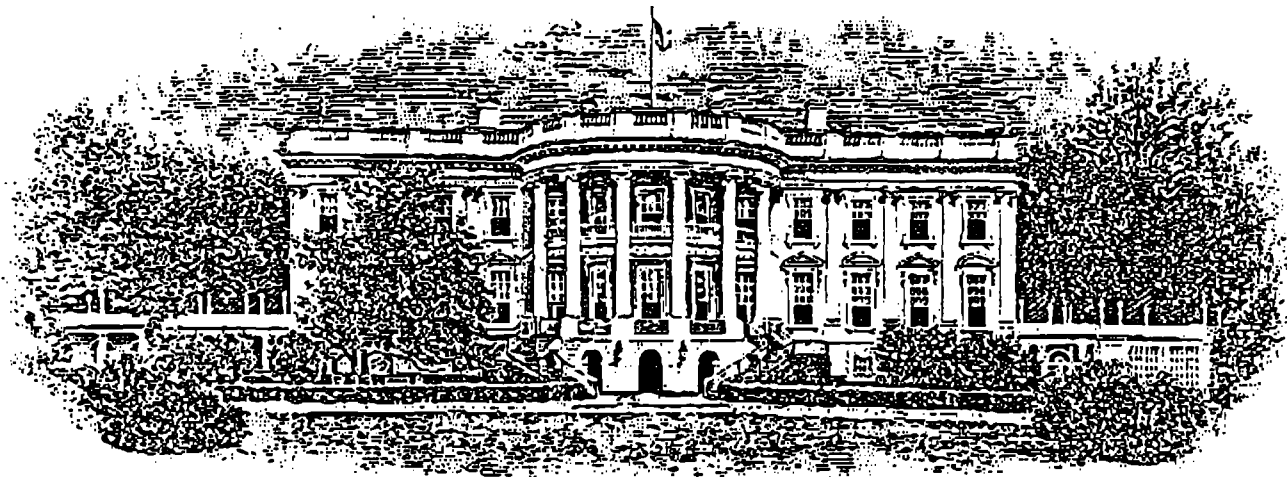


The White House



DOMESTIC POLICY

FACSIMILE TRANSMISSION COVER SHEET

TO: Jennifer Klein

FAX NUMBER: _____

TELEPHONE NUMBER: _____

FROM: _____

TELEPHONE NUMBER: _____

PAGES (INCLUDING COVER): _____

COMMENTS: Since these talking pts were done, ^(today, that is) the

Repubs introduced an amendment ~~to~~ that would up WIC
funding slightly at the expense of other nutrition
programs.

Kav

PAZ ~~WALL~~ WARGER WSTAF

HEADS UP**February 22, 1995****Food and Nutrition
Block Grant****WE OPPOSE BLOCK GRANTING CHILD NUTRITION AND WIC PROGRAMS**

- The current programs are effective.
- Block granting puts children at nutritional and health risk.

**THE RISK TO CHILDREN'S HEALTH WOULD INCREASE
DURING RECESSIONS UNDER BLOCK GRANTS**

- During recession, our food programs expand to meet rising need. But block grants don't.
- If the School-Based Nutrition Block Grant had been enacted in 1989, 20 percent fewer resources would have been available to feed school children in 1994.

**NATIONAL STANDARDS PROTECT CHILDREN ... NO MATTER
WHERE THEY LIVE**

- Federal standards have protected kids' health for fifty years — growth stunting has decreased by 65%, low birth weight has been reduced, and anemia among low-income pre-schoolers has decreased.
- The Republican plan abandons these standards — leaving wide variation in standards possible and no accountability to guarantee health outcomes.

**STATES WITH LARGER PERCENTAGE OF LOW-INCOME
CHILDREN WOULD BE PENALIZED**

The Republican plan rewards states that serve the most meals. States will therefore have incentives to:

- Serve meals to more affluent students who can pay for part of the cost.
- Cut the quality of meals to cut costs and increase the number of meals.

**THE PROPOSED BLOCK GRANT COULD RESULT IN LESS OVERALL
FUNDS FOR FOOD AND NUTRITION FOR CHILDREN**

- States would have the ability to transfer up to 20 percent of the funding out of these programs to other uses.
- The Republican proposal also includes a reduction of about 4 percent in total funding — in the first year.

We oppose the Republican plan to block grant food and nutrition programs because it would put children at risk of nutritional and health problems during recessions. It would also penalize states with a larger percentage of low-income children and result in less overall funding for food and nutrition for children.

02/23/95 19:27



02-23-95 05:18PM FROM USDA-FCS

TO 94567431

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U.S. Department of Agriculture
Food, Nutrition and Consumer Services
14th & Independence Avenue, SW - Rm 240-E
Washington, D.C. 20250
Phone: 202-720-7711
Fax: 202-690-3100

FAX

COVER SHEET

Date

2/23/95

No. of Pages (Incl. cover):

TO:

KAREN GUSS

FROM:

WALT HAAKE (PER NEAL FLIEGER)

Comments:

① WIC FUNDING TALKING POINTS

② ANALYSIS OF WELFARE REFORM BLOCK GRANTS

NOTE: THE SECTION ON FAMILY NUTRITION BLOCK
GRANT PERTAINS TO WIC

USDA

WIC Funding Talking Points

February 23, 1995

Yesterday the House Appropriations Committee's Subcommittee on Agriculture and Related Agencies reported out a bill to rescind \$25 million in Fiscal Year 1995 appropriations for the WIC program.

At the same time, the House passed a \$3.21 billion Pentagon spending bill. The sweeping cuts in WIC and other domestic programs are being used to offset additional spending for the Pentagon.

While 1995 WIC appropriations are being rescinded, the Welfare Reform Act of 1995, being marked up this week by in the House Economic and Educational Opportunities Committee, will cut future spending for the program--\$943 million less in Fiscal Year 1996, and \$5.3 billion less over the five year period 1996-2000--and block grant it to the states.

Rescinding of funding for 1995 and the combination of cuts and block granting for future years will severely undermine a program that effectively reduced low-birthweight and infant mortality, and increased prenatal and pediatric health care in America. Also, a large part of the significant drop in the rates of anemia is due to WIC.

In fact, study after study has shown the positive effects of WIC on health and nutrition.

WIC is clearly cost-effective. A study published by USDA in 1990 showed that women who participated in the program during pregnancies had lower Medicaid costs for themselves and their babies than did women who did not.

Each dollar spent in prenatal WIC benefits was found to be more than offset by reduced Medicaid cost for both mother and baby after birth.

And, for every dollar spent on WIC prenatal participants there are three dollars is savings on health care costs.

WIC reaches an estimated 90 percent of eligible infants and pregnant women in the U.S. The program served an average of 6.5 million people each month in 1994, and was expected to serve 7.2 million in 1995.

USDA's Analysis of the Welfare Reform Consolidation Act of 1995

The Welfare Reform Act of 1995 would put children and families at nutrition and health risk through block grants that cannot respond to increased needs in economic downturns, eliminates national nutrition standards, allows erosion of support through transfers to non-nutrition programs, lacks accountability, and does not simplify administration of the programs.

SCHOOL BASED NUTRITION BLOCK GRANT

Overall funding for the school-based programs would be \$309 million less than the current policy in FY 1996, and over \$2 billion less for the five year period 1996-2000.

--Up to \$1.3 billion could be transferred out of the block grant in FY 1996 for non-food programs, which would compromise the health of children. If States transferred the maximum amount of money out of the block grant, food assistance for school children could be as much as 24 percent less than the projected 1996 level.

The School Based Nutrition Block Grant will eliminate the standards that guarantee America's children have access to healthy meals at school.

--National nutrition standards developed over 50 years of program operations work. School meals meet the vitamin, mineral and calorie goals set for the program, and a USDA initiative would update and improve the standards based on the most recent scientific research.

--In a block grant, there could be 50 different standards and, faced with reduced funding, there would be no incentive to improve children's health in setting standards. In fact, there are incentives to provide skimpier meals to all children regardless of income.

The School Based Nutrition Block Grant will not respond to economic recessions or recoveries.

--In a recession States would be unable to respond without cutting back on the quality or quantity of food, raising taxes, or cutting other services so that children can eat.

--If enacted in 1989, this bill would have resulted in nearly a 20% reduction in funding for meals to school children in 1994.

--Between 1990 and 1994 the number of free lunches served to low income children increased by 23 percent. During this same period, the number of free meals served in child care centers increased by 45%. USDA's nutrition programs expanded to meet those needs.

The block grant will not respond to changes in the school age population, which is expected to increase by 4 to 6 percent in the time period of the grant. The grant amount would not provide an additional amount of money to help provide meals for additional children.

Since each year's funding would be based partially on the number of meals served in the previous year, States that serve more free meals than the national average would be penalized.

--States that serve more total meals fare better in the allocation formula. Since it costs more to serve a free meal, States have an incentive to serve meals to more affluent students.

--Without national nutrition standards, States might also be inclined to cut the quality or amount of food provided in order to serve more meals in order to maximize funding.

Block grants would not simplify program administration with their requirements for income determination, and meals counting, yet they would have little ability to enforce accountability or program outcomes.

The block grants lack accountability. The reporting required is not a guarantee that poor children will be adequately served, or that the nutrition standards set will be appropriate to children's health needs. It also provides no guarantees that state oversight for program compliance will occur which could allow errors or fraud to occur without detection.

→ FAMILY NUTRITION BLOCK GRANT PROGRAM

For the Family Nutrition block grant, spending would be \$943 million less in FY 1996, and \$5.3 billion less over the five year period 1996-2000. Up to \$900 million could be transferred out of the block grant in FY 1996 (equal to the maximum amount available for child care, summer and milk programs).

The Family Nutrition Block Grant will not respond to economic downturns. If enacted in 1989, this bill would have resulted in 43% reduction in funding for meals to young children and food and services to women, infants and children in 1994. WIC funding would have been 23 percent less than actually spent and spending on the non-school child care, milk, and summer programs would have been 57 percent less than was needed.

The Family Nutrition Block Grant, if enacted on October 1, 1995, will force States to remove 275,000 women, infants, and children from the WIC program. At year end the program will serve 7.27 million participants and the amount designated for WIC will support an average annual caseload of 6.95 million participants. Under the block grant, States will provide services to 400,000 fewer WIC participants in FY 1996 than provided for in the President's Budget.

The Family Nutrition Block Grant Program risks the effectiveness of the WIC program. By dropping national program requirements for the WIC program, there will be an erosion of national program standards that would reduce or reverse the proven effectiveness of WIC in such areas as reduced low-birthweight and infant mortality and increasing prenatal and pediatric health care. Cost savings to the Medicaid Program, now valued at \$400 million to \$1.3 billion, would decline.

WIC program cost containment efforts would be diminished and the cost of food provided would increase. Cost containment efforts for just infant formula amount to over \$1 billion and fund services for nearly 1.6 million persons each month. The positive Federal influence on cost containment was recently demonstrated. When a Western State rebid its infant formula rebate contract only after threat of sanction, the winning bidder provided an 8 percent increase in its rebate per can of formula. This will allow service to thousands of needy women, infants and children.

The Family Nutrition Block Grant would eliminate the viability of supporting meals served in 185,000 family day care homes. Denying children in family day care homes the modest subsidy for meals available to children in school-based programs will make drive family day care homes out of the program, and deny children access to healthy meals. If welfare reform efforts result in more working, low-income parents, this effect will be more pronounced.

The block grant would eliminate national nutrition standards for child care and summer food service programs. Like the School Based block grant, with significant reductions in funding and State allocations tied to the total number of people served, there will be few incentives to put children's health and nutrition needs first.

02-23-95 09:41AM FROM USDA-FCS

TO 94567431

F002/007



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

22 FEB 1995

Honorable William F. Goodling
Chairman
Committee on Economic and Educational Opportunities
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515-6100

Dear Mr. Chairman:

The House Economic and Educational Opportunities Committee will shortly markup the Welfare Reform Consolidation Act of 1995. The bill would convert the Department of Agriculture's (USDA) Child Nutrition Programs and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) into two block grants--a School-Based Nutrition Block Grant and a Family Nutrition Program Block Grant.

The Administration has serious concerns about the impact of this block grant approach on the health and well-being of the Nation's children. Throughout their history, USDA's Child Nutrition and WIC Programs have produced significant and measurable nutrition outcomes among the children who participate in them. The programs work because national nutrition standards are established, required, and verified, and because the funding structure ensures that the program can expand to meet the increased needs that are created by a recession or similar economic downturn. The proposed block grant structure would eliminate both of these protections, leaving children vulnerable to shifts in the economy, and to changes in nutrition standards that could be driven more by cost considerations than children's health. For these reasons, the Administration opposes block grants for USDA's Child Nutrition and WIC Programs.

Block grants for WIC would mean a reduction in benefits and/or services. At the end of 1995 there will be 275,000 more WIC participants than funding set aside for this population for fiscal year (FY) 1996 in the Family Nutrition Block Grant Program. California, Georgia, Virginia, New York, and Michigan have chosen to not run a summer feeding program for poor children, so USDA now does it. Under a block grant, USDA would have to stop these programs, so 700,000 children might have to go hungry when school is not in session.

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FOUO/007

Honorable William F. Goodling

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Several States have chosen to not administer school lunch programs in private/parochial schools. Now, USDA ensures that eligible children in these schools can eat a healthy meal. Under a block grant, low-income children in parochial and other private schools may no longer receive assisted lunches.

National standards protect children, no matter where they live. Since 1976, growth stunting has decreased 65 percent; over the last 30 years occurrence of low birthweight has dropped and anemia among low income pre-schoolers has decreased. The proportion of low income households with diets meeting recommended levels for key nutrients grew at double the rate of the general population. Under the Welfare Reform Consolidation Act proposal, standards could vary widely from State to State. There will be no guarantee that State standards will adequately promote children's health; children's health could suffer if States set or alter nutrition standards to meet shifting budgets or other priorities unrelated to children. The general reduction in nutrition assistance for children could lead to increased malnutrition, growth stunting, and iron deficiency anemia, which can permanently reduce intelligence.

Enclosed are additional points that need to be taken into full consideration as the Committee debates this legislation.

The Administration is opposed to block grants for nutrition programs. President Clinton has said that nutrition programs are in the national interest. We believe that changes should be made to make programs more flexible and easier for States to administer. We are committed to reducing fraud and modernizing benefit delivery. But we do not support changes that jeopardize children's health or cut benefits in the guise of devolution.

We are ready to work with Congress to bring about lasting and meaningful change in federal nutrition programs. We will support changes that preserve health and nutrition goals that are in the national interest, consolidate what is redundant, and reform what is outdated. But a national system of Federal nutrition programs establishes and meets nutrition standards, responds to economic changes, and ensures children will be protected. We believe the Federal Child Nutrition and WIC Programs provide a solid foundation for children to grow.

Sincerely,


RICHARD E. ROMINGER
Acting Secretary

Enclosure

02-23-95 09:41AM FROM USDA-PCS

TO 94567431

FOUO/007

SCHOOL BASED NUTRITION BLOCK GRANT PROGRAM

- Overall funding for the school-based programs would be \$309 million less than the current policy in fiscal year (FY) 1996, and over \$2 billion less for the 5-year period FY 1996-2000. Up to \$1.3 billion of the block grant could be used for non-nutrition purposes in FY 1996. If States transferred the maximum amount of money out of the block grant, the cut could be as large as 24 percent of the FY 1996 level.
- The School-Based Nutrition Block Grant would eliminate the standards that ensure America's children have access to healthy meals at school. We know that national nutrition standards, developed over 50 years of program operations, work. Recent Department of Agriculture (USDA) research demonstrates that school meals met the vitamin, mineral, and calorie goals set for the National School Lunch Program (NSLP). USDA, through its School Meals Initiative for Healthy Children, has proposed regulations to update nutrition standards and require school meals to meet the Dietary Guidelines for Americans.

The 1994 reauthorization of the Child Nutrition Programs further endorsed the Dietary Guidelines as national standards by making them a requirement for the school nutrition programs. Under this block grant proposal, States would be asked to develop their own nutrition standards, but there could be 50 different standards and, faced with reduced funding, there would be no incentive to maximize children's health in setting such standards.

- Under the bill, children's health would be placed at risk during recessions. Between 1990 and 1994, the number of free lunches served to low income children increased by 23 percent. During this same period, the number of free meals served in child care centers increased by 45 percent. USDA's Child Nutrition Programs expanded to meet those needs. Block grants do not protect children from recessions; children's health would be jeopardized by States' limited ability to expand. Under this proposal, needy families and children could find nutrition benefits reduced at times when they are most needed. In fact, needy children would not be guaranteed a free meal. The bill could result in a charge for meals served to very low income children. States would be unable to respond to economic downturns without cutting back on the quantity of food, raising taxes, or cutting other services so that children could eat. If enacted in 1989, this bill could have resulted in nearly a 20 percent reduction in funding for meals served to school children in 1994.
- Since a State's funding would be based partially on the number of meals served in the previous year, States that serve more "free" meals than the national average would be penalized. In contrast, States that serve more total meals would fare better in the allocation formula. Since it costs more to serve a free meal to a poor child, States have an incentive to maximize their total meal count by serving more meals to



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F003/007

affluent students. Without national nutrition standards, States might also be inclined to cut the quality or amount of food provided in order to serve more meals and maximize funding.

This effect would be heightened in a recession, when even more poor children need meals free or at low cost. Similarly, if school enrollment rose in a State, the State's grant amount would not provide an additional amount of money to help provide meals for additional children until the subsequent fiscal year. Further, if national enrollment increases, no additional funds would be available. Demographic data suggests enrollment will rise 4 to 6 percent during the authorization period of the grants.

- A School-Based Nutrition Block Grant that operates as a capped entitlement would not decrease administrative complexity. The proposed block grant would require that schools continue to make a determination of income eligibility for "free" meals, keep track of spending on children under 185 percent of poverty, and count meals served so that the State grant allocation process can occur. In contrast, USDA's nutrition initiative to improve school meals will decrease administrative burden.
- The proposed block grants lack accountability. The reporting required in this proposal is not a guarantee that poor children would be adequately served, or that the nutrition standards set will be appropriate to children's health needs. It also provides no guarantees that State oversight for program compliance will occur, which could allow errors or fraud to occur without detection. There would also be no guarantee that significant issues, such as dairy bid-rigging, where USDA has taken more than 100 actions in the last year, would be addressed.

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FAMILY NUTRITION BLOCK GRANT PROGRAM

- For the proposed Family Nutrition Block Grant, spending would be \$943 million less in FY 1996, and \$5.3 billion less over the 5-year period FY 1996-2000. Up to \$900 million of the block grant could be used for non-nutrition purposes in FY 1996 (equal to the maximum amount available for child care, summer, and milk programs).
- The Family Nutrition Block Grant Program would not respond to economic downturns. If enacted in 1989, this bill would have resulted in a 43 percent reduction in funding for meals to children and food and services to women, infants, and children in 1994. WIC funding would have been 23 percent less than actually spent, and spending on the non-school child care, summer, and milk programs would have been 57 percent less than was needed. The points about the overall non-responsiveness of block grants in recessions for the School-Based Block Grant Program are also applicable to the Family Nutrition Block Grant Program.
- The Family Nutrition Block Grant, if effective on October 1, 1995, would force States to remove 275,000 women, infants, and children from the WIC Program. At year end, the program will serve 7.3 million participants, while the amount designated for WIC will support an average annual caseload of 7.0 million participants. Under the block grant proposal, States would provide services to 400,000 fewer WIC participants in FY 1996 than provided for in the President's Budget.
- The Family Nutrition Block Grant Program risks diminishing the effectiveness of the WIC Program. By dropping national program requirements for the WIC Program, there would likely be an erosion of national program standards that could reduce or reverse the proven effectiveness of WIC in such areas as reduced low-birthweight and infant mortality. This could increase prenatal and pediatric health care costs. Cost savings to the Medicaid Program resulting from the WIC Program, now valued at \$400 million to \$1.3 billion per year, would decline.
- WIC Program cost containment efforts would be diminished and the cost of food provided would increase. Cost containment efforts for infant formula alone amount to over \$1 billion annually and fund services for nearly 1.6 million persons each month. The positive Federal influence on cost containment was recently demonstrated. At the direction of the Federal government, a Western State rebid its infant formula rebate contract and the winning bidder provided an 8 percent increase in its rebate per can of formula.
- The Family Nutrition Block Grant would eliminate the viability of supporting meals served in 185,000 family day care homes. Denying all children in family day care homes the modest subsidy available to children in school-based programs could drive family day care homes out of the program. If welfare reform efforts result in more working, low-income parents, this cost squeeze on day care would be exacerbated.

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TO 94567431

FOUO/001

- The Family Nutrition Block Grant would eliminate national nutrition standards for child care programs. Like the School-Based Block Grant, with significant reduction in funding and State allocations tied to the total number of people served, there would be few incentives to put children's health and nutrition needs first.