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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/06/2020

SPONSOR Madrid/Stansbury LAST UPDATED 2/13/2020 HB 10/aHAFC

SHORT TITLE No Reduced School Meal Payments SB \_\_\_\_\_

ANALYST Liu/Bachechi

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$650.0	\$650.0	\$1,300.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB315, SB10, SB11

#### SOURCES OF INFORMATION

LFC Files

Legislative Education Study Committee (LESC) Files

#### Responses Received From

Human Services Department (HSD)

Department of Health (DOH)

Children, Youth and Families Department (CYFD)

Public Education Department (PED)

Regional Education Cooperatives (REC)

#### SUMMARY

##### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee (HAFC) amendment to House Bill 10 strikes the \$650 thousand appropriation to PED. The HAFC substitute for House Bills 2 and 3 does not include additional funding to PED for this purpose so additional estimated operating budget costs would be borne by the department beginning in FY21.

##### Synopsis of Original Bill

House Bill 10 appropriates \$650 thousand from the general fund to PED in FY21 to eliminate reduced-price copayments for public school meal programs. Currently, students who are eligible for reduced-priced meals are responsible for a 30 cent copayment for breakfast meals and a 40 cent copayment for lunch meals. This bill eliminates these copay payments and creates a new section of the Public School Code. The provisions of this act will apply to FY21 and subsequent years.

## **FISCAL IMPLICATIONS**

The appropriation of \$650 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY21 shall revert to the general fund.

School meal reimbursement rates, which are determined by the U.S. Department of Agriculture, increase each year. During the 2018-2019 school year, the cost – excluding indirect costs – of copayments for reduced-price breakfast and lunch was \$621 thousand. With 12.5 thousand reduced-price-eligible students served, the approximate annual cost of reduced-price breakfast and lunch cost was approximately \$50 per student. LESC notes the expansion of K-5 Plus extended school year and extended learning time programs will increase the potential fiscal impact and estimates total costs could be up to \$1.4 million.

The HAFC Substitute for House Bills 2 and 3 appropriates \$3.26 billion to public schools through the funding formula, a \$187.4 million or 6.1 percent increase from FY20 funding levels. This increase includes \$50 million for at-risk students. As such, schools could potentially leverage at-risk funding to eliminate reduced-price copayments without assistance from PED, as \$650 thousand is relatively immaterial compared to the overall budget increase.

## **SIGNIFICANT ISSUES**

The bill requires PED to provide funding to each school district and charter school that administers a school breakfast or school lunch program to cover the cost of eliminating the reduced-price copayments. Funding would be based on a per-meal basis at the difference between the federal free meal rate and the reduced-price copayment rate. When calculating the amount due to a school district or charter school, PED will assume the number of reduced-price-eligible students remain at the same level as the previous school year.

If a school district or charter school has not previously had a school breakfast or lunch program in which meals were served to reduced-price-eligible students, PED will work with the school district or charter school to determine an accurate estimate of funding for the program.

The bill further requires PED to inform school districts and charter schools, by August 1<sup>st</sup> of each year, the amount they will receive to offset the elimination of reduced-price copayments for the upcoming school year. School districts and charter schools will not be required to demonstrate actual expenses to receive funding.

Food insecurity has direct and indirect impacts on physical and mental health for people of all ages but is especially detrimental to the health, development, and well-being of children.

The 2017 Hunger-Free Students' Bill of Rights requires New Mexico public schools to provide all students with a U.S. Department of Agriculture reimbursable meal, regardless of whether they have money to pay for a meal or owe money for earlier meals. LESC notes this law allows schools to hire a debt collection agency to collect meal debt, but cannot require a parent or guardian to pay associated fees. When a student has requested, but not paid for, five or more meals, school administrators are instructed to check state lists to determine if a student is categorically eligible for free meals; make at least two attempts (not including the application in the school enrollment packet) to reach the student's parent or guardian to have the parent or

guardian fill out a meal application; and contact the parent or guardian to offer assistance with a meal application.

In New Mexico, 26 percent of children under age 18 are food insecure and 70 percent of students receive free or reduced lunch at school through the National School Lunch Program (NSLP), the nation's second largest food and nutrition assistance program. Research has shown that children from food-insecure households are more likely to receive their food and nutrient intake from school meals than other children.

Approximately 55 percent of children in New Mexico live in low-income families and are at increased risk for diet-related conditions, such as overweight and obesity. Students consume a significant number of their daily calories at school, making it an important setting for promoting healthy eating behaviors.

Removing the financial barrier will increase student meal participation, reduce the stigma associated with an inability to pay, and reduce the unpaid meal debt of school districts and charter schools.

### **ADMINISTRATIVE IMPLICATIONS**

PED will need to promulgate rules to implement the provisions of the bill, including procedures for reimbursing school districts and charter schools.

### **RELATIONSHIP**

This bill relates to House Bill 315, which establishes new grant application requirements for free school breakfast and lunch programs; Senate Bill 10, which requires schools to include free and reduced-fee meal applications with student registration; and Senate Bill 11, which clarifies school lunch recess period requirements.

### **OTHER SUBSTANTIVE ISSUES**

The Human Services Department reports the number of school-aged children in Supplemental Nutrition Assistance Program (SNAP) households to PED on a monthly and annual basis. The annual interagency report collects data elements from state agencies that administer SNAP and the NSLP. These children are directly certified for free school meals and would not be paying a copayment.

SL/CLB/sb