

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 315
 Ways and Means

(Delegate Hixson, *et al.*)

Budget and Taxation and Education, Health,
 and Environmental Affairs

State Department of Education - Breakfast and Lunch Programs - Funding
(Maryland Cares for Kids 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 by fiscal 2022 and (2) reduced-price lunches provided under the National School Lunch Program (NSLP) by fiscal 2023; the bill phases in this responsibility beginning with fiscal 2020. The bill applies to public school students and students in nonpublic schools that participate in the program. A local board of education or participating nonpublic school is prohibited from charging a student who is eligible for a reduced-price breakfast beginning in fiscal 2022 or a reduced-price lunch beginning in fiscal 2023, for any portion of the cost of a meal. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by \$1.1 million in FY 2020 and by \$3.9 million in FY 2023 and thereafter. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2020.**

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.11	2.20	3.28	3.91
Net Effect	\$0.00	(\$1.11)	(\$2.20)	(\$3.28)	(\$3.91)

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 covered by the State under the bill.

Small Business Effect: Nonpublic schools receive support for student meals.

Analysis

Bill Summary: Exhibit 1 shows the phase in of State coverage of reduced-price meals under the bill, per student.

Exhibit 1 State Reduced-price Meal Coverage per Student

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023 and Beyond</u>
Reduced-price Breakfast	10 cents	20 cents	Greater of 30 cents or federal requirement	Greater of 30 cents or federal requirement
Reduced-price Lunch	10 cents	20 cents	30 cents	Greater of 40 cents or federal requirement

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.

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’s family must have an annual income of no more than 130% of the federal poverty guidelines, which is \$32,630 for a child from a family of four in 2018. To be eligible for reduced-priced meals, a child’s family must have annual income of no more than 185% of the federal poverty guidelines or \$46,435 for a child from a family of four in 2018.

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 federal per meal reimbursement rate for school breakfast was \$1.89 in 2013 and \$0.595 in 1979.

The Maryland Meals for Achievement (MMFA) 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, including nonpublic schools.

The fiscal 2019 State budget includes \$383.4 million in federal funding in support of school food service programs, the majority of which is accounted for by \$93.3 million for the school breakfast program and \$203.5 million for the NSLP. The fiscal 2019 budget also includes \$11.2 million in State general funds for school food and nutrition services, of which \$6.9 million is for 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 Baltimore City and Dorchester and Somerset counties participate districtwide in CEP.

State Fiscal Effect: General fund expenditures increase by \$1.1 million in fiscal 2020, \$2.2 million in fiscal 2021, \$3.3 million in fiscal 2022, and \$3.9 million in fiscal 2023 and future years. These estimates are derived using the information and assumptions discussed below.

The bill makes the State responsible for the student share of the costs of reduced-price breakfasts and lunches, phasing in this responsibility beginning in fiscal 2020 and reaching full implementation by fiscal 2023. 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.

In fiscal 2018, Maryland public school enrollment in the reduced-price category is 48,083 students who may receive a reduced-price breakfast and lunch daily; this reflects no students in CEP-participating schools or systems (currently Baltimore City and Dorchester and Somerset counties) as there is no student share of costs in those schools and systems. An annual decline in growth in this category averaging approximately 0.6% for affected counties (based on reduced-price enrollment over the past five years) is assumed and students who are relieved of the charge for school meals under the bill are assumed to participate at a rate that is similar to the rate of participation for free meals (including MMFA) in recent years.

According to MSDE data provided in March 2018, during fiscal 2017, a *total* of approximately 26,200 reduced-price breakfasts and 68,100 reduced-price lunches were served in nonpublic schools. Reimbursements for nonpublic schools (amounting to less than 1% of costs under the bill) are based upon the number of meals served in fiscal 2017.

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: According to MSDE data, in Montgomery and Washington counties the LEA currently covers the student costs of reduced-price school breakfasts in all public schools. The bill relieves these LEAs of this cost. Under the bill, the annual savings upon full-phase in for Montgomery County is approximately \$521,000 and for Washington County is approximately \$65,400.

The bill has no impact on LEAs participating districtwide in CEP, which currently includes Baltimore City and Dorchester and Somerset counties.

Additional Information

Prior Introductions: SB 360 of 2017 passed the Senate and received a hearing in the House Ways and Means Committee. Its cross file, HB 288 of 2017, received a hearing in the House Ways and Means Committee. No further action was taken on either bill. 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: Although not identified as a cross file, Senate Bill 740 as amended is identical.

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

Fiscal Note History: First Reader - February 8, 2018
md/rhh Third Reader - March 26, 2018
Revised - Amendment(s) - March 26, 2018
Enrolled - May 15, 2018
Revised - Amendment(s) - May 15, 2018
Revised - Updated Information - May 15, 2018
Revised - Amendment(s) - May 21, 2018

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