

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

House Bill 868 (Delegate Hixson, *et al.*)

Ways and Means

Education - Maryland Meals for Achievement Pilot In-Classroom Breakfast Program

This bill establishes a pilot breakfast program to provide funding for a school that makes an in-classroom breakfast available to all students in the school. The Maryland State Department of Education must administer the program and ensure that an outside evaluation of the program is conducted by a public institution of higher education or another unit of State government. Public and non-public schools are eligible to participate in the program if at least 40% of its students are eligible for free or reduced price meals.

This bill takes effect July 1, 1999 and sunsets June 30, 2002.

Fiscal Summary

State Effect: Assuming 50 schools are selected to participate in the pilot program, general fund expenditures could increase by \$1.8 million annually beginning in FY 2000 and federal fund expenditures could increase by \$3.5 million annually. Revenues would not be affected.

Local Effect: State funding for local school food service programs would increase by a significant amount. Local school expenditures for food service programs would increase by an equivalent amount. Revenues would not be affected.

Small Business Effect: Minimal.

Fiscal Analysis

Background: In 1997 the Abell Foundation started an in-classroom pilot program in six public schools in Baltimore City. The Abell Foundation paid the additional costs of the breakfasts that were not covered by the federal government. Prior to the pilot program, around 18% of the students received a school breakfast. Within two months of starting the program, around 85% of the students received a school breakfast. According to the Abell Foundation, schools with the in-classroom breakfast program realized a 3% increase in student attendance (from 86% to 89%) and a significant decrease in the number of discipline incidents (50% reduction).

Approximately 32% of students enrolled in public schools in Maryland receive free and reduced priced meals (FRPM). The FRPM count is based on the actual number of students participating in the federal school breakfast and lunch program. Program eligibility is determined by household income, with children being eligible for free meals if their household income is below 130% of the federal income poverty level. Children are eligible for reduced price meals if their household income does not exceed 185% of the federal income poverty level.

State Effect: Schools participating in the in-classroom breakfast program must have at least 40% of their students eligible for free or reduced price meals. There are 483 public schools and 22 non-public schools in the State that have over 40% of their students eligible for free and reduced price meals. Assuming the pilot program is limited to 50 schools, approximately 25,000 students would be provided with an in-classroom breakfast each morning. Around 16,250 of these students (65%) are currently eligible for free and reduced price meals. For low-income schools, the federal government provides \$1.28 for each free breakfast, \$0.98 for each reduced price breakfast, and \$0.20 for each paid breakfast.

Approximately 10% of students in Maryland public schools currently participate in the school breakfast program. Of these students, 82% are eligible for free breakfasts, 7% are eligible for reduced price breakfasts, and 11% are paying customers. Providing an in-classroom breakfast program in a school with 500 students with 65% of the students eligible for free and reduced price meals would cost an additional \$105,000 annually. The federal government would pay for two-thirds of the cost or around \$70,000. The State would have to pay for the remaining costs which would total around \$35,000. If 50 schools are selected to participate in the pilot program, State general fund expenditures would increase by \$1.8 million. The federal expenditures would increase by \$3.5 million. This estimate is based on the following:

- 25,000 children from 50 schools would participate in program;

- 10% of children already receive a school breakfast;
- 65% of children are eligible for free or reduced price meals;
- 4 million additional breakfasts would be served annually;
- the typical breakfast costs \$1.28;
- \$1,250 reduction in revenue per school from paying customers; and
- \$75,000 to conduct an outside evaluation of the program.

If the schools selected for the pilot program have a higher percentage of students eligible for free or reduced price meals, State expenditures for the program would be reduced and the federal share of costs would increase. For example, if 85% of students are eligible for free or reduced price meals, State expenditures for the pilot program would only total \$720,000. The federal government would pay for 86% of the cost or \$4.6 million. As stated earlier, the federal government pays most of the cost associated with students receiving free breakfasts.

Local Effect: Local food service expenditures could increase by \$5.25 million in fiscal 2000 to provide breakfasts to students. This estimate assumes that 50 schools would participate in the pilot program and the average breakfast costs \$1.28 per student. The State would provide \$1.75 million in funding for the program and the federal government would provide \$3.5 million.

Additional Comments: In fiscal 2000 the estimated number of breakfast meals to be served to students include 2.1 million paid breakfasts, 1.2 million reduced price breakfasts, and 15.3 million free breakfasts. Based on a 180-day school calendar, over 100,000 breakfast meals will be provided to students each day. The State will receive \$20.7 million in federal funding under the National School Breakfast Program in fiscal 2000. For low-income schools, the federal government provides \$1.28 for each free breakfast and the State provides 5 cents.

Local school systems spent approximately \$178.4 million for food services in fiscal 1997. Of this amount, \$76.5 million went for salaries and contractual services, \$68.1 million went for food and commodities, and \$33.8 million went for other charges and equipment. Over one-half of the revenues (\$90.7 million) for food service operations came from the federal government. Around 44% (\$78 million) of the revenues came from children's payments and other sales. The State provided only \$4.4 million in funding for the program. Non-sales related local revenues totaled \$4 million. Accordingly, over 95% of the funding for food service operations came from the federal government or by paying customers. State and local government subsidies accounted for less than 5% of total funding.

Information Source(s): Maryland State Department of Education, The Abell Foundation, Center For Poverty Solutions, Department of Legislative Services, Comptroller's Office

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