



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** S.B. 191 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Sen. Schiavoni

**Local Impact Statement Procedure Required:** No

**Subject:** Breakfast After the Bell program

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### Fiscal Highlights

- An estimated 911 schools will be required to serve breakfast under the Breakfast After the Bell program. Nearly all of these schools currently operate a school breakfast program (SBP) of one sort or another. However, a school may opt out of the new program for financial reasons.
- If the bill leads to greater participation in SBPs, a public school's federal reimbursements as well its school food service costs will increase. These increases may be in the millions of dollars or more annually depending on the level to which participation increases. Federal reimbursements for the SBP are passed through to public districts and schools from the Ohio Department of Education (ODE).
- ODE will incur additional personnel costs to administer the program and provide technical support for schools and districts.

### Detailed Fiscal Analysis

#### Overview

The bill establishes the Breakfast After the Bell (BAB) program, which generally requires public schools with high percentages of low-income students to offer breakfast to all students at specified times in the morning of each school day. Schools will be reimbursed by the federal government for each meal that is served. These additional revenues should offset the additional costs for this program. However, if a school's governing body determines that it cannot comply with the bill for financial reasons, it can opt out of the program by justifying its reasoning to the Ohio Department of Education (ODE). In that case, the school is not required to participate until ODE determines that sufficient funds are available.

The bill will increase personnel costs for ODE to hire additional staff to provide administrative and technical support for schools and districts. School districts may require added technical assistance and training to comport with United States Department of Agriculture (USDA) guidelines. Additional details are provided below.

## **Breakfast After the Bell program in schools**

The bill generally requires a public school in which at least 70% of enrolled students were eligible for free or reduced-price meals during the previous school year to offer breakfast<sup>1</sup> to all students. However, the bill exempts any public school that did not meet the 70% threshold in each of the second and third preceding school years and internet- or computer-based community schools (e-schools). If the bill leads to greater participation in school breakfast programs (SBPs), a public school's federal reimbursements as well as its school food service costs will increase.

### **Number of public schools required to participate**

According to ODE data for the 2017-2018 school year, 3,252 sites participating in the federal school breakfast or lunch programs were sponsored by traditional or joint vocational school districts or community/STEM schools. Of these, 942 public school sites met the bill's 70% free and reduced price meal eligibility percentage. However, 31 of these schools would qualify for an exemption, mainly by failing to meet the eligibility threshold in the second and third preceding school years, leaving 911 schools (28.0%) required to participate.<sup>2</sup> All but one of those schools operated an SBP in FY 2018, though ODE does not track the type of breakfast program offered. Thus, some sites already may be operating a BAB program voluntarily. Any schools required to participate under the bill that do not currently operate an SBP will be required to create one, potentially entailing additional staffing and other expenses, unless the school opts out for financial reasons.

A large majority of the schools identified use a nontraditional method to qualify students for free meals. Specifically, 787 (86%) of the 911 schools participate under the Community Eligibility Provision (CEP). CEP allows districts and schools in high poverty areas to offer free meals to all enrolled students without having to rely on the traditional method of determining eligibility based on annual household applications.<sup>3</sup> Districts and schools may implement CEP if 40% or more of enrolled students are identified as participating in the Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF) through direct certification (i.e., without the use of a household application) or because they fall into certain other categories. Though all students enrolled in a CEP school qualify for free meals, the federal government requires each CEP school to calculate a free meal eligibility

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<sup>1</sup> Schools can choose between serving breakfast in the classroom, grab-and-go breakfasts, or breakfast served in the cafeteria after the first bell.

<sup>2</sup> To qualify for an exemption, a school must have data indicating the percentage of students eligible for free or reduced-price lunches in the second and third preceding school years. For example, this means that a public school that was first opened in the 2016-2017 or 2017-2018 school years is ineligible for the exemption.

<sup>3</sup> Under the traditional method, a student is eligible for free meals if household income is less than or equal to 130% of the federal poverty guideline (FPG) or for reduced-price meals if household income is between 130% and 185% of FPG.

percentage for federal meal reimbursement purposes.<sup>4</sup> This percentage equals the number of identified students multiplied by 1.6 (to account for underestimation of eligible students through direct certification) and then divided by the school's enrollment, up to a maximum of 100%. We used this free meal eligibility percentage to identify CEP schools subject to the BAB program requirement.

Of the remaining public schools subject to the program, 115 (13%) identify students eligible for National School Lunch Program (NSLP) using the traditional annual household application while nine (1%) participate in NSLP under a little-used alternative provision.

### **Federal reimbursement**

Schools required to provide a BAB program will be reimbursed for each meal that is served in accordance with the federal SBP administered by the USDA. Federal reimbursement funds are passed through ODE to each qualifying school, based on the number of participating students and their free and reduced lunch eligibility category. Table 1 below lists the current school breakfast program reimbursement rates. Schools that served at least 40% of lunches free or at reduced price qualify for an additional \$0.35 in "severe need" reimbursement for free and reduced price breakfasts. By their nature, schools required to participate in a BAB program would appear to qualify for severe need assistance.

<b>Table 1. Federal School Breakfast Program Reimbursement Rates for Ohio Schools, 2018-2019 School Year</b>		
<b>Eligibility Category</b>	<b>Non-Severe Need Rate</b>	<b>Severe Need Rate</b>
Free Meal	\$1.79	\$2.14
Reduced-Price Meal	\$1.49	\$1.84
Paid Meal	\$0.31	\$0.31

BAB programs have been found to increase SBP participation rates in states and localities that have implemented them.<sup>5</sup> Increases in participation rates appear to vary from jurisdiction to jurisdiction. In the 911 Ohio schools identified as required to participate, daily SBP participation averaged over 194,600 meals in October 2017. Over 181,800 (93%) of these meals were served free. As a point of reference, for every 10% increase in daily meals served at the qualifying sites, federal reimbursement would increase by an estimated \$7.1 million, as shown in Table 2 below.<sup>6</sup> In comparison, about \$126.6 million in federal reimbursement was provided to all SBP sponsors in FY 2018.

<sup>4</sup> The percentage of students eligible for free meals determines the portion of meals reimbursed at the federal free meal rate. The remaining meals, if any, will be reimbursed at the federal paid meal rate.

<sup>5</sup> "Breakfast After the Bell: Policy Solutions from Across the U.S.," The No Kid Hungry Center for Best Practices, available online at <http://bestpractices.nokidhungry.org/sites/default/files/download-resource/Breakfast%20Policy%20Solutions%202018.pdf>.

<sup>6</sup> The calculations assume a uniform 10% increase across all qualifying sites.

<b>Table 2. Estimated Increase in Federal Reimbursement for Every 10% Increase in School Breakfast Program Participation at Schools Subject to a Breakfast After the Bell Program</b>			
<b>Eligibility Category</b>	<b>Average Daily School Breakfast Program Meals Served (October 2017)</b>	<b>Additional Daily Meals Served for Every 10% Increase in Participation</b>	<b>Estimated Additional Annual Federal Reimbursement</b>
Free Meal	181,830	18,183	\$7.0
Reduced-Price Meal	1,751	175	<\$0.1
Paid Meal	11,052	1,105	<\$0.1
<b>Total</b>	<b>194,634</b>	<b>19,463</b>	<b>\$7.1</b>

Whether or not this reimbursement fully covers a district's variable costs depends on the cost of meal preparation, which varies across districts. Presumably, most schools would limit meal costs to the level of federal reimbursement. In addition, some districts could incur additional upfront equipment costs to ensure that their BAB program is compliant with federal nutrition guidelines. Such costs could include items such as additional refrigeration units, electrical rewiring in old buildings, and additional food transport containers and vehicles. Such costs will vary by district depending on their specific equipment needs. Nevertheless, as noted above, the bill permits public schools to opt out of the program for justified financial reasons.

## **Ohio Department of Education**

### **Personnel cost**

The bill will increase ODE's personnel costs to administer the program, which will entail all of the following:

- Determining each school's participation in the program;
- Monitoring participating schools' compliance with program provisions;
- Offering technical assistance to schools in implementing the program, including submitting claims for reimbursement under the federal SBP;
- Preparing and submitting to the General Assembly and the Governor a report on the implementation and effectiveness of the program; and
- Adopting rules necessary to carry out all of the bill's provisions.

Currently, ODE has a director, five managers, and 39 additional staff that are federally funded to administer the existing school breakfast and lunch programs. According to ODE, these employees would not be permitted to administer the monitoring and technical assistance requirements for the new program. Therefore, additional staff will be required for this purpose. It is unclear how many additional staff will be needed. The base pay rate for an education program specialist ranges from \$27 to \$43 per hour. The total annual payroll costs for each such position will range from about \$72,000 to \$123,000, depending on the single or family health insurance coverage the employee may enroll in.

### **Report card modifications**

For each school required to participate in a BAB program, the bill also requires ODE to include on that school's report card the participation rate of enrolled students in the program. This provision may increase data collection and reporting costs for ODE and public districts and schools.