

AOE Testimony: S. 100 and Universal School Meals

Testimony To: Senate Education

Respectfully Submitted by: Rosie Krueger, State Director of Child Nutrition Programs, Federal Education and Support Programs.

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The Agency of Education strongly believes there are many benefits to offering school meals at no cost to all students. However, AOE has reservations about the costs of this effort, and the implications for property taxpayers. In struggling with the question of whether the benefits of Universal Meals are worth the potential cost to taxpayers, the Senate Education Committee has explored a number of options. Today, I want to provide you some insight into whether some of these ideas are allowable or implementable, and I want to provide you some alternative options to provide some of the benefits of S. 100 at a lower cost to taxpayers.

Background

The National School Lunch Program and School Breakfast Program are federal programs, funded and regulated by the United States Department of Agriculture (USDA). AOE Child Nutrition Programs is the state agency charged with implementing these programs in Vermont. At the state level, Vermont has some authority to provide additional funding for these programs, or to require that schools participate in these programs. However, the prescriptive federal regulations surrounding these programs do prohibit the state from taking some of the actions that legislators have discussed.

Federal regulations already allow any school participating in the federal school nutrition programs to offer Universal Meals to their students. However, unless the school serves a high poverty population, a substantial amount of non-federal funding must be contributed to make up the funds that would have been provided by “paid” households under the standard pricing model. The difference between the funding provided by the federal government and the funding that would have been provided by these “paid” households is called the “cost differential.” Currently, local school boards and local voters make the decision about whether to appropriate funds from the school budget to make up the cost differential. Some communities choose to do this, and others do not. The federal regulations do allow some high poverty schools to offer Universal Meals with all or most of the funding provided by the federal government. In this case, there is little or no cost differential that must be paid for with local funds. AOE Child Nutrition Programs makes a great effort each year to ensure that all Vermont schools in this situation do offer Universal Meals. These schools account for the vast majority of the schools that are already offering Universal Meals.

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S.100 and Universal School Meals (April 6, 2021)

AOE Feedback on Requiring Households to Submit Applications

Legislators have asked if they can require households to return free and reduced meal applications, in order to increase the amount of federal funding drawn down for these programs. Federal regulations found at 7 CFR §245.6(a)1 specifically prohibit schools from requiring households to return school meals applications.

AOE Feedback on Charging a One-Time Fee for Meals

Some legislators have proposed charging a start of the school year fee to households “who could afford it” to cover the cost of meals provided to more affluent students, while removing the per-meal charge. AOE strongly opposes this option.

When using the federal provisions that allow schools to offer Universal Meals, federal regulations require the meals must be provided “at no charge” to all children enrolled in the school. Charging a fee at the start of the school year to some students would make schools ineligible to participate in these options.

If the schools gave up the administrative and financial advantages of using the federal Universal Meals provisions, it might be allowable for the school to charge a fee for meals and not charge at the point of sale, as some legislators have discussed. However, the annual fee to households that would be necessary to cover the cost of this program would be about \$1,000 per child. While some affluent households may already pay that much over the course of the year, this would represent a substantial new charge for the many households that currently send meals from home. In addition, since determining who would be required to pay this fee would be separated from the normal operations of the program, this would actually add administrative costs to the program.

This would be very unpopular with households, administratively burdensome, and risks federal funding. AOE strongly discourages legislators from pursuing this option.

AOE Feedback on Creating a New Tier of “Vermont Free” Households

Senators are considering an amendment to S. 100 which would create an additional tier of children with household incomes between 185% and 317% of the federal poverty level. State funds would be used to pay for the meals of children in this come category. The Agency of Education is strongly opposed to this idea because it actually increases the administrative burden on local districts, adds confusion for households, and has a significant price tag – all without resulting in any of the advantages of Universal Meals.

Implementation of the new tier would be administratively complex and would result in a heavier paperwork burden on schools than the status quo. Schools would still need to collect and process meal applications, track the status of children eating, and bill parents who don’t qualify for free meals. However, instead of just tracking and reporting 3 categories of students to the state, as they currently do, schools would need to add a fourth tier of children to track. Schools and school districts currently rely on nationally available “off the shelf” computer

systems for this work. No other state has a state-specific income tier, so these systems would need to be reconfigured to add this Vermont-specific category – at great expense to local districts. School determining officials would need brand new training on how to process and track applications from households in this category. Because of this additional work, the AOE would not be able to implement this new tier until School Year 2022-2023.

This new tier would also be extremely confusing to households. A child’s status as “free and reduced eligible” is used across many other state and federal programs. Federal programs assume that the maximum income for students with this eligibility status is 185% of federal poverty. Creating a new tier will cause substantial confusion for households who are eligible for the “Vermont Free” level, but not at the federal level. For example, many COVID relief funded programs use free and reduced meal eligibility as a qualifier. Households who are eligible for free and reduced meals or who are enrolled in a school operating one of the universal meals provisions are eligible for the Pandemic EBT benefit, and will be eligible for the new Emergency Broadband Benefit. However, households in the “Vermont Free” category would not be eligible for these benefits. The same is true for a number of non-pandemic benefits.

The Joint Fiscal Office has estimated that implementing this new tier would still cost \$12 million per year in additional funding. This is a significant potential tax increase. However, it would result in none of the benefits of universal meals. There would be no administrative savings, school administrators would still need to act as the bill collector for some households, the school culture around meals and food would remain the same, and some hungry children would still be ineligible for meals, as their households either didn’t submit an application or didn’t qualify because of high-incomes, even if other factors such as high medical costs impacted their ability to provide food for their families.

Suggested Alternative: Universal Breakfast

If legislators want to gain some of the benefits of Universal Meals, but are not able to justify the full cost to taxpayers, a less expensive option would be to provide funding for schools to offer Universal Breakfast. This is the option that the AOE suggests whenever a school is interested in offering Universal Meals, but is unable to commit the full amount of non-federal funds required for both breakfast and lunch.

Under this option, the legislature would pay the cost differential between free and paid breakfasts for every breakfast that schools serve. This year, that would be \$1.59 per “paid” breakfast. JFO has estimated that this would cost \$6 -10 million statewide annually. The legislature could then consider adding lunch at some future date, if other revenue streams become available. Some schools who are on the edge of deciding to use local funds to pay for the cost differential in universal meals may find that these additional funds from the state make enough difference that they shift to offering Universal Meals for both breakfast and lunch.

Providing breakfast at no charge to all students has many of the same advantages as offering both meals at no charge. It has positive impacts on attendance and tardiness, allows schools to easily offer more creative methods of making breakfast available, such as grab-and-go and breakfast in the classroom, and allows for a change in school culture around that meal. Schools

would continue to collect free and reduced meal applications for lunch, so there are no negative impacts on the free and reduced meal data that is used as a proxy for student poverty.

This option is not more administratively burdensome at the school level, but implementation requires some significant staff time at the state level, to meet federal monitoring requirements. The AOE would continue to need the additional child nutrition position that was originally included in S.100 in order to implement this option.

While AOE still has some concerns about the impact of this option on property taxes, we find it much preferable to the more costly, but less effective option of creating a new tier of free students.

Suggested Alternative: Increase “State Match” Funding for School Meals

If the legislature wants to increase state support for school meals programs without creating a new program, the simplest way to do that with any amount of additional funding is to increase the “state match” payment appropriated each year. There is no administrative burden at the state or school level to increase this payment, and any amount of additional funding can be distributed this way, even a nominal amount. Schools would use these funds to improve their programs in a variety of ways – including by purchasing local foods, increasing meal quality, switching to universal meals, offering higher pay and benefits for food service workers, or reducing the general fund contribution required to make up school food service program deficits.

USDA requires that the state pay a minimum state match towards the program each year based on 30% of what the state received to operate the programs in 1980 (7CFR§ 210.17). For Vermont, this minimum level amounts to \$495,228 each year. Vermont meets the federal matching requirements by paying out the below amounts to schools. The total available at the state level is divided out among the schools based on the number of reimbursable lunches and breakfasts served from July-December each year. During the 19-20 school year, this amounted to approximately 14 cents per lunch served and 11 cents per breakfast served. The payment is made in one lump sum payment in the spring of each year. The more meals served, the lower the per meal rate becomes. There is no USDA requirement regulating how the state match is paid out to the schools, however it must be used to support program operations in some way. Prior to 2015, the state paid out more than the USDA requirement, but the state match funding level was cut to about \$200 above the minimum requirement that year remained at that level until 2020. In 2020, the amount was increased by \$75,000 for lunch, but the same level was maintained for breakfast.

Year	State Match for Lunch	State Match for Breakfast
2020	\$437,738	\$132,632
2019	\$ 362,738.00	\$ 132,632.00
2018	\$ 362,738.00	\$ 132,632.00
2017	\$ 362,738.00	\$ 132,632.00
2016	\$ 362,738.00	\$ 132,632.00
2015	\$ 407,738.00	\$ 132,632.00

2014	\$	407,738.00	\$	132,632.00
2013	\$	407,738.00	\$	132,632.00
2012	\$	407,738.00	\$	132,632.00
2011	\$	407,738.00	\$	132,632.00
2010	\$	407,738.00	\$	132,632.00
2009	\$	407,738.00	\$	132,632.00
2008	\$	407,738.00	\$	132,632.00
2007	\$	407,738.00	\$	132,632.00