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Fiscal Note

2021-2022 Legislative Session

HF1985 - 1A - Community Eligibility School Lunch Aid Computation

Chief Author: **Sydney Jordan**
 Committee: **Education Finance**
 Date Completed: **4/2/2021 10:48:33 AM**
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	20,220	15,717	11,259	-	-
Total	-	20,220	15,717	11,259	-	-
Biennial Total			35,937		11,259	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been reviewed and meets the LBO requirements for compliance with the fiscal note Uniform Standards and Procedures. This proposed legislation has a fiscal impact in FY2025, however, MDE is unable to determine the impact for FY2025 because of a lack of clarity around which methodology from section 4, subdivision 3, would be used starting in FY2025. Please see MDE's narrative section for more detail around this item.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
General Fund	-	20,220	15,717	11,259	-	-
Total	-	20,220	15,717	11,259	-	-
			35,937			11,259
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	20,220	15,717	11,259	-	-
Total	-	20,220	15,717	11,259	-	-
			35,937			11,259
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
			-			-

Bill Description

The bill amends the school lunch computation in Section 1. Minnesota Statutes 2020, section 124D.111, subdivision 1 changes the state payments to participants in the community eligibility program (CEP). It also adds Section 2:

- Definitions;
- The purpose of leveraging federal funding through increasing participation in CEP;
- Outlining requirements for MDE to provide technical assistance to local education agencies;
- Setting out required participation criteria and exemptions for participation in CEP; and
- Setting out reporting obligations for noncompliant schools.

The bill amends the program reimbursement set out in Sec. 3. Minnesota Statutes 2020, section 124D.1158, subdivision 3 to include a separate calculation for school sites participating in CEP.

The bill amends the calculation of compensatory revenue in Sec. 4. Minnesota Statutes 2020, section 126C.05, subdivision 3 to include a separate calculation for school sites participating in CEP.

Assumptions

Uses February 2021 forecast data.

Compensatory revenue is calculated on a site basis. Individual school enrollments and free and reduced price lunch counts are not forecasted in MDE’s semi-annual forecasting process. Therefore, for the purposes of determining the cost of this proposal, MDE calculated a multiplier to proportionally allocate the statewide increase in compensatory revenue for FY2023, FY2024, and FY2025 due to concentration changes and applied the multiplier to each site’s compensatory concentration for those fiscal years.

Eligible school sites were identified based on eligibility criteria to participate in the Community Eligibility Provision (CEP) program for FY2021.

To calculate the cost, MDE assumed that Fall 2020 enrollments and free and reduced price lunch counts (the basis for FY22 compensatory revenue) is the first year of the four year cycle for each identified school site that is either eligible or participating in the Community Eligibility Provision (CEP) program.

This assumes that participating school sites would not likely have an increasing number of eligible pupils. Underreporting of students eligible for free and reduced priced meals is assumed if free meals are provided to all students.

The higher of the adjusted count, pupil concentration, and factor from FY2021 (fall 2019) or FY2022 (fall 2020) were used as the basis for the compensatory revenue calculation.

For FY2025, the first year of the next four-year cycle used in paragraph 1 would be fall 2023 pupil counts for any schools that would need to requalify for CEP. It is not clear if the "first year" would be defined as fall 2023 pupil counts or fall 2019 pupil counts for those school sites generating revenue under paragraph (2) of the provision.

MDE is unable to provide an estimate for FY2025. Section 4, sub.3(g)(2) does not specify the base year for fiscal year 2025, and it's unclear whether the new first year of the four-year cycle under sect.4,sub.3(g)(1) means continuing with fall 2019 as the base year, or resetting the base year as fall of 2023 as would normally be used for FY2025 compensatory revenue calculations. If FY2025 continues to be based on fall 2019, the increase over current law would be \$13,792,222. If the first year of the four year cycle is fall 2023, there would likely be a decrease in compensatory revenue in FY2025 due to continued under reporting of students who qualify for free and reduced price lunch. However, it would be difficult to quantify this underreporting of students who qualify for free and reduced price lunch that would result from being in the CEP program for the prior four years, and so we would not be able to estimate the decreased cost for FY2025 that would result from it.

This bill will require 40 hours of MNIT programming updates to Minnesota School Finance System (MSFS). At a blended rate of \$110 per hour, the total MNIT cost in FY22 will be \$4,400.

Expenditure and/or Revenue Formula

Compensatory Revenue	FY21	FY22	FY23	FY24	FY25
Entitlement Change		22,460,004	14,967,092	14,415,772	
90% Current		20,214,003	13,470,383	9,762,093	
10% Final			2,246,000	1,496,709	
Appropriations Basis		20,214,003	15,716,383	11,258,802	

MNIT Costs

Description	FY22
MSFS Developer 40 hours @ \$110/hr blended	\$4,400

Total Fiscal Note Costs	FY21	FY22	FY23	FY24	FY25
Compensatory Rev Change		20,215,003	15,716,383	11,258,802	
MNIT programming		4,400			
TOTAL:		\$20,219,403	\$15,716,383	\$11,258,802	

Long-Term Fiscal Considerations

Compensatory revenues would change based on the CEP approvals and expirations each year.

Local Fiscal Impact

This bill will impact compensatory revenue for districts that participate in CEP.

References/Sources

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