



DEPARTMENT OF AGRICULTURE

OFFICE OF ASSISTANT SECRETARY

WASHINGTON, D.C. 20250

February 10, 1970

To: John Price, Executive Secretary, Urban Affairs Council

From: Philip C. Olsson, Assistant to the Assistant Secretary

Subject: Shortage of School Lunch Funds

SUMMARY:

USDA's fiscal '70 appropriation contains \$105.8 million for cash grants to States for free and reduced price lunches for needy children. These funds have been apportioned among the States on the basis of the number of poor children in each State. It is now clear that the apportioned funds will be insufficient to meet the needs of the States during the current school year. We have contacted all of the States and they report to us, at this time, an aggregate shortage of funds for free and reduced price lunches totaling \$23,594,205. We are requesting Bureau of the Budget clearance to change our report on the Perkins-Quie Bill, H.R. 11651, now pending before the Senate Agriculture and Forestry Committee. In our revised report we will support authority to transfer \$30 million in Section 32 funds to meet the need for free and reduced price lunches during the remainder of the school year.

BACKGROUND:

Our 1970 budget requests were intended to provide free and reduced price lunches by the end of the current school year for 6.6 million needy school children. We estimated \$105.8 million would be enough to meet this goal. This represented a \$63.8 million increase over fiscal '69 funding. It is now clear our estimates were too low.

Our fiscal '70 estimates were based on a gradual buildup of free and reduced price lunch participation culminating in a June 1970 total of 6.6 million pupils. In many States the buildup has been very rapid resulting in a greater full year load than we anticipated.

Funds were apportioned among the States on the basis of the number of needy children in each State. Since some States have proceeded more rapidly than others, this formula has resulted in the States with fast growing programs running out of money.

Finally, we anticipated that an average of 20 cents in additional funds for a free or reduced price lunch on top of the 12 to 17 cents in cash and commodities available under the regular lunch program would be sufficient. However, we allowed the States to reimburse above the 20 cent average up to a 25 cent maximum for each free and reduced price lunch. In many areas we find the average reimbursement has run closer to the maximum 25 cents than to the average 20 cents.

The factors described above have resulted in an extreme shortage in some States. We have asked the States to estimate the amounts of these shortages and find that they total \$23,594,205 for free and reduced price lunches. The States report an additional need of \$6,946,955 for breakfast and equipment funds. The requests of individual States run as high as \$5.3 million for New York and \$4.5 million for Illinois. We believe that these figures may overstate the needs of the States to some degree. There was no incentive for any State to underestimate its needs in furnishing these figures. We believe the nearly \$7 million requested for additional equipment and breakfasts should be available from reapportionments among States that will not expend their full allocations for these items. However, we feel it is necessary to act now to assure continued expansion of these important and sensitive programs.

The Senate Agriculture and Forestry Committee is currently considering a number of child feeding measures including H.R. 11651, a bill sponsored by Congressmen Perkins and Quie to authorize the transfer of an additional \$100 million of Section 32 funds for school breakfasts, free and reduced price lunches, and additional equipment for needy schools during fiscal 1970. This measure has already been passed by the House. In September we reported to the committee that we felt our budget requests were adequate to fund these programs, and that passage of H.R. 11651 was therefore unnecessary.

We are now requesting BOB clearance to file an additional report with the Committee indicating that the passage of this measure, with some modifications, is now in order. At this time approximately \$30 million in Section 32 funds is available that could be used for funding H.R. 11651. We will recommend that the Senate Committee approve H.R. 11651 at a \$30 million level.

The alternatives to Senate action on the Perkins-Quie Bill are not attractive. We cannot afford to ignore the situation. A request for a supplemental appropriation will be time consuming. Reapportioned funds will not meet the total need for free and reduced price lunches. Support of the Perkins-Quie bill is preferable to any other course of action.

FURTHER ACTION:

The problems that we have experienced in estimating the cost of free and reduced price lunches during the current fiscal year point up the need for program changes.

We are moving right now to obtain better management data for this program. The new Administrator of the Food and Nutrition Service, Edward Hekman, is an experienced executive. He was formerly President of the Keebler Biscuit Co., and is particularly qualified to improve the administration of the child nutrition programs. In addition, we intend to present recommendations to the Urban Affairs Council for an Administration child feeding program. We will make a preliminary presentation of these recommendations to the Subcabinet Working Committee on Food and Nutrition next week.