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THE WHITE HOUSE

WASHINGTON

September 10, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR

SUBJECT:

Child Nutrition/School Lunch Bill (H. R. 4222)
Acceptability of Proposed Compromise

The President reviewed your memorandum of September 3rd on the above subject and approved the following option:

- II. Simple Extension - Concede loss of the block grant initiative, and acceptance of simple extension of categorical programs for time being. Signal rejection of any significant increases over simple extension.

Please follow-up with appropriate action.

cc: Don Rumsfeld

THE WHITE HOUSE
WASHINGTON

September 9, 1975

MR PRESIDENT:

Staffing of the attached memorandum resulted in the following:

- Seidman - Recommends Option #1
- Marsh - Recommends Option #2
- Friedersdorf - Recommends Option #2 with following note "Senator Dole has bill S. 1522 for straight one year extension. Recommend this as the vehicle."
- Buchen - See comments at Tab A
- Cannon - "Accept a simple extension of the categorical programs for the time being, but reaffirm Administration support of the block grant approach to replace categorical programs."

Jim Connor

*I have scratched out #1 &
approved #2.*



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

ACTION

SEP 3 1975

MEMORANDUM FOR THE PRESIDENT

FROM: James T. Lynn

SUBJECT: Child Nutrition/School Lunch Bill (H.R. 4222)--
Acceptability of Proposed Compromise

Your guidance is necessary in order to respond to the Senate Budget Committee and conferees who are willing to work with the Administration in order to develop a more acceptable version of the Child Nutrition/School Lunch Bill (H.R. 4222).

There are two fundamental choices which you should consider:

1. Do you still wish to pursue the savings of nearly \$1.2 billion of the 1976 budget proposal compared with H.R. 4222? This savings would undoubtedly require a veto of any version of H.R. 4222 that Congress will pass and a reaffirmation of your support for the Administration's block grant proposal for Child Nutrition programs.
2. Would you accept a bill that very nearly proposes simple extension of the existing School Lunch and Child Nutrition programs, as proposed by Senator Muskie? This would increase the 1976 budget outlays by approximately \$730 million, but still require substantial revisions in H.R. 4222 (see attachment).

Background

The conference committee version of H.R. 4222 would continue and expand the complexity of present programs. It would do nothing to move in the direction of the block grant program proposed in the 1976 budget and would not reduce Federal expenditures for the non-needy. This bill would cost \$2,942 million in outlays in 1976, \$1,219 million over the budget

estimate of \$1,723 million for the block grant proposal as outlined below:

Outlays (Millions)				
FY 75 <u>Actual</u>	FY 76 <u>Budget</u> (Block Grant)	FY 76 <u>Simple</u> <u>Extension</u>	FY 76 <u>Congressional</u> <u>Budget Resolution</u>	FY 76 <u>H.R. 4222</u> <u>Conference</u>
2,060	1,723	2,433	2,430	2,942

Some Senate Budget Committee staff members have suggested two changes in the conference version which would decrease outlays by approximately \$100 million, but still retain most of the objectionable features of the bill:

1. Eliminate additional payments of 3¢ per meal for full price lunches.

Savings: \$70 million

2. Reduce proposed eligibility standards for free and reduced price lunches from a maximum of 195 percent of the Income Poverty Guidelines to a maximum of 190 percent (175 percent in current law and 200 percent in the House version).

Savings: \$30 million

The Administration's block grant proposal, the Child Food Assistance Act, was transmitted to Congress on June 9, 1975, but has not been introduced. There is little possibility that the block grant proposal will be passed by the Congress.

In a joint statement on the Senate floor on August 1, 1975, Senator Muskie, Chairman of the Senate Budget Committee, and Senator Bellmon, ranking minority member of that committee, said that they would vote against the conference report--and hoped other senators would do likewise--because it would result in FY 1976 spending of almost \$430 million in excess of the congressional budget target of \$2,520 million.

Senators Muskie, Bellmon, and Dole, and Congressman Quie have also opposed the 3¢ per meal increase, and Senator Muskie opposes the expansion of the Special Supplemental Food Program for Women, Infants, and Children (WIC) and expanded eligibility for free and reduced price lunches to 195 percent of the Income Poverty Guidelines.

After the Muskie/Bellmon statement, a scheduled vote in the Senate on the conference version of H.R. 4222 was postponed by Senator McGovern. We believe that H.R. 4222 will be referred back to conference.

Options

- I. Block Grant - Reaffirm support of the child nutrition block grant proposal and signal rejection of any continuation of current categorical programs. ~~XXXX~~
- II. Simple Extension - Concede loss of the block grant initiative, and acceptance of simple extension of categorical programs for time being. Signal rejection of any significant increases over simple extension. Objectionable items are outlined in the attachment. ~~XXXX~~
- III. Further Compromise - Same as option II however indicate acceptance of moderate increases in coverage and cost (not to exceed \$200 million). This would represent an increase of \$910 million over the FY 76 Budget.
- IV. Other

Attachments

Cost Estimates
(\$ in millions)
(FY 76)

	<u>1976 Budget</u>	<u>Simple Extension</u>	<u>H.R. 4222</u>
Section 4 (Basic School Lunch)		509	541
Section 11 (Free & Reduced Price) .		875	1,145
Breakfast		97	134
Nonfood Assistance		28	28
State Adm. Expenses		12	16
Nonschool food program		130	195
Summer.....		(70)	(95)
Year-round		(60)	(100)
Commodities and cash in lieu		475	479
Special Milk		144	144
Special Supplemental Food Program (WIC)		226	250
NTSS and Operating Expenses		15	18
Additional payments for paid lunches		0	70
Residential Institutions		0	0
Block Grants	<u>1,798</u>	<u>0</u>	<u>0</u>
BA	1,798	2,511	3,020
O	1,723	2,433	2,942

Major objectionable provisions of H.R. 4222 that should be eliminated under Option II

	Cost Increase Over Simple Extension (FY 76 Outlays in Millions) (congressional estimate)
<u>Additional payments for full-price lunches--Additional payment of 3¢ (instead of 5¢ in the original House version) above the 12.4¢ per meal now paid for all lunches.</u>	+ \$ 70
<u>Expanded eligibility for reduced price lunches--Expand eligibility for reduced price lunches to children whose family income is up to 195 percent (instead of 200 percent in the original House version and 195 percent in current law) of the Income Poverty Guidelines (IPG).</u>	+ \$302
<u>Women, Infants, and Children (WIC) Program--Continue the WIC program and authorize \$250 million a year through FY 78. The FY 75 level was \$100 million.</u>	+ \$150
<u>Elimination of matching requirement--Eliminate the State matching requirements with respect to free and reduced price lunches. The current rate is 1 Federal dollar for every 3 State dollars.</u>	no Federal cost

Comment: Although no cost estimates are available for this provision, and USDA and Congress believe it will have no outlay impact since all states are now receiving the maximum Federal funds, there are other considerations: The 3:1 matching requirement to some extent places a limit on the Federal spending for those states who do not or cannot meet their matching requirements from

Cost Increase Over
Simple Extension
(FY 76 Outlays in Millions)
(congressional estimate)

in-State sources (payments for full-price lunches, State and local revenues). The Department of Agriculture does not closely monitor the State contributions and therefore the State adherence to the matching requirement ceiling. Strict enforcement of the existing provision would probably reduce or limit Federal contributions in as many as 10 states who would be unable to meet their matching requirements. The Federal funds would have to be replaced by State appropriations or local revenues.

School Lunch and School Breakfast Program for Child Care Institutions--Expands the School Lunch and School Breakfast program eligibility to include private nonprofit residential institutions serving children, e.g., reformatories, detention homes, and hospitals.

1/

Additional Objectionable Provisions

Free or reduced price lunches for children from families whose principal breadwinner is unemployed--Establishes eligibility for all such children but requires that the rate of breadwinners' income while unemployed fall within eligibility standards for free lunches.

2/

Comment: Under current law, states are allowed but not required to provide free or reduced price lunches to children from families whose principal breadwinner is unemployed.

1/ No estimate was made of the impact of this provision. OMB believes it would be nearly \$100 million.

2/ Estimates not yet available.

Cost Increase Over
Simple Extension
(FY 76 Outlays in Millions)
(congressional estimate)

Special appropriations for the Trust Territory of the Pacific Islands-- + \$0.5
Authorizes \$500,000 in FY 76 to enable the Secretary to assist the Trust territories in carrying out various developmental and experimental projects relating to the programs under the Child Nutrition and School Lunch Act.

Expansion of Non-Food Assistance Program to more schools with food service facilities and programs-- -0-
Requires that only 33 1/3 percent of all funds provided for equipment be reserved by the Secretary for schools without a food service program or without food service facilities (50 percent must be reserved under current law).

Comment: Although no cost estimates are available for this provision, and USDA and Congress believe it will have no impact on outlays, we believe it would increase outlays by \$6-12 million. USDA feels that this program would continue to be level, as in the past. However, by easing program restriction so that 33 1/3 percent of program funds instead of 50 percent be limited to "no-facilities" schools, the number of potential applicants would increase, thus increasing demand for the program. The FY 76 budget requests \$28 million for non-food assistance (current law authorizes \$40 million per year).

Election to receive cash payments-- -0-
Provides that any State that phased out its commodity distribution facilities prior to June 30, 1974 (Kansas only), may elect to receive cash payments in lieu of donated foods.

Cost Increase Over
Simple Extension
(FY 76 Outlays in Millions)
(congressional estimate)

Comment: Although there is no budgetary impact, this provision would penalize other states who would elect to receive cash in lieu of commodities and discontinue their commodity distribution facilities.

Expansion of the School Breakfast Program--
Provides permanent authorization for this program and states as national policy that "the School Breakfast program be made available in all schools where it is needed to provide adequate nutrition for children in attendance." (previously, "all schools which make application.") Requires the Secretary to develop plans to expand the School Breakfast program.

+ \$37

THE WHITE HOUSE

WASHINGTON

September 8, 1975

MEMORANDUM FOR: JIM CONNOR
THROUGH: PHIL BUCHEN *P.W.B.*
FROM: KEN LAZARUS *K*
SUBJECT: Lynn's Memo 9/3/75 re Child
Nutrition/School Lunch Bill (H. R. 4222)
Acceptability of Proposed Compromise

H. R. 4222 presents two distinct issues of concern to the Administration: (1) the nature of the appropriate funding modality for Federal child nutrition/school lunch grants; and (2) the appropriate level of Federal outlays. The first question involves differing views on the precepts of Federalism, i. e. categorical vs. block grant funding.

I would recommend that the President reaffirm his support of the block grant concept, urge the Congress to reconsider the appropriate funding modality for these Federal resources and, at the same time, signal rejection of any significant cost increases over a simple extension. Although it is likely that the categorical grant program will be continued in this area, there would appear to be no need to concede a loss of the block grant initiative at this time.