

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 4055

STATE OF NEW JERSEY 220th LEGISLATURE

DATED: JANUARY 10, 2024

SUMMARY

- Synopsis:** Requires certain nonpublic schools to provide meals to all students under “Working Class Families Anti-Hunger Act”; authorizes limited expansion of income eligibility to qualify public and nonpublic school students for free lunch.
- Type of Impact:** State expenditure increase from the General Fund. Local expenditure and revenue increases.
- Agencies Affected:** Department of Agriculture, Department of Education, school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026 and Thereafter</u>
State Expenditure Increase	\$353,000	\$34.1 million	\$7.0 million
Local Expenditure Increase	\$0	\$33.0 million	\$6.8 million
Local Revenue Increase	\$0	\$33.0 million	\$6.8 million

- The Office of Legislative Services (OLS) estimates that raising the income threshold, to 224 percent of the federal poverty level, for free school lunches provided by public schools and directing the Department of Agriculture to reimburse nonpublic schools for certain free school lunches during the 2024-2025 school year will increase State expenditures from the General Fund by approximately \$27.1 million during FY 2025.
- In addition, the OLS estimates that raising the income threshold, to 224 percent of the federal poverty level, for free school breakfasts provided by public schools and directing the Department of Agriculture to reimburse nonpublic schools for certain free school breakfasts will increase State expenditures from the General Fund by approximately \$7 million annually.
- These expenditure increases would total \$34.1 million during FY 2025 and \$7 million annually thereafter. Because the State will reimburse school districts for these expenditures, the bill would result in local expenditure and revenue increases for nearly the same amounts, minus the portion that is attributable to nonpublic schools.

- The OLS also estimates that the bill would necessitate an expenditure increase of approximately \$353,000 during FY 2024, in order to reimburse the costs of certain free meals provided to nonpublic school students, as required under the bill.

BILL DESCRIPTION

This bill would require school districts and nonpublic schools participating in the National School Lunch Program to provide free lunch, during the 2024-2025 school year, to students who are federally eligible for free or reduced price school lunch, as well as to students who are federally ineligible for free or reduced price school meals, but who have an annual household income of not more than 224 percent of the federal poverty level. The bill would additionally amend existing law at section 12 of P.L.2022, c.104 to clarify that both public and nonpublic schools offering school breakfasts to students in the State, pursuant to the federal School Breakfast Program, will be required to provide such breakfasts, free of charge, both to federally eligible students and to students who are federally ineligible for free or reduced price school meals, but who have an annual household income amounting to not less than 186 percent, and not more than 224 percent, of the federal poverty level.

The bill would require the State to provide funding to each school district and nonpublic school that participates in the National School Lunch Program, as may be necessary to reimburse the costs associated with the provision of free lunches thereby, in school year 2024-2025, to students who are federally ineligible for such meals, but who satisfy the bill's expanded, State-level income eligibility requirements for that year.

The bill would require school districts and nonpublic schools that participate in the National School Lunch Program or the federal School Breakfast Program to take steps to minimize or offset program costs, to the extent that such costs can be minimized or offset without compromising the ability of the district or nonpublic school to comply with minimum nutritional standards and other program requirements. Finally, the bill would require the Office of the Food Security Advocate to establish a Working Group on School Food Security to identify and develop best practices, policies, and plans, and to take other appropriate action, to promote and facilitate the effective functioning of the State's school meals programs.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that raising the income threshold, to 224 percent of the federal poverty level, for free school lunches provided by public schools and directing the Department of Agriculture to reimburse nonpublic schools for certain free school lunches during the 2024-2025 school year will increase State expenditures from the General Fund by approximately \$27.1 million during FY 2025. In addition, the OLS estimates that raising the income threshold, to 224 percent of the federal poverty level, for free school breakfasts provided by public schools and directing the Department of Agriculture to reimburse nonpublic schools for certain free school breakfasts will increase State expenditures from the General Fund by approximately \$7 million

annually. These expenditure increases would total \$34.1 million during FY 2025 and \$7 million annually thereafter. Because the State will reimburse school districts for these expenditures, the bill would result in local expenditure and revenue increases for nearly the same amounts, minus the portion that is attributable to nonpublic schools.

These estimates assume: (1) that there are 40,424 families in the State with an income between 185 percent and 199 percent of the federal poverty level; (2) that there are 61,856 families in the State with an income between 200 percent and 224 percent of the federal poverty level; (3) that each family in the State has 0.68 children enrolled in a public school and 0.01 children enrolled in a nonpublic school that participates in the National School Lunch Program or federal School Breakfast Program; (4) that 79 percent of students in the 185-199 federal poverty level bracket will utilize free lunches and 36 percent of these students will utilize free breakfasts; (5) that 71 percent of students in the 200-224 federal poverty level bracket will utilize free lunches and 32 percent of these students will utilize free breakfasts; (6) that each participating student will utilize 180 school lunches or breakfasts per year, as applicable; and (7) that the State will reimburse schools at the rate of \$4.87 per lunch and \$2.77 per breakfast. These figures are partially derived from United States Census Bureau data and partially derived from National School Lunch participation data found in Volume 3 of the "School Nutrition and Meal Cost Study," published in 2019 by the United States Department of Agriculture (USDA).

The OLS also estimates that the bill would necessitate an expenditure increase of approximately \$353,000 during FY 2024, in order to reimburse the costs of certain free meals provided to nonpublic school students. This estimate assumes that the bill will take effect approximately halfway through the 2023-24 school year, and will thus apply to meals served during the spring semester, but will not apply retroactively to meals served during the fall semester.

The OLS notes that the USDA estimates that the actual costs to schools of providing school lunches is greater than the federal reimbursement rate. Thus, the State reimbursement rates may need to be higher than the estimates provided above in order to ensure that schools break even, resulting in a larger State expenditure increase. This expenditure increase may be mitigated by the provisions of the bill that require school districts to take steps to minimize the costs of their school lunch programs.

The bill will also result in expenditure increases by the State and by school districts, since it requires various additional administrative tasks, such as processing an increased amount of meals reimbursement requests and approvals. However, the OLS estimates that these tasks can be subsumed within existing staff duties. The OLS notes that the bill requires the Office of the Food Security Advocate, in but not of the Department of Agriculture, to establish a Working Group on School Food Security, which will, among other things, conduct regular studies on school food security issues. It is unclear whether the Office of the Food Security Advocate can accomplish this task using moneys already appropriated to it, or whether it will require an additional appropriation in future fiscal years.

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.).