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Congressional Committees

Subject: Child Nutrition Programs: Reauthorization Issues

The legislative authority for several child nutrition programs administered by the U.S. Department of Agriculture's (USDA) Food and Nutrition Service expires by the end of the 105th Congress. One of the child nutrition programs up for review by the Congress during the 1997-98 reauthorization cycle is the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program). In addition, even though the National School Lunch Program (NSLP) is permanently authorized, that program's advocates have called on the Congress to explore changes in the program as part of its overall authorization process.

As it debates legislation on these important programs, the Congress will be considering numerous actions, and we want to bring to your attention the findings and recommendations from several of our recent reports on WIC and the school lunch program.

THE WIC PROGRAM

The WIC program provides lower-income pregnant and postpartum women, infants, and children up to age 5 with nutritious supplemental foods, nutrition education, and referrals to health care services. The food benefits are typically provided in the form of vouchers and checks that čan be exchanged for WIC-approved food items at authorized stores. The supplemental foods that WIC provides include milk, cheese, fruit and vegetable juices, iron-fortified adult and infant cereals, dried beans or peas, peanut butter, eggs, and infant formula. WIC provided annual cash grants totaling about $3.7 billion to the states for food and administrative expenses in fiscal year 1997. We have recently completed extensive WIC program reviews on (1) the reasons why states had not spent all of their federal grant funds, (2) the various practices states use to lower the costs of WIC and the practices

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states use to ensure that WIC applicants' incomes meet the program's eligibility requirements, and (3) the accessibility of WIC clinics for working women. We are also currently reviewing the WIC program's experiences with rebates from manufacturers of infant formula.

Unspent WIC Funds

In the past, the Congress has raised concerns about the amount of federal WIC funds that states had not spent by the end of the fiscal year and were required to return to USDA for reallocation in the following fiscal year. In June 1997, we reported that these unspent federal funds totaled about $137.5 million of the $3.5 billion appropriated for the WIC program in fiscal year 1995, the latest year for which data on unspent funds were available. During our review, state officials disclosed a variety of reasons for these unspent funds. Some of the reasons were related to how the WIC program is structured. For example, because a federal grant is the only source of WIC funds in most states, states exercise caution to ensure that they do not spend more than their federal grant. In addition, because the states commonly distribute WIC food benefits to participants in the form of vouchers and checks, it is difficult for them to determine the program's food costs until these vouchers and checks have been redeemed and processed. Some other reasons for unspent funds relate to specific situations or circumstances that limit program participation. For example, in one state the installation of a new computer system used to certify WIC eligibility and issue WIC food vouchers temporarily reduced the amount of time that clinic staff had to certify and serve new clients because they had to instead spend time learning new software and operating procedures.

We also reported that having unspent federal WIC funds did not necessarily indicate a lack of need for program benefits. Some states with fiscal year 1995 unspent funds reported that more eligible individuals could have been served by WIC had it not been for the reasons related to the program's structure and/or state-specific situations or circumstances. (See GAO/RCED-97-166 for more information.)

Containing Program Costs

In September 1997, we reported that the states have used a variety of cost-containment initiatives to control the costs of the WIC program. These initiatives include limiting the types and package sizes of WIC foods, contracting with manufacturers to obtain rebates on WIC foods in addition to

infant formula, and restricting the number of vendors or limiting the prices that vendors charge for WIC food items. While the use of cost-containment practices could be expanded, our work found that certain obstacles, including the states' concerns with how the program allocates the additional funds made available through their cost-containment initiatives, may discourage the states from adopting or expanding them. To encourage the further implementation of WIC cost-containment practices, we recommended that the Food and Nutrition Service work with the states to identify and implement strategies to reduce or eliminate those obstacles. These strategies could include modifying policies and procedures that allow the states to use cost-containment savings for the program's support services and establishing regulatory guidelines for selecting vendors to participate in the program. The Food and Nutrition Service concurred with our findings and recommendations. We will continue to monitor the progress made by the agency in implementing strategies to reduce or eliminate obstacles to cost containment.

We also reported that numerous states do not require WIC applicants to provide documentation of income eligibility. Instead, they base income eligibility on the applicants' self-declarations of income. In addition, we found that some states that do require applicants to provide documentation of income to establish eligibility will waive this requirement under certain circumstances. While existing regulations allow states to establish their own income documentation requirements for applicants, we are concerned that basing income eligibility on the applicants' self-declarations of income may permit ineligible applicants to participate in the WIC program. However, the extent of this problem is unknown because there has not been a recent study of the number of program participants who are not income eligible. Information from a new study that the Food and Nutrition Service has begun should enable that agency to determine what changes in state income documentation requirements are needed. In addition, we found that some states had not been requiring proof of personal identification and residency, as required by federal regulations. We recommended that the Food and Nutrition Service take the necessary steps to ensure that state agencies require participants to provide identification and evidence that they reside in the states where they receive benefits. The Food and Nutrition Service agreed with our findings and recommendations. At the request of the Food and Nutrition Service, we presented our report's findings and recommendations at the EBT (Electronic Benefit Transfer) and Program Integrity Conference jointly sponsored by the National Association of WIC Directors and the Food and Nutrition Service in December 1997. The

conference highlighted the need to reduce ineligible participation and explored improved strategies to validate participants' income and residency eligibility. (See GAO/RCED-97-225 for more information.)

Program Access for Working Women

In October 1997, we reported that our nationwide survey of randomly selected local WIC agencies found that local agencies have taken a variety of strategies to improve access to WIC benefits for working women. The two most frequently cited strategies were (1) scheduling appointments instead of taking participants on a first-come, first-served basis and (2) allowing people other than the program participants to pick up the WIC benefits and nutrition information. Both strategies focus on reducing the amount of time at or the number of visits to the clinic. Our survey found that while 76 percent of the directors of local WIC agencies believed that their clinics were reasonably accessible for working women, 9 percent of them rated accessibility for working women as a problem. Our survey also identified several factors that they believed may limit WIC participation by working women. The factors most frequently cited related to how women view the program. Specifically, directors reported that working women do not participate because they (1) lose interest in the program as their income increases, (2) perceive a stigma attached to receiving WIC benefits, or (3) think the program is limited to those persons who do not work. (See GAO/RCED-98-19 for more information.)

Impacts of WIC Infant Formula Rebates

The Food and Nutrition Service requires the states to operate a rebate program for infant formula. By negotiating rebates with manufacturers of infant formula purchased through WIC, the states greatly reduce their average per person food costs so that more people can be served. We are currently reviewing the impacts that these rebates have had on non-WIC consumers of infant formula as well as on other food products offered through WIC. We are conducting this review at the request of the Chairman of the House Budget Committee. Specifically, we will report on (1) what has happened to wholesale market prices for infant formula after these WIC rebates were implemented, (2) whether non-WIC purchasers of infant formula subsidized WIC purchases through the prices they paid, and (3) whether the experience with WIC rebates for infant formula has implications for expanding the use of rebates for other WIC products, such as juices and cereals for adults.

THE NATIONAL SCHOOL LUNCH PROGRAM

The National School Lunch Program (NSLP) provides nutritionally balanced, low-cost or free lunches to more than 26 million children each school day at a federal cost of about $5.2 billion in fiscal year 1997. About 92 percent of all students nationwide have access to meals provided through the program. We have reviewed and reported on the NSLP from the following four perspectives: (1) the amount of food provided by the program that students throw away, commonly referred to as plate waste; (2) the extent to which schools participating in the program use private food service management companies to operate their lunch programs and/or offer brand-name fast foods in their lunch programs; (3) the extent to which sharing information on best practices could improve program operations; and (4) the extent and the impacts of the states' restrictions on processing donated federal commodities to support various food assistance programs, including the NSLP.

Food Wasted by Students

In May 1996, we reported that our analysis of data collected for USDA's School Nutrition Dietary Assessment Study found that students participating in the NSLP tended to waste a higher percentage of nutrients in their lunches–calories, protein, saturated fat, and total fat–than those not participating in the program. Our analysis found that the percentage of nutrients wasted in a lunch varied by such factors as the age and gender of the students. For example, we found that younger NSLP participants–those under age 15–wasted a higher percentage of nutrients in their lunches than older participants, and females wasted a higher percentage than males. Our analysis also found that NSLP participants receiving free school lunches wasted a higher percentage of the nutrients in their lunches than students paying full price. We also reported that because information based solely on the nutrients wasted would provide an incomplete picture of the results of the school lunch program, it also was important to present information on the nutrients consumed by students. Our report included information from USDA's study that showed that NSLP participants consumed lunches that provided at least 33 percent of the recommended dietary allowances for calories, vitamins, and minerals, while nonparticipants consumed less than 33 percent of the recommended daily allowances in these categories. USDA's study also found that NSLP participants were more likely to drink milk and fruit juices and eat meat, fruits, and vegetables than nonparticipants, while nonparticipants were more likely to eat sugar, sweets, sweetened beverages, crackers, and salty snacks. In commenting on our report, the Food and

Nutrition Service raised the concern that our finding that students participating in the NSLP wasted a higher percentage of nutrients in their lunches than nonparticipants could be misinterpreted to mean that the amount of waste in the school lunch program is of an unacceptable level. Specifically, the Food and Nutrition Service commented that there is no true standard to judge an acceptable level of waste from school lunches that provide adequate calories and nutrients. The Food and Nutrition Service also noted that lunch brought from home or purchased away from school is generally tailored to the individual student's preferences, and therefore a lower level of waste among nonparticipants might be expected. We agreed that there is no true standard by which to judge an acceptable level of waste from school lunches that provide adequate calories and nutrients and also agreed that nonparticipants may have lower levels of waste because their lunches may be tailored to their individual preferences. (See GAO/RCED-96-128R for further information.)

In July 1996, we reported that our nationwide survey of randomly selected school cafeteria managers found that they varied in the extent to which they perceived plate waste to be a problem in their schools. Although the majority perceived plate waste as no problem or a little one, almost 1 in 4 reported that it was at least a moderate problem. Managers in elementary schools were more likely to perceive plate waste as a problem than those in middle or high schools. Our survey found no difference in the extent to which managers viewed plate waste as a problem by schools serving different proportions of free and reduced-price lunches. Cafeteria managers strongly agreed on some of the reasons for and ways to reduce plate waste. For example, 78 percent of them cited nonfood reasons–students' attention on recess, free time, or socializing–when asked why students did not eat all of their school lunches. Almost 80 percent of them believed that allowing students to select only what they wanted to eat would reduce plate waste. (See GAO/RCED-96-191 for further information.)

Schools' Use of Food Service Management Companies and Brand-Name Fast Foods

In August 1996, we reported that about 8 percent of the school food authorities participating in the NSLP in school year 1994-95 used food service management companies. This percentage is up from about 4 percent in school year 1987-88. Most of these school food authorities reported using private food service companies to reduce their budget deficits and increase revenues. Our review found that those authorities using food service

companies had about the same situation regarding reported budget deficits as those that did not use food service companies, but they also reported lower levels of student participation in the NSLP.

We found that the school food authorities' contracts with food service management companies varied in content and compliance with the federal requirements governing these contracts. The contracts varied by the services provided by the food service companies, such as by the types of meals and nutrition education provided, and by the fees for those services. We found that one-half to two-thirds of the contracts school food authorities had with food service companies did not contain all the standard contractual provisions necessary to ensure compliance with federal contracting requirements. The provisions most often omitted from the contracts were those intended to ensure that the school food authority maintained control of the school meal program. We raised a concern that the failure to include these provisions creates uncertainty regarding the responsibilities of the food service management company and diminishes the school food authority's ability to ensure that the company adheres to federal requirements. To improve compliance with federal guidance, we recommended that the Food and Nutrition Service work with appropriate state officials to ensure that contracts with food service management companies contain the required provisions. In response, the Food and Nutrition Service issued a memorandum to all of its regional directors that, in part, appraised them of our report's findings and recommendations, reiterated federal and state responsibilities to oversee contracts with food service management companies, and requested the regional offices to review food service management contracts in upcoming management evaluations of state agencies.

We also reported that the percentage of public schools participating in the NSLP that offered brand-name fast foods increased dramatically from about 2 to 13 percent from school year 1990-91 through school year 1995-96. The most popular types of foods were pizzas, burritos, submarines and other sandwiches, excluding hamburgers. These foods can be incorporated into a school lunch that meets federal requirements. (See GAO/RCED-96-217 for more information.)

Sharing Information on Best Practices

In May 1997, we reported on sharing information on best practices to improve the efficiency of the school meal (lunch and breakfast) programs.

We found that some states and school food authorities have developed a number of best practices to help contain the costs of operating these programs. For example, some school food authorities are joining with other school food authorities in cooperative agreements to purchase food and nonfood items at competitive prices. Federal, state, and local officials believe that these best practices could be replicated by some states and school food authorities to improve the management and operation of the school meal programs nationwide. However, some impediments would first have to be overcome before these best practices could be adopted. For example, the successful implementation of a computerized system to order commodities would first require establishing an effective network to order and process commodities that links commercial brokers and processors, school food authorities, and the state agency responsible for distributing the commodities. Our work also indicated that not all best practices may be suitable for all states and school food authorities. To improve the management and operation of the school meal programs, we recommended that the Food and Nutrition Service identify and encourage the adoption of best practices and provide the necessary training and technical assistance to successfully transfer these practices to other states and school food authorities. Although the Food and Nutrition Service agreed that sharing best practices in the school meal programs is an excellent means to improve program management at the state and local levels, it raised some concerns about the feasibility of developing a program of this type because of it limited resources at the time our report was issued. However, the Food and Nutrition Service agreed to share and transfer information within available resources. (See GAO/RCED-97-126 for more information.)

Commodity-Processing Restrictions

In August 1996, we reported on the extent and the impacts of restrictions placed on the use of batching–the food-processing practice of combining commodities, such as meat or poultry, received from multiple sources–by some state agencies and schools participating in the NSLP. Although batching restrictions were generally not a concern to processors, a few processors reported that the restrictions might limit their ability to operate at full production capacity. To help ensure compliance with the batching restrictions, state agencies and schools rely on the on-site graders of USDA's Agricultural Marketing Service. These graders perform end-product certification for meat and poultry products and are required to be present during their processing. In addition, states also rely on periodic audits, required by the Food and Nutrition Service, that are conducted by certified

public accounting firms and reviews by the USDA's Office of Inspector General. (See GAO/RCED-96-220 for more information.)

OTHER ONGOING WORK RELATED TO CHILD NUTRITION PROGRAMS

We are currently reviewing aspects of two other child nutrition programs: the Summer Food Service Program and the Child and Adult Care Food Program. The Summer Food Service Program, which is subject to reauthorization in 1998, provided free nutritious meals to about 2.2 million children in the summer of 1997 at a cost of about $250 million. Our review of this program, which was requested by the Chairman of the House Committee on Education and the Workforce, will assess the impacts of changes made by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. Specifically, we will examine what effects, if any, the reduction in the program's meal reimbursement rates and the elimination of start-up grants have had on the number of program participants and sponsors.

In fiscal year 1997, the Child and Adult Care Food Program spent about $1.6 billion to provide healthy meals and snacks to nearly 2.3 million children and about 58,000 adults in day-care facilities. Our review of this program, which was requested by the Chairman of the Senate Agriculture, Nutrition, and Forestry Committee, is focusing on that program's overlap with the school lunch program. Specifically, we will determine what percentage of all child care centers operating under the Child and Adult Care Food Program are sponsored by or located in schools participating in the NSLP.

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If you or your staff have any questions or if you would like a briefing on our work concerning child nutrition, please call me at (202) 512-5138. Major contributors to this report are Thomas Slomba and Peter Bramble.

Robert A. Robinson
Director, Food and
Agriculture Issues

Enclosure

List of Committees

The Honorable Richard G. Lugar
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The Honorable Frank Riggs
Chairman
The Honorable Matthew Martinez
Ranking Minority Member
Subcommittee on Early Childhood,
Youth, and Families
Committee on Education and the Workforce
House of Representatives

LIST OF GAO'S KEY REPORTS ON CHILD NUTRITION PROGRAMS

Food Assistance: Working Women's Access to WIC Benefits (GAO/RCED-98-19, Oct. 16, 1997).

Food Assistance: A Variety of Practices May Lower the Costs of WIC (GAO/RCED-97-225, Sept. 17, 1997).

WIC: States Had a Variety of Reasons for Not Spending Program Funds (GAO/RCED-97-166, June 12, 1997).

School Meal Programs: Sharing Information on Best Practices May Improve Programs' Operations (GAO/RCED-97-126, May 21, 1997).

Federally Donated Meat and Poultry: Information on Extent and Impact of States' Restrictions on Processors (GAO/RCED-96-220, Aug. 29, 1996).

School Lunch Program: Role and Impacts of Private Food Service Companies (GAO/RCED-96-217, Aug. 26, 1996).

School Lunch Program: Cafeteria Managers' Views on Food Wasted by Students (GAO/RCED-96-191, July 18, 1996).

Waste From School Lunches (GAO/RCED-96-128R, May 8, 1996).

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