

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 971 (Senator Young)
 Education, Health, and Environmental Affairs
 and Budget and Taxation

Education – Concentration of Poverty School Grant Program – School Lunch

This bill requires that beginning in the year that a school receives a per pupil grant under the Concentration of Poverty School Grant (CPG) Program, the school must provide free lunch to each student at the school. The school must use State funding under the bill to meet this requirement. Beginning in fiscal 2024, a county board may not charge a student in an eligible school for any portion of the cost of the lunch. The Governor must appropriate funds in the annual budget to cover the cost of school lunch at each eligible school, minus any other federal or State funds that may be used by the school to meet the bill’s requirements. To receive a portion of this additional State funding, the county board for an eligible school must apply to participate in the U.S. Department of Agriculture (USDA) Community Eligibility Provision (CEP) and any other federal programs that provide reimbursements to a county board for school meals. The State must provide funding in fiscal 2023 to local boards of education to continue to provide free school meals to students in the county in the same manner as the board provided free school meals under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: General fund expenditures increase by a significant amount in FY 2023 to allow public schools to provide additional free meals to students. General fund expenditures increase by \$27.0 million in FY 2024, increasing to \$51.3 million by FY 2027 so that public schools receiving per pupil CPG funding can provide free lunch to all of their students. **This bill establishes a mandated appropriation beginning in FY 2024.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	-	27.0	33.3	41.8	51.3
Net Effect	(\$-)	(\$27.0)	(\$33.3)	(\$41.8)	(\$51.3)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local school systems that currently cover a portion of the student cost of paid meals realize savings equivalent to the student costs covered by the State under the bill. Local school systems may realize cost savings due to the elimination of student lunch payments in some schools.

Small Business Effect: None.

Analysis

Current Law:

School Nutrition Programs

The School Breakfast Program and the National School Lunch Program are federally assisted meal programs for schools. The School Breakfast Program subsidizes public and participating nonprofit private schools of high school grade or lower and participating residential child care institutions for breakfast meals served to children. Similarly, the National School Lunch Program subsidizes public and participating nonprofit private schools of high school grade or lower and participating residential child care institutions for lunches served to children. In both programs, federal funds pass through the Maryland State Department of Education (MSDE) to participating schools and institutions.

The Maryland Meals for Achievement (MMFA) In-classroom Breakfast Program, established in 1999, provides a free in-class breakfast to all students enrolled in schools in which 40% or more of the students qualify for free or reduced-price meals (FRPM). Schools must be eligible and are selected to participate in the program, including nonpublic schools. Under Chapter 562 of 2018, a school that for one year falls below the 40% FRPM student population eligibility threshold for the MMFA program is eligible for MMFA funding in that year. However, the school is no longer eligible for MMFA funding if its percentage of students falls below 40% in a second consecutive year.

Under the Maryland Cares for Kids Act (Chapter 560) of 2018, the State is responsible for the *student share* of the costs of (1) reduced-price breakfasts provided under the federal School Breakfast Program by fiscal 2022 and (2) reduced-price lunches provided under the National School Lunch Program by fiscal 2023; the responsibility is phased-in beginning with fiscal 2020. A local board of education or participating nonpublic school is prohibited from charging a student who is eligible for a reduced-price breakfast beginning in fiscal 2022 or a reduced-price lunch beginning in fiscal 2023, for any portion of the cost of a meal.

Community Eligibility Program, Compensatory Aid, Low-income Eligibility

The Healthy, Hunger-Free Kids Act of 2010, in part, amended the federal National School Lunch Act to provide an alternative to household applications for FRPM in high-poverty local education agencies (LEAs) and schools. This alternative is referred to as CEP. To be eligible, LEAs and schools must meet a minimum level of students directly certified for free meals (40% of enrollment) in the year prior to implementing the option, agree to serve free lunches and breakfasts to *all* students, and agree to cover with nonfederal funds any costs of providing free meals to all students above amounts provided in federal assistance.

Reimbursement is based on claiming percentages derived from the percentage of students directly certified as increased by use of a multiplier determined by USDA. An LEA may participate in CEP for all schools in an LEA or only some schools, depending on the eligibility of the individual schools and financial considerations based on the anticipated level of federal reimbursement and other nonfederal support that may be available.

Since fiscal 2004, the compensatory aid formula, providing additional State support for students with educational needs resulting from educationally or economically disadvantaged environments, has used the number of students eligible for FRPM. Children from families (1) with incomes at or below 130% of the federal poverty level are eligible for free meals and (2) with incomes no greater than 185% of the federal poverty level are eligible for reduced-price meals. The State compensatory aid formula applies a per pupil cost to the FRPM student count. Chapter 291 of 2015, which altered the compensatory enrollment count for LEAs that participate, in whole or in part, in CEP such that it is the greater of:

(1) the sum of:

- the number of students in CEP participating schools identified by direct certification for the prior fiscal year;
- the number of students identified by the income information provided by the family to the school system on an alternative form developed by MSDE for the prior fiscal year; and
- the number of students eligible for FRPM from any schools not participating in CEP for the prior fiscal year; *or*

(2) the sum of:

- the number of students eligible for FRPM from any schools not participating in CEP for the prior fiscal year; and

- for schools participating in CEP, the result of multiplying the prior fiscal year total enrollment by the percentage of FRPM-eligible students as compared to total enrollment in the year prior to participating in CEP. However, for the purpose of this calculation, schools participating in CEP in the pilot year may use the percentage of FRPM-eligible students during the pilot year.

Under Chapter 55 of 2021, this provision of the State law is in effect through fiscal 2026.

Concentration of Poverty Grants

CPG grants have two components. First, each qualifying school receives a personnel grant to employ a community school coordinator with specified qualifications and provide full-time coverage by at least one health care practitioner. A county that provides health coverage or community school services with funds other than the personnel grant must continue to provide those services through fiscal 2030. Second, per pupil grants are provided for each qualifying school following the completion of a specified needs assessment. The personnel grant is a State-funded categorical amount that increases with inflation. Per pupil grants are only wealth equalized for districts that receive the minimum State funding (40%) under the compensatory education formula; for all other districts, the State pays the full amount. The local funding percentage is based on the compensatory education wealth equalization formula.

School concentration percentages are based on a three-year average of compensatory education enrollment in each public school. Under Chapter 55 of 2021, the three-year enrollment count excludes the 2020-2021 school year. A percentage increment of per pupil funding for each of six years of eligibility, culminating in 100% funding by the seventh year, is shown in the table below.

For schools with at least 80% of students eligible for free or reduced-price meals, full per pupil funding is realized by fiscal 2028. For schools with at least 75% of students eligible for free or reduced-price meals, full per pupil funding is realized by fiscal 2029. All other school concentration groups will receive full per pupil funding beginning in fiscal 2030.

School Concentration of Poverty Per Pupil Phase In

	<u>80%</u>	<u>75%</u>	<u>70%</u>	<u>65%</u>	<u>60%</u>	<u>55%</u>
FY 2022	16%					
FY 2023	32%	16%				
FY 2024	37%	32%	16%			
FY 2025	55%	37%	32%	16%		
FY 2026	66%	55%	37%	32%	16%	
FY 2027	75%	66%	55%	37%	32%	16%
FY 2028	100%	75%	66%	55%	37%	32%
FY 2029	100%	100%	75%	66%	55%	37%
FY 2030	100%	100%	100%	100%	100%	100%

Summer School Program to Address the Effects of COVID-19

Under Chapter 55 of 2021, in calendar years 2021 and 2022, each county board of education, including Baltimore City, must establish and implement a summer school program for public school students, including students who will be in kindergarten in the upcoming school year and were eligible to attend a publicly funded prekindergarten program, to address the effects of the COVID-19 pandemic on education. In calendar year 2021, the summer school program was required to incorporate the county’s program for providing FRPM meals in the summer.

State Expenditures: General fund expenditures increase significantly, beginning as early as fiscal 2023, as discussed below.

Fiscal 2023 Funding Requirement

The federal CARES Act included, among other provisions, a Coronavirus Relief Fund for state and local governments, and an Education Stabilization Fund for states, school districts, and institutions of higher education. MSDE expended \$114.5 million in CARES Act Funds for school meals between June 2020 and March 2021. Annualizing this amount results in total expenditures of \$137.4 million. Under the bill, the State is required to provide a similar number of free school meals in fiscal 2023, resulting in a significant increase in general fund expenditures. The projected expenditure increase is less than \$137.4 million, to the extent that a portion of these costs is covered by existing federal and State funds.

Future Funding Requirements

Beginning in fiscal 2024, general fund expenditures increase significantly so that public schools receiving per pupil CPG funding in a given year can, as required under the bill, provide free lunch to all of their students.

All public schools in the State are required to provide subsidized or free nutrition programs for eligible students. The funds (including federal funds) appropriated annually by the State are used to reimburse each county for the subsidized or free, food-service programs. The combination of current federal and State law already assure payment for school lunches for students who are eligible for FRPM. The bill provides State funds to cover the cost of non-FRPM students, to the extent that these costs are not covered via federal funding, including CEP funding.

Schools and school systems that qualify for CEP, by matching 40% or more of their student population as eligible for free meals by direct certification, and that opt in to CEP can use an alternative method, involving a predetermined multiplier, to establish the number of FRPM-eligible students. Federal reimbursement under CEP is based on claiming percentages derived from the percentage of students directly certified as increased by use of the multiplier, which is currently set at 1.6 but may range from 1.3 to 1.6 in subsequent years (as determined by the USDA). Some local school systems participating in CEP currently cover a portion of the cost to provide free meals to all students, because even after applying the 1.6 multiplier, for some schools the federal government does not cover the full costs for student meals. The bill provides State funding to fill this gap and provides incentive for more CEP eligible schools to apply for and receive CEP funding.

By inducing application for CEP on the part of schools that may not otherwise do so, the bill generally shifts a portion of costs of school lunches for FRPM students from the federal government to the State, in addition to State funding under the bill for non-FRPM students. Further, the bill provides State funding for applicable schools (those receiving per pupil CPG funding) that are not eligible for CEP, equivalent to the amount needed to cover the cost of meals provided to non-FRPM students.

Based on the factors discussed above, and assuming that 50% of non-FRPM students opt for a school-provided meal on the average day, and assuming approximately \$4 for the price of a school lunch, general fund expenditures increase by \$27.0 million in fiscal 2024 to assure that all students in schools receiving per pupil CPG funding receive free school meals. Because the CPG program is phasing in through fiscal 2030 such that an increasing number of schools and students are eligible for per pupil funding, annual costs under the bill accordingly increase considerably through this period. Thus, general fund expenditures increase by \$51.3 million by fiscal 2027.

Local Fiscal Effect: As discussed above, some local school systems participating in CEP currently cover a portion of the cost to provide free meals to all students. Beginning in fiscal 2024, State funding under the bill relieves local school systems from covering these costs for relevant CEP schools. The bill also provides funding for all per pupil CPG schools in a given year, regardless of CEP status. Local school system expenditures (covered by State funds) increase accordingly, in annual amounts described above. Local school

systems may realize some cost savings given that staff time will not be required in some schools for the purpose of collecting payment from non-FRPM students.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 857 (Delegate Reznik) - Ways and Means.

Information Source(s): School Nutrition Association; Center on Budget and Policy Priorities; U.S. Department of Agriculture; Baltimore City Public Schools; Prince George's County Public Schools; Maryland State Department of Education; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2022
js/hlb

Analysis by: Scott P. Gates

Direct Inquiries to:
(410) 946-5510
(301) 970-5510