



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0551.02 (002): Eliminate reduced-price copayments for school lunch and breakfast**

Primary Sponsor: Melissa Romano Status: As Amended in House Committee

- ☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact
- ☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$600,000	\$935,107	\$768,548	\$769,222
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$600,000)</u>	<u>(\$935,107)</u>	<u>(\$768,548)</u>	<u>(\$769,222)</u>
General Fund Balance				

Description of fiscal impact

HB 551, as amended, requires the Superintendent of Public Instruction to administer a program to distribute replacement funds to school districts electing to eliminate required reduced-price copayments from students who are eligible for reduced-price school meals under the federal school breakfast and lunch program. There is an appropriation from the state general fund of \$600,000 in each year of the 2027 Biennium to cover the costs of eliminating reduced-priced copayments for school lunch and breakfast. The bill allows OPI to accept private donations or seek supplemental funding if the appropriation in the bill is not sufficient. The amended bill has coordination instruction that if HB 2 and this bill are passed and approved, then the line in HB 2 for "School Lunch Funding" and the HB 551 language in HB 2 are void.

FISCAL ANALYSIS

Assumptions

Office of Public Instruction

1. HB 551, as amended, directs the Superintendent of Public Instruction to administer a program to distribute a \$600,000 appropriation to schools who participate in elimination of required reduced-price copayments from reduced-price eligible pupils for school breakfast and lunch.
2. The superintendent is allowed in the bill to adopt rules as necessary to administer the program.
3. HB 551 contains an annual \$600,000 general fund appropriation, directed to be incorporated into the agency ongoing base.
4. In Montana, the Office of Public Instruction (OPI) administers the federal school nutrition program where

free and reduced priced lunches and breakfasts for K-12 students is based upon family income and regional poverty measures.

5. Community eligibility provision (CEP) schools or schools which are not charging the copayments are not eligible to participate in this state funding to cover costs for eligible students.
6. The state cost per meal for this program is defined as the difference between the federal reimbursement rate for reduced price and reduced-price copayments paid for meals. The 2024-2025 school year reimbursement rates for reduced-price breakfast and lunch meals are as follows:

School Breakfast Program				
Category	Student Cost	Total Cost Per Meal	Federal Reimbursement Rate per Meal	State Reimbursement Rate Per Meal
Non-Severe	Reduced	\$2.37	\$2.07	\$0.30
Severe	Reduced	\$2.84	\$2.54	\$0.30

School Lunch Program				
Category	Student Cost	Total Cost Per Meal	Federal Reimbursement Rate per Meal	State Reimbursement Rate Per Meal
Less than 60%	Reduced	\$4.43	\$4.03	\$0.40
Less than 60% + Performance Based Reimb	Reduced	\$4.52	\$4.12	\$0.40
60% or more	Reduced	\$4.45	\$4.05	\$0.40
60% or more + Performance Based Reimb	Reduced	\$4.45	\$4.14	\$0.40

7. This fiscal note uses the total number of reduced-price breakfast meals served per school year using the 2023-2024 school year as the base year assuming a growth in total meals served of 0.63% per school year and assuming reduced-price breakfast meals served is an average of 5% of total meals served.

School Breakfast Program	Free Meals Served	Reduced Meals Served	Paid Meals Served	Total Meal Served
2023-2024	8,478,960	584,288	3,282,760	12,346,008

8. This fiscal note uses the total number of reduced-priced lunch meals served per school year using the 2023-2024 school year as the base year assuming a reduction in total meals served of 0.09% per school year and assuming reduced-priced lunch meals served is an average of 6% of total meals served.

School Lunch Program	Free Meals Served	Reduced Meals Served	Paid Meals Served	Total Meal Served
2023-2024	13,511,802	1,421,012	9,264,774	24,197,588

9. The cost of eliminating required reduced-price copayments from students who are eligible for reduced-price school meals under the federal school breakfast and lunch program is calculated by multiplying the number of estimated reduced meals served for breakfast and lunch by the state reimbursement per meal.

School Breakfast Program

	School Year					
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Number of Reduced Breakfast Meals Served	584,288	621,195	625,115	629,059	633,028	637,022
State Reimbursement per meal	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Total Breakfast Cost to State	\$ 175,286	\$ 186,359	\$ 187,535	\$ 188,718	\$ 189,908	\$ 191,107

School Lunch Program

	School Year					
	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Number of Reduced Lunch Meals Served	1,421,012	1,450,539	1,449,225	1,447,911	1,446,599	1,445,288
State Reimbursement per meal	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Total Lunch Cost to State	\$ 568,405	\$ 580,216	\$ 579,690	\$ 579,164	\$ 578,640	\$ 578,115

Total Breakfast and Lunch Cost	\$ 743,691	\$ 766,575	\$ 767,225	\$ 767,882	\$ 768,548	\$ 769,222
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10. There is an appropriation from the general fund of \$600,000 in each year of the biennium to cover the costs of eliminating reduced-priced copayments for school lunch and breakfast. The bill directs that if the appropriation is insufficient to cover the cost of the program the superintendent may use private donations to support the program and request a additional funding sufficient to support the program in the subsequent biennium. Based on the total projected costs to the state of \$767,882 in FY 2026 and \$767,225 in FY 2027, it is anticipated that the appropriation would be insufficient to cover the cost.
11. Section 1 (3) provides for the superintendent to accept private donations or seek supplemental funding from the next legislature if the appropriation in the bill is not sufficient.
12. It is assumed that the OPI would need to seek a supplemental appropriation. The shortfall projected for HB 3 that would be presented to the 2027 Legislature is \$335,107 general fund.
13. It is assumed that the 2027 Legislature would adjust the OPI appropriation in HB 2 based upon actual costs incurred in the 2027 biennium. For purposes of this fiscal note, it is assumed that the projections will equal the actual costs.
14. HB 551, as amended, provides coordination instruction that if HB 2 and this bill are passed and approved, the appropriation line for "School Lunch Funding" and the language for HB 551 are void in the HB 2 OPI budget.

Fiscal Analysis Table

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Grants	\$600,000	\$935,107	\$768,548	\$769,222
TOTAL Expenditures	\$600,000	\$935,107	\$768,548	\$769,222
<u>Funding of Expenditures</u>				
General Fund (01)	\$600,000	\$935,107	\$768,548	\$769,222
TOTAL Funding of Expenditures	\$600,000	\$935,107	\$768,548	\$769,222
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$600,000)	(\$935,107)	(\$768,548)	(\$769,222)



 Sponsor's Initials

 Date



 Budget Director's Initials

4/3/2025

 Date