



February 25, 2024

SUMMARY OF BILL: Requires each local school board to establish a school lunch program and a school breakfast program that provides a free breakfast and lunch to each student enrolled in a school under the board's jurisdiction. Requires the state to reimburse each local education agency (LEA) the cost of providing a free breakfast and lunch to each student enrolled in the LEA after all federal funds have been applied.

FISCAL IMPACT:

Increase State Expenditures – \$746,767,100/FY24-25
Exceeds \$746,767,100/FY25-26 and Subsequent Years

Increase Local Revenue – \$746,767,100/FY24-25
Exceeds \$746,767,100/FY25-26 and Subsequent Years

Other Fiscal Impact – If all schools that qualify for the Community Eligibility Provision elect to participate in FY24-25, it is estimated that the increase in state expenditures would be \$272,051,600, the increase to federal expenditures would be \$474,715,500, and the increase in local revenue would be \$746,767,100.

Some LEAs may incur both a mandatory decrease in revenue and mandatory increase in expenditures as a result of providing free breakfast and lunch to each student. However, due to multiple variables, a precise local fiscal impact cannot be reasonably determined. *

Assumptions:

- Pursuant to the *Tennessee School Nutrition Standards Act*, schools must establish a breakfast and lunch program for free or reduced-price lunches to the extent that federal funds are available.
- The National School Lunch Program and School Breakfast Program are federally assisted meal programs administered by the Department of Education (DOE) at the state level and operated in schools by local school food authorities.
- The United States Department of Agriculture (USDA) reimburses LEAs for the cost of free or reduced-price meals for students who qualify.
- There are approximately 984,839 students in grades pre-kindergarten through 12 (Pre-K-12) for the 2023-24 school year.

- There are 180 instructional days in a school year.
- The average total cost for a school to provide one student breakfast and lunch is \$6.58 in FY23-24.
- Based on USDA reimbursement rates from FY19-20 through FY23-24, the average annual increase is 5.1 percent; therefore, the average reimbursement to provide one student breakfast and lunch is estimated to be \$6.92 ($\6.58×1.051) in FY24-25.
- It is estimated that the total cost to provide all pre-kindergarten through 12 students breakfast and lunch each day for the entire school year will be \$1,226,715,458 ($984,839 \times \6.92×180).
- The USDA reimbursed the state \$434,499,300 in FY22-23 to administer the school lunch and breakfast programs. It is assumed that USDA reimbursement amounts will also increase by an average of 5.1 percent each year.
- It is estimated that the USDA reimbursement amount in FY22-23 will increase by 5.1 percent in each FY23-24 and FY24-25 such that the total amount will be \$479,948,361 [$(\$434,499,300 \times 1.051) \times 1.051$] in FY24-25.
- The increase in state expenditures is estimated to be \$746,767,097 ($\$1,226,715,458 - \$479,948,361$) in FY24-25 and exceed \$746,767,097 in FY25-26 and subsequent years. There would be an equal, corresponding amount of revenue to LEAs in FY24-25 and subsequent years.
- Eligible schools and school districts can elect to participate in the Community Eligibility Provision (CEP), which is a non-pricing meal service option for schools and school districts in low-income areas to serve breakfast and lunch at no cost to all enrolled students without collecting household applications.
- On Sept. 26, 2023, the USDA published a final rule to expand access to the CEP by lowering the minimum identified student percentage participation threshold from 40 percent to 25 percent. The rule gives more high-need schools the option to elect CEP and offer all students school meals at no cost.
- In the 2022-23 school year, 850 schools with a total student population of 354,831 participated in the CEP. The total federal reimbursement for breakfast and lunch was \$263,690,044.
- It is estimated that the CEP reimbursement amount in FY22-23 will increase by 5.1 percent in each FY23-24 and FY24-25 such that the total amount will be \$291,272,286 [$(\$263,690,044 \times 1.051) \times 1.051$] in FY24-25.
- Due to the USDA rule changes, 1,375 schools with 700,369 total students now qualify to operate the CEP.
- If all eligible schools participated in the CEP during the 2023-24 school year, the federal reimbursement would be \$728,818,020 ($\$286,879,860$ breakfast + $\$441,938,160$ lunch).
- It is estimated that the federal reimbursement amount will increase by 5.1 percent each year such that the total amount for all CEP-eligible schools will be \$765,987,739 ($\$728,818,020 \times 1.051$) in FY24-25.
- The additional federal reimbursement for students in schools operating a CEP would be \$474,715,453 ($\$765,987,739 - \$291,272,286$) in FY24-25 and exceeding \$474,715,453 in FY25-26 and subsequent years; there would be an equal, corresponding amount of revenue to LEAs in FY24-25 and subsequent years.

- If all CEP-eligible schools participated in the program, the increase in state expenditures to provide the remaining student population with a free breakfast and lunch is estimated to be \$272,051,644 (\$1,226,715,458 - \$479,948,361 - \$474,715,453) in FY24-25 and in excess of \$272,051,644 in FY25-26 and subsequent years. There would be an equal, corresponding amount of revenue to LEAs in FY24-25 and subsequent years.
- The total increase to local revenue is estimated to be \$746,767,097 (\$474,715,453 + \$272,051,644) in FY24-25 and in excess of \$746,767,097 in FY25-26 and subsequent years.
- Student eligibility to receive free and reduced meals is determined by LEAs through an application process or through direct certification. For LEAs to receive federal meal reimbursements, school personnel must claim the number of meals served to eligible students and provide supporting documentation.
- Some LEAs may incur additional costs by serving breakfast and lunch to all students, which may require expanding cafeteria capacity, hiring additional cafeteria staff, and purchasing new equipment. However, due to the multiple factors involved, any mandatory increase in local expenditures cannot be estimated.
- LEAs that provide free breakfast and lunch to each student may incur a loss in local revenue if reimbursement amounts are less than what the LEA would have otherwise charged. However, the extent and timing of any such loss cannot be reasonably determined.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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