

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

National School Lunch, Special Milk, and School Breakfast Programs; National Average
Payments/Maximum Reimbursement Rates

AGENCY: Food and Nutrition Service, USDA

ACTION: Notice

SUMMARY: This Notice announces the annual adjustments to: (1) the “national average payments,” the amount of money the Federal Government provides States for lunches, afterschool snacks and breakfasts served to children participating in the National School Lunch and School Breakfast Programs; (2) the “maximum reimbursement rates,” the maximum per lunch rate from Federal funds that a State can provide a school food authority for lunches served to children participating in the National School Lunch Program; and (3) the rate of reimbursement for a half-pint of milk served to nonneedy children in a school or institution which participates in the Special Milk Program for Children. The payments and rates are prescribed on an annual basis each July. The annual payments and rates adjustments for the National School Lunch and School Breakfast Programs reflect changes in the Food Away From Home series of the Consumer Price Index for All Urban Consumers. The annual rate adjustment for the Special Milk Program reflects changes in the Producer Price Index for Fluid Milk Products. These payments and rates are in effect from July 1, 2004 through June 30, 2005.

EFFECTIVE DATE: July 1, 2004

FOR FURTHER INFORMATION CONTACT: Ms. Rosemary O’Connell, Section Chief, School Programs Section, Policy and Program Development Branch, Child Nutrition Division, Food and Nutrition Service, USDA, 3101 Park Center Drive, Room 640, Alexandria, VA 22302 or phone (703) 305-2590.

SUPPLEMENTARY INFORMATION:

Background

Special Milk Program for Children - Pursuant to section 3 of the Child Nutrition Act of 1966, as amended (42 U.S.C. 1772), the Department announces the rate of reimbursement for a half-pint of milk served to nonneedy children in a school or institution that participates in the Special Milk Program for Children. This rate is adjusted annually to reflect changes in the Producer Price Index for Fluid Milk Products, published by the Bureau of Labor Statistics of the Department of Labor.

For the period July 1, 2004 to June 30, 2005, the rate of reimbursement for a half-pint of milk served to a nonneedy child in a school or institution which participates in the Special Milk Program is 17 cents. This reflects an increase of 29.8 percent in the Producer Price Index for Fluid Milk Products from May 2003 to May 2004 (from a level of 143.2 in May 2003 to 185.9 in May 2004).

As a reminder, schools or institutions with pricing programs that elect to serve milk free to eligible children continue to receive the average cost of a half-pint of milk (the total cost of all milk purchased during the claim period divided by the total number of purchased half-pints) for each half-pint served to an eligible child.

National School Lunch and School Breakfast Programs - Pursuant to sections 11 and 17A of the National School Lunch Act, (42 U.S.C. 1759a and 1766a), and section 4 of the Child Nutrition Act of 1966, (42 U.S.C. 1773), the Department annually announces the adjustments to the National Average Payment Factors and to the maximum Federal reimbursement rates for lunches and afterschool snacks served to children participating in the National School Lunch Program and breakfasts served to children participating in the School Breakfast Program. Adjustments are prescribed each July 1, based on changes in the Food Away From Home series of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor. The changes in the national average payment rates for schools and residential child care institutions for the period July 1, 2004 through June 30, 2005 reflect a 2.86 percent increase in the Consumer Price Index for All Urban Consumers during the 12-month period May 2003 to May 2004 (from a level of 181.5 in May 2003 to 186.7 in May 2004). Adjustments to the national average payment rates for all lunches served under the National School Lunch Program, breakfasts served under the School Breakfast Program, and afterschool snacks served under the National School Lunch Program are rounded down to the nearest whole cent.

Lunch Payment Levels - Section 4 of the National School Lunch Act (42 U.S.C. 1753) provides general cash for food assistance payments to States to assist schools in purchasing food. The National School Lunch Act provides two different section 4 payment levels for lunches served under the National School Lunch Program. The lower payment level applies to lunches served by school food authorities in which less than 60 percent of the lunches served in the school lunch program during the second preceding school year were served free or at a reduced price. The higher payment level applies to lunches served by school food authorities in which 60 percent or more of the lunches served during the second preceding school year were served free or at a reduced price.

To supplement these section 4 payments, section 11 of the National School Lunch Act (42 U.S.C.1759(a)) provides special cash assistance payments to aid schools in providing free and reduced price lunches. The section 11 National Average Payment Factor for each reduced price lunch served is set at 40 cents less than the factor for each free lunch.

As authorized under sections 8 and 11 of the National School Lunch Act (42 U.S.C. 1757 and 1759a), maximum reimbursement rates for each type of lunch are prescribed by the Department in this Notice. These maximum rates are to ensure equitable disbursement of Federal funds to school food authorities.

Afterschool Snack Payments in Afterschool Care Programs - Section 17A of the National School Lunch Act (42 U.S.C. 1766a) establishes National Average Payments for free, reduced price and paid afterschool snacks as part of the National School Lunch Program.

Breakfast Payment Factors - Section 4 of the Child Nutrition Act of 1966 (42 U.S.C. 1773)

establishes National Average Payment Factors for free, reduced price and paid breakfasts served under the School Breakfast Program and additional payments for free and reduced price breakfasts served in schools determined to be in “severe need” because they serve a high percentage of needy children.

Revised Payments

The following specific section 4, section 11 and section 17A National Average Payment Factors and maximum reimbursement rates for lunch, the afterschool snack rates, and the breakfast rates are in effect from July 1, 2004 through June 30, 2005. Due to a higher cost of living, the average payments and maximum reimbursements for Alaska and Hawaii are higher than those for all other States. The District of Columbia, Virgin Islands, Puerto Rico and Guam use the figures specified for the contiguous States.

National School Lunch Program Payments

Section 4 National Average Payment Factors - In school food authorities which served less than 60 percent free and reduced price lunches in School Year 2002-03, the payments for meals served are: Contiguous States - paid rate – 21 cents, free and reduced price rate – 21 cents, maximum rate - 29 cents; Alaska - paid rate - 35 cents, free and reduced price rate - 35 cents, maximum rate – 45 cents; Hawaii - paid rate - 25 cents, free and reduced price rate - 25 cents, maximum rate – 33 cents.

In school food authorities which served 60 percent or more free and reduced price lunches in School Year 2002-03, payments are: Contiguous States - paid rate - 23 cents, free and reduced price rate – 23 cents, maximum rate – 29 cents; Alaska - paid rate - 37 cents, free and reduced price rate - 37 cents, maximum rate - 45 cents; Hawaii - paid rate - 27 cents, free and reduced price rate - 27 cents, maximum rate - 33 cents.

Section 11 National Average Payment Factors - Contiguous States - free lunch - 203 cents, reduced price lunch - 163 cents; Alaska - free lunch - 330 cents, reduced price lunch - 290 cents; Hawaii - free lunch - 238 cents, reduced price lunch - 198 cents.

Afterschool Snacks in Afterschool Care Programs - The payments are: Contiguous States - free snack - 61 cents, reduced price snack - 30 cents, paid snack - 05 cents; Alaska - free snack - 100 cents, reduced price snack - 50 cents, paid snack - 09 cents; Hawaii - free snack - 72 cents, reduced price snack - 36 cents, paid snack - 06 cents.

School Breakfast Program Payments

For schools “not in severe need” the payments are: Contiguous States - free breakfast - 123 cents, reduced price breakfast - 93 cents, paid breakfast - 23 cents; Alaska - free breakfast - 196 cents, reduced price breakfast - 166 cents, paid breakfast - 33 cents; Hawaii - free breakfast - 143 cents, reduced price breakfast - 113 cents, paid breakfast - 25 cents.

For schools in “severe need” the payments are: Contiguous States - free breakfast - 147 cents, reduced price breakfast - 117 cents, paid breakfast - 23 cents; Alaska - free breakfast - 235 cents,

reduced price breakfast - 205 cents, paid breakfast - 33 cents; Hawaii - free breakfast - 171 cents, reduced price breakfast - 141 cents, paid breakfast - 25 cents.

Payment Chart

The following chart illustrates: the lunch National Average Payment Factors with the sections 4 and 11 already combined to indicate the per lunch amount; the maximum lunch reimbursement rates; the reimbursement rates for afterschool snacks served in afterschool care programs; the breakfast National Average Payment Factors including “severe need” schools; and the milk reimbursement rate. All amounts are expressed in dollars or fractions thereof. The payment factors and reimbursement rates used for the District of Columbia, Virgin Islands, Puerto Rico and Guam are those specified for the contiguous States.

SCHOOL PROGRAMS
MEAL, SNACK AND MILK PAYMENTS TO STATES AND SCHOOL FOOD AUTHORITIES
Expressed in Dollars or Fractions Thereof
Effective from July 1, 2004 - June 30, 2005

NATIONAL SCHOOL LUNCH PROGRAM *		LESS THAN 60%	60% OR MORE	MAXIMUM RATE
CONTIGUOUS STATES	PAID	.21	.23	.29
	REDUCED PRICE	1.84	1.86	2.01
	FREE	2.24	2.26	2.41
ALASKA	PAID	.35	.37	.45
	REDUCED PRICE	3.25	3.27	3.49
	FREE	3.65	3.67	3.89
HAWAII	PAID	.25	.27	.33
	REDUCED PRICE	2.23	2.25	2.41
	FREE	2.63	2.65	2.81
SCHOOL BREAKFAST PROGRAM		NON-SEVERE NEED		SEVERE NEED
CONTIGUOUS STATES	PAID	.23		.23
	REDUCED PRICE	.93		1.17
	FREE	1.23		1.47
ALASKA	PAID	.33		.33
	REDUCED PRICE	1.66		2.05
	FREE	1.96		2.35
HAWAII	PAID	.25		.25
	REDUCED PRICE	1.13		1.41
	FREE	1.43		1.71
SPECIAL MILK PROGRAM		ALL MILK	PAID MILK	FREE MILK
PRICING PROGRAMS WITHOUT FREE OPTION		.17	N/A	N/A
PRICING PROGRAMS WITH FREE OPTION		N/A	.17	Average cost per ½ pint of milk.
NONPRICING PROGRAMS		.17	N/A	N/A
AFTERSCHOOL SNACKS SERVED IN AFTERSCHOOL CARE PROGRAMS				
CONTIGUOUS STATES	PAID	.05		
	REDUCED PRICE	.30		
	FREE	.61		
ALASKA	PAID	.09		
	REDUCED PRICE	.50		
	FREE	1.00		
HAWAII	PAID	.06		
	REDUCED PRICE	.36		
	FREE	.72		

This action is not a rule as defined by the Regulatory Flexibility Act (5 U.S.C. 601-612) and thus is exempt from the provisions of that Act.

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507), no new recordkeeping or reporting requirements have been included that are subject to approval from the Office of Management and Budget.

This action is exempted from review by the Office of Management and Budget under Executive Order 12866.

National School Lunch, School Breakfast and Special Milk Programs are listed in the Catalog of Federal Domestic Assistance under No. 10.555, No. 10.553 and No. 10.556, respectively, and are subject to the provisions of Executive Order 12372, which requires intergovernmental consultation with State and local officials. (See 7 CFR Part 3015, Subpart V, and the final rule related notice published at 48 FR 29114, June 24, 1983.)

AUTHORITY: Sections 4, 8, 11 and 17A of the National School Lunch Act, as amended, (42 U.S.C. 1753, 1757, 1759a, 1766a) and sections 3 and 4(b) of the Child Nutrition Act, as amended, (42 U.S.C. 1772 and 42 U.S.C. 1773(b)).

Signed

George A. Braley
Associate Administrator
Food and Nutrition Service

July 9, 2004