

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1325

(Delegate Haynes, *et al.*)

Ways and Means

State Department of Education - Breakfast and Lunch Programs - Funding (Free School Meals for Students From Low- and Middle-Income Families Act)

This bill makes the State responsible for the *student share* of the costs of (1) reduced-price breakfasts provided under the federal School Breakfast Program and (2) reduced-price lunches provided under the National School Lunch Program (NSLP). The bill prohibits a county board of education from charging a student who is eligible for a reduced-price breakfast or lunch for any portion of the cost of a meal. Accordingly, each public school must provide a free lunch and breakfast program for eligible children, instead of a free *and* reduced-price lunch and breakfast program. The bill also alters the calculation of the per-meal reimbursement rate and 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.

The bill takes effect July 1, 2016.

Fiscal Summary

**State Effect:** To cover the student costs for reduced-price breakfasts and lunches, Maryland State Department of Education (MSDE) general fund expenditures increase by \$3.9 million in FY 2017 and by \$4.6 million in FY 2021. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2018.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3.94	4.10	4.27	4.44	4.63
Net Effect	(\$3.94)	(\$4.10)	(\$4.27)	(\$4.44)	(\$4.63)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

**Local Effect:** School systems that currently cover the student cost of reduced-price meals realize savings equivalent to the student costs that are covered by the State under the bill.

**Small Business Effect:** None.

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## Analysis

**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, 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 free or reduced-priced meals. 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.

**State Fiscal Effect:** The bill makes the State responsible for the student share of the costs of reduced-price breakfasts and lunches. There is no student share of costs in CEP-participating schools, therefore, reduced-price lunch and breakfast enrollment does not factor into State costs under the bill. MSDE advises that both Baltimore City and Somerset County participate districtwide in CEP.

The current federal requirement for the per-meal charge to students for a reduced-price breakfast is 30 cents and for reduced-price lunch is 40 cents; neither of these amounts is expected to change in the near future. The current Maryland public school annual enrollment in the reduced-price category is 45,075 students. Assuming annual growth in this category of approximately 3.5% and assuming that students who are relieved of the charge for school meals under the bill participate at a rate that is similar to the rate of participation for the Maryland Meals for Achievement Program (MMFA) (nearly 70% statewide) in recent years, State general fund expenditures increase by \$3.9 million in fiscal 2017, increasing to \$4.6 million in fiscal 2021.

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

**Local Fiscal Effect:** MSDE is aware of four counties (Anne Arundel, Kent, Montgomery, and Washington) in which the LEA currently covers the student costs of reduced-price school breakfasts. The annual savings for Anne Arundel County is approximately \$15,000 and for Washington County approximately \$5,000. Estimates are not available for Kent and Montgomery counties. To the extent that other counties do so, outside of CEP and MMFA participation, these counties also realize savings.

**Additional Comment:** The per-meal reimbursement calculation in this bill is not identical to its cross file. However, since both bills require the State to cover the student costs of reduced-price meals and prohibit the LEAs from charging students a fee for reduced-price meals, DLS assumes that both bills have the same fiscal impact.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** Although designated as a cross file, SB 755 (Senator Madaleno, *et al.* - Budget and Taxation) is not identical.

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

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