



Direct Certification in the National School Lunch Program—Impacts on Program Access and Integrity: Executive Summary

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An important aspect of the National School Lunch Program (NSLP) is that low-income children can receive lunches free or at a reduced price. Those living in families with incomes of 130 percent or less of the Federal poverty guideline—or who receive food stamps, Temporary Assistance for Needy Families (TANF), or assistance from the Food Distribution Program on Indian Reservations (FDPIR)—qualify for free meals. Those living in families with incomes between 131 and 185 percent of poverty qualify for reduced-price meals.

The U.S. Department of Agriculture (USDA) introduced the policy of direct certification for free meals in the late 1980s. Previously, all families who wished their children to receive free or reduced-price meals had to complete an application and provide data on either family size and income or receipt of food stamp, TANF, or FDPIR (FS/TANF/FDPIR) benefits. School officials then determined whether families met eligibility requirements. Under direct certification, information from the State food stamp or welfare agency is used to directly certify children receiving FS/TANF/FDPIR benefits without requiring them to complete certification applications.

Direct certification was designed primarily to improve program access and administrative efficiency. If existing data from State food stamp or welfare offices were used to directly certify children, fewer eligible children may fail to become certified for free meals. And if the need for these children to complete applications and for district officials to process these applications were eliminated, administrative costs could be reduced. Finally, direct certification might also improve program integrity. Promoting program access among this group could increase the proportion of certified students eligible for the level of benefits they are receiving because FS/TANF/FDPIR recipients are, by definition, eligible for free meals.

This report summarizes the findings of the Direct Certification Study. The primary objectives of the study involved examining the prevalence and consequences of direct certification. In particular, we set out to estimate the prevalence of direct certification and describe its methods of implementation. The study

was also designed to estimate the impact of direct certification on program access and program integrity. To examine program access, we estimated the impact of direct certification on rates of NSLP participation and certification for free/reduced-price meals. To examine program integrity, we first estimated the rate of ineligibility among certified students, and then estimated the impact of direct certification on the ineligibility rate.

The study relied on two major data sources to address these objectives: a survey of school districts and administrative data collected from State food stamp/welfare offices. The survey collected information on district/foodservice characteristics from a nationally representative sample of 1,223 public school districts offering NSLP lunches. Administrative data were collected from 37 States on the FS/TANF status of school-aged children from these same districts at two points in time during 2001 (Jackson et al., 1999).

How Prevalent Is Direct Certification?

As of the 2001-02 school year, 61 percent of public school districts used direct certification. Because larger districts were more likely to use direct certification than smaller districts, just over two-thirds of students attended districts using direct certification. This prevalence of direct certification among districts was about the same in 2001-02 as it was in 1996, at the time of a previous study of direct certification (Jackson et al., 1999).

The prevalence of direct certification can also be examined by estimating the percentage of *students* who are directly certified. Among students certified for free meals in the average direct certification district, one in four is directly certified. Among all students certified for free meals (including those in districts not using direct certification), 18 percent are directly certified. Among all students (including those not certified for free meals) in all districts, 6 percent are directly certified.

In addition to those students who are directly certified, some students certified for free meals are “categorically eligible,” meaning that they became certified by application on the basis of a reported FS/TANF/FDPIR case number. In the average direct certification district, about 18 percent of students certified for free meals fall into this category (in addition to the 25 percent directly certified) (fig. 1). It is possible that many of

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these categorically eligible students could have been directly certified but were missed by the system for some reason. To better understand how this type of gap in direct certification coverage could have arisen, the Direct Certification Study examined districts' implementation of direct certification.

How Do Districts Implement Direct Certification?

The 1996 Study of Direct Certification developed a typology of direct certification in which districts using the policy were categorized based on how they identified students to be directly certified and how these students' direct certification status was triggered. This typology included three main types of direct certification districts—(1) non-matching districts, (2) district-level matching districts, and (3) State-level matching districts—along with districts with mixed type characteristics (see Typology box).

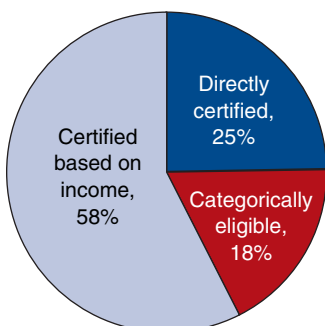
Direct certification is implemented through some sort of matching in most districts—41 percent use district-level matching and 27 percent use State-level matching. The prevalence of matching has increased since 1996, when 34 percent used district-level matching and 19 percent used State-level matching. The previous study found that nearly all matching districts used passive consent—that is, FS/TANF/FDPIR students were automatically directly certified unless they explicitly declined the benefit. We found that by 2001 some matching districts had begun to require active consent—that is, FS/TANF/FDPIR students were directly certified only if they explicitly accepted the benefit.

Districts' use of matching has led to some implementation problems. Overall, nearly half of direct certification districts reported having households with children who were directly certified while their siblings were not. Districts that relied on matching with passive consent were particularly likely to report this problem. Nearly one-third of districts reported problems in matching children's names with their parents. Such problems could be part of the reason that substantial numbers of eligible children are "missed" by the direct certification system.

Does Direct Certification Affect Program Access?

A key aim of direct certification is to improve access to the program among students eligible for free meals. To assess the success of direct certification in achieving this aim, we estimated the impact of direct certification on rates of certification

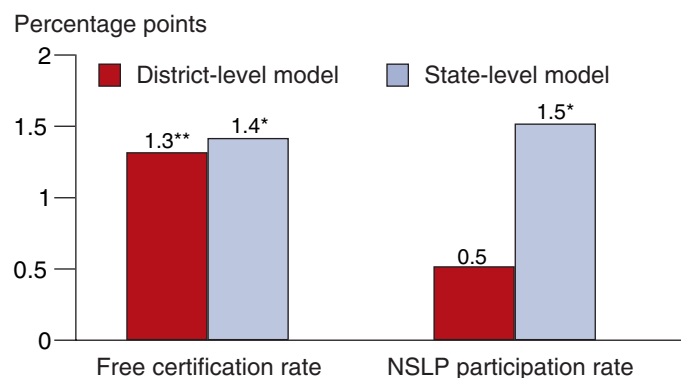
Figure 1
Means by which students in direct certification districts were certified for free meals



and NSLP participation (fig. 2). We used regression techniques to estimate these impacts. In particular, we estimated a district-level ordinary least squares (OLS) and a State-level fixed effects model to determine the policy's impacts on certification and participation. The findings from this analysis follow:

- **Direct certification leads to an increase in the percentage of students certified for free meals.** Both the district-level and State-level models indicate that direct certification leads to a positive and significant impact on the free certification rate. The size of the effect is 1.3-1.4 percentage points, implying that the policy leads to an increase of about 400,000 students certified for free meals.

Figure 2
Estimated effects of direct certification on certification and participation rates



*Statistically significant at the 0.10 level.
**Statistically significant at the 0.05 level.

Direct Certification Typology

- **Non-Matching Districts:** FS/TANF/FDPIR households are sent letters (typically by a State agency) notifying them of their children's potential eligibility for direct certification. Active consent is required, whereby students must bring these notification letters to school to trigger direct certification.
- **District-Level Matching Districts:** A list of enrolled children is matched by the district against a list of children on FS/TANF/FDPIR to determine who is eligible for direct certification. Typically, passive consent is used, whereby no further action is required for these children to be directly certified.
- **State-Level Matching Districts:** A list of enrolled children is matched by a State agency against a list of children on FS/TANF/FDPIR to determine who is eligible for direct certification. Typically, passive consent is used, whereby no further action is required for these children to be directly certified.
- **Mixed Type Districts:** These districts share characteristics of more than one of the above direct certification implementation types.

- **Direct certification appears to lead to a small increase in NSLP participation.** Both models indicate that direct certification has a positive effect on the participation rate, though only the State-level estimate is statistically significant. The increase in this rate arises from an increase in participation among students certified for free meals.

Does Direct Certification Affect Program Integrity?

To estimate the effects of direct certification on program integrity, we first had to come up with some way of estimating program integrity. To get at program integrity, we estimated the rate of income ineligibility among certified students—the proportion of children certified for free and reduced-price meals in the fall whose family circumstances in December (income, household size, and FS/TANF/FDPIR status) made them ineligible for the benefits they were receiving. Students were considered *income ineligible* for free meals, for example, if their income exceeded 130 percent of poverty and they did not receive FS/TANF/FDPIR. Students from Provision 2 or 3 schools were excluded from this analysis, so the estimated rates of ineligibility among certified students apply only to those in non-Provision 2 or 3 schools (see Provision box).

A key challenge in estimating ineligibility among certified students was that we had to rely on different sources of information and methods of estimating ineligibility among two groups of certified students. For students certified by application, we relied on each district's report of the results of its verification process to estimate ineligibility. For directly certified students, who are not covered by the verification system, we used State administrative data coupled with a supplemental analysis of data from the Survey of Income and Program Participation (SIPP) to estimate ineligibility. We then combined the resulting estimates of ineligibility among these two groups to estimate the proportion of all certified students ineligible for benefits.

Provision 2 and 3 Schools

Provisions 2 and 3 are alternatives to the traditional procedures for determining the numbers of and reimbursements for free, reduced-price, and paid meals served by a school. Provision 2 is currently the more common arrangement and has been an option for schools since 1980, though it has become much more commonly used in recent years. Under Provision 2, schools must serve meals at no charge to all students for a 4-year period. During the first, or base, year, a Provision 2 school determines meal price eligibility status as usual and counts the number of meals served, by meal type. The school may or may not use direct certification during the base year. During the subsequent 3 years, the school makes no new eligibility determinations, counting only the total number of meals served. Reimbursements during these years are determined by applying the percentages of free, reduced-price, and paid meals served during the base year to the number of total meals served during the current year.

These schools were excluded from our analysis of direct certification's effects on program integrity because they do not assess the eligibility of students for free and reduced-price meals during non-base years.

Understanding the limitations of these data is important to interpreting our findings. First, the verification process itself is likely to be subject to errors from several sources. One problem is that districts using random sampling to select cases for verification may not have selected a truly random sample, although the available evidence suggests that districts' procedures approximate the results of a scientifically random sample.¹ It is also possible that districts may not have accurately determined the income eligibility of the households selected for verification. And, verification information provided by households may in some cases misrepresent income.

Another limitation of using verification results to estimate ineligibility is that many households selected for verification do not respond to the request for income or FS/TANF/FDPIR documentation. Districts conducting verification are required to terminate the benefits of these households. However, the actual circumstances of the households are not known: They may or may not be income eligible for benefits. Thus, rather than estimating a single income ineligibility rate, we estimated upper and lower bounds of income ineligibility. The lower bound estimate assumed that all nonresponding households remain eligible for free or reduced-price meal benefits. The upper bound estimate assumed that nonresponding households were ineligible unless they reapplied and were approved for benefits subsequent to the verification process. We believe that the true rate of income ineligibility lies between these bounds.²

Notwithstanding these limitations, data from the verification process (along with administrative data on directly certified students) offer useful insights into issues of program integrity and the potential effects of direct certification on integrity.

We estimated a lower bound of 12 percent of free/reduced price students *in the average district* to be income ineligible as of December for the level of benefits they are receiving. This lower bound estimate assumes that those who fail to respond to the verification request are income eligible. We estimated an upper bound of 20 percent income ineligible, assuming that those who fail to respond to the verification request are income ineligible unless they reapplied and were approved for benefits.

Ineligibility is more common in larger districts, so estimated rates of ineligibility among all certified students are higher than estimated rates of ineligibility among certified students in the average district. We estimated a lower bound of 12 percent of

¹This was the conclusion of the most recent national study of income verification in the NSLP (USDA, 1990).

²Abt Associates conducted the most recent national study of income verification in the NSLP during the 1986-87 school year for FNS (USDA, 1990). That study provides some insight about ineligibility among families that do not respond to the verification request. In that study, 10 percent of those selected for verification did not respond. Household audits of these nonresponders found that 67 percent remained income eligible for the benefits they were approved for; 18.7 percent were income ineligible for NSLP benefits; and 14.3 percent were eligible for reduced-price meals even though they had been certified for free meals. The districts from which these estimates were computed all used random sampling to conduct verification. While this study was conducted in a small sample of districts and before direct certification was available to districts, it suggests that some share of the nonresponders to verification requests in 2001 remained income eligible.

free/reduced price students, *regardless of what district they attend*, to be income ineligible as of December, again assuming that all nonresponders were income eligible. We estimated an upper bound of 33 percent, again assuming that those who fail to respond to the verification request are income ineligible unless they reapplied and were approved for benefits.

Ineligibility is rare among directly certified students, with only 7 percent estimated to be income ineligible. While over 20 percent of directly certified students have stopped receiving FS/TANF by December of the school year, most of these FS/TANF leavers remain eligible for free meals on the basis of their income.

To determine how direct certification affects program integrity, we estimated the impact of direct certification on those lower and upper bound estimates of income ineligibility among certified students in non-Provision 2 and 3 schools. We found that:

- ***Direct certification leads to a decrease in the rate of ineligibility among certified students.*** Estimates from each specification of the model suggested that the income ineligibility rate is lower in direct certification districts than in districts that do not use direct certification.
- ***The magnitude of the estimated effect of direct certification on ineligibility varies in alternative specifications.*** The specification of the model in which districts were weighted equally showed a large negative effect of direct certification on the rate of income ineligibility. In an alternative specification in which districts were weighted by their numbers of certified students, direct certification was estimated to have a much smaller negative effect on income ineligibility.
- ***Despite leading to a decrease in income ineligibility among certified students, direct certification is related to higher benefit reduction/termination rates.*** The benefit reduction/termination rate—the percentage of verified applications in which benefits are reduced or terminated—tends to be higher in direct certification districts than in non-direct certification districts. This effect arises because the benefit reduction/termination rate is based on a verification sample limited to students certified by application—thus excluding directly certified students, who are less likely than students certified by application to be ineligible.

Should Direct Certification Be Expanded?

Given the evidence indicating that direct certification improves both program access and program integrity, it is not surprising that a large proportion of districts use the policy. However, nearly 40 percent of districts do not use direct certification, and the prevalence of direct certification has not grown since 1996. Furthermore, even in districts that use the policy, a substantial number of students who could be directly certified seem to be missed by the system. Thus, evidence from this study suggests that expanding direct certification would have benefits and that there is room for such expansion.

So, how could such expansion be promoted? Improving districts' ability to implement direct certification could lead to an increase in the number of students directly certified within districts using the policy and might also make direct certification a more attractive option for districts not currently using it. A key part of improving this implementation will involve improving the process by which districts match information on which households are receiving FS/TANF/FDPIR with lists of students enrolled in the district. Although this study identified problems with the matching process as a key implementation issue, it did not address ways of successfully addressing this issue. Further research on “best practices” for conducting this matching would be useful.

Other implementation issues cited by some districts involved resource constraints and working with FS/TANF agencies. Thus, additional policy options for making direct certification more attractive to districts and expanding its coverage within districts might involve improving interagency coordination and communication and providing small grants or technical assistance to districts that implement direct certification.

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For more information on the details of the study, see *Direct Certification in the National School Lunch Program—Impacts on Program Access and Integrity: Final Report*, www.ers.usda.gov/publications/efan03009