

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 2368

STATE OF NEW JERSEY 220th LEGISLATURE

DATED: JULY 5, 2022

SUMMARY

- Synopsis:** Requires schools to provide free school breakfasts and lunches to students from working class, middle-income families; designated as "Working Class Families' Anti-Hunger Act."
- Type of Impact:** Annual State expenditure increase from the General Fund. Annual local expenditure and revenue increases. Potential State revenue increase.
- Agencies Affected:** Department of Agriculture, Department of Education, school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Expenditure Increase	At least \$19.4 million per year		
Potential State Revenue Increase	Indeterminate		
Local Expenditure Increase	At least \$19.4 million per year		
Local Revenue Increase	At least \$19.4 million per year		

- The Office of Legislative Services (OLS) estimates that raising the income threshold for free school meals will increase annual school district expenditures for the meals by \$19.4 million. Because the State will reimburse school districts for these expenditures, the annual State expenditure increase will be \$19.4 million, which will also be an equal revenue increase for school districts.
- In addition, certain schools that currently do not participate in the federal School Breakfast Program would be required to participate in this program by the bill, and this may result in increased administrative costs for those schools. The OLS notes that these expenditure increases would be mitigated to the extent schools apply for and are granted financial hardship waivers from participating in the School Breakfast program.
- The OLS notes that school districts may incur additional costs from increased administrative duties that will result from the bill, such as publicizing the various ways in which free meals are being made available to students and assisting parents to apply for free meals.

- School districts may also see increased expenditures and revenues if more students participate in the National School Lunch Program and the federal School Breakfast Program as a result of the bill's provisions. If the bill were to result in a one percent increase in overall participation in the National School Lunch Program and federal School Breakfast Program, schools would see an expenditure and revenue increase of around \$9.6 million Statewide.
- Federal funds would pay for the entirety of the participation increase in the free meal component of the two federal programs. The cost of the participation increase in the reduced price component of the programs would be divided between the federal government and the State, with the State paying for the share of the meal for which the student's family would be responsible. The State will serve as the conduit for any federal funds received under these two programs, meaning that there would be equivalent State expenditure and revenue increases as the money passes through the State.
- The bill would also impose additional administrative duties on the Department of Agriculture and the Department of Education. The most significant such duty may be the requirement to review school breakfast and breakfast-after-the-bell plans from schools in the State, beginning one year after the date of the bill's enactment. Both departments may also see marginal annual expenditure increases resulting from the State's increased participation in administering school meal programs throughout the State.

BILL DESCRIPTION

This bill would expand the income eligibility for free breakfasts and lunches at all public schools. Currently, only students whose families have an annual household income of up to 185 percent of the federal poverty level qualify for free breakfasts and lunches. The bill would raise the limit to 199 percent of the federal poverty level with the State reimbursing school districts for 100 percent of the costs associated with the eligibility expansion.

This bill would additionally require schools where at least 10 percent of students are federally eligible for free or reduced price meals to offer a school breakfast program under the federal School Breakfast Program. Currently, a school breakfast program is to be offered only by public schools where at least 20 percent of students are federally eligible for free or reduced price meals. Currently, a student is "federally eligible" for free or reduced price meals if the student participates in certain federal benefits programs or if the student's family has an annual household income of up to 185 percent of the federal poverty level. A school, or a school district acting on behalf of a school in the district, would be authorized to obtain a waiver of these breakfast program requirements if the Department of Agriculture determines that the provision of a breakfast program at the school will result in financial hardship for either the school or the school district.

By way of background, under current federal law, the federal government funds the cost of free meals and the reduced part of the reduced price meals for students who qualify for the services under federal income guidelines. In addition, under current State law, students who are federally eligible for reduced price meals do not have to pay any cost for those meals with the State reimbursing school districts for the discounted costs that the student would have otherwise paid. State law also requires the establishment of breakfast after the bell programs in schools in which at least 70 percent of the students in the prior school year were eligible for free or reduced price meals under the National School Lunch Program or the federal School Breakfast Program.

The bill would also require school districts to maximize the use of federal resources in support of school meals programs. Each school and school district would also have to publicize to parents, guardians, and students the various ways in which a student may qualify for free school meals, and to provide assistance to parents and guardians in completing the application process.

The Department of Agriculture would be additionally required to consult with, and provide assistance to, school districts to help them improve, simplify, and expedite the free and reduced price meal certification process and otherwise reduce their cost of administration.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that raising the income threshold for free school meals will increase annual school district expenditures for the meals by \$19.4 million. Because the State will reimburse school districts for these expenditures, the annual State expenditure increase will be \$19.4 million, which will also be an equal revenue increase for school districts.

This estimate assumes the following, using data from the United States Department of Agriculture, the United States Census Bureau, and the Annie E. Casey Foundation's Kids Count Data Center: (1) that there are 36,670 families in the State whose income lies in the bracket between 186 percent and 199 percent of the federal poverty level; (2) that each family includes around 0.68 children who are enrolled in school; (3) that the State would reimburse schools at the federal rate (\$3.66 per lunch and \$1.97 per breakfast); (4) that 76 percent of eligible students would receive free meals (this is the estimated participation rate in the National School Lunch Program by students certified to be eligible for free or reduced-price lunches during the 2018-2019 school year); and (5) that each participating student would receive 180 lunches and breakfasts per year.

In addition, certain schools that currently do not participate in the federal School Breakfast Program would be required to participate in this program by the bill, and this may result in increased administrative costs for those schools. Such schools may need to contract with catering companies or hire additional personnel to implement a school breakfast program that meets the federal requirements. The OLS corresponded with several schools that do not participate in the federal School Breakfast Program, but it remains unclear how many schools in the State do not currently participate. School districts may also incur additional costs from increased administrative duties that will result from the bill, such as publicizing the various ways in which free meals are being made available to students and assisting parents to apply for free meals. The OLS notes that these expenditure increases would be mitigated to the extent schools apply for and are granted financial hardship waivers from participating in the School Breakfast program.

School districts may see increased expenditures and revenues if more students participate in the National School Lunch Program and the federal School Breakfast Program as a result of the bill's provisions. The OLS estimates that, for each additional student that participates in the National School Lunch Program, a school would expend around \$1,084, and, for each additional student that participates in the federal School Breakfast Program, a school would expend around \$754. These estimates use the full cost of meals (\$6.02 for lunch and \$4.19 for breakfast) from Volume 3 of the "School Nutrition and Meal Cost Study," published in 2019 by the USDA. (The full cost includes the costs of food, labor, equipment, etc. to provide school meals.) The OLS notes

that these expenditures would likely be accompanied by nearly equal revenues, since schools usually price their paid meals and a-la-carte items such that the school meal program is revenue neutral or runs a small deficit. If the bill were to result in a one percent increase in overall participation in the National School Lunch Program and federal School Breakfast Program, schools would see an expenditure and revenue increase of around \$9.6 million Statewide. This estimate uses the FY 2019 participation numbers for New Jersey, published by the USDA -- 667,127 students for the National School Lunch Program and 318,981 students for the federal School Breakfast Program -- to avoid potentially misleading data caused by the COVID-19 pandemic.

Federal funds would pay for the entirety of the participation increase in the free meal component of the two federal programs. The cost of the participation increase in the reduced price component of the programs would be divided between the federal government and the State, with the State paying for the share of the meal for which the student's family would be responsible. The State will serve as the conduit for any federal funds received under these two programs, meaning that there would be equivalent State expenditure and revenue increases as the money passes through the State.

The bill would also impose additional administrative duties on the Department of Agriculture and the Department of Education. The most significant such duty may be the requirement to review school breakfast and breakfast-after-the-bell plans from schools in the State. Although this represents a one-time, implementation task, it may require hiring additional personnel or the temporary transfer of personnel. Both departments may also see marginal annual expenditure increases resulting from the State's increased participation in administering school meal programs throughout the State.

Section: Environment, Agriculture, Energy, and Natural Resources

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).