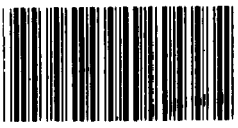


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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D. C. 20548



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FOR RELEASE ON DELIVERY
EXPECTED AT 10 A.M. EST
TUESDAY, FEBRUARY 27, 1979

STATEMENT OF
HENRY ESCHWEGE, DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE
SUBCOMMITTEE ON NUTRITION
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
ON
[CHILD NUTRITION PROGRAMS]

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY TO DISCUSS THE PROPOSED CUTS TO THE CHILD
NUTRITION PROGRAMS ADMINISTERED BY THE DEPARTMENT OF AGRICULTURE. ^{AGC 00012}
WE WERE REQUESTED TO REVIEW EXISTING EVALUATION STUDIES OF THESE
PROGRAMS AND THE FISCAL YEAR 1980 BUDGET. OUR PURPOSE WAS TO
EXAMINE THE ADMINISTRATION'S BASIS FOR DETERMINING WHAT EFFECT
THESE PROPOSED BUDGET CUTS WILL HAVE ON PROGRAM BENEFICIARIES
AND THE AGRICULTURAL ECONOMY.

ALTHOUGH MANY OF OUR COMMENTS ARE APPLICABLE TO THE ENTIRE
RANGE OF CHILD NUTRITION PROGRAMS, OUR WORK--PER YOUR REQUEST--
CENTERED ON THE SCHOOL LUNCH PROGRAM, THE SUMMER FEEDING PROGRAM,
AND THE SPECIAL MILK PROGRAM. THESE PROGRAMS HAVE TWO COMMON
LEGISLATIVE OBJECTIVES: 1) TO SAFEGUARD OR PROMOTE NUTRITIONAL
HEALTH AND WELL-BEING OF CHILDREN, AND 2) TO ENCOURAGE THE USE
OF AGRICULTURAL COMMODITIES. OVER THE YEARS A THIRD OBJECTIVE
OF INCOME SUPPORT HAS BEEN TACITLY ADDED.

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WE REACHED THREE BASIC CONCLUSIONS DURING THE COURSE OF OUR
WORK:

- 1) IN MOST CASES THE DEPARTMENT CANNOT PRESENTLY MEASURE WHETHER THE PROGRAMS ARE MEETING THESE LEGISLATIVE OBJECTIVES. THE DEPARTMENT IS, THEREFORE, LIMITED IN ESTIMATING THE IMPACT OF BUDGET CHANGES - BOTH ON PROGRAM PARTICIPATION LEVELS AND THE CHANGE IN NUTRITIONAL AND AGRICULTURAL BENEFITS.
- 2) THE DEPARTMENT HAS RECENTLY INCREASED ITS CAPACITY TO EVALUATE THE IMPACT OF FEEDING PROGRAMS ON TARGET POPULATIONS AND INDIVIDUALS. THE DEPARTMENT ONLY HAS PRELIMINARY PLANS FOR SUCH STUDIES WHICH, IF IMPLEMENTED, OFFER HOPE THAT PROGRAM EFFECTIVENESS CAN BE MEASURED.
- 3) IN PROPOSING BUDGET CUTS IN THE CHILD NUTRITION PROGRAMS, THE DEPARTMENT TRIED NOT TO AFFECT THE MOST NEEDY. AS WE SEE IT, HOWEVER, IT WAS CONSTRAINED WHEN CONSIDERING ALTERNATIVES BY A LACK OF INFORMATION ON PROGRAM PARTICIPANTS AND BY LIMITED EVALUATION RESULTS ON PROGRAM PERFORMANCE.

PROPOSED BUDGET CUTS

THE DEPARTMENT IS PROPOSING NEW LEGISLATION WHICH WILL CUT \$357.6 MILLION FROM THE CHILD NUTRITION PROGRAMS (EXCLUSIVE OF THE SPECIAL MILK PROGRAM). AN ADDITIONAL \$110 MILLION CUT IN THE SPECIAL MILK PROGRAM IS BEING SOUGHT THROUGH BOTH THE BUDGETARY AND LEGISLATIVE PROCESS.

BRIEFLY SUMMARIZED THE SCHOOL LUNCH PROGRAM WOULD BE CUT

BY \$261.8 MILLION (12.3 PERCENT), THE BREAKFAST PROGRAM BY \$12 MILLION (5.3 PERCENT), THE SUMMER FEEDING PROGRAM BY \$47 MILLION (34.6 PERCENT), THE CHILD CARE PROGRAM BY \$9 MILLION (4.2 PERCENT), AND COMMODITY SUPPORT FOR CHILD NUTRITION PROGRAMS BY \$27.8 MILLION (4.1 PERCENT). THE SPECIAL MILK PROGRAM BUDGET WOULD GO FROM \$142 MILLION TO \$32 MILLION, a 77.5 PERCENT DROP.

THE DEPARTMENT BELIEVED THAT CUTS COULD BEST BE MADE IN THE CHILD NUTRITION PROGRAMS WHERE BENEFITS WERE GOING TO CHILDREN FROM FAMILIES HAVING COMPARATIVELY HIGH INCOMES, SUCH AS THE SCHOOL LUNCH PROGRAM, OR WHERE PROGRAM BENEFITS WERE DILUTED BY POTENTIAL FRAUD OR DUPLICATION, SUCH AS THE SUMMER FEEDING PROGRAM AND THE SPECIAL MILK PROGRAM.

THE DEPARTMENT DID NOT CUT BACK, HOWEVER, ON THE SPECIAL SUPPLEMENTAL FEEDING PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC) BECAUSE IT BELIEVES RECENT STUDIES INDICATED A CORRELATION BETWEEN PROGRAM BENEFITS AND A REDUCTION IN HEALTH CARE COSTS. LIKEWISE, AGENCY OFFICIALS DID NOT WANT TO CUT THE FOOD STAMP PROGRAM BECAUSE ACCORDING TO THEM THESE BENEFITS WERE PRIMARILY DIRECTED TOWARD LOW-INCOME GROUPS. FOR BOTH OF THESE PROGRAMS THE DEPARTMENT IS PROPOSING BUDGET INCREASES. WIC WOULD INCREASE BY \$200 MILLION AND FOOD STAMPS BY \$737.9 MILLION.

PROGRAM EVALUATION

THE FOOD AND NUTRITION SERVICE ADMINISTERS OVER \$9 BILLION IN FEEDING PROGRAMS. TO DATE THESE PROGRAMS HAVE NOT BEEN EVALUATED TO DETERMINE WHETHER THE LEGISLATIVE OBJECTIVES ARE

BEING MET. IT IS GENERALLY ASSUMED, HOWEVER, THAT THE FEEDING PROGRAMS OFFER POSITIVE BENEFITS TO THEIR PARTICIPANTS.

IN SEVERAL REPORTS, WE HAVE CALLED FOR THE EVALUATION OF ALL FEEDING PROGRAMS IN GENERAL AND FOR THE SCHOOL LUNCH PROGRAM IN PARTICULAR. IN A 1978 REPORT TO THE CONGRESS WE IDENTIFIED OVERLAPS AMONG FEDERAL FEEDING PROGRAMS THAT WOULD RESULT IN SOME HOUSEHOLDS RECEIVING 230 PERCENT OF THE AMOUNT NEEDED TO PURCHASE A THRIFTY FOOD PLAN DIET. WE RECOMMENDED THAT IN LIGHT OF THIS LARGE POTENTIAL FOR OVERLAP THAT AN EVALUATION OF ALL FEDERAL FOOD ASSISTANCE EFFORTS BE MADE.

AT THE MOST RECENT USDA OUTLOOK CONFERENCE, A DEPARTMENT CONSULTANT AND EXPERT IN PROGRAM EVALUATION SUMMED UP THE DEPARTMENT'S EXISTING WORK IN EVALUATING FEEDING PROGRAMS AS FOLLOWS: "ALTHOUGH THE BREADTH AND MAGNITUDE OF THE AGENCY'S NUTRITION PROGRAMS HAVE EXPANDED TREMENDOUSLY, EVALUATION OF THESE EFFORTS HAS NOT. EVALUATION HAS SERIOUSLY LAGGED BEHIND PROGRAM GROWTH. THE ABSENCE OF SYSTEMATIC AND THOROUGH PROGRAM EVALUATION LEAVES POLICYMAKING ON TENUOUS GROUNDS: WE DO NOT KNOW HOW WELL WE ARE DOING NOR WHETHER WE COULD BE DOING IT IN BETTER WAYS."

DEPARTMENT OFFICIALS HAVE RECOGNIZED THE NEED FOR BETTER EVALUATION, BOTH IN DISCUSSIONS WITH US AND IN RESPONDING TO OUR REPORT RECOMMENDATIONS. EVALUATION PROPOSALS HAVE BEEN PROMISED BUT HAVE NOT YET BEEN COMPLETELY DEVELOPED.

THE FOOD AND NUTRITION SERVICE HAS RECENTLY CREATED AN OFFICE OF POLICY, PLANNING, AND EVALUATION WHICH HAS INCREASED THE EVALUATION STAFF FROM 8 TO 19 PROFESSIONALS CAPABLE OF CON-

DUCTING THE NEEDED EVALUATION STUDIES. DEPARTMENT STAFF PUT FORTH TWO OBJECTIVES OF FUTURE PROGRAM EVALUATIONS: 1) TO ASSESS PROGRAM IMPACT ON PARTICIPANTS' NUTRIENT INTAKE AND HEALTH AND 2) TO DETERMINE WHETHER EXISTING LEVELS OF BENEFITS ARE APPROPRIATE FOR EXISTING NEEDS. IF THESE OBJECTIVES WERE ADOPTED BY THE DEPARTMENT AND CARRIED OUT, MANY OF THE BASIC QUESTIONS CONCERNING THE SUCCESS OR FAILURE OF THE CHILD NUTRITION PROGRAMS IN MEETING PROGRAM OBJECTIVES COULD BE ANSWERED.

SCHOOL LUNCH PROGRAM

IN A 1977 REPORT TO THE CONGRESS, WE STATED THAT "* * * THE DEPARTMENT OF AGRICULTURE HAS NOT OBTAINED A COMPREHENSIVE EVALUATION OF THE SCHOOL LUNCH PROGRAM. THE PROGRAM'S GOALS NOTWITHSTANDING, * * * PUBLIC FUNDS ARE SPENT EACH YEAR WITHOUT ANY OBJECTIVE EVIDENCE THAT THE PROGRAM IS, IN FACT, SAFEGUARDING SCHOOL CHILDREN'S HEALTH." IN THAT SAME REPORT WE FOUND LITTLE HAD BEEN DONE TO DETERMINE THE PROGRAM'S IMPACT ON THE AGRICULTURAL ECONOMY, ALTHOUGH WE CONCLUDED THAT THE PROGRAM PROBABLY STRENGTHENED THE OVERALL DEMAND FOR FARM PRODUCTS.

THE PROPOSED \$262 MILLION CUT IN THE SCHOOL LUNCH PROGRAM WILL AFFECT CHILDREN IN ALL CATEGORIES. FOR PAYING CHILDREN, THE FEDERAL SUBSIDY WILL BE REDUCED 5 CENTS DOWN TO 12.12 CENTS. THE TOTAL FEDERAL SUBSIDY INCLUDING COMMODITIES WOULD THEN BE ABOUT 27 CENTS. REDUCED PRICE LUNCHESES WILL BE AVAILABLE TO CHILDREN FROM FAMILIES AT NO MORE THAN 175 PERCENT OF THE OMB POVERTY INCOME GUIDELINES COMPARED TO THE PRESENT LIMIT OF 195 PERCENT. FREE LUNCHESES WILL GO TO CHILDREN FROM FAMILIES AT NO

MORE THAN 100 PERCENT OF THE GUIDELINE COMPARED TO THE PRESENT LIMIT OF 125 PERCENT. A STANDARD DEDUCTION OF \$780 FROM ANNUAL INCOME WILL BE AVAILABLE FOR THE FIRST TIME TO FAMILIES APPLYING FOR FREE OR REDUCED PRICED MEALS. THESE FAMILIES PRESENTLY CAN ITEMIZE CERTAIN DEDUCTIONS. MOST DO NOT.

THE DEPARTMENT ESTIMATES THAT THESE REVISIONS WILL RESULT IN ABOUT 1.1 MILLION OF THE 26.1 MILLION PARTICIPANTS DROPPING OUT OF THE PROGRAM--A 4.2 PERCENT REDUCTION. OF THE ESTIMATED 1.4 MILLION CHILDREN WHO WILL MOVE FROM FREE LUNCH ELIGIBILITY TO REDUCED PRICE ELIGIBILITY, 350,000 WILL DROP OUT. ANOTHER 370,000 CHILDREN WILL MOVE FROM REDUCED PRICE ELIGIBILITY TO PAYING STATUS, BUT 185,000 IN THIS CATEGORY WILL DROP OUT. ANOTHER 580,000 PAYING STUDENTS WILL DROP OUT BECAUSE OF THE 5-CENT CUT. THESE DEPARTMENT FIGURES ASSUME CERTAIN ECONOMIC CONDITIONS BASED ON ESTIMATES DERIVED IN PART FROM PROJECTIONS PROVIDED BY THE COUNCIL OF ECONOMIC ADVISORS.

THE DEPARTMENT SOUGHT TO CUT BACK ON BENEFITS AT THE MIDDLE AND UPPER INCOME LEVELS. HOWEVER, THE RESULTS SHOW THAT 31 PERCENT OF THE ESTIMATED DROPOUT WILL BE FROM STUDENTS FORMERLY ELIGIBLE FOR FREE LUNCHES. ANOTHER 17 PERCENT OF THOSE DROPPING OUT WILL BE FROM THOSE FORMERLY ELIGIBLE FOR REDUCED PRICE LUNCHES, AND THE REMAINING 52 PERCENT OF THE CHILDREN DROPPING OUT WILL BE THOSE AFFECTED SOLELY BY THE 5-CENT CUT.

OMB ASSUMES THAT THE 5-CENT REDUCTION WILL NOT PARTICULARLY AFFECT THOSE CHILDREN PREVIOUSLY BUT NO LONGER ELIGIBLE FOR A REDUCED PRICE LUNCH BECAUSE THE 27-CENT SUBSIDY SHOULD

STILL MAKE THE SCHOOL LUNCH LESS EXPENSIVE THAN COMPARABLE ALTERNATIVES. DEPARTMENT OFFICIALS, HOWEVER, HAVE NO WAY OF VERIFYING THAT ASSUMPTION, AND PROJECT THAT AT LEAST ONE-HALF OF THOSE NEWLY ELIGIBLE, FULL PRICE STUDENTS WILL BE DROPPING OUT.

THE DEPARTMENT BELIEVES THAT INITIAL DROPOUT WILL BE HIGHER THAN THE ABOVE ESTIMATES. THE DEPARTMENT ALSO BELIEVES, HOWEVER, THAT AFTER THE PRICE INCREASE AND CHANGE IN GUIDELINES, PROGRAM PARTICIPATION WILL PICK UP UNTIL THE LEVELS SHOWN ABOVE ARE REACHED. THIS SHOULD TAKE 2 TO 3 MONTHS. ONLY THE ESTIMATES FOR THE DECREASE IN PARTICIPATION ATTRIBUTED TO THE 5-CENT REDUCTION ARE BASED ON REASONABLY CONCLUSIVE ANALYSIS. THE DROPOUT RATE DUE TO CHANGES IN THE INCOME GUIDELINES IS NOT SO FIRM, AND THE ACTUAL RATE COULD BE MUCH HIGHER OR LOWER.

LITTLE CONCLUSIVE EVIDENCE EXISTS WHICH DEMONSTRATES WHAT, IF ANYTHING, WILL HAPPEN TO THOSE CHILDREN DROPPING OUT OF THE PROGRAM. THERE HAS BEEN NO COMPREHENSIVE, SYSTEMATIC REVIEW OF THE SCHOOL LUNCH PROGRAM WHICH DEMONSTRATES THE NUTRITIONAL AND INCOME SUPPORT EFFECTS THE PROGRAM HAS ON CHILDREN AND THEIR FAMILIES.

THE DEPARTMENT PREPARED TWO REPORTS IN 1974 AND 1978 WHICH COMPILED AVAILABLE INFORMATION ON PROGRAM IMPACT ON CHILDREN. ALTHOUGH MUCH OF THIS INFORMATION IS LIMITED BECAUSE OF NARROW GEOGRAPHIC COVERAGE OR SCOPE OF STUDY, ONE CAN GET SOME INDICATORS OF PROGRAM IMPACT.

ONE STUDY SHOWED THAT A SCHOOL LUNCH IS MORE NUTRITIOUS THAN OTHER AVAILABLE ALTERNATIVES, INCLUDING BAG LUNCHESES AND

AND EATING OFF-CAMPUS. ANOTHER STUDY INDICATED THAT THE SCHOOL LUNCH MADE A POSITIVE CONTRIBUTION TO NUTRIENT INTAKE AT ALL INCOME LEVELS, ALTHOUGH IT WAS PROPORTIONATELY LARGER AT THE LOWER END. A RECENT ANALYSIS OF DATA FROM HEW'S FIRST HEALTH AND NUTRITION EXAMINATION SURVEY INDICATES THAT LOW INCOME CHILDREN BENEFIT MOST FROM THE SCHOOL LUNCH PROGRAM, PRIMARILY AS A RESULT OF MILK SERVED WITH THE PROGRAM. WE DO NOT BELIEVE THAT THE DATA BASE AND ANALYSIS ARE SUFFICIENTLY DEVELOPED TO MAKE POLICY CHANGES, BUT WE DO FEEL THAT THE CONCLUSION WARRANTS FURTHER STUDY BY THE DEPARTMENT. NO STUDY YET COMPLETED CAN RELATE ACTUAL NUTRITIONAL STATUS OF CHILDREN WITH PARTICIPATION IN THE PROGRAM, MUCH LESS THOSE CHILDREN DROPPING OUT OF THE PROGRAM.

THE DEPARTMENT ESTIMATES THAT THE TOTAL IMPACT OF THESE CUTS ON THE AGRICULTURAL ECONOMY TO BE \$90-93 MILLION OR .1 PERCENT OF FARM SALES. COMPARED WITH THE OVERALL CONTRIBUTION OF THE PROGRAM AND THE PROPOSED ADDITIONAL COMMODITY USEAGE THROUGH INCREASED WIC FUNDING OF \$200 MILLION, THIS AMOUNT MAY NOT SIGNIFICANTLY AFFECT THE AGRICULTURAL ECONOMY. HOWEVER, COMMODITY BY COMMODITY OR REGIONAL ANALYSES ARE NOT AVAILABLE, SO A DETERMINATION CANNOT BE MADE AS TO WHETHER IT MAY IMPACT A PARTICULAR COMMODITY OR REGION.

VERY LITTLE INFORMATION HAS BEEN PUBLISHED ON THE ROLE OF THE SCHOOL LUNCH PROGRAM IN PROVIDING INCOME SUPPORT TO FAMILIES OF PARTICIPANTS. OBVIOUSLY SOME NEEDY FAMILIES WILL BE AFFECTED BY SOME AMOUNT OVER THE COURSE OF A SCHOOL YEAR. LIKEWISE, LITTLE IS KNOWN ABOUT HOW WELL THE PROGRAM ACTS IN

PROVIDING NUTRITION EDUCATION TO CHILDREN. BECAUSE THIS FUNCTION VARIES SO WIDELY BY SCHOOL DISTRICT, IT IS UNLIKELY THAT ANY SUCH MEASUREMENT COULD BE MADE WITH DATA CURRENTLY COLLECTED.

SUMMER FEEDING

BOTH DEPARTMENT AND OMB OFFICIALS TOLD US THAT THE PRIMARY BASIS FOR THE CUTS IN THE SUMMER FEEDING PROGRAM IS THE HIGH LEVEL OF FRAUD AND ABUSE REPORTED BY GAO AND THE DEPARTMENT'S INSPECTOR GENERAL. BOTH CONCLUDED THAT FRAUD AND ABUSE WERE A MAJOR PROBLEM WITH PRIVATE SPONSORS EMPLOYING PRIVATE FOOD VENDORS. SUCH SPONSORS WOULD BE GENERALLY EXCLUDED UNDER THE PROPOSED LEGISLATION.

USING THE ASSUMPTION THAT 35 PERCENT OF MEALS SERVED IN THE 1977 PROGRAM WERE SERVED BY PRIVATE SPONSORS USING PRIVATE VENDORS, THE DEPARTMENT PROPOSES TO CUT BACK THE SUMMER FEEDING PROGRAM BY 35 PERCENT TO \$88.8 MILLION FROM THE PROJECTED 1980 LEVEL OF \$135.8 MILLION. MEALS SERVED WOULD ALSO DECLINE BY 35 PERCENT TO ABOUT 92 MILLION.

THE DEPARTMENT DOES NOT KNOW THE ACTUAL NUMBER OF CHILDREN TO BE CUT FROM THE PROGRAM. IN FACT, PROGRAM OFFICIALS HAVE HAD DIFFICULTY IN PREDICTING PARTICIPATION RATES IN PREVIOUS YEARS. FOR EXAMPLE, IN 1978, THE DEPARTMENT ESTIMATED THAT 4 MILLION CHILDREN WOULD BE IN THE PROGRAM, BUT ONLY 2.6 MILLION ACTUALLY PARTICIPATED.

THE DEPARTMENT ALSO DOES NOT KNOW AT WHAT LOCATIONS THE CUTS WILL TAKE PLACE; OR WHAT, IF ANY, EFFECT THE CUTS WILL HAVE ON THE NUTRITIONAL STATUS OF THE CHILDREN. BECAUSE OF THE

HIGH PERCENTAGE OF INELIGIBLE MEALS CLAIMED FOR REIMBURSEMENT BY SPONSORS WHICH WOULD NOW BE ELIMINATED FROM THE PROGRAM, THE DEPARTMENT BELIEVES THE ACTUAL NUMBER OF CHILDREN AFFECTED SHOULD BE LESS THAN THE 35 PERCENT REDUCTION IN PROGRAM PAYMENTS. HOWEVER, THE DEPARTMENT AGREES THAT SOME CHILDREN WHO WOULD BE ELIGIBLE WILL NOT BE SERVED.

OUR REPORT ON THE 1976 SUMMER FEEDING PROGRAM DISCUSSED SERIOUS CRIMINAL AND ADMINISTRATIVE ABUSE OF THE PROGRAM AMONG PRIVATE SPONSORS. IN OUR REVIEW OF THE 1977 PROGRAM, HOWEVER, WE FOUND SIGNIFICANT REDUCTIONS IN THE FLAGRANT ABUSES OF PREVIOUS YEARS AND CONCLUDED THAT LEGISLATIVE AND ADMINISTRATIVE ACTIONS COULD OVERCOME MANY OF THE REMAINING PROBLEMS.

THE INSPECTOR GENERAL MADE RECOMMENDATIONS SIMILAR TO OURS AFTER AUDITING THE 1978 SUMMER PROGRAM. HE RECOMMENDED THAT THE DEPARTMENT CONTINUE TO SOLICIT THE PARTICIPATION OF SCHOOLS AND OTHER PUBLIC ENTITIES AND NOT APPROVE PRIVATE UNITS AS FEEDING SITES UNLESS IT IS NECESSARY TO DO SO TO ACHIEVE PROGRAM OBJECTIVES. WHILE PROHIBITING PRIVATE SPONSORS WILL HELP REDUCE THE PROGRAM'S ERROR RATE, AN OFFICIAL OF THE INSPECTOR GENERAL'S OFFICE IN A FEBRUARY, 1979 LETTER TO GAO NOTED THAT THE KEY TO ELIMINATING FRAUD AND ABUSE AND INCREASING THE PROBABILITY THAT REIMBURSIBLE MEALS WILL BE CONSUMED BY NEEDY CHILDREN IS IN IMPROVING THE MANAGEMENT OF THE ADMINISTERING AGENCIES.

THE INSPECTOR GENERAL'S OFFICE BELIEVES THAT IF PRUDENT MANAGEMENT IS ESTABLISHED SUCH AS UNDERTAKING DEMOGRAPHIC STUDIES TO FIND OUT WHERE THE NEEDY CHILDREN ARE, DETERMINING

WHERE CHILDREN WILL BE AFFECTED BY THE BUDGET CUTS, AND TAKING ACTION TO HELP SCHOOL CAFETERIAS OPEN IN THE SUMMER; REAL PROGRAM COSTS COULD BE REDUCED BY 25 TO 35 PERCENT.

SPECIAL MILK PROGRAM

THE SPECIAL MILK PROGRAM WAS DESIGNED TO ENCOURAGE THE CONSUMPTION OF MILK BY SCHOOL CHILDREN. THE PROGRAM REIMBURSES PART OF THE COST OF MILK CONSUMED BY STUDENTS ELIGIBLE FOR REDUCED PRICE AND FULL PRICE LUNCHES, AND THE FULL COST OF THE MILK PROVIDED TO CHILDREN ELIGIBLE FOR A FREE LUNCH. SIXTY-SIX PERCENT OF THE MILK PROVIDED UNDER THE PROGRAM IS SERVED ON AN A LA CARTE BASIS DURING LUNCH. IN THE CURRENT BUDGET REQUEST, THE DEPARTMENT PROPOSES TO RESTRICT THE SPECIAL MILK PROGRAM TO THOSE SCHOOLS AND INSTITUTIONS WHERE THERE ARE NO OTHER FEDERAL CHILD NUTRITION PROGRAMS. THIS IS EXPECTED TO RESULT IN A \$110 MILLION SAVINGS AND IS DESIGNED TO REDUCE OVERLAP WITH OTHER FEDERAL PROGRAMS PROVIDING MILK.

LAST SUMMER WE REPORTED THAT MILLIONS OF HALF PINTS OF MILK WERE SERVED FREE TO NEEDY CHILDREN WHO ALSO QUALIFIED FOR AVAILABLE FREE LUNCHES AND BREAKFASTS. WE RECOMMENDED THAT THE CONGRESS EVALUATE THE NEED FOR FEDERAL REIMBURSEMENT OF FREE MILK UNDER THE SPECIAL MILK PROGRAM FOR OUTLETS ALREADY PARTICIPATING IN FEDERAL PROGRAMS PROVIDING MILK. ALMOST 90 PERCENT OF SCHOOLS HAVING THE SPECIAL MILK PROGRAM ALSO PARTICIPATE IN THE SCHOOL LUNCH PROGRAM, WHICH REQUIRES MILK WITH EACH LUNCH. A SMALLER NUMBER OF SPECIAL MILK PROGRAM SCHOOLS OFFER THE SCHOOL BREAKFAST PROGRAM, WHICH ALSO REQUIRES MILK.

A DEPARTMENT STUDY SHOWS THAT ONLY 30 PERCENT OF THE MILK CONSUMED IN THE SPECIAL MILK PROGRAM IS CONSUMED BY STUDENTS PARTICIPATING IN THE SCHOOL LUNCH PROGRAM. THE STUDY DOES NOT SHOW HOW THE REMOVAL OF THE SPECIAL MILK PROGRAM WOULD AFFECT MILK CONSUMPTION AMONG PARTICIPANTS EATING A LA CARTE OR BAG LUNCHES--WHETHER THEY WOULD SWITCH TO UNSUBSIDIZED A LA CARTE MILK, SCHOOL LUNCHES, OR TO NO MILK AT ALL.

AS FOR NUTRITIONAL IMPACT, THE DEPARTMENT'S STUDY DOES NOT DISCUSS THE ISSUE OF NUTRITIONAL STATUS ASSOCIATED WITH THE SPECIAL MILK PROGRAM. DEPARTMENT OFFICIALS BELIEVE THAT, DUE TO THE CONSIDERABLE OVERLAP OF BENEFITS, ANY ADVERSE NUTRITIONAL IMPACT WILL BE MINIMAL. THEY BELIEVE THAT THE NUTRIENTS PROVIDED BY MILK ARE ALREADY PROVIDED FOR IN SUFFICIENT QUANTITIES BY THE SCHOOL LUNCH AND BREAKFAST PROGRAMS. HOWEVER, THIS REASONING APPLIES ONLY TO THE EXTENT THAT (1) OVERLAP IN PARTICIPATION EXISTS AND (2) CONSUMPTION BY THOSE NOT PARTICIPATING IN THE SCHOOL LUNCH OR BREAKFAST PROGRAM IS REPLACED BY EITHER PURCHASE OF UNSUBSIDIZED A LA CARTE MILK OR PARTICIPATION IN THESE PROGRAMS.

DEPARTMENT OFFICIALS BELIEVE THAT AT LEAST 62 PERCENT OF THE MILK CONSUMED IN THE SPECIAL MILK PROGRAM WOULD CONTINUE TO BE CONSUMED BY CHILDREN AT SCHOOL IN THE ABSENCE OF THE PROGRAM. IF THIS ESTIMATE IS ACCURATE, THE DEPARTMENT BELIEVES THAT FARM MILK PRICES WOULD DECREASE BY 6-CENTS PER HUNDREDWEIGHT. THE DEPARTMENT BELIEVES THAT MOST, IF NOT ALL, OF THIS PRICE DECREASE WOULD BE OFFSET BY THE PROPOSED

INCREASE IN WIC FUNDING, OVER ONE-HALF OF WHICH IS DIRECTLY RELATED TO CONSUMPTION OF DAIRY PRODUCTS.

CONCLUSIONS AND RECOMMENDATIONS

THE DEPARTMENT MADE AN EFFORT TO LIMIT PROGRAM CUTS TO CHILDREN WHO WOULD BE LEAST AFFECTED BY THE CUTS. THE LACK OF PROGRAM INFORMATION AND EVALUATION MATERIAL SEVERELY RESTRAINED BOTH US AND THE DEPARTMENT FROM FULLY ASSESSING THE IMPACT OF THE CUTS AND THE VIABILITY OF ALTERNATIVE PROPOSALS. THE DEPARTMENT HAD LITTLE CONVINCING EVIDENCE TO SUPPORT THEIR PROPOSED MODIFICATIONS IN THE SCHOOL LUNCH PROGRAM. SIMILARLY, LITTLE EVIDENCE WAS AVAILABLE FOR RATIONALE IN INCREASES IN THE CASH SUBSIDY AND FOR INCREASES IN THE INCOME GUIDELINES THAT TOOK PLACE IN PRIOR YEARS. THE DEPARTMENT HAS SOME BASIS FOR CUTTING BACK ON THE SPECIAL MILK PROGRAM AND A RATIONALE FOR REDUCING THE SUMMER FEEDING PROGRAM BUDGET, ALTHOUGH, EVEN HERE, IT SEEMS THAT THE DEPARTMENT DID NOT FULLY CONSIDER AVAILABLE OPTIONS FOR DECREASING COSTS WITHOUT ELIMINATING ELIGIBLE CHILDREN FROM THE PROGRAM. UNQUESTIONABLY, THE DEPARTMENT'S PROPOSED CUTS WILL SAVE MONEY. THEY WILL ALSO REMOVE MANY CHILDREN FROM THESE PROGRAMS. UNFORTUNATELY WE ARE UNABLE TO MEASURE THE TRADE-OFF BETWEEN BUDGET CUTS - SOME OR ALL OF WHICH COULD BE WELL TAKEN - AND CUTTING CHILDREN OFF FROM PROGRAM BENEFITS.

PRIOR GAO RECOMMENDATIONS TO MAKE COMPREHENSIVE EVALUATIONS OF CHILD NUTRITION PROGRAMS HAVE NOT BEEN ACTED UPON. THE CONGRESS SHOULD REQUIRE THE SECRETARY OF AGRICULTURE TO

CONDUCT A COMPREHENSIVE EVALUATION OF ALL THE CHILD
NUTRITION PROGRAMS. SUCH EVALUATIONS SHOULD CONSIDER THE
INTERACTION OF ALL FEDERAL FEEDING PROGRAMS IN MEETING LEGIS-
LATIVE OBJECTIVES.

THIS CONCLUDES MY STATEMENT. I WILL BE PLEASED TO RESPOND
TO YOUR QUESTIONS.

ATTACHMENTS

ATTACHMENT 1

GAO REPORTS PERTINENT TO TESTIMONY

1. Future of the National Nutrition Intelligence System (CED-79-5, 11/7/78)
2. Federal Domestic Food Assistance Programs - A Time for Assessment and Change (CED-78-113, 6/13/78)
3. Nationwide Food Consumption Survey: Need for Improvement and Expansion (CED-77-56, 3/25/77)
4. The Summer Feeding Program for Children: Reforms Begun - Many More Urgently Needed (CED-78-90, 3/31/78)
5. The Summer Feeding Program - How to Feed the Children and Stop Program Abuses (CED-77-59, 4/15/77)
6. The National School Lunch Program - Is It Working? (PAD-77-6, 7/26/77)
7. Progress and Problems in Achieving Objectives of the School Lunch Program (B-178564, 6/29/73)
8. How Good Are School Lunches? (CED-78-22, 2/3/78)
9. Letter report to the Secretary of Agriculture on non-compliance with Type A lunch pattern in New York City (CED-77-89, 6/15/77)
10. The Impact of Federal Commodity Donations on the School Lunch Program (CED-77-32, 1/31/77)

ATTACHMENT 2

PROPOSED BUDGET CHANGES IN THE FISCAL YEAR 1980
CHILD NUTRITION PROGRAMS (in \$000's)

	<u>Existing</u>	<u>Proposed</u>	<u>Change</u>
School lunch			
Section 4	734,700	586,700	-148,000
Section 11	1,388,400	1,274,600	-113,800
Breakfast	224,800	212,800	- 12,000
Summer feeding	135,800	88,800	- 47,000
Child care	213,800	204,800	- 9,000
Commodities	<u>685,200</u>	<u>657,400</u>	<u>- 27,800</u>
TOTAL	3,382,700	3,025,100	-357,600

ESTIMATED EFFECT OF PROPOSED BUDGET CUTS ON PARTICIPATION
LEVELS IN THE NATIONAL SCHOOL LUNCH PROGRAM
(in millions)

	<u>Students Served</u>			
	At Regular Price	At Reduced Price	Free	Total
PARTICIPATION UNDER EXISTING LEGISLATION	14.600	2.100	9.400	26.100
CHANGES UNDER PROPOSED LEGISLATION				
<u>Eligibility Shift</u>				
Gain	.370	1.400	-	1.770
Loss	-	-.370	-1.400	-1.770
	<u>.370</u>	<u>1.030</u>	<u>-1.400</u>	<u>-0-</u>
<u>Dropout Due to</u>				
Eligibility Shift	-.185	-.350	-	-.535
5-Cent Subsidy Cut	-.580	-	-	-.580
	<u>-.765</u>	<u>-.350</u>	<u>-0-</u>	<u>-1.115</u>
PARTICIPATION UNDER PROPOSED LEGISLATION	14.205	2.780	8.000	24.985