

H.R. 3874 is on the House suspensions calendar for Monday, July 20. Please provide comments/clearance by 10am Monday. Thank you.

H.R. 3874 - Child Nutrition and WIC Reauthorization Amendments of 1998

Reps. Castle (R) DE and Riggs (R) CA

The Administration supports House passage of H.R. 3874. The bill would reauthorize appropriations, through FY 2003, for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); the Summer Food Service Program; the Farmers Market Nutrition Program; the Nutrition Education and Training Program; and State administrative support for the School Lunch Program. In addition, H.R. 3874 would make various amendments to the Child Nutrition and School Lunch Acts, including protections against WIC fraud and abuse and expansions of the summer and after-school nutrition programs. The Administration believes that the Federal nutrition programs are critical to ensuring the health and well-being of our Nation's children.

The Administration, however, opposes the bill's provision on criminal forfeiture, which is both flawed and unworkable. The Administration will work to delete this provision as the bill continues through the legislative process.

Pay-As-You-Go

H.R. 3874 would affect direct spending and receipts; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Budget and Reconciliation Act of 1990. The Office of Management and Budget's scoring of the bill is currently under development. Preliminary estimates suggest the bill could have pay-as-you-go costs associated with it. The Administration will work with the Congress to address this issue.

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This Statement of Administration Policy (SAP) was developed by the Legislative Reference Division (Haskins) in consultation with Associate Director Chow, EIML (Smalligan/Kakani), OIRA (Oliven Silberfarb), BASD (Bavier), OFFM (Murrin), the White House Office of Policy Development (Fortuna), and the National Economic Council (Parker). The Department of Agriculture (Julie Paradis) concurs in the proposed position. The Departments of Justice (Taylor), the Treasury (Dorsey), and the Office of the United States Trade Representative (Montgomery) have no comments on the proposed position.

Administration Position

To date, the Administration has not taken a position on H.R. 3874. **(Note from LR: Per RMO staff (Smalligan/Kakani), the "Pay-As-You-Go" paragraph above reflects edits by PAD Chow. A fuller explanation of the bill's potential paygo cost, as estimated preliminarily by**

the Department of Agriculture, is provided in the last paragraph of the last page.)

Background

The authorizations of appropriations for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and several Child Nutrition programs will expire at the end of FY 1998. The FY 1999 Budget assumed a straight-line reauthorization of these programs, and left open the possibility that the Administration would transmit a cost neutral legislative proposal at a later date to reauthorize and make amendments to the WIC program and certain Child Nutrition programs.

On March 10th, the Department of Agriculture (USDA) transmitted a cleared draft bill to Congress that would: (1) reauthorize appropriations through FY 2002 and the enhance the integrity of the WIC program and certain programs under the Child Nutrition Act; (2) expand after-school nutrition programs to include "at risk" children aged 12-18; and (3) facilitate the administration of the Child Nutrition programs by States and localities. The draft bill had no cumulative pay-as-you-go effect during FYs 1999-2003. It did, however, have modest effects on direct spending in specific years. In its transmittal letter, USDA noted that the "Administration will work with Congress to ensure that the [draft bill's] small outyear costs are fully offset."

H.R. 3874 includes many provisions similar to the Administration's draft bill. The bill, however, contains additional provisions, including criminal asset forfeiture penalties for WIC fraud and abuse. The committee report on the bill is not yet available. This SAP is based on information provided to OMB by USDA.

Major Provisions of H.R. 3874

Child Nutrition Act

H.R. 3874 would reauthorize "such sums" appropriations for the WIC program, the Farmers Market program, and the Nutrition Education and Training Program through FY 2003. In addition, the bill would make various amendments to the Child Nutrition Act, including a requirement for State WIC programs to provide program participants with education on drug and alcohol abuse and their effects on children. H.R. 3874 includes several provisions to reduce and penalize WIC program fraud and abuse. For example, it would require most WIC applicants to be physically present during eligibility certifications. The bill also would require WIC applicants to document their household income or participation in an adjunct program. In addition, H.R. 3874 would require States to establish systems to detect individuals' participation at more than one WIC program site. The bill would limit to \$25,000 the maximum fine to be imposed on recipients or vendors for certain program violations.

H.R. 3874 would allow the Federal Government to seize property owned by vendors convicted of defrauding the WIC program or violating certain WIC program requirements. Proceeds from the sale of any properties or money forfeited would be shared among the Department of Justice, the USDA Office of Inspector General, and State governments, including law enforcement agencies.

In addition, H.R. 3874 would permanently disqualify vendors convicted of: (1) trafficking food instruments (e.g., vouchers, electronic benefit transfer (EBT) cards or EBT "pin" numbers) or (2) selling firearms, ammunition, explosives, or controlled substances in exchange for food instruments. The bill, however, would create a "hardship" exception with civil monetary penalties in lieu of this punishment.

National School Lunch Act

H.R. 3874 would reauthorize "such sums" appropriations, through FY 2003, for the Summer Food Service and Commodity Distribution Programs under the National School Lunch Act. In addition, the bill would make several amendments to the Act. For example, it would allow States participating in the School Lunch and Breakfast Program to provide snacks to children up to age 18 who are enrolled in after-school education and enrichment programs. The bill also would round down to the nearest cent School Lunch and Breakfast Program reimbursement rates for free and reduced price meals served to low-income children, making such rounding consistent with the current-law treatment for full price meals. (Under current law, reimbursement rates for free and reduced priced meals are rounded down to the nearest quarter cent.)

H.R. 3874 would extend, until FY 2003, categorical eligibility for Even Start beneficiaries to participate in Child and Adult Care Food Program (CACFP). Like the Administration's draft bill, H.R. 3874 would allow institutions that provide after-school care to "at risk" school children aged 12 through 18 to participate in CACFP.

H.R. 3874 would reduce, from two to one percent, the amount USDA provides to States to audit participating CACFP institutions. (The Administration's draft bill would have replaced this funding with a fixed level of funding to improve program quality and integrity.) The bill also would permanently authorize a current-law demonstration project in Kentucky and Iowa that allows private for-profit organizations that provide non-residential day care services to participate in CACFP. In addition, the bill would allow homeless shelters to become CACFP participants.

H.R. 3874 includes a "Buy American" provision that would require schools to purchase food products that are grown or manufactured in the United States, to the extent practicable. It also would remove the current-law restriction that prevents private non-profits from contacting with commercial entities to become School Lunch and Breakfast Program providers. In addition, H.R. 3874 would establish universal free school breakfast pilots in five elementary schools across the United States, subject to advance appropriations.

Pay-As-You-Go Scoring

H.R. 3874 would affect direct spending and receipts; therefore, its is subject to the pay-as-you-go requirements of the Omnibus Budget and Reconciliation Act of 1990. The Department of Agriculture's preliminary estimate is that the bill would increase direct spending, net of offsets, by up to \$32 million in FY 1999 and up to a total of \$200 million during FYs 1999-2003. The Congressional Budget Office (CBO) estimates that H.R. 3874 would increase direct spending by

\$4 million during FY 1999 and decrease direct spending by a total of \$ 68 million during FYs 1999-2003. The difference between Agriculture and CBO scoring estimates is attributable to Child Nutrition program participation rates and growth assumptions. OMB's scoring estimates for this legislation are currently under development.

LEGISLATIVE REFERENCE DIVISION DRAFT July 17, 1998 - 5:15 p.m.