HB13-1006

Colorado Legislative Council Staff Fiscal Note

FINAL FISCAL NOTE

Drafting Number:	LLS 13-0578	**Date:**	June 6, 2013
Prime Sponsor(s):	Rep. Moreno; Exum Sen. Giron	**Bill Status:** **Fiscal Analyst:**	Signed into Law Marc Carey (303-866-4102)

TITLE: CONCERNING REQUIRING CERTAIN SCHOOLS TO OFFER BREAKFAST TO ALL STUDENTS FOLLOWING THE FIRST BELL.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue		
State Expenditures		
General Fund		
Smart Start Reimbursement		$147,983
CDE Administrative Costs		24,128
Federal Funds - School Breakfast Program Reimbursement		14,317,803
FTE Position Change		0.3 FTE
Effective Date: The bill was signed into law by the Governor on May 15, 2013, and takes effect August 7, 2013, assuming no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: None required.		
School District Impact: See School District Impact section.		

Summary of Legislation

This bill creates the "Breakfast After the Bell Nutrition Program". The amended bill requires every school with 80 percent or more of students eligible for free or reduced lunch to offer a free breakfast to each student enrolled in the school in FY 2014-15. The program is expanded in FY 2015-16 and thereafter so that every school with 70 percent or more of students eligible for free or reduced lunch is required to offer a free breakfast to each student enrolled in the school. Schools that fall below these thresholds for two consecutive years may opt out of the program.

Schools may select the method and time to offer the breakfast, so long as it occurs after the first bell of the school day. Qualifying schools where at least 90 percent of students take the bus to school may opt to offer breakfast on the bus rather than at school. Schools with an existing before-the-bell breakfast program may continue to offer before-the-bell breakfast to students currently enrolled in the program, but must offer after-the-bell breakfasts to all other students. An exemption is provided for schools in small rural school districts with fewer than 1,000 total students. All schools are exempt from this program in the event that federal per-meal reimbursements for the school breakfast program fall below 2013 levels.

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: 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 Colorado Department of Education (CDE). Schools receive reimbursements based on approved applications. For the 2012-13 school year, the USDA reimbursed Colorado schools $1.55 per free breakfast, $1.25 per reduced-price breakfast, and $0.27 per paid breakfast. In addition, the state provides funding for an additional $0.30 per reduced breakfast so schools receive the free reimbursement rate for both free and reduced price eligible students. Finally, schools where more than 40 percent of enrollment qualifies for free and reduced lunch are categorized as "severe need" schools and receive an additional $0.30 per free and reduced-price breakfast.

State Expenditures

This bill will result in additional expenditures of $14,489,914 in FY 2014-15.

The largest cost component is an estimated $14,317,803 in reimbursement money received from the USDA and paid to school districts. These estimates are based on the following assumptions:

- implementation of this bill will result in 43,829 additional students (including 40,634 free, 2,740 reduced-price, and 454 paid students) at 242 schools in Colorado receiving a "breakfast after the bell" in FY 2014-15. These numbers will increase as the program is expanded to all schools above the 70 percent threshold in FY 2015-16;
- total enrollment, and the number of students eligible for free and reduced lunch in qualifying schools will grow at the same overall annual growth rate seen over the last five years for these categories statewide;
- the number of students in each category that would have participated in the SBP without the bill will grow half as fast as overall totals;
- 85 percent of the students at qualifying schools that previously did not participate in the SBP will now participate;
- qualifying schools will average 180 days in a school year but will experience a four percent rate of absenteeism;
- breakfasts for free lunch students, reduced-price lunch students and paid students will be reimbursed at $1.85, $1.55, and $0.27, respectively.

Colorado Department of Education. The bill will also result in an additional General Fund expenditure of $172,111 and 0.3 FTE in FY 2014-15. This total includes $147,983 in additional StartSmart funding and $24,128 in additional administrative costs.

The Start Smart Nutrition program provides state funding to reimburse school districts for each breakfast served to a child eligible for a reduced price meal. Using the same data used to collect federal meal reimbursements, CDE calculates the amount of state funding each district is eligible to receive based on the number of breakfasts served to children eligible for reduced price meals. The reimbursement rate is $0.30 per reduced breakfast so schools receive the free reimbursement rate for both free and reduced-price eligible students.

Administrative and technical support for the new school breakfast program at the CDE will increase expenditures by $24,128 and 0.3 FTE in FY 2014-15 and beyond. Costs are shown in Table 1 below, based on the assumption that most of the affected schools and districts do not currently offer "after-the bell" breakfast programs, and will require added technical assistance and training to comport with USDA guidelines. However, CDE does not currently track the type of breakfast program offered at schools, so costs could be lower if this assumption is not correct.

Table 1. Expenditures Under HB13-1006

Cost Components	FY 2014-15
Personal Services	$22,432
FTE	0.3
Operating Expenses and Capital Outlay	$1,696
TOTAL	**$24,128**

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 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. Per meal reimbursement rates including both federal and state funds for "severe need" schools (defined as schools where at least 40 percent of lunches served free or at a reduced price during the second preceding year) are $1.85 for free lunch students, $1.85 for reduced lunch students, and $0.27 for paid students. This would imply an average per plate reimbursement rate of $1.38 for schools at the 70 percent level and $1.53 for schools at the 80 percent level. Average reimbursement rates at the 70 and 80 percent levels would be $1.17 and $1.29 at schools without "severe need" designation. 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. To date, eleven districts have submitted estimates of average per plate costs for a breakfast after the bell program. Estimates include food, labor and transportation costs, and range from $1.02 to $1.60 per breakfast served in 2013. For comparison, the national School Nutrition Association estimated an average per plate cost in the southwest region of $1.25 for breakfast.

In addition, some districts will incur additional up front capital costs to ensure that breakfast after the bell program is compliant with federal nutrition guidelines. Such costs could include items such as additional refrigeration units, electrical rewiring in old buildings, additional food transport containers and vehicles. Such costs will vary by district depending on their specific capital needs.

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

Departments Contacted

Education Legislative Council Staff