

**FINAL
FISCAL NOTE**

Drafting Number: LLS 15-0262
Prime Sponsor(s): Rep. Joshi
 Sen. Hill

Date: May 21, 2015
Bill Status: Postponed Indefinitely
Fiscal Analyst: Kristen Koehler (303-866-4918)

BILL TOPIC: SCHOOL PARTICIPATION IN BREAKFAST AFTER THE BELL

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	(\$10,423,546)	(\$10,423,546)
General Fund	(\$161,609)	(\$161,609)
Federal Funds	(10,261,937)	(10,261,937)
FTE Position Change		
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

Summary of Legislation

Current law requires that school districts provide a free breakfast to all students in a public school if the school has 80 percent or more students who are eligible for free or reduced-cost lunch under the school lunch program. Beginning with the 2015-16 school year, current law expands the program to include schools with 70 percent or more students who are eligible for free or reduced-cost lunch.

This bill removes the 70 percent trigger and returns the requirement to 80 percent of eligible students for the 2015-16 school year.

Background

The federal School Breakfast Program (SBP), administered by the United States Department of Agriculture (USDA), provides reimbursement for breakfasts served by participating schools. To receive reimbursement, a breakfast must meet USDA nutritional guidelines.

Schools receive three different rates of reimbursement for three separate categories of students: free, reduced-price, and paid. Students qualify for each category based on their family income reported on the Free and Reduced-Cost Meal Application through the Colorado Department of Education (CDE). Schools receive reimbursements based on approved applications. For the 2014-15 school year, the USDA reimburses Colorado schools \$1.62 per free breakfast, \$1.32 per reduced-price breakfast, and \$0.28 per paid breakfast. In addition, the state provides funding through the Start Smart Nutrition Program for an additional \$0.30 per reduced-cost breakfast so schools receive the free reimbursement rate for both free and reduced-cost eligible students. Finally, schools where more than 40 percent of enrollment qualifies for free and reduced-cost lunch are categorized as "severe need" schools and receive an additional \$0.30 per free and reduced-cost breakfast. Federal reimbursement rates to school districts are adjusted annually.

State Expenditures

Compared to the requirements of current law, this bill is expected to reduce state expenditures beginning in FY 2015-16 by an estimated \$10,423,546 per year. Of this amount, an estimated \$161,609 is from General Fund for the Start Smart Nutrition Program reimbursements, and an estimated \$10,261,937 is from federal funds for School Breakfast Program reimbursements, which are paid to the CDE for distribution to participating school districts.

Assumptions. The calculations in this fiscal note are based on the 2014-15 federal reimbursement rates under the School Breakfast Program for "severe need" schools (an average of \$1.37 per meal). Per current law, schools with less than 1,000 students enrolled were eliminated from the population. Source data is provided by the CDE, based on current participation rates statewide. Table 1 shows the estimated reimbursements and meals provided under current law at the 70 percent trigger, and under House Bill 15-1080 at the 80 percent trigger.

Table 1. FY 2015-16 Expenditures Under HB 15-1080*			
	Current law (70 percent trigger)	HB 15-1080 (80 percent trigger)	Difference
Start Smart Nutrition Program Reimbursement	\$420,721 1,402,403 meals	\$259,112 863,707 meals	(\$161,609) (538,697 meals)
School Breakfast Program Reimbursement	\$29,389,255 21,452,010 meals	\$19,127,318 13,961,545 meals	(\$10,261,937) (7,490,465 meals)
TOTAL			(\$10,423,546)

*Parenthesis indicated a decrease.

School Breakfast Program reimbursements. The USDA provides reimbursements to school districts participating in the School Breakfast Program, and these funds are distributed to school districts by the CDE. By maintaining the "breakfast after the bell" program for schools with 80 percent of eligible students rather than expanding it to include schools with 70 percent of eligible students, about 7.5 million fewer breakfasts will be served beginning with the 2015-16 school year, resulting in reduced expenditures of about \$10,261,937 per year that, therefore, will not be reimbursed by the federal government.

Start Smart Nutrition Program reimbursements. The Start Smart Nutrition Program provides state funding to reimburse school districts for each breakfast served to a child eligible for a reduce-cost meal. Using the same data used to collect federal meal reimbursements, it is possible to calculate the amount of state funding each district is eligible to receive based on the number of breakfasts served to children eligible for reduced-cost meals. The reimbursement rate is \$0.30 per reduced-cost breakfast so schools receive the free meal reimbursement rate for both free and reduced-cost eligible students. By reducing the trigger to include schools with 80 percent of eligible students, an estimated 538,697 fewer breakfasts will be served each year beginning with the 2015-16 school year, resulting in a reduction in expenditures of about \$161,609 (538,697*\$0.30) per year to the CDE.

School District Impact

As discussed above, school districts required to provide "breakfast after the bell" will be reimbursed by the federal and state governments for each meal served. Reimbursement funds are distributed by CDE to each qualifying school district, based on the number of participating students and their free and reduced-cost lunch category. Per-meal reimbursement rates that include both federal (\$1.62 +\$0.30 for severe need) and state funds (\$0.30) for "severe need" schools are \$1.92 for free lunch students, \$1.92 for reduced-cost lunch students, and \$0.28 for paid students. This implies an average per plate reimbursement rate of \$1.37 to "severe need" schools. The average reimbursement rate to schools without "severe need" designation is about \$1.17 per plate. Schools have 60 days to submit reimbursement claims, and claims are paid by CDE using funds distributed from USDA on a quarterly basis.

Whether or not this reimbursement fully covers a district's variable costs depends on the cost of meal preparation which varies across districts. Costs to school districts for food, labor, and transportation averaged about \$1.50 per breakfast served during the 2014-15 school year. Under the bill, school districts statewide will save, on average, about \$0.23 per meal beginning with the 2015-16 school year.

Pursuant to Section 22-32-143, C.R.S., as specified by House Bill 11-1277, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. Summaries of fiscal impacts were submitted by districts or BOCES for this bill and can be found on the Legislative Council website at this address: <http://www.colorado.gov/lcs>

Effective Date

This bill was postponed indefinitely by the House Education Committee on February 2, 2015.

State and Local Government Contacts

Education

Local Affairs

Legislative Council