

HF9005 - 0 - Free and Reduced-Price Lunch; Fall 2020 Count

Chief Author: **Jim Davnie**  
 Committee: **Education Finance Division**  
 Date Completed: **12/15/2020 5:20:24 PM**  
 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 |
| General Fund          | 22                   | 2,160        | 240          | -        | -      |
| <b>Total</b>          | <b>22</b>            | <b>2,160</b> | <b>240</b>   | -        | -      |
| <b>Biennial Total</b> |                      |              | <b>2,400</b> |          |        |

| Full Time Equivalent Positions (FTE) | Biennium |          |          | Biennium |          |
|--------------------------------------|----------|----------|----------|----------|----------|
|                                      | FY2021   | FY2022   | FY2023   | FY2024   | FY2025   |
| General Fund                         | -        | -        | -        | -        | -        |
| <b>Total</b>                         | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

**LBO Analyst's Comment**

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

Prior to the request for this fiscal note, MDE provided a non-fiscal note estimate for this provision to the legislature of \$4.8M. This figure was based on a difference between December and January MARSS reporting deadlines, but all students would have been certified before December 15 this was a result of late reporting, not late certification. This fiscal note estimates the amount of compensatory revenue that would be generated by applications collected and certified after December 15, but before January 4. Thus, the estimate is significantly lower than the \$4.8 million dollar earlier informal estimate given by the agency outside of this fiscal note.

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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.

| <b>State Cost (Savings) = 1-2</b>                        |           | Biennium     |              |          | Biennium |          |
|--|-----------|--------------|--------------|----------|----------|----------|
| Dollars in Thousands                                     | FY2021    | FY2022       | FY2023       | FY2024   | FY2025   |          |
| General Fund   | 22        | 2,160        | 240          | -        | -        | -        |
| <b>Total</b>   | <b>22</b> | <b>2,160</b> | <b>240</b>   | <b>-</b> | <b>-</b> | <b>-</b> |
| <b>Biennial Total</b>                                    |           |              | <b>2,400</b> |          |          | <b>-</b> |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |           |              |              |          |          |          |
| General Fund   | 22        | 2,160        | 240          | -        | -        | -        |
| <b>Total</b>   | <b>22</b> | <b>2,160</b> | <b>240</b>   | <b>-</b> | <b>-</b> | <b>-</b> |
| <b>Biennial Total</b>                                    |           |              | <b>2,400</b> |          |          | <b>-</b> |
| <b>2 - Revenues, Transfers In*</b>                       |           |              |              |          |          |          |
| General Fund   | -         | -            | -            | -        | -        | -        |
| <b>Total</b>   | <b>-</b>  | <b>-</b>     | <b>-</b>     | <b>-</b> | <b>-</b> | <b>-</b> |
| <b>Biennial Total</b>                                    |           |              | <b>-</b>     |          |          | <b>-</b> |

**Bill Description**

**Section 1**

Sec. 1(a) extends the deadline for districts to identify pupils eligible for free or reduced-priced lunch (FRL) from December 15, 2020 to January 4, 2021.

Sec. 1(b) requires districts to report the number of pupils eligible for FRL enrolled on October 1, 2020 and who were certified as eligible between December 16 and January 4, 2021. Requires the commissioner to certify the amount of compensatory revenue for FY2021-22 year attributable to pupils determined eligible for FRL by school site under this section, by July 1, 2021.

**Section 2**

Subd. 1 suspends statutory appropriation requirements for federal funds received for COVID-19 between the effective date of the bill and June 30, 2023 for the programs outlined in this bill.

Subd. 2 states that if the state receives federal funds for COVID-19 between the effective date of this bill and June 30, 2023, for which section 1 qualifies as an eligible expenditure, that the commissioner must reduce general education aid entitlement for fiscal year 2022 by an amount up to, but not greater than the amount of compensatory revenue certified in Sec. 1.

Subd. 3 directs the commissioner to offset the general education reduction for each school district or charter school under Subd. 2 with an equal amount of federal aid. An amount equal to each reduction is appropriated from the federal fund for compensatory revenue to schools and charters. This would be a onetime appropriation.

**Assumptions**

The number of students who districts and charter schools reported as certified for the free or reduced price meal program by December 15, 2019 but who were not reported on MARSS until the January 2020 reporting deadline is the basis for the potential impact of this bill. Based on this data, the enrollments added in the last two weeks of the reporting last year accounted for approximately \$4.8 million of the \$546.6 million in compensatory revenue for FY 2021.

It is assumed that the additional number of students certified between December 16, 2020 and January 4, 2021 will represent only 50 percent of the numbers from the prior year for two reasons:

1. This is a short window of time for districts and charter schools to contact their households about the extended deadline.
2. At least one week of the extended deadline is during a typical winter break where contact with households may be reduced and office staff may not be working

Therefore, the estimated impact of this bill is \$2.4 million (50 percent of \$4.8 million figure from last year).

Should federal funds become available to the state of Minnesota and compensatory revenue determined to be an eligible use, federal funds would be substituted for a portion of the district's general education aid entitlement, reducing the state's obligation for one year. If no federal funds are made available, the state general fund will incur the cost of this bill.

MNIT programming changes will be required. The current data collection system for these data (MARSS) does not collect the date of certification. When the MARSS data are finalized on January 7, it has no way to identify which students were certified by or after December 15. These counts will need to be collected in a new, independent data collection. It is estimated that the total cost will be \$22,000, which is based on 200 hours of work at the MNIT blended rate of \$110/hr. The estimate includes some rapid application development planning and prototyping to better enable quick turnaround of short-term data collections. There will be no maintenance costs in future years.

**Expenditure and/or Revenue Formula**

|   |               |
|---|---------------|
| FY21 Compensatory Revenue (based on FY20 FRL reporting)   | \$546,600,000 |
| Amount of FY21 compensatory revenue generated from data reported in last two weeks of reporting                       | \$4,800,000   |
| Ratio of estimated FY22 final two weeks FRL students reported relative to last year's FY21 reporting                  | 50%           |
| FY22 Estimated Additional Compensatory Revenue generated due to this bill's FRL reporting extension (line 2 x line 3) | \$2,400,000   |

|                             | FY21 | FY22      | FY23    | FY24 | FY25 |
|-----------------------------|------|-----------|---------|------|------|
| <b>Appropriations Basis</b> |      |           |         |      |      |
| 90% current year (FY22)     |      | 2,160,000 |         |      |      |
| 10% final year (FY23)       |      |           | 240,000 |      |      |

**MNIT Costs:**

| Resource Description  | Work Estimate (weeks) | FTE | Work Estimate (hours) |
|-----------------------|-----------------------|-----|-----------------------|
| Application Developer | 4                     | 1   | 160                   |
| Quality Assurance     | 1                     | 1   | 40                    |
| TOTAL                 |                       |     | 200                   |
| Blended rate          |                       |     | \$110                 |
| Cost Estimate - FY21  |                       |     | Amount                |
| Implementation        |                       |     | \$22,000              |

|       |  |  |          |
|-------|--|--|----------|
| TOTAL |  |  | \$22,000 |
|-------|--|--|----------|

**Total Fiscal Note Costs:**

|                                 | FY21            | FY22               | FY23             | FY24 | FY25 |
|---------------------------------|-----------------|--------------------|------------------|------|------|
| Additional Compensatory Revenue |                 | 2,160,000          | 240,000          |      |      |
| MNIT Programming                | 22,000          |                    |                  |      |      |
| <b>Total Fiscal Note Cost:</b>  | <b>\$22,000</b> | <b>\$2,160,000</b> | <b>\$240,000</b> |      |      |

**Long-Term Fiscal Considerations**

None.

**Local Fiscal Impact**

Districts will have more time to collect FRL applications, which impacts their eligibility for compensatory revenue funds for FY22.

**References/Sources**

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