

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1360
Ways and Means

(Delegate Haynes, *et al.*)

Primary and Secondary Education - Breakfast Program - School Requirements
(Breakfast After the Bell Act)

This bill establishes a Breakfast After the Bell Program in the State to require public schools with a high concentration of low-income students to offer a free breakfast to *all* students after the first bell of each school day. The program begins in the 2016-2017 school year, with thresholds for determining required participation by a public school phased-in over a three-year period through the 2018-2019 school year and remaining at that level thereafter.

The Maryland State Department of Education (MSDE) may waive participation in the program, upon request, of a public school that has an average breakfast participation rate exceeding 60% of the school's average daily attendance without participating in the program.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: Assuming that all public schools that are eligible for a waiver both request and receive a waiver, local school system expenditures in six counties increase by a total of \$121,100 in FY 2017 increasing by FY 2021 to a total of \$1.1 million shared by eight counties, as shown in Exhibit 1. Prince George's County accounts for the majority of cost increases each year. Local revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: In the 2016-2017 school year, each public school with at least 85% of its students eligible for free or reduced-price lunch or at least 55% of students directly certified as eligible for free school meals under the National School Lunch Program (NSLP) in the prior school year must offer breakfast for free to every student in the school. In the 2017-2018 school year, the respective thresholds are at least 80% and at least 50%; in the 2018-2019 school year, and each subsequent year, the respective thresholds are at least 75% and at least 45%.

Each public school may determine the breakfast serving model that best suits the students in that school. Serving models may include breakfast in the classroom, grab-and-go breakfast stations, and breakfast served after the first period of the school day.

A school district with schools that participate in the program may arrange transportation schedules so that buses arrive at school in time to serve breakfast before the start of school day instruction.

The bill also changes the target federal rate for suspending the breakfast program from any per-meal reimbursement rate for school breakfast below the rate prescribed on July 1, 1979, to any per-meal reimbursement rate for school breakfast below the rate prescribed on July 1, 2013.

Current Law/Background: All public schools in the State are required to provide subsidized or free nutrition programs for eligible students. The funds (including federal funds) appropriated annually by the State are used to reimburse each county for the subsidized or free food service programs. To be eligible for free meals, a child must be from a family with an annual income at 130% or less than the federal poverty guidelines, which is \$31,525 for a child from a family of four for the 2015-2016 school year. To be eligible for reduced-priced meals, a child must be from a family with an annual income at 185% or less than the federal poverty guidelines, or \$44,863 for a child from a family of four for the 2015-2016 school year.

Certain public elementary schools may be exempted from the required free and subsidized breakfast program if participation is less than 25% of the number of students eligible for free and reduced-price meals (FRPM) in the past three months, the school system approves an alternative nutrition program, or the school has less than 15% of its enrollment approved for FRPM. The State free and subsidized breakfast program may be suspended if the federal per-meal reimbursement falls below the 1979 rate.

According to MSDE, the 2013 federal per-meal reimbursement rate for school breakfast was \$1.89 in 2013 and \$0.595 in 1979.

The Maryland Meals for Achievement In-classroom Breakfast Program (MMFA), established in 1999, provides a free in-class breakfast to all students enrolled in schools in which 40% or more of the students qualify for FRPM. Schools must be eligible and are selected to participate in the program.

The Healthy, Hunger Free Kids Act of 2010, in part, amended the federal National School Lunch Act to provide an alternative to household applications for FRPM in high-poverty local educational agencies (LEAs) and schools. This alternative is referred to as Community Eligibility Provision (CEP). To be eligible, LEAs and schools must meet a minimum level of students directly certified for free meals (40% of enrollment) in the year prior to implementing the option; agree to serve free lunches and breakfasts to *all* students; and agree to cover with nonfederal funds any costs of providing free meals to all students above amounts provided in federal assistance.

Reimbursement is based on claiming percentages derived from the percentage of students directly certified as increased by use of a multiplier, which is currently set at 1.6 but may range from 1.3 to 1.6 in subsequent years (as determined by the U.S. Department of Agriculture). The claiming percentages established for a school in the first year are guaranteed for a period of four school years and may be increased if direct certification percentages rise for that school. An LEA may participate in CEP for all schools in an LEA or only some schools, depending on the eligibility of the individual schools and financial considerations based on the anticipated level of federal reimbursement and other nonfederal support that may be available.

Schools and school systems that qualify for CEP (by matching 40% or more of their student population as eligible for free meals by direct certification) and that “opt in” to the CEP program can use an alternative method, involving a predetermined multiplier, to establish the number of FRPM-eligible students. By doing so, however, the school or LEA may realize a decrease in the rate of return of household income applications because parents will no longer be required to complete the application to secure FRPMs for their children. CEP participation may also reduce the recorded FRPMs participation rate for schools and LEAs.

The proposed fiscal 2017 State budget includes \$418.1 million in federal funding in support of school food service programs, the majority of which is accounted for by \$103.5 million for the school breakfast program and \$228.7 million for the NSLP. The proposed fiscal 2017 budget also includes \$11.2 million in State general funds for school food and nutrition services.

Local Fiscal Effect: Public schools with a high concentration of low-income students must assure that *all* students have access to *free* breakfast on school days. According to MSDE data for the 2015-2016 school year, the majority of public schools that would

otherwise be affected by the bill have an average breakfast participation rate exceeding 60% of the school’s average daily attendance, and therefore are eligible for a waiver from the bill’s requirements. This analysis assumes that all eligible schools request, and receive, a waiver from MSDE.

The current federal requirement of the per-meal charged to students for a reduced-price breakfast is 30 cents and for a full-price breakfast is \$1.70; the student cost for a reduced-price breakfast is not anticipated to change in the near future, while the student cost for full-price breakfast increases annually with inflation, to approximately \$1.90 by fiscal 2021. This analysis accounts for this price inflation as well as annual increases in student enrollment, and assumes student participation rates at affected schools that are similar to participation rates for MMFA (nearly 70% statewide).

Exhibit 1 shows estimated LEA expenditure increases under the bill for fiscal 2017 to 2021. Due to the three-year phase in of thresholds under the bill, local expenditures total \$273,800 in fiscal 2018, more than double those estimated for fiscal 2017 (\$121,100); costs increase more substantially in the third year (fiscal 2019) to an estimated total of \$953,400. Beginning in fiscal 2020, annual percentage increases in local expenditures are modest compared to those experienced during the phase-in period. In each year, nearly all of the additional local costs under the bill are due to subsidizing the student cost of full-priced breakfasts as compared to the student cost of reduced-price breakfasts.

Exhibit 1
Public School Expenditure Increases

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Allegany	\$9,400	\$44,200	\$45,200	\$47,200	\$48,400
Baltimore	0	0	6,600	8,100	8,500
Caroline	0	0	3,800	4,100	4,400
Cecil	600	700	40,400	47,800	50,600
Harford	1,300	1,300	1,400	1,700	1,700
Montgomery	7,000	7,100	132,700	158,600	168,800
Prince George’s	101,500	219,100	576,200	646,600	676,100
Wicomico	1,300	1,300	147,100	175,200	186,000
Total	\$121,100	\$273,800	\$953,400	\$1,089,300	\$1,144,600

In fiscal 2017, approximately 770 additional students in 12 public schools receive free breakfasts. Five of the schools and the great majority of these students are in Prince George’s County. In fiscal 2018, approximately 1,680 additional students in 16 public schools receive free breakfasts. Eight of the schools and (once again) the great

majority of these students are in Prince George's County. By fiscal 2019, approximately 5,800 additional students in 33 public schools receive free breakfasts. Fifteen of the 33 schools and the majority of these students are in Prince George's County. Fiscal 2020 and 2021 estimates show increases related to inflation in the price of full-price breakfasts and enrollment growth.

MSDE is aware of four counties (Anne Arundel, Kent, Montgomery, and Washington) in which the LEA presently covers the student costs of reduced-price school breakfasts. Based on this information, the estimated costs for Montgomery County shown in Exhibit 1 may be overstated by approximately \$15,000 annually, beginning in fiscal 2019.

While the bill specifies that a school district *may* arrange transportation schedules so that buses arrive at school in time to serve breakfast before the start of school day instruction, the bill does not require a change in current transportation schedules, and available service models will enable local school systems to avoid such schedule changes. Therefore, it is assumed that the bill does not impose additional transportation-related costs on local school systems.

The Department of Legislative Services assumes that the change in the date of the federal target reimbursement rate has no fiscal impact.

Additional Information

Prior Introductions: None.

Cross File: SB 756 (Senator Madaleno, *et al.*) - Budget and Taxation.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2016
md/rhh

Analysis by: Scott P. Gates

Direct Inquiries to:

(410) 946-5510

(301) 970-5510