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FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/14
LAST UPDATED 02/18/14 **HB** 271/aHEC/aHAFC
SPONSOR Martinez, K.
SHORT TITLE K-12 Breakfast After the Bell Programs **SB** _____
ANALYST Chavez

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	FY15	FY16		
Federal Reimbursements – Potential Increase (See Fiscal Implications)	Federal Reimbursements – Potential Increase (See Fiscal Implications)	Federal Reimbursements – Increase (See Fiscal Implications)	Recurring	School District Operating Budgets

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$2,100.0	\$2,100.0	\$4,200.0	Recurring	School District Operating Budgets

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 81, HB 220, and SB 143
 Duplicates SB 23 as amended

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)
 Public Education Department (PED)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 271 removes the appropriation of \$680 thousand from the bill. The amendment also adds language that the provisions of Section 22-13-13.2 NMSA 1978 apply to the 2014-2015 and succeeding school years “; provided, however, that the breakfast after the bell for middle and high school students shall begin the first school year after the legislature provides funding for that portion of the program.”

Synopsis of HEC Amendment

The House Education Committee amendment to House Bill 271 changes language that the Public Education Department will “fund” each school district and charter school to the department will “provide funding for” school districts and charter schools. The bill also strikes language that allows public schools that receive funding above the amount necessary to pay the costs of meals served to use leftover funding to fund other breakfast programs within the district.

Synopsis of Original Bill

House Bill 271 requires all school districts and charter schools in which 85 percent or more of enrolled students qualify for free or reduced-priced lunch (FRL) to develop a breakfast after the bell program. Schools would be reimbursed the rate of reimbursement currently set by the USDA National School Lunch Program. A school district or charter school may apply to PED for a waiver from the program if they can demonstrate the program will result in undue financial hardship. School districts or charter schools in which fewer than 85 percent of students qualify for FRL would also be permitted (but not obligated) to provide free breakfast, provided that the program complies with all applicable department rules relating to the program. The bill also changes the name of the program from “a school breakfast” program to the “breakfast after the bell” program. The bill also appropriates \$680 thousand from the general fund to the PED for expenditure in FY15 to provide breakfast pursuant to the changes in the bill.

FISCAL IMPLICATIONS

Under the bill, PED would make awards to school districts and charter schools for breakfasts at the federal maximum rate of reimbursement, in sequential order according to need, until the state breakfast after the bell funds are exhausted. Federal reimbursements only apply to those students who qualify for FRL, while the bill would require school districts and charter schools with 85 percent of qualifying students to provide free breakfast to all students at the school.

Funding for the elementary school breakfast program has remained consistent in FY13 and FY14 at \$1.9 million. PED estimates implementation of HB 271 would cost approximately \$2.1 million more than is annually appropriated. PED notes that school districts may feel pressure from stakeholders to use district operating budgets to implement the program after PED has allocated all appropriated funds. PED also notes that elementary schools that currently receive funding for the program may have their funds reallocated to middle or high schools with higher percentages of FRL; however, the HAFC amendment insures that school breakfast after the bell programs only be installed in middle and high schools after the Legislature as provided funding. This ensures that funding for elementary school breakfast programs stay in place. It is not clear if or when the legislature will provide funding for a breakfast after the bell program for middle and high schools.

Federal reimbursements would increase as the breakfast after the bell program would expand to eligible middle and high schools, but would not be sufficient to cover the costs of all students as outlined in the bill. PED notes the implementation of a middle school and high school breakfast after the bell program may mean that schools need to purchase the appropriate equipment to deliver the hot or cold meals in accordance with the New Mexico Environmental Department standards. In addition, some schools may need to hire additional staff.

SIGNIFICANT ISSUES

US Secretary of Education Arne Duncan wrote a letter to the education community on September 20, 2012, encouraging schools, school administrators, and teachers to seek out ways to increase student participation in the federal school breakfast program. CYFD adds that research indicates hunger can have a significant negative effect on the capacity of a child to be successful in school.

The bill would significantly expand the scope of the state's school breakfast program, which currently includes elementary schools, to all K-12 public schools. Additionally, PED would make awards for schools for breakfasts at the federal maximum rate of reimbursement, in sequential order according to need, until the state breakfast after the bell funds are exhausted. Current federal reimbursement rates are \$1.58 for free breakfast and \$1.28 for reduced breakfast. The government also subsidizes \$0.28 for paid breakfasts.

School districts and charter schools would not need to demonstrate their expenses to receive funding, according to the bill. LFC staff is concerned that not requiring districts to demonstrate expenses would remove a key component of fiscal accountability. PED notes the proposed change from a reimbursement process to a disbursement process will eliminate the need for monthly expenditure reporting by schools, but could result in districts and charter schools receiving more funding than is needed to feed their students. This will result in a reduction in the number of student served statewide.

A total of 218 elementary schools were awarded Elementary School Free Breakfast funds for the 2013-2014 school year, according to PED.

The Food Research and Action Center (FRAC) School Lunch Report Card for the 2011-2012 school year ranked New Mexico first in the nation for providing school breakfast, reaching 70.2 low-income children with school breakfast for every 100 eating school lunch – a 13 percent increase in participation over the previous year. New Mexico is the first state to reach FRAC's goal of more than 70 low-income children participating in school breakfast for every 100 low-income children participating in school lunch.

ADMINISTRATIVE IMPLICATIONS

PED notes the implementation of a middle school and high school breakfast after the bell program may mean that schools need to purchase the appropriate equipment to deliver the hot or cold meals in accordance with the New Mexico Environmental Department standards. In addition, some schools may need to hire additional staff.

School districts and independent schools that choose to take part in the federal breakfast program receive cash subsidies from the U.S. Department of Agriculture (USDA) for each meal they serve. In return, they must serve breakfasts that meet federal requirements. According to USDA, schools and districts can decide between several methods for offering breakfast at no charge, including:

- **Nonpricing:** No fees are collected from students, while schools continue to receive federal reimbursements for the meals served under the three-tiered (free, reduced-price, and paid) system.
- **Provision 2:** This federal option is designed to reduce paperwork and simplify the logistics of operating school meal programs. Schools using Provision 2 do not have to collect and process school meal applications, keep track of meal categories, or conduct

income verifications for at least three out of every four years. Provision 2 schools serve meals to all students at no charge, and use the significant administrative savings to offset the cost differential with federal reimbursements.

- **Community Eligibility:** This federal option is being phased in and will be available nationwide beginning in the 2014-2015 school year. It will be available to any school that chooses to participate and that has 40 percent or more of its students certified for free meals without submitting a school meal application, which includes children who are directly certified (through data matching) for free meals because they live in households that participate in the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or the Food Distribution Program on Indian Reservations (FDPIR), and children who are automatically eligible for free school meals because of their status as being in foster care or Head Start, homeless or migrant.

OTHER SUBSTANTIVE ISSUES

According to FRAC, the traditional means-tested school breakfast (in which the meal is free or the child pays, depending on family income) creates a sense among children that the program is just “for poor kids,” deterring participation by children from all income groups, including low-income children who most desperately need the school meal. This is especially a problem in middle and high school as awareness of the social context grows. By offering breakfast at no charge to all children—and children, of course, are free not to participate—“universal breakfast” ends the stigma, boosts participation among hungry children, and eliminates the burden of collecting fees.

While PED notes this bill does not specifically include students enrolled in the PED’s prekindergarten programs and students enrolled in special education preschool programs, those children may still be included under the bill. PED notes Federal law defines a “child” eligible for breakfast programs as a student “high school age or younger.” Both current state law for breakfast after the bell (NMSA 1978 Section 22-13-13.2) programs and HB 271 expressly include “all students *attending*” an elementary school, in the case of current statute, and attending a public school, in the case of the bill. Therefore, pre-K students and preschool students are eligible for the breakfast program.

RELATIONSHIP

Senate Bill 23 is a duplicate.

HB 81, HB 220, and SB 143 are bills providing for of New Mexico grown fresh fruits and vegetables for school meal programs.

KC/jl:svb