



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Revised Fiscal Note

(replaces fiscal note dated March 27, 2024)

<b>Drafting Number:</b>	LLS 24-1081	<b>Date:</b>	March 28, 2024
<b>Prime Sponsors:</b>	Rep. Bird; Sirota Sen. Kirkmeyer; Bridges	<b>Bill Status:</b>	House Second Reading
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### Bill Topic: **SCHOOL FOOD PROGRAMS**

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input checked="" type="checkbox"/> School District

**Budget package bill.** The bill makes changes to the Healthy School Meals for All program and creates a technical advisory group to make financial recommendations for the program. On net, the bill shifts state expenditures in FY 2023-24 and decreases state and school district expenditures in FY 2024-25.

**Appropriation Summary:** For the current FY 2023-24, the bill includes appropriations shifting \$15.4 million from the General Fund to State Education Fund. For FY 2024-25, the bill requires a net appropriation reduction of \$17.8 million to the Colorado Department of Education. See State Appropriations Section.

**Fiscal Note Status:** The fiscal note reflects the introduced bill, as amended by the House Appropriations Committee. The bill was recommended by the Joint Budget Committee as part of the FY 2024-25 budget package.

**Table 1  
State Fiscal Impacts Under HB 24-1390<sup>1</sup>**

		<b>Current Year FY 2023-24</b>	<b>Budget Year FY 2024-25</b>	<b>Out Year FY 2025-26</b>
<b>Revenue</b>		-	-	-
<b>Expenditures</b>	General Fund	(\$15,439,107)	(\$40,642,134)	-
	HSM GF Exempt Account	-	(\$116,200,000)	-
	HSM Cash Fund	-	\$116,129,410	-
	State Education Fund	\$15,439,107	\$22,892,545	-
	Centrally Appropriated	-	(\$13,126)	-
	<b>Total Expenditures</b>	<b>\$0</b>	<b>(\$17,833,305)</b>	-
	<b>Total FTE</b>	-	<b>(0.6 FTE)</b>	-
<b>Transfers</b>		-	-	-
<b>Other Budget Impacts</b>	General Fund Reserve	(\$2,315,866)	(\$6,096,320)	-

<sup>1</sup> HSM refers to the Healthy School Meals for All program.

## **Summary of Legislation**

The bill makes changes to the Healthy School Meals for All program.

**Grant and wage programs.** Under current law, a local school food purchasing grant program, a technical assistance grant program, and an employee wage program begin in FY 2024-25. The bill delays these programs for one year, until FY 2025-26.

State law also repealed the school food purchasing reimbursement and technical assistance grant programs on January 1, 2024. The bill continues those programs for one year and adds a minimum reimbursement amount of at least \$0.05 per meal or a minimum of \$1,000 for each participating school food provider.

**Advisory group.** The bill creates a technical advisory group in the Colorado Department of Education (CDE) to collaborate with school districts, the Office of State Planning and Budgeting and other interested parties to:

- identify ways to maximize federal funding;
- reduce costs of the program and review cost-saving options;
- strengthen the long-term resiliency of the Healthy School Meals Cash Fund;
- model revenue scenarios; and
- provide options for balancing program revenues and expenditures in the most equitable way for students and school food authorities.

In 2024, the group must report to the JBC in June and September, with a final report by December 1. CDE must obtain any contractual services necessary. Legislative Council Staff and Joint Budget Committee Staff must provide technical support to the advisory group.

**Maximizing federal funding.** The bill requires CDE to establish options for a school food authority to maximize federal funding, including participating in other federal meal programs that draw down reimbursement. If an SFA chooses not to utilize those options, the school food authority is responsible for covering the cost of serving free meals. By July 1, 2024, CDE must also create a policy for SFAs to maximize collection of household income application forms for federal free and reduced price meal eligibility.

**Audit requirements.** The bill delays the deadline for a program audit to be completed from December 2025 to December 2027.

**Program funding mechanics.** The bill creates the new Healthy School Meals for All Cash Fund to replace the existing Healthy School Meals for All General Fund Exempt Account. On July 1, 2024, the State Treasurer must transfer any remaining balance in the account to the cash fund. It also allows the State Education Fund to be used for the program.

**Program refinancing.** In the current FY 2023-24, the bill shifts \$15.4 million in school meals expenditures from the General Fund to the State Education Fund. For FY 2024-25, the bill refinances \$138.3 million in meal reimbursement and program administration costs from the General Fund and Healthy School Meals General Fund Exempt Account to the Healthy School Meals Cash Fund (\$116.1 million) and State Education Fund (\$22.1 million).

## **Background**

**Healthy School Meals for All.** The Healthy School Meals for All Program was approved by voters in 2022 to provide free meals to all students on an ongoing basis beginning in FY 2023-24, and establish local school food purchasing reimbursement, employee wage reimbursement, and local food technical assistance grant programs beginning in FY 2024-25. To participate in the program, school food authorities must participate in the federal Community Eligibility Provision, if eligible, to draw down federal meal reimbursements.

The program is funded by requiring that taxpayers with an adjusted gross income of \$300,000 or more must add back a portion of their federal itemized or standard deductions when calculating Colorado taxable income. Senate Bill 23-221 created the Healthy School Meals for All Program General Fund Exempt Account to contain the revenue generated for the program. The Department of Revenue must deposit the money on a monthly basis, based on estimates from the Office of State Planning and Budgeting.

## **State Revenue**

The bill does not change the revenue generated for the Healthy School Meals for All program; instead, the revenue will be deposited in the newly created Healthy School Meals for All Cash Fund.

## **State Transfers**

On July 1, 2024, the bill transfers the balance of the Healthy School Meals for All General Fund Exempt Account to the newly created Healthy School Meals for All Cash Fund. At this time, an exact estimate of the balance is not known at this time.

## **State Expenditures**

In the current FY 2023-24, the bill shifts \$15.4 million in expenditures for the Healthy School Meals for All Program in CDE from the General Fund to the State Education Fund.

In FY 2024-25, the bill decreases net state expenditures in CDE by \$17.8 million in FY 2024-25, including:

- an increase of \$675,729 from the State Education Fund to continue an existing local food grant program for one year;
- a decrease of \$18.5 million from General Fund from delaying grant programs; and
- a refinancing of \$138.3 million from the General Fund and Healthy School Meals General Fund Exempt Account to the State Education Fund and newly created Healthy School Meals Cash Fund.

These impacts are described below in greater detail and summarized in Table 2.

**Table 2  
 Expenditures Under HB 24-1390**

	<b>FY 2023-24</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>
<b>Department of Education</b>			
Staff - Delay HSM Grant/Wage Programs (-1.0 FTE)	-	(\$95,908)	-
Staff - Continue Local Food Program (+0.4 FTE)	-	\$25,729	-
Delay HSM Grant/Wage Programs	-	(\$18,400,000)	-
Continue Local Food Programs	-	\$650,000	-
Program Audit	-	(\$400,000)	-
Technical Assistance Working Group	-	\$400,000	-
Refinance – General Fund	(\$15,439,107)	(\$22,146,226)	-
Refinance – State Education Fund	\$15,439,107	\$22,216,816	-
Refinance – HSM GF Exempt Account	-	(\$116,200,000)	-
Refinance – HSM Cash Fund	-	\$116,129,410	-
Centrally Appropriated Costs <sup>1</sup>	-	(\$13,126)	-
<b>Total Cost</b>	<b>\$0</b>	<b>(\$17,820,179)</b>	<b>-</b>
<b>Total FTE</b>	<b>-</b>	<b>(0.6FTE)</b>	<b>-</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Education.** The bill will modify CDE expenditures, as discussed below.

- **Delaying grant and wage programs.** Delaying the local school food purchasing grant, technical assistance grant, and wage reimbursement programs reduces costs by \$18.4 million, including \$5.0 million for each for the two grant programs and \$8.4 million for the wage programs. Delaying the programs also reduces the staff in CDE by 1.0 FTE in FY 2024-25 only.
- **Continuing existing grant programs.** Continuing the existing local food grant programs increases state expenditures by \$650,000 in FY 2024-25 only, of which \$500,000 is for the food purchasing grant and \$150,000 is for the nonprofit technical assistance grant. In addition, 0.4 FTE is required to administer the program for an additional year. These amounts represent continuation of most recent program costs.

Additionally, the changes to the minimum reimbursement amounts do not change overall funding for the program, but may shift how the funds are allocated among districts.

- **Program audit.** By delaying the audit requirement for two years, the bill reduces costs in CDE by \$400,000 in FY 2024-25 and correspondingly increases costs in FY 2026-27 by the same amount.

- **Technical assistance working group.** CDE will incur costs in FY 2024-25 only to support the technical assistance working group. Costs are estimated at \$400,000, to be used for a facilitator, support contractor, or temporary staff. Exact uses will be determined as the working group's specific needs are determined. The recommendations made by the working group may impact future costs associated with the Healthy School Meals for All program.
- **Refinancing.** The bill refinances administrative and meal reimbursement costs in FY 2023-24 and in the FY 2024-25 Long Bill for the Healthy School Meals for All Program. In FY 2023-24, \$15.4 million is shifted from the General Fund to the State Education Fund. In FY 2024-25, \$138 million is shifted from the General Fund and Healthy School Meals General Fund Exempt Account to the State Education Fund and Healthy School Meals Cash Fund.

**Legislative Department.** The bill increases workload for Legislative Council Staff and Joint Budget Committee staff to provide technical support to the advisory group. No change in appropriations is required.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

## School District

By delaying the Healthy School Meals for All grant and wage programs for a year, the bill reduces state reimbursements to school districts for local school food purchasing and employee wages by \$13.4 million in FY 2024-25. This may be partially offset for some districts that participate in the existing local food program that is continued under the bill, estimated at \$500,000. Similarly, technical assistance from a nonprofit via the technical assistance grant program is reduced in FY 2024-25 only, from \$5.0 million via the HSM grant to \$150,000 in the continued program.

The bill also increases workload for school districts to adjust school meal policies to align with CDE policies on federal meal program participation, ways to maximize federal funding, and submittal of household income eligibility forms. School districts may also have additional workload if they choose to engage with the technical assistance working group.

## Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that FY 2024-25 appropriations changes takes effect only if House Bill 24-1430 (the FY 2024-25 Long Bill) becomes law.

## **State Appropriations**

For the current FY 2023-24, the bill requires and includes the following appropriation changes to the Colorado Department of Education:

- a reduction of \$15,439,107 from the General Fund; and
- an increase of \$15,439,107 from the State Education Fund.

For FY 2024-25, the bill requires and includes the following appropriation changes to the Colorado Department of Education:

- a reduction of \$116,200,0000 from the Healthy School Meals General Fund Exempt Account;
- a reduction of \$40,642,134 from the General Fund and 1.0 FTE;
- an increase of \$22,892,545 from the State Education Fund and 0.4 FTE; and
- an increase of \$116,129,410 from the Healthy School Meals for All Cash Fund.

## **State and Local Government Contacts**

Education                      Joint Budget Committee Staff

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).