

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0593
Prime Sponsor(s): Sen. Donovan
 Rep. Moreno

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Bill Status: Senate SVMA
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BILL TOPIC: FREE OR REDUCED-COST LUNCH FIVE DAYS ALL SCHOOLS

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	<u>\$1,591,590</u>	<u>\$1,561,757</u>
General Fund	1,587,562	1,557,562
Centrally Appropriated Costs**	4,028	4,195
FTE Position Change	0.3 FTE	0.3 FTE
Appropriation Required: \$1,587,562 - Colorado Department of Education (FY 2015-16)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

For students who participate in the federal school lunch program and attend a school that operates on a four-day week, this bill requires the school food authority to provide these students with a box lunch for the day of the week that the school is closed. If the school is closed on Friday, the school food authority must provide the box lunch on Thursday, but if the school is closed on Monday, the school food authority must provide the lunch on Friday.

Background

The National School Lunch Program (NSLP), administered by the United States Department of Agriculture (USDA) at the federal level, and by the Colorado Department of Education (CDE) at the state level, provides cash subsidies for each meal a participating school food authority provides to students. To receive reimbursement, the lunch must meet USDA nutritional guidelines.

Schools receive three different rates of reimbursement for three separate categories of students: reduced-price, free, and paid. Students qualify for each category based on their family income reported on the Free and Reduced Meal Application through the CDE. Children of families with incomes at or below 130 percent of the poverty level are eligible for free meals; those with incomes between 130 and 185 percent of the poverty line are eligible for reduced-cost meals, for which students can be charged no more than \$0.40 per meal. Children from families with income greater than 185 percent of the poverty line pay full price; however, their meals are still subsidized to some extent. Schools receive reimbursements based on approved applications.

Under this bill, reimbursements to school districts for the fifth-day lunch will be paid to school districts from the CDE because these lunches do not qualify for federal reimbursement. To qualify for federal reimbursement, meals are to be served and consumed as part of the school program, on school or school-related premises.

State Expenditures

This bill will increase General Fund expenditures by an estimated \$1,591,590 and 0.3 FTE beginning in FY 2015-16.

The largest cost component of this bill is an estimated \$1,536,804 in reimbursement money paid by the CDE to school districts beginning in FY 2015-16. These estimates are based on the following assumptions:

- 215 school locations will participate;
- each of these schools serve an average of about 95 students who will qualify for the fifth-day lunch;
- participating schools will provide fifth-day lunch for about 39 weeks;
- lunches for free-lunch students, reduced-price lunch students, and paid students will be reimbursed to school districts by the CDE at \$3.04, \$2.64, and \$0.34, respectively; and
- implementation of this bill will result in an increase in the number of school lunches served beginning in FY 2015-16, including an additional estimated 385,692 free meals, 104,060 reduced-price meals, and 263,470 paid meals per year.

Colorado Department of Education. The bill will also result in an additional General Fund expenditure of \$54,786 and 0.3 FTE in FY 2015-16 at the CDE. In FY 2015-16, one-time computer programming costs of \$30,000 are anticipated. New FTE will process reimbursement requests, provide communications, training and technical support to school districts, and monitor participating school districts. On-going administrative and technical support for the program will increase expenditures by \$24,786 and 0.3 FTE in FY 2015-16 and beyond. Costs are shown in Table 1.

Table 1. Expenditures Under SB 15-054		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$20,758	\$20,758
FTE	0.3 FTE	0.3 FTE
Computer Programming Costs	30,000	-
Meal Reimbursements to School Districts	1,536,804	1,536,804
Centrally Appropriated Costs*	4,028	4,195
TOTAL	\$1,591,590	\$1,561,757

* These costs are not included in the bill's appropriation.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB 15-054*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$2,419	\$2,419
Supplemental Employee Retirement Payments	1,609	1,776
TOTAL	\$4,028	\$4,195

*More information is available at: <http://colorado.gov/fiscalnotes>

School District Impact

As discussed previously, those school districts that are required to provide a fifth day of school lunch will be reimbursed by the CDE for each meal that is served. Reimbursement funds will be distributed by CDE to each qualifying school district, based on the number of participating students and their free and reduced lunch category.

Whether or not this reimbursement fully covers a district's variable costs depends on the cost of meal preparation which varies across districts. In addition, some districts will incur additional up front costs to ensure food safety, compatibility of point-of-sale systems, and for additional lunch packaging materials (boxes, wrap, etc.).

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

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2015-16, the Colorado Department of Education requires a General Fund appropriation of \$1,587,562 and 0.3 FTE.

State and Local Government Contacts

Education