CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 8, 1998

Child Nutrition and WIC Reauthorization Amendments of 1998

As ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry on June 25, 1998

SUMMARY

The bill would reauthorize child nutrition programs and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The legislation would provide authorizations of $3.9 billion for fiscal year 1999 and about $19.6 billion over the 1999-2003 period, not including adjustments for inflation.

In addition, the bill would change the National School Lunch Act and the Child Nutrition Act to provide reimbursement for snacks served to youth in after-school programs in schools and low-income areas and lower reimbursement rates for meals served free and at a reduced price in schools and child care centers. Those changes would slightly increase direct spending in 1999 and slightly decrease direct spending over the 1999-2003 period. Enactment of the bill also would result in increased revenues, although the amount is likely to be insignificant. Because the bill would affect both direct spending and receipts, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would, however, impose new requirements on state and local governments that administer child nutrition programs with costs totaling $8 million in fiscal 1999 and $175 million for the 1999-2003 period. Under UMRA, such requirements would not be mandates because they are a result of complying with grant conditions or because states have the ability to offset these new costs by amending the programs.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of the bill is summarized in Table 1. The costs of this legislation fall within budget function 600 (income security).

Table 1. Summary of Estimated Budgetary Effects

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Without Adjustments for Inflation						
Authorizations for WIC and Nutritional Education and Training Under Current Law						
Estimated Authorization Level [a]	3,928	10	10	10	10	0
Estimated Outlays	3,917	284	10	10	10	2
Proposed Changes						
Estimated Authorization Level	0	3,919	3,921	3,919	3,918	3,928
Estimated Outlays	0	3,645	3,920	3,919	3,918	3,927
Authorizations Under the Bill						
Estimated Authorization Level [a]	3,928	3,929	3,931	3,929	3,928	3,928
Estimated Outlays	3,917	3,929	3,930	3,929	3,928	3,928
With Adjustments for Inflation						
Authorizations for WIC and Nutritional Education and Training Under Current Law						
Estimated Authorization Level [a]	3,928	10	10	10	10	0
Estimated Outlays	3,917	284	10	10	10	2
Proposed Changes						
Estimated Authorization Level	0	4,005	4,101	4,198	4,295	4,411
Estimated Outlays	0	3,725	4,095	4,191	4,289	4,403
Authorizations Under the Bill						
Estimated Authorization Level [a]	3,928	4,015	4,111	4,208	4,305	4,411
Estimated Outlays	3,917	4,009	4,105	4,201	4,299	4,404
DIRECT SPENDING						
Spending for Child Nutrition Under Current Law						
Budget Authority	8,779	9,266	9,786	10,333	10,893	11,464
Estimated Outlays	8,702	9,176	9,689	10,231	10,789	11,358
Proposed Changes						
Budget Authority	0	22	-14	-7	-7	-5
Estimated Outlays	0	6	-9	-2	b	-4
Spending Under the Bill						
Budget Authority	8,779	9,288	9,772	10,326	10,886	11,459
Outlays	8,702	9,182	9,680	10,229	10,789	11,354
CHANGES IN REVENUES						
Estimated Revenues	0	b	b	b	b	b

Note: Details may not sum to totals due to rounding.

a. The 1998 level is the amount appropriated for that year.

b. Less than $500,000.

BASIS OF ESTIMATE

Tables 2 and 3 detail the effects of the bill on authorizations of appropriations.

Spending Subject to Appropriations

Title II of the bill would extend the authorization of the Special Supplemental Nutritional Program for Women, Infants, and Children (WIC) at such sums as may be necessary for fiscal years 1999 through 2003. The WIC program provides food and other support to low-income pregnant, post-partum and breast-feeding women, infants, and children up to age five. The bill would make several changes to the underlying authorization of WIC. However, most of these changes would not have significant budgetary effects.

Section 203 would increase federal administrative responsibilities in two ways. The first responsibility is the review and approval of all solicitations for contracts in the infant formula rebate program. In this program, manufacturers bid to supply infant formula at a reduced cost for WIC. The bill would require the Secretary of Agriculture to review all solicitations under this program to ensure that the contracts do not contain any anticompetitive provisions. Based on discussions with the Food and Nutrition Service, we estimate this activity would require five full-time equivalents (FTEs) each year. The other administrative responsibility would be the development of a plan for a management information system, including electronic benefits transfer. The Secretary would present the plan to Congress within two years of enactment of the bill. We estimate that this activity would require five FTEs for the two years of developing the plan and preparing the report. Together, these activities would cost about $1 million a year in 1999 and 2000, and less than $500,000 for each subsequent year.

The section would also require the Comptroller General to undertake two studies of WIC. The first is a study on the effect of cost-containment practices employed by the states. This report would be due two years after the bill's enactment. Based upon estimates by the U.S. Department of Agriculture's Economic Research Service for a similar study, CBO estimates this requirement would cost $1.5 million. In the second study, the General Accounting Office would examine the cost and quality of WIC services, with a report due no later than three years after enactment of the bill. Given the scope of the intended study, CBO estimates its cost to be similar to that of the other required study. Thus, the costs of these studies are estimated at $3 million over the 1999-2003 period.

Section 204 would amend the Nutritional Education and Training program, which provides funds to train food service personnel and to instruct students, teachers, and parents about nutrition and health. The program is currently authorized through fiscal year 2002 at

Table 2. Estimated Effects on Appropriations, Without Adjustments for Inflation

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
Authorizations Under Current Law						
WIC						
Budget Authority	3,924	0	0	0	0	0
Estimated Outlays	3,914	275	0	0	0	0
Nutritional Education and Training Program						
Estimated Authorization Level	4	10	10	10	10	0
Estimated Outlays	3	9	10	10	10	2
Total Authorizations Under Current Law						
Estimated Authorization Level	3,928	10	10	10	10	0
Estimated Outlays	3,917	284	10	10	10	2
Changes Under the Bill						
WIC						
Estimated Authorization Level	0	3,925	3,927	3,925	3,924	3,924
Estimated Outlays	0	3,650	3,926	3,925	3,924	3,924
Nutritional Education and Training Program						
Estimated Authorization Level	0	-6	-6	-6	-6	4
Estimated Outlays	0	-5	-6	-6	-6	3
Total Changes						
Estimated Authorization Level	0	3,919	3,921	3,919	3,918	3,928
Estimated Outlays	0	3,645	3,920	3,919	3,918	3,927
Total Authorizations Under the Bill						
WIC						
Estimated Authorization Level	3,924	3,925	3,927	3,925	3,924	3,924
Estimated Outlays	3,914	3,925	3,926	3,925	3,924	3,924
Nutritional Education and Training Program						
Estimated Authorization Level	4	4	4	4	4	4
Estimated Outlays	3	4	4	4	4	4
Total Authorizations Under the Bill						
Estimated Authorization Level	3,928	3,929	3,931	3,929	3,928	3,928
Estimated Outlays	3,917	3,929	3,930	3,929	3,928	3,928

Note: Details may not sum to totals due to rounding.
a. The 1998 level is the amount appropriated for that year.

Table 3. Estimated Effects on Appropriations, With Adjustments for Inflation

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
Authorizations Under Current Law						
WIC						
Budget Authority	3,924	0	0	0	0	0
Estimated Outlays	3,914	275	0	0	0	0
Nutritional Education and Training Program						
Estimated Authorization Level	4	10	10	10	10	0
Estimated Outlays	3	9	10	10	10	2
Total Authorizations Under Current Law						
Estimated Authorization Level	3,928	10	10	10	10	0
Estimated Outlays	3,917	284	10	10	10	2
Changes Under the Bill						
WIC						
Estimated Authorization Level	0	4,011	4,107	4,204	4,301	4,407
Estimated Outlays	0	3,730	4,100	4,197	4,294	4,400
Nutritional Education and Training Program						
Estimated Authorization Level	0	-6	-6	-6	-6	4
Estimated Outlays	0	-5	-6	-6	-6	3
Total Changes						
Estimated Authorization Level	0	4,005	4,101	4,198	4,295	4,411
Estimated Outlays	0	3,725	4,095	4,191	4,289	4,403
Total Authorizations Under the Bill						
WIC						
Estimated Authorization Level	3,924	4,011	4,107	4,204	4,301	4,407
Estimated Outlays	3,914	4,005	4,100	4,197	4,294	4,400
Nutritional Education and Training Program						
Estimated Authorization Level	4	4	4	4	4	4
Estimated Outlays	3	4	4	4	4	4
Total Authorizations Under the Bill						
Estimated Authorization Level	3,928	4,015	4,111	4,208	4,305	4,411
Estimated Outlays	3,917	4,009	4,105	4,201	4,299	4,404

Note: Details may not sum to totals due to rounding.
a. The 1998 level is the amount appropriated for that year.

$10 million a year. The bill would authorize such sums as may be necessary for fiscal years 1999 through 2003. In fiscal year 1998, $4 million was appropriated for this program. CBO assumes that, under the new authorization, this level of funding would continue for 1999-2003.

Direct Spending and Revenues

The bill would make several changes to the National School Lunch Act and the Child Nutrition Act. These programs provide subsidies to schools and child care programs to help provide meals to children. CBO's estimates of the bill's effects on direct spending, by provision, are detailed in Table 4 and explained below.

Round Down Reimbursement Rates. Section 106 would lower the reimbursement rate for meals served free or for a reduced price in schools and day care centers. Under current law, the reimbursement rates for those meals are adjusted for inflation each year and then rounded to the nearest quarter cent. The bill would require those rates (except for lunches) to be rounded down to the nearest whole cent. The reimbursement rate for free and reduced lunches has two components: the reimbursement rate for a full-price meal plus a special assistance rate. Each of those rates would be rounded down to the nearest cent and then summed. On average, schools would receive one cent less reimbursement for each lunch served and one-half cent less reimbursement for every other meal served. The provision would take effect May 1, 1999, and would reduce federal outlays by $7 million in 1999 and $49 million by 2008.

Adjust Summer Food Program Reimbursement Rates for Alaska and Hawaii. Section 107 would allow the Secretary of Agriculture to set higher reimbursement rates for the Summer Food Service program in Alaska, Hawaii, and territories where the cost of providing meals is greater than in the rest of the states. Under current law, the Secretary may set higher rates in all the other Child Nutrition programs. The authority to adjust rates is currently used only in Alaska and Hawaii. Based on the number of meals served in Alaska and Hawaii and the size of the adjustment the Secretary makes in the other child nutrition programs, the provision would cost less than $500,000 a year.

Integrate Food and Nutrition Projects with Elementary School Curricula. Section 109 would continue the authority to provide grants in support of projects that integrate food and nutrition projects into the elementary school curriculum. Under current law, grants of $100,000 a year have been made since fiscal year 1995. We assume that the projects would continue to be funded at this level and that total outlays would total less than $500,000 over the 1999-2003 period.

Table 4. Estimated Effects on Direct Spending

	By Fiscal Year, in Millions of Dollars											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5-year total	10-year total
Round Down Reimbursement Rates												
Budget Authority	-13	-38	-42	-44	-45	-46	-47	-48	-48	-49	-182	-420
Outlays	-7	-35	-41	-44	-45	-46	-47	-48	-48	-49	-171	-409
Adjust Summer Food Program Reimbursement Rates for Alaska and Hawaii												
Budget Authority	b	b	b	b	b	b	b	b	b	b	1	3
Outlays	b	b	b	b	b	b	b	b	b	b	1	3
Integrate Food and Nutrition Projects with Elementary School Curricula												
Budget Authority	b	b	b	b	b	0	0	0	0	0	1	1
Outlays	b	b	b	b	b	b	0	0	0	0	b	1
Expand Private, Nonprofit Participation in the Summer Food Program												
Budget Authority	b	b	1	1	1	1	1	1	1	1	3	7
Outlays	b	b	1	1	1	1	1	1	1	1	2	6
Extend Kentucky-Iowa Demonstration Project												
Budget Authority	4	4	4	4	4	0	0	0	0	0	20	20
Outlays	3	4	4	4	4	1	0	0	0	0	19	20
Technical and Training Assistance												
Budget Authority	1	1	1	1	1	0	0	0	0	0	5	5
Outlays	1	1	1	1	1	b	0	0	0	0	5	5
Provide Snacks for Teens in Low-Income Areas												
Budget Authority	1	1	1	1	1	2	2	2	2	2	6	14
Outlays	b	1	1	1	1	1	2	2	2	2	5	14
Transfer Homeless Assistance Programs to CACFP												
Budget Authority	b	b	b	b	b	b	b	b	1	1	2	4
Outlays	b	b	b	b	b	b	b	b	1	1	2	4
Provide After-School Snacks through the School Lunch Program												
Budget Authority	7	16	26	28	31	33	36	38	41	44	107	300
Outlays	6	14	24	28	30	33	35	38	41	44	102	291
Boarder Babies Pilot Project												
Budget Authority	b	b	b	b	b	0	0	0	0	0	2	2
Outlays	b	b	b	b	b	b	0	0	0	0	2	2
Universal Free Breakfast Pilot												
Budget Authority	20	0	0	0	0	0	0	0	0	0	20	20
Outlays	1	4	7	7	2	0	0	0	0	0	20	20

Table 4. Estimated Effects on Direct Spending

	By Fiscal Year, in Millions of Dollars											
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	5-year total	10-year total
Food Service Management Institute												
Budget Authority	1	1	1	1	1	1	1	1	1	1	5	10
Outlays	1	1	1	1	1	1	1	1	1	1	5	10
Information Clearinghouse												
Budget Authority	b	b	b	b	b	0	0	0	0	0	1	1
Outlays	b	b	b	b	b	b	0	0	0	0	1	1
Special Dietary Needs												
Budget Authority	b	b	b	b	b	b	b	b	b	b	1	1
Outlays	b	b	b	b	b	b	b	b	b	b	b	1
Spending from WIC Fines and Penalties												
Budget Authority	b	b	b	b	b	b	b	b	b	b	b	b
Outlays	b	b	b	b	b	b	b	b	b	b	b	b
Reimbursement for Removal of Hazardous Commodities												
Budget Authority	b	b	b	b	b	b	b	b	b	b	b	b
Outlays	b	b	b	b	b	b	b	b	b	b	b	b
Interactions												
Budget Authority	b	b	b	b	b	b	b	b	b	b	-1	-2
Outlays	b	b	b	b	b	b	b	b	b	b	-1	-2
Total												
Budget Authority	22	-14	-7	-7	-5	-9	-7	-5	-2	b	-11	-36
Outlays	6	-9	-2	b	-4	-8	-8	-6	-3	-1	-8	-33

Note: Details may not sum to totals due to rounding.

b. Less than $500,000.

Expand Private, Nonprofit Participation in the Summer Food Program. Section 113 would allow private, nonprofit sponsors to operate more sites in the Summer Food Service program. Current law limits a private, nonprofit sponsor to 5 urban sites, 20 rural sites, and 20 sites in total. The proposal would raise the limit to 25 sites of any type. In 1997 there were about 600 private, nonprofit sponsors operating 2,200 sites. Only 13 percent of sponsors operate more than 5 sites, and only 6 percent of sponsors operate more than 10 sites, according to a Food and Nutrition Service (FNS) internal study. FNS officials report that about a dozen rural sponsors and a couple of urban sponsors have expressed interest in exceeding the limits under current law. The estimate assumes that 10 rural sponsors add 5 additional sites and 4 urban sponsors add 5 to 10 sites for a total of 80 new sites serving 5,000 new participants by 2001. The provision would increase outlays by less than $500,000 in 1999 and 2000 and by about $1 million each year thereafter.

Extend Kentucky-Iowa Demonstration Project. Section 115(f) would extend until 2003 a demonstration project that allows expanded participation by for-profit providers in the Child and Adult Care Food Program (CACFP) in Kentucky and Iowa. Current law allows most for-profit providers to participate in CACFP only if at least 25 percent of the children at the center receive Title XX funds. In Kentucky and Iowa, a for-profit provider can also participate if at least 25 percent of the children enrolled meet the income eligibility criteria for free and reduced meals (185 percent of poverty). The pilot project was funded at $3.7 million in 1998. We estimate that funding would increase each year by 2.7 percent, the projected increase in the CACFP reimbursement rate. The provision would increase federal costs by $4 million a year through 2003.

Technical and Training Assistance. Section 115(g) would provide assistance to states for program management and oversight. The bill would fund assistance at $1 million each year through 2003.

Provide Snacks for Teens in Low-Income Areas. Section 115(r) would allow centers that care for youth between the ages of 12 and 18 in low-income areas to participate in CACFP. Centers in areas where at least 50 percent of the enrolled students are certified eligible for free or reduced meals could be reimbursed for one snack per child per day. Reimbursement would be at the rate for free snacks and all snacks would be served free. Reimbursement would be available for snacks served after school, on holidays, and on weekends.

CBO estimates that, after the initial year, about 10,000 youths would participate in the programs, rising to 15,000 by 2008. About 500,000 children between the ages of 6 and 12 currently participate in CACFP. Data from the Survey of Income and Program Participation indicate that for every 20 children between the ages of 6 and 12 who are in care, one child between the ages of 13 and 18 is in care. If after-school care programs serving children ages 13-18 participate at the same rate as those serving younger children, then 25,000 additional youths could participate daily. Because the program could operate only in low-income areas, CBO estimates that only 40 percent of those children (10,000) would be eligible to participate. After the initial year in which the program is phased-in, this number is assumed to grow by 5.5 percent a year, the projected rate of growth for snacks served in CACFP.

After-school programs would be reimbursed for 1 million snacks in 1999, 2 million in 2000, and 3 million by 2008. The estimate assumes that programs would operate 200 days a year on average. The school lunch program operates 180 days, but this program can also operate on weekends and holidays. Each snack would be reimbursed at about 50 cents for an annual cost of $1 million to $2 million once the provision is phased-in.

Transfer Homeless Assistance Programs to CACFP. Section 116 would consolidate two programs that provide meals to homeless children into CACFP. The Homeless Children Nutrition program serves children under age 7 in homeless shelters up to three meals and one snack per day. About 1 million meals were served through that program in 1997. The Summer Food Homeless program serves children under age 19 in homeless shelters up to two meals a day during summer months. About 100,000 meals were estimated to be served through that program in 1997. The consolidated program would serve homeless children under age 13 up to three meals a day through CACFP. On balance, this program would provide reimbursement for more meals, mostly due to additional meals served to children between the ages of 6 and 12 year-round instead of just in the summer. The provision would cost less than $500,000 a year through 2006 and about $1 million in 2007 and 2008.

Provide After-School Snacks through the School Lunch Program. Section 117 would allow schools that operate a school lunch program to receive reimbursement for snacks served to children in after-school care programs. Under current law, a school can receive reimbursement for after-school snacks only if it establishes a child care center and participates in CACFP. Many school-based, after-school programs do not participate in CACFP, partly because they are not willing or able to meet state requirements for child care centers. The provision would make it significantly easier for schools to receive reimbursement for snacks served to children after school, because schools would not have to apply as child care centers through a separate federal program.

In general, after-school programs that serve children up to age 12 could participate. Programs in low-income areas would receive reimbursement for snacks served to children up to age 18. Only after-school programs which have an educational or enrichment purpose and are organized primarily for the purpose of providing care could participate. In low-income areas, all snacks would be reimbursed at the rate for free snacks in the CACFP program, and all snacks would be served free. In all other areas the price and reimbursement rates for snacks would vary with family income. Low-income areas are areas where at least 50 percent of the children enrolled in school are certified as eligible to receive free or reduced price school meals.

In 1991, there were about 13,500 after-school programs in public and private schools according to a Department of Education (ED) study. By 1999, CBO estimates that about 16,000 after-school programs could potentially participate in the new snack program. About 97 percent of public schools and 45 percent of private schools participate in the school lunch program. CBO estimates that 10,600 sites had both a school lunch program and an after-school program. Participation in CACFP by after-school programs has grown by 9 percent a year in recent years. School enrollment grew about 2 percent a year in the early 1990s. CBO projects that the number of after-school programs would grow by the average of those two rates, or 5.5 percent a year. The estimate assumes that about 30 percent of the eligible programs would be in low-income areas. That estimate is based on the percentage of schools that participate in the school lunch program that would meet the low-income criteria.

The estimate assumes that 95 percent of eligible programs in low-income areas, about 4,600 programs, and 50 percent of programs in other areas, about 5,600 programs, would participate. This rate of participation is slightly less, on average, than the 70 percent rate at which schools participate in the school breakfast program. Wealthier schools are generally less likely to participate in the child nutrition programs, and ED data indicate that the schools with after-school programs are somewhat wealthier than average. About 2,800 school-based after-school programs already receive reimbursement for snacks through the CACFP, so 7,400 additional after-school programs would participate, 45 percent from low-income areas.

The new program could serve 62 million new snacks in 1999 and 100 million by 2008. If the new programs are the average size of programs already participating in CACFP (45 children) and operate the same number of days a year as lunch and breakfast programs (180 days), then the program would subsidize 60 million snacks in 1999. Because children between the ages of 13 to 18 in low-income areas could also participate in the new program, the number of new snacks would be 5 percent higher in those areas. CBO projects the number of snacks would grow at the same rate projected for all snacks in CACFP. About 45 percent of the new snacks would be served in low-income areas.

Schools in low-income areas would be reimbursed at the free rate of about 50 cents a snack in 1999. In other areas, 35 percent of the snacks would be reimbursed at the free rate, 5 percent at the reduced rate (26 cents in 1999), and the remainder at the paid rate (4 cents in 1999). Those rates assume that the income of participants would be similar to that of school lunch participants in non-low-income areas. CBO assumes that participation would increase gradually so the first-year cost would be only $7 million. By 2001, the first year we expect the program would be fully phased-in, the cost would be $26 million; the cost would rise to $44 million by 2008.

Boarder Babies Pilot Project. Section 118 would extend the boarder babies pilot project through fiscal year 2003. This project provides food and nutrition services to homeless mothers and children. These pilot projects would be funded at $400,000 per year; outlays would total $2 million over the 1999-2003 period.

Universal Free Breakfast Pilot. Section 119 would provide $20 million for a universal free breakfast pilot project. The project would examine the effect of serving all breakfasts free for three years in selected elementary schools. Breakfasts would be reimbursed at the rate for meals served free. Up to $12 million of the funds appropriated could be used for the evaluation of the pilot. The remaining funds would be used to provide meals in the selected schools.

Food Service Management Institute. Section 121 would increase funding for the Food Service Management Institute. The Institute was established for research on food service in federally assisted food programs as well as for training and technical assistance for food service personnel. The Institute has been funded at $2 million a year since fiscal year 1996.

This bill would increase funding to $3 million a year beginning in fiscal year 1999. This new level of funding would increase outlays by $5 million over the 1999-2003 period.

Information Clearinghouse. An information clearinghouse, which provides information on federal nutrition programs and self-help activities for low-income individuals, was funded at $100,000 in fiscal year 1998. Section 123 would fund the program at $166,000 a year through fiscal year 2003.

Special Dietary Needs. Section 124 would extend the Secretary of Agriculture's authority to provide grants and guidance to states on how to accommodate special dietary needs of disabled students. Based on current funding levels, CBO estimates that these activities would be funded at $100,000 a year over the 1999-2003 period.

Spending from WIC Fines and Penalties. Section 203 would require state agencies to permanently disqualify from participating in the WIC program vendors who are convicted of trafficking in food instruments or selling firearms in exchange for food instruments. If disqualifying a vendor would pose a hardship to program participants, the vendor could remain in the program but would be assessed a civil money penalty by the state. In addition, states could impose fines on vendors and participants who are found guilty of fraud against the program. These penalties and fines could be spent by the states on nutrition services, administrative expenses, and food benefit assistance. Finally, the bill would allow courts to order persons convicted of violating any WIC provision to forfeit all property used in the transaction that resulted in the violation. The proceeds from a sale of the forfeited property would be used to reimburse federal and state agencies for costs incurred in the forfeiture proceedings. This section would increase both direct spending and receipts, but the amount is likely to be insignificant.

Reimbursement for Removal of Hazardous Commodities. Section 302 would give the Secretary the authority to use funds from section 32 (Funds for Strengthening Markets, Income, and Supply) to reimburse states for costs associated with the removal of commodities that pose a health or safety hazard. Section 32 is a permanent account funded through customs duties, and most of the funds are appropriated to the child nutrition programs. The remaining funds can be used for a variety of purposes, including commodity distribution and emergency surplus removal. This section of the bill would allow the Secretary to use section 32 funds to reimburse states for costs, such as transportation and disposal, associated with the removal of the unsafe commodities, as well as to purchase replacement commodities. Currently, the Secretary's ability to replace commodities can be limited if liability is not immediately established. This section would allow the Secretary to immediately replace the commodities, and any funds subsequently collected from the suppliers of the hazardous commodities would be deposited into the section 32 account. Assuming that one or two incidents with unsafe food occurs each year, we estimate that the costs of this new authority would be insignificant. If the donation of a hazardous commodity occurred on a widespread scale, costs in a specific year could be much higher.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in Table 5. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

Table 5. Summary of Pay-As-You-Go Effects

	By Fiscal Year, in Millions of Dollars										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	6	-9	-2	b	-4	-8	-8	-6	-3	-1
Changes in receipts	0	b	b	b	b	b	b	b	b	b	b

b. Less than $500,000.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would, however, impose new requirements on state and local governments that administer child nutrition programs with costs totaling $8 million in fiscal 1999 and $175 million for the 1999-2003 period. Title I of the bill would:

- Require local food service operations to undergo an annual health and safety inspection if state or local laws did not already require it. Information from the American School Food Service Association (ASFSA) indicates that such inspections are required in all but two or three states. CBO estimates that local education agencies in the affected states would incur new costs totaling approximately $500,000 a year.

- Require inflation adjustments for free and reduced-price meals served in schools and day care centers to be rounded down to the nearest whole cent. CBO estimates that local education agencies would receive $7 million less in fiscal 1999 and $172 million less over the 1999-2003 period as the result of this provision.

- Require state agencies administering the Child and Adult Care Food Program to visit certain facilities with a high probability of program abuse and to distribute information provided by the Department of Agriculture (USDA) about the WIC program to participants of CACFP. Based on information from ASFSA and USDA, we estimate that the costs of such requirements are not likely to be significant because similar activities are currently being done in some form.

- Require states to administer all child nutrition programs beginning in fiscal year 2002. (The bill would provide for a two-year extension under certain circumstances.) The eight states affected by this provision would be reimbursed for the costs of administering these programs. In fiscal 1998, USDA spent slightly more than $2 million administering these programs. These programs would no longer be available in states that choose not to administer them.

Section 421(5)(B)(ii) of UMRA provides that new grant conditions and reductions in federal funding for certain entitlement programs, including child nutrition programs, are mandates if the state, local, or tribal governments that participate in the program lack the authority to amend their financial or programmatic responsibilities to continue providing required services under the program. Based on Information from ASFSA and the Congressional Research Service, CBO assumes that states and local education agencies do, in general, have the authority to amend their financial and programmatic responsibilities to offset the costs imposed on them by this legislation. In addition to the flexibility under current law, the bill would grant additional flexibility by waiving the requirement for weighted averages for nutrient analysis and would make available additional funds for technical and training assistance under CACFP.

Title II of the bill would impose new requirements on the state and local agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children. CBO estimates that the costs of these new grant conditions would not be significant because many states already comply with several of them. The bill would allow states to offset some of these costs by granting them additional time to recover claims against vendors and participants. States would also be given additional time in which to spend these recoveries.

Title III of the bill would allow the USDA to reimburse states for the cost of disposing of commodities that pose a health or safety hazard. Based on information from USDA, CBO estimates that the benefits of this provision to states would not be significant.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The bill contains no private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995.

PREVIOUS CBO ESTIMATES

CBO submitted a cost estimate for H.R. 3874 on June 23, 1998, and estimated that direct spending would decrease by about $68 million over the 1999-2003 period. The Senate bill saves less than the House bill for three main reasons. First, the Senate bill does not contain a House provision that would reduce the funds available to states for audits of CACFP. Second, it includes the Universal Free Breakfast Pilot as direct spending. Third, the bill's provisions providing after-school snacks is somewhat more expensive.

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