



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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House Bill 1254 Community Eligibility Provision Expansion Program – Establishment

Letter of Information

DATE: March 4th, 2025

COMMITTEE: Budget and Taxation Committee

SUMMARY OF BILL: HB1254 requires the State to pay the difference between the federal paid reimbursement rate and the federal free reimbursement rate for schools that participate in the Community Eligibility Provision. It mandates the Governor to budget \$10 million towards this expansion program annually starting in FY 2027. It also establishes requirements for MSDE to determine funding allocations based on certain criteria and for MSDE to submit an annual report to the MGA.

EXPLANATION: Under the Community Eligibility Provision (CEP), enrolled schools receive reimbursement rates based on their Identified Student Percentage (ISP). The ISP is multiplied by 1.6 to determine the percentage of meals reimbursed at the free rate, with the remaining meals reimbursed at the paid.

Under standard school meals funding, schools receive different reimbursement rates for income-eligible students to receive reduced-price or free meals (the “free rate”) and other students to pay full price (the “paid rate”). Enrollment in CEP is not required and some schools choose not to participate because enrollment would reduce the total amount of federal reimbursement.

This bill would encourage certain schools to enroll in the CEP, namely those schools with lower identified student percentages (ISP), which tend to be more wealthy schools. It would likely increase the number of schools and LEAs that participate in CEP, because the State would make up for any federal funding decrease. There would be significant operational impacts on schools that provide universal meals; schools would require more storage space, equipment, and staffing to accommodate increased inventory and food prep.

Furthermore, the MSDE and LEAs will no longer be able to utilize free and reduced-price meal data as a metric for school funding formulas, including the compensatory education program, Title I, and the concentration of poverty grant.

The cost of the expansion program could easily exceed \$10 million annually, but the bill appears to be intended to cap expenditures rather than consider this an entitlement.

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