

TO: Senate Committee on Budget and Taxation

BILL: Senate Bill 769- Community Eligibility Provision Expansion Program – Establishment

DATE: February 26, 2025

POSITION: Information

The Maryland State Department of Education (MSDE) is providing information on **Senate Bill 769-Community Eligibility Provision Expansion Program – Establishment**. This bill establishes the Community Eligibility Provision Expansion Program in the Maryland State Department of Education (MSDE), which will provide funding to eligible public and non-public schools that participate in the Community Eligibility Provision (CEP) of the federal child nutrition programs. The bill requests an annual appropriation of \$10,000,000 starting in fiscal year 2027.

Senate Bill 769 is intended to expand the number of free school meals provided to Maryland students by leveraging CEP. CEP allows high poverty schools to provide free breakfast and lunch to all students at no cost. According to the U.S. Department of Agriculture (June 2024), “CEP is a non-pricing meal service option for schools and school districts in low-income areas. CEP allows the nation's highest poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students without collecting household applications.”¹ CEP started in Maryland in 5 schools in Washington County during the 2013-2014 school year, followed by 25 schools from multiple counties in 2014-2015. In SY 24-25, over 700 Maryland schools participate in CEP among 18 public and 5 non-public local education agencies (LEAs). Furthermore, 5 of these LEAs (4 public and 1 non-public) now have a 100% CEP claiming percentage (all meals are reimbursed at the free rate).

To elect CEP, LEAs must meet the 25% minimum threshold (in some combination of schools) of enrolled students that are identified as eligible. Using a formula based on the number of eligible or identified students, the percentage of meals to be reimbursed at the Federal free rate is calculated based on USDA’s annual rate schedule. Any remaining meals are reimbursed at the Federal paid rate. LEAs are also required to cover any costs of providing meals to students that exceed the federal reimbursement with non-federal funds throughout the school year. If the federal government increased the threshold in the future that would limit the number of students who would be eligible for free meals and increase the costs for participating LEAs.

Under **SB 769**, the appropriation to cover the differential amount between meals reimbursed at the free and paid rates would last approximately three months. This conclusion is based on an analysis of paid breakfast and lunch meals among participating CEP schools (excluding those schools that are already reimbursed at 100% free) developed by the MSDE Office of School and Community Nutrition Programs (OSCNP). The calculations consider the higher Federal severe need reimbursement for breakfast and the Federal performance-based reimbursement (PBR) and bonus for lunch.

¹ USDA. (2024). “Community Eligibility Provision.” Washington, DC: USDA.

[https://www.fns.usda.gov/cn/cep#:~:text=The%20Community%20Eligibility%20Provision%20\(CEP,students%20without%20collecting%20household%20applications](https://www.fns.usda.gov/cn/cep#:~:text=The%20Community%20Eligibility%20Provision%20(CEP,students%20without%20collecting%20household%20applications)

Based on these calculations, the difference between the free and paid reimbursement rates for one month of breakfast and lunch among participating CEP schools is minimally \$2,888,124. If severe need is factored, the cost increases to \$3,057,573. Subsequently, if the CEP expansion appropriation was only applied to the differential amount for lunch it would stretch to almost 5 months. However, this would not be our recommendation as the intent of the CEP regulation is to provide both breakfast and lunch.

To administer the annual appropriation, OSCNP proposes to use the paid meal claims data of eligible LEAs in October of each year (when other meal program data is collected) to determine their share of the allocation based on the same analysis described above. However, it is strongly recommended that 1.5% (\$150,000) of the appropriation be utilized in each of the first 2 years to hire a consultant to gather feedback on the proposed allocation plan from LEAs, potentially develop an alternative strategy to ensure an equitable geographic and financially viable allocation, and then evaluate outcomes and impact.

MSDE supports the concept of expanding CEP and providing universal free school meals for students. As noted in the MSDE report on universal meals submitted to the Assembly last December², the cost of universal meals in public schools in SY 25-26 is estimated as \$162 million after considering CEP and federal reimbursements (non-public schools were not included in this calculation). If enacted, the **SB 769** appropriation would provide short-term financial relief to LEAs for operational costs not sufficiently covered by the reimbursement formula when electing CEP. By filling this gap, it is believed that LEAs may have the ability to bring some new schools onto the program in the first year. However, they may not necessarily be able to do so in subsequent years as there is no growth in the appropriation. The appropriation also would not facilitate a 100% CEP claiming percentage or universal free meals in all schools.

We respectfully request that you consider this information as you deliberate **SB 769**. Please contact Akilah Alleyne, Ph.D. (Executive Director of Government Affairs) , akilah.alleyne@maryland.gov, for any additional information.

² MSDE. (2024). "Breakfast and lunch programs - universal expansion report". Baltimore, MD: MSDE.
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