



A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Special Study

Arizona's Participation in the National School Lunch Program

DECEMBER • 2005



Debra K. Davenport
Auditor General

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December 12, 2005

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

Transmitted herewith is a report of the Auditor General, *A Special Study of Arizona's Participation in the National School Lunch Program*. This is the first of two reports to address a legislative request approved by the Joint Legislative Audit Committee, and it was conducted under the authority vested in the Auditor General by Arizona Revised Statutes §41-1279.03. I am also transmitting with this report a copy of the Report Highlights to provide a quick summary for your convenience.

The National School Lunch Program is a federal program that provides free and reduced-price lunches to eligible schoolchildren. This report provides a state-wide overview of the demographic characteristics of Arizona districts, schools, and students that participate in the program. It also describes the processes used to determine and verify program eligibility and presents our conclusions and recommendations based on this overview of the program's state-wide operations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on December 13, 2005.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

SUMMARY

As directed by the Joint Legislative Audit Committee, the Office of the Auditor General has prepared a state-wide overview of Arizona's participation in the National School Lunch Program (NSLP). This report is the first of two reports regarding the NSLP and provides descriptive information on program characteristics, such as the number and percentage of the total school population determined eligible for free and reduced-price meals and historical participation trends. It also describes the criteria and process for determining program eligibility and for required income verification activities. Finally, the report summarizes conclusions and recommendations regarding state-wide program operation.

The second of our two NSLP reports, to be issued by February 28, 2006, will provide results of verification testing at six selected schools as well as those schools' program eligibility and participation rates, resources used to operate the program, and outreach efforts to inform families about the program.

[Arizona's participation and trends for the NSLP \(see pages 7 through 9\)](#)

The National School Lunch Program (NSLP) is a federal program, most recently re-authorized by Congress in 2004.¹ The U.S. Department of Agriculture's Food and Nutrition Service (FNS) administers the program. Arizona has participated in the program since 1947. As part of legislation to develop minimum nutrition standards for schools, effective August 2005, statute now requires all elementary, middle, and junior high schools to participate in the NSLP.² The Arizona Department of Education (ADE) is the designated state agency that serves as the liaison between FNS and the State's participating schools. Based on eligible meals served, ADE distributes the federal monies to all participating schools in the State, including those at school districts, charter schools, juvenile detention centers, and many other facilities, and can attach any related state requirements. ADE also provides training and guidance for schools participating in the program, and conducts administrative reviews to assess their compliance with federal requirements.

¹ The Child Nutrition and WIC Reauthorization Act of 2004.

² Arizona Revised Statutes (A.R.S.) §15-242(B), as amended in the 2005 first regular session by House Bill 2544. The law makes an exception for districts that 1) have fewer than 100 students and 2) were not participating in the program as of August 2005. These districts can choose to continue not to participate.

Almost 943,000 students attended participating Arizona schools in fiscal year 2005, and schools reported that 44.1 percent of those students were eligible for free meals, with another 8.3 percent eligible for reduced-price meals. The proportion of students eligible for free or reduced-price meals has increased over the past 5 years, from 49 to 52.4 percent. Though other types of schools participate in the program, public school districts served 93 percent of the free and reduced-price eligible students. The most recent national data from the U.S. Department of Education's National Center for Education Statistics (NCES) indicates that only six other states reported eligibility rates exceeding 50 percent.

Although many students do not eat school meals, a greater proportion of students who receive free or reduced-price lunches eat school meals than those who pay full price. In 2005, 79 percent of the students receiving free or reduced-price lunches ate school meals while only 40 percent of the students paying full price ate school meals.

Demographic characteristics of participating districts, schools, and students (see pages 10 through 13)

In examining demographic characteristics of free- and reduced-eligible students, auditors aggregated data at district, school, and student levels. While district percentages of free- and reduced-eligible students are typically aligned with their U.S. Census Bureau poverty rates, some districts reporting high eligibility percentages had low poverty rates. For example, among the group of districts reporting from 80 to 100 percent of their students eligible for free or reduced-price meals were 4 districts with poverty rates ranging from 6 to 16 percent. A district with a very low poverty rate would not be expected to report over 80 percent of its students as free- and reduced-eligible. Similarly, 19 districts that reported 60 to 79 percent of their students as free- and reduced-eligible had poverty rates of less than 20 percent. These examples indicate that NSLP eligibility may be over-reported in some districts.

School-level data show that more eligible students attend large, urban schools, but that small, rural elementary schools report higher percentages of their students as eligible. Schools located in large cities or their urban fringes served more than two-thirds of all free and reduced-price eligible students. However, a larger proportion of rural school student populations, 65 percent, was eligible for free and reduced-price lunches than in urban schools, which averaged 54 percent. Whether rural or urban, the proportion of eligible students was higher in smaller schools than medium or large schools. Also, elementary schools reported that higher proportions of their students were eligible for free or reduced-price lunches than did high schools. This may be due to fewer high school students' families applying for meal benefits. Open campuses, limited cafeteria seating, students becoming eligible to attend school for

half-days, and/or other conditions generally contribute to fewer high school students choosing to eat school meals.

Student-level demographic data show language, ethnic, and gender diversity among eligible students and ethnic group eligibility rates similar to poverty rates. The home language reported for 74 percent of the participating schools' students is English, and for another 23 percent is Spanish. The remaining 3 percent consists of more than 40 different home languages, including Vietnamese, Arabic, Korean, Navajo, Apache, and others. At these schools, white students represented approximately 47 percent of the total student population, and Hispanic students another 39 percent. Further, when compared to Census Bureau data, the ethnicity of students reported as free- and reduced-price eligible is similar in proportion to that of children aged 5 to 17 years reported as living in households at or below the federal poverty standard.

Eligibility and income verification processes (see pages 15 through 30)

Chapter 2 explains the processes schools are to use to determine students' eligibility for free or reduced-price meals and to selectively verify the income information they receive from qualifying families. Most students receive approval for free or reduced-price meals on the basis of income information their families submit to schools. However, schools may also directly certify students as eligible for free meals if they already meet certain other criteria, such as being eligible for Food Stamps, Temporary Assistance to Needy Families (TANF), or Food Distribution Program on Indian Reservations (FDPIR), or have homeless, runaway, or migrant status. Most schools must verify income information from a sample of approved applications each year. In fiscal year 2005, Arizona schools conducted verifications of 14,868 applications. In almost 19 percent of these cases, the verification resulted in a lowered benefit. In another 32 percent, benefits were terminated because the student's parent or guardian did not respond to the income verification request. A small number of schools—about 93 in fiscal year 2005—are exempt from the requirements to take applications, make eligibility determinations, and conduct verification activities annually. These schools, which have exceptionally large populations of eligible students, instead conduct these activities only every 4 to 5 years to reduce their administrative workload. The Federal Reauthorization Act of 2004 now requires ADE to collect and analyze schools' verification results and determine if more rigorous oversight is needed to support the objective of certifying only eligible children. ADE's first report indicated that it will require increased training on verification activities for school district personnel involved in these processes.

Conclusions and recommendations on state-wide operation of the program (see pages 31 through 36)

Two matters were noted relating to Program administration that merit attention. The first relates to the accuracy of information: auditors' analysis of data in two different ADE databases showed substantial discrepancies in basic information, such as the number of students eligible for free and reduced-priced meals. ADE should investigate and resolve these discrepancies as they may indicate incomplete data or overreporting eligibility and federal meal claims. A second matter relates to the current practice of using the NSLP data to make state funding decisions about other education programs, such as state assistance for all-day kindergarten. Other data sources, such as the Census Bureau data or Food Stamp or TANF eligibility, may be more reliable indicators of economic need within a school district.

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INTRODUCTION & BACKGROUND

In August 2005, the Joint Legislative Audit Committee requested that the Office of the Auditor General conduct an audit examining the National School Lunch Program—and more specifically, those aspects of the program involving free and reduced-price meals. The Committee directed auditors to review Arizona’s process for determining and verifying eligibility for free or reduced-price meals and produce two reports, the first providing an overview of how Arizona operates the National School Lunch Program and the second providing results of verification testing at selected schools.

This report addresses the first of these topics—the state-wide overview of Arizona’s participation in the National School Lunch Program. The approved audit request specifically asked for the following information to be included in this report:

- **Program characteristics**
 - ◆ The number and percentage of the total school population determined eligible for free and reduced-price meals
 - ◆ Historical trends of program participation in Arizona
 - ◆ Demographics of participants
- **Determining eligibility for free and reduced-price meals**
 - ◆ A review of existing qualification criteria
 - ◆ A summary of the processes that schools are to use for participant qualification and income verification
- **Any conclusions and recommendations regarding the state-wide operation of this program**

Our second report, to be issued by February 28, 2006, will report on results of verification testing at six selected schools as well as those schools’ program eligibility

and participation rates, resources used to operate the program, and outreach efforts to inform families about the program.

Overview of the National School Lunch Program

The National School Lunch Program (NSLP) is a federal program, most recently re-authorized by Congress in 2004.¹ It was originally established in 1946 to provide federal monies and surplus commodities to school lunch and milk programs in response to the diet-related health problems seen in American men attempting to join the military during World War II. The U.S. Department of Agriculture's Food and Nutrition Service (FNS) administers the program. Among other things, the Department issues federal regulations² to further detail how states are to operate the program.

Arizona has participated in the program since 1947. As part of legislation to develop minimum nutrition standards for schools, effective August 2005, statute now requires all elementary, middle, and junior high schools to participate in NSLP³

NSLP, which is specifically directed toward providing lunches, is one of several federal child nutrition programs for schools. Other related programs that Arizona districts also participate in include the:

- **School Breakfast Program**, to provide nutritious morning meals at free or reduced prices to children who are eligible for free or reduced-price lunches.
- **Special Milk Program**, to provide milk to children in schools and child care settings, including half-day kindergarten, who do not have access to the lunch and breakfast programs.
- **Summer Food Service Program for Children**, to provide meals to children in low-income areas during summer months and periods when schools are closed.
- **Food Commodities Program**, to provide nutritious foods for students while at the same time removing agricultural surpluses from the marketplace.

Under NSLP and these other programs, a participating school serves meals to eligible children and is reimbursed with federal monies. Reimbursement rates vary depending on three main factors (see text box, page 3). The first factor is the type of meal: reimbursement rates are generally higher for lunches than for breakfasts or

¹ The Child Nutrition and WIC Reauthorization Act of 2004.

² Title 7, Code of Federal Regulations, Parts 210 – 299.

³ Arizona Revised Statutes (A.R.S.) §15-242(B), as amended in the 2005 first regular session by House Bill 2544. The law makes an exception for districts that 1) have fewer than 100 students and 2) were not participating in the program as of August 2005. These districts can choose to continue not to participate.

snacks. The second factor is whether the student meets federal eligibility standards for free or reduced-price lunches. Schools are reimbursed at different rates for free, reduced-price, and full-price meals. The third factor is the extent to which a school's students are eligible for free or reduced-price meals. Schools with more than 60 percent of their students reported as eligible for free or reduced-price lunches and those designated as "severe need" for the breakfast program¹ receive slightly higher reimbursement rates.

Students who are eligible for reduced-price meals pay 40 cents or less for each lunch, and those who are not eligible for free or reduced-price meals pay an amount set by the school district.

The federal reimbursement rates for most meal types generally increase by a few cents each year. For example, free lunch rates increased by \$.08 per meal from fiscal year 2005 to fiscal year 2006, and breakfast rates by \$.04 per meal.

The process for determining a student's eligibility for free or reduced-price meals is discussed in detail in Chapter 2 (see pages 15 through 30). In general, however, eligibility is based either on income level or on certain categorical standards, such as a family's eligibility for federal Food Stamps or financial assistance under the Temporary Assistance to Needy Families (TANF) program. At the beginning of each school year, schools provide to students' families information regarding the free and reduced-price lunch program's availability and eligibility criteria, along with program applications. Schools primarily use submitted applications to determine eligibility for free or reduced-price meals.

The Arizona Department of Education (ADE) is the designated state agency that serves as the liaison between FNS and the State's participating schools. Based on eligible meals served, ADE distributes the federal monies to all participating schools in the State, including those at school districts, charter schools, juvenile detention centers, and many other facilities, and can attach any related state requirements. To provide assurance that school food service programs are complying with federal requirements, federal regulations require ADE to review each school district or other participating organization once every 5 years at a minimum, reviewing such requirements as nutritional content of meals, food safety, eligibility determination, income verification, and the related recordkeeping. ADE's Health and Nutrition Service staff also provide technical assistance and training sessions on the application and verification process, meal counting and claiming procedures, obtaining commodity foods, and menu planning. Sessions are offered on various dates in Phoenix, Tucson, Flagstaff, and Yuma.

Federal Meal Reimbursement Rates Fiscal Year 2006

	<u>Free</u>	<u>Reduced-Price</u>	<u>Full Price</u>
Regular rates			
Snacks	\$0.63	\$0.31	\$0.05
Breakfast	\$1.27	\$0.97	\$0.23
Lunch	\$2.32	\$1.92	\$0.22
Severe Need and sites with more than 60% free and reduced-price eligibility			
Snacks	\$0.63	\$0.31	\$0.05
Breakfast	\$1.51	\$1.21	\$0.23
Lunch	\$2.34	\$1.94	\$0.24

Source: Federal Register, Volume 70, No. 136, page 41,199.

¹ Severe Need rates for the breakfast program apply when more than 40 percent of the school's students were eligible for free or reduced-price lunches in the second preceding year.

Scope and methodology

This study focused on the methods and procedures provided by the Arizona Department of Education for operating the National School Lunch Program, and in particular, those related to eligibility determination and income verification.

In conducting this study, auditors used a variety of methods, including analyzing applicable federal regulations pertaining to the program and examining various records and data collected and compiled by ADE. Specifically:

- To analyze the State's historical trends and current participation in the NSLP, auditors used data collected and reports prepared by ADE during its operation of the program. These included schools' reports on eligibility determinations, meal participation, and verification results. However, auditors did not validate this self-reported data by comparing it to the schools' original records.
- To identify participants' characteristics, auditors used other data collected and maintained by ADE in its Student Accountability Information System (SAIS), such as schools' grade levels and students' home languages, and data from the U.S. Census Bureau, such as poverty rates for 5- to 17-year-olds located within school district boundaries and rural or urban designations. Because ADE does not reconcile it to eligibility data that schools report for reimbursement purposes, this SAIS data is not precisely accurate and, therefore, is presented for general comparison purposes only.
- To determine federal parameters for operating the program, auditors reviewed the federal law and regulations pertaining to it as contained in 42 United States Code, sections 1751 through 1785, and Title 7 Code of Federal Regulations, Parts 210 and 245, and related references. Auditors also reviewed U.S. Department of Agriculture (USDA) guidance memoranda implementing changes made by the Child Nutrition and WIC Reauthorization Act of 2004, which have not yet been formalized into regulations. These memos are provided on the USDA Food and Nutrition Service's Web site:
http://www.fns.usda.gov/cnd/Governance/Reauthorization%20Policy_04/Reauthorization_04/Reauthorization_2004.htm
- Auditors also reviewed the most current versions of ADE's manuals and guidance provided for schools to use in operating the program, including the *Direct Certification Guidance Manual*, *Verification Guidance Manual*, *Free and Reduced-Price Policy Manual*, and others. These are available on ADE's Web site:
<http://www.ade.state.az.us/health-safety/cnp/nslp/>

- Auditors interviewed ADE officials regarding various aspects of NSLP operations and reviewed the records of ADE's administrative reviews of school districts' and schools' food service programs.

The Auditor General and staff express their appreciation to the Superintendent of Public Instruction and the staff of the Arizona Department of Education for their cooperation and assistance during this study.

CHAPTER 1

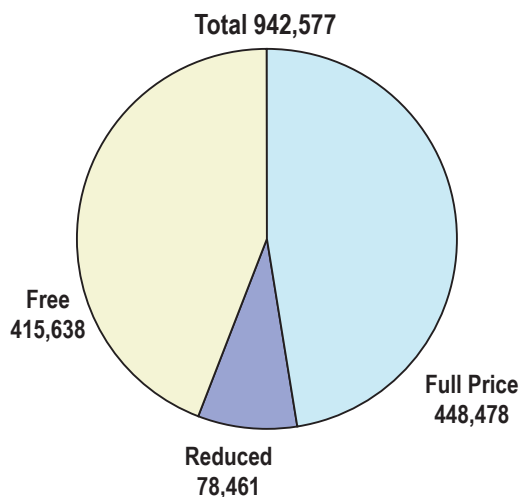
Characteristics of Arizona's National School Lunch Program Participants

Available data indicates that 44 percent of students attending participating Arizona schools in fiscal year 2005 were eligible for free meals, with another 8 percent eligible for reduced-price meals. The portion of students eligible for free or reduced-price meals has increased over the past 5 years. The percentage of students eligible for free or reduced-price meals tends to be higher in (1) rural schools, (2) smaller schools, regardless of geographic location, and (3) elementary schools. Students eligible for free and reduced-price meals also reflect a variety of ethnic backgrounds and native languages.

Majority of students are eligible for free or reduced-price meals

Data from ADE's fiscal year 2005 records indicates that 942,577 students in Arizona attended participating district schools¹, and other facilities, including charter schools, Bureau of Indian Affairs' schools, juvenile facilities, and others. Of these students, 52.4 percent, or nearly 500,000, were eligible for meal subsidies (see Figure 1). Most of them—almost 416,000—were eligible for free meals. Data for school year 2002-03, the most recent national data

Figure 1: Eligible Students at Participating Schools Fiscal Year 2005



Source: Auditor General staff analysis of ADE's March 2005 free and reduced-price lunch reports.

¹ Of the State's 238 districts, 38 did not participate in the NSLP in fiscal year 2005. They included 10 school districts that transport their children to other districts' nearby schools for instruction, 10 joint technological education districts that do not provide meal service, 11 very small elementary districts with fewer than 200 students each, and 7 other districts that indicate they do not participate for reasons such as perceived low eligibility rates, estimated facility costs to provide full-service meals, or nutritional content requirements for NSLP meals.

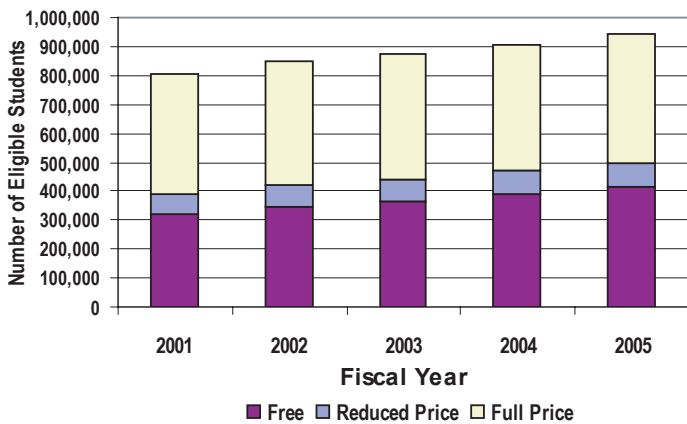
National School Lunch Program Fiscal Year 2005

Total eligible	494,099
School districts	200
Juvenile centers	14
Charter schools and others	340
School districts:	
Participating schools	1,239
Eligible students	460,184

available from the U.S. Department of Education's National Center for Education Statistics¹, showed that only 6 other states and the District of Columbia reported NSLP eligibility rates exceeding 50 percent. The national average for that year was 35.2 percent.

Of the nearly 500,000 students eligible for meal subsidies, school districts served more than 460,000, or 93 percent (see text box). In all, these students attended 1,239 district-run schools. The remaining 7 percent of students eligible for subsidies attended charter schools, juvenile centers, and other types of facilities.

Figure 2: All Participating Schools
Number of Eligible Students
Last 5 Years



Source: Auditor General staff analysis of ADE's annual free and reduced-price lunch reports.

Percentage of students eligible for subsidies is increasing

Over the last 5 years, students eligible for free or reduced-price meals have become a larger percentage of the total student population. In fiscal year 2001, 49 percent of students were eligible for meal subsidies; in fiscal year 2005, about 52 percent were eligible. As shown in Figure 2, the total number of students at participating schools has increased from about 804,000 to about 943,000. During the same period, the number of students eligible for free or reduced-price meals increased from about 392,000 to nearly 500,000.

These increases have occurred both at district and non-district schools, though not in identical patterns. For district schools, the percentage of students eligible for free or reduced-priced meals has increased steadily from 47.9 percent of all students in fiscal year 2001 to 51.7 percent in fiscal year 2005 (see Table 1). For non-district schools, the percentage of students eligible for free or reduced-price meals peaked in fiscal year 2002 and has been declining since then.

Table 1: Proportion of Free, Reduced-Price, and Full-Price Eligible Students, by School Type

Fiscal Year	Free and Reduced-Price		Full-Price	
	Number of students	Percentage	Number of students	Percentage
District Schools				
2001	366,793	47.9%	399,692	52.1%
2002	393,803	48.7	415,297	51.3
2003	408,034	49.4	418,512	50.6
2004	437,057	51.0	419,630	49.0
2005	460,184	51.7	429,670	48.3
Other Schools				
2001	25,090	66.2%	12,792	33.8%
2002	29,108	69.8	12,603	30.2
2003	30,582	68.4	14,136	31.6
2004	32,691	65.7	17,091	34.3
2005	33,915	64.3	18,808	35.7

Source: Auditor General staff analysis of ADE's annual free and reduced-price lunch reports. "Other schools" include those such as Bureau of Indian Affairs', charter, and juvenile facilities' schools.

During these same 5 years, federal reimbursements for NSLP have increased from about \$106 million to nearly \$157 million (see Table 2, page 9). Together with the other related child nutrition programs—the School Breakfast Program, Summer Food Service Program for Children, Special Milk Program, and Food Commodities Program—this funding provided Arizona with more than

¹ Public Elementary and Secondary Students, Staff, Schools, and School Districts: School Year 2002-03. U.S. Department of Education, National Center for Education Statistics.

\$210 million to support school meal programs in fiscal year 2005. In addition to the meal-based payments and commodity values shown in Table 2, ADE receives state administrative monies, which totaled about \$1.2 million in fiscal year 2005, for overseeing these programs.

Table 2: Federal Monies for Arizona's School Food Service Programs
Fiscal Years 1996 through 2005 (in millions)

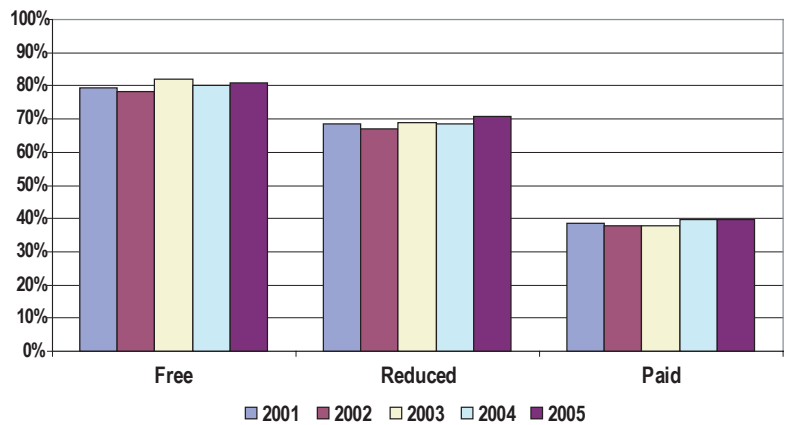
Fiscal Year	National School Lunch Program	School Breakfast Program	Summer Food Service Program	Special Milk Program	Food Commodities Program	Fiscal Year Total
2005	\$156.8	\$35.1	\$5.1	\$0.2	\$13.6	\$210.8
2004	143.9	35.2	1.9	0.2	15.7	196.9
2003	131.1	31.6	1.0	0.1	13.3	177.1
2002	120.4	28.7	1.6	0.2	12.9	163.8
2001	106.5	25.5	3.8	0.2	13.6	149.6
2000	101.2	24.0	3.5	0.2	11.0	139.9
1999	96.9	24.1	4.3	0.2	10.1	135.6
1998	91.9	23.2	2.2	0.1	10.9	128.3
1997	88.4	22.4	5.0	0.2	9.4	125.4
1996	82.0	21.0	3.7	0.2	9.1	116.0

Source: ADE records, USDA-FNS Web site report of donated commodities by state, and the State of Arizona's Schedule of Expenditures of Federal Awards (1996-1999).

A greater proportion of students with free or reduced-price lunches eat school meals

Based on the number of meals that participating schools report for reimbursement, many students do not eat school meals, though participation is greater among students who are eligible for free or reduced-priced meals. Approximately 60 percent of all students at participating schools received meals. As Figure 3 shows, the proportion of free and reduced-price eligible students participating has been much higher than students paying full price. Participation is greatest among students who qualify for free meals.

Figure 3: Comparison of Districts' Participation Rates by Price Category, by Year



Source: Auditor General staff analysis of ADE's data in FNS-10 meal claims and annual free and reduced-price lunch reports.

Demographics of participating districts, schools, and students

In examining demographic characteristics of free- and reduced-eligible students, auditors aggregated data at district, school, and student levels. While district percentages of free- and reduced-eligible students are typically aligned with their poverty rates, some districts with high eligibility percentages have low poverty rates. School-level data show that more eligible students attend large, urban schools, but that small, rural, elementary schools report higher percentages of their students as eligible. Lastly, student-level demographic data show language, ethnic, and gender diversity among eligible students and ethnic group eligibility rates similar to poverty rates.

Districts' percentages of free- and reduced-eligible students reflect poverty rates, with exceptions—Table 3 compares school districts' reported eligibility rates to Census Bureau data for poverty rates of children aged 5 to 17 years residing within school district boundaries. Although the average poverty rate

increases as the eligibility rate does, eligibility rates are higher than the poverty rates. To some extent this can be expected because NSLP eligibility begins at 185 percent of poverty. However, some districts' eligibility rates still appear to be high given their poverty rates. For example, the poverty rates ranged from 6 to 71 percent for districts reporting from 80 to 100 percent of their students eligible for free or reduced-price meals. This includes 4 districts with poverty rates ranging from 6 to 16 percent. A district with very low poverty rates, such as these 4, would not be expected to report that over 80 percent of its students are free- and reduced-eligible. Similarly, 19 districts reporting 60 to 79 percent of their students as free- and reduced-eligible had poverty rates of less than 20 percent. This indicates that NSLP eligibility may be over-reported in some districts.

Table 3: Comparison of Census Bureau Poverty Rates for School-Aged Children and District-Reported Eligibility Rates
Fiscal Year 2005

Group	Number of Districts	Free and Reduced-Price Eligibility Rate	Range of Census Bureau Poverty Rates	Census Bureau Poverty Rate Average
1	10	0 to 19%	1 to 11%	5%
2	26	20 to 39	2 to 27	12
3	49	40 to 59	7 to 29	17
4	62	60 to 79	11 to 58	27
5	48	80 to 100	6 to 71	38

Source: Auditor General staff analysis of ADE's March 2005 free and reduced-price lunch reports and U.S. Census Bureau data.

Urban schools account for most free- and reduced-eligible students, but small, rural, elementary schools have higher rates of eligibility—

As shown in Table 4 (see page 11), 63 percent of participating schools are in large cities or their urban fringes.¹ These schools also serve the largest proportion of eligible students: 69 percent.

However, as shown in Table 5, a larger proportion of rural school student populations, 65 percent, was eligible for free and reduced-price lunches than in urban schools, which averaged 54 percent. However, due to larger urban school sizes, these

¹ Urban fringes are any incorporated place, census-designated place, or nonplace territory within a Metropolitan Statistical Area of a large or mid-sized city and defined as urban by the U.S. Census Bureau.

schools served more eligible students than did rural schools. In fact, 43 percent of eligible students attended large urban schools.

As also shown in Table 5, whether rural or urban, the proportion of eligible students was higher in smaller schools than medium or large schools.

Further, whether urban or rural, elementary schools reported that higher proportions of their students were eligible for free or reduced-price lunches, averaging almost 69 percent, than did high schools, which averaged about 54 percent. This may be due to fewer high school students' families applying for meal benefits. Open campuses, limited cafeteria seating, students becoming eligible to attend school for half-days, and/or other conditions generally contribute to fewer high school students choosing to eat school meals.

Student-level data show language, ethnic, and gender diversity among eligible students—Data available on student demographics from the Student Accountability Information System (SAIS)¹ indicates, as shown in Figure 4 (see page 12), the home language reported for 74 percent of students is English, and for another 23 percent is Spanish. The remaining 3 percent consists of more than 40 different home languages, including Vietnamese, Arabic, Korean, Navajo, Apache, and others.

Table 4: Participating District Schools, Grouped by Location Type
Fiscal Year 2005

Location Type ¹	Number of Schools	Percent	Free and Reduced-Price Eligible Students	Percent
Large city (generally over 250,000 population) or urban fringes of large city	781	63%	319,105	69%
Mid-sized city (generally less than 250,000 population) or urban fringes of mid-sized city	156	13	55,572	12
Large town (25,000 or larger population)	27	2	9,094	2
Small town (2,500 but less than 25,000 population)	130	10	42,013	9
Rural (as designated by Census Bureau)	145	12	34,400	8
Total	1,239	100%	460,184	100%

¹ Cities are located within a Metropolitan Statistical Area (MSA), and towns are not.

Source: Auditor General staff analysis of ADE's March 2005 free and reduced-price lunch reports and U.S. Census Bureau data.

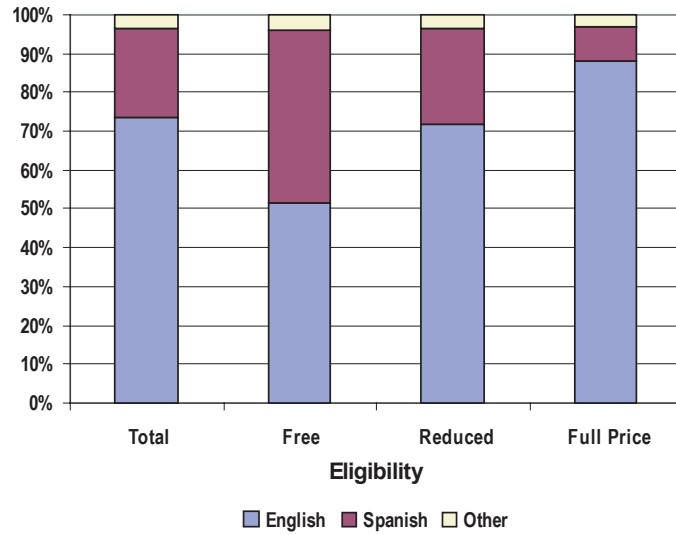
Table 5: Average Eligibility and Number of Schools by School Size and Location
Fiscal Year 2005

School Size	Urban		Rural	
	Eligibility percentage	Number of schools	Eligibility percentage	Number of schools
Very small, fewer than 199 students	68%	49	72%	54
Small, 200—499	60	139	67	141
Medium, 500—824	54	402	60	77
Large, 825—1,199	51	231	58	23
Very large, 1,200 or more	42	116	44	7
School Average	54%	937	65%	302

Source: Auditor General staff analysis of March 2005 free and reduced-price lunch reports.

¹ The data collection system that schools use for determining meal reimbursement and NSLP eligibility rates does not collect student-specific information. The information discussed here was developed from another ADE database, called the Student Accountability Information System (SAIS). The information reported here reflects data as of October 2004. There are discrepancies between information in the two databases, as discussed later in Chapter 3.

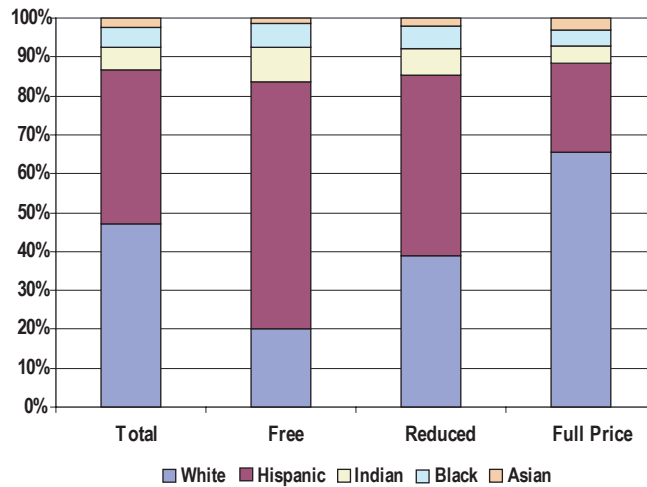
Figure 4: Home Language of Students
April 2005



Source: Auditor General staff analysis of ADE enrollment data from SAIS for April 2005.

Figure 5 shows the racial/ethnic proportions based on data that the participating schools reported in SAIS for April 2005. At these schools, white students represented approximately 47 percent of the total student population, and Hispanic students another 39 percent.

Figure 5: Ethnicity of Students
April 2005



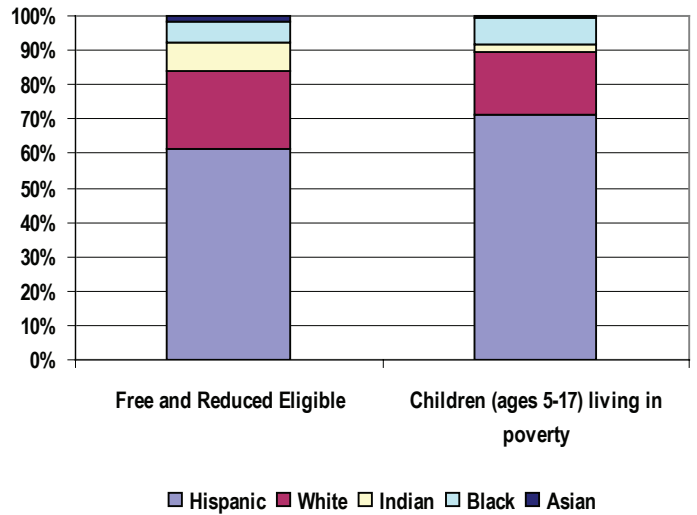
Source: Auditor General staff analysis of ADE enrollment data from SAIS for April 2005.

Further, by gender, male and female students are about 51 and 49 percent of the total student population at participating schools, and they comprise approximately the same proportion of the free, reduced-price, and full-price eligible categories.

Ethnicity of eligible students similar to that of children living in poverty—When compared to Census Bureau data, as shown in Figure 6, the ethnicity of students reported free- and reduced-price eligible is similar in proportion to that of children aged 5 to 17 years reported as living in households at or below the federal poverty standard.

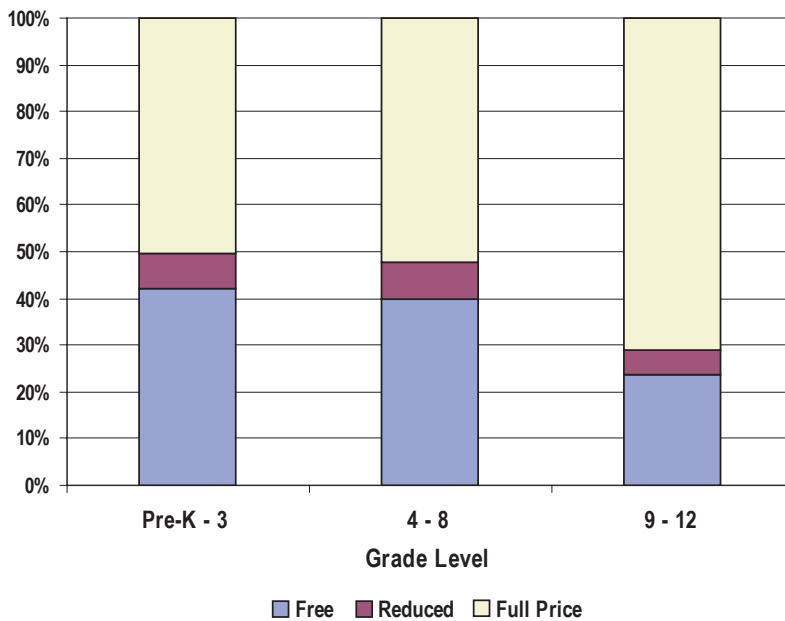
High school student eligibility rates lower than those of students in lower grades—As shown in Figure 7, analysis of SAIS data also shows that fewer high school students were reported eligible for free- and reduced-price meals than those in lower grades. As noted previously, fewer high school students eat school meals; therefore fewer families may apply for free lunches for high school students.

Figure 6: Ethnicity by Free and Reduced Eligibility and Poverty Status Fiscal Year 2005



Source: Auditor General staff analysis of ADE's enrollment data from SAIS for April 2005 and U.S. Census Bureau poverty data.

Figure 7: Proportion of Eligibility by Grade Level April 2005



Source: Auditor General staff analysis of ADE's enrollment data from SAIS for April 2005.

CHAPTER 2

Eligibility and income verification processes

This chapter provides an explanation of the processes schools use to determine students' eligibility for free or reduced-price meals and to selectively verify the information they receive from qualifying families. Schools directly certify students as eligible for free meals if their families already meet certain criteria, such as being eligible for Food Stamps. Families not identified as eligible through this method are informed of the program's availability and provided an application that can be submitted to determine their eligibility. The majority of students receive approval for free or reduced-price meals on the basis of the applications their families submit to the schools. Most schools must also verify income information from a sample of these applications each year. In fiscal year 2005, Arizona schools conducted verifications of 14,868 applications. In almost 19 percent of these cases, the verification resulted in a lowered benefit. In another 32 percent, benefits were terminated because the student's parent or guardian did not submit income information in response to the verification request. Some schools—93 out of 1,249 schools in fiscal year 2005—are exempt by federal regulations from the requirements to take applications, make eligibility determinations, and conduct verifications. To reduce their administrative workload, these schools, which have exceptionally large populations of eligible students, are only required to do these activities every 4 to 5 years.

Commonly Used Terms

- **Categorical Eligibility**—students are eligible for free meals if they are eligible for Temporary Assistance to Needy Families (TANF) or Food Stamps, or are homeless, runaway, or migrant.
- **Direct Certification**—schools can determine if students are eligible for TANF or Food Stamps by obtaining documentation directly from the Department of Economic Security (DES). If documentation is obtained from DES, the student's household does not need to submit an application for the program.
- **Income Eligible**—any student from a household whose current income is at or below the program's Income Eligibility Guidelines is eligible for either free or reduced-price lunches. The parent/guardian must submit an application providing household size and income.
- **Verification**—confirmation of eligibility for free or reduced-price lunches by confirming income eligibility or eligibility for TANF or Food Stamps.

(For a glossary of other commonly used terms, see pages a-iv through a-xii).

Two primary methods for determining student's eligibility

A student's eligibility for free or reduced-price meals is determined in one of two ways: categorical eligibility, based on meeting certain specified criteria, or income eligibility, based on household size and income as reported on an application for meal benefits. Figure 8 on page 17 provides an overview of this process, which is explained in more detail below.

Certain students are categorically eligible for free meals

When a student has already been determined eligible for Food Stamps, Temporary Assistance to Needy Families (TANF), or the Food Distribution Program on Indian Reservations (FDPIR), or has homeless, migrant, or runaway status, he or she is categorically eligible for free meals through the National School Lunch Program. In addition, preschool students in certain federally funded programs also qualify for free meals. Categorical eligibility can be determined through the school's direct certification efforts, an application from the student's parent or guardian, or information from a designated agency or official.

Direct certification—ADE's *Free and Reduced-Price Policy Manual* states that participating schools must, at the beginning of each school year, directly certify students eligible for free meals by matching Department of Economic Security (DES) data for Food Stamps and TANF eligibility. Daily, DES provides to ADE data identifying eligible school-aged children; through a Web-based system, ADE makes this eligibility data available to school districts' authorized personnel. Within 3 days of determining their eligibility, the participating schools must provide free meal benefits to these students. Within 10 days of eligibility determination, the schools are also required to notify the parent or guardian of the student's eligibility for free meal benefits. The parent or guardian is allowed to decline free meals for the student.

A direct certification system has not been established to identify FDPIR or other categorically eligible students. For FDPIR applications, the school can contact the Indian Tribal Organization directly to confirm eligibility. However, ADE's manual states that households that submit a complete application, including the student's name, an appropriate case number (FDPIR, Food Stamps, or Cash Assistance/TANF), and the signature of an adult member of the household must be approved for free meal benefits.

Other categorical eligibility—A combination of a household application and/or a statement from a designated liaison can document the status of other categorically eligible students.

Figure 8: Eligibility Methods

Initial Search for Categorically Eligible Students

After July 1, but no more than 30 calendar days prior to the first day of school, schools are required to use Department of Economic Security data to identify students who are eligible for Temporary Assistance to Needy Families (TANF) or Food Stamps.

Schools obtain a list of categorically eligible students from the school's liaison responsible for assisting migrant, homeless, and runaway students.

Students meeting these criteria are automatically eligible.

A notification letter for free meal benefits is sent to the student's household within 10 working days.

Application Method

Schools send applications for free and reduced-price meals to households of students who were not previously determined to be categorically eligible, without overtly identifying those students already qualified for free meals.

Using the applications from responding families, schools determine eligibility status based on income and household size or on Food Distribution Program on Indian Reservations (FDPIR), TANF, or Food Stamp case numbers, if provided.

If approved, a notification letter is sent to families indicating the level of meal benefits that has been approved.

If denied, a notification letter is sent to families explaining the basis of the denial.

Source: Auditor General staff analysis of federal regulations and ADE guidelines.

- Eligibility of migrant, homeless, or runaway students can be documented by an application. Schools must also obtain a signed list with the students' names and dates of eligibility from the migrant/homeless/runaway liaison. Further, ADE's *Free and Reduced-Price Policy Manual* states that the school can ask someone who is familiar with a student's situation to indicate that the child is homeless, runaway, or migrant and may then complete an application on the child's behalf. However, it cautions that the school must base this determination of categorical eligibility on concrete information.
- A Head Start student who is a federally funded participant or meets the Head Start low-income criteria is also eligible for free meal benefits. A Head Start enrollment statement of income eligibility or list of income-eligible children, along with an official signed statement certifying the low-income criteria, can be used to document eligibility.
- A pre-kindergarten student enrolled in a federally funded Even Start program is eligible for free meal benefits. Although the Even Start program provides family literacy services for parents and children, primarily from birth through age 7, categorical eligibility does not apply to other family members. An Even Start official statement of enrollment is needed to document eligibility.

Other students receive free or reduced-price meals based on income eligibility

Unlike students who are categorically eligible, families of students who become income-eligible must submit an application and demonstrate that they meet eligibility criteria. Federal regulations and state guidance also specify the application and certification process for determining eligibility based on income and household size.

Application—After direct certification efforts, participating schools are required to send an Application for Free and Reduced-Price Meals to all other students' households near, but no more than 30 days prior to, the start of the school year. The letter accompanying the application must include:

- The reduced-price meal income eligibility guidelines, with an indication that resulting eligibility may be for free or reduced-price meals;
- Guidance for submitting the application, noting that it cannot be approved unless all required information has been completed;
- An explanation that households with children eligible for Food Stamps, TANF, or FDPIR will be determined eligible based upon valid case numbers;

- Explanation of how to apply for meal benefits anytime during the school year should circumstances change;
- Explanation that a parent or guardian becoming unemployed may result in eligibility;
- A statement of nondiscrimination for any reason of race, gender, color, national origin, age, or disability; and
- An explanation of the appeal process.

The application requires the parent or guardian to report household income, including the individual who receives the income, how often it is received, and the source, such as wages, welfare, etc. (See text box below.) The individual preparing the application must sign it, certifying that the information provided is accurate. However, the individual is not required to provide any supporting documentation. The application form also requires a listing of individual household members and the social security number of the adult signing the application. If this social security number is not provided, indication must be made that he or she does not have one.

The income eligibility guidelines for application-based determinations are shown in Table 6 (see page 20); however, federal regulations require that applications and other descriptive materials list only the reduced-price income guidelines and state that applicants may be eligible for free or reduced-price meals. Based on these guidelines, for example, the student in a family of four having a yearly income of less than \$35,798 would be eligible for reduced-price meals. If that same family had an income of less than \$25,155, the student would be eligible to receive meals free.

Exceptions to application process—

School officials may request, but may not require, a household to submit an application for free or reduced-price meals. However, after applications have been submitted, school officials may determine that a student for whom an application was not submitted appears to meet eligibility criteria. By federal regulation, school officials can complete and file an application for the student. When exercising this

Reportable income includes sources such as:

- Compensation for services, including wages, salary, commissions, or fees, before any deductions, such as income taxes, social security taxes, insurance premiums, or charitable contributions;
- Net income from nonfarm self-employment;
- Net income from farm self-employment;
- Social security;
- Dividends or interest on savings or bonds or income from estates or trusts;
- Net rental income;
- Public assistance or welfare payments;
- Unemployment compensation;
- Government civilian employee or military retirement, or pensions or veterans' payments;
- Private pensions or annuities;
- Alimony or child support payments;
- Regular contributions from persons not living in the household;
- Net royalties;
- Other cash income, such as cash amounts received or withdrawn from any source including savings, investments, trust accounts, and other resources that would be available to pay for the child's meal.

Source: Federal Register, Vol. 70, No. 52, Friday, March 18, 2005/Notices, page 2.

Table 6: Fiscal Year 2006 Income Eligibility Guidelines

Family Size	AMOUNT AND FREQUENCY OF INCOME									
	FREE MEALS					REDUCED-PRICE MEALS				
	Year	Month	Twice Per Month	Every Two Weeks	Week	Year	Month	Twice Per Month	Every Two Weeks	Week
1	\$12,441	\$1,037	\$519	\$479	\$240	\$17,705	\$1,476	\$738	\$681	\$341
2	16,679	1,390	695	642	321	23,736	1,978	989	913	457
3	20,917	1,744	872	805	403	29,767	2,481	1,241	1,145	573
4	25,155	2,097	1,049	968	484	35,798	2,984	1,492	1,377	689
5	29,393	2,450	1,225	1,131	566	41,829	3,486	1,743	1,609	805
6	33,631	2,803	1,402	1,294	647	47,860	3,989	1,995	1,841	921
7	37,869	3,156	1,578	1,457	729	53,891	4,491	2,246	2,073	1,037
8	42,107	3,509	1,755	1,620	810	59,922	4,994	2,497	2,305	1,153
Each Additional Member Add:	+ 4,238	+ 354	+177	+163	+82	+ 6,031	+ 503	+252	+232	+116

Source: Federal Register, Vol. 70, No. 52, Friday, March 18, 2005/Notices, page 3.

option, the school official completes the application based on the best household-size and income information available, noting the source of the information. These applications are excluded from income verification. For school-prepared applications, school officials must still notify the household that the student has been certified and is receiving free or reduced-price meals. Federal regulations further specify that this option is available only for limited use in individual situations and not for making eligibility determinations for categories or groups of students.

Accessibility—The text box on page 21 describes the federal requirements for public and family notifications. As described, to make the program accessible, the school must make reasonable efforts to send the appropriate foreign language letters, notices, and application forms when a significant percentage of its population needs information in a language other than English. If needed, the USDA makes available the NSLP documents in a variety of foreign language translations, including Korean, Creole, Japanese, and others. Further, schools are encouraged to provide translators to assist these households with completing the applications.

Eligibility determination—After receiving a completed application, a school must make the benefit eligibility determination within 10 operating days and send a notification letter to the student’s parent or guardian stating whether benefits are

Summary of Notification Requirements

Public Notification

- Near the beginning of the school year, a public announcement is provided by the Arizona Department of Education to be used by school districts to notify the public of the school nutrition program's availability, and eligibility criteria, application, and verification.
- The school district is required to submit public information/press releases to local employment offices and major employers in the school's attendance area contemplating layoffs.
- Copies of the public release must be made available upon request to any interested person.

Family Notification

- A letter or notice informing households of the availability of free and reduced-price meal benefits is to be distributed at the beginning of each school year. An application form must be distributed to the households of all students who were not determined eligible through Direct Certification match or other categorically eligible status.
- The letter/notice must contain only the reduced-price eligibility guidelines with an explanation that households with incomes at or below these limits are eligible for either free or reduced-price meals.
- The letter/notice should be sent as early as possible in the school year so that eligibility determinations may be made and free and reduced-price benefits provided as soon as possible. However, the application should be distributed after July 1, but no more than 30 days prior to the beginning of the school year.
- New students subsequently enrolling in school must be provided the letter/notice and application form when they enroll.
- Schools participating in Special Provisions to reduce paperwork requirements need only notify households and determine eligibility during the base year.
- School districts must notify the households of children whose free meal benefits were determined through the Direct Certification system. If a household refuses the benefits, the school must document the refusal and discontinue the free meals immediately. Households that receive Food Stamps or TANF may submit an application with a case number or income information if their eligibility is not identified during the school's Direct Certification efforts.
- School districts must make reasonable efforts to send appropriate non-English-language household letters/notices and application forms to applicable households. ADE provides forms, and the USDA's Food and Nutrition Service (FNS) Web site contains additional samples of translated application material. Further, schools are encouraged to provide households with assistance in completing applications through the use of foreign language personnel.

Source: Auditor General staff analysis of ADE's *Free and Reduced-Price Policy Manual*.

approved or denied. Applicants who are denied benefits must be given written notification, including the reason for the denial, instructions on how to appeal the decision, and an explanation that the household may reapply for meal benefits at any time during the school year.

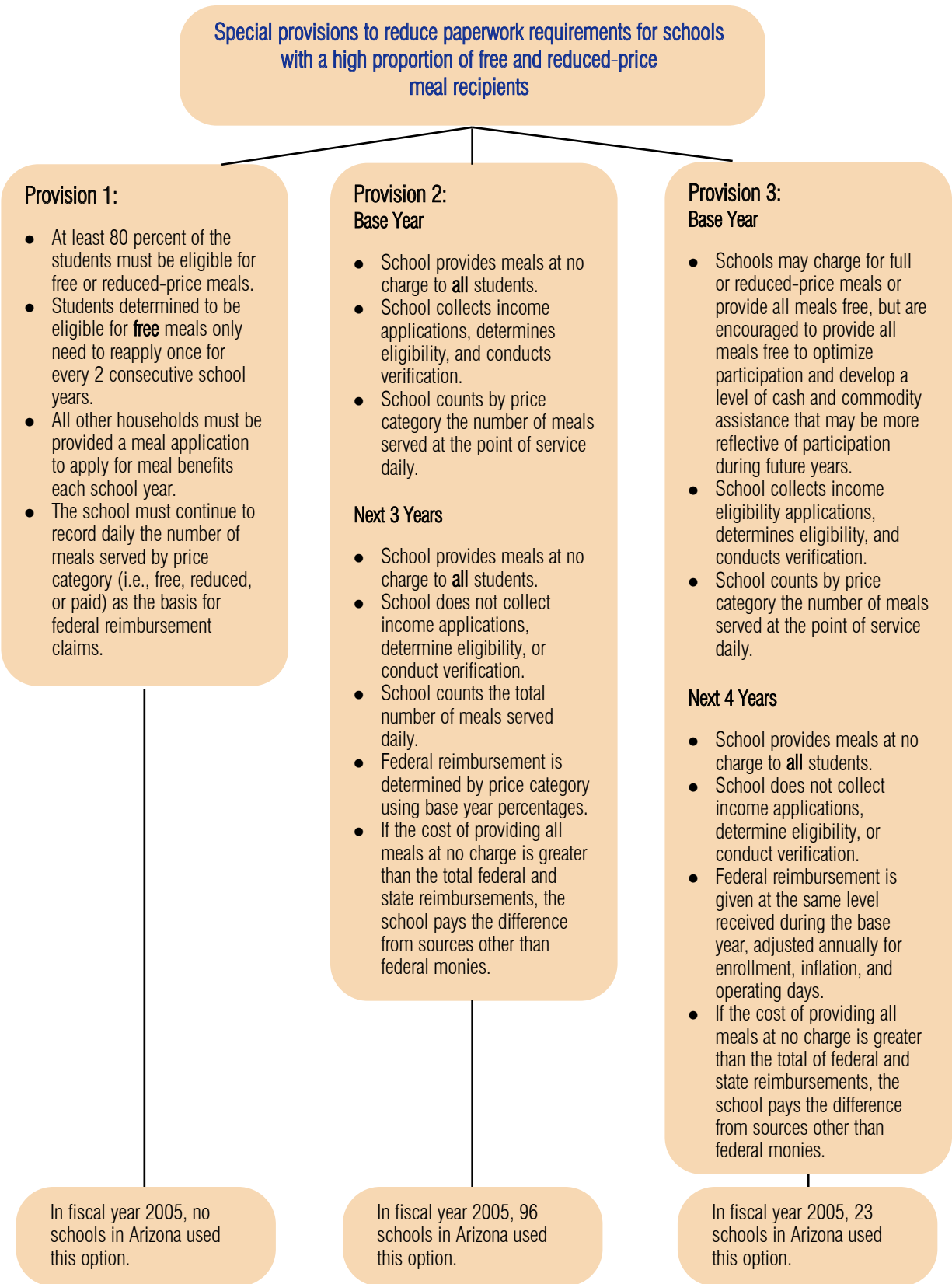
Once approved, benefits generally continue for the entire school year. Effective July 2004, students generally remain eligible for up to 30 school days into the next school year or until the eligibility determination is made for the next school year, whichever comes first.

Confidentiality and nondiscrimination requirements—By federal law, information provided on an NSLP application is confidential and only to be used for program purposes. Federal regulations also prohibit discriminatory action against any eligible child, whether based on race, sex, color, national origin, age, or disability. Citizenship is not a requirement. ADE guidance states that schools must apply the same eligibility criteria for citizens, noncitizens, and Federal Amnesty Program participants. Names of the participating students cannot be published, posted, announced, or shared unless authorized in writing by the parent or specifically allowed by federal regulations. Schools cannot overtly identify eligible children through use of special meal tokens or tickets. They also cannot require eligible children to work for their meals or eat in a separate dining area or at a different time, and schools must provide the same meal choices to eligible children as are available to those paying full price.

Schools with high workloads may qualify to reduce paperwork

Federal regulations provide three paperwork reduction options to schools that have high percentages of eligible students. As described in Figure 9 (see page 23), Provision 1 is available only to schools with more than 80 percent of students eligible for free or reduced-price meals. Provision 1 provides limited benefit, with application, certification and verification of free-eligible students reduced from annually to once every 2 years. However, Provisions 2 and 3 reduce the frequency, from yearly to once every 4 to 5 years, for collecting all income applications and verifying eligibility for meal benefits, and also reduce the level of detail needed for tracking school meal counts. While Provisions 2 or 3 are available to any school, they only benefit a school with a high proportion of free and reduced-price eligible students as the school must provide free meals to all students, regardless of their individual economic status. Because the federal reimbursement rate for a full-price meal is substantially below typical per-meal costs, a substantial proportion of free and reduced-price meals are needed for the school to realize a cost benefit.

Figure 9: NSLP Special Provisions



Source: Auditor General staff analysis of federal regulations and ADE NSLP data.

For fiscal year 2005, 93 schools in 17 districts did not have to take applications due to their Provision 2 or 3 status. These schools served approximately 75,900 students, with 57,500 eligible for meal benefits. In total, approximately 119 district schools with 96,800 students hold Provision 2 or 3 status.

ADE has to approve a school to participate in any of the Special Assistance provisions. At the end of the designated Provision 2 or 3 time period, ADE can grant extensions for another 4 years if the income level of the school's population, as adjusted for inflation, has remained stable, declined, or had less than a 5 percent improvement.

School districts have typically used school lunch program eligibility to identify their "economically disadvantaged" students for purposes of analyzing assessment data, and for providing supplemental educational services and school choice priority as required by Title I. However, federal regulations prohibit Provision 2 and 3 schools from collecting eligibility data and certifying students on an annual basis to use the data for other purposes. Therefore, Provision 2 and 3 schools are allowed to deem all their students as "economically disadvantaged" for these purposes. In addition, for Title I eligibility and funding, which are poverty-based, Provision 2 and 3 schools are considered to have the same percentage of students eligible for free and reduced-price lunches as they had in the most recent base year.

Most schools must verify income from a sample of applications

Federal law requires schools to confirm, for a sample of completed applications, that the income information provided on the application for meal benefits is accurate and meets eligibility guidelines. Although generally used only for income information, the verification process can be used to confirm any information on the application, such as household size. School districts may conduct the required income verification activities or verification may occur at the school level.

As a condition of receiving free or reduced-price meal benefits, households are required to submit income documentation if selected for verification. By law, households that submit documentation that does not meet eligibility guidelines or that do not respond to the verification requests must have their eligibility terminated. However, households can at any time subsequently provide their income documentation and reapply for benefits.

General guidelines—Federal regulations specify required sampling methods and processes to be used for income verification activities. Generally, a school district will verify income information for 1.5 percent to 3 percent of its approved applications as

of October 1. Thus, if a school district reported 400 eligible students, school officials would verify income for 6 to 12 applications. School districts have to complete verification activities by November 15, and report final results to ADE by March 1 of the following year. Verification activities do not have to include applications approved through direct certification or those for which the school previously verified categorical eligibility. In addition, Provision 2 or 3 schools do not conduct verification activities unless they are in the base year, which occurs once every 4 to 5 years. Verification results affect only the few applications that are tested; schools are not required to review additional applications if they find a large proportion of those tested are not eligible for benefits or do not respond to verification.

Verification sampling methods—Based on the school district's prior year verification results, a school district identifies its required sampling method as shown in Figure 10 (see page 26). Besides the number of applications to be verified, the defined methods also specify the types of applications to be tested, such as error-prone or all applications.

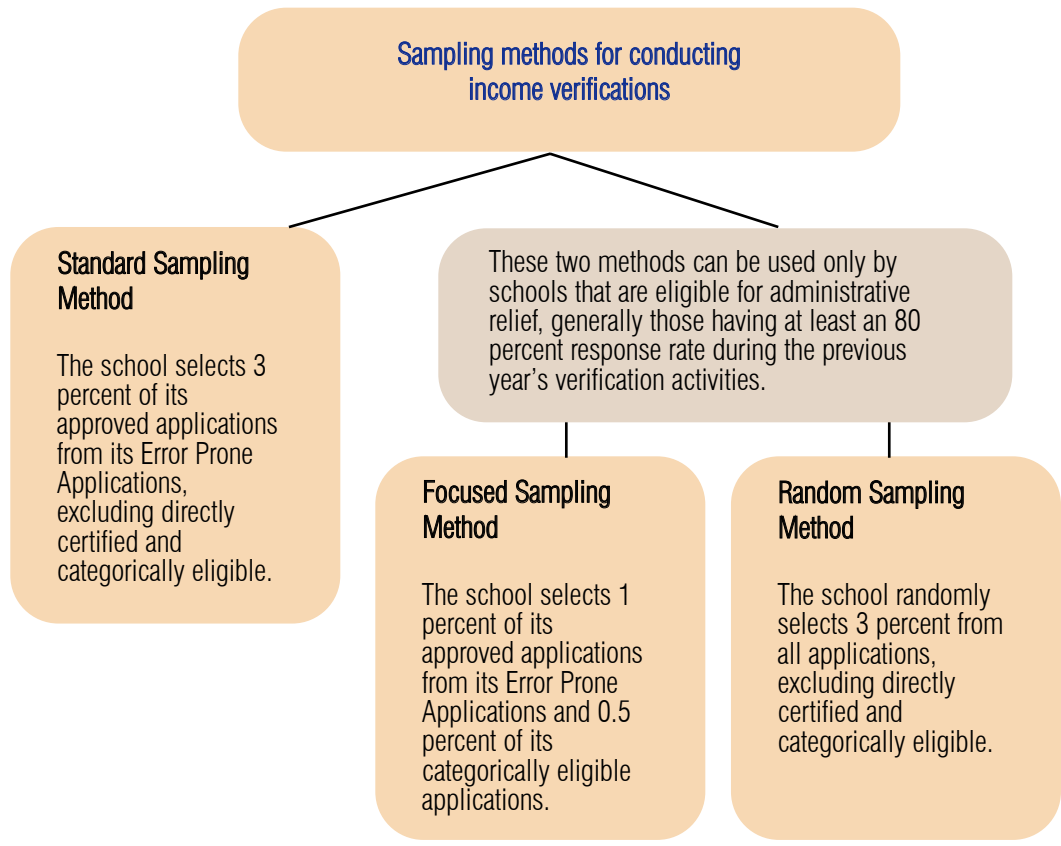
School districts generally must use the Standard Sampling Method. Prior to 2005 a school district was required to verify income data for 3 percent, up to 3,000, of its approved applications, excluding directly certified and categorically eligible applications. Effective beginning with October 2005 verification activities, a school district must still select the same size sample, but the applications sampled must be from error-prone applications, defined as those reporting income within \$100 per month of the eligible income amounts. (These amounts are shown in Table 6 on page 20.)

Also, effective beginning October 2005, if at least 80 percent of those being verified in the previous year responded, the school district can choose between two *Administrative Relief* sampling methods.

- **Random sampling** involves verifying a minimum of 3 percent, up to 3,000, of approved applications chosen randomly, which excludes directly certified and categorically eligible students.
- **Focused sampling** requires selecting 1 percent of approved applications, up to 1,000, but drawn from error-prone applications, plus selecting another 0.5 percent, up to 500, of certain categorically eligible applications. These include Food Stamp, TANF, and FDPIR applications that were not directly certified.

A school district can choose to verify up to 100 percent of its approved applications. However, in fiscal year 2005, it appears that only one district performed 100 percent verification of all of its 12 applications.

Figure 10: NSLP Verification Sampling Methods
Effective Beginning in Fiscal Year 2006



Source: Auditor General staff analysis of federal regulations and ADE guidance.

A school may replace up to 5 percent of the applications it initially selects for verification with other applications. The associated USDA memo indicates this option was added to allow schools to continue providing free or reduced-price meals to vulnerable children whose parents are unlikely to respond to verification requests and to increase the school's verification response rate.

Before contacting any households, the school can first try to verify income eligibility of the selected applicants directly through the Food Stamp, TANF, FDPIR, or similar income-tested programs through the applicable agencies.

Income verification request—The school uses a standard verification letter to notify parents or guardians that they have been selected for income verification.

Federal regulations and ADE guidance specify the verification processes schools must use, including the following:

- The verification letter must include a toll-free telephone number that can be called to obtain assistance. If the household is unable to obtain assistance during their initial call, the school is responsible for further contact.
- Income verification may be accomplished with documentation, collateral contacts, or state agency data systems. The household can provide written documentation, such as pay stubs, benefit award letters, or letters from employers, or may authorize the school to contact an employer, a social services agency, or a migrant services agency. The school may also verify income using relevant government agency data to which it has legal access. For example, ADE facilitates limited access for schools to Department of Economic Security data that allows a school to verify whether its students are categorically eligible due to Food Stamp or TANF eligibility.
- If the household fails to respond, the school is required to make at least one additional attempt to obtain income verification. This contact can be made through the mail, by telephone, by e-mail, or through personal contact. If unable to verify income eligibility, the meal benefits must be terminated through a notice of adverse action.

Increased eligibility due to Federal Reauthorization Act of 2004—The Child Nutrition and WIC Reauthorization Act of 2004 and the associated federal regulations extended the eligibility period and increased the categories automatically eligible for free meals, while narrowing the focus of the schools' income verification efforts for other applicants. Beginning with school year 2005:

- Eligibility for free and reduced-price meals continues the entire current school year and into the next school year for up to 30 school days or when the new eligibility determination is made, whichever comes first. Previously, households were required to report changes in circumstances, such as increases in income, decreases in household size, or loss of eligibility for food stamps, TANF, or FDPIR.
- Households can now provide income documentation for any point in time between the month prior to application and the income verification request. Previously, households that were selected for verification had to document their income for the most current month.
- Runaway and migrant children were added as categorically eligible for free meal benefits. Besides establishing free meal eligibility, the Act also establishes a requirement for documenting a child's status as runaway, homeless, or migratory. In addition, although the Food and Nutrition Service had

administratively extended categorical eligibility to homeless children, the Act established their categorical eligibility in law.

- The standard sampling method now focuses on error-prone applications, those within \$100 of the eligible monthly income amounts. This prescriptive approach to determining error-prone applications provides a very narrow sampling range.
- Schools are also now allowed to replace with others up to 5 percent of the applications initially selected for income verification. ADE notes that this option allows schools to continue providing meals to vulnerable children whose parents are unlikely to respond and to increase the school's verification response rate.

These changes all appear to have the effect of potentially increasing the overall eligibility rates.

Verification results reported for fiscal year 2005

First effective in 2005, federal regulations now require participating schools to report their verification results to ADE by March 1. ADE then summarizes these reports for its report to FNS by April 15. Based on ADE's summary report, in fiscal year 2005, Arizona schools verified the eligibility of 14,868 students. These income verification efforts resulted in 46.5 percent of applications tested having no change in meal benefits, and 2.2 percent having their benefit increased from reduced-price to free lunch.

However, as shown Table 7 (see page 29), almost 19 percent had meal benefits reduced based on the income documentation that was provided; another 32.5 percent of students lost eligibility for free or reduced-price meals due to their family's failure to respond to the verification request with income documentation. And, as shown, school district verification results were similar to those of all school types.

Of those included in the verification sample, about 2,300 students had been initially determined categorically eligible for free meals based on being Food Stamp-, TANF- or FDPIR-eligible, while the remaining 12,500 had been determined income-eligible based on their application information.

As shown in Table 7 (see page 29), nearly 35 percent of all households sampled by districts did not respond to the verification requests. However, for individual school districts, verification nonresponse rates ranged as high as 76 percent. For example, Phoenix Union High School District had reported 9,626 applications approved for

Table 7: Verification Results for Arizona Schools
Fiscal Year 2005

Change in eligibility status	All school types		District schools		Other schools	
	Number of students	Percentage of sample	Number of students	Percentage of sample	Number of students	Percentage of sample
No change	6,915	46.5%	4,555	42.2%	2,360	58.1%
Reduced benefits:						
Free status changed to reduced price	706	4.7	554	5.1	152	3.7
Free status changed to full price	1,361	9.1	1,152	10.7	209	5.1
Reduced status changed to full price	736	5.0	641	5.9	95	2.3
Benefits terminated due to nonresponse	4,826	32.5	3,738	34.6	1,088	26.8
Increased benefits:						
Reduced price changed to free	324	2.2	163	1.5	161	4.0
Total students in verification sample	14,868	100.0	10,803	100.0	4,065	100.0
Total students approved for free or reduced-price meals and percentage included in verification activities	494,099	3.0%	460,184	2.3%	33,915	12.7%

Source: Auditor General staff analysis of ADE's Verification Results October-December 2004.

free or reduced-price meals. The District selected 319 applications to verify, about 30 more than required. However, 244 households did not respond, giving a 76 percent nonresponse rate.

Districts with high response rates were generally those with few applications and small verification samples. Of districts with 100 percent response rates, most tested few applications, 25 on average. For example, Ash Creek Elementary School District had reported 17 approved applications, and had to verify 1 application. This district selected 2 applications to verify and both households responded. The Appendix (see pages a-iii through a-viii) provides a listing of all participating school districts, their verification results, and their free and reduced-price eligibility rates.

Federal regulations also require schools to report the number of applicants whose benefits were terminated during verification activities, but reapplied and were approved for meal benefits by the following February 15. Schools reported that applications for 1,091 students were resubmitted and approved by February 15, 2005. This represents almost 16 percent of the 6,923 students whose free or reduced-price meal benefits were terminated after verification activities in October through December 2004.

ADE required to analyze and act on schools' verification results

Subsequent to the Federal Reauthorization Act of 2004, FNS now requires ADE to analyze and take action on schools' verification results. Previously, these results were not collected or analyzed on a state-wide basis. Effective March 1, 2005, and each year thereafter, ADE has to collect schools' verification results, analyze the data, determine if there are potential problems, and develop rigorous oversight activities needed to support the objective of certifying only eligible children. No later than April 15 each year, ADE has to report to FNS the state-wide verification results and any ameliorative actions it has taken or intends to take for schools with "high termination rates" (that is, loss of benefits during verification). "High" is to be defined by ADE, in comparison with similar schools or within a particular category of applications. And "rigorous oversight" is described as providing technical assistance, developing an improvement strategy, providing training, and/or conducting more extensive data analysis.

In its first-year report, filed in October 2005, ADE listed several actions that it already performs, such as providing verification guidance on its Web site and providing access for Direct Certification and Direct Verification of Food Stamp and TANF eligibility. However, ADE also reported that it is going to require NSLP sponsors with high verification error rates to attend verification training, which has previously been voluntary, and the verification training session will be expanded in length and provided at several additional locations.

CHAPTER 3

Conclusions and recommendations on state-wide operation of the program

Two matters were noted relating to program administration that merit attention. The first relates to information accuracy. Auditors' analysis of data in two different ADE databases showed substantial discrepancies in basic information, such as the number of students eligible for free and reduced-priced meals. ADE should investigate and resolve these discrepancies. The second matter relates to using program data to make funding decisions about other education programs, such as state assistance for all-day kindergarten. Other sources, such as Census Bureau data, may be more reliable indicators of economic need within a school district.

Discrepancies from different databases need to be reconciled

In working with the two databases from which the information in this report was drawn, auditors found a number of basic discrepancies. For example, the eligibility data that schools reported through the Student Accountability Information System (SAIS) does not match the numbers of eligible students these same schools reported to ADE's Health and Nutrition Services for determining meal reimbursement and NSLP eligibility rates. Specifically, the October 2004 SAIS data showed that participating schools had 929,560 students enrolled, while Health and Nutrition Services NSLP data indicated that these schools had 942,577 students. And while schools reported 460,184 students eligible for free and reduced-price lunches for NSLP purposes, they recorded only about 390,000 in the SAIS system.

ADE does not currently reconcile data in these two systems. It was not possible for auditors to determine whether the discrepancies between the two reflect incomplete data in SAIS or an overreporting of meal claims and eligibility rates in the NSLP data

system. By not reconciling this data, ADE does not fully ensure the integrity of NSLP meal reimbursements and eligibility data.

Other data may be preferable for allocating monies from state programs

Arizona currently uses free and reduced-price meal eligibility rates as a special needs indicator of poverty for allocating monies from several state educational programs, including the following:

- **All-Day Kindergarten**—For fiscal year 2005, the Legislature appropriated \$21 million to fund full-day kindergarten in district schools and charter schools with at least 90 percent of the students meeting National School Lunch Program eligibility requirements.¹ For fiscal year 2006, another \$38 million was appropriated for full-day kindergarten funding in schools with at least 80 percent eligibility. According to ADE, 282 schools are receiving full-day kindergarten monies in fiscal year 2006.²
- **Early Childhood Block Grant**—To promote improved pupil achievement through flexible supplemental funding for early childhood programs in school districts and charter schools, the Early Childhood Block Grant totals about \$19.4 million a year. By law, these monies are distributed based on the previous year's number of students in kindergarten through third grade eligible for free lunches.
- **School choice transportation funding**—A school district can receive state transportation monies for providing transportation for its students who are eligible for free or reduced-price meals and choose to attend school in an adjacent district. This type of transportation is limited to no more than 20 miles each way to and from school or to and from a regular pick-up point. However, ADE does not require districts to separately report these miles, so the cost, if any, is not known.

In addition to these programs, the State also uses this data in determining the membership of the State Board for Charter Schools. Two of 14 board members must reside in school districts where at least 60 percent of the students are eligible for free lunches under the NSLP.

¹ A.R.S. §15-901.02 and Senate Bill 1405, 1st Regular Session 2005.

² The current year's appropriation plus the remaining balance from the prior year is insufficient to fully fund the eligible schools. ADE calculates that full funding would have required an additional \$991,000. Therefore, the total available monies are being allocated on a pro-rata basis to each eligible school.

Eligibility data may not be a reliable indicator of a district’s economic need—The accuracy of Arizona’s free and reduced-price eligibility rates is questionable for several reasons. Besides the issue discussed above regarding conflicting information in ADE databases, there is also the issue (discussed in Chapter 2, see pages 15 through 30) of the errors found during verification of household income. The first state-wide report of schools’ verification efforts, covering activities conducted during October through December 2004, found that in 19 percent of the cases examined, available documentation resulted in the benefit being reduced or eliminated. Benefits were eliminated in another 32.5 percent of cases because households failed to respond and provide income documentation.

These types of data problems have been documented elsewhere and for a number of years. Similarly, several federal studies conducted for the U.S. Department of Agriculture since the late 1980s have found eligibility determinations to not be highly reliable (see Table 8). During the studies’ verification activities, benefits were reduced for 11 to 21 percent of those tested based on income documentation the respondents provided. And similar to Arizona’s experience, these studies also found that an even larger portion, ranging from 10 percent to 50 percent of those tested, had benefits terminated for failing to respond with documentation of income. The high nonresponse rate occurred despite participants being informed in advance in the application materials that they would be required to respond to any verification requests for meal benefits to continue for their children.

Table 8: Summary of Relevant FNS Studies Related to NSLP Eligibility and Verification Activities

Study	Sample Results				
	Benefits Unchanged	Benefits Increased	Benefits Reduced	No Responses, Terminated	Total Reduced or Terminated
<i>Study of Income Verification in the National School Lunch Program (January 1990)</i>	79%	n/a	11%	10%	21%
<i>Case Study of NSLP Verification Outcomes in Large Metropolitan School Districts (April 2004)</i>	32%	1%	17%	50%	67%
<i>School Food Authority Administration of NSLP Free and Reduced-Price Eligibility Determination (August 2003)</i>	43%	2%	21%	34%	55%

Source: Auditor General staff analysis of reports provided on the USDA Web site (specifically, the Economic Research Service; Office of Analysis, Nutrition and Evaluation; and Food and Nutrition Service sections).

In the study, *Case Study of NSLP Verification Outcomes in Large Metropolitan Areas*, researchers noted that of the 50 percent not responding to verification, just over one-half were actually eligible for free or reduced-price meal benefits. However, the study also indicates that this determination was based on interviews with the nonresponders, and it does not state the portion of those interviewed who also provided income documentation.

Census data may be a better indicator of economic need—The U.S. Department of Education and ADE use Census Bureau population and poverty estimates for allocating Title I monies.¹ The U.S. Department of Education describes the Census Bureau's estimated data as being based on a statistical model that uses decennial data, household survey data, administrative records data, and population estimates. This data, which the U.S. Department of Education provides to ADE for its review and use, is already matched with school district boundaries. It includes the estimated number of school-aged children from ages 5 to 17 years in families considered to be living in poverty in each district. In addition to using this data to allocate Title I monies to school districts, ADE could also use it for other program allocations. However, the poverty data is not directly applicable to charters and other schools that do not have defined boundaries. Other methods would be needed to allocate funding to these schools.

Food Stamp or TANF eligibility could also indicate economic need—Another potential indicator that could be used is Food Stamp or TANF eligibility. An advantage of this indicator is that eligibility is much more extensively verified as compared to the NSLP. A single application form and process is used to evaluate eligibility for Food Stamps, TANF, and AHCCCS. The Department of Economic Security, which administers these programs, provides a listing of documents the applicant needs to bring to the interview to facilitate eligibility determination, such as:

- Identification documents, including Social Security numbers, birth certificates, and alien registration cards, if applicable;
- A statement listing the applicant's address and all household members, signed by someone who is not a relative and not living with the applicant;
- Proof of all money received from any source for the previous month and current month and/or proof of unemployment;
- Proof of assets, such as a bank statement for the most recent month, registration/titles for any vehicles, and documentation of any investments, retirement plans, and life insurance; and
- Proof of living expenses, such as rent, childcare, and medical costs.

¹ Federal Title I monies are provided to public schools with high numbers or percentages of poor children to help ensure that all children meet challenging state academic content and student academic achievement standards.

A verification process is used that places more reliance on supporting documents and third-party contacts, such as with a landlord or employer, and the least reliance on information provided directly by the applicant. The application information is checked against other DES benefit programs, such as Unemployment Insurance. In addition, each applicant is required to provide a digital fingerprint, which is then compared to fingerprints of existing program participants to determine if the applicant is receiving benefits under any other names. The eligibility approval process generally takes 30 days. Further, once certified as eligible, the participant is generally recertified every 6 months, and benefits are terminated if the applicant does not attend the scheduled recertification interview.

DES is required to select a statistically valid sample from approved and denied Food Stamp applications and review the eligibility and benefit amount determinations. The amount of incorrect determinations that is identified produces an error rate that is periodically reported to USDA's Food and Nutrition Service. At least annually, FNS reviews the State's quality control system and retests a subset of the sample to determine payment error rates.

Although not required by the federal program to do so, DES conducts similar quality control activities for its TANF caseload.

However, while the Food Stamp/TANF data undergoes far more extensive verification than the NSLP data, it is currently not available in a format that would allow it to be used for making funding allocations by school district. To make funding allocations using Food Stamp/TANF eligibility data, the data would first have to be matched with school district boundaries. The Arizona State Land Department (ASLD) currently uses Geographical Information System mapping software for its various purposes, including mapping school district boundaries. An ASLD representative indicated that mapping eligibility data to school district boundaries would be feasible with current technology.

School-level allocations would require additional analysis—Some state funding allocations are currently made based on school-level data, such as All-Day Kindergarten funding. Additional analysis would be required to use Census Bureau poverty rates or Food Stamp/TANF eligibility data for such allocations. Neither type of data is currently available matched to school attendance boundaries. However, the ASLD representative indicated that matching eligibility to the more specific school attendance boundaries is also feasible, but would require development and maintenance of school boundary data.

Recommendations

1. ADE should reconcile data reported through its separate data systems to ensure schools are properly claiming meal reimbursements and reporting NSLP eligibility.
2. The Legislature should consider whether state monies and other requirements should continue to use the NSLP eligibility rates as a poverty indicator or if another measure, such as Census Bureau poverty data or Food Stamps/TANF eligibility, should be selected.

Agency Comments

Auditors provided a preliminary draft of this report to ADE for technical review and comment. ADE provided technical corrections and clarifications, which auditors incorporated as appropriate. Regarding the first recommendation, ADE indicated that it has been unable to reconcile NSLP data between the two databases due to data quality and timing issues. ADE indicated that it strongly agrees with the second recommendation to consider other poverty indicators, such as Census Bureau data or Food Stamp/TANF eligibility. Using Census Bureau data for state-funded programs would be consistent with the requirements for the federal Title I program.

APPENDIX

Appendix

Summary of School Districts' Verification Results and Free and Reduced-Price Eligibility Rates
Fiscal Year 2005

District Name	Verification Results October – December 2004				March 2005
	Unchanged	Reduction	Increase	No Response	Eligibility Rate
Agua Fria UHSD	47%	32%	0%	21%	24%
Aguila ESD	50	25	0	25	95
Ajo USD	100	0	0	0	60
Alhambra ESD	20	49	4	27	89
Altar Valley ESD	63	12	12	13	87
Amphitheater USD	31	22	4	43	38
Antelope UHSD	100	0	0	0	58
Apache Junction USD	25	41	0	34	38
Arlington ESD	100	0	0	0	66
Ash Creek ESD	100	0	0	0	77
Ash Fork USD	n/a	n/a	n/a	n/a	99
Avondale ESD	69	17	0	14	66
Balsz ESD	n/a	n/a	n/a	n/a	87
Beaver Creek ESD	50	8	8	34	67
Benson USD	0	60	0	40	40
Bicentennial UHSD	100	0	0	0	78
Bisbee USD	58	26	16	0	62
Blue Ridge USD	n/a	n/a	n/a	n/a	47
Bouse ESD	100	0	0	0	96
Buckeye ESD	67	4	0	29	66
Buckeye UHSD	22	39	0	39	33
Bullhead City ESD	79	0	10	11	70
Camp Verde USD	73	13	0	14	51
Canon ESD	25	75	0	0	61
Cartwright ESD	4	22	0	74	86
Casa Grande ESD	14	38	0	48	62
Casa Grande UHSD	55	0	3	42	48
Cave Creek USD	100	0	0	0	7
Cedar USD	n/a	n/a	n/a	n/a	90
Chandler USD	15	41	2	42	32
Chinle USD	15	47	1	37	81
Chino Valley USD	41	25	0	34	58
Clarkdale-Jerome ESD	n/a	n/a	n/a	n/a	52
Clifton USD	50	50	0	0	77
Cochise ESD	100	0	0	0	43
Colorado City USD	55	0	0	45	81
Colorado River UHSD	100	0	0	0	46
Concho ESD	75	0	25	0	76

n/a—not applicable. Provision 2 and 3 schools do not conduct verification other than in their base years.

Source: Arizona Department of Education's Verification Results October-December 2004 and March 2005 Free and Reduced-Price lunch reports.

Appendix (Continued)

District Name	Verification Results October – December 2004				March 2005 Eligibility Rate
	Unchanged	Reduction	Increase	No Response	
Congress ESD	50%	0%	0%	50%	70%
Continental ESD	0	100	0	0	38
Coolidge USD	16	46	0	38	62
Cottonwood-Oak Creek ESD	28	22	4	46	48
Crane ESD	24	5	0	71	67
Creighton ESD	71	10	1	18	93
Deer Valley USD	45	29	1	25	19
Douglas USD	53	14	2	31	76
Duncan USD	33	67	0	0	43
Dysart USD	40	8	0	52	50
Elfrida ESD	0	75	0	25	72
Eloy ESD	97	3	0	0	88
Flagstaff USD	52	24	1	23	38
Florence USD	40	4	1	55	44
Flowing Wells USD	52	22	4	22	62
Ft. Huachuca ASD	49	27	0	24	42
Fountain Hill USD	100	0	0	0	15
Fowler ESD	10	46	0	44	79
Fredonia-Moccasin USD	50	25	0	25	72
Ft. Thomas USD	100	0	0	0	94
Gadsden ESD	76	20	4	0	97
Ganado USD	31	24	0	45	84
Gila Bend USD	86	0	0	14	77
Gilbert USD	34	40	2	24	18
Glendale ESD	41	15	1	43	75
Glendale UHSD	30	9	1	60	39
Globe USD	37	47	0	16	55
Grand Canyon USD	66	17	0	17	43
Hackberry ESD	100	0	0	0	60
Hayden-Winkelman USD	100	0	0	0	72
Heber-Overgaard USD	93	7	0	0	65
Higley USD	31	33	9	27	17
Holbrook USD	32	31	0	37	70
Humboldt USD	37	14	4	45	48
Hyder ESD	n/a	n/a	n/a	n/a	89
Indian Oasis-Baboquivari USD	6	47	0	47	84
Isaac ESD	n/a	n/a	n/a	n/a	93
J.O. Combs ESD	90	0	0	10	44
Joseph City USD	100	0	0	0	50
Kayenta USD	85	14	1	0	88

n/a—not applicable. Provision 2 and 3 schools do not conduct verification other than in their base years.

Appendix (Continued)

District Name	Verification Results October – December 2004				March 2005 Eligibility Rate
	Unchanged	Reduction	Increase	No Response	
Kingman USD	15%	52%	0%	33%	55%
Kirkland ESD	69	26	5	0	45
Kyrene ESD	n/a	n/a	n/a	n/a	17
Lake Havasu USD	39	5	0	56	45
Laveen ESD	n/a	n/a	n/a	n/a	77
Liberty ESD	17	50	0	33	34
Litchfield ESD	7	71	0	22	27
Littlefield USD	30	35	0	35	83
Littleton ESD	29	20	7	44	73
Madison ESD	12	46	0	42	47
Maine Consolidated SD	100	0	0	0	23
Mammoth-San Manuel USD	43	28	0	29	77
Marana USD	22	9	4	65	33
Maricopa County Regional District	n/a	n/a	n/a	n/a	98
Maricopa USD	16	28	8	48	42
Mary C. O'Brien ASD	93	5	2	0	89
Mayer USD	91	0	9	0	76
Mcnary ESD	0	71	29	0	89
Mesa USD	7	53	1	39	45
Miami USD	61	22	6	11	63
Mobile ESD	100	0	0	0	100
Mohave Valley ESD	10	45	0	45	52
Mohawk Valley ESD	n/a	n/a	n/a	n/a	79
Morenci USD	67	12	1	20	26
Morristown ESD	0	50	0	50	47
Murphy ESD	41	47	12	0	96
Naco ESD	100	0	0	0	85
Nadaburg ESD	100	0	0	0	66
Nogales USD	16	20	0	64	79
Oracle ESD	40	40	0	20	56
Osborn ESD	10	61	4	25	88
Owens-Whitney ESD	n/a	n/a	n/a	n/a	63
Page USD	35	17	3	45	72
Palo Verde ESD	100	0	0	0	71
Paloma ESD	n/a	n/a	n/a	n/a	85
Palominas ESD	56	24	20	0	50
Paradise Valley USD	28	19	3	50	29
Parker USD	64	14	0	22	72
Patagonia ESD	n/a	n/a	n/a	n/a	76
Patagonia UHSD	100	0	0	0	57

n/a—not applicable. Provision 2 and 3 schools do not conduct verification other than in their base years.

Appendix (Continued)

District Name	Verification Results October – December 2004				March 2005 Eligibility Rate
	Unchanged	Reduction	Increase	No Response	
Payson USD	12%	44%	0%	44%	44%
Peach Springs USD	0	0	0	100	81
Pearce ESD	100	0	0	0	43
Pendergast ESD	19	10	1	70	59
Peoria USD	31	9	2	58	30
Phoenix ESD	43	11	4	42	83
Phoenix UHSD	19	4	1	76	63
Picacho ESD	n/a	n/a	n/a	n/a	72
Pima USD	39	23	0	38	67
Pine Strawberry ESD	63	37	0	0	49
Pinon USD	52	29	0	19	89
Pomerene ESD	100	0	0	0	38
Prescott USD	34	9	3	54	35
Quartzsite ESD	n/a	n/a	n/a	n/a	83
Queen Creek USD	27	37	2	34	29
Ray USD	83	0	0	17	64
Red Mesa USD	91	0	9	0	84
Red Rock ESD	70	16	0	14	59
Riverside ESD	25	31	0	44	83
Roosevelt ESD	13	52	3	32	87
Round Valley USD	48	25	0	27	47
Sacaton ESD	n/a	n/a	n/a	n/a	75
Saddle Mountain USD	34	33	0	33	56
Safford USD	80	10	0	10	57
Sahuarita USD	71	18	0	11	47
Salome Consolidated ESD	57	0	43	0	77
San Carlos USD	n/a	n/a	n/a	n/a	90
San Simon USD	0	0	100	0	66
Sanders USD	88	12	0	0	80
Santa Cruz Valley USD	70	17	13	0	73
Santa Cruz Valley UHSD	n/a	n/a	n/a	n/a	97
Scottsdale USD	33	43	3	21	18
Sedona-Oak Creek USD	12	44	0	44	34
Seligman USD	100	0	0	0	46
Sentinel ESD	66	0	0	34	83
Show Low USD	19	0	7	74	51
Sierra Vista USD	41	33	0	26	36
Skull Valley ESD	50	0	0	50	17

n/a—not applicable. Provision 2 and 3 schools do not conduct verification other than in their base years.

Appendix (Concluded)

District Name	Verification Results October – December 2004				March 2005 Eligibility Rate
	Unchanged	Reduction	Increase	No Response	
Snowflake USD	36%	14%	0%	50%	51%
Solomon ESD	47	0	18	35	68
Somerton ESD	n/a	n/a	n/a	n/a	89
St. David USD	100	0	0	0	38
St. Johns USD	100	0	0	0	57
Stanfield ESD	34	34	2	30	90
Sunnyside USD	21	33	0	46	84
Superior USD	100	0	0	0	88
Tanque Verde USD	100	0	0	0	7
Tempe ESD	19	35	4	42	64
Thatcher USD	68	21	0	11	36
Tolleson ESD	23	43	1	33	80
Tolleson UHSD	5	5	0	90	38
Toltec ESD	36	4	0	60	70
Tombstone USD	100	0	0	0	56
Tonto Basin ESD	100	0	0	0	81
Topock ESD	67	16	0	17	68
Tuba City USD	14	20	0	66	85
Tucson USD	44	8	1	47	58
Union ESD	66	17	0	17	77
Vail USD	n/a	n/a	n/a	n/a	18
Valley UHSD	100	0	0	0	56
Vernon ESD	83	0	17	0	68
Washington ESD	18	36	0	46	63
Wellton ESD	53	27	0	20	77
Wenden ESD	n/a	n/a	n/a	n/a	95
Whiteriver USD	17	66	0	17	77
Wickenburg USD	50	25	5	20	43
Willcox USD	56	22	0	22	66
Williams USD	40	47	0	13	54
Wilson ESD	n/a	n/a	n/a	n/a	95
Window Rock USD	20	41	0	39	79
Winslow USD	20	6	0	74	56
Yarnell ESD	100	0	0	0	67
Young ESD	100	0	0	0	84
Yucca ESD	100	0	0	0	67
Yuma ESD	30	26	0	44	68
Yuma UHSD	36	8	4	52	66

n/a—not applicable. Provision 2 and 3 schools do not conduct verification other than in their base years.

GLOSSARY

GLOSSARY

Administrative Review—Review conducted by Health and Nutrition Services staff to assess the adequacy of the eligibility certification process and accuracy of the meal counting and claiming system in the base year.

Base Year—The last school year that applications for free or reduced-price meal benefits were distributed, eligibility determinations were made, and verification was conducted.

Categorical Eligibility—All students eligible for Temporary Assistance to Needy Families (TANF) or Food Stamps are eligible for free meals. In addition, all homeless, runaway, and migrant children are categorically eligible for free meals once identified by a homeless education liaison, shelter director, migrant education coordinator, or other appropriate official. Subsequently, such children do not have to submit an application to receive free meals and are not subject to verification.

Child Nutrition Programs—Includes the National School Lunch, School Breakfast, Special Milk, and Summer Food Service Programs.

Direct Certification—Process of establishing children's eligibility for benefits by obtaining documentation directly from the Department of Economic Security (DES). Households determined eligible for meal or milk benefits through direct certification are not required to submit a free and reduced-price application to the school.

FDPIR, Food Distribution Program on Indian Reservations—Enables families on or near certain Indian Reservations who meet Food Stamp income guidelines to receive commodity foods.

FNS, Food and Nutrition Service—Agency within the U.S. Department of Agriculture that is responsible for administering the National School Lunch Program, School Breakfast Program, Special Milk Program, Food Commodities Program, and other food assistance programs.

Free Meal—Meals served under the National School Lunch Program or other nutrition programs to a child from an eligible household. Neither the child nor any household member can be required to work in the school or in the school's food service program to supplement the cost of the meal.

Income Eligible—Any child from a household whose current income is at or below the household size/income limits provided in the Income Eligibility Guidelines is eligible for either free or reduced-price meals, as applicable. To be determined eligible, the parent/guardian must provide the necessary household size and income information on an application for free and reduced-price meals.

NSLP, National School Lunch Program—A federal program providing cash assistance and donated food commodities to participating schools to provide nutritionally balanced, low-cost, or free lunches to children each school day.

Overt Identification—Any act that openly identifies children as eligible for free or reduced-price benefits in the National School Lunch Program or other nutrition programs.

Point of Service Meal Counts—Meals are counted at the point in the food service operation where it can be accurately determined that a reimbursable free, reduced-price, or full-price meal has been served to an eligible student.

Reduced-Price Meal—A meal served under the National School Lunch or School Breakfast Programs to an eligible child. The price of this meal must be less than the full price of the meal and no more than 40 cents for lunch or 30 cents for breakfast. Neither the child nor any household member can be required to work in the school or in the school's food service program to supplement the cost of the meal.

SBP, School Breakfast Program—A federally assisted meal program operating in schools and other institutions to provide nutritionally balanced, low-cost, or free breakfasts to children each school day.

TANF, Temporary Assistance for Needy Families—A federally funded program to provide assistance and work opportunities to needy families by granting states the flexibility to develop and implement their own welfare programs. TANF benefits or services may include, but are not limited to, the following: Cash Assistance Grant Diversion, Kinship Care, Kinship Foster Care, Legal Permanent Guardian, Tribal TANF programs, Child Care services, and Jobs Administration services.

USDA, United States Department of Agriculture—The federal agency designated by Congress to administer the National School Lunch Program and other Child Nutrition Programs.

Verification—Confirmation of eligibility for free and reduced-price meals under the National School Lunch/Breakfast Programs. Verification must include either confirmation of income eligibility or confirmation of eligibility for Food Stamps, TANF, or FDPIR. At state or local discretion, verification may also include confirmation of any other information on the application that is required for determining eligibility.