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AMERICAN POTATO COMPANY

INTER-OFFICE CORRESPONDENCE

October 5, 1981

MEMO TO: J. H. Hume
FROM: J. J. O'Brien
SUBJECT: School Lunch Bill

This will serve as an update on where we are with the School Lunch Program.

A bill to amend the National School Lunch Act and Child Nutrition Act of 1966 for the issuance of commodity allowances by the USDA (H. R. 3077) was introduced in the House on April 7, 1981 by Congressman Bill Ford of Michigan (Democrat) and Congressman Bill Goodling of Pennsylvania (Republican).

Ralph Harding and ourselves are currently working with Senators Dixon of Illinois (Democrat) and Hawkins of Florida (Republican) to enter the Goodling-Ford Bill into the Senate in the near future. We are presently concerned that the USDA will not actively support the position of the bill to remove commodity purchasing for schools in lieu of an allowance system that would allow the schools to make their own purchases. We believe this bill is totally in keeping with the President's desire to reduce waste and streamline government.

This past April, Senator Symms of Idaho asked the General Accounting Office to do a full study of the commodity program costs. Earlier private studies by Dr. Erickson of the University of Kansas, in cooperation with eight school districts in the Midwest, indicated a savings of 10 to 15% in food costs by eliminating the commodity program. A test of some 80 school districts has been scheduled to begin later this year utilizing cash in lieu of commodities.

With all the information that has been generated to date, we hope to have the Administration's support in passing this bill during the current session of Congress.

I would be pleased to answer any questions you might have regarding this proposed School Lunch Program.



John J. O'Brien

JJO:dw

Attachment

97TH CONGRESS
1ST SESSION

H. R. 3077

To amend the National School Lunch Act and the Child Nutrition Act of 1966 to provide for the issuance of commodity allowances by the United States Department of Agriculture for the purchase of domestic agricultural commodities by schools to carry out school feeding programs in lieu of the purchase and distribution of commodities to the States by the United States Department of Agriculture, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 7, 1981

Mr. GOODLING (for himself and Mr. FORD of Michigan) introduced the following bill; which was referred jointly to the Committees on Education and Labor and Agriculture

A BILL

To amend the National School Lunch Act and the Child Nutrition Act of 1966 to provide for the issuance of commodity allowances by the United States Department of Agriculture for the purchase of domestic agricultural commodities by schools to carry out school feeding programs in lieu of the purchase and distribution of commodities to the States by the United States Department of Agriculture, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

COMMODITY ALLOWANCE PROPOSAL

HON. WILLIAM F. GOODLING

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 7, 1981

• Mr. GOODLING. Mr. Speaker, I am pleased to sponsor, along with my colleague, Representative WILLIAM D. FORD of Michigan, a bill to streamline the system by which agricultural commodities are made available to local schools. This legislation is an improved version of a similar bill which we introduced during the last Congress along with a list of 26 bipartisan cosponsors and which just missed being reported out of the Education and Labor Committee on a tie vote. This bill is designed to streamline the system by which agricultural commodities are made available to local schools by establishing a more efficient commodity delivery mechanism. An additional virtue of the proposal is that it is designed to achieve a significant savings at the State and local levels while producing a modest savings at the Federal level.

Currently, school districts rely on U.S. Department of Agriculture (USDA) donated commodities for about 20 percent of their food requirements, with the remaining 80 percent being purchased locally. To supply this 20 percent, USDA buys foods at market prices under its commodity price support and surplus removal programs, and then has these commodities moved to various locations within the States. In addition to the USDA purchase price and initial transportation costs, States and local school districts must pay substantial amounts for warehousing, handling, and transporting of these products. The present system of purchasing, processing, warehousing, distributing, handling, and storing of these USDA-bought foods operates largely outside the normal channels of trade. These foods move in a separate USDA food system in which there is, at best, limited competition and in which the costs are enormous.

What our legislation would do is replace the USDA national purchase and distribution of commodities with an allowance system to permit local school districts to buy their foods at the local level.

The savings involved can be achieved without any child now eating a school lunch being denied access to the program. These savings can be achieved

without any reduction in the number of pounds of price support and surplus agricultural foods moved to these school lunch programs. These savings can be achieved simply by going from the separate expensive and inefficient USDA food system to using the existing private food system to make a share of our agricultural production available to the Nation's school lunch programs.

Use of a commodity allowance system will maintain the role of the Congress and USDA in determining which commodities are in need of price support and surplus removal. It will retain the right of Congress and USDA to determine the amounts of these commodities which should be moved off the market. It will retain the responsibility of the USDA to give the schools help in making them intelligent buyers. Such a system will move at least the same amount of commodities but it will do it in a more efficient and more timely fashion than the present USDA food system since the private food sector will do the job.

The commodity system will not jeopardize, in any way, the funds which the Congress has approved for commodity assistance to the national school lunch and other programs. These same funds will still be used for commodities. They will still be used for the same price support commodities probably with roughly the same pounds and dollars as now. They will still be used for many of the same surplus removal operations. The dollars and pounds will remain about the same there, too.

A commodity allowance system improves the flexibility that schools and other agencies have. Under a commodity allowance system, the local school lunch programs will be buying 100 percent of their food needs at competitive bid prices from local vendors rather than the present 80 percent. What the school lunch programs had been getting in USDA-bought foods through the expensive and inefficient USDA food system will be replaced by the same commodities bought from local vendors. There would be one extremely important difference—the local school lunch programs could use their allotment of commodities to buy the specified commodities in a form which they can readily use in their programs. They would no longer have the USDA in Washington deciding in what form they should receive their commodities.

Congress over the past few years has steadily provided alternatives to the Federal commodity programs. Food stamps replaced the family commodity distribution program. In the Nation's elderly feeding program, local agencies were given the option of receiving cash instead of commodities and are doing so in large numbers. The same holds true for child care programs.

Eliminated from the bill of last year is any reference to USDA deciding and communicating to the States and school districts amounts and quality of

releases. USDA simply says it wants to move a certain commodity; it allocates a certain dollar allowance to provide a producer assist for moving it. School districts are merely directed to report their purchase. This would eliminate the paperwork arguments that were made against the commodity letter of credit proposal of last year. At the same time, it would create a commodity program for school lunch and other programs which achieve its congressional objective of increasing the use of domestically produced agricultural commodities in these programs. Another improvement over last year's proposal is the inclusion of suggestions made during hearings by the Federal Emergency Management Administration (FEMA) to provide for the availability of assistance during any disaster relief effort. In addition, this bill also provides for a commodity allowance option for summer camps, child care food program, Older Americans Act—State option including cash—and continues from last year the exclusion of the programs for supplemental feeding and Indian assistance.

It should also be noted that Senator SYMMS has asked the General Accounting Office to do a study of the commodity program costs from A to Z. In this way, we will soon have GAO figures on which to judge the exact extent of the excess costs of the current inefficient commodity distribution program. •



Sen. Paula Hawkins
of Winter Park
Republican—Jan. 3, 1981

PAULA HAWKINS, Republican, of Winter Park, Fla.; born in Salt Lake City, Utah, January 24, 1927; attended the public schools; attended elementary and high school in Atlanta, Ga.; graduated, Cache High School, Richmond, Utah, 1944; attended Utah State University; member, Florida Public Service Commission, 1972-79, chairman, 1977-79; vice president, Air Florida, 1979-80; member, Church of Jesus Christ of Latter-day Saints (Mormon); former director, Rural Telephone Bank Board; former member: Defense Advisory Committee on Women in the Services; Governor's Committee on 911 Emergency Telephone Service—State of Florida; and President's Commission on White House Fellowships; served as vice chairman of the Florida State Awards Committee, 1974; served on the Federal Energy Administration Consumer Affairs/Special Impact Advisory Committee for 2 years; member, Republican National Committee, Florida, 1968-80; awards: "Who's Who in America", "Who's Who in American Women"; nominated for "2000 Women of Achievement"; Woman of the Year, Knights of Columbus, 1973; Good Government Award, Maitland Jaycees, 1976; Alpha Kappa Psi's first woman honorary member, 1976; Outstanding Woman of the Year Award in the Field of Government, Central City Committee, Orlando Chamber of Commerce, 1977; married, Walter Eugene Hawkins, 1947; three children: Genean, Kevin, and Kelly; elected to the U.S. Senate, November 4, 1980, for the 6-year term beginning January 3, 1981.

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Tallahassee, Florida 32301
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Sen. Allan J. Dixon
of Belleville

Democrat—Jan. 3, 1981

ALAN J. DIXON, Democrat, of Belleville, Ill.; born July 7, 1927; graduated, Belleville Township High School, 1945; B.S., 1949, University of Illinois and LL.B., 1949, Washington University, St. Louis, Mo.; served in U.S. Navy Air Corps (Lt. jg.); lawyer; admitted to the Illinois State Bar in 1949 and commenced practice in Belleville; practiced law from 1949 to 1976; in 1949, at the age of 21, elected police magistrate; in 1950, at the age of 23, elected to the Illinois House of Representatives as the youngest member of the general assembly; served as chairman of the house judiciary committee; in 1962, elected to Illinois State Senate, served as minority whip; named chairman of judicial advisory council; in 1970, elected Illinois State treasurer and in 1976 Illinois secretary of state; the only State elected official to serve in all three branches of government—legislative, executive, and judicial; elected secretary of state in 1976 by a 1.3 million vote margin and reelected in 1978 with a 1.5 million plurality, being the first Democrat ever to carry all 102 Illinois counties and all suburban townships in Cook County and all Chicago wards; received "Best Legislator" award five times, from Independent Voters of Illinois; elected to the U.S. Senate, November 4, 1980, for the 6-year term beginning January 3, 1981; married to the former Joan Louise Fox, January 17, 1954; three children: Stephanie, Jeffrey, and Elizabeth.

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Telephone: 618-235-0998

File copy

AMPCO FOODS INC.

AMERICAN POTATO COMPANY • BASIC AMERICAN FOOD COMPANY • BASIC VEGETABLE PRODUCTS, INC.

July 16, 1981

Mr. David Stockman
Director
Office of Management and Budget
Executive Office Building
Washington, D.C. 20503

Dear Dave:

You will find attached a brief memorandum about how the cost of the School Lunch Program can be reduced by HR 3077. You apparently were one of the co-sponsors of a similar bill in the last session of Congress.

The proposal to turn a government activity back to private enterprise at a substantial savings to the taxpayer is most appealing to me.

I hope that HR 3077 will have your support.

Kind regards.

Cordially yours,


J. H. Hume

JHH:s

Enclosure

A PROPOSAL FOR
A REDUCTION IN THE COST OF THE SCHOOL LUNCH PROGRAM

The National School Lunch Program provides nearly 5 billion meals a year to 26 million children in public and non-profit schools in the U.S. and its territories. Presently, approximately 80% of the food is purchased directly from private food wholesalers and manufacturers through the normal channels of trade. The other 20% is bought by the USDA and donated to local school districts. To handle this 20%, the USDA has established a system of purchase, transportation and warehousing outside the normal channels of trade.

Since the early 1970's, Kansas has been operating a program in which school lunch programs buy all of their food locally through the normal channels of trade. Kansas receives no USDA purchased commodities. A comparison of the school lunch program in Kansas with those in Oklahoma and Colorado has shown the Kansas program to have a lower cost per meal, higher student participation, and less plate waste.

These findings led to other studies in 1978 when school districts in Oakland, California; Boise, Idaho; Riceville, Iowa; Jonesboro, Arkansas; Chipley, Florida; St. Louis, Missouri; Williamsville, New York and Dayton, Ohio began buying all of their foods locally. When purchasing all their food locally as compared to receiving USDA purchased commodities, all eight of the school districts served less expensive school lunches, had more student participation and less plate waste.

It is estimated that savings of \$200 million to \$500 million annually would be achieved by eliminating the commodity program and buying all school lunch food requirements locally as is now done in Kansas. The higher costs of the present commodity program result from the USDA's purchasing on a national basis, often without regard to local needs. This results in unnecessary transportation and storage costs and, in many cases, food which does not suit students' tastes. Dr. Donald Ericksen of Kansas State University made two extensive studies on this subject which developed this information.

In the last Congress, Congressman Goodling (R-Pa.) and Congressman Ford (D-Mich.) led a nearly successful fight to improve the School Lunch Program. (Then Congressman David Stockman [R-Mich.] was a co-sponsor of the Goodling-Ford proposal [HR 6841] in the last Congress.)

PROPOSAL FOR COST REDUCTION
SCHOOL LUNCH PROGRAM
Page 2

Congressmen Goodling and Ford have reintroduced their bill in this Congress as HR 3077. This legislation will result in all foods for the school lunch program being purchased through the normal channels of trade. It is estimated that enactment of the bill will save up to \$500 million annually by eliminating unnecessary costs of transportation and storage which result from the present commodity program. Senator Steve Symms (R-Idaho) has requested a General Accounting Office study to determine the exact amount of these savings. It seems clear, however, that substantial savings will be made in the School Lunch Program by the enactment of HR 3077.

The National School Board Association supports this approach. The following past Presidents of the American School Food Service Association also support this type of program:

Lucille Barnett of Spartanburg, South Carolina

David Page of St. Louis, Missouri

JHHume/s

July 16, 1981

SCHOOL LUNCH IMPROVEMENT PROGRAM

The national school lunch program provides nearly 5 billion meals a year to 26 million children in public and non-profit schools in the U. S. and its territories. Presently, approximately 80% of the food is purchased directly from private food wholesalers and manufacturers through the normal channels of trade. The other 20% is bought by the USDA and donated to local school districts. To handle this 20% the USDA has established a system of purchase, transportation and warehousing outside the normal channels of trade.

One state, Kansas, since the early 1970's has been operating on a program in which school lunch programs in Kansas buy all of their food locally and through the normal channels of trade. They receive no USDA purchased commodities. Comparison of the school lunch program in Kansas with the school lunch programs in Oklahoma and Colorado have shown the Kansas program to have a lower cost per meal, higher student participation, and less plate waste. The comparisons have lead to other studies in 1978 when school districts in Oakland, California; Boise, Idaho; Riceville, Iowa; Jonesboro, Arkansas; Chipley, Florida; St. Louis, Missouri; and Williamsville, New York and Dayton, Ohio were all placed on the Kansas type program of buying all of their foods locally. All 8 of the schools served less expensive school lunches, had more student participation and less plate waste when purchasing all their food locally as compared to receiving USDA purchased commodities.

It is estimated that the savings of from 200 million to 500 million annually would be achieved by eliminating the commodity program and buying all school lunch food requirements locally as now done in Kansas. The higher costs of the present commodity program result from the USDA purchasing on a national basis and donating the food to the schools which results in unnecessary transportation and storage and wasted food. Congressman Bill Ford of Michigan states that the only real beneficiary of this program is the commodity processors. The American food industry is the best in the world. When foods are purchased, transported and stored through the normal channels of trade, the efficiency is much greater and the students are served the foods that they want at the lowest possible prices.

In the last Congress, Congressman Goodling (R-Pa.) and Congressman Ford (D-Mich.) led the fight for an improved school lunch program and were nearly successful. (Then Congressman) David Stockman (R-Mich.) was a co-sponsor of the Goodling-Ford proposal in the last Congress. Congressmen Goodling and Ford have improved their approach and reintroduced it in this Congress as HR 3077. This legislation would result in all foods for the school lunch program being purchased through the normal channels of trade--at the same time provide a mechanism for the removal of surplus agricultural commodities and save the taxpayers up to \$500 million annually. [Senator Steve Symms (R-Idaho) has requested a general accounting office study to determine the exact amount of the savings by eliminating the unnecessary costs of transportation and storage in the current inefficient commodity program.] Three past presidents of the School Food Service Association are in support of this type of program. The National School Board Association is in support of this approach. However, the rice, peanut, poultry, pork and dairy lobbies are opposing this legislation. There are indications that the USDA is giving in to the pressure from these various commodity lobbies and intend to support the continuation of the present inefficient and wasteful program even though a change will result in a better and more efficient program for all concerned.

JUDY STANTON, Director of Food Services, the Independent School District of Boise City, Idaho

"Commodities supply 34% of the food utilized in the Boise School Food Service Programs...This means that the local district has no control over a large percentage of the types of foods selected, the quantities received, or the dates delivered... Because school districts have not been notified far enough in advance of commodity deliveries, it is necessary to cancel or delay the receiving of items for which bids have already been awarded. This causes local purveyors to be unwilling to bid, or bid higher prices to allow for these alterations in the original bid... Foods may be purchased on the local level at a price equal to, or less than, the price charged for USDA commodities.

In addition to the USDA price, the State charges \$1.50 per case for shipping and handling. The State shares storage with the Boise School District and still charges the \$1.50 for shipping for only a paper transfer.

I would like to recommend that Congress and the USDA consider the local purchase of commodities system to maintain a balanced budget which would be an effective means of nourishing our students without cutting the reimbursement for the paying child."

FRANCES McGLONE, R.D., Director of Food Services and Nutrition Education, Oakland Unified School District, Oakland, California

"Many times the commodity offering is too large to accept the maximum amounts offered. Many times the commodity offering is too small and will not serve one meal. Most of the time the delivery times are not reliable. Many times the packaging turns out to be different than was offered. Many times, after an offering is submitted, ordered and planned on the menu, the item will be cancelled. And ALL OF THE TIME the largest offering arrives late in May to be stored over the summer...A School district cannot participate in the commodity program unless the state handling charges are paid. A school district cannot participate in the commodity program unless the school district is willing to furnish and/or pay for local storage and delivery. If the commodities were fully used to the maximum during September and October in Oakland, the extra cost would add up to \$130,100 or \$3,516 per school day...In addition to these costs, many times it is necessary to have the commodity foods further processed to put them in a usable form.

Mr. Chairman, the amount of paper work generated by a Commodity Processing Contract is tremendous...With a Commodity Letter of Credit, this entire process would be eliminated. The commodity would still be removed from the market but it would be in a form that could be used by the school district...With a Commodity Letter of Credit, I could use more commodities..."

THOMAS J. FARLEY, Foodservice Director, City of Milwaukee Public Schools, Wisconsin (Retired)

"Those of us who have actively supported the USDA purchasing of food for National School Lunch, have done so on the oft repeated premises that: 1. "The Government can buy cheaper in large lot." and 2. "The Government can purchase higher quality at lower price." We must, however, on explaining facts, now realize that both of these beliefs are now merely fantasies based upon hope rather than reality. It is a pipe dream...The activities of the Food and Nutrition Headquarters and the USDA can be classified as deficient in major areas. There are: 1. Lack of consistent quality; 2. Food inappropriate to school lunch needs; 3. Inferior packaging; 4. Unsanitary storage; 5. Undependable delivery and scheduling; 6. Unsound administrative practices.

After 34 years, the purchasing and delivery of food for National School Lunch is run in a nonprofessional, haphazard manner suited to accommodate suppliers rather than the school districts...There is a very strong need to drastically alter government food practices. This does not mean cash in lieu of commodities, but a practical program of government vouchers to encourage purchase at the local level."

MARGARET H. BENTON, R.D., School District Number One, Denver, Colorado

"I wish you to be aware that I have supported the concept of commodity purchase, distribution and utilization but I abhor the program as it is operative today. The dollar cost of purchasing, distribution to the states, the costs of handling and utilization on the state and local level are draining dollars meant for improved nutrition on the plates to other areas...The quality of most products is at least one grade less than the grade specified for local district purchase.

Analysis of cold storage charges for commodity items only between 1978 and 1979 indicate AN INCREASE IN CHARGES OF 31.6% per pound. The total bill of \$14,282 was nearly double that of the previous year."

JOSEPH R. NAGY, Director, Food Services Division, School District of Philadelphia, Pennsylvania

"We have carefully reviewed the proposed commodity letter of credit system, and compared it with our present commodity program. As a result of that comparison, we in Philadelphia find that the new cash in lieu of commodities concept would be more beneficial for us. Some of the reasons for this decision are: 1. Greater control and more flexibility in our menu planning; 2. More control of product form; 3. More control of our delivery dates; 4. Better and easier management of inventories; 5. Increased purchasing control; 6. Lower transportation and storage costs. The present commodity program and distribution system has caused loss of value for us on many products...It would seem that this new program affords school districts more of a chance to make specific choices concerning foods used in their programs. After all, they are the people who use the products and should have that choice. It gives school districts flexibility without taking away from the objectives of price support or surplus removal concepts. In this time of budgetary problems, with everyone desiring to reduce expenses, it would seem incumbent upon us to conserve and make the best possible use of funds, as this new program seems to indicate it will do.

LUCILLE BARNETT, R.D., Supervisor, School Food Service, Spartanburg, South Carolina, and Past President, American School Food Service Association

"With today's critical and expensive oil situation, a letter of credit to purchase food from wholesalers would eliminate double handling and the dumping of excessive quantities. There has been an increase in quantity with, unfortunately, a decrease in quality. Again, this year, the grossly OVER mature English peas are a disgrace; and currently the worms are surfacing daily in the canned corn; along with rat droppings in the "new" item, brown rice. One of the most condemned commodities has been the canned chicken. It was even unacceptable to thieves.

"The Santa Claus of the school lunch program" has prefaced the introduction of commodity distribution directors yet resounding on the heels of that is "how to get rid of" this stuff...When school food service personnel face the "gifts" Santa left, things soon turn sour...Over the years we have had to cope with foods that students just don't like and our trying to disguise them only compounds their suspicions.

Timing of shipments is totally unrealistic. Last month, February, with only three months left to serve lunch, our school system received 12,744 cases consisting of 23 different shipments. By contrast, look at these six months (August-January) when we desperately needed food yet received a total of 22,501 cases...This February avalanche included eight frozen shipments totalling 6,170 cases! Can you fathom the freezer storage problem. We are yet to receive many items that can't possibly be used this year. Flour, due January 1, has just arrived and January 1 butter has not appeared yet...Anyone who says he still favors commodities under the present system has never handled them!

The resistance encountered when trying to reject unacceptable food is overwhelming...Heavy inventory to carry over the summer is another false economy. Late arrivals and excessive quantities, particularly difficult to use items, cause this problem. The attached summer inventory, June 1978, shows approximately \$230,000 idly lying in storage for three months. This idle inventory, available for vandalism, could be working money resting in the safety of a bank...The letter of credit system would remove these pitfalls, yet the same assistance to producers and packers would remain...The most shameful and alarming waste is the double distribution, warehousing and handling. We have a thirty year old system that moved on 20¢ a gallon gasoline now moving on \$1.50 (and up) per gallon gasoline...There is a life expectancy and purpose to all programs. They are ultimately replaced with improved methods. This long outdated commodity system is overdue for change.

JOANNE M. DOMBROWSKI, Food Service Director, South Fayette Township School District, McDonald, Pennsylvania

"I feel the donated commodity system is very expensive to operate...Expensive as it must be to operate, the donated commodity system has many shortcomings and inefficiencies which affect not only the overall effectiveness, but also negates some of the benefits it is supposed to provide--especially to small districts...Under the Letter of Credit system, I could order foods in a more suitable form.

We never really know when we will receive a given commodity. Despite the fact that approximate shipping dates are publicized, roughly 53% of Pennsylvania's commodities are shipped late, not purchased, or not shipped.

BETTY BENDER, R.D., Supervisor of Food Services, Dayton Board of Education, Dayton, Ohio

"The past thirty-four years have wrought many changes in our country. The food service industry has experienced extreme changes as a result of sophisticated, selective customers...As these changes have occurred, commodity products have become a misfit, or are inappropriate in some food service operations. The resulting frustrations of the conscientious food service operator lead to the following questions. Why should commodities be purchased in forms that are not usable in the school system? Why should the children of this nation eat food-stuffs of poor quality? Why should Section 6 commodities be determined by the United States Department of Agriculture?

Since returning to the commodity program on July 1, 1979, the Dayton Board of Education has been offered \$534,079.22 value in commodities. The Dayton Board of Education has accepted \$397,639.91 This means that we have refused \$136,439.31, or 25.7% of the commodities offered. The commodities refused have been butter, flour, peanut butter, rice, shortening, rolled wheat, rolled oats and peanut granules. All items refused were offered in amounts in excess of normal usage.

To date, the Dayton Board of Education has expended: Commercial storage-\$2,572.01; Distribution costs-\$14,791.71; State handling charges-\$19,536.00; Processing charges-\$80,035.24; TOTAL: \$116,934.96--to utilize the commodities accepted. This total, coupled with the dollar value of the commodities refused, equals - 10¢ per meal which could have been spent on a student lunch or realized in savings to the child nutrition programs. The proposed Letter of Credit appears to offer a reasonable solution to school districts with serious commodity problems."

FRANCES J. SPAIN, R.D., Director, Hopkins County School Foodservices, Madisonville, Kentucky

"It is not known WHEN the foods will arrive...It is not known what QUANTITIES will arrive...In some instances it is not known WHAT foods to expect...Some foods received are not first on the acceptability list...Any one who feeds today's young people is aware of their food preferences. In order to prevent plate-waste, foodservice directors plan menus for acceptability by the students. However, many of the food items received from U.S.D.A. interfere with this type menu planning...In 1978-79, we travelled 9,432 miles picking up commodities and delivering them to our schools. The cost of labor alone to handle these commodities last year was .70¢ per case!...All of these costs are unnecessary, when a better system of commodity distribution is possible.

The proposed Commodity Letter of Credit System would enable school foodservice programs to use commodities as designated by the U.S. Department of Agriculture and give them an updated means of financial management."

**JOYCE LEVANDOSKI, Director of School Food Services, Rochester,
New York**

"The removal of commodities in surplus from the market by United States Department of Agriculture has always been an important and integral part of School Food Service. However, in its present form, it has caused a great many problems for our programs...First, we receive items that are unacceptable in the form we receive them...With a letter of credit these charges and problems could be avoided.

This brings us to the second major problem--delivery schedules. By the time a product is purchased by the United States Department of Agriculture, delivered to State warehouses, stored in State warehouses, allocated to schools and picked up by schools, we get our largest deliveries in the spring when we are ready to close down for summer recess and must pay to store a large inventory for fall use. There is also a great expense moving and storing products that could be avoidable.

With a letter of credit it not only gives us a choice of the form in which we move the commodity, but also we should be able to do it in a timely fashion through our local distribution...It also effects our buying power because if we bid and commit to purchase an item such as Canned Peaches for a three month period, and then we receive Canned Peaches from the commodity program half way through the periods, we have a purchasing contract to fulfill and we are storing peaches for use two or three months from now.

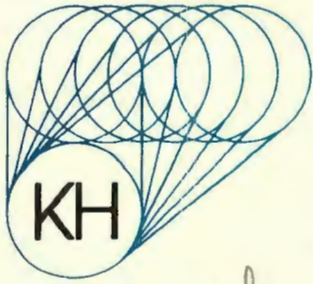
We would all like to see a more efficient and cost-saving program working for and with us. The most acceptable plan for everyone would be the proposed letter of credit. It gives us the latitude to operate more efficiently on the local level, and still remove the USDA designated surplus commodities from the market.

**JOANNE L. STYER, Director, Food Services Division, Montgomery County,
Maryland**

"The current commodity system has many very serious inherent problems which appear to be more acute in these times of gasoline and other escalating costs facing school feeding programs. The current system does not allow for local feeding program directors to have control over product specifications, quantities, delivery schedules. The lack of local input frequently create serious problems and add considerably to program operating costs.

The following are a few of the problems the current systems create: USDA commodity oven fried potatoes fail to brown without being sprayed with oil and paprika, even then require excessive oven time; Ground pork allocated in November requiring it be utilized in four months does not start arriving until mid March; Fresh apples, not ripe, arrived by common carrier after warehouse hours, unpalated, requiring overtime and scheduling changes; Canned goods distributed to school for storage take up valuable space until utilized over a long period of time; Shipments of product unanticipated require scheduling changes at last minute and necessitate additional storage charges; Processed commodities on rebate system require excessive time to cycle through individual schools and confuse full-cost accounting.

In my opinion, the commodity letter of credit is vastly superior to the current commodity system."



KILLEBREW & HARDING, INC.
FINANCIAL PROGRAMS

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retel. JHH
JUL 1 1981
June 17, 1981

J. H. Hume
4600 Bank of America Center
San Francisco, California 94104

Dear Jack:

Please find enclosed one page indicating the need for eliminating the commodity program from the school lunch program of the USDA. I hope this page is what you want.

I look forward to discussing it more with you later.

Best personal regards,

Ralph
Ralph Harding

ps

enclosure

P.S. I have also enclosed a sheet of comments from some of the school lunch directors who want to go completely to a program of local food procurement.

JUN 18 1981
JUN 19 1981

SCHOOL LUNCH IMPROVEMENT PROGRAM

The national school lunch program provides nearly 5 billion meals a year to 26 million children in public and non-profit schools in the U. S. and its territories. Presently, approximately 80% of the food is purchased directly from private food wholesalers and manufacturers through the normal channels of trade. The other 20% is bought by the USDA and donated to local school districts. To handle this 20% the USDA has established a system of purchase, transportation and warehousing outside the normal channels of trade.

One state, Kansas, since the early 1970's has been operating on a program in which school lunch programs in Kansas buy all of their food locally and through the normal channels of trade. They receive no USDA purchased commodities. Comparison of the school lunch program in Kansas with the school lunch programs in Oklahoma and Colorado have shown the Kansas program to have a lower cost per meal, higher student participation, and less plate waste. The comparisons have lead to other studies in 1978 when school districts in Oakland, California; Boise, Idaho; Riceville, Iowa; Jonesboro, Arkansas; Chipley, Florida; St. Louis, Missouri; and Williamsville, New York and Dayton, Ohio were all placed on the Kansas type program of buying all of their foods locally. All 8 of the schools served less expensive school lunches, had more student participation and less plate waste when purchasing all their food locally as compared to receiving USDA purchased commodities.

It is estimated that the savings of from 200 million to 500 million annually would be achieved by eliminating the commodity program and buying all school lunch food requirements locally as now done in Kansas. The higher costs of the present commodity program result from the USDA purchasing on a national basis and donating the food to the schools which results in unnecessary transportation and storage and wasted food. Congressman Bill Ford of Michigan states that the only real beneficiary of this program is the commodity processors. The American food industry is the best in the world. When foods are purchased, transported and stored through the normal channels of trade, the efficiency is much greater and the students are served the foods that they want at the lowest possible prices.

In the last Congress, Congressman Goodling (R-Pa.) and Congressman Ford (D-Mich.) led the fight for an improved school lunch program and were nearly successful. (Then Congressman) David Stockman (R-Mich.) was a co-sponsor of the Goodling-Ford proposal in the last Congress. Congressmen Goodling and Ford have improved their approach and reintroduced it in this Congress as HR 3077. This legislation would result in all foods for the school lunch program being purchased through the normal channels of trade--at the same time provide a mechanism for the removal of surplus agricultural commodities and save the taxpayers up to \$500 million annually. [Senator Steve Symms (R-Idaho) has requested a general accounting office study to determine the exact amount of the savings by eliminating the unnecessary costs of transportation and storage in the current inefficient commodity program.] Three past presidents of the School Food Service Association are in support of this type of program. The National School Board Association is in support of this approach. However, the rice, peanut, poultry, pork and dairy lobbies are opposing this legislation. There are indications that the USDA is giving in to the pressure from these various commodity lobbies and intend to support the continuation of the present inefficient and wasteful program even though a change will result in a better and more efficient program for all concerned.

JUDY STANTON, Director of Food Services, the Independent School District of Boise City, Idaho

"Commodities supply 34% of the food utilized in the Boise School Food Service Programs...This means that the local district has no control over a large percentage of the types of foods selected, the quantities received, or the dates delivered... Because school districts have not been notified far enough in advance of commodity deliveries, it is necessary to cancel or delay the receiving of items for which bids have already been awarded. This causes local purveyors to be unwilling to bid, or bid higher prices to allow for these alterations in the original bid... Foods may be purchased on the local level at a price equal to, or less than, the price charged for USDA commodities.

In addition to the USDA price, the State charges \$1.50 per case for shipping and handling. The State shares storage with the Boise School District and still charges the \$1.50 for shipping for only a paper transfer.

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Alternative Regulatory Approaches:
School Lunch Meal Pattern Regulations

I. What are "Meal Patterns"?

Each school voluntarily choosing to participate in the National School Lunch Program (NSLP) must serve a meal designed by the Department of Agriculture in order to receive federal meal subsidies. It is important to remember that "meal patterns" are not menus; rather, they represent the minimum amount of food required to be served in order for schools to qualify for the reimbursement. The pattern requires each meal to have five items--milk, bread, vegetable, fruit and a meat or meat alternate. Minimum portion sizes are set for each item. The meal pattern is designed to meet a goal of providing one-third of the child's daily recommended dietary allowances (RDA) for most nutrients on the average and over a period of time.

II. Current Situation

During the reconciliation process this summer, the Congress adopted much of the Administration's proposal to reduce the Federal subsidy to the "paying category" of children in the program (those whose family's income exceeds 185 percent of poverty). In so doing, however, the Congress directed USDA to come up with some savings to accrue to the local level to help offset the Federal subsidy reduction.

Accordingly, proposed regulations amending the meal pattern requirements were published September 4. The proposal followed the same basic format as current policy, but portion sizes were reduced minimally for all five items, especially for younger children whose food intake is less than that of older children. The proposed regulations were widely misinterpreted and were withdrawn October 2, 1981.

The basic objectives of the recently withdrawn meal pattern proposal were: (1) to maintain a nutritionally adequate meal pattern with greater menu variety, (2) to lower State and local production costs, (3) to provide greater State and local flexibility, and (4) to simplify and standardize conflicting program rules.

III. Alternative Approaches:

The list of alternative proposals spans the spectrum of controversial and programmatically successful to non-controversial with potentially limited programmatic success. The various alternatives fall into two groups: (1) those that are primarily non-discretionary and are required by new legislation, and (2) those that the Secretary has wide discretion in establishing.

Non-Discretionary Related Regulation Actions

A. Offer versus Serve. This regulation would implement Section 811 of the 1981 Omnibus Reconciliation Act and at local option would expand to all grade levels a provision that allows a student to refuse offered foods he does not intend to consume. Current regulations apply this provision to high schools and allow the student to accept as few as three of five required meal items. The meal still receives full reimbursement. The regulation extending this provision to elementary schools is required by law and could result in local savings. The impetus for this action was that of the Congress, not the Administration.

B. Administrative Regulations. Finally, a series of administrative regulations, also required in the reconciliation process, must be issued. They will be viewed as significantly less controversial than meal pattern changes, and while not addressing all four objectives outlined above, could nonetheless meet some of them. These regulations were being developed even before the controversial meal pattern regulations were issued. They address certain administrative, accounting, and monitoring requirements, and most are required under the Omnibus Reconciliation Act of 1981:

1. Lunch Pattern Monitoring: This mandatory provision is based on allowing States to monitor bulk quantities rather than individual plates to ensure sufficient quantity to satisfy requirements. The system is optional, allowing State agencies to develop alternate systems described and on file for review. The proposal would eliminate overproduction currently needed to ensure that each plate meets minimum requirements.

2. Eliminate Full Cost Account Regulations: This mandatory proposal relieves School Food Authorities of many current cost accounting requirements. School Food Authorities would still be required to operate nonprofit food service programs.

3. Eliminate State Plan Requirements: This mandatory provision reduces the administrative burden by eliminating the requirement to submit plans for National School Lunch, School Breakfast, Special Milk, and Food Service Equipment Assistance Programs. The Federal government will be able to monitor program activities through ongoing reporting requirements.

4. Review Assessment, Improvements and Monitoring System: This mandatory proposal changes the current rule which sets minimum school lunch monitoring standards for States. This proposal would increase State flexibility in meeting these requirements.

While these regulations do not have much budgetary reduction impact, they do significantly place regulatory burden on the schools.

Discretionary Alternative Regulatory Approaches

A. Goal of One-Third RDA. This approach would be to eliminate all meal pattern regulations and simply have the Secretary of Agriculture establish a policy goal that meals served in the programs should strive to meet one-third of the child's recommended dietary allowance (RDA). While this alternative would be legal within the existing statutes, it would be extremely controversial, since it would totally eliminate minimum standards. This approach could also be very costly to the federal budget, since individual items now sold separately (e.g., a sandwich) could be called a meal and thus earn federal reimbursement. Virtually, all food service in schools could thus be subsidized by the Federal Government. There was no Congressional support for this alternative, and both the American Dietetic Association and the American School Food Service Association oppose it. Despite strong preference for it among some of our top staff, we do not believe this approach politically realistic.

B. Reissue September 4 Regulations. The withdrawn regulations could be reissued with the elimination and clarification of some controversial and misunderstood provisions. The crediting issue of condiments (ketchup and pickle relish) would be eliminated. Certain foods would not be mentioned (i.e., tofu, nuts, seeds, and yogurt). Serving sizes for all meal components would still be reduced and this would continue to be extremely controversial.

C. Modified Pattern Level. Rather than address all the serving size issues in the September 4 regulations, this approach would follow B above except that only the bread, vegetable, and fruit component sizes would be reduced. While for certain commodity and hunger lobby groups this would be controversial, these are meal components with the greatest documented plate waste. Local budget savings would occur. This approach will be the hardest to achieve but is probably the most equitable.

D. Retain the Current Meal Pattern Requirement. This approach to retain current minimum meal requirements has been suggested by some as the "safest" route. However, it is the Department's view that the Congressional intent in the reconciliation bill contemplates Departmental action on meal patterns.

E. Varied Portion Sizes. Another stand-alone provision and similar to Item C above, a regulation could be proposed for schools not participating in offer versus serve programs to permit children to accept smaller portion sizes if they do not intend to eat the entire amount. This proposal would be fairly well received by some in the nutrition community as an appropriate program for children of elementary age because it would help meet a broader program goal of exposing children to various types of foods rather than having them always select traditional favorites, as they will in "offer versus serve" programs. Budget savings at the local level would be likely; however, the Department feels any proposal to reduce portion sizes, regardless of the justification, will expose the Administration to unfavorable publicity.

IV. Department Recommendation

It is recommended that all the non-discretionary regulatory actions listed above proceed quickly. The offer versus serve provisions, lunch pattern monitoring, State plan requirements, and the States' monitoring standard likely could be proposed by the end of November.

The Department further recommends that we propose Option C around Christmas or early 1982. This option is preferred because it will permit substantial local savings and flexibility while exposing the Administration to minimal criticism. Significant support for this proposal can be arranged prior to its announcement.

This modest delay after the release of the non-discretionary regulations is suggested because any proposed meal pattern change could not be effective for this school year. By Christmas, we will have a better feel for further budgetary action with regard to this program and could more adequately tailor the regulations to accommodate the budget change.

Alternative Regulatory Approaches:
Meal Pattern Regulations Response

G. William Hoagland, Administrator
Food and Nutrition Service
U. S. Department of Agriculture

October 20, 1981

Alternative Regulatory Approaches: Meal Pattern Regulations Response

I. General Strategy: Objectives

The basic objectives on which the recently withdrawn meal pattern regulations were developed should serve as the basis for further regulatory proposals. Those objectives included: (1) lower state and local production costs, (2) provide greater state and local flexibility, and (3) simplify and standardize conflicting program rules.

Alternative proposals can be developed that meet all or some of these objectives, with varying degrees of documental success. However, those regulations that the Administration judges would be the most successful in meeting these objectives, will also be the most controversial. The policy decision to be made is one of weighing the programmatic outcome desired (and as embodied in these three objectives) versus potential political controversy.

The list of alternative proposals span the spectrum of controversial and programmatic successful, to non-controversial with potential limited programmatic success.

II. Alternative Regulatory Approaches

(1) Goal of 30 percent RDA. This approach would be to eliminate all meal pattern regulations and simply have the Secretary of Agriculture establish as a policy goal, that meals served in the programs should strive to meet 30 percent of the child's recommended dietary allowance (RDA). This would be extremely controversial and, without statutory changes in the definition of a reimbursable meal, could be costly to the federal budget.

(2) Reissue September 4 Regulations. The withdrawn regulations could be reissued with the elimination and clarification of some controversial and misunderstood provisions. The crediting issue of certain foods would be clarified --i.e., ketchup and pickle relish. Certain foods would not be mentioned--i.e., tofu, nuts, seeds, and yogurt. Quantity sizes for all meal components would still be reduced and this would continue to be extremely controversial.

(3) Selected Components of September 4 Regulations. Rather than address all the quantity size issues in the September 4 regulations, this approach would follow No. 2 above except that only the bread, vegetable, and fruit component sizes would be reduced. While for certain commodity and hunger lobby groups this would be controversial, these are meal components with the greatest documented plate waste. Local budget savings would occur.

(4) Offer versus Serve. This stand alone regulation would implement Section 811 of the 1981 Omnibus Reconciliation Act that would expand to all grade levels a provision that does not require a student to accept offered foods they do not intend to consume. Current regulations applying this provision to senior high schools, require the student to accept three of five meal components. The meal still receives full reimbursement. This regulation will be less controversial, and could result in local savings. The impetus for this action was that of the Congress not the Administration.

(5) Reduced Portion Sizes. Another stand alone provision and similar to No. 3 above, a regulation could be proposed that would allow children--in schools not participating in offer versus serve--to accept smaller portion sizes if they do not intend to eat the entire amount. This provision may be less controversial than offer versus serve in elementary schools and would help meet a broader program goal of exposing children (especially young children) to various types of foods. Budget savings at the local level would be likely.

(6) Administrative Regulations. Finally, a series of administrative regulations could be issued that would be viewed as significantly less controversial, and while maybe not addressing all three objectives outlined above, could nonetheless meet some of them. The alternative regulations would be a series of proposals that were being developed even before the controversial meal pattern regulations were issued. These regulations would address certain administrative, accounting, and monitoring requirements, for the most part all required under the Omnibus Reconciliation Act of 1981:

- (i) Lunch Pattern Monitoring: This provision is based on monitoring bulk quantities to ensure sufficient quantity to satisfy requirements. The system is optional, allowing state agencies to develop alternate systems described and on file for review during management evaluations.
- (ii) Eliminate Full Cost Account Regulations: This proposal relieves SFAs of current cost accounting requirements except to support severe need School Breakfast Program reimbursement rates if claimed. SFAs would still be required to operate nonprofit food service programs.
- (iii) Eliminate State Plan Requirements: This reduces the administrative burden by eliminating the requirement to submit plans for National School Lunch, School Breakfast, Special Milk, and Food Service Equipment Assistance Programs.
- (iv) Review Interim Assessment, Improvements and Monitoring System. Proposes four changes to Interim rule. (1) Deletes audit option and Performance Standard 5; (2) requires review of sampling of applications rather than the current 100 percent, (3) replaces random selection of problem schools with selection after second review; and (4) provides additional tolerances for small SFAs.



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

March 12, 1982

Honorable Robert Carleson
Special Assistant to the President
for Policy Development
208 Old Executive Office Building
Washington, D. C. 20500

Dear Bob:

Enclosed is a copy of the proposed regulations we wish to publish in lieu of the Meal Pattern Regulations which were withdrawn last fall. These are non-major regulations promulgated under the "Offer vs. Serve" provision of the Omnibus Reconciliation Act of 1981. In addition, the proposed action would allow states the option to establish a more simplified monitoring system.

In addition, some background information is enclosed. We hope to make the announcement Monday at the American School Food Services Association (ASFSA) Legislative Conference, pending OMB approval. We have the support of ASFSA, the American Dietetic Association and other associated groups.

Please contact me or Pat Kearney on my staff if you have any questions.

With best regards.

Sincerely,

Patricia M. Kearney
for MARY C. JARRATT
Assistant Secretary for
Food and Consumer Services

Enclosures

THE WHITE HOUSE
WASHINGTON

TO: Bob Carleson

FROM: **MIKE BAROODY**
Director of Public Affairs

Here is the information from USDA on the proposed school lunch reg changes. Mary Jarrat is scheduled to speak to the Food Service Conference on Monday at 1:30 and will announce the proposed changes, if approved by OMB.

FACT SHEET: NATIONAL SCHOOL LUNCH PROGRAM

Background:

Since 1946 the U.S. Department of Agriculture has provided financial aid, technical assistance and USDA donated commodities to schools in the National School Lunch Program in order to help them provide balanced low-cost or free lunches to children. Following is an update on school lunch facts and figures:

- The National School Lunch Program budget was about \$3.0 billion in Fiscal Year 1981, about \$2.5 billion in FY 1982, and about \$2.7 billion has been proposed for FY 1983.
- The program currently provides lunches to about 23 million children each school day. Of these, about 10 million get free lunches, about 1.5 million pay a reduced price for their lunch, and about 11.5 million pay a regular price for their lunch.
- About 91,000 schools take part in the program. Any public or nonprofit private school of high school grade or under, except high-tuition private schools, is eligible to take part.
- Children from families which meet certain income eligibility requirements can qualify for free or reduced-price lunches under the program. For a child to qualify for free meals, his family can earn no more than 130 percent of the poverty line, or \$10,990 for a family of four. The cutoff for reduced price eligibility is 185 percent of the poverty line, or \$15,630 for a family of four.
- All lunches served under the program are subsidized. Currently schools with less than 60 percent free and reduced price eligibility are reimbursed (in cash and donated commodities) 21.5 cents per paid meal, 80.25 cents per reduced price meal, and \$1.20 and 1/4 cents per free meal served. For FY 1983 the rates will increase 8 cents for both free and reduced price meals and 1.5 cents for the paid meal.

New proposal:

- "Offer versus serve" is a menu option plan which allows children to turn down one or two of the five food items in the lunch if he does not intend to eat them. Congress mandated the plan in high schools in the federal lunch program in 1975. The Omnibus Reconciliation Act of 1981 mandated the extension of the option, as a local decision, to elementary schools.
- Proposed regulations simplify monitoring of compliance with meal pattern requirements, a change which has been requested by school districts for years. The proposal does not change the frequency of monitoring--it remains every two years. It does increase state flexibility, as states develop their own monitoring system. Monitoring would be on production records rather than on the present system that measures the food on the plate.
- The benefits of the proposal include increased state flexibility, cost savings as a result of decreased plate waste and simplified monitoring procedures, and maintenance of the nutritional integrity of the lunch by a program which has been proven successful.

NEWS

United States
Department of
Agriculture

USDA News Center
Room 404-A
Washington, D.C. 20250

Office of
Governmental
and Public Affairs

DRAFT

USDA PROPOSES SCHOOL LUNCH REGULATIONS

WASHINGTON, March --Regulations were proposed today which allow local officials to implement an extension of the "offer versus serve" school lunch plan to all grade levels, according to Mary Jarratt, Assistant Secretary for USDA's Food and Consumer Service.

Congress authorized the extension in the Omnibus Reconciliation Act of 1981. Prior to that, the plan had been limited to junior and senior high students.

"Offer versus serve" requires that federally reimbursed school lunches offer full servings of five foods (meat, milk, bread, two fruits and/or vegetables) and that students take full servings of at least three choices. Students have the option of taking full or sample portions of the fourth and fifth food items after they have selected full portions of at least three.

Jarratt said the plan will give school food service personnel flexibility to use their creativity in ensuring that students eat balanced meals, while avoiding costly plate waste. Schools would have the option of setting further guidelines, once the minimum federal standards are met.

"It's a proven plan, and that's what makes it so attractive," Jarratt said. "This common sense plan recognizes that some students will not consume all five foods that are served every day. Food that is thrown into the trash by a student costs money--money that could be used to feed another student."

Jarratt said that by offering an appealing selection, schools will help reach the lunch program's goal of providing one-third of a child's Recommended Dietary Allowances. School menu planners are acutely aware that meals must be nutritious and appetizing to maintain student participation, she said.

Under the proposal, states will be given flexibility to establish more simplified monitoring systems to determine whether schools are serving the required amounts. The proposal would allow states to monitor production records on individual portions of food.

The proposal will appear in the March Federal Register. Comments should be sent by May to Stanley C. Garnett, School Programs Division, Food and Nutrition Service, USDA, Alexandria, Va. 22302.

Prefer instead to do next week AS we planned. Depends on OMB. Jo.
COMMUNICATIONS PLAN

Offer vs. Serve in lieu of Meal Pattern Regulations

I. INTRODUCTION

March , 1982 by Assistant Secretary Jarratt at a press briefing at the Department of Agriculture in Washington, D.C.

The regulations will appear in the Federal Register on March , 1982.

II. PRESS BRIEFING

A. Have leaders in school food service available to answer questions.

- Elizabeth Cagan - New York City
- Gertrude Applebaum - President, ASFSA
- Dan Wisotzkey - State Child Nutrition Director, Colorado
- Tom Carroll (Bridgeport, Connecticut)
- Ethel Ott - President, ADA Dietetic Practice Group
- Diane Lorenz (Indiana), Frances McClone (California), Clarice Higgins (Florida), Jane Wynn (Florida), Joanne Styer (Maryland), Shirley Watkins (Tennessee)

III. SUPPORTING MATERIALS

A. Press releases will be issued by:

- Department of Agriculture
- The American School Food Service Association (ASFSA)
- The American Dietetic Association Practice Group on School Food Service
- The National Frozen Food Association
- The Parent Teachers Association
- The American Association of School Boards
- Senator Dole
- Congressman Goodling
- Senator Helms

B. Briefing Packet

(1) contents

- press releases
- fact sheet
- questions and answers
- quotes from School Lunch Directors who have already implemented offer vs. serve
- newspaper clippings*

(2) distribution

- USDA officials*, Cabinet Council and White House officials*, Congressional offices, FNS regional offices, state food service directors, and interested groups (Media advocacy groups, etc.)

C. Post - OpEd article, by ASFSA

D. Visuals - slides from New York City, Memphis, and Corpus Christi programs

E. Open House Tours - offer vs. serve programs in D.C., Fairfax County, and Montgomery County

F. Letters of Testimony and Support - Dr. Fredrick Stare, Harvard; Dr. George Graham, Johns Hopkins; other nutritionists.

G. Television appearances - Coordinate through John Ochs

H. Morning show - following morning

UNITED STATES DEPARTMENT OF AGRICULTURE

"OFFER VS SERVE" SURVEY

In December 1981, a survey of a nationally representative sample of schools found that 37 percent of the elementary schools had implemented the offer vs serve option. Hence, of the 51,700 elementary schools in the United States, 19,000 schools serving 5,000,000 lunches had implemented the program since October 1, 1981. When the offer vs serve option was available at the elementary school, participation increased 3 percent or nationally by 144,000 meals per day.

To supplement the information we collected in December, we recently conducted an informal poll throughout the nation to assess the offer vs serve option in elementary schools. This poll was completed February, 1982. USDA Food and Nutrition Service Regional Offices (there are seven) were instructed to contact at least ten Districts participating in the offer vs serve program in their region. Six hundred and thirty three (633) elementary schools utilizing offer vs serve were contacted.

The acceptance of the program was very favorable. Rating the program as good were 95 percent of the students, 90 percent of the parents and 80 percent of the food service workers.

Since implementation of the program, plate waste was described as being reduced significantly by 73 percent of the respondents, 21 percent said that plate waste was reduced slightly, 2 percent said that plate waste was not reduced and 4 percent did not know if plate waste was reduced or not.

A majority of schools felt that food costs were reduced by two to ten cents because of the reduction in plate waste.

Food selection was also surveyed. When given a notice, 60 percent of the students took all five items, 27 percent chose four items and 13 percent took three meal components.

The foods most often chosen were meat (98 percent), milk (84 percent) and bread (90 percent). While many children took four items, it was usually the vegetable that was not selected.

March 5, 1982

BACKGROUND

The Omnibus Budget Reconciliation Act of 1981 included a number of reductions in federal support of meal programs under the National School Lunch Act and the Child Nutrition Act of 1966. It also directed the Secretary of Agriculture to promulgate regulations that would permit cost savings at the local level in the operation of these meal programs. On September 4 of last year the Department published a notice of proposed rulemaking that would have (1) simplified administration of the standards for meals served under those programs, which are called the meal pattern requirements, (2) changed some of the rules for determining when a meal met those requirements, and (3) reduced the food quantity standards for younger children included in those requirements.

The Omnibus Budget Reconciliation Act of 1981 also contained an amendment to the so-called "offer versus serve" provision of the National School Lunch Act. Under that provision, before it was amended, schools were required to serve meals meeting the meal pattern requirements to most children, but were required only to offer a meal meeting those requirements to senior high school students, who were allowed to decline the offered food. The Department's regulations require that a meal have five components, two of which may be declined under the offer versus serve rules. The 1981 amendment authorized local school authorities to extend this right to decline offered food to all grade levels. The regulations published on September 4 included provisions implementing this amendment.

Finally, the September 4 regulations announced the Department's intention to promulgate in the near future a separate regulation that would simplify the procedures for determining if the meal pattern requirements were being met by permitting schools to monitor bulk food production rather than the size of individual servings.

On October 2, the September 4 proposed rulemaking was withdrawn. On November 6 the Department presented an issue paper to the White House Cabinet Council on Human Resources that set forth alternative courses of action with respect to changes in the meal pattern requirements. The Council recommended that the Department proceed with the provisions of the September 4 regulation that would implement the amendment to the "offer versus serve" provision of the National School Lunch Act and that it explore the possibility of authorizing variations in the size of the portions of different foods required to be served under the meal pattern requirements.

It should be noted that even in the absence of "offer versus serve" regulations for elementary schools, many elementary schools have implemented the provision anyway. A recent survey (copy attached) of schools indicates high acceptability and a per meal saving in the range of five cents. Some critics will want the provision to be more explicit, but that was not the desire of the Cabinet Council nor the recommendation of our Department.

DISCUSSION

Accordingly, the Department has carefully studied the recommendation of the Council of Human Resources. It fully supports and is proceeding to implement expeditiously the recommendation concerning the "offer versus serve" provision of the National School Lunch Act. A change in the regulations was mandated by the Omnibus Budget Reconciliation Act and should be promulgated as soon as possible.

The possibility of providing for varying portion sizes under the meal standards presents a more complicated issue. There is currently considerable misunderstanding among state and local food service officials as to precisely what is required to comply with the "offer versus serve" regulations. As previously noted, a student whose meal is governed by the "offer versus serve" regulations is permitted to decline two of the five required components of a meal. Some school officials believe that under these regulations, a student must receive either a full serving of a component or nothing at all. They have therefore opposed "offer versus serve" for younger children because they believe it is imperative that these children have all five components of a lunch in order to ensure that the meal is nutritionally sound and contributes to the nutrition education of the child.

This view is not correct. Schools may serve a smaller portion of one or two components of a meal if a child elects not to receive a full serving of either of those components. For example, some school systems, including New York City, are currently operating projects under which a child may select a "tasting portion" of two of the offered meal components and then to select a full portion if he or she chooses. These projects have been very successful, are widely supported, and should be encouraged.

On the other hand, it would be very difficult to make more extensive changes in the quantity standards of the meal pattern requirements at this time. Changes in the quantity standards were included in the September 4 proposed regulations. An attempt to resurrect anything like those proposals would only in turn resurrect the vociferous objections that led to the withdrawal of the regulations. While many of the proposals in the withdrawn regulations are programmatically and economically desirable, the Department feels the issue has become so politicized that the new regulation should be as simple and straightforward as possible.

RECOMMENDATION

The Department recommends that three steps be taken with respect to the meal pattern requirements:

(1) Regulations implementing the amendment to the offer versus serve provision of the National School Lunch Act should be implemented as soon as possible in lieu of the meal pattern regulation.

(2) Those regulations should make it clear that less than a full size portion may be served to a child electing not to receive a meal component under the offer versus serve regulations.

(3) The Department should include regulations that would simplify the monitoring of compliance with the meal pattern requirements and allow the states to develop their own monitoring system.

ORCHESTRATION

The legislative conference of the American School Food Service Association will be meeting in Washington in March. We feel that this is an excellent opportunity to announce the revised meal pattern regulations. We would look forward to the endorsement of the Association at that time.

The coordination of publicity and public information will be handled by the Department's press office and the seven regional offices of the Food and Nutrition Service. We also will request the participation of the White House press office.

UNITED STATES DEPARTMENT OF AGRICULTURE

"OFFER VERSUS SERVE" POLL

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To supplement the information we collected in December, we recently conducted an informal poll throughout the nation to assess the offer vs serve option in elementary schools. This poll was completed February, 1982. USDA Food and Nutrition Service Regional Offices (there are seven) were instructed to contact at least ten Districts participating in the offer vs serve program in their region. Six hundred and thirty three (633) elementary schools utilizing offer vs serve were contacted.

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FACT SHEET: NATIONAL SCHOOL LUNCH PROGRAM

Background

Since 1946 the U.S. Department of Agriculture has provided financial aid, technical assistance and USDA donated commodities to schools in the National School Lunch Program in order to help them provide balanced low-cost or free lunches to children. Following is an update on school lunch facts and figures:

- The National School Lunch Program budget was about \$3.0 billion in Fiscal Year 1981, about \$2.5 billion in FY 1982, and about \$2.7 billion has been proposed for FY 1983.
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- About 91,000 schools take part in the program. Any public or nonprofit private school of high school grade or under, except high-tuition private schools, is eligible to take part.
- Children from families which meet certain income eligibility requirements can qualify for free or reduced-price lunches under the program. For a child to qualify for free meals, his family can earn no more than 130 percent of the poverty line, or \$10,990 for a family of four. The cutoff for reduced price eligibility is 185 percent of the poverty line, or \$15,630 for a family of four.
- All lunches served under the program are subsidized. Currently schools with less than 60 percent free and reduced price eligibility are reimbursed (in cash and donated commodities) 21.5 cents per paid meal, 80.25 cents per reduced price meal, and \$1.20 and 1/4 cents per free meal served. For FY 1983 the rates will increase 8 cents for both free and reduced price meals and 1.5 cents for the paid meal.

Proposal

- "Offer versus serve" is a menu option plan which allows children to turn down one or two of the five food items in the lunch if he does not intend to eat them. Congress mandated the plan in high schools in the federal lunch program in 1975. The Omnibus Reconciliation Act of 1981 mandated the extension of the option, as a local decision, to elementary schools.
- Proposed regulations simplify monitoring of compliance with meal pattern requirements, a change which has been requested by school districts for years. The proposal does not change the frequency of monitoring--it remains every two years. It does increase state flexibility, as states develop their own monitoring system. Monitoring would be on production record rather than on the present system that measures the food on the plate.
- The benefits of the proposal include increased state flexibility, cost savings as a result of decreased plate waste and simplified monitoring procedures, and maintenance of the nutritional integrity of the lunch by a program which has been proven successful.

NEWS

United States
Department of
Agriculture

USDA News Center
Room 404-A
Washington, D.C. 20250

Office of
Governmental
and Public Affairs

DRAFT

*a few
changes are
being made in
this draft.
H. Keen*

USDA PROPOSES SCHOOL LUNCH REGULATIONS

WASHINGTON, March __--Regulations were proposed today which allow local officials to implement an extension of the "offer versus serve" school lunch plan to all grade levels, according to Mary Jarratt, Assistant Secretary for USDA's Food and Consumer Service.

Congress authorized the extension in the Omnibus Reconciliation Act of 1981. Prior to that, the plan had been limited to junior and senior high students.

"Offer versus serve" requires that federally reimbursed school lunches offer full servings of five foods (meat, milk, bread, two fruits and/or vegetables) and that students take full servings of at least three choices. Students have the option of taking full or sample portions of the fourth and fifth food items after they have selected full portions of at least three.

Jarratt said the plan will give school food service personnel flexibility to use their creativity in ensuring that students eat balanced meals, while avoiding costly plate waste. Schools would have the option of setting further guidelines, once the minimum federal standards are met.

"It's a proven plan, and that's what makes it so attractive," Jarratt said. "This common sense plan recognizes that some students will not consume all five foods that are served every day. Food that is thrown into the trash by a student costs money--money that could be used to feed another student."

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Under the proposal, states will be given flexibility to establish more simplified monitoring systems to determine whether schools are serving the required amounts. The proposal would allow states to monitor production records on individual portions of food.

The proposal will appear in the March __ Federal Register. Comments should be sent by May __ to Stanley C. Garnett, School Programs Division, Food and Nutrition Service, USDA, Alexandria, Va. 22302.

DEPARTMENT OF AGRICULTURE
Food and Nutrition Service
7 CFR Part 210
National School Lunch Program

OFFER VERSUS SERVE: MEAL PATTERN MONITORING REQUIREMENTS

AGENCY: Food and Nutrition Service, USDA

ACTION: Proposed Rule

SUMMARY: This proposed rule would amend the National School Lunch Program regulations to: (1) implement the provisions of the Omnibus Budget Reconciliation Act of 1981 that authorize local school authorities to extend to elementary schools the "offer versus serve" method of meal service; (2) modify the regulations governing the "offer versus serve" method with respect to meals served in schools below the senior high level; and (3) require each State to develop a plan for monitoring compliance with the school lunch meal pattern requirements based on its determination of the best means of assuring compliance with those requirements. The Department is proposing this rule to reduce Federal regulation, increase State and local flexibility, and reduce costs of local program operations in the school lunch program.

DATES: To be assured of consideration, comments must be postmarked on or before (60 days from publication).

ADDRESSES: Comments should be sent to Stanley C. Garnett, Branch Chief, Policy and Program Development Branch, School Programs Division, Food and Nutrition Service, USDA, Alexandria, Virginia 22302. All written submissions will be available for public

viewing in Room 509, 3101 Park Center Drive, Alexandria, Virginia 22302, during regular business hours (8:30 a.m. to 5:00 p.m.) Monday through Friday.

FOR FURTHER INFORMATION CONTACT: Mr. Garnett at the address listed above, or call (703) 756-3620.

SUPPLEMENTARY INFORMATION:

Classification: This proposed action has been reviewed under Executive Order 12291 and has been classified not major. We anticipate that this proposal will not have an impact on the economy of more than \$100 million. The proposed rule will decrease costs by providing States, School Food Authorities, and institutions more flexibility in administering the National School Lunch Program.

No major increase in cost or prices for program participants, individual industries, Federal agencies, or geographic regions is anticipated. We do anticipate decreased administrative costs at the State and local School Food Authority levels. This proposal is not expected to have significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of U.S.-based enterprises to compete with foreign-based enterprises in domestic or foreign markets.

This proposal has also been reviewed with regard to the requirements of Public Law 96-354, the Regulatory Flexibility Act. The Administrator of the Food and Nutrition Service (FNS) has certified that this proposal will not have a significant economic impact on a substantial number of small entities.

In accordance with the Paperwork Reduction Act of 1980 (44 U.S.C. 3507), the recordkeeping requirements that are included in this proposed rule will be submitted for approval to the Office of Management and Budget (OMB). They are not effective until OMB approval has been obtained.

Offer Versus Serve

The offer versus serve method of food service permits students to decline food they do not intend to eat. Prior to enactment of the Omnibus Budget Reconciliation Act of 1981 this method of food service was limited to senior high, and at the option of local school food authorities, junior high and middle school students. The Act extended this optional use of offer versus serve to grades below middle school. The Department proposes to incorporate this change into the regulations.

Offer versus serve has been widely accepted by students, parents and food service workers in schools that have adopted it. However, many state and local school food service officials have expressed concern that allowing younger school children to decline two lunch items lessens the nutrition education aspect of the school lunch program. These officials believe that younger children need more guidance as to the value of consuming different types of foods.

X The new regulations will be announced Monday by Mary Jo White, Assistant Secretary of Agriculture, ^{at the meeting of the American School Food Service Association} ~~the~~ They have been approved by OMB, and the Chief Counsel on Human Resources.

In response to these concerns, ^{the new regulation provides} ~~we are proposing~~ that local school food authorities be given some flexibility in determining how offer versus serve will operate in grades below the senior high level. Under the current regulations governing the offer versus serve method, schools are required to offer a full portion of five food items (~~a meat or meat alternate, bread or bread alternate, milk, and two fruits/vegetables~~), but students are allowed to decline up to two of the items. ^{regulation will} The Department ^{provide} proposes that school food authorities still be required to allow senior high students to decline up to two items. However, in grades below the senior high level, school food authorities would be permitted to determine whether students may decline ~~up to two items~~ ^{or fewer items,} ~~or only one item under offer versus serve~~. When a student has declined a full portion of an item, schools ~~at all grade levels~~ may offer a smaller portion of the item.

Offer versus serve has reduced plate waste while maintaining student consumption of a wide variety of nutrients, and has reduced program costs. The goal of the lunch program is still to provide one-third of a student's Recommended Dietary Allowances (RDA) and students are encouraged to choose all five food items at no extra cost; however, offer versus serve means students are not forced to take food that they do not intend to consume.



At the same time, the Department continues to encourage schools to promote their lunches and educate children about nutrition so that they will choose and consume all five items. For example, innovative service systems, such as salad bars and family style service, and the offering of choices, which can improve participation and consumption, are encouraged.

Students, particularly young students, benefit from the consumption of a wide variety of foods. The Department continues to require parent and student involvement in the school food service, and particularly in the menu planning process, to ensure that menus reflect student preferences. The Department believes that a cooperative effort of parents, students, and school officials will result in menus which reflect student preferences to a degree that most students will choose and consume all five items of the lunch. School officials planning meals are aware that meals served must be nutritious and desirable to maintain student participation.

Meal Production and Monitoring

States share with the Department the responsibility for assuring that schools comply with program requirements and the Department believes they should be given as much flexibility as possible in determining how to meet that responsibility. Therefore, this proposal would require each State to develop a plan for monitoring compliance with the meal pattern requirements, but allow it to determine what that plan should be, subject to review by FNS. The plan would be part of the Assessment, Improvement, and Monitoring System.

In this connection, the proposal recognizes both production-based monitoring and the monitoring of individual food portions as alternative methods of determining compliance with the regulations. The reliance on the monitoring of individual food portions as served has been subject to criticism by some State and local school food service officials. Much of this criticism is directed at the use of laboratory quality measuring standards to determine if an individual food portion meets the minimum weight or volume requirements of the regulations. Moreover, there is increasing concern that monitoring meals as served discourages innovative approaches to food service, such as salad bars and family style service. The recognition of production-based monitoring as an alternative available to the States is intended to respond to these concerns.

The proposal also contains two conforming changes to the regulations. First, because the need for production records would now be determined by each State in developing its monitoring system, the federal requirement that schools maintain production records would be deleted. Second, because monitoring of compliance with the quantity standards of the meal pattern requirements would become part of the Assessment, Improvement, and Monitoring System, the superceded provisions of section 210.16(h) concerning the disposition of state agency claims against local schools for failure to comply with the meal pattern requirements would be deleted.

The table referred to in this proposal has not been revised and is currently located in §21010 of the lunch program regulations.

PART 210 - NATIONAL SCHOOL LUNCH PROGRAM

Accordingly, Part 210 is proposed to be amended as follows:

1. §210.2 is proposed to be amended by revising paragraph (b-3)(4)

(AIMS Performance Standard 4) to read as follows:

§210.2 Definitions.

* * * * *

(b-3) * * *

(4) Lunches claimed for reimbursement are produced in accordance with the requirements of §210.10; and

* * * * *

2. In §210.8, paragraph (e)(3) is proposed to be revised to read as follows:

§210.8 Requirements for participation.

* * * * *

(e) * * *

(3) Provide lunches that meet the requirements of §210.10 during a period designated as the lunch period by the School Food Authority;

* * * * *

3. In §210.10, paragraph (a)(1) and the introductory paragraph of (a)(2) are proposed to be revised; paragraph (a)(4) is proposed to be deleted;

paragraph (a)(5) is proposed to be revised and redesignated (a)(4); paragraph (a)(6) is proposed to be redesignated (a)(5); and a new paragraph (k) is proposed to be added to read as follows:

§210.10 Requirements for lunches.

(a)(1) This section, including the following table, sets forth the Federal lunch requirements. School Food Authorities that cannot produce on the basis of age or grade level shall produce based on group IV portions for all children.

(2) Table - The table presents the minimum Federal lunch requirements for groups I to IV and larger recommended amounts for group V. The requirements and recommendations are designed to provide a nutritious and well-balanced lunch to each child; the nutrients of the lunch, averaged over a period of time, should approximate one-third of the Recommended Dietary Allowances for children of each group. Schools shall produce sufficient kinds and quantities of foods so that students may be served lunches that contain all five food items within the four required components. Where students may decline items under paragraph (4), quantity production may take into account student preferences and the amount of food students are expected to request. Schools are encouraged to produce quantities of food for group V based on the larger amounts specified in the table. ***

* * * * *

(4) Each school shall offer its students all five food items of the lunch. Senior high students must be permitted to decline up to two items. Students below the senior high level may be

permitted to decline up to two items, or only one item, at the discretion of the local school food authority. A student's decision to decline food items shall not affect the charge for the lunch. State educational agencies shall define "senior high".

* * * * *

(k) The State agency shall develop the system used in monitoring schools for compliance with meal pattern quantity requirements. The State agency shall maintain a description of the monitoring system for annual review and approval by FNS during the management evaluations conducted in accordance with §210.17. The State's system shall be designed to ensure that the requirements of this section are met. The system must include a description of how the system will monitor combination products and tolerance levels for corrective action plans and a second AIMS review under §210.14. If the State system relies on monitoring production, the system shall also include the basis for determining food yields.

4. In §210.11, the fifth sentence of paragraph (a), "Production and participation records shall be maintained to demonstrate positive action toward this objective.," is proposed to be deleted and the last sentence of that paragraph is proposed to be revised to read as follows:

§210.11 Reimbursement payments.

* * * * *

(a) * * * In no event shall the School Food Authority claim or be eligible for special cash assistance reimbursement for free and reduced price meals in excess of the number of children approved for free and

reduced price meals, or be eligible for general or special assistance for lunches claimed in excess of the number prepared in accordance with the requirements of §210.10.

* * * * *

5. In §210.14; in the third sentence of paragraph (a)(3) the words at the end of that sentence, "determine by observation of a representative sample of meals that all meals contain all required components," are proposed to be revised to read as follows:

§210.14 Special responsibilities of State agencies.

(a) * * *

(3) * * * determine that meals are prepared in accordance with the requirements of §210.10. * * *

* * * * *

6. In §210.14(a)(3)(iv), paragraph (D) is proposed to be revised to read as follows:

§210.14 Special responsibilities of State agencies.

(a) * * *

(3) * * *

(iv) * * *

(D) For AIMS Performance Standard 4, the tolerance established by the State agency monitoring system is exceeded.

* * * * *

7. §210.16(h) is proposed to be deleted.

AUTHORITY: Sec. 9, PUBLIC LAW 79-396, 60 STAT. 233 (42 U.S.C. 1758(a)); Sec. 811, PUBLIC LAW 97-35, 95 STAT. 521-535 (42 U.S.C. 1758); Sec. 818, PUBLIC LAW 97-35, 95 STAT. 532 (42 U.S.C.).

Administrator
Food and Nutrition Service

(DATE)

THE WHITE HOUSE

WASHINGTON

March 12, 1982

FOR: EDWIN L. HARPER
ROGER PORTER

FROM: ROBERT B. CARLESON



SUBJECT: Item for Presidential Briefing Book

"Offer versus Serve" -- School Lunch Regulations

Monday, the Department of Agriculture will be announcing the school lunch regulations which replace partially the controversial regulations issued last September which were later withdrawn. Events have overtaken most of the controversial elements of last year's regulations.

The offer versus serve method of food service permits students to decline food they do not intend to eat. Prior to enactment of the Omnibus Budget Reconciliation Act of 1981, this method of food service was limited to senior high, and at the option of local school food authorities, junior high and middle school students. The Act extended this optional use of offer versus serve to grades below middle school. The Department proposes to incorporate this change into the regulations.

Offer versus serve has been widely accepted by students, parents and food service workers in schools that have adopted it. However, many state and local school food service officials have expressed concern that allowing younger school children to decline two lunch items lessens the nutrition education aspect of the school lunch program. These officials believe that younger children need more guidance as to the value of consuming different types of foods.

In response to these concerns, the new regulation provides that local school food authorities be given some flexibility in determining how offer versus serve will operate in grades below the senior high level. Under the current regulations governing the offer versus serve method, schools are required to offer a full portion of five food items, but students are allowed to decline up to two of the items. The regulation will provide that school food authorities still be required to allow senior high students to decline up to two items. However, in grades below the senior high level, school food authorities would be permitted to determine

whether students may decline two items or fewer items. When a student has declined a full portion of an item, schools may offer a smaller portion of the item.

Offer versus serve has reduced plate waste while maintaining student consumption of a wide variety of nutrients, and has reduced program costs. The goal of the lunch program is still to provide one-third of a student's Recommended Dietary Allowances (RDA) and students are encouraged to choose all five items at no extra cost; however, offer versus serve means students are not forced to take food that they do not intend to consume.

The new regulation will be announced Monday at a meeting of the American School Food Service Association by Mary Jarratt, Assistant Secretary of Agriculture. They have been approved by OMB and the Cabinet Council on Human Resources.

THE FEDERAL REPORT

Add the Relish, Stir Up an Embarrassment

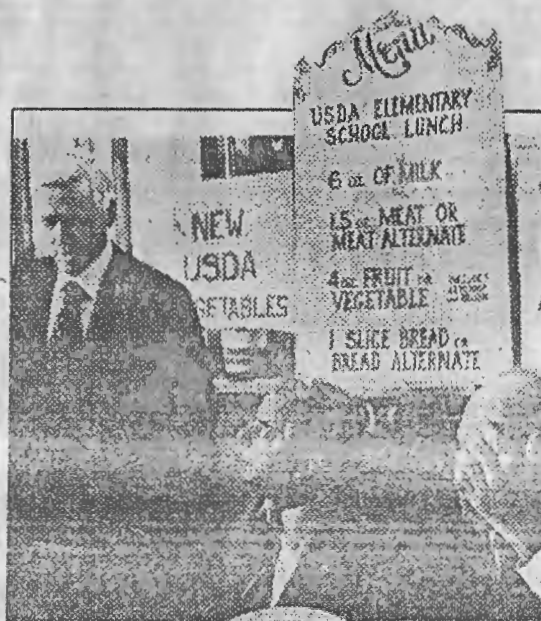
By Charles R. Babcock
Washington Post Staff Writer

Catsup as a vegetable.

It went down as one of the great public relations debacles of the Reagan administration's first year. Satirists and politicians seized on the Agriculture Department's school lunch regulations as a symbol of how the Reagan budget cuts would hurt the little people of America. Network cameras rolled as Democratic senators gleefully munched a meager meal of a few french fries, catsup, a tiny hamburger on a piece of bread, and half a glass of milk.

The administration even went so far as to say in its recent report card that withdrawing the regulations was one of its major achievements—neglecting to mention that it had been responsible for them in the first place.

It was assumed, as President Reagan put it, that "somebody got overambitious in the bureaucracy." But the brouhaha was actually triggered by



man apparently decided it would be helpful to provide a "positive example," officials said, and so he wrote that a state "could credit a condiment such as pickle relish as a vegetable." No mention was made of catsup, except by association.

Hinchman declined to discuss "the department's internal decision-making process."

Virginia Wilkening, a GS13 who has been at the department for 10 years and worked on the regulations, said the reference to relish didn't attract attention even after Hinchman added the fateful words.

Page 47 of the department's food-buying guide, the bible of the school lunch industry, clearly states that condiments can't be credited toward the vegetable/fruit requirements, she said. "We didn't think many states would use it [the catsup option]," Wilkening recalled. "We thought it was insignificant. Obviously it wasn't."

Hoagland is still at Agriculture, as an assistant to Secretary John D. Block, and his initials are

a departmental lawyer's apparently innocent addition of a few words—about pickle relish—designed to clarify the regulations. And, in the rush to get the rules out in 90 days, no one anticipated the impact of the image of school kids getting catsup instead of green beans, officials said.

The rules were pulled back in the resulting furor and now, nearly five months after Congress ordered USDA to make cuts in the school lunch program, the department is still struggling to get the regulations out.

This time the administration is taking no chances. A Cabinet-level council is considering options for reissuing the rules, designed to attack plate waste, reduce portions and credit dishes such as tofu and yogurt for basic food groups.

The saga of the catsup regulations actually began when a group of federal and state food service directors and nutritionists gathered last July to examine the school lunch program's existing "meal pattern" regulations.

The department called the sessions, said G. William Hoagland, then head of the Food and Nutrition Service, because of the president's general directive to review regulations and because Congress wanted Agriculture to cut costs in the school lunch program, without sacrificing nutritional value.

Item No. 24 on the task force's agenda was "accept catsup as a fruit/vegetable when used as an ingredient." Agriculture officials said many suggestions for changes had come in from food service people around the country, but no one seems to recall now who suggested Item 24.

When catsup came up for discussion, it wasn't envisioned for credit as an ingredient, but as a substitute for a vegetable, according to Lynn Parker, a nutritionist who attended the session representing the Food Research Action Council.

By James K. W. Atherton—The Washington Post

From left, Democratic Sens. Ernest F. Hollings (S.C.), Robert C. Byrd (W. Va.) and Patrick J. Leahy (Vt.) make the most of the controversy over school lunches.

She said she and others voiced their concerns about counting catsup as a vegetable, arguing it contained too much sugar and didn't give children the right idea of a nutritious vegetable.

Mary Filko, a food service coordinator from Akron, Ohio, spoke in favor of the idea. She noted that students in her district slopped catsup all over their hamburgers and french fries. It cost a lot of money and should be credited as a vegetable, she said.

The majority of the task force agreed, but in the group's final report to Hoagland on July 21, the matter was not addressed directly. That flexibility was to be left to state officials.

Hoagland, who lost his job and responsibility for the program in mid-November after simply telling Congress the new options were at the White House, said the rush to get the rules out for the new fiscal year meant that the department didn't do "all the careful checks we normally would have done." That included a careful review by officials at the Office of Management and Budget, who are happy to be able to say that because the rules went through on an "emergency" basis, they didn't scrutinize them carefully.

One of the people who did look at the regulations was Jim Hinchman, of the department general counsel's office, which reviews the legal basis for the regulations. The rule writers had said that schools, for example, "could not credit as a bread a food that is not enriched or whole-grain." Hinch-

man was not known, and he is philosophical about the furor that resulted. The president was riding high just before Labor Day, with victories in Congress on budget cuts and the tax bill, he recalled. "People were looking for ways to embarrass him," Hoagland said.

He was prepared for controversy over the proposal to reduce the portion size of the meals. He was blindsided by the furor over catsup. "In hindsight, if it had been brought to my attention that I was going to get clobbered and lose my job—take some heat—over it, I would have counseled against it," Hoagland said.

An early draft of the department's new option paper to the White House still recommended reducing portion sizes but added, "The crediting issue of condiments would be eliminated." The favored option, it was noted, would save money and give states new flexibility "while exposing the administration to minimal criticism. Significant support for this proposal can be arranged prior to its announcement."

Even if a White House decision is imminent, a new version of the catsup regulations won't be final for months and any changes won't be in place until next fall, officials said.

Akron's Filko said she missed all the television hoopla over the catsup regulations, but still feels the crediting change is warranted. "I think we ought to consider all foods with nutritional value," she said.

The idea, she added, isn't to replace green beans with catsup, but to be practical and give children a choice of something they'll eat. "I'm not a nutritionist. I'm a home economist," she said. "I'm also concerned about getting food into a child . . . If catsup helps get kids to eat, I can't complain. I don't like my hamburgers plain either."