

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 756

(Senator Madaleno, *et al.*)

Budget and Taxation

Ways and Means

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 authorizing 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. A public school that *chooses* to participate in the program must participate for an entire school year, but it is not required to participate in subsequent years. The program begins in the 2016-2017 school year, with thresholds for determining eligibility for participation by a public school phased-in over a three-year period. The Maryland State Department of Education (MSDE) must reimburse a public school for each free breakfast provided under the bill.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Assuming that all eligible public schools choose to participate in the program, general fund expenditures increase by \$439,600 in FY 2017, increasing to \$4.5 million by FY 2021. FY 2017 funding is at the discretion of the Governor. MSDE also incurs a one-time cost of approximately \$100,000 in FY 2017 to update its payment system. **This bill establishes a mandated appropriation beginning in FY 2018.**

| (in dollars) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|----------------|-------------|-------------|---------------|---------------|---------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 539,600 | 814,500 | 3,664,600 | 4,257,800 | 4,495,800 |
| Net Effect | (\$539,600) | (\$814,500) | (\$3,664,600) | (\$4,257,800) | (\$4,495,800) |

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

Local Effect: Assuming that all eligible public schools choose to participate in the program, State funding (and corresponding local expenditures) increase by \$439,600 in FY 2017 and by \$4.5 million by FY 2021.

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. (The Department of Legislative Services assumes these provisions only apply to schools that choose to participate in the program). 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.

MSDE must submit reports by July 1 of 2017, 2018, and 2019 on implementation of the program including specified information.

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 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 fiscal 2017 budget also includes \$11.2 million in State general funds for school food and nutrition services.

State Fiscal Effect: Participating public schools (those with a high concentration of low-income students) must assure that *all* students have access to *free* breakfast on school days. This analysis assumes that virtually all eligible schools choose to participate in the program each year.

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).

As discussed in greater detail below, State funding to public schools increases by \$439,600 in fiscal 2017, increasing to \$4.5 million by fiscal 2021, due largely to the three-year phase-in of more expansive eligibility under the bill for local public schools. MSDE will also incur approximately \$100,000 in one-time vendor computer programming costs in fiscal 2017 to update its payment system to include the new program payments.

MSDE can submit the required reports using existing resources.

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

Local Fiscal Effect: **Exhibit 1** shows estimated State funding increases for local school systems under the bill in fiscal 2017 to 2021. Due to the three-year phase-in of thresholds under the bill, local revenues, and related expenditures, total \$814,500 in fiscal 2018, nearly double those estimated for fiscal 2017 (\$439,600); revenues increase more substantially in the third year (fiscal 2019) to an estimated total of \$3.7 million. 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 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.

In fiscal 2017, approximately 2,900 additional students in 6 school systems and 29 public schools receive free breakfasts. Nineteen of the schools and the great majority of the students are in Prince George's County. In fiscal 2018, approximately 5,000 additional

students in 8 school systems and 44 public schools receive free breakfasts. Twenty-nine of the schools and (once again) the great majority of the students are in Prince George’s County. By fiscal 2019, approximately 23,600 additional students in 12 school systems and 149 public schools receive free breakfasts. Fiscal 2020 and 2021 estimates reflect increases related to inflation in the price of full-price breakfasts and enrollment growth.

MSDE indicates that there may be four counties (Anne Arundel, Kent, Montgomery, and Washington) in which the school system presently covers the student costs of reduced-price school breakfasts. Based on this information, the estimated funding for Anne Arundel and Montgomery counties shown in Exhibit 1 may be overstated by approximately 10% annually.

Exhibit 1
Public School Revenue 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 | \$78,000 | \$81,700 | \$83,600 |
| Anne Arundel | 0 | 4,300 | 188,700 | 239,000 | 258,200 |
| Baltimore | 0 | 0 | 491,200 | 603,100 | 646,000 |
| Caroline | 0 | 0 | 77,000 | 84,700 | 88,200 |
| Cecil | 600 | 700 | 154,700 | 182,900 | 193,700 |
| Dorchester | 0 | 23,600 | 93,500 | 108,200 | 114,000 |
| Frederick | 0 | 0 | 78,500 | 94,400 | 100,900 |
| Harford | 1,300 | 1,300 | 125,600 | 146,700 | 154,900 |
| Montgomery | 10,500 | 10,700 | 422,000 | 504,600 | 537,000 |
| Prince George’s | 400,600 | 691,000 | 1,664,000 | 1,865,800 | 1,951,100 |
| St. Mary’s | 0 | 0 | 30,000 | 35,700 | 38,200 |
| Wicomico | 17,100 | 38,700 | 261,400 | 311,000 | 329,900 |
| Total | \$439,600 | \$814,500 | \$3,664,600 | \$4,257,800 | \$4,495,800 |

Note: Since Baltimore City and Somerset County participate districtwide in CEP, they will not receive additional funding under this program.

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.

Additional Information

Prior Introductions: None.

Cross File: HB 1360 (Delegate Haynes, *et al.*) - Ways and Means.

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

Fiscal Note History: First Reader - March 6, 2016
kb/rhh Revised - Senate Third Reader - March 31, 2016

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