



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #578

School Breakfast and School Day Milk Programs (DPI -- Categorical Aids)

[LFB 2019-21 Budget Summary: Page 331, #23 and #24]

CURRENT LAW

Under the school breakfast program, the state makes payments equal to up to \$0.15 per meal 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. Annual base funding of \$2,510,500 GPR is provided, which funded approximately \$0.08 per meal.

Under the school day milk program, funding is provided to reimburse a portion of the cost of serving milk to low-income pupils in grades prekindergarten through five. Base level funding is equal to \$617,100 GPR.

GOVERNOR

Provide \$2,789,500 GPR in 2019-20 and \$2,889,500 GPR in 2020-21 for the school breakfast program to increase the state reimbursement rate to 15 cents per meal served. Allow independent charter schools, the state's Educational Services Program for the Deaf and Hard of Hearing and Center for the Blind and Visually Impaired, and residential care centers to be eligible for reimbursement. Specify that schools that ceased operations during the prior school year are not eligible for reimbursement for any breakfasts served during that year.

Provide \$382,900 GPR annually for reimbursements under the school day milk program.

DISCUSSION POINTS

School Breakfast Program

1. The federal school breakfast program (SBP) 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 U.S. 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 2018-19, for a family of four, 130% of the federal poverty is equal to \$32,630 in annual income, and 185% is equal to \$46,435.

2. In 2018-19, the federal basic reimbursements equal \$0.31 per paid breakfast, \$1.49 per reduced-price breakfast, and \$1.79 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 \$0.35 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 \$52.2 million in 2016-17.

3. In 2018-19, a total of \$2,510,500 GPR is provided for the school breakfast program. Under state law, the appropriation can reimburse up to \$0.15 per breakfast served, although payments are prorated if funding is insufficient to fully fund eligible claims. In 2016-17, payments were prorated at \$0.08 per breakfast. In that year, an average of 179,542 children ate school breakfast daily at 1,925 participating public and private schools and institutions. Approximately 86% of school districts in the state participated in the program (361 out of 422 districts).

4. The table below shows funding under the school breakfast program, the total number of breakfasts served at participating public and private schools, and the prorated reimbursement rate in each of the last 10 years.

**School Breakfast Program Funding and Participation
2008-09 to 2017-18**

	<u>Appropriation</u>	<u>Reimbursement Per Breakfast</u>	<u>Breakfasts Served</u>
2008-09	\$2,890,600	\$0.14	20,331,997
2009-10	2,789,400	0.13	22,124,048
2010-11	2,789,400	0.11	24,348,813
2011-12	2,510,500	0.09	26,451,375
2012-13	2,510,500	0.09	28,451,334
2013-14	2,510,500	0.09	29,209,199
2014-15	2,510,500	0.08	30,498,801
2015-16	2,510,500	0.08	31,491,967
2016-17	2,510,500	0.08	31,502,783
2017-18*	2,510,500	0.08	32,746,517

*Estimated

5. In its agency budget request, DPI estimated that based on the history of growth in the program, the number of school breakfasts served will increase by 2.4% annually. Based on this projected growth rate, the current appropriation would allow for reimbursements of approximately \$0.073 in 2019-20 and \$0.071 in 2020-21.

6. The bill would provide an increase of \$2,789,500 GPR in 2019-20 and \$2,889,500 GPR in 2020-21 for the school breakfast program. It is estimated that the amount of funding under the bill would be sufficient to fully fund payments of \$0.15 per breakfast in each year of the biennium.

7. The Committee may wish to provide additional funding for school breakfasts, but at a reduced cost compared to the bill. The Committee could provide \$1,513,400 GPR in 2019-20 and \$1,610,000 in 2020-21 to increase the reimbursement rate to \$0.12 per breakfast. [Alternative 1b] The Committee could also consider providing \$842,700 GPR in 2019-20 and \$923,200 GPR in 2020-21 to provide a reimbursement rate of \$0.10 per breakfast. [Alternative 1c]

8. Under current law, only public and private schools are eligible to receive state reimbursements under the school breakfast program. Independent charter schools, the state's residential schools for blind and deaf pupils, and residential care centers overseen by the Department of Children and Families are not eligible for state funding. Under the bill, eligibility would be expanded to include these institutions. DPI estimates that 795,437 breakfasts were served by these institutions in 2016-17, and that reimbursement at \$0.15 per breakfast would have cost approximately \$120,000 in that year. It could be argued that these entities receive state support under other programs, such as the state reimbursement for school lunches, and it would be consistent to include them in the school breakfast program as well.

9. The bill would also specify that schools that ceased operations during the prior school year would not be eligible for reimbursement for any breakfasts served during the year in which the school closes. Under current law, reimbursements are made for breakfasts served in the prior school

year. If a public school closes, DPI indicates that reimbursement would be made in the following year to the school district in which the public school was located. However, if a private school or independent charter school closes, there may not be an authorizing or supervising entity to which payments could be made. Therefore, the bill would specify that if a school closes, no reimbursement would be made for breakfasts served in that school year. This provision would not apply to public schools.

School Day Milk Program

10. Under the school day milk program, schools are reimbursed for a portion of their costs for serving one half-pint of milk each day to pupils in prekindergarten through 5th grade who are eligible for a free or reduced-price lunch. Milk served under the program must be Wisconsin produced, but juice can be substituted for pupils who are unable to drink milk due to an allergy or other medical condition. Pupils cannot be charged for milk claimed under the program.

11. Milk provided under the program must not also be claimed under the federal special milk program, which provides milk to pupils whose family income qualifies them for a free lunch but who do not receive a lunch, such as pupils attending school for half-day four-year-old kindergarten or kindergarten programs or pupils whose school does not participate in federal nutrition programs. In 2016-17, total federal reimbursements under the special milk program were equal to approximately \$1.1 million.

12. Public school districts, private schools, and tribal schools are eligible for reimbursement under the program equal to the full cost of beverages served to eligible pupils under the program in the prior school year. As a result, the factors affecting the cost of claims under the program include both the number of participating pupils as well as the cost of milk. DPI indicates that from 2008-09 to 2016-17, the average price per unit claimed under the program increased from \$0.179 to \$0.213.

13. The table below shows funding under the school day milk program, the total number of participating public school districts and private schools, and the prorated reimbursement rate in each of the last 10 years.

School Day Milk Program Funding 2008-09 to 2017-18

	<u>Total Claims</u>	<u>Appropriation</u>	<u>Proration Rate</u>	<u>Participating Agencies</u>	
				<u>Public School Districts</u>	<u>Private Schools</u>
2008-09	\$1,168,143	\$685,700	58.7%	259	40
2009-10	1,260,478	685,700	54.4	258	38
2010-11	1,455,425	617,100	42.4	249	39
2011-12	1,479,856	617,100	41.7	253	35
2012-13	1,531,266	617,100	40.3	245	33
2013-14	1,582,308	617,100	39.0	242	29
2014-15	1,344,444	617,100	45.9	242	27
2015-16	1,191,313	617,100	51.8	245	21
2016-17	1,066,736	617,100	57.9	241	17
2017-18	N.A.	617,100	N.A.	N.A.	N.A.

14. The bill would provide \$382,900 GPR annually above base level funding of \$617,100 for reimbursements under the program. In its agency budget request, DPI estimated that additional funding equal to the amounts provided in the bill would be sufficient to fully fund eligible claims.

15. As the table above shows, the number of participating public and private schools has decreased over the past decade. It could be the case that fewer school districts and private schools are choosing to participate in the program as the proration rate has decreased. If so, increasing the amount of funding available for the program could result in an increase in program participation.

16. As under the school breakfast program, independent charter schools, the state's residential schools for blind and deaf pupils, and residential care centers overseen by the Department of Children and Families are not eligible for state funding under current law. It could be argued that if the school breakfast program is modified to include these entities, it would be consistent to also modify the school day milk program in a similar manner. [Alternative 2b]

17. The committee may wish to provide additional funding for the program, but at a reduced cost. If so, the Committee could consider providing \$132,900 GPR annually, which would result in a proration rate of 75%. [Alternative 2c]

ALTERNATIVES

1. School Breakfast Program

Approve one or more of the following recommendations:

a. Provide \$2,789,500 in 2019-20 and \$2,889,500 in 2020-21 for the school breakfast program.

ALT 1a	Change to	
	Base	Bill
GPR	\$5,679,000	\$0

b. Provide \$1,513,400 in 2019-20 and \$1,610,000 in 2020-21, which would provide a reimbursement rate of \$0.12 per breakfast.

ALT 1b	Change to	
	Base	Bill
GPR	\$3,123,400	-\$2,555,600

c. Provide \$842,700 in 2019-20 and \$923,200 in 2020-21, which would provide a reimbursement rate of \$0.10 per breakfast.

ALT 1c	Change to	
	Base	Bill
GPR	\$1,765,900	- \$3,913,100

d. Allow independent charter schools, the State's Educational Services Program for the Deaf and Hard of Hearing and Center for the Blind and Visually Impaired, and residential care centers to qualify for reimbursement.

e. Specify that schools that ceased operations during the prior school year are not eligible for reimbursement for any breakfasts served during that year.

f. Take no action.

ALT 1f	Change to	
	Base	Bill
GPR	\$0	- \$5,679,000

2. School Day Milk Program

a. Provide \$382,900 annually above base level funding of \$617,100 for reimbursements under the school day milk program.

ALT 2a	Change to	
	Base	Bill
GPR	\$765,800	\$0

b. Provide \$382,900 annually and also modify the program to allow independent charter schools, the State's Educational Services Program for the Deaf and Hard of Hearing and Center for the Blind and Visually Impaired, and residential care centers to qualify for reimbursement.

ALT 2b	Change to	
	Base	Bill
GPR	\$765,800	\$0

c. Provide \$132,900 annually, which would result in a proration rate of approximately 75% and also modify program eligibility as under Alternative 2b.

ALT 2c	Change to	
	Base	Bill
GPR	\$265,800	- \$500,000

d. Take no action.

ALT 2d	Change to	
	Base	Bill
GPR	\$0	- \$765,800

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