

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 288
 Ways and Means

(Delegate Hixson)

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, 2017.

Fiscal Summary

State Effect: To cover the student costs for reduced-price breakfasts and lunches, general fund expenditures increase by \$3.5 million in FY 2018 and by \$3.3 million in FY 2022. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2019.**

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3.49	3.44	3.39	3.35	3.31
Net Effect	(\$3.49)	(\$3.44)	(\$3.39)	(\$3.35)	(\$3.31)

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

Local Effect: Local 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.

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 \$31,590 for a child from a family of four for the 2016-2017 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 \$44,955 for a child from a family of four for the 2016-2017 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 (FRPMs) 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 FRPMs. The State free and subsidized breakfast program may be suspended if the federal per meal reimbursement falls below the 1979 rate.

According to the Maryland State Department of Education (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 FRPMs. Schools must be eligible and are selected to participate in the program.

The proposed fiscal 2018 State budget includes \$428.6 million in federal funding in support of school food service programs, the majority of which is accounted for by \$106.1 million for the school breakfast program and \$234.1 million for the NSLP. The proposed fiscal 2018 budget also includes \$11.2 million in State general funds for school food and nutrition services, of which \$6.9 million is for Maryland Meals for Achievement (MMFA).

Community Eligibility Provision

The federal 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 the 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 CEP 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 FRPM for their children. CEP participation may also reduce the recorded FRPMs participation rate for schools and LEAs. MSDE advises that both Baltimore City and Somerset County participate districtwide in CEP.

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. 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, which reflects no students in CEP-participating schools or systems (currently Baltimore City and Somerset County). Assuming an annual decline in growth in this category averaging approximately 1.5% for affected counties (based on reduced-price enrollment over the past five years) 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 free meals (including MMFA) in recent years, State general fund expenditures increase by \$3.5 million in fiscal 2018 and by \$3.3 million in fiscal 2022.

The Department of Legislative Services assumes that the change in the date of the federal target reimbursement rate has no fiscal impact. Further, this analysis assumes that the annual funding of MMFA is not altered; instead, through the combination of MMFA and the provisions of this bill, increased numbers of students are served through State funding.

Local Fiscal Effect: According to MSDE data, in four counties (Anne Arundel, Kent, Montgomery, and Washington) the LEA currently covers the student costs of reduced-price school breakfasts. The bill relieves these LEAs of this cost. The annual savings for Anne Arundel County is approximately \$15,000, for Montgomery County approximately \$72,000, and for Washington County approximately \$5,000. An estimate is not available for Kent County. The bill has no impact on LEAs participating districtwide in CEP, which currently includes Baltimore City and Somerset County.

Additional Information

Prior Introductions: SB 755 of 2016 received a hearing in the Senate Budget and Taxation Committee. HB 1325 of 2016, a similar bill, received a hearing in the House Ways and Means Committee. No further action was taken on either bill.

Cross File: SB 360 (Senator Madaleno, *et al.*) - Budget and Taxation and Education, Health, and Environmental Affairs.

Information Source(s): Baltimore City; Anne Arundel and Montgomery counties; Maryland State Department of Education; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2017
mm/rhh

Analysis by: Scott P. Gates

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