DOCUMENT RESUME

ED 417 829 PS 026 393

AUTHOR	Robinson, Robert A.
TITLE	Welfare Reform: Effects of Changes Made to the Summer Food Service Program. Testimony before the Subcommittee on Early Childhood, Youth and Families, Committee on Education and the Workforce. House of Representatives.
INSTITUTION	General Accounting Office, Washington, DC. Resources, Community, and Economic Development Div.
REPORT NO	GAO/T-RCED-98-120
PUB DATE	1998-03-10
NOTE	12p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 37050, Washington, DC 20013; phone: 202-512-6000; fax: 202-512-6061; e-mail: info@www.gao.gov; www: http://www.gao.gov (First copy, free; additional copies, $2 each).
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Reports - Evaluative (142)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Food; *Hearings; Nutrition; Program Evaluation; State Federal Aid; *Welfare Services
IDENTIFIERS	Department of Agriculture; Personal Responsibility and Work opp Recon Act; *Summer Food Service Program; Welfare Reform

ABSTRACT

These transcripts present testimony concerning the effects of changes in the Department of Agriculture's (USDA) Summer Food Service Program mandated by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act. Major changes were: (1) reduced federal subsidies for sponsors; (2) eliminated federal subsidies for a fourth daily meal in summer camps and programs primarily serving migrant children; and (3) eliminated expansion grants. Testimony was based on interviews conducted with Summer Food Service Program officials and indicated that reducing sponsors' federal subsidies did not significantly affect the number of program sponsors or children participating in 1997. Almost half the states reported that sponsors reduced the number of food items in meals or reduced the number of meal locations. Several state officials said that some sponsors continued participating in 1997 to test whether they could financially manage the program with reduced funds and expected that sponsors that could not do so would leave it in future years. Representatives from the USDA and some state officials said that increased outreach efforts and state funding could mitigate the effects of the rate decrease on the number of sponsors and participating children. The decrease in number of meals for which summer camps and migrant sponsors could be reimbursed resulted in loss of a reimbursement for a snack, not a meal. The loss of start-up and expansions grants may not have had a significant effect because they were not widely used. (KB)

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United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Early Childhood, Youth and Families, Committee on Education and the Workforce, House of Representatives

For Release
on Delivery
Expected at
10:30 a.m. EST
Tuesday
March 10, 1998

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ED 417 829

WELFARE REFORM

Effects of Changes Made to the Summer Food Service Program

Statement of Robert A. Robinson, Director
Food and Agriculture Issues,
Resources, Community, and Economic
Development Division

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T-RCED-98-120

Mr. Chairman and Members of the Subcommittee:

We are pleased to appear before you today to discuss our ongoing work for the Committee on the effects of changes made to the U.S. Department of Agriculture's (USDA) Summer Food Service Program. These changes were mandated by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act—commonly called the Welfare Reform Act. The Summer Food Service Program, through approximately 3,500 sponsors in local communities, provided free meals to over 2 million children when school was not in session in 1997. The program cost the federal government about $258 million. The Welfare Reform Act made three major changes to this program: it reduced the federal subsidies that sponsors receive for meals served, eliminated the federal subsidy for a fourth daily meal provided in summer camps and programs that primarily service migrant children, and eliminated the grants available to assist sponsors in expanding the program. The reduction in federal subsidies became effective January 1997.

Our testimony today focuses on the effects these changes had on the number of sponsors and children participating in the program in 1997 and the potential effect of the reduced subsidies for the future. Our testimony is based on the interviews we conducted with Summer Food Service Program officials in all 50 states and the District of Columbia as well as some preliminary analyses of the data they provided. Our interviews with state officials were conducted by telephone using a questionnaire. During our conversations, we requested that state officials send us detailed information on each of the 1996 and 1997 sponsors of the summer food program.

In summary, the reduction in federal subsidies for sponsors did not have a significant effect on the number of program sponsors or children participating in 1997. State officials specifically identified only a handful of 1996 sponsors that stopped participating in the program in 1997 because of the reduced subsidies, and the number of children participating in the program was generally not affected. However, almost half of the states reported that the program was affected in other ways, such as sponsors' reducing the number of food items in the meals provided or reducing the number of locations where meals were served. While the number of sponsors and children participating changed only minimally in 1997, both the Department and the majority of the states expect to see a decrease in the number of sponsors and in the number of children participating in the future because of the reduced subsidies. Department and several state

officials said that some sponsors continued their participation in 1997 to test whether they could financially manage the program with the reduced rates. Department officials expect that sponsors that could not manage the program with the reduced rates will leave it in future years. On the other hand, Department and some state officials said that other factors such as increased outreach efforts and state funding could mitigate the effects of the rate decrease on the number of sponsors and children participating in the future.

Background

The Summer Food Service Program is a federal entitlement program that provides funds for program sponsors to serve free, nutritious meals to low-income children when school is not in session. It is administered by USDA's Food and Nutrition Service, which provides money to state agencies to operate the program and to reimburse local eligible sponsors for meals served to children at designated locations.[1] Eligible sponsoring organizations include (1) public or private nonprofit schools; (2) units of local, municipal, county, or state governments, such as county or city recreation programs; and (3) private nonprofit groups, such as Boys and Girls Clubs or churches. In fiscal year 1997, sponsors served over 126 million meals at a total federal cost of about $258 million.

Local program sponsors serve free meals to all children 18 or younger at approved sites located in low-income areas.[2] Low-income areas are those in which at least 50 percent of the children are from households with income at or below the eligibility level for free and reduced-price school meals—185 percent of the federal poverty guidelines ($29,693 for a family of four in the summer of 1997).[3] Sponsors may also operate sites in areas not designated as low income if 50 percent or more of the children enrolled in such sites are eligible for free or reduced-price school meals. While summer camps may participate regardless of their location, only meals served to enrolled campers who have been individually determined to be eligible for free or reduced-price school meals are eligible for federal subsidies.

[1]In 1997, USDA operated in the place of state agencies in four states—Georgia, Michigan, New York, and Virginia. Throughout this testimony, the term "state officials" includes the USDA officials who manage the program in these four states.

[2]People over 18 who have a disability and who participate in a program established for the mentally or physically handicapped may also receive meals.

[3]Numbers are slightly higher in Alaska and Hawaii.

The meals and snacks sponsors provide must meet the program's nutritional requirements. Sponsors can receive federal subsidies for only two meals per child per day—breakfast and lunch or lunch and a snack. However, camps and programs primarily serving migrant children can receive subsidies for up to three meals each day for each child. This three-meal allowance is a change in the program made by the Welfare Reform Act. Previously, these sponsors could receive payments for up to four meals per day.

Sponsors receive subsidy payments in two different categories for their costs of preparing and serving free meals. One category covers sponsors' administrative costs incurred in the management of summer food programs, such as office expenses, support staff salaries, insurance, and some financial management costs. The second category covers sponsors' operating costs incurred in the preparation and distribution of the food, the provision of transportation in rural areas, and program activities and salary for the staff supervising the children. Sponsors must maintain records to document all costs and the number of meals they claim for reimbursement for both categories. Sponsors are reimbursed on a per-meal basis at the established rate or for their actual costs, whichever is less. These reimbursement rates in each category are set by law and adjusted each year to reflect changes in the Consumer Price Index.

The Welfare Reform Act reduced the operating subsidies for meals and snacks served under the summer food program, effective for the 1997 summer. It did not reduce subsidies for administrative costs. Table 1 highlights the changes in the reimbursement rate for meals since 1996. While the 1998 rates reflect an increase to account for inflation, they are still lower than the rates established for 1996.

Table 1: Meal Reimbursement Rates

		1997 rate		
Meal	**1996 rate**	**Prior to welfare reform [a]**	**Actual[b]**	**1998 rate**
Breakfast	$1.2075	$1.24	$1.16	$1.19
Lunch/supper	2.1675	2.23	2.02	2.08
Snack	0.57	0.58	0.47	0.48

[a]This is the rate that would have been in effect if the Welfare Reform Act had not been enacted.

[b]The Welfare Reform Act set the rates at $1.13 for breakfast, $1.97 for lunch/supper, and $0.46 for snacks. However, these rates were indexed for inflation in January 1997; thus the 1997 rates were slightly higher than the rates established in the law.

The 1996 act also eliminated grants to the states for initiating or expanding the school breakfast and summer food programs. These grants, known as start-up and expansion grants, had been mandated by the Child Nutrition Act for the school breakfast program since 1989 and the summer food program since 1994.[4] Previously, USDA had been required to provide grant funding totaling $5 million a year through fiscal year 1997, $6 million in 1998, and $7 million a year thereafter for grants in both programs. These grants covered sponsors' one-time costs associated with starting or expanding the programs.

Reduced Rates Had Little Effect Nationwide in 1997, but Some Future Effects Are Expected

The reduced reimbursement rates had little effect on the number of sponsors or children participating in 1997. Less than 1 percent of the sponsors were identified by state officials as having left the program because of the reduced rates. On the basis of the information these officials provided, we determined that a relatively small number of children lost access. However, the lower rates did cause some sponsors to make program changes, such as modifying the content of the meal or closing meal sites. Both USDA and many state officials expect the lowered reimbursement rates to somewhat reduce the number of sponsors and children participating in the program over the next 3 years.

Few Sponsors Left the Program Because of the Reduced Rates

According to our analysis of data from the 50 states and the District of Columbia, 346 of the 3,387 sponsors that participated in the program in 1996 did not do so in 1997. For these 346 sponsors, state officials were able to identify the reasons that 244 sponsors left the program. According to these officials, 22 left because of the reduced federal subsidies. These 22 sponsors represent less than 1 percent of the sponsors that participated in the program in 1996. Another 222 sponsors left for a variety of other reasons, such as the loss of personnel or construction work at the location where the program operated. The states did not know the reasons for leaving for the remaining 102 sponsors.

The 22 sponsors specifically identified as having left the program as a result of the lower reimbursement rates operated meal services at 90 locations. According to the information provided by state officials, 37 of the locations operated by these sponsors were taken over by other sponsors in 1997. These 22 sponsors had an average daily attendance of about 5,000 children in July 1996. Using the information provided by state

[4]Grants were authorized under section 4(g) of the Child Nutrition Act, as amended by section 201(d) of the Healthy Meals for Healthy Americans Act of 1994, P.L. 103-448 (1994).

officials, we estimate that about 49 percent of the children served by these 22 sponsors were served by other sponsors in 1997, about 30 percent were not served by other sponsors, and the effect on the other 21 percent is unknown.

Despite the reduced rates, more sponsors may have participated in the program in 1997 than in 1996. On the basis of preliminary USDA data and information we obtained from state officials, we determined that approximately 524 new sponsors may have joined the program in 1997. This addition would represent a net increase of approximately 178 sponsors, or a 5-percent increase over the previous year. By comparison, between 1994 and 1996, there was virtually no change in the total number of sponsors. However, from 1990 to 1994, the number of sponsors increased each year by between 8 and 10 percent.

Most States Report Little or No Decrease in Participation as a Result of the Rate Reduction

Officials from 38 states and the District of Columbia reported that the decrease in the reimbursement rates did not affect the number of children participating in their state in 1997. In fact, some state officials reported that participation had increased in 1997 despite the reduced federal reimbursement rates. Four states—Minnesota, New York, Vermont, and Washington—reported receiving state funds to offset the effect of the reduced rates. Other states said that their successful outreach efforts to bring in new sponsors offset the effect of the rate reduction on participation.

Officials in 11 states reported that children's participation in their state decreased somewhat as a result of the change in the reimbursement rates. Officials from some of these states explained that participation decreased because they could not replace the sponsors that left. In addition, some state officials said that sponsors that stayed in the program reduced the number of locations where they served meals. As a result, some children who received free meals in 1996 no longer had access to these benefits in 1997. One state official mentioned that cost-cutting measures, such as serving more cold meals and decreasing recreational activities, made the program less attractive to some children. Finally, another state official said that participation was lower because the reduction in the reimbursement rates discouraged a few potential sponsors from joining the program. In the two remaining states, officials were not certain whether the reduced rates had any effect on participation.

Almost Half of the States Report That Reduced Rates for Meal Reimbursements Caused Program Changes

States officials were divided in their assessment of whether the rate reductions affected the program in ways other than sponsor changes or child participation levels. Officials in 23 states and the District of Columbia told us that there were no other changes to their program as a result of the reimbursement rate decrease, including the quality of the meals served.

However, officials in 24 states reported effects other than changes in sponsors and participation that resulted from the loss of federal funds. The following were the most frequently mentioned effects:

- Meal changes were made. For example, the Georgia director said that sponsors served less fresh fruit and did not offer additional foods such as desserts and chips as often as in the past. The Maine director reported that sponsors in his state had to select their food more cautiously, favoring less costly items. Wisconsin officials said sponsors provided more pre-packaged juice packs in place of fruits and vegetables to decrease labor and food costs. In Hawaii, where the Department of Education actually prepares the food for sponsors to distribute, an official said while the department did not change the entree or fruit/vegetable servings, a smaller bread and dessert portion was served to save money.
- The number of meal sites was reduced. According to Pennsylvania officials, sponsors had to close or consolidate sites that were too expensive to operate. Small sites that served only 15 to 20 children could not afford to provide meals at the reduced rates. California officials also reported that some sponsors closed sites they could no longer afford to operate. For example, one school sponsor closed three of its six sites because it could not afford the labor costs.
- Some sponsors had financial difficulty. The Ohio director said more sponsors incurred costs that exceeded the federal reimbursement in 1997 and that it was hard for sponsors to "break even." Both Pennsylvania and Tennessee officials reported that rural sites are having the most difficulty managing their programs with the reduced rates. Sponsors facing such financial difficulty that do not lower the costs associated with meal preparation would need to either seek additional sources of funds for the shortfall or cut expenditures for other aspects of their program, such as recreation.

In the remaining four states, officials were not certain whether the reduced rates had any other effects.

Many States Expect Some Future Decreases in the Number of Sponsors and Children

According to USDA officials, the full effect of the reduced subsidies was not experienced in the summer of 1997. The officials said that they believed some sponsors chose to continue participating in the program in 1997 to test their ability to manage the program financially with the reduced rates. According to USDA officials, sponsors' experiences in 1997 will determine whether they remain in the program. They suggested that the number of sponsors leaving the program in 1998 would be greater than in 1997.

In responding to our question of whether they would see additional changes in the number of sponsors over the next 3 years because of the rate decrease, the states reported the following:

- 24 states and the District of Columbia said that the number of sponsors would decrease somewhat;
- 16 states reported that the lower meal rates would not affect the number of sponsors; and
- 10 states reported that they were uncertain of the effect.

State officials predicted similar effects on the number of children participating in the program over the next 3 years. Officials in 22 states reported that participation will decrease somewhat. Most of these officials explained that if they lost sponsors because of the rate decrease, the number of children the state served would decrease. Officials in 16 states and the District of Columbia reported that the decrease in reimbursement rates would not affect the number of participants in their program. Officials in 14 states said that they were uncertain of the effect.

State officials explained that a number of factors may mitigate the effects of the rate decrease on the number of sponsors and children over the next 3 years. In particular, officials from several states said that they are expanding outreach efforts to enroll more sponsors and/or encourage current sponsors to expand their efforts and may depend on funds from their states to offset the loss of the federal funds. Some state officials also said that the number of children seeking participation in the program may increase as a result of (1) welfare-to-work initiatives that could cause parents to rely more on the care provided through the sponsors and (2) a reduction in benefits such as food stamps that would make the summer food program more important. In addition, USDA officials said that they are encouraging states to increase their outreach efforts and will take steps to reduce administrative burden on sponsors in order to mitigate the effect of the reduced rates.

As part of the work we have ongoing, we will be examining the level of sponsor participation in the summer of 1998.

Other Changes Have Had Limited Effect

Two other changes to the Summer Food Service Program mandated by the Welfare Reform Act have had some limited effects on the program. First, the decrease in the number of meals—from four to three—for which summer camps and migrant sponsors could be reimbursed resulted in the loss of a reimbursement for a snack, not a meal. According to many state officials, camps and sponsors serving migrant children that had previously submitted four meals for reimbursement did not submit the snack for reimbursement in 1997 because it has the lowest reimbursement rate. Our analysis of preliminary USDA data supports this conclusion. In July 1997, the number of camp snacks subsidized by the summer food program was 59 percent lower than in July 1996. Other state officials told us that the elimination of the fourth meal did not have much effect on some camps in their state because these camps did not serve four meals.

Second, the loss of start-up and expansion grants may not have had a significant effect because they were not widely used. During the 2 years that the grants were available, sponsors in only 22 states received grants. In each fiscal year, 1995 and 1996, USDA made $1.5 million of these grants available, but only 44 percent of these funds were awarded in the 2-year period.

Many state officials told us that these grants were not very useful to them in expanding the program. Officials in states that received the grants and officials in states that did not complained that the grant process involved extensive paperwork, which imposed too big a burden on sponsors for the small amount of funding provided. In addition, other state officials said that the grant criteria and instructions were confusing and the time allowed for them to inform sponsors about the availability of the grants and completing the paperwork was too short.

This concludes my prepared statement. Mr. Chairman, I would be pleased to respond to any questions that you or other Members of the Subcommittee may have.

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