

Income Eligibility and Reimbursement for Child Nutrition Programs

Background

Child nutrition programs such as the National School Lunch Program (NSLP), School Breakfast Program (SBP), and Child and Adult Care Food Program (CACFP) serve as a foundation for preventing hunger and poor nutrition among our youngest and most vulnerable citizens. In San Francisco these three programs serve over 30,000 meals each day to low income children. During the summer, the Summer Food Service Program (SFSP) serves 5,000 meals per day. Inadequate access to healthy food can lead to poor health, obesity and chronic diseases such as diabetes and asthma and impairs a child's ability to learn and grow and become a productive member of society. Rising food and fuel costs as well as high labor costs make it difficult for school districts, child care centers and CACFP home day care sponsors to administer these programs in high cost of living areas such as San Francisco.

Rising Food and Transportation Costs

The past year has seen unprecedented increases in the cost of food and transportation. These rising costs are crippling organizations sponsoring child nutrition programs. In 2007, overall food costs in the United States increased by 4%, and food costs in 2008 are expected to increase up to 4.5%. (Consumer Price Index) Rising fuel costs have had an even greater impact on program budgets. In San Francisco the Student Nutrition Services (SNS) budget for the 08-09 school year, maintaining the current contract delivery service will increase in cost by 42%. Overall, expenses to SNS's budget are increasing at a much faster rate than revenue. Between 2005-06 and 2006-07, expenses increased by 6.94% while revenue only increased by 1.96%. The 08/09 reimbursements from the USDA increased only 4% over the 07/08 school year. Additionally, though the state reimbursement increased from \$.16 to \$.22 in 07-08, due to the state budget deficit, this may be reduced significantly in 08-09.¹

Soaring administrative costs with low administrative reimbursement rates have led to over half of the sponsors of CACFP homes to drop off the program. It is imperative that we take a look at this issue as the health and well-being of our children is at stake.

Adjust the Income Eligibility Guidelines for High Cost of Living Areas

Federal income eligibility guidelines for these USDA nutrition programs are standardized for the 48 contiguous states and are not adjusted for cost of living. Alaska and Hawaii have separate income eligibility guidelines and also adjusted administrative rates for the CACFP, presumably due to the high cost of living in these states.

- A family with two adults and one child earning more than \$31,765 per year does not qualify for free or reduced-price meals at school or child care anywhere in the country (limit is \$39,720 in Alaska and \$36,538 in Hawaii)².
- A report published by the United Way of the Bay Area ***The Bottom Line; Setting the Real Standard for Bay Area Working Families*** illustrates that the income needed for self-sufficiency for a family of two adults and one child in San Francisco in 2005 was \$58,461. In San Francisco we have many families of three who earn between \$31,765 and \$58,461.
- California state minimum wage is \$8.00 per hour and minimum wage in San Francisco is \$9.36 per hour. A child from a two-parent family both working full time at \$9.36 hour would not qualify for a free or reduced-price meal at school or child care.
- Children from these low-income working families regularly show up in the school lunch line without \$2.00 to pay for a lunch. In San Francisco, these children are not sent away hungry and SFUSD absorbs the cost of feeding them, putting a huge strain on an already cash-strapped school district.

¹ Food Security for All: A Strategic Plan to End Hunger in our City-2008 Progress Report

² Income Eligibility Guidelines for Free and Reduced-Price Meals or Free Milk in Child Nutrition Programs (effective July 1, 2007 through June 30, 2008).

- Additionally, children from these families enrolled in child care are not eligible for free meals and the cost of providing food is generally absorbed by the child care center or family child care provider, passed on to the families in the form of higher rates or the programs do not serve meals and require the parents to pack food for their children.

This problem can be remedied by **adjusting the income guidelines to be based on cost of living**. This is already being done for federal employees by providing salary differentials for high cost of living areas, particularly urban regions.

- For example grade 1 step 1 of the federal employee pay scale is \$18,399 per year but is fifteen percent higher or \$21,042 for the San Francisco Bay Area³.
- CNNMoney.com calculates it would take a salary of \$34,028 in San Francisco to have the same buying power as \$18,399 in Kansas City, Missouri (it would take a salary of \$23,520 in Anchorage, Alaska and \$30,991 in Honolulu, Hawaii)

Increase the Rates of Reimbursement for High Cost of Living Areas

Reimbursement rates for NSLP, SBP, SFSP and CACFP are standardized for the 48 contiguous states. Alaska and Hawaii have adjusted reimbursement rates ostensibly due to the higher cost to transport food to these states.

- For example school districts in the 48 contiguous states are paid \$2.59 for a free meal, \$2.19 for a reduced price meal and \$.26 for a paid meal (the figures are \$4.20, \$3.80 and \$.42 for Alaska and \$3.04, \$2.64 and \$.31 for Hawaii)⁴.
- While food costs are higher in Alaska and Hawaii, the high cost of labor in urban areas is also a factor that should be considered when determining reimbursement rates for meals served in child care and schools.
- Due to our high cost of living in San Francisco, food service workers are the highest paid in the state. In 2006, starting salaries around the state ranged from \$6.75 in Kings County to \$15.19 in San Francisco⁵.
- San Francisco Unified School District spends nearly 50% of the federal reimbursement for lunch paying for labor with an additional 15% spent on overhead. This leaves roughly \$1.00 to spend on food.
 - Milk costs \$.30, utensils and supplies are \$.07 and a piece of fruit is \$.17. This leaves \$.46 for our district to spend on the entrée, starch and vegetable.
- San Francisco's CACFP day care home sponsors (Wu Yee and Children's Council) run an annual deficit of 100K and are considering dropping the program leaving thousands of children without access to these meals.
- Department of Children, Youth and Their Families, the local sponsor of the Summer Food Service Program contributes \$141,000 so that 5,000 lunches are provided each day during the summer.

Our children deserve better. These nutrition programs need an overhaul to the present reimbursement structure to more fairly compensate school districts, child care centers and child care homes and sponsors in line with the cost of doing business in high-cost areas. For more information contact Libby Albert, Child Nutrition Coordinator; Department of Children, Youth and Their Families (415) 557-6852 or libby@dcyf.org

³ US Office of Personnel Management, annual pay by grade and step

⁴ <http://www.fns.usda.gov/cnd/governance/notices/naps/NAPs.htm>

⁵ Starting salaries for entry-level cafeteria jobs. www.edjoin.org. compiled on July 7, 2007.