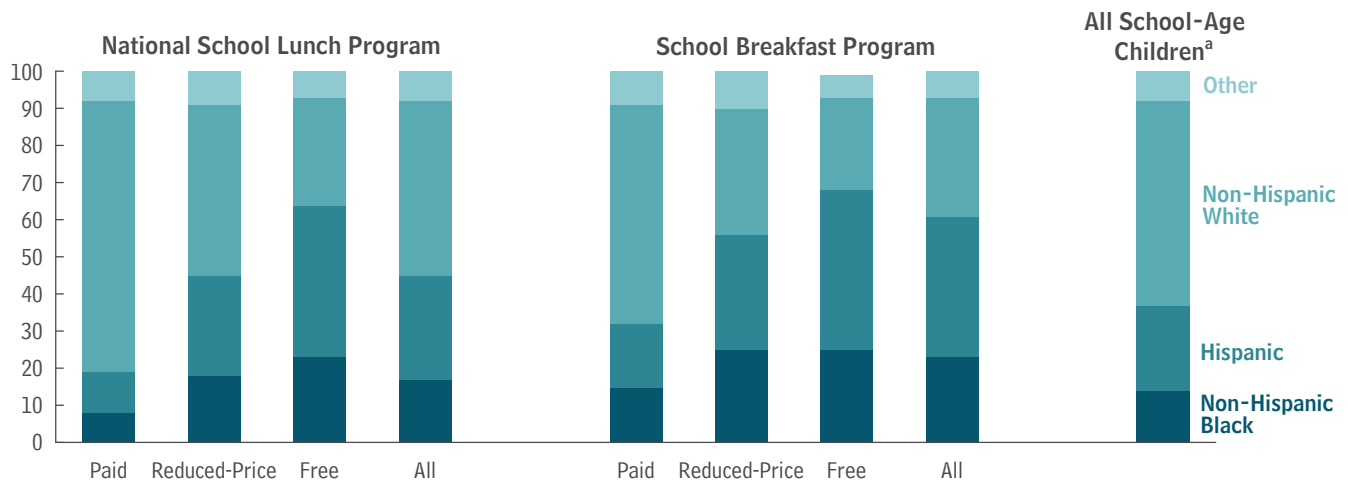
17. CBO grouped school districts into quintiles (that is, 20 percent shares of school districts) according to the share of children ages 5–17 in families living at or below the federal poverty thresholds.

18. Alisha Coleman-Jense, Christian Gregory, and Anita Singh, *Household Food Security in the United States in 2013*, Economic Research Report ERR-173 (Economic Research Service, September 2014), Tables 1B and 8, <http://go.usa.gov/3DmVT>.

Figure 3.

Participation in the School Lunch and Breakfast Programs, by Ethnicity, 2010–2011 School Year

Percent



Source: Congressional Budget Office, based on data from the Census Bureau’s Survey of Income and Program Participation.

a. Includes all children ages 5–18 regardless of participation in school meal programs.

About half of households with school-age children who received free or reduced-price school lunches were food insecure at some point in 2013. In households with similar incomes where children did not receive a free or reduced-price lunch, 27 percent experienced food insecurity during the year. Among households with school-age children and income at or below 185 percent of the federal poverty thresholds, very low food security occurred more often in households participating in school lunch programs (18 percent) than in nonparticipating households (9 percent) in the same income range. (Very low food security occurs when a lack of resources reduces food intake or disrupts eating patterns for at least one household member.)

The data do not show why children from those non-participating households do not use the school lunch program to supplement their own diet or to free household resources to feed other household members. Several explanations are possible. The period of food insecurity may have occurred outside the school year, reduced-price school meals may have been unaffordable, children may have attended schools not participating in the school lunch program, or some eligible children may have been unaware of the program or chosen not to participate in the program.¹⁹

Many researchers have found that participation in school meal programs reduces food insecurity; those results are not inconsistent with the higher prevalence of food insecurity in households with children who receive free or

reduced-price meals through the school lunch program.²⁰ A child who participates in the school lunch program may be from a household where food security is especially low, so that the assistance is not enough to eliminate food insecurity. Children from households with very low food security are probably more likely to participate in the program than children from households with sufficient resources to obtain enough food.²¹

19. Several factors contribute to food insecurity among children. See Craig Gundersen and James Ziliak, *Childhood Food Insecurity in the U.S.: Trends, Causes, and Policy Options*, Research Report (Future of Children, Fall 2014), <http://tinyurl.com/pcf6h66>.

20. For example, see Irma Arteaga and Colleen Heflin, “Participation in the National School Lunch Program and Food Security: An Analysis of Transitions Into Kindergarten,” *Children and Youth Services Review*, vol. 47, part 3 (December 2014), pp. 224–230, <http://dx.doi.org/10.1016/j.childyouth.2014.09.014>; and Judith S. Bartfeld and Hong-Min Ahn, “The School Breakfast Program Strengthens Household Food Security Among Low-Income Households With Elementary School Children,” *Journal of Nutrition*, vol. 141, no. 3 (March 2011), pp. 470–475, <http://jn.nutrition.org/content/141/3/470.full>.

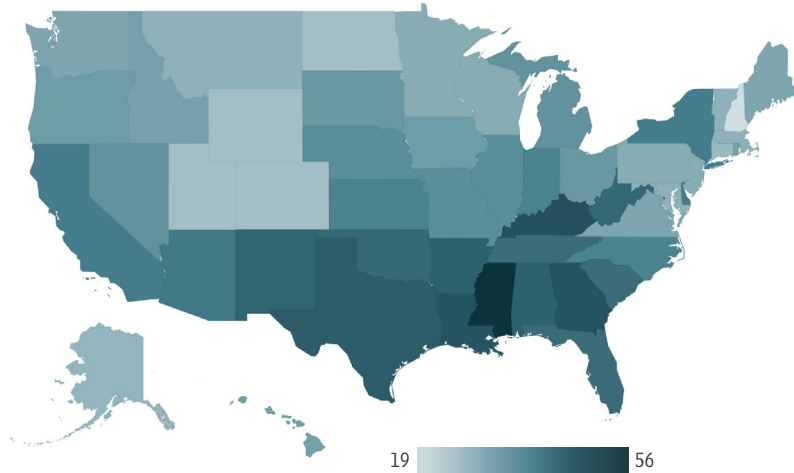
21. For a discussion of the selection issue and how it affects the relationship between food insecurity and participation in the school lunch program, see Craig Gundersen, Brent Kreider, and John Pepper, “The Impact of the National School Lunch Program on Child Health: A Nonparametric Bounds Analysis,” *Journal of Econometrics*, vol. 166, issue 1 (January 2012), pp. 79–91, <http://dx.doi.org/10.1016/j.jeconom.2011.06.007>.

Figure 4.

Child Poverty and Free and Reduced-Price Participation in School Lunch and Breakfast Programs, by State, 2014

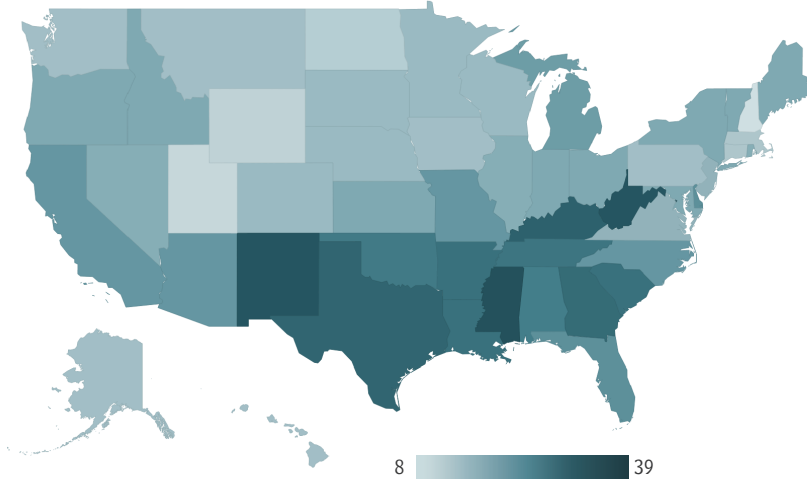
Percent

National School Lunch Program (NSLP)



| | Free and Reduced-Price NSLP Participation | | Child Poverty | |
|----------------------|---|------|---------------|------|
| | Rate | Rank | Rate | Rank |
| Mississippi | 56 | 1 | 32 | 1 |
| District of Columbia | 56 | 2 | 30 | 2 |
| Kentucky | 49 | 3 | 24 | 13 |
| Georgia | 48 | 4 | 25 | 9 |
| Louisiana | 48 | 5 | 27 | 4 |
| Texas | 46 | 6 | 24 | 12 |
| Arkansas | 45 | 7 | 26 | 5 |
| Alabama | 45 | 8 | 26 | 6 |
| New Mexico | 44 | 9 | 29 | 3 |
| Oklahoma | 43 | 10 | 22 | 18 |

School Breakfast Program (SBP)



| | Free and Reduced-Price SBP Participation | | Child Poverty | |
|----------------------|--|------|---------------|------|
| | Rate | Rank | Rate | Rank |
| District of Columbia | 39 | 1 | 30 | 2 |
| Mississippi | 33 | 2 | 32 | 1 |
| West Virginia | 32 | 3 | 24 | 11 |
| New Mexico | 32 | 4 | 29 | 3 |
| Kentucky | 30 | 5 | 24 | 13 |
| Texas | 29 | 6 | 24 | 12 |
| Georgia | 28 | 7 | 25 | 9 |
| South Carolina | 27 | 8 | 25 | 7 |
| Louisiana | 27 | 9 | 27 | 4 |
| Arkansas | 27 | 10 | 26 | 5 |

Source: Congressional Budget Office, based on data from the Census Bureau and the Food and Nutrition Service.

Notes: To determine state-level free and reduced-price participation rates, CBO calculated the ratio of 2014 NSLP and SBP participants at the free and reduced-price levels to the population ages 5–18.

Child poverty rates are based on 2013 data, the most recent available.

Outcomes From Participating in Child Nutrition Programs

Participating in child nutrition programs has uncertain effects on children’s diets, health, and educational achievement. Several factors may affect both program participation and eating habits. The effects of those

commingled factors are hard to isolate, which makes determining how those programs affect children’s diets difficult. That difficulty is amplified for researchers trying to establish the programs’ more indirect effects on other outcomes, including children’s health, obesity status, and educational achievement.

Table 3.
Payments for Child Nutrition Programs, by Child Poverty Rate of School District, 2013

| Quintile | Average Child Poverty Rate (Percent) | Average Payment per Student (2014 Dollars) | | |
|---------------------|--------------------------------------|--|------------------|--------------------|
| | | Federal Government | State Government | Local ^a |
| 1 (Lowest poverty) | 7 | 123 | 7 | 217 |
| 2 | 13 | 211 | 11 | 185 |
| 3 | 18 | 278 | 12 | 157 |
| 4 | 24 | 338 | 14 | 126 |
| 5 (Highest poverty) | 35 | 454 | 13 | 87 |

Source: Congressional Budget Office, based on the Census Bureau’s Small Area Income and Poverty Estimates (December 2014) and Public Elementary–Secondary Education Finance Data (June 2015).

Note: Data are for children ages 5–17 in families at or below the federal poverty threshold. The 2013 federal poverty threshold for a family of four with two children was \$23,624 in 2014 dollars. Payments are calculated per student rather than per participant in school meal programs.

a. Local payments include payments by local governments as well as food and meal purchases paid for by students or their families.

Though the literature on the topic is limited, research has not identified a uniform relationship between school meal programs and nutritional intake. Comparing diets of NSLP participants and nonparticipants from the late 2000s—before the most recent changes in nutrition standards—researchers found differences in consumption of foods, vitamins, and nutrients.²² Children participating in NSLP who were eligible for free or reduced-price meals had somewhat higher-quality diets than nonparticipants in households with similar income. Some differences in the lunches of participants and nonparticipants from all income levels persisted throughout the day, whereas others did not. For example, participants were more likely than nonparticipants to consume milk and vegetables, both at lunch and throughout the day. Participants were less likely than nonparticipants to consume salty snacks and desserts at lunch, but those differences largely disappeared over an entire day. Compared with children from similar households, participating children who were eligible for free or reduced-price meals consumed more of some nutrients but less of others. Researchers could not determine whether those differences were the result of participation in the lunch program because the study did not control for other factors that could also influence diet quality.

But an earlier study using similar data from the mid-1990s controlled for other factors. Children in the lunch program consumed less added sugar, got more vitamins and minerals during the day, and consumed more milk and meat.²³ Although consuming more milk and meat probably increased fat intake, NSLP participation did not affect the number of calories children consumed in a day.

A more extensive body of work shows that participating in lunch, breakfast, and other child nutrition programs affects other, more indirect outcomes, including educational achievement, health, and obesity. That research faces similar challenges in reaching consensus for most outcomes. Studies of educational outcomes show varied results. In one study, availability of the SBP in a school helped improve math and reading achievement, whereas other research found that NSLP participation did not significantly affect math and reading test scores.²⁴ Research

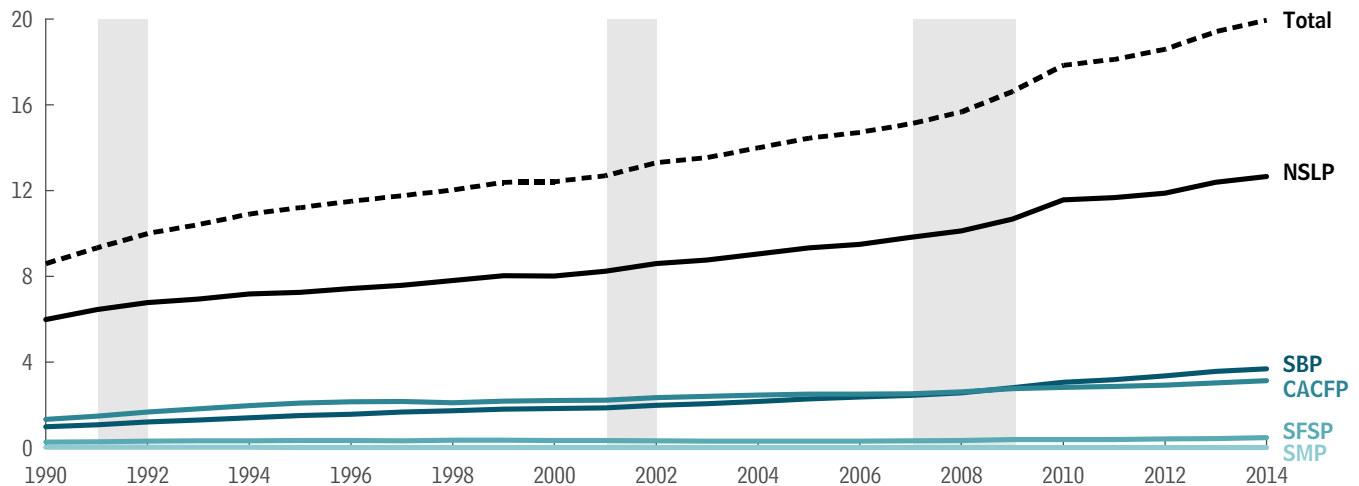
22. Elizabeth Condon and others, *Diet Quality of American School Children by National School Lunch Program Participation Status: Data From the National Health and Nutrition Examination Survey, 2005–2010* (submitted by Walter R. McDonald & Associates, May 2015), <http://go.usa.gov/3wC63>.

23. Philip M. Gleason and Carol W. Suiitor, “Eating at School: How the National School Lunch Program Affects Children’s Diets,” *American Journal of Agricultural Economics*, vol. 85, issue 4 (November 2003), pp. 1047–1061, <http://dx.doi.org/10.1111/1467-8276.00507>.

24. David E. Frisvold, “Nutrition and Cognitive Achievement: An Evaluation of the School Breakfast Program,” *Journal of Public Economics*, vol. 124 (April 2015), pp. 91–104, <http://dx.doi.org/10.1016/j.jpubeco.2014.12.003>; and Rachel Dunifon and Lori Kowaleski-Jones, “The Influences of Participation in the National School Lunch Program and Food Insecurity on Child Well-Being,” *Social Service Review*, vol. 77, no. 1 (March 2003), pp. 72–92, <http://dx.doi.org/10.1086/345705>.

Figure 5.**Federal Spending for Child Nutrition Programs, 1990–2014**

Billions of 2014 Dollars



Source: Congressional Budget Office, based on data from the Food and Nutrition Service and the Bureau of Economic Analysis.

Notes: To adjust for inflation, CBO used the price index for personal consumption expenditures to convert nominal dollars into fiscal year 2014 dollars.

CACFP = Child and Adult Care Food Program; NSLP = National School Lunch Program; SBP = School Breakfast Program; SFSP = Summer Food Service Program; SMP = Special Milk Program.

on how school meal programs affect health and obesity also returns a diverse set of results.²⁵

Trends in Federal Spending for Child Nutrition Programs

The federal government spent \$20.0 billion on child nutrition programs in 2014, more than double (in real terms) the \$8.6 billion spent in 1990 (see Figure 5).²⁶ Spending on NSLP more than doubled in real terms over the 1990–2014 period, rising from \$6.0 billion (in 2014 dollars) in 1990 to \$12.7 billion in 2014. On average, real spending for the lunch program grew by about 3 percent per year. SBP has grown more rapidly, though it remains much smaller; spending for that program almost quadrupled in real terms, from about \$1.0 billion (in 2014 dollars) in 1990 to \$3.7 billion in 2014. On average, real spending for SBP grew by 6 percent per year.

25. For a recent study reviewing that literature, see Hilary W. Hoynes and Diane Whitmore Schanzenbach, *U.S. Food and Nutrition Programs*, Working Paper 21057 (National Bureau of Economic Research, March 2015), www.nber.org/papers/w21057.

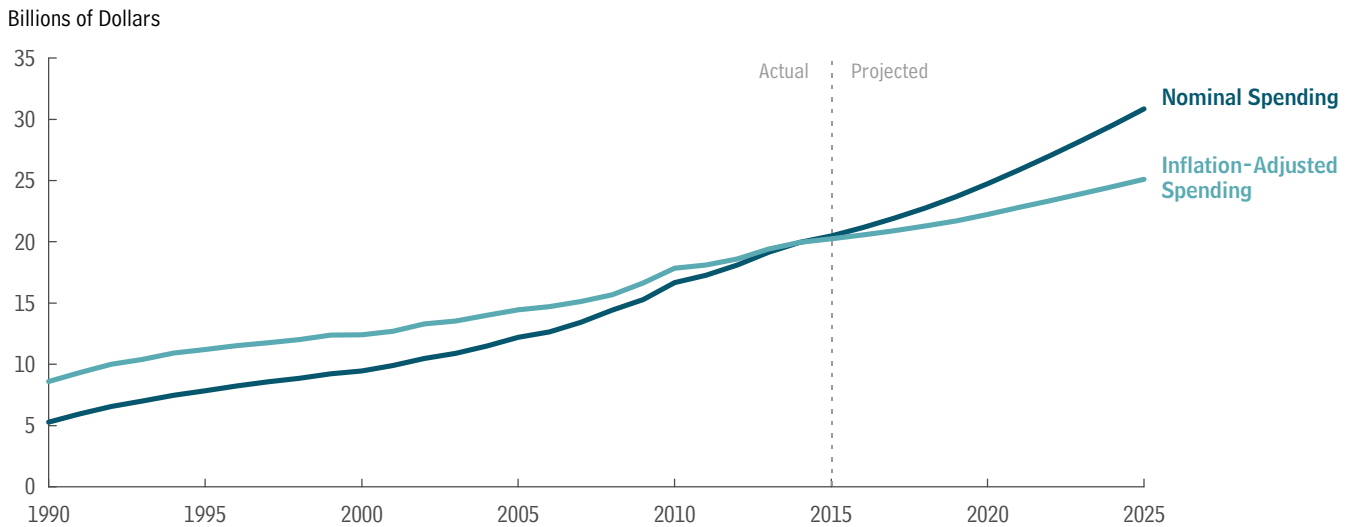
26. Spending amounts are adjusted for changes in the price index for personal consumption expenditures.

Federal spending for other child nutrition programs—which account for a much smaller share of total spending on child nutrition programs—also grew over this time, by about \$2.0 billion (in 2014 dollars), collectively. Real spending more than doubled for the Child and Adult Care Food Program and grew by about 75 percent for the Summer Food Service Program. In contrast, the Special Milk Program—the smallest federal child nutrition program—shrank by two-thirds over the same period; many schools opted instead to participate in the meal programs.

Increases in federal spending for the lunch and breakfast programs are due mainly to growth in the number of meals served and changes in types of meals served. Federal spending on the lunch and breakfast programs increased by \$6.7 billion and \$2.7 billion, respectively, from 1990 to 2014. Had reimbursement rates remained constant at 1990 levels, federal spending would have increased (in real terms) by about \$5.0 billion for the lunch program and by about \$2.5 billion for the breakfast program from 1990 to 2014. Those increases are based solely on changes in the number of meals served in each program at each reimbursement amount. Those increases account for about three-fourths of the increase in federal spending on the lunch program and almost 95 percent of

Figure 6.

Federal Spending for Child Nutrition Programs, 1990–2025



Source: Congressional Budget Office, based on data from the Food and Nutrition Service and the Bureau of Economic Analysis.

Note: Inflation-adjusted spending is presented in 2014 dollars. Inflation adjustments to actual spending are made using the price index for personal consumption expenditures (PCE) deflator, and adjustments to projected spending are made using CBO’s projected changes in the PCE deflator. Projections are based on CBO’s March 2015 baseline, adjusted for 2015–2016 reimbursement rates. Projections include administrative funding for the Summer Food Service Program and the Child and Adult Care Food Program. However, those projections differ slightly from other CBO projections in that they do not include administrative funding for the National School Lunch Program, the School Breakfast Program, or the Special Milk Program because the historical data do not include those funds. The projections also differ because they include funding for commodities that is paid for by using section 32 funds.

the increase in federal spending for the breakfast program. Demographic and economic factors, policy choices, and decisions by state and local governments and by households contributed to growth in the number of meals served.

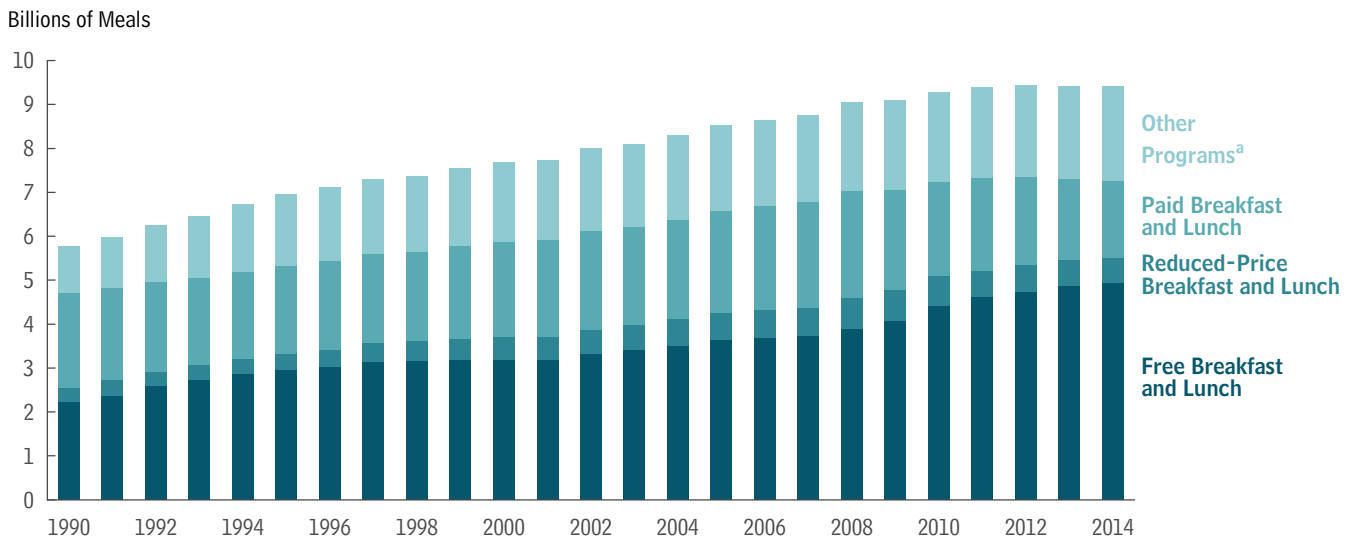
Changes in reimbursement rates contributed less to the growth in federal spending for the lunch and breakfast programs. If the number and types of meals were held constant at 1990 levels, federal spending would have increased (in real terms) by about \$1.6 billion for the lunch program and by less than \$200 million for the breakfast program.²⁷ That projection is based solely on changes in the reimbursement rates. Those rates increased over the 1990–2014 period both because by law, USDA adjusts them for growth in the price of food, and because a recent policy change provided an additional payment for meals that met nutrition standards.

27. Growth in the number of meals served and growth in reimbursement rates interact in ways that push program spending higher than it would have been otherwise. The interactions between those factors—which, in this analysis, are attributed to each factor in proportion to each one’s direct contribution—helped to cause the change in program spending.

Continued increases in food prices and demographic changes are expected to contribute to continued growth in spending on child nutrition programs. CBO projects that, under current law, federal spending on child nutrition programs will reach about \$31 billion in nominal terms by 2025—a 26 percent increase after the effects of expected inflation are excluded (see Figure 6).

Changes in the Number and Types of Meals Served

The federal government reimburses schools on a per-meal basis, on the basis of the household income of the child who receives the meal. Therefore, spending on school meal programs is directly related to the number and type of meals served. In 2014, schools served more than 5 billion meals through the lunch program, an increase of more than 25 percent from the 4 billion lunches served in 1990 (see Figure 7). The increase in the number of free lunches was even larger; 1.5 billion more free lunches were served in 2014 than in 1990, an increase of more than 90 percent. The number of lunches served at the reduced-price rate increased by a smaller amount (130 million meals, or almost 50 percent). In contrast, schools served about 650 million (or about 30 percent) fewer paid lunches in 2014 than in 1990.

Figure 7.**Meals Served in Child Nutrition Programs, 1990–2014**

Source: Congressional Budget Office, based on data from various child nutrition tables from the Food and Nutrition Service, www.fns.usda.gov/pd/child-nutrition-tables.

b. Includes participation in the Child and Adult Care Food Program and the Summer Food Service Program.

In 2014, more than 3.5 billion lunches were served in schools where more than 60 percent of students qualify for free or reduced-price meals—nearly three times the number of lunches that met that criterion in 1990. Those schools received an additional 2-cent reimbursement for each of those meals. The changes in the number and types of lunches served and the increase in the number of meals receiving the additional 2-cent reimbursement would have increased federal spending on the lunch program by about \$5 billion (in real terms) if they had been reimbursed at 1990 rates.²⁸

The number of meals served in the breakfast program more than tripled between 1990 and 2014, from about 700 million to more than 2 billion. As with the lunch program, the increase in the number of free meals served accounted for most of that growth—from 600 million free meals in 1990 to 1.8 billion in 2014. The number of breakfasts served at the reduced-price and paid rates grew by much smaller amounts over the same period (by about 130 million and 250 million meals, respectively). The number of breakfasts eligible for an additional reimbursement because they were served in “severe need” schools (where more than 40 percent of lunches served two years earlier were free or reduced price) also grew significantly

over the 1990–2014 period, from 400 million to 1.8 billion. Those changes in the number and types of breakfasts served would have increased federal spending on the breakfast program by more than \$2.5 billion (in real terms) if they had been reimbursed at 1990 rates.

Several factors contributed to the growth in number of meals served through the breakfast and lunch programs. Demographic and socioeconomic changes and expanded participation by schools increased the number of children eligible to participate, especially at the free and reduced-price levels. Federal policy changes made it easier for some families to participate by reducing or eliminating the amount of documentation required to apply for free or reduced-price meals. In addition, as discussed below, decisions by state and local governments and by households all affected the number of lunches and breakfasts that children consumed through the programs.

Population, Economic, and School Participation

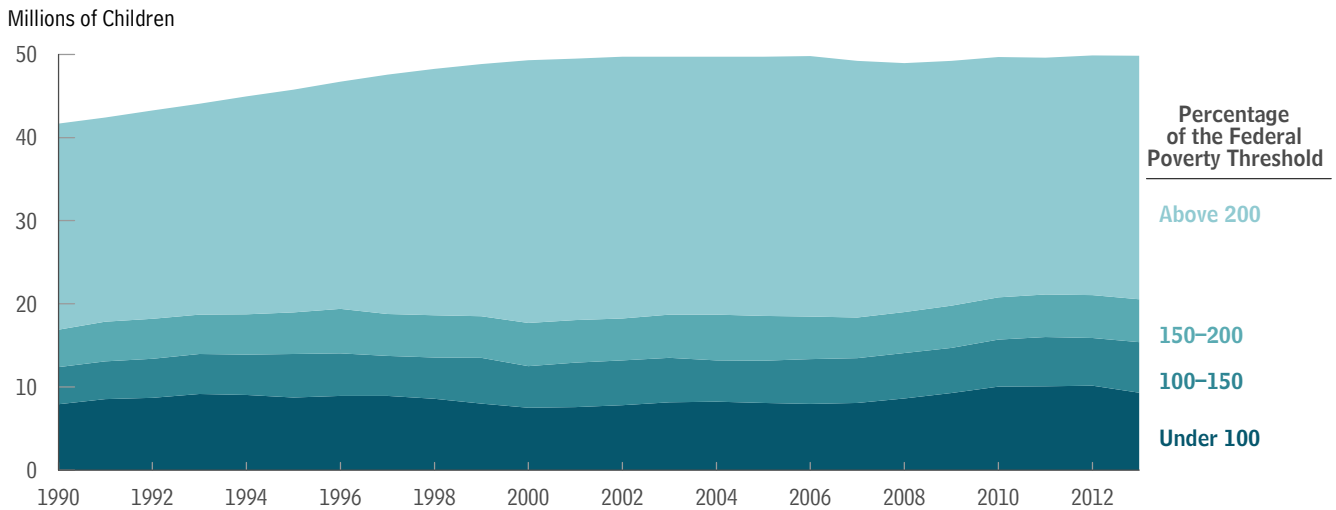
Changes. Between 1990 and 2013, the number of school-age children in the United States increased by 20 percent (see Figure 8).²⁹ The number of meals served in the lunch program grew faster, by more than 25 percent. In the breakfast program, the increase in the number of meals

28. The 1990 rates include the value of commodities distributed to schools.

29. 2013 is the most recent year for which the Census Bureau has published data on child population by income level.

Figure 8.

Poverty Status of Children Ages 6–17, 1990–2013



Source: Congressional Budget Office, based on data from the Census Bureau’s Current Population Survey, Annual Social and Economic Supplements.

served outstripped population growth even further, as the number of breakfasts served more than tripled from 1990 to 2014.

The school-age population also grew unevenly across the income distribution over that time. The share of all meals served at the free, reduced-price, and paid rates in the lunch and breakfast programs shifted from 1990 to 2014. Free meals accounted for a substantially larger share of meals served through both programs by the end of that period. The number of school-age children also grew at different rates across the income distribution. The number of children living in households with income that would generally make them eligible for free meals increased by 24 percent from 1990 to 2013.³⁰ A smaller increase occurred in the number of children in households with higher income that would have made them eligible for reduced-price or paid meals.

In addition, more schools participated in the school lunch and breakfast programs in 2014 than in 1990, allowing many more school-age children to receive meals.

30. Because of the nature of the available data, CBO uses income brackets that do not exactly match those used in NSLP and SBP. In those programs, household income at or below 130 percent of the FPL qualifies a student for free meals, whereas the threshold used in this calculation is 150 percent of the Census Bureau’s federal poverty threshold. Household income at or below 185 percent of the FPL qualifies a student for reduced-price meals, but the description above includes incomes from 150 percent to 200 percent of the poverty threshold.

The number of schools participating in the breakfast program more than doubled from 1990 to 2014, and the number of students enrolled in participating schools increased even more, by about 130 percent. As a result, nearly all school-age children were enrolled in a school that participated in the breakfast program in 2014, about twice the share in 1990. The lunch program was more widespread than the breakfast program at the start of this period; nearly all school-age children were enrolled in a participating school in 1990.

Legislative Changes and Participation. Some federal policies that took effect over the 1990–2014 period aimed to increase participation in the child nutrition programs. CBO has not analyzed the effects of those policies, but before some of them were enacted, CBO estimated that their effects on federal spending would be small in relation to total federal spending on the programs.

Two laws enacted just before that period, in the late 1980s, made children from households that participated in the predecessors to the SNAP and TANF programs categorically eligible for the child nutrition programs and allowed local education agencies (LEAs) to directly certify them for those programs.³¹ To directly certify students for free meals, LEAs match enrollment lists against the records of other federal agencies. Laws enacted in 2004 and 2010 further broadened categorical eligibility to

31. Public Law 99-591 and P.L. 101-147.

children served by some other federal programs, including Medicaid in some cases, and made direct certification of SNAP participants mandatory.³² Several laws enacted during the 2009–2015 period sought, in part, to boost participation in the breakfast program by providing funding for meal service equipment.

CBO did not estimate how those laws have affected spending changes over the 1990–2014 period, in part because no clear counterfactual benchmark exists to indicate what would have happened without those changes. However, before enactment of the 2004 and 2010 legislation, CBO estimated that the direct certification provisions would have relatively small effects on spending.³³ CBO estimated that the 2004 change to require direct certification of children from households participating in SNAP would result in an additional 50,000 students participating in 2014, increasing 2014 spending by \$19 million.³⁴ CBO estimated that the Medicaid provisions in the 2010 law and other revisions to direct certification practices in the law would increase 2014 spending by \$23 million.³⁵

Lawmakers included funding for grants to schools to purchase meal service equipment as part of the American Recovery and Reinvestment Act of 2009 and in the appropriation for the child nutrition programs in 2010, 2013, 2014, and 2015. One purpose of those grants is to

expand participation in the school breakfast program. Before enactment, CBO estimated that the \$25 million appropriated for grants in 2014 would increase the number of breakfasts served that year by fewer than 1 million, adding about \$1 million to the government’s costs for meals.

State, Local, and Household Decisions. Policy choices at the state and local level and decisions made by households also have affected the number of meals served in and federal spending on the school lunch and breakfast programs. Though program eligibility decisions are made at the federal level, lunch and breakfast programs are locally administered and consumption decisions are made by households.

As the administrators of the school meal programs, state and local governments decide whether to participate in the programs and how much of their own funds to allocate to them. LEAs and schools determine, within federal nutrition standards, the quality and types of food served in the programs and the time and place to serve meals. To boost participation, some schools opt to serve breakfast in the classroom or on a school bus. Other school districts have exercised options in the federal law to serve all meals free to students (although the federal government does not necessarily reimburse the schools at the free rate for all those meals). In the 2014–2015 school year, 14 percent of schools participating in NSLP adopted one such option, the Community Eligibility Provision. Those schools serve both breakfast and lunch free to all students.³⁶

Participation in the school lunch and breakfast programs is voluntary, so choices by children and their parents also affect the number and types of meals served in the program. Parents and children choose whether to make meals at home or purchase the meals that the school offers and whether to apply to receive meals for free or at a reduced price. Research on those factors is scant, however, making it difficult to assess how they affect federal spending.

32. The Child Nutrition and WIC Reauthorization Act of 2004 expanded categorical eligibility and direct certification to homeless and migrant children and children served by federal grant programs for runaways and required all LEAs to directly certify children from households that participate in SNAP for free meals. The HRFKA of 2010 made foster children and some children who receive Medicaid categorically eligible.

33. CBO also estimated that other provisions in that legislation could reduce participation in the programs and consequently would reduce federal spending. The 2004 law expanded requirements for schools to verify students’ eligibility for free and reduced-price meals, which CBO estimated at that time would reduce 2014 spending by \$42 million after taking into account its interaction with the expansion of direct certification. Similarly, CBO estimated that enhanced review requirements in the 2010 law would reduce 2014 spending by \$6 million.

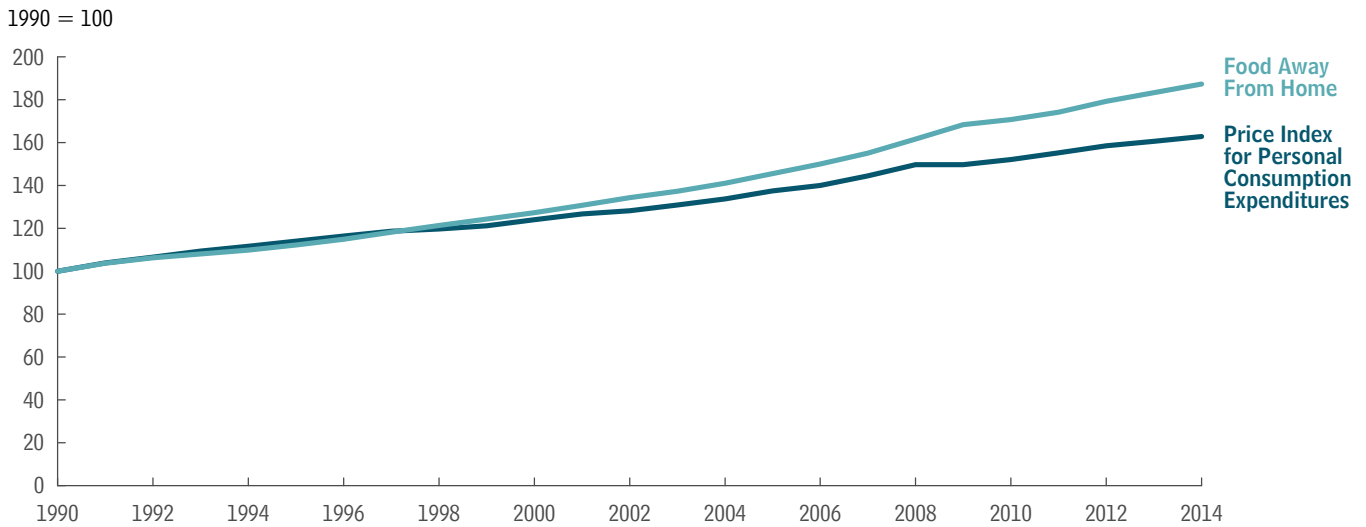
34. Congressional Budget Office, cost estimate for S. 2507, Child Nutrition and WIC Reauthorization Act of 2004 (July 1, 2004), www.cbo.gov/publication/15791.

35. Congressional Budget Office, cost estimate for the Healthy, Hunger-Free Kids Act of 2010 (April 20, 2010), www.cbo.gov/publication/21418.

36. As of September 2014, 6.4 million children were enrolled in schools that elected to participate in the Community Eligibility Provision. CEP requires schools to offer lunch and breakfast at no cost to all students. See Food and Nutrition Service, “Community Eligibility Provision (CEP) Elections by State School Year 2014–15 (As of September 1, 2014),” <http://go.usa.gov/37bBF> (PDF, 104 KB).

Figure 9.

Change in the Food Away From Home Series of the Consumer Price Index for All Urban Consumers and the Price Index for Personal Consumption Expenditures, 1990–2014



Source: Congressional Budget Office, based on data from the Bureau of Economic Analysis and the Bureau of Labor Statistics.

Changes in Meal Reimbursements

The federal government’s reimbursement rates for the lunches and breakfasts schools serve have increased, both because of automatic changes in the reimbursement rates to reflect changes in the price of food and because of a recent policy change that accompanied revised nutrition standards. The basic reimbursement rates for free, reduced-price, and paid lunches in 1990 were the equivalent of \$2.49, \$1.84, and \$0.24, respectively (values are adjusted to 2014 dollars by using the price index for personal consumption expenditures, or PCE). The respective school lunch reimbursement rates in effect for most of fiscal year 2014 were higher—\$2.98, \$2.58, and \$0.28. The value of commodities that USDA provides for each lunch served also increased, from almost 22 cents per meal in 1990 to 23.25 cents in 2014, and many lunches were eligible for an additional reimbursement amount of 6 cents. Breakfast reimbursement rates have a more complicated structure, but reimbursement rates for free meals increased by about 20 cents and for reduced-price meals by about 40 cents in real terms.

Changing reimbursement rates accounted for less of the growth in federal spending over the 1990–2014 period than changes in the number of meals. The changes in reimbursement rates accounted for about one-quarter of the total real change in spending for NSLP from 1990 to 2014. Changes in reimbursement rates contributed less to

the increase in spending for the breakfast program, about 5 percent.

Automatic Adjustments in Reimbursement Rates. By law, spending for the child nutrition programs increases automatically each year because reimbursement rates and commodity payments adjust for changes in food prices.³⁷ For most child nutrition programs, including lunch and breakfast, reimbursement rates for meals and snacks adjust annually for changes in the food away from home series of the consumer price index for all urban consumers (CPI-U).³⁸ The food away from home series has grown faster than the PCE price index, causing reimbursement rates to rise faster than that more general measure of prices (see Figure 9).

Reimbursement rates for reduced-price meals are set in relation to the rates for free meals and are adjusted slightly differently. Reduced-price lunch reimbursements

37. The law specifies that if the inflator is less than 1 in a given year, no adjustment occurs for that year (that is, the adjustment is zero) (42 U.S.C. 1757(f) and 42 U.S.C. 1759a(a)(3)(B)); as a result, reimbursement rates cannot decrease.

38. For the meals and snacks served in homes that participate in the Child and Adult Care Food Program, rates are adjusted for changes in the food at home series of the CPI-U. The rates for commodities are adjusted for changes in the price index of foods used in schools and institutions.

Table 4.
Options to Change Child Nutrition Programs

Billions of Dollars

| Option | Estimated Change in Program Cost, 2016–2025 |
|--|---|
| 1. Eliminate the Reimbursement for Paid Meals | -11 |
| 2. Replace Child Nutrition Programs With a Smaller Block Grant | |
| 2007 outlays adjusted for CPI-U inflation | -81 |
| 2014 outlays adjusted for FAFH inflation | -21 |
| 3. Increase the Income Limit for Free School Meals | 6 |
| 4. Increase Reimbursement Rates by 10 Cents | 10 |

Source: Congressional Budget Office.

Notes: Estimates are in relation to CBO's March 2015 baseline, updated to include actual reimbursement rates for the 2015–2016 school year.

CPI-U = consumer price index for all urban consumers; FAFH = food away from home.

are 40 cents less than the free rate, whereas reduced-price breakfasts are 30 cents less than the free rate. Those 40- and 30-cent differences are not adjusted for general inflation or changes in food prices, and so the reimbursement rates for reduced-price meals have increased faster than the other rates in real terms. The basic reimbursement rate for free lunches has increased by about 17 percent since 1990 after values are adjusted for changes in the PCE price index, whereas the rate for reduced-price lunches has increased by about twice as much.

Additional 6-Cent Reimbursement. Since the 2012–2013 school year, the HHFKA has provided an additional 6-cent reimbursement per lunch to schools whose lunches state authorities certify as meeting new federal nutrition standards.³⁹ The law required USDA to update existing standards on the basis of recommendations from the Food and Nutrition Board of the National Academy of Sciences. The standards define the portion sizes of foods and the types of foods that meals must include. The standards also limit the salt, fat, and calorie content of meals. In 2014, about 96 percent of lunches served were eligible for the additional 6-cent reimbursement, amounting to about \$300 million of federal spending for the lunch program.⁴⁰ CBO expects that all meals will be certified as meeting the nutrition standards and eligible for the 6-cent reimbursement over the next 10 years.

39. The 6-cent reimbursement also is scheduled to adjust annually for changes in the food away from home series of the CPI-U but has not yet changed since it was introduced.

40. See Food and Nutrition Service, “Nutrition Assistance Programs August Keydata Report, U.S. Summary, FY 2014–FY 2015” (September 2015), Table 6, www.fns.usda.gov/data-and-statistics.

Options to Change Child Nutrition Programs

Lawmakers could change the child nutrition programs in ways that would alter future spending. The programs could be scaled back to help reduce federal spending, or they could be expanded to offer children and their families more assistance. Some other potential policy changes, such as changes to nutrition standards, would not by themselves significantly affect the federal budget.

CBO examined four options that policymakers or researchers have identified for changing the child nutrition programs (see Table 4):

- Option 1. Eliminate the reimbursement for paid meals.
- Option 2. Replace child nutrition programs with a smaller block grant.
- Option 3. Increase the income limit for free meals.
- Option 4. Increase reimbursement rates by 10 cents.

The budgetary effects of those options range from an increase in spending of \$10 billion to savings of \$81 billion over the 2016–2025 period.⁴¹ Options 1, 3, and 4 would affect child and adult care centers that participate in CACFP as well as schools participating in the lunch and breakfast programs. Reimbursement rates

41. Estimates are in relation to CBO's March 2015 baseline, updated to include actual reimbursement rates for the 2015–2016 school year.

for meals served in CACFP centers are equal to the reimbursement rates for meals served through NSLP and SBP. Options 1 and 3 also would affect snacks served through the lunch program. CBO includes the effects from CACFP and snacks in the estimates for these options.

Several arguments in favor of or against the options are specific to the individual options. Two that apply more broadly rely on the results of research that shows that the programs affect some outcomes but not others. An argument in favor of options that would reduce spending is that participating in the child nutrition programs has uncertain effects on children's diet, health, and educational achievement. In contrast, an argument in favor of options that increase federal spending for those programs is that they reduce food insecurity in low-income households of children who participate in the programs.

Option 1: Eliminate the Reimbursement for Meals for Students From Higher-Income Households

In the 2014–2015 school year, the federal government reimbursed schools for meals served to students in households with income above 185 percent of the FPL. Reimbursement rates were up to 57 cents per lunch, 28 cents per breakfast, and 7 cents per snack. Those reimbursements include base cash payments; certain commodities; and, for schools that comply with federal nutrition guidelines, an additional cash payment. Option 1 would, beginning in July 2016, eliminate all reimbursements for meals served to students from households making more than 185 percent of the FPL. In 2017, the first full fiscal year for which the policy will be in effect, such a policy would eliminate the reimbursement for about:

- 1.4 billion paid lunches and 10 million paid snacks served through NSLP,
- 360 million paid breakfasts served through SBP, and
- 370 million paid meals (including breakfasts, lunches, suppers, and snacks) served through CACFP.

CBO estimates that the option would reduce federal spending by about \$11 billion over the 2016–2025 period, about 4 percent of total spending projected for those programs under current law.

The primary rationale for Option 1 is that it would target federal reimbursements to children from households with

the lowest income. Because the reimbursements for meals served to children from households making more than 185 percent of the FPL are small, the effect of the option on those students and the members of their households would probably be minimal.

An argument against this option is that to offset part or all of their reimbursement losses, schools might charge higher-income students more for meals. Some of those students might then stop purchasing meals. Without access to a comparably nutritious meal, some of them might not consume appropriate foods. In addition, schools might leave the programs if they spend more to administer the programs than they receive in meal reimbursements for students from lower-income households. If those schools left the programs, eligible students at those schools would no longer receive subsidized meals, and meals served would no longer have to meet any other requirements of the programs (including those for nutrition).⁴²

Option 2: Replace Child Nutrition Programs With a Smaller Block Grant

Option 2 would convert the child nutrition programs into a smaller block grant to the states beginning in July 2016. If policymakers decided to fund the program through a block grant, they would face choices in designing the grant that would substantially affect the savings that this option would generate. In particular, policymakers would need to decide the initial amount of the grant as well as whether and how the grant might change with inflation or the number of eligible families. The block grant would give states a set amount of funding each year, and policymakers would have to determine how much discretion to allow states in setting their own child nutrition policies.

In one specification of Option 2, the annual funding provided would equal federal budget authority for the program in 2007 (before the economic downturn), adjusted to account for inflation as measured by the CPI-U that has occurred since then and to account for

42. About one-third of school food authorities surveyed claimed that expenses exceeded revenues in the 2010–2011 school year. See Food and Nutrition Service, *Special Nutrition Program Operations Study: State and School Food Authority Policies and Practices for School Meals Programs School Year 2011–12*, Nutrition Assistance Program Report (March 2014), p. 147, <http://go.usa.gov/3DXkm>.

overall inflation each year in the future. (The 2007 starting values would include budget authority both for benefits and for administrative costs and would represent total spending for that set of programs at prerecession levels.) By CBO's estimates, this specification of Option 2 would reduce spending on child nutrition programs by \$81.4 billion from 2016 through 2025—or by about one-third of the amount that would be spent under current law. Those savings would result because funding under the option would not keep pace with the increase in the number of meals served or with the rising food prices projected under current law.

An alternative specification of Option 2 would provide annual funding for child nutrition programs equal to the budget authority provided for them in 2014, adjusted to account for inflation as measured by the food away from home series of the CPI, which CBO expects to increase faster than the CPI-U. Using this formula to set block grant funding would reduce spending on child nutrition programs by \$21.3 billion over the 2016–2025 period, about 8 percent of the amount that would be spent under current law. CBO expects that the number of meals served through the largest child nutrition programs will grow over the 2016–2025 period in its projection of spending under current law; in contrast, spending under the block grant options would not adjust for changes in the number of meals served.

Other specifications of the block-grant formula could yield larger or smaller savings. If the grants were indexed for inflation and population growth—that is, if they were allowed to grow faster than specified above—savings would be smaller each year. If, instead, the grants were fixed in nominal dollars (as is, for example, the TANF block grant), savings would be larger each year. Savings also depend on the starting values for the grants—for example, using smaller 2007 budget authority as the starting value produces larger savings than relying on the larger 2014 budget authority as a base. Savings also would be less if spending in 2016 and the following few years was adjusted downward from CBO's current-law projections more slowly, instead of immediately reverting to the base year amounts adjusted for the relevant inflation measure.

A rationale for this option is that block grants would make spending by the federal government more predictable. The

law requires child nutrition programs to provide benefits for people who meet the eligibility criteria. Spending therefore increases or decreases without any legislative changes. And even if the number of participants in a program does not change, the benefits paid per person can vary with income.

Another rationale for a block grant approach is that states might design programs that are more innovative and better suit local needs. Depending on how the block grant was specified, states could define eligibility and administer benefits to better serve their populations. For example, states could set different thresholds for free or reduced-price meal eligibility, offer assistance only to schools with high levels of poverty, or set their own nutrition standards. The resulting experimentation could give other states information about which approaches better improve nutrition, what is an appropriate amount of assistance, and what is the most economical way to do so.

One argument against Option 2 is that schools might have to reduce support for meals served to children from lower-income households. Who was affected by that reduction and how they were affected would depend on how states structured their programs and how state spending changed. But states would almost certainly have to eliminate benefits for some people who would otherwise have received them, as well as reduce the benefits of some people who remained in the programs. The option's effect on participation would depend on how states implemented it. For example, states could apply the reduction of \$81 billion from the first scenario just to NSLP and SBP, in proportion to each program's share of total spending on the programs in 2014. Doing so would be equivalent to cutting federal spending for the lunch program about in half, and spending for the breakfast program by almost 40 percent, each year from CBO's projections under current law. Had similar cuts been made in 2014 and spread proportionately across all types of meals, they would have reduced participation in the lunch program by 15 million children and eliminated funding for 2.5 billion lunches. Such a cut also would have reduced participation in the breakfast program by 5 million children and eliminated funding for 850 million breakfasts.

Another argument against this option is that block grants would be less responsive than current federal programs

are to economic conditions and changes in food prices. In a future economic downturn, the number of people eligible for benefits might increase but federal spending would not automatically rise to the same extent. If so, states that did not spend more (probably at a time when their own revenues were declining) would have to either reduce the benefits each participant received or tighten eligibility, perhaps adding to the hardship for families just when their available resources were diminished. The automatic changes in spending on benefits under current law help stabilize the economy: Spending rises to keep pace with rising participation when the economy worsens and incomes fall. In addition, per-meal reimbursements that adjust for changes in the price index for food away from home link changes in federal spending to the food costs that schools face for each meal. Under Option 2, the stabilizing effects would be lost.

Option 3: Increase the Income Limit for Free School Meals

Schools receive reimbursements that vary depending on the household income of the recipients. Policymakers could increase the income limit for free school meals to include households with income at or below 185 percent of the FPL, eliminating the reduced-price category. For meals that the government currently reimburses schools and child and adult care centers at the reduced-price rate, it would instead reimburse them at the subsidy rate for free meals. CBO assumes that Option 3 would begin on July 1, 2016, and estimates that this option would increase federal spending by \$5.8 billion over the 2016–2025 period.

A rationale for this option is that it would eliminate the need for schools to collect fees (whether on time or past due) from parents of children who receive meals at a reduced price. For reduced-price meals, schools under current law may charge up to 40 cents per lunch and up to 30 cents per breakfast; the maximum fee plus the federal reimbursement for reduced-price meals is equal to the federal reimbursement for free meals.

The policy also would benefit schools by increasing their revenue for serving meals to students from households with income between 130 percent and 185 percent of the FPL. Under current law, even schools that charge the maximum amount for a reduced-price meal rarely receive an amount equal to the amount they receive for a free

meal because they cannot collect the full amount from parents.⁴³ Increasing the reduced-price reimbursement also would increase participation in the program because parents of children who currently pay for meals would no longer have to pay for those meals.

An argument against Option 3 is that it might provide a federal benefit to people who can already afford the relatively small maximum reduced prices of 40 cents per lunch and 30 cents per breakfast. The policy also might encourage parents who would otherwise provide food from home to instead rely on school meals.

Option 4: Increase Reimbursement Rates by 10 Cents

Beginning in July 2016, Option 4 would increase reimbursement rates by 10 cents for meals served to participants from households in all income groups. CBO estimates that the option would increase federal spending by \$10.2 billion (or 4 percent) over the 2016–2025 period.

A rationale for Option 4 is that it would allow schools to better meet the costs of providing meals to students, to comply with updated HHFKA nutrition requirements, and to offer higher-quality foods. Reimbursement rates adjust each year according to a broad measure of food inflation, but that measure does not necessarily reflect changes in the cost of the types of food that school meals must include. Those rates also do not necessarily reflect all the costs of operating a school meal program. In addition, a recent study by the Government Accountability Office, implemented during the first year the new nutrition requirements were in place, showed that child nutrition directors in almost half the states reported that covering food costs was difficult.⁴⁴ Although the act offered an additional 6-cent cash payment per lunch (adjusted annually for inflation) for schools that comply

43. One study showed that about 60 percent of school food authorities served meals that were not paid for and that half those authorities recovered none of the amount due from parents. See Food and Nutrition Service, *Special Nutrition Program Operations Study: State and School Food Authority Policies and Practices for School Meal Programs School Year 2011–12*, Nutrition Assistance Program Report (March 2014), p. 147, <http://go.usa.gov/3DXkm>.

44. Government Accountability Office, *School Lunch: Implementing Nutrition Changes Was Challenging and Clarification of Oversight Requirements Is Needed*, GAO-14-104 (January 2014), p. 26, www.gao.gov/products/GAO-14-104.

with the nutrition requirements, some managers report that the payment does not cover their additional food and labor costs.

An argument against this option is that most meals—about 96 percent of meals served in 2014—were served in schools that state officials have certified as meeting the nutrition requirements already in place without additional funding.⁴⁵ Some of the requirements—such as lim-

ited portion sizes for grains and proteins—had yet to go into effect at that point or have been waived, meaning that factors other than nutrition requirements may have contributed to food and labor costs. The requirements that have gone into effect have not been in place very long, leaving little time for food suppliers and preparation staff to adjust. Examples include the requirement that all grain products served in a week be more than 50 percent whole-grain rich, the limitations on sodium, and the serving patterns for fruits and vegetables. Food and labor costs may decline as food service companies modify their products to meet the nutrition requirements and as schools develop ways to prepare foods that meet the requirements.

45. Schools whose meal patterns are certified compliant receive an additional 6-cent reimbursement per meal. See Food and Nutrition Service, “Nutrition Assistance Programs August Keydata Report, U.S. Summary, FY 2014–FY 2015” (September 2015), Table 6, www.fns.usda.gov/data-and-statistics.

List of Tables and Figures

Tables

| | |
|---|----|
| 1. Participation and Spending in Federal Child Nutrition Programs, 2014 | 3 |
| 2. Basic Federal Reimbursement per Meal in the National School Lunch Program and School Breakfast Program, by Type of Meal, 2015–2016 School Year | 6 |
| 3. Payments for Child Nutrition Programs, by Child Poverty Rate of School District, 2013 | 15 |
| 4. Options to Change Child Nutrition Programs | 22 |

Figures

| | |
|--|----|
| 1. Participation in the School Lunch and Breakfast Programs, by Income-to-Poverty Ratio, 2010–2011 School Year | 11 |
| 2. Participation in the School Lunch and Breakfast Programs, by Type of Household, 2010–2011 School Year | 12 |
| 3. Participation in the School Lunch and Breakfast Programs, by Ethnicity, 2010–2011 School Year | 13 |
| 4. Child Poverty and Free and Reduced-Price Participation in School Lunch and Breakfast Programs, by State, 2014 | 14 |
| 5. Federal Spending for Child Nutrition Programs, 1990–2014 | 16 |
| 6. Federal Spending for Child Nutrition Programs, 1990–2025 | 17 |
| 7. Meals Served in Child Nutrition Programs, 1990–2014 | 18 |
| 8. Poverty Status of Children Ages 6–17, 1990–2013 | 19 |
| 9. Change in the Food Away From Home Series of the Consumer Price Index for All Urban Consumers and the Price Index for Personal Consumption Expenditures, 1990–2014 | 21 |

About This Document

This report was prepared at the request of the Chairman of the Senate Committee on the Budget. In keeping with the Congressional Budget Office's mandate to provide objective, impartial analysis, the report makes no recommendations.

Sheila Campbell and Elizabeth Cove Delisle wrote the report in collaboration with Jennifer Gray and Jonathan Schwabish (formerly of CBO), with guidance from Joseph Kile and Chad Shirley. Linda Bilheimer, Lauren Bresnahan, Molly Dahl, Kathleen FitzGerald, Mark Hadley, Shannon Mok, and Sam Papenfuss provided comments.

Randy Aussenberg of the Congressional Research Service, Robert Doar of the American Enterprise Institute, Craig Gundersen of the University of Illinois, Constance Newman of the Economic Research Service at the U.S. Department of Agriculture, and Diane Whitmore Schanzenbach of Northwestern University also commented. The assistance of external reviewers implies no responsibility for the final product, which rests solely with CBO.

Jeffrey Kling and Robert Sunshine reviewed the report, Gabe Waggoner edited it, and Maureen Costantino and Jeanine Rees prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publications/50737).



Keith Hall
Director

September 2015