

## **Block Grants and Potential Impacts on Child Nutrition and USDA Foods**

### **Child Nutrition Program Information and Background:**

Since 1946, with the passage of the National School Lunch Act, President Harry Truman established the National School Lunch Program (NSLP) to “safeguard the health and well-being of the Nation’s children and to encourage the domestic consumption of nutritious agricultural commodities and other foods.”

In 1945, Major General Lewis Hershey, Director of the Selective Service System, testified that the military rejected at least 40 percent of recruits during World War II for reasons related to poor nutrition. The NSLP was created to counteract malnutrition and the World Health Organization states that obesity is a form of malnutrition. Today, nationally 71 percent of youth between the ages of 17 and 24 do not qualify for military service with obesity disqualifying 31 percent of youth from serving (Maxley, 3). USDA has a dual mission of supporting domestic agriculture while providing food for child nutrition and community food programs.

The current funding formula for all child nutrition programs is based on the number of reimbursable meals that are served and the eligibility status of each recipient of those meals. Federal guidelines state that students from families with incomes at or below 130 percent of the poverty level qualify for free meals. Those with incomes between 130 percent and 180 percent of the poverty level qualify for reduced priced meals, for which students can be charged no more than 40 cents per meal.

National School Lunch Program Reimbursement Rates: (Contiguous US states - SY21)		
<u><b>Free</b></u>	<u><b>Reduced</b></u>	<u><b>Paid</b></u>
\$3.51	\$3.11	\$0.33

\*Schools certified as meeting the new nutrition standards receive an additional \$0.07 per lunch.

\*\* NSLP meals earn an additional \$0.37 per meal (SY2021) in the form of entitlement for USDA Foods.

\*\*\*An additional \$0.02 per lunch is provided for schools in which 60 percent or more of the second preceding year lunches were served free or reduced price.

School Breakfast Program Reimbursement Rates: (Contiguous US states – SY21)		
<u><b>Free</b></u>	<u><b>Reduced</b></u>	<u><b>Paid</b></u>
\$1.89	\$1.59	\$0.32

\*An additional \$0.37 is provided for each free or reduced-price breakfast served in “severe need” schools, where at least 40 percent of the lunches served during the second preceding school year were served free or reduced price.

Some additional program costs and highlights are listed below:

National School Lunch Program:

Annual Cost - \$12.87 Billion in meal reimbursement and \$1.33 in commodity costs – \$14.2 Billion Total
4.9 Billion lunches served annually

Average Daily Participation – 29.6 million lunches served

<u>Free Lunches</u>	<u>Reduced Priced Lunches</u>	<u>Paid Lunches</u>
20.1 million	1.7 million	7.7 million

School Breakfast Program:

Annual Cost - \$4.6 Billion in meal reimbursement and no commodity costs
2.45 Billion breakfasts served annually

Daily Participation – 14.77 million breakfasts served

<u>Free Breakfast</u>	<u>Reduced Priced Breakfast</u>	<u>Paid Breakfast</u>
11.8 million	0.74 million	2.23 million

(Source: *USDA FY 2019 preliminary data*)

Currently, the School Nutrition Programs are administered at the federal level by USDA's Food and Nutrition Services.

**Block Grants Background:**

Merriam-Webster defines a block grant as an unrestricted grant made by the U.S. federal government to state and local governments to be used at their discretion to pay especially for social services that were formerly paid through specific federal programs.

The fear of many school nutrition proponents is that school nutrition programs will be converted to block grants with the following consequences:

- Funding would be a fixed amount without regard for increased meal counts. National economic downturns, like the Great Recession or local incidents, such as a factory shutting down would not allow school nutrition programs to receive additional funding due to increased meals served or changes in student eligibility.
- Funding would be lowered as schools would no longer receive the additional \$0.07 per meal for compliance with the Healthy, Hunger Free Kids Act, inflationary increases and potentially commodity entitlement.
- Inconsistent program regulations between states. Each state would have the ability to establish their own program regulations including nutrition standards, serving sizes, what constitutes a meal and eligibility standards.

- Any budget shortfalls in school nutrition programs would have to be covered by the school district general fund, thereby reducing funds for academic programs. School districts would then have to choose between feeding needy students and providing additional educational funding.
- Local government entities that receive federal funding are directed to “supplement, not supplant” federal funding, but historically, block grant funding has been redirected to other programs and therefore are not used for the initial program goal.
- Block grants increase risk of child food insecurity since budget shortfalls would decrease meal availability.
- Block grants have resulted in reduced funding for other federal programs as years progress as historically, funding levels do not increase, and inflationary factors are not included in the funding formula.

The Temporary Assistance for Needy Families (TANF) program was designed to assist families with children to provide basic needs and this program was established as a block grant with states given broad flexibility to carry out their programs. History shows that “this flexibility has allowed states to shift spending away from a program’s core purposes” (Neuberger, 5).

“A fundamental strength of the school meal programs is their entitlement structure, which enables them to expand and contract in response to changes in need. When more children qualify for free or reduced-price meals because of a widespread downturn like the Great Recession or local job losses due to a plant closing, schools receive reimbursement for those meals.” (Neuberger, 1)

### **What provisions might a Child Nutrition Block Grant bill contain?**

In 2016, the House Education and the Workforce Committee approved H.R. 5003, *Improving Child Nutrition and Education Act of 2016*, which proposed converting the school lunch and breakfast programs into a capped block grant in up to three states. Due to legislative priorities, this bill was not presented to the full House but contained the following provisions:

#### **Bill Highlights:**

- Up to three states could implement the block grants.

#### **Regulatory Changes:**

- Each state could then set their own eligibility standards, nutrition standards and serving sizes.
- Each state would define “healthy and affordable” meals.
- The USDA would be prohibited from establishing any nutrition requirements
- The USDA would be prohibited from disapproving a state’s application to participate if the state provides assurances that it will provide healthy meals and support maximum student participation.

### **Funding Changes:**

- Funding would be a predetermined, set amount.
- The funding level would be set modestly below the fiscal year 2016 (funding equal to school breakfasts and lunches served from the previous school year minus the additional 6 cents per lunch and paid lunch reimbursements).
- This budget amount would then be frozen for three years.
- The current funding model allows adjustments for inflation.

### **Operational Changes:**

- States would have the ability to divert resources now spent on school meals to other purposes, if state politicians concluded these purposes met school aged nutritional needs, such as supporting weight loss programs.
- If schools expand the Summer Food Service Program or add breakfast service, funding would not change.

### **Outstanding issues:**

- Entitlement earned for USDA Foods is not addressed, but lack of mention insinuates that funding would not be included in the block grant bill.

In February 2018, United States Department of Agriculture (USDA) Secretary Sonny Perdue was asked whether he thought the block-grant approach outlined in H.R. 5003 would become realized. “There were probably a lot of conversations about block grants, and I don’t know that any of those will come to fruition over that,” he said. “I think Congress as a whole, primarily Democrats but even Republicans as well, don’t have the greatest trust on block grants in these kinds of programs.”

### **Conclusion:**

The child nutrition programs have a long track record of success. The inherent issues with Block grants would fundamentally change the purpose of these programs from feeding students and supporting domestic agriculture to maintaining a budget line and not overspending limited funds. This would adversely affect school nutrition programs in the ability to feed students to prepare them for academic success and limit USDA’s ability to support domestic agriculture in child nutrition and community support programs.

With the track record of Block Grants and the proposed changes, ACDA cannot support this movement and should collaborate with as many child nutrition allies to maintain the current funding model.

### Sources:

Neuberger, Zoe. 2016, *House Proposal to Block-Grant School Meal Programs Would Put Children's Nutrition at Risk*, [www.cbpp.org/research/food-assistance/house-proposal-to-block-grant-school-meal-programs-would-put-childrens](http://www.cbpp.org/research/food-assistance/house-proposal-to-block-grant-school-meal-programs-would-put-childrens).

Maxley, Heather; et. al. *Breaking Point: Child Malnutrition Imperils America's National Security*, Mission Readiness: Council for a Strong America, 20 Sept. 2020, [strongnation.s3.amazonaws.com/documents/1223/e881e664-1c7f-4ad7-ab44-ca975cea5800.pdf?1600715492&inline;%20filename=%22Breaking%20Point:%20Child%20malnutrition%20imperils%20America%27s%20national%20security.pdf%22](https://strongnation.s3.amazonaws.com/documents/1223/e881e664-1c7f-4ad7-ab44-ca975cea5800.pdf?1600715492&inline;%20filename=%22Breaking%20Point:%20Child%20malnutrition%20imperils%20America%27s%20national%20security.pdf%22).

Additional feedback from the Processing Committee, Entitlement Subcommittee:

- Lack of nutritional standards and food manufacturers having to provide multiple sku's nationally possibly forcing those manufacturers out of the K-12 segment
- Funding does not increase or decrease based on the number of meals served
- We believe in our SNA representation to support that Block Grants are not good for schools

<https://www.cbpp.org/research/family-income-support/why-tanf-is-not-a-model-for-other-safety-net-programs>

<https://www.cbpp.org/research/federal-budget/block-granting-low-income-programs-leads-to-large-funding-declines-over-time>

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The 20/21 school year NSLP and School Breakfast Program (SBP) reimbursement rates for each meal served are listed in the graph below:

<p style="text-align: center;"><b>SCHOOL PROGRAMS</b>  <b>MEAL, SNACK AND MILK PAYMENTS TO STATES AND SCHOOL FOOD AUTHORITIES</b>  <i>Expressed in Dollars or Fractions Thereof</i>  <i>Effective from: July 1, 2020 - June 30, 2021</i></p>							
NATIONAL SCHOOL LUNCH PROGRAM <sup>1</sup>		LESS THAN 60%	LESS THAN 60% + 7 cents <sup>2</sup>	60% OR MORE	60% or MORE + 7 cents <sup>2</sup>	MAXIMUM RATE	MAXIMUM RATE + 7 cents <sup>2</sup>
CONTIGUOUS STATES	PAID	0.33	0.40	0.35	0.42	0.41	0.48
	REDUCED PRICE	3.11	3.18	3.13	3.20	3.28	3.35
	FREE	3.51	3.58	3.53	3.60	3.68	3.75
ALASKA	PAID	0.54	0.61	0.56	0.63	0.65	0.72
	REDUCED PRICE	5.30	5.37	5.32	5.39	5.54	5.61
	FREE	5.70	5.77	5.72	5.79	5.94	6.01
GUAM, HAWAII, PUERTO RICO and VIRGIN ISLANDS	PAID	0.39	0.46	0.41	0.48	0.47	0.54
	REDUCED PRICE	3.71	3.78	3.73	3.80	3.90	3.97
	FREE	4.11	4.18	4.13	4.20	4.30	4.37
SCHOOL BREAKFAST PROGRAM		NON-SEVERE NEED			SEVERE NEED		
CONTIGUOUS STATES		PAID	0.32			0.32	
		REDUCED PRICE	1.59			1.96	
		FREE	1.89			2.26	
ALASKA		PAID	0.49			0.49	
		REDUCED PRICE	2.73			3.34	
		FREE	3.03			3.61	
GUAM, HAWAII, PUERTO RICO and VIRGIN ISLANDS		PAID	0.37			0.37	
		REDUCED PRICE	1.91			2.34	
		FREE	2.21			2.64	

Source: Federal Register, July 22, 2020