

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 521 (Delegate Stern, *et al.*)
 Ways and Means

Public Schools - School Nutrition Program

This bill establishes a statewide school nutrition program that requires local school systems to serve more fresh fruits and vegetables, eliminate fried foods, review and limit food portion sizes, limit the amount of sodium in foods, and offer healthy food choices at all school activities. In addition, specific limitations are placed on the foods and beverages that may be served in public schools prior to the end of the last lunch period. The bill also authorizes a local school system to implement more stringent measures in order to improve nutrition in public schools.

The bill takes effect July 1, 2006. An additional limitation on foods served prior to the end of the last lunch period takes effect July 1, 2010.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$46,200 in FY 2007 to increase school monitoring efforts. Future year expenditure estimates reflect regular salary increases and inflation. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	46,200	35,600	37,600	39,800
Net Effect	\$0	(\$46,200)	(\$35,600)	(\$37,600)	(\$39,800)

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

Local Effect: Local school revenues from vending machine sales and contracts with vending machine operators could decrease. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Potential meaningful. Small businesses that sell foods to vending machine companies could lose business if their products do not meet the standards established in the bill.

Analysis

Current Law: In order to receive funding through the school nutrition programs, schools are prohibited from selling foods of minimal nutritional value, as defined in federal guidelines, from 12:01 a.m. until the end of the last lunch period each day.

Background: Numerous sources report that the percentage of children who are overweight has nearly tripled over the last 20 years. A National Conference of State Legislatures briefing reports that recent studies show a positive correlation between academic achievement and nutrition.

In a July 2004 presentation, the American Heart Association (AHA) reported that State legislatures have begun to address the increasing prevalence of child obesity. AHA reported that 75 bills were filed in 32 states addressing the issue in 2004, an increase of more than 50% from fiscal 2003. The report also notes that successful legislation to date has generally begun with resolutions, recommendations, and studies and has emphasized collaboration between state and local education agencies.

Optional school nutrition standards recently approved by the State Board of Education limit the foods that can be sold in elementary and middle school cafeterias. The standards also strongly recommend that vending machines in all public schools be turned off until after the end of the regular school day.

State Expenditures: General fund expenditures could increase by an estimated \$46,222 in fiscal 2007, which accounts for the bill's July 1, 2006 effective date. This estimate reflects the cost of hiring one half-time field reviewer in the Maryland State Department of Education to help existing staff monitor schools' compliance with the enhanced nutrition standards that would be set by the bill. A half-time salary, fringe benefits, a State car, other one-time start-up costs, and ongoing operating expenses are included in the estimate.

Salaries and Fringe Benefits	\$31,649
State Car	10,500
Other Start-up and Operating Expenses	<u>4,073</u>
Total FY 2007 State Expenditures	\$46,222

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Local Revenues: Many local school systems, including the three largest systems, Baltimore, Montgomery, and Prince George's counties, allow school administrators to raise revenues by contracting with vending and soda machine companies. The supplemental revenue is often used to support extra-curricular activities in schools. Annual vending machine revenues are estimated at \$5,000 to \$20,000 for schools that independently contract with vending machine vendors. There are approximately 460 middle and high schools in Maryland. If one-half of these schools have contracts that allow them to receive vending machine proceeds, annual revenues would range from \$1.2 million to \$4.6 million per year.

In Kent County, the smallest local school system in the State, the system has contracted as a whole with a vending machine supplier. The system receives a portion of vending machine sales plus \$13,000 annually and free supplies for certain school events.

The bill would not eliminate these contracts, but the restrictions established in the bill would limit the foods and beverages that could be sold in the machines and could result in a reduction in vending machine sales revenues and vending machine contract values.

Additional Information

Prior Introductions: A number of bills addressing the foods and beverages that may be sold in schools have been introduced over the last four legislative sessions. HB 346 of 2004 would have established a school nutrition program to prohibit public elementary and secondary schools from serving non-nutritious drinks and food between 12:01 a.m. and the end of the last lunch period. The bill received an unfavorable report from the Ways and Means Committee. SB 559 of 2004 would have required the State Board of Education to adopt and disseminate a model policy regarding vending machines in public schools in order to reduce consumption of foods of minimal nutritious value. The bill received a favorable with amendments report from the Education, Health, and Environmental Affairs Committee, but failed on second reader in the Senate.

SB 396 of 2003 and SB 680 of 2002 would have required local boards of education to develop and adopt policies regarding vending machines for the purpose of encouraging a reduction in student consumption of foods of minimal nutritional value. The 2003 bill received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee, and the 2002 bill was not reported out of the same committee. SB 435 of 2001 would have placed limitations on vending machine contracts and required local school systems to develop policies encouraging a reduction in student consumption of foods of minimal nutritional value. The bill received a favorable with amendments

report from the Senate Economic and Environmental Affairs Committee but was not approved by the full Senate.

Cross File: SB 609 (Senator Britt) – Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - March 7, 2005
ncs/rhh

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510