



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 30, 2016

### **H.R. 5003** **Improving Child Nutrition and Education Act of 2016**

*As ordered reported by the House Committee on Education and the Workforce  
on May 18, 2016*

#### **SUMMARY**

H.R. 5003 would amend and reauthorize child nutrition programs and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Those authorizations would extend through 2021.

CBO estimates that enacting this legislation would decrease direct spending by \$128 million over the 2017-2021 period and by \$59 million over the 2017-2026 period for the child nutrition programs. Enacting the bill would increase revenues by \$8 million over the same period.

Additionally, CBO estimates that implementing H.R. 5003 would increase discretionary costs by \$29.8 billion over the 2017-2021 period, assuming appropriation of the necessary amounts. Most of those costs would be for the reauthorization of WIC.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

The bill would impose new requirements on states and on school districts that implement child nutrition programs. Those requirements would be intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). In aggregate, CBO estimates that the costs of intergovernmental mandates in the bill would fall below the threshold established in UMRA (\$77 million in 2016, adjusted annually for inflation). The bill contains no private-sector mandates as defined in UMRA.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 5003 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

**TABLE 1. BUDGETARY EFFECTS OF H.R. 5003, IMPROVING CHILD NUTRITION AND EDUCATION ACT OF 2016**

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
<b>INCREASES OR DECREASES (-) IN DIRECT SPENDING</b>												
Estimated Budget Authority	20	22	-74	-58	-42	-19	1	17	32	42	-130	-54
Estimated Outlays	17	15	-62	-62	-38	-16	-2	15	28	41	-128	-59
<b>INCREASES IN REVENUES</b>												
Estimated Revenues	*	*	1	1	1	1	1	1	1	1	3	8
<b>INCREASE OR DECREASE (-) IN DEFICITS FROM CHANGES IN DIRECT SPENDING AND REVENUES</b>												
Effect on Deficit	17	15	-63	-63	-39	-17	-3	14	27	40	-131	-67
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>												
Estimated Authorization Level	6,448	6,422	6,422	6,397	6,397	5	5	5	5	5	32,084	32,109
Estimated Outlays	5,126	6,062	6,167	6,212	6,208	1,108	197	69	5	5	29,775	31,159

Notes: Components may not sum to totals because of rounding; \* = between zero and \$500,000.

## BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes H.R. 5003 will be enacted late in 2016.

### Background

The child nutrition programs include several programs that benefit mainly school-age children. Schools can provide meals to students through the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). The federal government reimburses participating schools for at least part of the cost of each meal served through those programs. Schools receive a relatively small subsidy for meals served to students from households with incomes above 185 percent of the federal poverty level (referred to

as paid meals) and larger subsidies for meals served to students from lower income households.

Students from households with incomes below 185 percent of the federal poverty level can apply to receive free or reduced-price meals, depending on their level of household income. Those students also can qualify for free meals based on household participation in other assistance programs (the Supplemental Nutrition Assistance Program, Temporary Assistance to Needy Families, Food Distribution Program on Indian Reservations, or in some cases, Medicaid) or their status as a homeless, runaway, migrant, or foster child. State or local agencies can directly certify that students meet those criteria based on documentation from the appropriate agencies or authorized individuals.

The Child and Adult Care Food Program (CACFP) provides reimbursement for meals and snacks served to children and adults in participating child and adult care centers, day care homes, Head Start programs, afterschool programs in low-income areas, and emergency shelters. Organizations participating in the At-Risk Afterschool Meals component of CACFP can receive reimbursement for meals and snacks served to children 18 years of age or younger after school, on weekends and holidays, and during school vacations during the regular school year. The Summer Food Service Program (SFSP) provides reimbursement for meals and snacks served to children at qualifying sites during the summer when school is not in session.

## **Direct Spending**

CBO estimates that enacting H.R. 5003 would, on net, reduce direct spending by \$59 million over the 2017-2026 period (see Table 2).

**Community Eligibility Provision (CEP).** Under the Community Eligibility Provision, participating schools must serve all breakfasts and lunches free of charge. They do not collect applications from students and reimbursements for meals are based on a formula specified in law. Under CEP, school districts, groups of schools within a district, or individual schools can opt to participate in the program if the percentage of enrolled students that are directly certified for free meals without an application—known as the identified student percentage (ISP)—is at least 40 percent.

The bill would increase the minimum ISP for schools or groups of schools participating in CEP to 60 percent beginning July 1, 2017. Schools already participating in CEP when the provision becomes effective would have until the beginning of school year 2018-2019 to comply with the new ISP threshold.

**TABLE 2. ESTIMATED DIRECT SPENDING UNDER H.R. 5003, THE IMPROVING CHILD NUTRITION AND EDUCATION ACT OF 2016**

	By Fiscal Year, in Millions of Dollars										2017-	2017-
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2021	2026
<b>INCREASES OR DECREASES (-) IN DIRECT SPENDING</b>												
<b>Community Eligibility Provision</b>												
Estimated Budget Authority	-1	-33	-171	-179	-185	-192	-198	-205	-212	-219	-569	-1,595
Estimated Outlays	-1	-28	-148	-178	-184	-190	-197	-204	-211	-218	-539	-1,559
<b>Summer and CACFP At-Risk Streamlining</b>												
Estimated Budget Authority	2	14	24	34	65	92	113	131	148	162	139	785
Estimated Outlays	2	12	23	32	60	87	109	128	145	160	129	758
<b>Off-Site Consumption Option</b>												
Estimated Budget Authority	6	8	10	14	14	15	15	16	16	17	52	131
Estimated Outlays	6	8	10	14	14	15	15	16	16	17	52	131
<b>Health Inspections</b>												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*	*
<b>Breakfast Reimbursement Rates</b>												
Estimated Budget Authority	0	10	60	69	100	105	111	118	124	130	239	827
Estimated Outlays	0	8	51	67	94	104	110	116	122	129	220	801
<b>Income Verification Procedures</b>												
Estimated Budget Authority	0	0	-18	-17	-35	-37	-38	-40	-41	-43	-70	-269
Estimated Outlays	0	0	-15	-17	-32	-36	-38	-39	-41	-43	-64	-261
<b>Farm to School Program</b>												
Estimated Budget Authority	5	5	5	5	5	5	5	5	5	5	25	50
Estimated Outlays	4	5	5	5	5	5	5	5	5	5	24	49
<b>Equipment Grants</b>												
Estimated Budget Authority	*	3	4	5	5	5	5	5	5	5	17	42
Estimated Outlays	*	3	4	5	5	5	5	5	5	5	17	42
<b>Summer EBT Demonstration Project</b>												
Estimated Budget Authority	0	10	10	10	0	0	0	0	0	0	30	30
Estimated Outlays	0	1	5	9	9	5	1	0	0	0	24	30
<b>Business Partnership Demonstration Project</b>												
Estimated Budget Authority	0	2	4	4	0	0	0	0	0	0	10	10
Estimated Outlays	0	2	4	4	0	0	0	0	0	0	10	10

(Continued)

**TABLE 2. CONTINUED**

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
<b>INCREASES OR DECREASES (-) IN DIRECT SPENDING</b>												
New Institutions In CACFP												
Estimated Budget Authority	*	-3	-5	-5	-5	-5	-5	-5	-5	-5	-18	-43
Estimated Outlays	*	-2	-5	-5	-5	-5	-5	-5	-5	-5	-17	-42
Eligibility For For-Profit Institutions												
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	*	1	1	1	1	1	1	1	1	1	4	9
Team Nutrition												
Estimated Budget Authority	*	-1	-1	-2	-2	-3	-3	-4	-4	-5	-6	-25
Estimated Outlays	*	-1	-1	-2	-2	-2	-3	-3	-4	-4	-6	-22
Commodity Reimbursement Calculation												
Estimated Budget Authority	6	6	6	6	0	0	0	0	0	0	24	24
Estimated Outlays	5	6	6	6	1	0	0	0	0	0	24	24
Other Provisions												
Estimated Budget Authority	1	*	*	*	*	*	*	*	*	*	3	6
Estimated Outlays	1	*	*	*	*	*	*	*	*	*	3	6
Interaction Effects												
Estimated Budget Authority	*	*	-3	-3	-5	-5	-5	-5	-5	-6	-11	-37
Estimated Outlays	*	*	-2	-3	-4	-5	-5	-5	-5	-6	-9	-35
Total Changes In Direct Spending												
Estimated Budget Authority	20	22	-74	-58	-42	-19	1	17	32	42	-130	-54
Estimated Outlays	17	15	-62	-62	-38	-16	-2	15	28	41	-128	-59

Notes: Components may not sum to totals because of rounding; \* = between -\$500,000 and \$500,000. CACFP = Child and Adult Care Food Program; EBT = Electronic Benefit Transfer.

Based on the characteristics of schools currently participating in CEP, CBO estimates that this provision would affect more than 8,500 schools. CBO estimates that about 2,000 of those schools would continue participating in CEP by forming new groups with an ISP that would meet the 60-percent threshold. The other 6,500 schools would no longer participate in CEP. Those schools would revert to the system of collecting applications for free and reduced-price meals and receiving reimbursements based on the number of free, reduced-price, and paid meals that the schools served. Additionally, CBO expects that participation in the school meals programs would decline in those schools as students eligible for reduced-price and paid meals would no longer receive meals free of charge.

CBO estimates that enacting this provision would reduce direct spending by about \$1.6 billion over the 2017-2026 period.

**Summer Food Service Program.** H.R. 5003 contains several provisions related to SFSP. In total, CBO estimates that enacting those provisions would increase direct spending by \$889 million over the 2017-2026 period.

*Summer and CACFP At-Risk Streamlining.* Section 106 would allow sites that are not schools to provide meals and snacks to at-risk students year-round under a single program. Eligible sites could serve lunch and either breakfast or a snack during the summer months and up to one meal and one snack during the school year after school, on weekends, and on school holidays. All meals served during the year would be reimbursed at the rates provided through the CACFP At-Risk Afterschool Program. The year-round option would be available for up to five states beginning in May 2017, up to five additional states beginning in October 2018, and all states beginning in May 2020.

California currently operates a similar program that allows nonschool SFSP sites to serve snacks after school, on weekends, and on school holidays. Based on data from the California program and consultation with states and policy experts, CBO expects that ultimately one-quarter of eligible SFSP sites would participate in the year-round program. Some of those sites currently operate programs through both SFSP and the CACFP at-risk afterschool program. Additionally, CBO expects that some sites that only operate through the CACFP at-risk afterschool program would add a SFSP site. By 2026, CBO estimates that nearly 9,000 sites would operate a year-round program through this option. In total, CBO estimates that by 2026, about 29 million snacks and 57 million suppers would be served during the school year and 31 million meals and snacks would be served during the summer months through this program. CBO estimates that enacting this provision would increase direct spending by \$758 million over the 2017-2026 period.

*Off-Site Consumption Option.* Under current law, all SFSP meals must be served in a congregate setting, where all meals are consumed where they are served. Section 106 would allow SFSP sites to provide off-site meals to children in rural or high-poverty areas if the area is not served by a congregate site. For example, a demonstration project allowed participating sponsors to provide off-site meals through a delivery service in selected rural areas. The bill would limit the number of meals served to each child to two meals per service and 10 meals per week.

Based on consultation with states and policy experts, CBO estimates that SFSP sponsors would serve a little less than 10 percent of eligible children living in eligible areas under this option. CBO estimates that enacting this provision would increase direct spending by \$131 million over the 2017-2026 period.

*Health Inspections.* Section 106 also would allow states to use SFSP state administrative funds for health inspections. Because states have historically obligated most of their administrative funds, CBO expects that increased expenditures from administrative funds would total less than \$500,000 in each year and over the 2017-2026 period.

**Breakfast Reimbursement Rates.** Section 202 would increase federal reimbursements for all breakfasts served through the SBP by 2 cents in the 2018-2019 school year and by an additional 1 cent in the 2020-2021 school year. Those increases would incorporate inflation each year. Breakfasts served in child and adult care centers through the CACFP are reimbursed at the SBP rates, so those breakfasts also would receive higher reimbursements. CBO estimates enacting that this provision would increase direct spending by \$801 million over the 2017-2026 period.

**Income Verification Procedures.** Under current law, local educational agencies (LEAs) are required every school year to verify the eligibility of individuals from a sample of household applications for free and reduced-price meals that have been approved. For most LEAs, the sample they must verify is the lesser of 3,000 applications or 3 percent of all approved applications. The applications are selected from among error-prone applications, which are applications with a monthly income that is within \$100 of the income threshold to be eligible for free or reduced-price meals. If there are not enough error-prone applications to complete the sample, LEAs can select applications at random.

The bill would increase the sample size to the lesser of 10,000 applications or 10 percent of approved household applications. The bill also would expand the types of applications and students that LEAs select for verification, including, for example, applications with information that is inconsistent with other information provided by the household and directly certified students. The bill also would provide several mechanisms to reduce the sample size to less than 10 percent. Finally, the bill would make other changes to the verification process, such as extending the deadline for completing verification activities from November 15 to December 15 of each year.

CBO expects that more applications would be selected for verification under the bill than under current law. Because the verification process uncovers more instances of households reporting too little income than too much income, verifying more applications would, on average, reduce the number of students who are eligible for free and reduced-price meals. In addition, some eligible students would lose meal benefits because they failed to provide the necessary documents for verification. Under the bill, CBO estimates that 12 million fewer free lunches and breakfasts and 5 million more paid lunches and breakfasts would be served in 2026; there would be little change in the number of reduced-price meals served. Those estimates are based on data from FNS on the results and response rates from the verification process and on the number of students in LEAs that meet the criteria for

reducing the sample size. CBO estimates that implementing the new verification procedures would reduce direct spending by \$261 million over the 2017-2026 period.

**Farm to School Program.** Section 109 would increase from \$5 million to \$10 million the annual funding for the program, which aims to improve access to local foods in certain schools. Thus, CBO estimates that enacting this provision would increase direct spending by \$49 million over the 2017-2026 period.

**Equipment Grants.** Section 114 would authorize appropriations totaling \$25 million over the 2017-2019 period for grants to schools to build infrastructure and purchase equipment to serve healthier meals and improve food safety. CBO expects that some grant recipients would use those funds to purchase equipment that would allow them to begin or expand breakfast operations through initiatives such as grab-and-go breakfast or breakfast in the classroom. Based on information on the operation of similar programs, CBO estimates that a little more than 700 schools would use grant funding for SBP and would thus serve more breakfasts. CBO estimates that appropriating the authorized amounts would increase direct spending for school breakfasts by \$42 million over the 2017-2026 period.

**Demonstration Projects.** Section 109 would create several new demonstration projects. In total, CBO estimates that enacting those provisions would cost \$40 million over the 2017-2026 period.

*Summer Electronic Benefit Transfer (EBT) Demonstration Project.* Under the bill, states that have operated a summer EBT demonstration project under a previous authority could continue operating that project. Such states would be able to provide a summer EBT card to children in certain areas who are in households where at least one school-aged child is eligible for free or reduced-price meals. The bill also would require the Secretary of Agriculture to complete an evaluation of the demonstration project. Finally, the bill would provide \$10 million per year for each of fiscal years 2018 through 2020 for that project. CBO estimates that enacting this provision would increase direct spending by \$30 million over the 2017-2026 period.

*Business Partnership Demonstration Project.* Under the bill, a maximum of four states could receive grants to reimburse for-profit food vendors for meals they serve through the SFSP in areas with unmet needs. The grants would be available to the participating states for three years. Based on information from policy experts and food vendors that currently sell meals to SFSP sponsors, CBO estimates that this provision would increase direct spending by \$10 million.

*State Administration of Child Nutrition Programs Demonstration Project.* Under the bill, up to three states could receive a block grant with a fixed level of funding for several child nutrition programs. The grant period would be three years, with the possibility of an

additional three-year extension. The annual funding level for each participating state would equal the amount the state received in fiscal year 2016 for free and reduced-price meals served through NSLP and SBP (excluding the amounts received through the six-cent reimbursement for schools in compliance with nutrition standards) and the amounts the state received through the Special Milk Program, state administrative expenses, and Team Nutrition. The participating states would not be able to receive additional federal funds for those programs. Under the block grant program states would have broad flexibility in administering those programs.

Based on consultation with state officials and policy experts, CBO does not expect that any state would take up this option. As a result, enacting this program would not affect direct spending.

**Child and Adult Care Food Program.** H.R. 5003 contains provisions that change the types of institutions that may participate and the terms of participation for CACFP. In total, CBO estimates that enacting those provisions would save \$33 million over the 2017-2026 period.

*New Institutions in CACFP.* Section 108 would allow residential child care institutions (RCCIs) and boarding schools funded by the Bureau of Indian Education (BIE) to serve meals through CACFP. Those institutions can currently serve meals through NSLP and SBP. The bill would prohibit RCCIs and such boarding schools from receiving reimbursements through those programs while concurrently receiving reimbursements through CACFP. The bill would allow RCCIs to serve meals to children 18 years of age and younger through CACFP. Boarding schools funded by BIE would be permitted to serve meals to children 12 years of age and younger, except meals served through the At-Risk Afterschool program, which has a higher age limitation.

Institutions serving meals through CACFP comply with different administrative and nutrition requirements than those under NSLP and SBP. Based on information from policy experts, CBO estimates that ultimately half of the meals and snacks RCCIs serve through the school lunch and breakfast programs would switch to CACFP. CBO does not expect that boarding schools would switch to CACFP because they would not receive reimbursement for meals served to children 13 years of age or older.

Institutions meeting the nutrition standards in NSLP receive an additional per-meal reimbursement for lunches served, and institutions in high-poverty areas receive additional per-meal reimbursements for meals served through NSLP and SBP. Meals served through CACFP are not eligible for these additional reimbursements. As a result, RCCIs switching from the school lunch and breakfast programs to CACFP would receive lower reimbursements for each meal they serve. However, the increase in CACFP meals served would result in increased funding for states to audit CACFP institutions. On net, CBO

estimates that this provision would decrease direct spending by \$42 million over the 2017-2026 period.

*Eligibility for For-Profit Institutions.* Under current law, child care centers that operate on a for-profit basis are eligible to receive reimbursements for meals served through CACFP if they meet certain requirements related to the income or program participation of children they serve. For-profit centers must certify that they meet those eligibility requirements each month in order to receive meal reimbursements. Section 108 would increase the period of eligibility to four months for those institutions. During that four-month period, for-profit centers would be eligible to receive reimbursements for meals served to children even if they did not meet certain program requirements during the certification period.

Based on data on participation patterns in the program and information from policy experts, CBO estimates that, by 2026, about 225 child care centers would maintain eligibility for at least one additional month. CBO estimates that this provision would increase direct spending by \$9 million over the 2017-2026 period.

**Team Nutrition.** Section 207 would provide \$17 million for Team Nutrition each year. Current law authorizes such sums as maybe necessary for the program. CBO projects the funding for Team Nutrition by adjusting the most recent funding level for inflation. In 2016, \$17 million was provided for Team Nutrition and CBO projects that funding will increase to \$22 million by 2026. CBO estimates that the bill would lower the projected funding level each year relative to CBO's baseline and would reduce direct spending by \$22 million over the 2017-2026 period.

**Commodity Reimbursement Calculation.** Under current law, the Food and Nutrition Service (FNS) is required to spend at least 12 percent of the total cash assistance in NSLP on commodities. Through fiscal year 2020, the value of bonus commodities can count toward the requirement. (Bonus commodities are purchases made by the Department of Agriculture and donated to NSLP.) Including the value of those commodities reduces the amount of additional commodity purchases that FNS must make to reach the required level. Based on recent levels of donations, CBO estimates that under current law, the program will receive \$6 million per year in bonus commodities through 2020.

H.R. 5003 would change the current formula for commodity reimbursement, but CBO estimates that the amount of commodity spending would remain essentially the same under the new formula. However, the value of bonus commodities would no longer count toward total commodity spending (although schools would still be able to receive bonus commodities). Therefore, CBO estimates that enacting this provision would increase direct spending for commodity purchases by \$24 million over the 2017-2026 period.

**Other Provisions.** The bill includes several other provisions that would increase direct spending by less than \$500,000 in any year.

- Section 104 would provide \$475,000 per year to purchase bottled water during emergencies and when public water poses a risk to the health of school children. CBO estimates that enacting this provision would increase direct spending by about \$5 million over the 2017-2026 period.
- Section 105 would remove requirements related to the price that schools charge for full-price lunches. Under current law, schools charging less than the difference between the federal reimbursement for a free lunch and the federal reimbursement for a paid lunch are required to increase the price they charge for a lunch, unless the state ensures that there are sufficient nonfederal funds to cover the gap. The bill would remove those requirements. CBO expects that some schools would reduce the amount they charge for a full-price lunch, leading to an increase in participation in NSLP. CBO estimates that this provision would increase costs by less than \$500,000 in each year and over the 2017-2026 period.
- Section 203 would require the Secretary to establish a centralized exchange network that would allow states to exchange information about the child nutrition programs. The bill would limit spending on the network to \$450,000.
- Section 302 would require the Secretary to conduct a study on business involvement by the private sector in the school meal programs. The bill also would require the Secretary to submit a report to the Congress on the findings from that study and recommendations for legislative action that would improve efficiency and lower administrative costs for the school meal programs. The bill would limit spending on the study and report to \$475,000.

**Interaction Effects.** The bill includes several provisions that would interact with each other. For example, the provision in section 105 that would increase the threshold for participation in CEP would interact with the provision in section 202 that would increase breakfast reimbursement rates. CBO expects that the CEP change would decrease the number of breakfasts served; that decrease in reimbursable breakfasts would thus reduce the costs of increasing breakfast reimbursement rates. In total, CBO estimates that interactions would reduce costs by \$35 million over the 2017-2026 period.

## Revenues

Section 113 would require the Secretary to levy civil monetary penalties against contractors of a child nutrition program who are found guilty of certain criminal activities that have harmed the program. Those activities include undertaking anticompetitive behavior, such as price-fixing; making false statements; committing fraud, bribery, or embezzlement; and knowingly receiving stolen property. CBO estimates that enacting H.R. 5003 would increase revenues by \$8 million over the 2017-2026 period.

## Spending Subject to Appropriation

The bill would make changes to discretionary programs previously authorized by the Richard B. Russell National School Lunch Act and the Child Nutrition Act of 1966, as amended, and would authorize new and existing discretionary programs through 2021. CBO estimates that implementing H.R. 5003 would cost \$29.8 billion—primarily for the WIC program—over the 2017-2021 period, assuming the appropriation of the necessary amounts.

**WIC.** The WIC program is administered by the states and provides supplemental foods, health care referrals, and nutrition education to pregnant and post-partum women with low income, and infants and children up to age five. The bill would make several changes to the program, such as excluding certain household payments when calculating income, rounding the value of the WIC benefit to the nearest whole dollar, changing state contracts with infant formula providers, and authorizing a pilot project to test alternative methods for certifying the eligibility of participants and delivering food.

The bill would:

- Authorize the appropriation of \$6.35 billion per year for WIC for fiscal years 2017 through 2021. The program was authorized through 2015 at such sums as may be necessary; the Congress provided \$6.35 billion for WIC in 2016.
- Authorize the appropriation of \$18.5 million per year for the WIC Farmers' Market Nutrition Program for fiscal years 2017 through 2021. The program was authorized through 2015 at such sums as may be necessary; the Congress provided \$18.5 million for that program in 2016.
- Authorize \$25 million per year in grants for three years to assist states with the transition from paper coupons for WIC benefits to electronic benefit transfer systems.

- Require the Government Accountability Office (GAO) to study the effects of allowing Medicaid participants to be automatically eligible for WIC. Based on the cost of similar studies conducted by the GAO, CBO estimates that study would cost \$1 million over the 2017-2021 period.

In total, CBO estimates that enacting those WIC provisions would increase discretionary outlays by \$29.6 billion over the 2017-2021 period.

**TABLE 3. SPENDING SUBJECT TO APPROPRIATION**

	By Fiscal Year, in Millions of Dollars					2017-2021
	2017	2018	2019	2020	2021	
<b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>						
<b>Reauthorize WIC</b>						
Authorization Level	6,395	6,394	6,394	6,369	6,369	31,919
Estimated Outlays	5,116	6,012	6,139	6,184	6,180	29,630
<b>Grants and Other Activities</b>						
Estimated Authorization Level	53	28	28	28	28	165
Estimated Outlays	11	51	28	28	28	145
<b>Total Changes</b>						
Estimated Authorization Level	6,448	6,422	6,422	6,397	6,397	32,084
Estimated Outlays	5,126	6,062	6,167	6,212	6,208	29,775

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

**Grants and Other Activities.** The bill would reauthorize two existing grant programs; authorize a new grant program, a new loan guarantee program, and two new advisory committees; and eliminate a number of grant programs that have not received funding in recent years. Specifically, the bill would:

- Reauthorize grants to states to make technological improvements in the administration of most child nutrition programs, and allow states to use those funds to improve direct certification rates. The grants were authorized through 2015 at such sums as may be necessary; the Congress did not provide any funds for those grants in 2016. Based on the cost of a similar grant program, CBO estimates that such grants would require appropriations of \$22 million annually.

- Authorize a new grant program for schools to purchase equipment to serve healthier meals and improve food safety. The bill would authorize appropriations of \$25 million in total over three fiscal years, 2017 through 2019, for those grants. As discussed above under the heading “Direct Spending,” CBO expects some of the grants would be used for purchases that would increase participation in SBP and thus increase direct spending.
- Permanently authorize \$5 million per year for loan guarantees for local school food authorities to make infrastructure improvements and durable equipment purchases.
- Repeal the authorization of appropriations for a number of grant programs, none of which received appropriations in fiscal year 2016. Because the authorization for most of those grant programs has already expired, CBO estimates that repealing their authorizations would not affect the federal budget. (Two of the programs whose discretionary authorizations would be repealed under the bill, the Farm to School grant program and the Fresh Fruit and Vegetable Program, also receive mandatory funding. Those programs would continue to receive mandatory funding under the bill.)
- Reauthorize the appropriation of \$1 million per year through 2021 for training and technical assistance on procurement procedures.
- Authorize two new advisory committees. CBO estimates that implementing those committees would not have a significant effect on the federal budget.

CBO estimates that enacting those provisions would result in discretionary outlays of \$145 million over the 2017-2021 period.

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

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

**TABLE 4. CBO Estimate of Pay-As-You-Go Effects for H.R. 5003, as ordered reported by the House Committee on Education and the Workforce on May 18, 2016**

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	17	15	-63	-63	-39	-17	-3	14	27	40	-131	-67
<b>Memorandum:</b>													
Changes in Outlays	0	17	15	-62	-62	-38	-16	-2	15	28	41	-128	-59
Changes in Revenues	0	0	0	1	1	1	1	1	1	1	1	3	8

Note: Components may not sum to totals because of rounding.

## INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

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

For large entitlement programs that provide \$500 million or more annually to state, local, and tribal governments, UMRA defines an increase in the stringency of conditions as an intergovernmental mandate if the affected entity lacks the flexibility to offset the costs of the new conditions. The bill would impose new requirements on states and on schools that implement the child nutrition program. Because states and schools have limited flexibility to amend their programmatic or financial responsibilities in the program, the new requirements, which are mostly administrative, would be intergovernmental mandates. In aggregate, CBO estimates that the costs to governmental entities would fall below the annual threshold established in UMRA.

**Unique Student Identification System.** Section 307 would require the Secretary of Agriculture to review the feasibility of implementing a unique student identification system in the school lunch and breakfast programs and would require the Secretary to submit the results of the review to the Congress. The Secretary could implement such a system unless it is determined not to be in the best interest of the programs or does not adequately protect student privacy.

Many states use unique student identifiers in their student information systems to track attendance and other educational information. Local educational agencies (LEAs) also may use identifiers to indicate a student's qualification status for meals in school lunch programs and for other purposes, but those identifiers may not necessarily be linked. Simply requiring states and LEAs to establish that they have unique identifiers in place would yield much smaller costs than a requirement to adopt a unified system of unique identifiers where local identifiers are completely replaced. The broader option would result in millions of dollars of upfront costs to upgrade technology, change point of sale systems, and provide additional administrative support.

The costs of the mandate would largely depend on how broadly FNS chooses to implement a new identification system under the new requirements, but assuming the agency does not require major systemic changes, CBO estimates that the costs would fall below \$50 million. Most of those costs would occur in the first or second year after implementation.

**New Verification Requirements.** The bill would impose additional duties on states and LEAs when they review applications and verify eligibility in school meal programs. While some state agencies and LEAs may be able to offset the costs of the additional requirements using administrative funds or funds from school food service accounts, some smaller districts may not be able to absorb such costs. Those districts would likely face pressure to hire additional staff. Using information from FNS on past LEA verification activities and the National Center for Education Statistics on the number of children eligible for free and reduced lunch, CBO estimates that the incremental increase in costs for this mandate could total less than \$10 million annually.

**Raising the Threshold under the Community Eligibility Provision (CEP).** Under current law school districts, groups of schools within a district, or individual schools may serve free meals to all students if at least 40 percent of students are directly certified in school meals programs, and participating schools are reimbursed for those meals based on a formula specified in law. Schools and school districts that qualify for such assistance also realize administrative savings because they do not have to verify the eligibility of as many students. The bill would increase the threshold for participation to 60 percent beginning on July 1, 2017. Schools, school districts, and groups of schools with fewer than 60 percent of their students directly certified would no longer be eligible for federal reimbursements under this program, and they would face higher administrative costs to verify more students. Using information from FNS and industry sources, CBO estimates that the costs for conducting verification and other activities for the population of students that are not directly certified but still qualify under the school meals programs would result in costs of roughly \$10 million annually; those costs would begin after 2017.

**Other Requirements.** The bill would extend a number of other requirements through 2021, including reports about food safety inspections by state agencies and other administrative requirements. CBO estimates that the costs of extending these requirements would be covered with authorized funding.

### **Other Impacts**

States and schools would benefit from other provisions in the bill that authorize grant funds for the WIC program. New requirements on state WIC programs would not constitute intergovernmental mandates because they would result from participation in a voluntary federal program.

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

This bill contains no private-sector mandates as defined in UMRA.

### **PREVIOUS CBO ESTIMATE**

On March 11, 2016, CBO transmitted a cost estimate for the Improving Child Nutrition Integrity and Access Act of 2016, as ordered reported by the Senate Committee on Agriculture, Nutrition, and Forestry on January 20, 2016 and posted on the committee's website. That bill contains provisions similar to those in H.R. 5003. The Senate bill was estimated relative to CBO's March 2015 baseline; H.R. 5003 was estimated relative to CBO's March 2016 baseline. Any differences in the estimates reflect differences in both the language of the legislation and in the baselines used for the estimates.

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