

**Date of State Budget Office Approval:** Thursday, March 23, 2023

**Date Requested:** Thursday, February 16, 2023

**Date Due:** Sunday, February 26, 2023

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2023	N/A	FY 2023	N/A
FY 2024	\$21.5M - \$39.4M	FY 2024	N/A
FY 2025	\$21.8M - \$39.9	FY 2025	N/A

**Explanation by State Budget Office:** This bill would create a statewide universal school breakfast and lunch program for Rhode Island public schools. It would specifically require that each public educational entity maximize access to federal funds to finance the costs of such a program and directs the Rhode Island Department of Education (RIDE) to reimburse schools for the remaining difference of program costs, defined as the difference between the federal reimbursement rate for school breakfast and lunch programs, and the rate received for each school breakfast and lunch served. The legislation also requires the General Assembly to make annual appropriations for the cost of one FTE at RIDE to aid in administration and implementation of this program.

**Comments on Sources of Funds:** This bill requires the General Assembly to make annual general revenue appropriations to finance the difference between the school lunch and breakfast federal reimbursement rate and the rate of each school breakfast and lunch served to children in state-subsidized public education programs and in kindergarten through twelfth grade.

**Summary of Facts and Assumptions:** Current state law mandates that all public schools in Rhode Island provide breakfast and lunch programs, which administer low-cost or free breakfast to approximately 29,000 students and low-cost or free lunch to 72,000 students on a daily basis, according to RIDE data. Children from families with incomes up to 130% of the poverty level are eligible for free breakfast and lunch, and those with family incomes over 185% of the poverty line pay a price determined by their school or institution for their subsidized meal. Children from families with incomes between 130% to 185% of the poverty line are eligible for reduced-price meals (\$0.40 or less for lunch and \$0.30 or less for breakfast). 85% of school breakfasts and 69% of school lunches are served at free or reduced-price.

Current funding levels:

In FY 2022 there were \$59.6 million in federal fund expenditures from the National School Lunch program. The FY 2023 Enacted Budget included \$35.5 million for this program and the FY 2023 Revised Recommended budget included \$48.0 million. No general revenue appropriations were made for school lunch.

Expenditures of federal funds from the National School Breakfast program totaled \$17.4 million in FY 2022, and the FY 2023 Enacted Budget included \$13.0 million for this program. The Governor's FY 2024 Recommendation included \$13.0 million of federal funds from the National School Breakfast program. The general revenue

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appropriation for school breakfast has been \$270,000 over the past several years.

These current funding levels are expected to remain relatively stable in future out-years and do not affect cost estimates presented below.

Projected state costs:

Under current law, some students already receive free and reduced-price breakfast and lunch. This bill specifies that general revenue appropriations would be made for funding necessary to make up the difference between the federal free reimbursement rate established by the United States Department of Agriculture (USDA) for school breakfast and school lunch and the rate received for each school and breakfast and school lunch served.

Past estimates of student participation in universal meal programs have relied on educated guesses about student attendance and demand for free and subsidized meals. Pandemic-related provisions allowed the RIDE, during the 2021-2022 school year, to finance free school meals regardless of eligibility. The following estimated participation rates are based on data showing the statewide number of participating students during that timeframe:

Breakfast: 38,759 meals per day – multiplied by a 180-day school year = 6,976,620 estimated breakfasts

Lunch: 74,973 meals per day – multiplied by a 180-day school year = 13,495,140 estimated lunches

Total Enrollment: 138,566

To estimate the fiscal impact of this bill, several assumptions need to be made about the number of meals provided, the number of benefit applications returned by families, and the receipt of federal reimbursements, which are discussed below.

The Budget Office assumes that higher or lower federal reimbursement received by school districts than assumed in the estimates provided in this note would substantially impact the cost of this bill to the state. The bill specifies that “each public education entity shall seek to maximize access to federal funds for the cost of the school breakfast and lunch program by participating in one of the following options...” and lists the Community Eligibility Provision (CEP), Special Provision 2 (a federal meal reimbursement program that predates CEP), or any other provisions that RIDE deems to draw down the most federal funding possible. Other than the general rulemaking authority granted to RIDE, the bill does not include any specific enforcement provisions.

Discussions with RIDE indicate that there are several factors that may influence whether school districts do not pursue CEP, which are provided here for information purposes.

- Education Aid Funding Formula Poverty Data. Through FY 2023, Free and



Reduced-Price Lunch data has been used as part of the Education Aid Funding Formula calculation. As a result, school districts may be hesitant to adopt CEP, as it may create additional administrative burden.

- Partial District Eligibility. In some districts, not all schools within an LEA are eligible for CEP. As a result, schools within a district that have adopted CEP would provide free meals to all students while other schools in the same district would not. Such partial-district implementation is possible, however, RIDE notes that districts may be concerned that such a school-by-school implementation is confusing to families and may raise equity questions.

- Financial Viability for School Districts. Reimbursements under CEP are based on the Identified School Percentage (ISP), which represents the number of students who are directly certified for free meals based on existing data. Reimbursements under CEP are based on the ISP multiplied by a factor of 1.6 to determine the percentage of meals claimed at the federal free rate. For schools that have a low ISP but qualify for CEP participation, adopting CEP may result in lower overall revenue to meal programs than what the district would generate by (1) claiming free meals based on meal benefit applications and (2) charging families that do not qualify. Under current law, LEAs may have an incentive to maximize federal reimbursement. Under this bill, it would be incumbent upon RIDE to enforce and LEAs to voluntarily comply with the mandate to maximize federal reimbursements. Under this bill, financial viability may no longer be an issue for school districts, as the state would cover the cost for non-qualifying meals.

The following estimates assume that if meals are universally provided for all, no families will return a meal benefit application and only those students who are directly certified as qualifying for means tested benefit programs (SNAP and TANF) would continue to be reimbursed at the federal free rate established by USDA. H-5639 requires that RIDE reimburse LEAs for the difference between the federal reimbursement rate established by the USDA and the federal reimbursement rate actually received for each school breakfast and lunch served.

The following rates and difference between federal rates for school breakfast and lunch are as follows:

Lunch Paid Rate: \$0.37  
Lunch Free Rate: \$3.93  
Difference \$3.56  
Breakfast Paid Rate: \$0.35  
Breakfast Free Rate: \$2.52  
Difference: \$2.17

The following estimates show the general revenue cost necessary to reimburse LEAs assuming that all families would stop completing meal benefit applications when no longer required. In this case, only students who are directly certified through other public benefits (SNAP and TANF) would be reimbursed at the federal free rate, and the remaining number of students receiving breakfast and lunch would be subsidized by the state. The cost calculations assume one breakfast and one lunch per day and

180 total days in the school year.

Total Cost = # of students \* 180 days per year \* Participating students % \*  
Difference in Reimbursement Rate

**Scenario 1: Currently Eligible Schools Participate in CEP**

This scenario assumes that schools that currently participate in CEP would continue to do so, and that no schools would make changes that maximize federal funds (such as currently eligible schools adopting CEP). This represents a potential outcome if there is minimal RIDE enforcement of and low LEA compliance with the provision to maximize federal reimbursement.

Under this scenario, RIDE estimates that 35.74% of lunches would be reimbursed at the free rate and the remaining 64.26% would be reimbursed at the federal subsidized rate. RIDE estimates that 44.86% of school breakfasts would be reimbursed at the free rate and 55.14% of school breakfasts would be reimbursed at the paid rate.

Total Cost = # of students \* 180 days per year \* Participating students % \*  
Difference in Reimbursement Rate

State Cost: Lunch =  $74,973 * 180 * 64.26\% * \$3.56 = \$30,872,237$

State Cost: Breakfast =  $38,759 * 180 * 55.14\% * \$2.17 = \$8,347,791$

Total Lunch and Breakfast Cost: \$39,220,029

**Scenario 2: All Eligible Schools Participate in CEP**

This scenario assumes that all schools eligible to participate in the CEP will do so, as it maximizes the federal contribution school districts receive for providing school meals, in accordance with the provisions of H-5639. This represents an outcome of maximum RIDE enforcement and LEA compliance with the provision to maximize federal reimbursement. Under these circumstances, RIDE estimates that 38.14% of lunches would be reimbursed at the free rate and the remaining 61.86% would be reimbursed at the federal subsidized rate. RIDE estimates that 47.89% of school breakfasts would be reimbursed at the free rate and 52.11% of school breakfasts would be reimbursed at the paid rate.

Total Cost = # of students \* 180 days per year \* Participating students % \*  
Difference in Reimbursement Rate

State Cost: Lunch =  $74,973 * 180 * 61.86\% * \$3.56 = \$29,719,610$

State Cost: Breakfast =  $38,759 * 180 * 52.11\% * \$2.17 = \$7,889,071$

Total Lunch and Breakfast Cost: \$37,608,681

**Scenario 3: Assumes Pre-Pandemic Meal Participation**

The above scenarios are based on 2021-2022 school year data, a timeframe during which school districts provided free school meals regardless of eligibility. However, a minimum state cost scenario would be one in which meal participation rates remain consistent with those seen in the most recent pre-pandemic school year. Using average daily participation data of paid meals based on October 2019-February



2020, under this scenario, RIDE estimates that 65.34% of lunches would be reimbursed at the free rate and the remaining 34.66% would be reimbursed at the federal subsidized rate. RIDE estimates that 69.14% of school breakfasts would be reimbursed at the free rate and 30.86% of school breakfasts would be reimbursed at the paid rate.

Total Cost = # of students \* 180 days per year \* Participating students % \*  
Difference in Reimbursement Rate  
State Cost: Lunch =  $74,973 * 180 * 34.66\% * \$3.56 = \$16,653,564$   
State Cost: Breakfast =  $38,759 * 180 * 30.86\% * \$2.17 = \$4,671,929$   
Total Lunch and Breakfast Cost: \$21,325,493

#### Additional Costs

In addition to the cost of providing universal breakfast and lunch to all Rhode Island public school students, H-5639 requires the general assembly to make a general revenue appropriation to support the cost of 1 FTE at RIDE to aid in the administration and implementation of this program. RIDE currently employs several positions for which the responsibilities are assumed to be comparable to those that would be required for this role. The Budget Office estimates that the salary and benefits cost of 1.0 FTE responsible for data and management associated with school breakfast and lunch programs would be similar to that of a National and Community Service Program Specialist, for which the total salary and benefits cost in FY 2023 was \$159,083. The Budget Office notes that this salary and benefits cost could fluctuate depending on the demands for this specific role and based on the appropriation granted by the general assembly.

#### *Summary of Fiscal Impact:*

This bill will impact school years beginning after July 1, 2023 and will therefore not affect FY 2023.

As noted above, several factors could influence the total cost of this note. If participation rates significantly increase or decrease from those used in the initial calculation, the cost to the state would shift accordingly. Updated federal guidelines around the Community Eligibility provisions (CEP) are anticipated to be released later this year and may expand eligibility for participation in CEP, which would result in a higher federal contribution (lower state contribution) for meals served. Finally, state costs may be substantially impacted if federal reimbursement received by school districts increase or decrease. To account for the uncertainty associated with the assumptions described above, the Budget Office provides a range of possible fiscal impacts.

#### FY 2024:

Estimated cost of meal reimbursement: \$21,325,494 - \$39,220,029  
Estimated cost of RIDE FTE: \$159,083  
Total FY 2024: \$21,484,577 - \$39,379,112

If participation rates and federal guidelines remain similar to those used to estimate FY 2024 costs, the fiscal impact in FY 2025 is expected to be similar to the estimated cost in FY 2024. The estimate for FY 2025 uses the FY 2024 amount and applies an inflator of 1.32% to reflect the expected increase to education aid driven

by student population growth and CPI, as reflected in the Five-Year forecast prepared by the Budget Office.

FY 2025: \$21,768,173 - \$39,898,916

*Budget Office Signature:*



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