
TESTIMONY

Testimony To: House Committee on Appropriations

Respectfully Submitted by: Rosie Krueger, State Director of Child Nutrition Programs

Subject: Follow-up to AOE Testimony from 2-20-2025

Date: March 10, 2025

During Agency of Education's (AOE) testimony on the FY26 Budget Request on February 20, 2025, the House Appropriations Committee had several questions regarding nutrition programs. This written testimony addresses those questions.

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Comparison of Emergency Feeding Budget Requests

The committee requested more information on the difference between the request for Emergency Meals funding through AOE included in the Governor's FY26 Budget and the request made by the Vermont Foodbank for Responsive Readiness. Here are the key differences between the two requests:

Agency of Education: Funding for Emergency Meals

- Requested in the Governor's FY26 Budget Request
- Impacted Agency Budget: Agency of Education
- Amount of Request: \$50,000, to be added to the base
- Purpose: These funds would be used to contract with schools and non-profit organizations to use USDA Foods to make prepared meals for impacted individuals and responders during any emergencies and disasters.
- Background: The federal government allows states to divert USDA Foods (foods purchased by the federal government to support school meals programs and food pantries) to produce emergency meals during any presidentially declared disaster or situation of distress. After the event, USDA will replace or refund the value of these foods. This is one of the easiest ways of getting nutrition support during an emergency situation, because the USDA Foods state agency (Agency of Education) has the authority to release these foods for prepared meals without needing approval from USDA.



Vermont receives millions of pounds of USDA Foods each year which could be diverted for this purpose. During the 2023 and 2024 floods, schools and other non-profit organizations were interested in using these foods to produce meals, but the lack of additional funds to cover supplies, transportation, labor, and other ingredients posed a barrier. For example, a school could use USDA Foods hamburger patties, cheese, frozen green beans, and canned peaches to provide to-go meals at a flood recovery center or shelter. But without funding for buns, takeout containers, or labor, they would need to incur those additional costs themselves. This funding issue meant the USDA Foods resource was largely unused during both the 2023 and 2024 flood events.

If these funds are appropriated, AOE would use them to contract with schools and non-profit organizations to use USDA Foods to provide prepared meals during any State Emergency Operations Center activation requiring prepared meals. The funds would cover labor, supplies, transportation and any non-USDA Foods ingredients. This request would be added to the AOE's base budget. AOE anticipates that the amount needed during a typical year would be far less than \$50,000 and any unused funds would be rescinded annually.

Vermont Foodbank Responsive Readiness through Vermont Emergency Management

- Not included in the Governor's FY26 Budget Request
- Impacted Agency Budget: Department of Public Safety, Vermont Emergency Management
- Amount of Request: \$1.75 million, to be added to the base
- Purpose: These funds would be used by Vermont Emergency Management to fund an agreement with the Vermont Foodbank to have operational capacity to supply emergency food and water as needed during emergency situations. Such capacity would include having appropriate (non-prepared) food, water and delivery vehicles on hand ready to respond in an emergency situation.
- Background: This [request](#) comes from the Vermont Foodbank and is included in the [VT Farm to Plate Vermont Food Security Roadmap Coalition 2025 Legislative Agenda](#). It was also included in the [House Committee on Agriculture, Food Resiliency and Forestry budget letter](#). If the appropriation is made, the Vermont Foodbank anticipates entering into an agreement with Vermont Emergency Management to receive the funds. The Vermont Foodbank has clarified that they do not intend to provide prepared meals with the funds, so in their opinion, the ask is not duplicative of the Agency of Education's ask for funding to support prepared meals using USDA Foods.

Incentive Funds for CACFP Day Care Home Sponsors

The Child and Adult Care Food Program (CACFP) is one of the federal child nutrition programs overseen by AOE. This program provides federal funding on a per-meal basis for meals served to children in childcare centers, after school programs, and family day care homes, as well as older adults at adult day centers. As with the other child nutrition programs, meals served in the CACFP must meet strict nutritional requirements and the organizations receiving the funds must follow extensive federal regulations. Participation

in the portion of the program that provides funding to family day care homes (FDCHs) is declining significantly in Vermont, reducing access to these federally funded meals for children in this setting.

To participate in the CACFP, Family Day Care Homes (or “providers”) must be sponsored by a sponsoring organization. Sponsoring organizations enter into an agreement with the AOE to oversee FDCH providers, including managing their claims for reimbursement and conducting regular monitoring and training. AOE passes through the federal funding to the sponsoring organizations, who then reimburse the providers for each meal served. Under federal regulations, AOE cannot enter into agreements directly with FDCH providers – a sponsoring organization must act as the intermediary.

Sponsoring organizations play an important role in oversight of this program. For this work, the sponsoring organizations receive a set amount of administrative funding each month based on the number of FDCH providers that they sponsor. They use this funding to cover their administrative costs. Here are the current monthly administrative reimbursement rates, per sponsored provider:

Administrative Rates for Day Care Homes

Number of Providers	Rate
Initial 50	\$147
Next 150	\$112
Next 800	\$87
Each Additional	\$77

Sponsoring organizations have consistently provided AOE with the feedback that this level of reimbursement does not cover their costs. Financial documentation reviewed by AOE regularly shows that sponsoring organizations supplement the federal funds with other funding sources raised by their organizations, such as donations or other grants.

Vermont currently has three sponsoring organizations: Capstone Community Action, BROCC, and Winston Prouty, sponsoring 189 providers. In FY16, Vermont had seven FDCH sponsoring organizations, sponsoring 688 providers. This is a loss of four sponsoring organizations and 499 providers in less than 10 years. We attribute this loss to several factors: a decline in the overall number of home-based childcare providers, increasingly burdensome federal administrative requirements for the CACFP, difficulty hiring staff at sponsoring organizations, and lingering disruption from COVID-19 when some providers closed and did not continue participation in the program upon reopening.

The most recent loss of a sponsoring organization occurred in FY25, when Northwestern Counseling and Support Services (NCSS) decided to end their participation in the program as a sponsoring organization. As soon as we learned that NCSS planned to leave the program, AOE staff began working to find another sponsor to take over their existing providers. Fortunately, Capstone was willing to do so, and they are working to hire an additional staff member to provide coverage in this area. All

of NCSS's providers were given the opportunity to continue on in the program under Capstone's sponsorship, with only a few declining to do so.

This transition was a best-case scenario, because NCSS provided plenty of notice of their intention to end participation, and Capstone was willing to take on the additional providers. Now that we only have three sponsoring organizations statewide, we are in an even more vulnerable position should one of the three decide not to participate. It is unlikely that the remaining two organizations would be able to pick up that many additional providers outside of their current service territories. In that event, providers in that region of the state would have no avenue to participate in the CACFP.

AOE has already taken some other steps to stem the loss of FDCH sponsoring organizations and providers. We have increased the amount of training and technical assistance directed to sponsoring organizations and streamlined the process for applying for federal startup and expansion grants (which unfortunately can't be used for ongoing expenses). During COVID-19, we directed some federal COVID funding to these organizations for culinary equipment purchases. Recent increases in area-eligibility for the child nutrition programs have increased the percentage of FDCH providers that qualify for higher "Tier 1" federal reimbursement rates, allowing the state funds appropriated to "Tier 2" providers to go further. AOE is using this to eliminate reimbursement discrepancies for providers in different parts of the state. Finally, we are considering using federal technology state administrative funds to purchase a CACFP management software system that all 3 sponsoring organizations currently use, potentially relieving them of that cost. The estimated annual cost of this system would be \$25,000, but the technology funds are currently tied up in the federal appropriations process and the instability of these funds for what would be an ongoing expense is a concern.

If the legislature chooses to move forward with appropriating these incentive funds for sponsoring organizations, AOE has the capability to distribute the funds without additional administrative funding provided that:

- Language specifies that the funds are an incentive (vs. a grant requiring specific work). Structuring the funds as an incentive limits the administrative burden on AOE for grant monitoring. AOE already conducts extensive regular monitoring of these organizations in accordance with federal regulations.
- Funds may be distributed once annually to sponsoring organizations participating at that point, based on the number of FDCH providers that they are sponsoring at that point.
- Any reporting and data collection requirements related to the funds are minimal, beyond what is already done by AOE to comply with federal requirements.

If legislators desire to add additional requirements or structure around such an appropriation, AOE should be consulted on language to ensure that no un-intended administrative burden is added.

Other Nutrition Related Budget Requests

The committee also requested additional information on any other nutrition-related budget requests, including those made outside of the Governor's FY26 Budget Request impacting other state agencies. While the committee's desire for such a compilation is understandable, this work is beyond AOE's purview.

Costs of Repealing Universal School Meals

The committee asked about whether there were additional costs of the governor's proposal to repeal Vermont's Universal School Meals law. [Testimony provided by JFO to the House Committee on Agriculture, Food Resiliency, & Forestry](#) discusses funding implications of changes to this policy. For the Committee's purposes, it's important to note that any FY26 impacts would be to the statewide education fund. AOE does not anticipate that there would be any general fund impacts of repealing the policy in FY26. Starting in FY27 and onward, any reduction in meals served in FY26 due to the repealed policy would reduce the amount of federal administrative funds that AOE receives to administer the Child Nutrition Programs, which could result in additional general funds needed to backfill this loss.

It is also important to note that calculations about the loss in federal funds and impact to the statewide education fund in FY26 depend on whether local districts decide to continue the policy using local budget authority. Decisions to do so would maintain current costs to the education fund while reducing the loss of federal funding. As the committee noted, if schools decided to return to charging for meals, there would be some additional administrative costs as well as an increase in unpaid meal charges. These costs would be incurred by local school budgets, which would impact the statewide education fund. See the JFO testimony for further discussion of how to estimate these costs. The committee may also find [AOE testimony provided to the House Committee on Agriculture, Food Resiliency & Forestry](#) helpful in understanding the amount of state and federal funding currently spent on the policy.

How Universal Meals Works for Independent Schools

Under federal regulations, state-approved and state-recognized independent (private) schools are allowed to participate in the federal school meals programs as long as they are non-profit entities. These schools may participate as a site under another School Food Authority (SFA), or they may each participate as their own SFA. 23 of Vermont's independent schools participate in the National School Lunch Program (NSLP). 18 of them operate as their own SFAs. Five of them participate as sites under public school SFAs. These schools receive the same federal funds for participating in the NSLP as public schools do. They also receive some state funds for participating, including state-match funds (required by USDA), and state funds to cover the student share of reduced-price meals (40 cents per lunch and 30 cents per breakfast). These state funds are not limited to meals served to students attending on public tuition.

Like public schools, USDA regulations allow independent schools to participate in the two universal meals options, CEP and Provision 2. As with public schools, a non-federal source of funds is required to cover the cost of "paid" meals. Vermont's universal

meals law, [Act 64 of 2023](#), allows State-Approved independent schools to receive the state universal meals supplement for publicly tuitioned students if they offer free meals to all their students through CEP or Provision 2. These schools need to come up with another source of funds (such as their endowment or general tuition funds) to cover the cost of the meals served at no charge to students who are not attending on public tuition. Currently, 18 independent schools participate in this option. 13 of them operate as individual school food authorities (SFAs), while another 5 participate as sites under public school SFAs. In School Year 23-24, the state paid out \$680,700 directly to independent schools for the state universal meals supplement for publicly tuitioned students, and another \$43,500 to public school SFAs for meals served to publicly tuitioned students at independent schools participating in universal meals under those public school SFAs.

Under Act 64, state-recognized independent schools are not eligible for the state universal meals supplement for any of their students, although they are free to participate in CEP or Provision 2 if they can identify another source of federal funds to cover paid student costs.

Under the National School Lunch Act, for-profit schools are not eligible to participate at all, making for-profit schools ineligible for federal or state child nutrition funds.

Non-profit state-approved or state-recognized independent schools who are interested in participating in the National School Lunch Program should contact AOE Child Nutrition Programs to learn more about program requirements and the onboarding process.