

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3173S.01I
 Bill No.: SB 1154
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education; Food; Children and Minors
 Type: Original
 Date: January 31, 2024

Bill Summary: This proposal creates the "Missouri School Meals Act".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)
Total Estimated Net Effect on General Revenue	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)

*§167.204 states reimbursement to schools is subject to appropriation. Costs could fluctuate annually based on the number of students eligible and receiving reduced-price lunches and the actual cost per tray.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
School Meals Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Transfers and distributions net to zero.
 Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government*	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)

*Range is dependent upon state appropriation for reimbursement.

FISCAL ANALYSIS

ASSUMPTION

Section 167.204 - Missouri School Meals Act

Officials from the **Department of Elementary and Secondary Education (DESE)** state this section would require free school lunch to be provided to any student who has been approved to receive a reduced-price lunch under the USDA National School Lunch Program.

If meals are provided at no cost to students, the total cost to the state would be an additional \$4,431,768 in general revenue. These costs are based on the highest of three years of lunch counts for year 2018-19, 2019-20, or 2022-23 and an average meal cost of \$4.59. DESE came to this cost by using the average tray cost (statewide statistic from SY 21-22) of \$4.59 and the difference between the federal reduced reimbursement rate (\$3.95). This would be .64 cents. That \$.64 difference is then multiplied by the number of reduced-price lunches served.

Costs could fluctuate annually based on the number of students eligible and receiving reduced-price lunches and the actual cost per tray.

Lunch Cost

Difference between the total cost of each lunch provided and the federal reimbursement rate:

- \$4.59 (average tray cost) - \$3.95 = \$0.64
- \$0.64 * 6,924,637 (reduced lunch count) = \$4,431,768

Lunch Cost Total = \$4,431,768

*NOTE: The average cost per tray from school year 21-22 was used in estimate as the 22-23 data is not available yet. Local Education Agencies complete a School Nutrition Program (SNP) Financial Report to report prior year food service expenditures and revenues. The SNP financial report is due to the office in December and the office reviews and hopes to have all finance reports approved by late January. Once all SNP financial reports are approved they will have statewide statistics for SY 22-23 which will include an updated average tray cost.

Upon further inquiry to a similar proposal, SB 321 (2023), **DESE** stated schools must comply with Paid Lunch Equity (PLE) requirements. This means that schools follow metrics to set their prices they charge for a paid student meal following the paid lunch equity provisions outlined in [7 CFR 210.14\(e\)](#).

This would be a cost to the General Revenue Fund. If the school is required to offer a free lunch to students who qualify for reduced-price lunch under the National School Lunch Program then the school would be reimbursed at the corresponding rates reduced that would be covered by Federal Funds as normal. Then if the school is not able to charge students for a reduced meal

this means the State's General Revenue Fund would need to cover the difference according to paid lunch equity requirements to ensure the schools food service account has sufficient revenue. Per 167.204, The State shall reimburse schools the difference between the total cost of each lunch provided under this subsection and the federal reimbursement rate for each lunch provided under this subsection.

Oversight notes this total would increase with any federal reimbursement rate increase that schools would receive in future years.

Oversight notes that the reimbursement to schools is subject to appropriation. Therefore, Oversight will range the impact from \$0 (no appropriation) to the costs as estimated by DESE, but notes these estimates could be exceeded if additional schools participate in the School and Nutrition program.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Oversight assumes this proposal creates the School Meals Fund. For simplicity, Oversight assumes all the funds will be used in the year in which they are appropriated.

Oversight notes that the reimbursement to schools is subject to appropriation. Therefore, Oversight will range the impact from \$0 (no reimbursement) to the costs as estimated by DESE to school districts on the fiscal note.

Oversight received zero responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note. Oversight only reflects the responses received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that

this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Transfer Out</u> - to provide lunches at no cost to students qualifying for reduced lunch program - §167.204	\$0 to <u>(\$4,431,768)</u>	\$0 to <u>(\$4,431,768)</u>	\$0 to <u>(\$4,431,768)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to <u>(\$4,431,768)</u>	\$0 to <u>(\$4,431,768)</u>	\$0 to <u>(\$4,431,768)</u>
SCHOOL MEALS FUND			
<u>Transfer In</u> - to provide lunches at no cost to students qualifying for reduced lunch program - §167.204	\$0 to \$4,431,768	\$0 to \$4,431,768	\$0 to \$4,431,768
<u>Transfer Out</u> - to provide lunches at no cost to students qualifying for reduced lunch program - §167.204	\$0 to <u>(\$4,431,768)</u>	\$0 to <u>(\$4,431,768)</u>	\$0 to <u>(\$4,431,768)</u>
ESTIMATED NET EFFECT ON SCHOOL MEALS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
SCHOOL DISTRICTS & CHARTER SCHOOLS			
<u>Costs</u> - to provide lunch at no cost to students qualifying for reduced lunch program - §167.204	(\$4,431,768)	(\$4,431,768)	(\$4,431,768)
<u>Revenue Gain</u> - to provide lunch at no cost to students qualifying for reduced lunch program - §167.204	\$0 to \$4,431,768	\$0 to \$4,431,768	\$0 to \$4,431,768
ESTIMATED NET EFFECT SCHOOL DISTRICTS & CHARTER SCHOOLS	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)	\$0 to (\$4,431,768)

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act establishes the "Missouri School Meals Act". Under the act, schools shall provide a free lunch to students who qualify for reduced-price lunch under the National School Lunch Program. Subject to appropriation, the State Board of Education shall reimburse schools for their share of the cost of providing free lunches to students who qualify for reduced-price lunch.

A school shall determine which students may be eligible for free or reduced-price meals under the National School Lunch Program and shall provide information and assistance to parents and guardians for purposes of filling out applications for such Program. Schools shall not publicly identify or stigmatize students who are eligible for such assistance.

This act creates the "School Meals Fund", which shall be used to reimburse schools for the costs of providing free lunches to students who qualify for reduced-price lunch under the National School Lunch Program. The State Board of Education shall promulgate rules to implement the program, including the process by which schools may apply for reimbursement.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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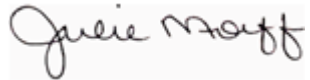
SOURCES OF INFORMATION

Department of Elementary and Secondary Education

Office of the State Treasurer

Office of the Secretary of State

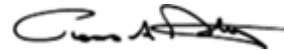
Joint Committee on Administrative Rules



Julie Morff

Director

January 31, 2024



Ross Strobe

Assistant Director

January 31, 2024