

September 2002

SCHOOL MEAL PROGRAMS

Estimated Costs for Three Administrative Processes at Selected Locations



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Abbreviations

FNS Food and Nutrition Service
USDA U.S. Department of Agriculture



United States General Accounting Office
Washington, DC 20548

September 25, 2002

The Honorable George Miller
Ranking Minority Member
Committee on Education and the Workforce
House of Representatives

The Honorable Dale E. Kildee
Ranking Minority Member
Subcommittee on Education Reform
Committee on Education and the Workforce
House of Representatives

Each school day, millions of children receive meals and snacks provided through the National School Lunch and the School Breakfast Programs. Any child at a participating school may purchase a meal through these school meal programs, and children from households that apply and meet established income guidelines can receive these meals free or at a reduced price. The federal government reimburses the states, which in turn reimburse school food authorities (offices responsible for the administration of the school meals program in one or more schools) for each meal served. In fiscal year 2001, the federal government spent about \$8 billion in reimbursements for school meals.

The U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS), state agencies (usually departments of education), and school food authorities all play a role in administering these school meal programs. To varying degrees, each of these entities performs tasks associated with three of the administrative processes essential to the current operation of the school meal programs: (1) processing applications, (2) verifying income eligibility, and (3) counting the total number of meals served and claiming reimbursement. Some local program managers said that these administrative tasks are burdensome and costly. However, data on the costs of these tasks are not gathered or maintained. Because the Congress will consider reauthorizing the National School Lunch and the School Breakfast Programs in 2003, you asked us to develop cost estimates at the federal, state, and local (school food authorities and schools) levels associated with processing applications for free and reduced-price meals, verifying eligibility for free and reduced-price meals, and counting all reimbursable meals and snacks and claiming federal reimbursement.

To obtain data on the costs of administering these school meal programs, we visited selected locations, including 5 state agencies, 10 school food authorities in public school districts,¹ and 2 schools at each district. We chose sites that would provide a range of characteristics, such as geographical location, size of student enrollment, and type of meal counting system. We also obtained information from officials at FNS headquarters and one regional office. We interviewed program managers and staff at these locations to obtain information on tasks associated with the application, verification, and meal counting and reimbursement claiming processes for the 2000-01 school year. On the basis of this information, we calculated estimated costs relative to program dollars. (See app. I for further details about our scope and methodology and app. II for information on program dollars.) We did not verify the information collected for this study; however, we made follow-up calls in cases where data were missing or appeared unusual. The results of our study cannot be generalized to schools, school food authorities, or states nationwide because we selected a limited number of sites, which was not a statistical sample. We conducted our work between August 2001 and July 2002 in accordance with generally accepted government auditing standards.

Results in Brief

Cost for the application, verification, and meal counting and reimbursement processes for the school meal programs were incurred mainly at the local level. Estimated federal and state-level costs during school year 2000-01 for these three processes were generally much less than 1 cent per program dollar administered. At the local level—selected schools and the related school food authorities—the median estimated cost for these processes was about 8 cents per program dollar and ranged from about 3 cents to 16 cents per program dollar. (See table 1.) The largest costs at the local level were for counting meals and submitting claims for reimbursement. Estimated costs related to the application process were the next largest, and estimated verification process costs were the lowest of the three.

¹In most cases, a school food authority is a part of a school district. All school food authorities in this review were part of selected districts.

Table 1: Estimated Application, Verification, and Meal Counting and Reimbursement Claiming Costs at the Local Level for School Year 2000-01 at Selected Locations

Process	School food authorities	Schools	Combined median costs ^a
Application			
Range of estimated costs ^b	\$3,056-\$159,748	0-\$3,735	
Median cost per program dollar	\$0.007	\$0.002	\$0.010
Verification			
Range of estimated costs ^b	\$429-\$14,950	0-\$967	
Median cost per program dollar	\$0.001	0.000	0.001
Meal counting			
Range of estimated costs ^b	\$2,461-\$318,436	\$1,892-\$36,986	
Median cost per program dollar	\$0.011	\$0.054	0.068
Total median cost per program dollar			\$0.079

^aIncludes the school food authority cost prorated for each of the two selected schools plus the costs at these schools. As a result, adding the medians for school food authorities and schools may produce an amount that is slightly different from the median produced when the costs for the two categories are analyzed together.

^bBased on information reported by the selected 10 school food authorities and 20 schools.

Source: GAO's analysis of data collected.

For school year 2000-01, the estimated costs associated with processing applications for free and reduced-price school meals were much less than 1 cent per program dollar administered at the federal and state levels and about 1 cent per program dollar at the local level. At the federal and state levels, these costs were primarily related to program management and oversight tasks done throughout the year, such as updating and revising regulations, issuing prototype forms and letters, training managers, answering questions, and conducting or participating in reviews of the process. At the local level, the costs varied from less than half a cent to 3 cents, and the process tasks included copying application forms and providing them to children, collecting and reviewing submitted applications, determining if the children were eligible for free or reduced-price meals, and sending applicants notification of approval or disapproval. Most of the tasks related to the process were performed at the beginning of the school year because households must complete new applications each year. In addition, officials at 8 of the 10 selected school food authorities performed most of the tasks for their schools. However, a number of different staff supported the application process at the local level. Two school food authorities hired temporary staff to assist with the application process, while other schools enlisted teachers, counselors, secretaries, and/or bilingual staff to distribute and collect applications, make eligibility determinations, and call families. Although differences in the staff involved with the application process may affect costs, other

factors, such as size of enrollment, grade span, locale, and percentage of children approved for free and reduced-price lunches, could also affect costs. The number of factors involved and the limited number of sites in our study made it difficult to determine how each may have affected costs.

At the federal, state, and local levels, the costs associated with verifying eligibility for free and reduced-price school meals were much less than 1 cent per program dollar for school year 2000-01. The costs at the federal and state levels were primarily related to oversight tasks performed throughout the year. At the local level, duties associated with the verification process were done primarily by the 10 selected school food authorities in the fall of the school year, with only 1 school food authority significantly involving its schools in the verification process. At these sites, the verification process resulted in some children being moved to other meal categories. For example, 1 school food authority's verification of 65 applications resulted in 24 children being moved to either reduced-price or full-priced meals categories, while 1 child was moved from the reduced-price to the free category. An accurate count of the number of children eligible for free and reduced-price meals is important because it ensures the federal reimbursement is proper. Additionally, an accurate count of the number of eligible children is important because funding for some other programs that serve poor children is allocated based on free and reduced-price meal data. FNS has implemented several pilot projects to improve the application and verification processes and plans to complete these projects in 2003.

Costs for counting all reimbursable meals—free, reduced-price, and full-price—and claiming reimbursement for them in the 2000-01 school year were significantly less than 1 cent per program dollar administered at the federal and state levels, but at the local level, the median cost for these tasks was about 7 cents per program dollar. The federal level costs were related primarily to distributing funds to state agencies prior to the beginning of the year and reconciling the claims at the end of the year. Also, FNS issued guidance, trained staff, and responded to questions. State agencies were primarily responsible for operating a system to reimburse school food authorities for meals served. State agencies also reviewed the meal counting and reimbursement claiming processes at the school food authorities. At the local level, costs for counting meals and submitting claims for reimbursement were the highest of the three processes, and schools had a higher share of the cost. Out of 20 schools, 14 incurred more than 75 percent of the local cost, with school food authorities incurring the remainder. The costs for this process at the local level were higher primarily because some key tasks, such as meal counting, were performed

every day at the schools and some were performed at regular intervals by the school food authorities. Furthermore, these costs varied the most from location to location, from 2 cents to 14 cents. A variety of factors may have affected costs—such as size of school enrollment and differing administrative systems and procedures. For example, larger enrollments may allow economies of scale that lower the costs of food service operations. However, with our limited number of selected sites we did not see a distinct relationship between costs and these factors, except in a few instances.

We provided a draft of this report to the Department of Agriculture's Food and Nutrition Service. The department did not provide written comments, but provided technical comments, which have been incorporated as appropriate.

Background

Various child nutrition programs have been established to provide nutritionally balanced, low-cost or free meals and snacks to children throughout the United States. The school lunch and school breakfast programs are among the largest of these programs. The National School Lunch Program was established in 1946; a 1998 expansion added snacks served in after-school and enrichment programs. In fiscal year 2000, more than 27 million children at over 97,000 public and nonprofit private schools and residential child care institutions received lunches through this program. The School Breakfast Program began as a pilot project in 1966 and was made permanent in 1975. The program had an average daily participation of more than 7.5 million children in about 74,000 public and private schools and residential child care institutions in fiscal year 2000. According to program regulations, states can designate schools as severe need schools if 40 percent or more of lunches are served free or at a reduced price, and if reimbursement rates do not cover the costs of the school's breakfast program. Severe need schools were generally reimbursed 21 cents more for free and reduced-price breakfasts in school year 2000-01.

The National School Lunch and School Breakfast Programs provide federally subsidized meals for all children; with the size of the subsidy dependent on the income level of participating households. Any child at a participating school may purchase a meal through the school meals programs. However, children from households with incomes at or below 130 percent of the federal poverty level are eligible for free meals, and

those from households with incomes between 130 percent and 185 percent of the poverty level are eligible for reduced-price meals.² Similarly, children from households that participate in three federal programs—Food Stamps, Temporary Assistant for Needy Families, or Food Distribution Program on Indian Reservations—are eligible to receive free or reduced-price meals. School districts participating in the programs receive cash assistance and commodity foods from USDA for all reimbursable meals they serve. Meals are required to meet specific nutrition standards. For example, school lunches must provide one-third of the recommended dietary allowances of protein, vitamins A and C, iron, calcium, and calories.³ Schools have a great deal of flexibility in deciding which menu planning approach will enable them to comply with these standards. Schools receive different cash reimbursement amounts depending on the category of meals served. For example, a free lunch receives a higher cash reimbursement amount than a reduced-price lunch, and a lunch for which a child pays full price receives the smallest reimbursement. (See table 2.) Children can be charged no more than 40 cents for reduced-price meals, but there are no restrictions on the prices that schools can charge for full-price meals.

Table 2: School Meal Cash Reimbursement Rates for School Year 2002-03

Reimbursement categories	Cash reimbursement rates			
	Lunch	Breakfast		Snack
		Nonsevere need	Severe need	
Free	\$2.14	\$1.17	\$1.40	\$0.58
Reduced-price	\$1.74	\$0.87	\$1.10	\$0.29
Full-price/paid	\$0.20	\$0.22	\$0.22	\$0.05

Note: The rates are the minimum cash amounts reimbursed. USDA also provides higher amounts for districts with 60 percent or more children approved for free and reduced-price meals, districts in Hawaii and Alaska, and districts identified by states as having critical needs in order to ensure equitable distribution.

Source: USDA.

²For the period July 1, 2002, through July 30, 2003, 130 percent of the poverty level is \$23,530 annually for a family of four; 185 percent is \$33,485.

³The recommended dietary allowances are the levels of essential nutrients that are adequate to meet nutritional needs of practically all healthy people, according to the Food and Nutrition Board of the Institute of Medicine, National Academy of Sciences.

Various agencies and entities at the federal, state, and local levels have administrative responsibilities under these programs. FNS administers the school meal programs at the federal level. In general, FNS headquarters staff carry out policy decisions, such as updating regulations, providing guidance and monitoring, and reporting program review results. Regional staff interact with state and school food authorities, and provide technical assistance and oversight. State agencies, usually departments of education, are responsible for the statewide administration of the program, including disbursing federal funds and monitoring the program. At the local level, two entities are involved—the individual school and organizations called school food authorities, which manage school food services for one or more schools. School food authorities have flexibility in how they carry out their administrative responsibilities and can decide whether to delegate some tasks to the schools.

To receive program reimbursement, schools and school food authorities must follow federal guidelines for processing applications for free and reduced-price meals, verifying eligibility for free or reduced-price meals, and counting and reporting all reimbursable meals served, whether full-price, reduced-price, or free. This means processing an application for most participants in the free and reduced-price programs,⁴ verifying eligibility for at least a sample of approved applications, and keeping daily track of meals provided. These processes comprise only a small part of the federal school meal programs' administrative requirements. According to a USDA report, school food authorities spend the majority of their time on other administrative processes, including daily meal production records and maintaining records documenting that the program is nonprofit as required by regulations.⁵ The data we were asked to obtain focus on the participant eligibility and meal counting and reimbursement processes and do not include estimates for other administrative tasks, which are outside the scope of the request.

The federal budget provides funds separate from program dollars to pay for administrative processes at the federal and state level. In contrast,

⁴Under federal regulations, school districts may permit children whose households participate in the Food Stamp, Temporary Assistance for Needy Families, or Food Distribution on Indian Reservations Programs to receive benefits based on information these programs provide. This process is known as direct certification.

⁵Office of Analysis and Evaluation, *Universal-Type School Meal Programs, Report to Congress*, Food and Nutrition Service, USDA: Alexandria, VA, June 1994.

officials at the local level pay for administrative costs from program dollars that include federal and state funding and student meal payments.

Districts and schools that participate in the school meal programs vary in terms of locale, size of enrollment, percent of children approved for free and reduced-price meals, and types of meal counting systems used. We selected 10 districts and 20 schools located in rural areas, small towns, mid-size central cities, urban fringe areas of mid-size and large cities, and large central cities. At the districts, enrollment ranged from 1,265 to 158,150 children, while at the 20 schools, it ranged from 291 to 2,661 children. The rate of children approved for free and reduced-price meals ranged from 16.7 to 74.5 percent at the districts and from 10.5 to 96.5 percent at the schools. Nine of these schools used electronic meal counting systems. Table 3 summarizes the characteristics of selected districts and schools.

Table 3: Characteristics of Selected Districts and Schools for School Year 2000-01

District (State) school	Locale ^a	Enrollment	Percent approved for free & reduced-price meals	Type of meal counting system	Type of meals served ^b
Alta Loma Elementary District (Calif.)	Urban fringe of large city	7,705	16.7	^c	^c
Jasper Elementary		593	17.5	Manual	B,L
Vineyard Jr. High		1,061	11.8	Manual	B,L
San Bernardino City Unified District (Calif.)	Mid-size central city	53,266	74.5	^c	^c
Lincoln Elementary		1,132	96.5	Electronic	SB,L,S
Pacific High		2,661	72.1	Electronic	SB,L
Lake County District (Fla.)	Urban fringe of mid-size city	28,000	38.7	^c	^c
Cypress Ridge Elementary		636	14.3	Manual	B,L
Umatilla High		798	33.8	Manual	L
Suwannee County District (Fla.)	Small town	5,782	47.2	^c	^c
Suwannee Elementary East		1,106	66.7	Electronic	SB,B,L,S
Suwannee High		1,350	24.2	Manual	SB,B,L
Jefferson Local District (Ohio)	Urban fringe of large city	1,265	17.3	^c	^c
Jefferson Memorial Middle		291	20.3	Manual	L
West Jefferson High		333	10.5	Manual	L
Whitehall City District (Ohio)	Urban fringe of large city	2,831	39.9	^c	^c
Beechwood Elementary		514	35.4	Electronic	B,L
Whitehall Yearling High		838	19.6	Manual	L
Caroline District (Va.)	Rural, outside MSA ^d	3,788	39.9	^c	^c
Bowling Green Primary		411	50.9	Manual	B,L
Caroline Middle		862	42.1	Manual	B,L
Fairfax District (Va.)	Urban fringe of large city	158,150	18.3	^c	^c
Baileys Elementary		897	58.1	Electronic	SB,B,L
Holmes Middle		808	44.1	Electronic	SB,B,L
Mount Vernon District (Wash.)	Small town	5,562	50.7	^c	^c
Jefferson Elementary		545	44.4	Electronic	SB,B,L,S
Lincoln Elementary		372	56.5	Manual	SB,B,L,S
Seattle District (Wash.)	Large central city	45,566	41.6	^c	^c
Mercer Middle		822	62.0	Electronic	SB,B,L
Whitworth Elementary		425	74.1	Electronic	SB,B,L,S

^aAccording to the National Center for Educational Statistics, Common Core of Data for school year 2000-01.

^bSB = Severe Need Breakfast, B = Breakfast, L = Lunch, S = Snack

^cSince, in many cases, type of meals served and types of meal counting systems varied at schools within districts, we did not determine these characteristics for districts.

^dMetropolitan Statistical Area.

Source: GAO's analysis of data collected, and the National Center for Educational Statistics, Common Core of Data, for district and school names.

Costs for Providing, Accepting, and Reviewing Applications for Free and Reduced-Price Meals

For school year 2000-01, the estimated application process costs at the federal and state levels were much less than 1 cent per program dollar, and the median cost at the local level was 1 cent per program dollar. (See table 4.) At the federal and state levels, costs related to the application process were primarily for tasks associated with providing oversight, issuing guidance, and training throughout the year. At the local level, the costs varied, the tasks were primarily done at the beginning of the school year by the school food authorities, and different staff performed the tasks. Our limited number of selected schools differed in many aspects, making it difficult to determine reasons for most cost differences, except in a few instances.

Table 4: Estimated Application Costs for School Year 2000-01 at Selected Locations

Level	Entities	Estimated costs (total or range)	Median costs per program dollar ^a
Federal	Headquarters	\$358,121	Much less than 1 cent ^b
	1 region	\$ 71,519	
State	5 education agencies	\$52,762-\$798,246	Much less than 1 cent
Local	10 school food authorities	\$3,056-\$159,748	\$0.007
	20 schools	0-\$3,735	0.002
Local total			\$0.010

^a Includes the school food authority cost prorated for each of the two selected schools plus the costs at these schools. As a result, adding the medians for school food authorities and schools may produce an amount that is slightly different from the median produced when the costs for the two categories are analyzed together.

^b Federal costs per program dollar are not median costs because only one entity at each of the headquarters and regional levels was used in the calculations.

Source: GAO's analysis of data collected.

Federal and State Level Costs Were Primarily for Oversight, Guidance, and Training Tasks Done throughout the Year

The estimated federal costs for performing the duties associated with the application process were small in relation to the program dollars. FNS headquarters estimated its costs⁶ were about \$358,000. When compared with the almost \$8 billion in program dollars⁷ that FNS administered throughout the 2000-01 school year, these costs were much less than 1 cent per program dollar. However, these costs did not include costs for FNS's seven regional offices. At the one region we reviewed, which administered about \$881 million program dollars, estimated costs were about \$72,000 for this time period.

FNS's costs were related to its overall program management and oversight duties. FNS officials said that they performed duties and tasks related to the application process throughout the year. The primary tasks and duties performed by FNS headquarters and/or regional staff included the following:

- Updating and implementing regulations related to the application process.
- Revising eligibility criteria.
- Reviewing state application materials and eligibility data.
- Providing training to states.
- Responding to questions from states.
- Conducting or assisting in reviews of the application process at the state and school food authority levels, and monitoring and reporting review results.

Estimated costs incurred by the five selected states ranged from \$53,000 to \$798,000 for performing tasks related to the application process, while the

⁶Throughout this report, estimated FNS costs do not include the cost of hardware and software used to support these efforts because there was no reasonable method of estimating these costs.

⁷Throughout this report, program dollars reported as administered by FNS at both the headquarters and the one selected region include the value of reimbursements and commodities for public and nonprofit private schools and residential child care institutions because FNS was not able to provide program dollars specific to public schools. However, FNS's data indicate that reimbursements and commodities provided to public schools make up the vast majority of these dollars.

total program dollars administered ranged from \$122 million to \$1.1 billion. For four of the five states we reviewed, total application costs were generally in proportion to the program dollars administered. However, the estimated application costs for one state were higher than for other selected states with significantly larger programs. Officials from this state attributed these higher costs to the large number of districts in that state compared with most other states.

At the state level, costs were incurred primarily for providing guidance and training to school food authority staff and for monitoring the process. Just as at the federal level, state level officials said that they performed their application process duties throughout the year. These tasks included updating agreements with school food authorities to operate school meal programs, preparing prototype application forms and letters of instruction to households and providing these documents to the school food authorities, and training managers from the school food authorities. State officials also reviewed the application process as part of required reviews performed at each school food authority every 5 years.

Local Level Costs Varied and Most Were for Tasks Done at the Start of the School Year at the School Food Authorities

For the sites we reviewed, the estimated median cost at the local level to perform application process tasks was 1 cent per program dollar and ranged from less than half a cent to about 3 cents. The school food authorities incurred most of the application process costs—from about \$3,000 to nearly \$160,000, and administered program dollars ranging from about \$315,000 to nearly \$18 million. Not all schools incurred application process costs, but for those that did, these costs ranged from over \$100 to as much as \$3,735. The schools reviewed were responsible for \$65,000 to \$545,000 in program dollars. Table 5 lists the estimated application process costs, program dollars, and cost per program dollar for each of the school food authorities and schools included in our review.

Table 5: Estimated Application Process Costs at Selected School Food Authorities and Schools for School Year 2000-01

School food authority (State) school	Estimated costs ^a	Program dollars ^b	Cost per program dollar ^c	Local cost per program dollar ^d
Alta Loma Elementary District (Calif.)	\$10,096	\$1,269,961	\$0.008	
Jasper Elementary	0	\$94,605	0.000	\$0.008
Vineyard Jr. High	0	\$187,240	0.000	\$0.008
San Bernardino City Unified District (Calif.)	\$60,349	\$17,568,787	\$0.003	
Lincoln Elementary	\$2,968	\$545,041	\$0.005	\$0.009
Pacific High	\$836	\$424,372	\$0.002	\$0.005
Lake County District (Fla.)	\$3,498	\$8,233,540	0.000	
Cypress Ridge Elementary	\$609	\$107,015	\$0.006	\$0.006
Umatilla High	\$704	\$107,919	\$0.007	\$0.007
Suwannee County District (Fla.)	\$15,795	\$1,422,624	\$0.011	
Suwannee Elementary East	\$214	\$423,129	\$0.001	\$0.012
Suwannee High	\$316	\$221,517	\$0.001	\$0.013
Jefferson Local District (Ohio)	\$3,210	\$314,220	\$0.010	
Jefferson Memorial Middle	\$120	\$78,075	\$0.002	\$0.012
West Jefferson High	\$480	\$64,501	\$0.007	\$0.018
Whitehall City District (Ohio)	\$3,056	\$1,022,507	\$0.003	
Beechwood Elementary	0	\$119,117	0.000	\$0.003
Whitehall Yearling High	0	\$106,404	0.000	\$0.003
Caroline District (Va.)	\$12,546	\$954,961	\$0.013	
Bowling Green Primary	\$384	\$155,334	\$0.002	\$0.016
Caroline Middle	\$3,735	\$230,542	\$0.016	\$0.029
Fairfax District (Va.)	\$159,748	\$28,319,007	\$0.006	
Baileys Elementary	0	\$270,614	0.000	\$0.006
Holmes Middle	0	\$216,073	0.000	\$0.006
Mount Vernon District (Wash.)	\$7,719	\$1,512,649	\$0.005	
Jefferson Elementary	\$850	\$136,990	\$0.006	\$0.011
Lincoln Elementary	\$650	\$116,755	\$0.006	\$0.011
Seattle District (Wash.)	\$146,065	\$9,067,270	\$0.016	
Mercer Middle	\$1,436	\$154,512	\$0.009	\$0.025
Whitworth Elementary	\$1,382	\$160,879	\$0.009	\$0.025

^aBased on estimates provided by school food authority and school officials.

^bProgram dollars include federal funding for the National School Lunch and the School Breakfast Programs, state funding provided to school food authorities to support these programs and student payments for reimbursable meals.

^cEstimated costs divided by program dollars.

^dIncludes the school food authority cost prorated for each of the two selected schools plus the costs at these schools.

Source: GAO's analysis of data collected.

At the local level, the costs associated with conducting the application process for free and reduced-price meals were primarily related to the following tasks:

- Downloading the prototype application and household instruction letter from the state's Web site and making copies of it before the school year begins.
- Sending the applications and household instruction letters home with children at the beginning of the school year or mailing them to the children's homes.
- Collecting completed applications that were either returned to school or mailed to the district office.
- Reviewing applications and returning those with unclear or missing information, or calling applicants for the information.
- Making eligibility determinations for free or reduced-price meals.
- Sending letters to applicants with the results of eligibility determinations for free or reduced-price meals.
- Preparing rosters of eligible children.

Most of the application process tasks were performed at the beginning of the school year because parents must complete a new application each year in order for their children to receive free or reduced-price meals.⁸ Some applications are submitted throughout the school year for newly enrolled or transferred children or children whose families have changes to their household financial status. Program regulations direct parents to notify school officials when there is a decrease in household size or an increase in household income of more than \$50 per month or \$600 per year.

Staff at 8 of the 10 school food authorities performed most of the application tasks for all schools that they managed. For the 2 other school food authorities, the schools reviewed performed most of the application

⁸Children may continue to receive free and reduced-price meals for up to 30 days at the beginning of the school year, based on their eligibility in the prior school year, while applications are processed.

tasks. Sixteen of 20 schools distributed and collected the applications. However, 4 schools did not distribute applications because their school food authorities mailed applications to households instead.

Various staff supported the application process at the school food authorities and the schools. Two school food authorities hired temporary workers to help process the applications at the start of the school year, and the costs at these locations were below the median. Several schools involved various nonfood service staff in the process. At one school guidance counselors and teachers helped distribute and collect applications. At another school, a bilingual community resource staff person made telephone calls to families to help them apply for free and reduced-price meals. Clerical workers copied and pre-approved applications at two schools, and at another school, the school secretary collected the applications and made eligibility determinations.

While the variation in the staff assigned to perform application duties may account for some cost differences, the limited number of selected schools and their related school food authorities differed in many aspects, making it difficult to determine reasons for most cost differences, except in a few instances. In one case, we were able to compare two schools and their related school food authorities because the two schools had some similar characteristics, including size of school enrollment, grade span, and percentage of children approved for free and reduced-price school meals. However, the school food authorities differed in size and locale. At these two schools, the combined costs—costs for the school and its share of the related school food authority’s costs for processing applications—differed. The combined costs at one school were almost 3 cents per program dollar, while the combined costs at the other school were less than 1 cent per program dollar. The school with the higher costs enlisted teachers and guidance counselors to help hand out and collect applications and was part of a smaller school food authority that used a manual process to prepare a roster of eligible children. The other school did not perform any application process tasks, since these tasks were done centrally at the school food authority. This school was part of a district that had a much higher enrollment and an electronic system to prepare a roster of eligible children. For the remaining 18 schools, we were generally not able to identify reasons for cost differences.

Costs for Verifying Eligibility for Free and Reduced-Price Meals

For the 2000-01 school year, the estimated costs per program dollar for the verification process were much less than 1 cent at the federal, state, and local levels. (See table 6.) At the federal and state levels, the costs of verifying eligibility for free and reduced-price meals were primarily related to oversight tasks performed throughout the year. At the local level, duties associated with the verification process were done in the fall of the school year. Only one school food authority significantly involved its schools in the verification process. At the 10 selected school food authorities, the verification process resulted in some children being moved to other meal categories, because households did not confirm the information on the application or did not respond to the request for verification documentation. FNS has implemented several pilot projects for improving the application and verification processes and plans to complete these projects in 2003.

Table 6: Estimated Verification Costs for School Year 2000-01 at Selected Locations

Level	Entities	Estimated costs (total or range)	Median costs per program dollar ^a
Federal	Headquarters	\$301,426	Much less than 1 cent ^b
	1 region	\$28,317	
State	5 education agencies	\$5,124-\$783,481	Much less than 1 cent
Local	10 school food authorities	\$429-\$14,950	\$0.001
	20 schools	0-\$967	0.000
Local total			\$0.001

^aIncludes the school food authority cost prorated for each of the two selected schools plus the costs at these schools. As a result, adding the medians for school food authorities and schools may produce an amount that is slightly different from the median produced when the costs for the two categories are analyzed together.

^bFederal costs per program dollar are not median costs because only one entity at each of the headquarters and regional levels was used in the calculations.

Source: GAO's analysis of data collected.

Federal and State Level Costs Were Primarily for Oversight, Guidance, and Training Tasks Done throughout the Year

For school year 2000-01, the estimated costs at the federal and state levels for performing duties associated with the verification process were much less than 1 cent per program dollar. The estimated costs at FNS headquarters of about \$301,000 and the estimated costs at the selected FNS region of about \$28,000 were small in relation to the program dollars administered—about \$8 billion and \$881 million, respectively. FNS performed a number of tasks to support the verification process. FNS officials said that during the year the primary tasks that staff at headquarters and/or regions performed included the following:

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- Updating regulations and guidance related to the verification process.
 - Holding training sessions.
 - Responding to questions from states and parents.
 - Clarifying verification issues.
 - Reviewing state verification materials and data.
 - Conducting or assisting in reviews of the process at the state and school food authority levels.
 - Monitoring and reporting review results.

Costs incurred by the selected states ranged from about \$5,000 to \$783,000 for performing tasks related to the verification process. During this period, these states administered \$122 million to \$1.1 billion program dollars. States incurred costs associated with overseeing and monitoring the verification process and performed many tasks throughout the year. The primary state task involved reviews of the verification process, where states determined whether the school food authorities appropriately selected and verified a sample of their approved free and reduced-price applications by the deadline, confirmed that the verification process was completed, and ensured that verification records were maintained. In addition to the review tasks, state officials provided guidance and training to school food authority staff.

Local Level Costs Were Incurred Mainly at School Food Authorities in the Fall

The selected school food authorities' costs ranged from \$429 to \$14,950 for the verification process tasks, while costs at selected schools, if any, ranged from \$23 to as much as \$967. Schools reported few, if any, costs because they had little or no involvement in the verification process. During school year 2000-01, the school food authorities administered program dollars ranging from about \$315,000 to over \$28 million, and the schools were responsible for program dollars ranging from about \$65,000 to \$545,000. The estimated median cost at the local level—school food authorities and schools combined—was much less than 1 cent per program dollar. Table 7 lists the estimated verification process costs, program dollars, and cost per program dollar for each of the school food authorities and schools included in our review.

Table 7: Estimated Verification Process Costs at Selected School Food Authorities and Schools for School Year 2000-01

School food authority (State) school	Estimated costs ^a	Program dollars ^b	Cost per program dollar ^c	Local cost per program dollar ^d
Alta Loma Elementary District (Calif.)	\$429	\$1,269,961	0.000	
Jasper Elementary	0	\$94,605	0.000	0.000
Vineyard Jr. High	0	\$187,240	0.000	0.000
San Bernardino City Unified District (Calif.)	\$1,366	\$17,568,787	0.000	
Lincoln Elementary	0	\$545,041	0.000	0.000
Pacific High	0	\$424,372	0.000	0.000
Lake County District (Fla.)	\$5,056	\$8,233,540	\$0.001	
Cypress Ridge Elementary	\$967	\$107,015	\$0.009	\$0.009
Umatilla High	\$62	\$107,919	\$0.001	\$0.001
Suwannee County District (Fla.)	\$4,767	\$1,422,624	\$0.003	
Suwannee Elementary East	0	\$423,129	0.000	\$0.003
Suwannee High	0	\$221,517	0.000	\$0.003
Jefferson Local District (Ohio)	\$720	\$314,220	\$0.002	
Jefferson Memorial Middle	0	\$78,075	0.000	\$0.002
West Jefferson High	0	\$64,501	0.000	\$0.002
Whitehall City District (Ohio)	\$597	\$1,022,507	\$0.001	
Beechwood Elementary	0	\$119,117	0.000	\$0.001
Whitehall Yearling High	0	\$106,404	0.000	\$0.001
Caroline District (Va.)	\$438	\$954,961	0.000	
Bowling Green Primary	\$23	\$155,334	0.000	\$0.001
Caroline Middle	\$21	\$230,542	0.000	\$0.001
Fairfax District (Va.)	\$14,950	\$28,319,007	\$0.001	
Baileys Elementary	0	\$270,614	0.000	\$0.001
Holmes Middle	0	\$216,073	0.000	\$0.001
Mount Vernon District (Wash.)	\$1,557	\$1,512,649	\$0.001	
Jefferson Elementary	0	\$136,990	0.000	\$0.001
Lincoln Elementary	\$23	\$116,755	0.000	\$0.001
Seattle District (Wash.)	\$4,736	\$9,067,270	\$0.001	
Mercer Middle	\$27	\$154,512	0.000	\$0.001
Whitworth Elementary	0	\$160,879	0.000	\$0.001

^aBased on estimates provided by school food authority and school officials.

^bProgram dollars include federal funding for the National School Lunch and the School Breakfast Programs, state funding provided to school food authorities to support these programs and student payments for reimbursable meals.

^cEstimated costs divided by program dollars.

^dIncludes the school food authority cost prorated for each of the two selected schools plus the costs at these schools.

Source: GAO's analysis of data collected.

At the local level, costs associated with verifying approved applications for free and reduced-price school meals were for duties performed primarily in the fall of the school year. Each year school food authority staff must select a sample from the approved applications on file as of October 31 and complete the verification process by December 15. According to USDA regulations, the sample may be either a random sample or a focused sample.⁹ Additionally, the school food authority has an obligation to verify all questionable applications, referred to as verification “for cause.” However, any verification that is done for cause is in addition to the required sample. Furthermore, instead of verifying a sample of applications, school food authorities may choose to verify all approved applications. Also, school food authorities can require households to provide information to verify eligibility for free and reduced-price meals at the time of application. This information is to be used to verify applications only after eligibility has been determined based on the completed application alone. In this way, eligible children can receive free or reduced-price school meals without being delayed by the verification process. Of the 10 selected school food authorities, 7 used a random sample method and 3 used a focused sample method.

At the local level, the costs associated with verifying approved applications for free and reduced-price meals were primarily related to the following tasks:

- Selecting a sample from the approved applications on file as of October 31.
- Providing the selected households with written notice that their applications have been selected for verification and that they are required to submit written evidence of eligibility¹⁰ within a specified period of time.

⁹According to USDA regulations, a random sample is the lesser of 3 percent of approved applications or 3,000, and a focused sample is (1) the lesser of 1 percent or 1,000 of the total approved applications selected from those within \$100 of monthly income eligibility limits and (2) the lesser of one-half of 1 percent or 500 applications selected from those currently certified for the Food Stamps, Temporary Assistance for Needy Families, or Food Distribution on Indian Reservations programs.

¹⁰Written evidence is often pay stubs from employers or documentation of receipt of welfare or other benefits submitted by the household to the verifying officials as confirmation of eligibility.

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- Sending follow-up letters to households that do not respond.
 - Comparing documentation provided by the household, such as pay stubs, with information on the application to determine whether the school food authority's original eligibility determination is correct.
 - Locating the files of all the siblings of a child whose eligibility status has changed if a school district uses individual applications instead of family applications.¹¹
 - Notifying the households of any changes in eligibility status.

Generally, the selected school food authorities performed most of the verification tasks, while the schools had little or no involvement in the process. However, the schools in one school food authority did most of the verification tasks, and the tasks performed by the school food authority were limited to selecting the applications to be verified and sending copies of parent notification letters and verification forms to the schools for the schools to distribute. The costs at these two schools were less than 1 cent per program dollar.

Verification Helps Ensure Accurate Eligibility Status for Some Children

The verification process is intended to help ensure that only eligible children receive the benefit of free or reduced-price meals, and at the locations we visited, the verification process resulted in changes to the eligibility status for a number of children. During the verification process, generally, household income information on the application is compared with related documents, such as pay stubs or social security payment information. When the income information in the application cannot be confirmed or when households do not respond to the request for verification documentation, the eligibility status of children in the program is changed. That is, children are switched to other meal categories, such as from free to full price. Children can also be determined to be eligible for higher benefits, such as for free meals, rather than reduced-price meals. At the locations we visited, the verification process resulted in changes to the eligibility status for a number of children. For example, at one school food authority in a small town with about half of its children approved for free and reduced-price school meals, 65 of 2,728 approved applications were selected for verification, and 24 children were moved from the free meals

¹¹If verification results in a change in benefit level or termination of benefits, the change must be extended to all children in the household who were determined eligible based on information that no longer supports the benefit level.

category to either the reduced-price or full-priced meals categories, while 1 child was moved to the free category. At another school food authority in the urban fringe of a large city, with about 40 percent of its children approved for free and reduced-price school meals, 40 of about 1,100 approved applications were selected for verification and 8 children were moved to higher-priced meal categories. According to program officials, some children initially determined to be ineligible for free or reduced-price meals are later found to be eligible when they reapply and provide the needed documents. We did not determine whether any of the children were subsequently reinstated to their pre-verification status.

The accuracy of the numbers of children who are approved for free and reduced-price meals affects not only the school meals program but also other federal and state programs. A USDA report, based on the agency's data on the number of children approved for free meals and data from the U. S. Bureau of Census, indicates that about 27 percent more children are approved for free meals than are income-eligible. As such, the federal reimbursements for the school meals program may not be proper. Furthermore, some other programs that serve children in poverty distribute funds or resources based on the number of children approved to receive free or reduced-price meals. For example, in school year 1999-2000 nine states used free and reduced-price meals data to distribute Title I funds to their small districts (those serving areas with fewer than 20,000 total residents). In addition, districts typically use free and reduced-price meals data to distribute Title I funds among schools.¹² At the state level, some state programs also rely on free and reduced-price lunch data. For example, Minnesota distributed about \$7 million in 2002 for a first grade preparedness program based on these data.

FNS Pilot Projects Examine Verification Alternatives

As of July 2002, FNS had three pilot projects underway for improving the application and verification processes. These projects are designed to assess the value of (1) requesting income documentation and performing verification at the time of application, (2) verifying additional sampled applications if a specified rate of ineligible children are identified in the original verification sample, and (3) verifying the eligibility of children who were approved for free school meals based on information provided

¹²Title I Part A of the Elementary and Secondary Education Act is referred to as "Title I." The federal Title I program is designed to help educate disadvantaged children—those with low academic achievement attending schools serving high-poverty areas. The program had appropriated funding of over \$10 billion in fiscal year 2002 and distributed funds to states based on Census data.

by program officials on household participation in the Food Stamp, Temporary Assistance for Needy Families, or Food Distribution on Indian Reservations programs, a process known as direct certification. FNS plans to report on these projects in 2003. According to officials from three organizations that track food and nutrition issues, the American School Food Service Association, the Center on Budget and Policy Priorities, and the Food Research and Action Center, requesting income documentation at the time of application would likely add to application process costs and may create a barrier for eligible households. Having to provide such additional information can complicate the school meals application process and may cause some eligible households not to apply. In 1986, we reported this method as an option for reducing participation of ineligible children in free and reduced-price meal programs, but recognized that it could increase schools' administrative costs, place an administrative burden on some applicants, or pose a barrier to potential applicants.¹³

Costs for Counting All Reimbursable Meals and Claiming Federal Reimbursement

For the 2000-01 school year, costs for meal counting and claiming reimbursement at the federal and state levels were much less than 1 cent per program dollar. The median cost was nearly 7 cents at the local level and was the highest cost. (See table 8.) The federal and state level costs were incurred for providing oversight and administering funds for reimbursement throughout the school year. Similarly, costs at the local level were incurred throughout the school year because the related duties, which apply to all reimbursable meals, were performed regularly. A number of factors come into play at the local level that could affect costs; however, except in a few instances, we could not identify any clear pattern as to how these factors affected meal counting and reimbursement claiming costs.

¹³U. S. General Accounting Office, *School Meal Programs: Options for Improving the Verification of Student Eligibility*, [GAO/RCED-86-122BR](#) (Washington D.C.: Mar. 17, 1986).

Table 8: Estimated Meal Counting and Reimbursement Claiming Costs for School Year 2000-01 at Selected Locations

Level	Entities	Estimated costs (total or range)	Median costs per program dollar ^a
Federal	Headquarters	\$254,213	Much less than 1 cent ^b
	1 region	\$93,548	
State	5 education agencies	\$50,584–\$1,090,183	Much less than 1 cent
Local	10 school food authorities	\$2,461-\$318,436	\$0.011
	20 schools	\$1,892-\$36,986	0.054
Local total			\$0.068

^aIncludes the school food authority cost prorated for each of the two selected schools plus the costs at these schools. As a result, adding the medians for school food authorities and schools may produce an amount that is slightly different from the median produced when the costs for the two categories are analyzed together.

^bFederal costs per program dollar are not median costs because only one entity at each of the headquarters and regional levels was used in the calculations.

Source: GAO's analysis of data collected.

Federal and State Costs Mainly for Requesting Funding, Processing Payments, and Providing Oversight

At the federal and state levels, the costs associated with the meal counting and reimbursement claiming processes were much less than 1 cent per program dollar. FNS headquarters estimated that the costs associated with its meal counting and reimbursement claiming tasks were \$254,000,¹⁴ and the costs of one FNS region were estimated at \$93,000 in school year 2000-01. In comparison, FNS administered \$8 billion and the region administered \$881 million in the school meals program. FNS's costs for meal counting and claiming reimbursement were less than their costs for application processing and verification tasks.

FNS's meal counting and reimbursement costs were primarily incurred for providing technical assistance, guidance, monitoring, and distributing federal funds to state agencies that administer school food programs. FNS distributes these funds through the regional offices, with the regions overseeing state and local agencies and providing guidance and training. Prior to the beginning of the fiscal year, FNS reviewed meal reimbursement requests from the prior year to project funding needs for

¹⁴In some cases, estimated FNS headquarters costs for meal counting and claiming reimbursement were for Child Nutrition Programs (provides nutrition assistance to children in schools, child care settings, and in after school and summer programs), since FNS was not able to provide estimates specifically for the National School Lunch and School Breakfast programs.

each state. FNS awarded grants and provided letters of credit to states. Each month, states obtained reimbursement payments via the letters-of-credit, and FNS reviewed reports from states showing the claims submitted. At the end of the year, FNS closed out the grants and reconciled claims submitted with letter-of-credit payments. In addition to these tasks, FNS issued guidance, provided training, and responded to inquiries. Also, FNS regional staff conducted financial reviews of state agencies, such as reviews of reimbursement claim management, and assisted state agencies during reviews of school food authorities.

For the five states, the cost per program dollar was also considerably less than 1 cent for the 2000-01 school year. The state agencies' cost estimates ranged from \$51,000 to \$1 million, with the size of their programs ranging from \$122 million to \$1.1 billion. In all five states, the costs for meal counting and reimbursement tasks exceeded the costs for verification activities. In four of the five states, these costs were less than the costs for application activities.

State agencies are responsible for operating a system to reimburse school food authorities for the meals served to children. Of the five state agencies in our sample, four had systems that allowed school food authorities to submit their monthly claims electronically, although one state agency's system began operating in the middle of the 2000-01 school year. The other state agency received claims from its school food authorities through conventional mail services. The state agencies reviewed claims and approved payments as appropriate and conducted periodic reviews of school food authority meal counting and reimbursement activities.

Local Level Costs Were the Highest Primarily Due to the Frequency of the Tasks

The median cost for meal counting and reimbursement claiming at the local level—school food authorities and schools—was about 7 cents per program dollar and ranged from 2 cents to 14 cents. The estimated meal counting and reimbursement claiming costs at the 10 selected school food authorities ranged from \$2,461 to \$318,436, and ranged from \$1,892 to \$36,986 for the 20 schools. Schools usually had a higher share of the cost per program dollar than their respective school food authorities; 18 of the 20 schools reviewed incurred more than half the cost per program dollar, with 14 schools incurring more than 75 percent. For example, one school's costs were \$19,000—about 90 percent of the combined school and school food authority costs. Table 9 lists the estimated costs for meal counting and obtaining reimbursement, program dollars, and cost per program dollar for each of the school food authorities and schools included in our review.

Table 9: Estimated Meal Counting and Reimbursement Claiming Process Costs at Selected School Food Authorities and Schools for School Year 2000-01

School food authority (State) school	Estimated costs ^a	Program dollars ^b	Cost per program dollar ^c	Local cost per program dollar ^d
Alta Loma Elementary District (Calif.)	\$3,711	\$1,269,961	\$0.003	
Jasper Elementary	\$5,992	\$94,605	\$0.063	\$0.065
Vineyard Jr. High	\$14,934	\$187,240	\$0.080	\$0.081
San Bernardino City Unified District (Calif.)	\$81,496	\$17,568,787	\$0.005	
Lincoln Elementary	\$9,660	\$545,041	\$0.018	\$0.022
Pacific High	\$19,260	\$424,372	\$0.045	\$0.050
Lake County District (Fla.)	\$235,915	\$8,233,540	\$0.029	
Cypress Ridge Elementary	\$11,928	\$107,015	\$0.111	\$0.140
Umatilla High	\$2,872	\$107,919	\$0.027	\$0.050
Suwannee County District (Fla.)	\$21,463	\$1,422,624	\$0.015	
Suwannee Elementary East	\$36,986	\$423,129	\$0.087	\$0.103
Suwannee High	\$11,871	\$221,517	\$0.054	\$0.069
Jefferson Local District (Ohio)	\$2,461	\$314,220	\$0.008	
Jefferson Memorial Middle	\$1,892	\$78,061	\$0.024	\$0.032
West Jefferson High	\$4,825	\$64,501	\$0.075	\$0.082
Whitehall City District (Ohio)	\$29,057	\$1,022,507	\$0.028	
Beechwood Elementary	\$11,000	\$119,117	\$0.092	\$0.121
Whitehall Yearling High	\$6,433	\$106,404	\$0.060	\$0.089
Caroline District (Va.)	\$10,412	\$954,961	\$0.011	
Bowling Green Primary	\$14,649	\$155,334	\$0.094	\$0.105
Caroline Middle	\$9,658	\$230,542	\$0.042	\$0.053
Fairfax District (Va.)	\$291,266	\$28,319,007	\$0.010	
Baileys Elementary	\$13,463	\$270,614	\$0.050	\$0.060
Holmes Middle	\$19,306	\$216,073	\$0.089	\$0.100
Mount Vernon District (Wash.)	\$8,794	\$1,512,649	\$0.006	
Jefferson Elementary	\$6,900	\$136,990	\$0.050	\$0.056
Lincoln Elementary	\$6,300	\$116,755	\$0.054	\$0.060
Seattle District (Wash.)	\$318,436	\$9,067,270	\$0.035	
Mercer Middle	\$5,743	\$154,512	\$0.037	\$0.072
Whitworth Elementary	\$2,962	\$160,879	\$0.018	\$0.054

^aBased on estimates provided by school food authority and school officials.

^bProgram dollars include federal funding for the National School Lunch and the School Breakfast Programs, state funding provided to school food authorities to support these programs and student payments for reimbursable meals.

^cEstimated costs divided by program dollars.

^dIncludes the school food authority cost prorated for the two selected schools plus the schools' costs.

Source: GAO's analysis of data collected.

The local level costs were much higher than the costs for application processing and verification because the duties were performed frequently

throughout the school year, and costs were incurred for all reimbursable meals served under the program. As such, these costs do not reflect separate costs by type of meal served. At the schools, each meal was counted when served, the number of meals served were tallied each day, and a summary of the meals served was sent periodically to the school food authority. The school food authorities received and reviewed reports from its schools at regular intervals, including ensuring that meal counts were within limits based on enrollment, attendance, and the number of children eligible for free, reduced price and paid lunches. On the basis of these data, the school food authorities submitted claims for reimbursement to the state agency each month of the school year. Program officials noted that even without the federal requirement for meal counting by reimbursement category, schools would still incur some meal counting costs in order to account for the meals served. Most of the costs at the local level were for the labor to complete meal counting and claiming tasks. Those school food authorities with electronic meal counting systems reported substantial costs related to purchasing, maintaining, and operating meal counting computer systems and software. In addition to the frequency, another reason for the higher cost is that, unlike application and verification, meal counting and claiming reimbursement pertains to all reimbursable meals served—free, reduced-price and full price. For example, during school year 2000-01, FNS provided reimbursement for over 2 billion free lunches, about 400 million reduced-price lunches and about 2 billion full-price lunches.

Local Costs Varied Considerably and Many Factors May Affect Costs

Costs for meal counting and reimbursement claiming varied considerably at the local level—school food authorities and schools combined. The costs per program dollar ranged from 2 cents to 14 cents, compared with the costs per program dollar for the other processes, which were much more consistent—from about half a cent to 3 cents for the application process and from less than 1 cent to 1 cent for the verification process.

Various factors may contribute to this range of costs at the local level. For example, larger enrollments may allow economies of scale that lower the cost of food service operations. Use of an electronic meal counting system, as opposed to a manual system, has the potential to affect meal counting costs, since electronic systems require the purchase of equipment, software, and ongoing maintenance. Food service procedures may also have a bearing on costs, such as the number and pay levels of cashiers and other staff performing meal counting and reimbursement claiming tasks.

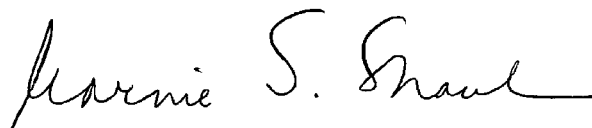
The interaction of these factors and our limited number of selected sites prevents a clear explanation for the differences in estimated costs per program dollar incurred at the selected locations reviewed, except in a few instances. For example, at the local level, the school with the highest combined meal counting cost per program dollar for the school and its share of the school food authority costs (14 cents) had an enrollment of 636 children, relatively few of its children approved for free and reduced-price meals (14 percent), and a manual meal counting system. The school with the lowest combined meal counting cost (2 cents per program dollar) had about twice the enrollment, 96 percent of its children approved for free and reduced-price meals, and an electronic meal counting system. Both schools were elementary schools in mid-size city locales. For the remaining 18 schools in the sample, we saw no distinct relationship between cost and these factors.

Agency Comments and Our Evaluation

We provided a draft of this report to USDA's Food and Nutrition Service for review and comment. We met with agency officials to discuss the report. These officials stated that written comments would not be provided. However, they provided technical comments that we incorporated where appropriate.

We are sending copies of this report to the Secretary of Agriculture, appropriate congressional committees, and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have questions concerning this report, please call me on (202) 512-7215. Key contacts and staff acknowledgments are listed in appendix III.



Marnie S. Shaul
Director, Education, Workforce,
and Income Security Issues

Appendix I: Scope and Methodology

This appendix discusses cost estimates for the application, verification, and meal counting and reimbursement claiming processes.

The scope of our review included the National School Lunch Program and the School Breakfast Program as they relate to public schools. To the extent that we could, we excluded from our analyses other federal child nutrition programs and nonprofit private schools and residential child care institutions, which also participate in the school meals programs. Our review included the paper application process and did not include the direct certification of children for free and reduced-price school meals. Our focus was school year 2000-01, the most recent year for which data were available. The data we collected relate to that year.

National data on the costs of the application, verification, and meal counting and reimbursement claiming processes are not available for the federal, state, or local levels, since these costs are not tracked separately. Therefore, we developed estimates of these costs on the basis of cost information provided by program managers and staff.

To obtain data on the costs related to applying for free and reduced-price school meals, verifying approved applications, and counting meals and claiming reimbursements, we visited selected locations, including 5 state agencies, 10 school food authorities in public school districts, and 2 schools at each district. We chose sites that would provide a range of characteristics, such as geographical location, the size of student enrollment, the rate of children approved for free and reduced-price meals, and the type of meal counting system. We selected districts with schools that were located in rural areas, small towns, mid-size central cities, urban fringe areas of mid-size and large cities, and large central cities based on locale categories assigned to their respective districts by the National Center for Education Statistics. To include districts of various sizes in our study, we selected 2 districts in each selected state—1 with enrollment over 10,000 and 1 with enrollment under 10,000, except in Ohio. In Ohio, we selected 2 districts with enrollments of less than 5,000, since almost 90 percent of the public school districts nationwide have enrollments under that amount. We also selected districts with rates of children approved for free and reduced-price meals that ranged from 16.7 to 74.5 percent and schools with rates that ranged from 10.5 to 96.5 percent.

We worked with state and school food authority officials at our selected districts to select a mix of schools that had either manual or electronic

meal counting systems. Electronic meal counting systems were used at 9 selected schools.

We also obtained information from officials at the Food and Nutrition Service's (FNS) headquarters and one regional office. We selected one regional office that, according to FNS officials, had the best data available to develop estimates for the application, verification, and meal counting processes.

We developed interview guides to use at selected sites. We also met with FNS and professional association officials to obtain their comments on these interview guides, and we revised them where appropriate. Using these guides, we interviewed program managers and staff at the selected locations to obtain information on tasks associated with the application, verification, and meal counting and reimbursement claiming processes for the 2000-01 school year. We obtained estimated labor and benefit costs associated with these tasks. We also obtained other estimated nonlabor costs such as those for translating, copying, printing, mailing, data processing, travel, hardware, software, and automated systems development costs. On the basis of this information, we calculated estimated costs associated with each process, that is, application, verification, and meal counting and reimbursement claiming.

Using our cost estimates, we calculated costs relative to program dollars. Program dollars at the federal level for both FNS headquarters and the one region included the value of reimbursements for school meals and commodities, both entitlement and bonus, for public and nonprofit private schools and residential child care institutions because FNS was not able to provide program dollars specific to public schools. However, according to FNS officials, reimbursements and commodities provided to public schools make up the vast majority of these dollars. Program dollars at the state level included this federal funding specific to public school districts for school meals and state school meal funding. Information specific to public school districts is available at the state level because claims are made separately by each school food authority. At the local level, program dollars included the amounts children paid for the meals as well as federal and state funding. Since some school food authorities could not provide the dollar value of commodities used at selected schools, we assigned a dollar value of commodities to each of these schools based on their proportion of federal reimbursements. We included federal and state program funding and the amounts children paid for the meals because these are the revenues related to the sale of reimbursable meals.

Because the definition of program dollars differed by level, we were unable to total the costs for the three levels—federal, state, and local. However, since the definition of program dollars was the same for school food authorities and schools, we were able to calculate the cost per program dollar at the local level for each school. To calculate these costs we: (1) divided the school program dollars by the school food authority program dollars; (2) multiplied the resulting amount by the total school food authority costs for each process—application, verification, and meal counting and reimbursement claiming—to determine the portion of the costs for each process at the school food authority that was attributable to each selected school; (3) added these costs to the total costs for each of the schools; and (4) divided the resulting total amount by the program dollars for each selected school to arrive at the cost per program dollar at the local level for each school.

We calculated a median cost per program dollar for school food authorities and schools separately for each process—application, verification, and meal counting and reimbursement claiming. We also calculated a median cost for each process for school food authorities and schools combined to arrive at local level medians for each process.

The cost estimates do not include indirect costs. For 2 of the 10 school food authorities, indirect rates were not available and in other cases, the rates varied significantly due to differing financial management and accounting policies. Also, for 2 of the 10 school food authorities, including indirect rate calculations could have resulted in some costs being double counted because during our interviews with staff, they provided estimates for many of the tasks that would have been included in the indirect rates.

Depreciation costs for equipment, such as computer hardware and software, were generally not calculated nor maintained by states and school food authorities. Therefore, we obtained the costs for equipment purchased in the year under review. We did not obtain costs for equipment at the federal level because these costs could not be reasonably estimated, since equipment was used for purposes beyond the processes under review.

We obtained information on the verification pilot projects from FNS officials. We also obtained information from the American School Food Service Association, the Center on Budget and Policy Priorities, and the Food Research and Action Center on several options related to the program, one of which was the same as one of the pilot projects.

We did not verify the information collected for this study. However, we made follow-up calls in cases where data were missing or appeared unusual. The results of our study cannot be generalized to schools, school food authorities, or states nationwide.

Appendix II: Program Dollars at Selected School Food Authorities and Schools for School Year 2000-01

Program dollars include cash reimbursements and commodities (bonus and entitlement) at the federal level, the amounts provided to school food authorities for these programs at the state level, and the amounts students paid for their meals at the local level.

Table 10: Amounts and Sources of Program Dollars at Selected School Food Authorities and Schools for School Year 2000-01

School food authority (State) school	Federal cash reimbursements	Federal commodities	State funds	Student payments	Total
Alta Loma Elementary District (Calif.)					
Jasper Elementary	\$433,682	\$73,583	\$25,615	\$737,081	\$1,269,961
Vineyard Jr. High	\$35,815	\$5,643	\$2,124	\$51,023	\$94,605
	\$48,529	\$10,574	\$2,581	\$125,556	\$187,240
San Bernardino City Unified District (Calif.)					
Lincoln Elementary	\$14,483,178	\$1,170,001	\$1,334,719	\$580,889	\$17,568,787
Pacific High	\$474,150	\$36,840	\$32,278	\$1,773	\$545,041
	\$363,699	\$30,140	\$25,344	\$5,189	\$424,372
Lake County District (Fla.)					
Cypress Ridge Elementary	\$5,722,906	\$436,799	\$158,083	\$1,915,752	\$8,233,540
Umatilla High	\$35,157	\$6,437	\$2,698	\$62,723	\$107,015
	\$58,661	\$5,051	\$1,919	\$42,288	\$107,919
Suwannee County District (Fla.)					
Suwannee Elementary East	\$983,649	\$102,163	\$39,706	\$297,106	\$1,422,624
Suwannee High	\$309,720	\$26,213	\$15,216	\$71,980	\$423,129
	\$123,537	\$12,427	\$4,764	\$80,789	\$221,517
Jefferson Local District (Ohio)					
Jefferson Memorial Middle	\$73,369	\$145,105	\$3,553	\$92,193	\$314,220
West Jefferson High	\$18,426	\$36,862	\$902	\$21,885	\$78,075
	\$14,661	\$29,320	\$718	\$19,802	\$64,501
Whitehall City District (Ohio)					
Beechwood Elementary	\$358,854	\$52,439	\$361,214	\$254,216	\$1,026,723
Whitehall Yearling High	\$64,668	\$8,847	\$3,094	\$42,508	\$119,117
	\$37,910	\$9,002	\$1,959	\$57,533	\$106,404
Caroline District (Va.)					
Bowling Green Primary	\$549,836	\$76,077	\$23,746	\$305,302	\$954,961
Caroline Middle	\$102,971	\$9,129	\$2,576	\$40,658	\$155,334
	\$124,482	\$20,541	\$5,404	\$80,115	\$230,542
Fairfax District (Va.)					
Baileys Elementary	\$11,044,817	\$352,012	\$575,673	\$16,346,505	\$28,319,007
Holmes Middle	\$198,261	\$3,090	\$6,369	\$62,894	\$270,614
	\$134,082	\$2,480	\$5,175	\$74,336	\$216,073
Mount Vernon District (Wash.)					
Jefferson Elementary	\$979,168	\$100,973	\$67,640	\$364,868	\$1,512,649
Lincoln Elementary	\$81,652	\$8,078	\$3,571	\$43,689	\$136,990
	\$82,975	\$7,068	\$3,097	\$23,615	\$116,755
Seattle District (Wash.)					
Mercer Middle	\$6,110,456	\$704,267	\$296,604	\$1,955,943	\$9,067,270
Whitworth Elementary	\$116,598	\$11,495	\$4,961	\$21,458	\$154,512
	\$119,526	\$11,572	\$6,025	\$23,756	\$160,879

Note: Based on data provided by school food authority and school officials.

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Staff Acknowledgments

In addition to the individuals named above, Peter M. Bramble, Robert Miller, Sheila Nicholson, Thomas E. Slomba, Luann Moy, and Stanley G. Stenersen made key contributions to this report.

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