

# Vermont Legislative Joint Fiscal Office

One Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

## *FISCAL NOTE*

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Prepared by: Breanna Parker

### **S.100 An act relating to universal school breakfast and lunch for all public school students and to creating incentives for schools to purchase locally produced foods – As Introduced**

<https://legislature.vermont.gov/Documents/2022/Docs/BILLS/S-0100/S-0100%20As%20Introduced.pdf>

#### **Bill Summary:**

This bill requires all public schools in Vermont to provide school meals (breakfast and lunch) to all students at no charge to families. The bill also proposes to create a grant program administered by the Agency of Education to incentivize schools to purchase locally produced food, and to increase appropriations for the Farm to School and Early Childhood Grant program. The effective date is July 1, 2021 with the intention to phase in over five years.

#### **Fiscal Impacts:**

This analysis estimates the additional annual cost to the Education Fund resulting from this bill and does not include the cost for public schools which already offer free meals. Currently, about 18% of Vermont students attend a public school that offers universal school meals through United States Department of Agriculture programs<sup>1</sup>. This analysis does not account for the 5-year phase in period.

#### **Universal School Meals Annual Cost Estimate: \$24-40 million per year to Education Fund**

The main variables determining the cost range are as follows:

- The number of students that receive federally subsidized free and reduced lunch, and
- The student participation rate (i.e. number of students eating the meals).

#### **Appropriations**

- Locally Produced Food Grant:
  - First Year (FY22): \$1 million: Education Fund and \$500,000: General Fund
  - Annual: \$600,000: Agency of Education Budget
- Farm to School and Early Childhood Grant:
  - Annual: Increase of \$328,125 from base funding to \$500,000: General Fund

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<sup>1</sup> The federal USDA programs for universal school meals are: Provision 2 and the Community Eligibility Provision (CEP). Any school can access Provision 2, which establishes a reimbursement rate for meals based on the socioeconomic status of schools. The highest poverty schools can qualify for CEP, which offers a higher reimbursement rate for schools.

**Background:**

Federal Funding: The amount of federal funding for school meals greatly depends on the number of students eligible and enrolled in USDA free and reduced-price meal programs. If the number of students with free and reduced-price meals decreases, then the cost of the universal school meals program increases. Families are either directly certified<sup>2</sup> (i.e. they qualify automatically) or they must apply for the program each year, depending on household income and enrollment in other programs. There is some concern that if all meals are free, families may not submit the application for USDA assistance without the incentive of free and reduced-price meals<sup>3</sup>. This analysis provides a range to show how the cost of providing universal school meals may change based on the percentage of eligible and enrolled students (Table 1).

- Average % students that receive free and reduced-price meals FY17-FY19: 40%
- Directly Certified students (qualify automatically): 25%

Participation: The cost of the universal school meal program can also change significantly depending on the student participation rate (Table 1). This analysis provides a range to show how the cost of the program may change based on student participation:

- Average participation: the current rate at Vermont schools with universal school meals<sup>4</sup> (rounded up to the nearest 5%): 60% breakfast and 75% lunch
- High participation: All students in attendance on an average day in Vermont 95%

**Table 1: Scenarios for universal breakfast and lunch (millions \$)**

| <b>% Students Free &amp; reduced-price meals</b> | <b>Average participation (60/70% participate)</b> | <b>High Participation (95% participate)</b> |
|--|---|---|
| <b>Average Enrollment 40% qualify for fed \$</b> | \$24  | \$32  |
| <b>Directly Certified 25% qualify for fed \$</b> | \$29  | \$40  |

The highest estimate in Table 1 reflects a scenario in which all students in attendance are eating both meals, and only directly certified students qualify for USDA free and reduced lunch. The

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<sup>2</sup> Families can directly certify if they participate in 3SquaresVT (SNAP) or ReachUp (TANF), are homeless or migrant students identified by a school official or the state as participating in Head Start, or as Homeless, Migrant or State Placed Foster or are below 135% of the federal poverty line. Families below 185% of the federal poverty level qualify for reduced price meals if they submit a household income form to the school each year.

<sup>3</sup> If fewer families enroll in free and reduced meal, then there is a negative impact on several other federal and state programs as these data are used as a metric for student poverty.

<sup>4</sup> An analysis by the New York City Independent Budget Office on universal school meals in New York City identified a participation rate of 57% for school lunches in elementary schools in 2014-2015. This analysis also ran a scenario for 67% participation. This provides another indication that participation rates are likely around 60-70%.

lowest estimate reflects average participation in Vermont schools with universal school meals and the average eligibility and enrollment in USDA free and reduced lunch programs over the last three years.

The existing price for Vermont school meals is displayed in Table 2. The universal school meal proposal requires schools to pay the cost of the meal through local school budgets and ultimately the Education Fund. This fiscal note assumes schools will pay the cost of the average family contribution. Furthermore, this bill proposes to continue funding the “State of Vermont” contribution through the General Fund, which typically costs about \$350,000 per year and varies based on the eligibility and enrollment rates for USDA free and reduced lunch. The federal government subsidizes the remaining costs of the meal<sup>5</sup>.

**Table 2: Average Vermont price per school meal**

| <b>Meal Prices 2020-2021</b>      |               |                      |               |
|-----------------------------------|---------------|----------------------|---------------|
| <b>Lunch</b>                      | <b>Free</b>   | <b>Reduced Price</b> | <b>Paid</b>   |
| Average family contribution       | -             | -                    | \$3.18        |
| USDA foods contribution           | \$0.37        | \$0.37               | \$0.37        |
| National School Lunch Program     | \$3.58        | \$3.18               | \$0.40        |
| State of Vermont                  | -             | \$0.40               | -             |
| <b>Subtotal</b>                   | <b>\$3.95</b> | <b>\$3.95</b>        | <b>\$3.95</b> |
| <b>Breakfast</b>                  | <b>Free</b>   | <b>Reduced Price</b> | <b>Paid</b>   |
| Average family contribution       | -             | -                    | \$1.57        |
| USDA foods contribution           | -             | -                    | -             |
| National School Breakfast Program | \$1.89        | \$1.59               | \$0.32        |
| State of Vermont                  | -             | \$0.30               | -             |
| <b>Subtotal</b>                   | <b>\$1.89</b> | <b>\$1.89</b>        | <b>\$1.89</b> |

A few caveats to this analysis: There may be additional costs to implement universal school meals, including capital costs for new or upgraded kitchens, and increased labor costs to supply more meals. There may also be an additional cost to schools that currently qualify for “severe need” reimbursement rates because they may no longer qualify for those payments if there is a drop in free and reduced lunch rates. There may also be some savings on administrative costs at the school level and meal cost saving due to economies of scale.

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<sup>5</sup> The federal government funding for school meals: USDA foods contribution, The National School Lunch Program (NSLP) and School Breakfast Program (SBP) are federal programs that offer free and reduced-price breakfast and lunch for qualifying students in low-income households

**Other Bill Appropriations:**

1. Create a grant program administered by the Agency of Education to incentivize schools to purchase locally produced food:
  - First Year Start-Up Cost: \$1.5 million total
    - \$1 million from the Education Fund
    - \$500,000 from the General Fund
  - Annual Cost: \$600,000 per year from Agency of Education budget request to the General Assembly
  
2. Increase appropriations for the Farm to School and Early Childhood Grant program:
  - Annual Cost: \$500,000 per year, an increase of \$328,125 from the base funding amount of \$171,875 per year from the General Fund