



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #640

School Breakfast (DPI -- Categorical Aids)

Bill Agency

[LFB 2007-09 Budget Summary: Page 467, #8]

CURRENT LAW

Under current law, the state makes payments equal to \$0.10 per meal from the appropriation for school breakfast to provide partial reimbursement for the cost of school breakfasts served under the federal school breakfast program, which provides free or reduced-price breakfast to low-income children in participating school districts and private schools.

GOVERNOR

Provide \$1,458,100 GPR in 2007-08 and \$1,835,200 GPR in 2008-09 over annual base funding of \$1,055,400 GPR and increase the state school breakfast reimbursement rate from \$0.10 to \$0.15 per breakfast served. Specify that this increase would first apply to breakfasts served during 2007-08.

DISCUSSION POINTS

1. The federal school breakfast program (SBP) was established in 1966 as a two-year pilot project designed to provide categorical grants to assist schools serving breakfasts to "nutritionally needy" children. While the term "nutritionally needy" was not defined, the original legislation stipulated that first consideration for program implementation was to be given to schools located in poor areas or in areas where children had to travel a great distance to school. To encourage schools in needy areas to participate, Congress authorized higher federal payments for schools determined to be in "severe need." The pilot program was expanded several times, and in

1971, Congress directed that priority consideration for the program would include schools in which there was a special need to improve the nutrition of children from low-income families, and the categorical grant structure was replaced by a system of per-meal reimbursement. In 1975 the program received permanent authorization, and the SBP continues to emphasize participation by schools in severe need and to provide higher reimbursement to these schools.

2. The federal SBP is an entitlement program that provides assistance to states to operate nonprofit breakfast programs in school districts, private schools, and residential childcare institutions. Schools that take part in the breakfast program receive cash reimbursements from the US Department of Agriculture (USDA). In return, schools must serve breakfasts that meet federal nutrition requirements, and they must offer free and reduced-price breakfast to low-income children. Children from families with incomes less than 130% of the federal poverty level are eligible for free breakfast, and those with incomes less than 185% of poverty are eligible for reduced-price breakfast. In 2006-07, for a family of four, 130% of poverty equals \$26,000 in annual income, and 185% is equal to \$37,000.

3. In 2006-07 the federal basic reimbursements equal \$0.24 per paid breakfast, \$1.01 per reduced-price breakfast, and \$1.31 per free breakfast. Schools with high concentrations of poverty, where more than 40% of meals are served free or at a reduced price, receive additional payments of \$0.25 for each free and reduced-price meal. Rates are adjusted annually based on the consumer price index. Schools may charge no more than \$0.30 per reduced-price breakfast. Schools set their own prices for full-price breakfast, but they must operate meal services as non-profit programs. The state received reimbursements from USDA totaling \$16,884,300 FED under the SBP in 2005-06.

4. Research by the USDA has indicated that, on average, food from the school cafeteria contributed 19% of the daily food intake of all children on school days. Most children consume much more food away from school than at school. However, school breakfast program participants, most of whom also eat school lunch, obtain about half of their food for the day from school cafeteria foods. In Wisconsin, student participation for school breakfasts by eligibility category averages 64% free, 10% reduced, and 26% pay full price. On the other hand, for school lunch, only 31% of participants eat for free, 9% reduced, and 60% of participants pay full price. One could argue, then, that school breakfast tends to have a greater impact on the neediest students.

5. Other research has shown that food-insufficient children, meaning children whose families either sometimes or often did not have enough food due to lack of resources, on average scored 6% to 12% lower on intelligence tests, were twice as likely to have repeated a grade, and were three times as likely to have been suspended from school than their food-sufficient peers.

6. A federal pilot program provided universal free breakfast at six schools in Milwaukee Public Schools in 2005-06. The Hunger Task Force surveyed the parents of students enrolled in those schools in order to measure the effects of the program. Of the respondents, 64.8% reported that the availability of school breakfast had at least a moderate effect on the amount of money they had available for other expenses including food, clothing, and rent, while 35.2% said

the program had little or no effect. Students were also surveyed and were asked, on days they do not eat breakfast at school, where they eat breakfast. While 58% of students said they eat at home on those days, 24% said they do not eat breakfast at all on those days, and 14% said they always eat at school. On the other hand, quantitative measures of changes in attendance, behavior, and test scores at the schools were inconclusive.

7. In 2006-07 a total of \$1,055,400 GPR is provided for the state breakfast program, which provides up to \$0.10 per breakfast served. According to information from the Department of Public Instruction (DPI), in 2005-06 an average of 93,114 children ate school breakfast daily at 1,568 participating public and private schools and institutions. This average daily participation rate represented a 38.8% increase over the participation rate in 2003-04. While 98% of school districts (417) in the state served school lunch in 2005-06, according to DPI, only 71% of school districts (301) served breakfast. This rate has improved from 59% of school districts in 2003-04. However, Wisconsin's school breakfast participation rates have consistently fared poorly when compared with other states.

8. Due to broad participation in the National School Lunch Program, the Food Research and Action Center (FRAC) uses that program as a benchmark for school breakfast participation. For several years, Wisconsin has been ranked at or near the bottom nationally for the proportion of school buildings serving lunch that also offer school breakfast, according to an annual survey conducted by FRAC. According to FRAC's 2006 report, Wisconsin ranked second to last, being one of only two states with under 60% of school buildings that offer lunch also offering breakfast. The national average was 82.9% in 2005-06.

9. Although student participation is growing in Wisconsin, the proportion of children participating in school lunch who also receive school breakfast is relatively low compared with other states. In 2005-06, approximately 29.3% of low-income students eating school lunch also ate school breakfast, the lowest rate in the nation according to FRAC. The national average was 44.6%. On the other hand, the state has seen significant improvement in these measures. For Wisconsin, FRAC reported that the number of low-income students eating free and reduced-price breakfast grew 14.2% in 2005-06, the largest percentage increase in the nation.

10. As a result of this increase in school breakfast participation, the current appropriation level is no longer adequate to fund \$0.10 per breakfast. The current base funding, \$1,055,400 annually, has been level-funded since 2001-02. In prior years, the appropriation was not fully expended and, as a continuing appropriation, accumulated a carryover balance. In 2004-05, the appropriation for school breakfast had a beginning balance of \$275,900, and actual expenditures totaled \$1,138,400, leaving an ending balance of \$192,900. All appropriated funds (\$1,055,400) and carryover funds (\$192,900) were fully expended in 2005-06. Payments were also prorated for the first time, to 9.91 cents per breakfast. DPI has estimated that payments will be prorated in 2006-07 as well, to 7.24 cents per breakfast.

11. According to data provided by DPI, growth in the number of breakfasts served has increased by an average annual rate of 10.4% since 2001-02. However, the increase in 2005-06 was

15.7% over 2004-05, and DPI projects a 15% annual increase in the 2007-09 biennium. This higher rate of growth could be driven in part by federal grants. Under the program, school districts and private schools apply for breakfast start-up and participation improvement grants, administered through the University of Wisconsin-Extension. In six years, \$4.2 million has been distributed to schools, 433 new buildings have begun serving breakfast, and 373 buildings have received grants to increase participation. The Governor's recommended funding level for school breakfast is based on a 15% annual increase in the number of breakfasts served and an increase in the reimbursement to \$0.15 per meal. Increases over the base would total \$1,458,100 in 2007-08 and \$1,835,200 in 2008-09. Total school breakfast funding under this option would equal \$2,513,500 in 2007-08 and \$2,890,600 in 2008-09.

12. Some have argued that an increased reimbursement rate could further increase overall participation in the school breakfast program. Schools that have chosen not to participate due to expense might be encouraged to do so. A higher state reimbursement would also serve to keep costs to a minimum for families who pay full price, since food services are operated as non-profit programs.

13. On the other hand, the Committee could choose to retain the current law breakfast reimbursement. Schools have alternative sources of revenues for school nutrition programs, including full price meals as well as federal reimbursements. School districts also have the option to subsidize their meal programs from revenues such as general school aids and property taxes.

14. One option for the Committee would be to increase funding in the biennium in order to fully fund the current law \$0.10 reimbursement. Using DPI's estimated 15% annual increase, an increase of \$620,300 in 2007-08 and \$871,600 in 2008-09 over the base would be needed in order to avoid a prorate in the reimbursement. This would decrease the funding provided in the bill by -\$837,800 in 2007-08 and -\$963,600 in 2008-09. Total school breakfast funding under this option would equal \$1,675,700 in 2007-08 and \$1,927,000 in 2008-09.

15. On the other hand, a number of categorical aids administered by DPI on a cost reimbursement basis are prorated, including special education and bilingual education. Defined payment programs have also been prorated in the past, including pupil transportation aid and the SAGE program, for example. The Committee could choose to allow the school breakfast payment to continue to be prorated, and to delete \$1,458,100 in 2007-08 and \$1,835,200 in 2008-09 from the bill. Base funding would continue at \$1,055,400 annually.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$1,458,100 in 2007-08 and \$1,835,200 in 2008-09 above base level funding of \$1,055,400 and increase the reimbursement rate under the school breakfast program to \$0.15 per meal served, from the current law rate of \$0.10 per meal.

ALT 1	Change to Bill Funding	Change to Base Funding
GPR	\$0	\$3,293,300

2. Reduce funding by -\$837,800 in 2007-08 and -\$963,600 in 2008-09 as a change to the bill, which would provide \$620,300 in 2007-08 and \$871,600 in 2008-09 over base level funding of \$1,055,400 in order to fully fund the \$0.10 current reimbursement.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	-\$1,801,400	\$1,491,900

3. Delete provision.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	-\$3,239,300	\$0

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