



Fully Funding the Legislatively Mandated Community Eligibility Provision Expansion

2023 Supplemental Operating Budget Decision Package

Recommendation Summary

State law passed in 2022 (RCW 28A.235.300) requires school districts to apply for Community Eligibility Provision (CEP), a program that provides free meals to all students in schools with large populations of students experiencing poverty. Under this new law, school districts are also required to group non-eligible schools together to maximize the number of schools eligible to participate in CEP. In the time since the legislation was passed, the metrics around eligibility have changed significantly, resulting in a significant increase in eligible schools from what was originally projected. The Office of Superintendent of Public Instruction (OSPI) is requesting additional funding to fully fund the expansion of CEP, in accordance with state law.

Fiscal Details (Funding, FTEs, Revenue, Objects)

Operating Expenditures	FY 2022	FY 2023	FY 2024	FY 2025
Fund 001	\$0	\$26,500,000	\$28,500,000	\$30,500,000
Total Expenditures	\$0	\$26,500,000	\$28,500,000	\$30,500,000
Biennial Totals	\$26,500,000		\$59,000,000	
Staffing	FY 2022	FY 2023	FY 2024	FY 2025
FTEs	0	0	0	0
Average Annual	0		0	
Revenue	FY 2022	FY 2023	FY 2024	FY 2025
	0	0	0	0
Total Revenue	0	0	0	0
Biennial Totals	0		0	
Object of Expenditure	FY 2022	FY 2023	FY 2024	FY 2025
Obj. N	\$0	\$26,500,000	\$28,500,000	\$30,500,000

Package Description

What is the problem, opportunity, or priority you are addressing with the request?

In 2022, the Legislature passed House Bill 1878, requiring participation in the Community Eligibility Provision (CEP), a federal school meal program that allows high-need schools (schools serving large percentages of students experiencing poverty) to provide school meals for free to all students.

The new law, RCW 28A.235.300, requires school districts to apply to participate in CEP in all eligible schools for the 2022–23 school year. A school is eligible for CEP if it has an Identified Student Percentage (ISP) of 40% or greater. The ISP is calculated by dividing the number of identified students by the total enrollment. Identified students are those who are categorically eligible for free school meals due to their participation in another needs-based program such as Supplemental Nutrition Assistance Program (SNAP – commonly called food stamps), certain Medicaid plans, Temporary Assistance for Needy Families (TANF), or because they are experiencing homelessness or are in foster care.

Original estimates during the 2022 Legislative Session indicated the new mandate for all eligible schools would increase the number of CEP schools by 241. Estimates were based on all available data at the time. New data released in April 2022 identified that many more schools were eligible and therefore required to participate (see Table 1 for a side-by-side of original estimates and actual CEP applications received from school districts).

Additionally, districts worked diligently to implement the new law, which requires that districts group non-eligible schools together to maximize the number of schools eligible to participate in CEP. Grouping is the process where districts can combine multiple schools to get a group-wide ISP that is over the 40% eligibility threshold even if some of the schools within the group have an individual ISP below the threshold.

Table 1. Original Estimates vs. Actual Applications Received by School Districts

	Original Estimate	Actual Applications
New CEP Schools	241	720
Total CEP Schools (New + Existing)	732	1,211
New Students in CEP Schools	95,000	340,000
Total Students in CEP Schools	298,000	543,000
State Cost (Fiscal Year 2023)	\$21.5 million	\$48 million

What is your proposed solution?

This request is for \$26.5 million in the 2023 Supplemental Budget, with an adjusted increase that is ongoing to fully fund all CEP districts for the 2022–23 school year and beyond.

What are you purchasing and how does it solve the problem?

Funding would supplement federal per-meal reimbursement to school districts for meals that are not reimbursed at the Free rate by federal funding. Current funding is set up to pay the difference between the U.S. Department of Agriculture’s (USDA) Paid Rate (\$0.79) and the USDA Free Rate (\$4.35), approximately \$3.56 for each lunch.

This funding would ensure the availability of resources to reimburse all CEP schools for the 2022–23 school year.

What alternatives did you explore and why was this option chosen?

The alternative to funding these meals is that school districts will have to, without warning or time to prepare, shift from their plans to offer universal meals and begin charging families again. Meal applications would need to be filled out quickly so eligible families can get the benefits of free meals. This would be extremely challenging logistically as school districts have already begun operating universal meals under the CEP program.

The law directs districts to bring on as many schools onto CEP as possible with the intent of increasing access to universal school meals. School districts did just that and now funding is needed to support meals for these students.

Performance Measures

Performance outcomes:

By funding this request, an additional 340,000 students each day will be able to rely on school meals at no cost to them and their families. Additionally, the current CEP schools that provide universal meals to 203,000 students will be supported by sufficient revenue to continue operating this model.

Benefits of CEP:

- All students can receive a healthy breakfast and lunch at no cost.
- No meal charges to households.
- Removes stigma around school meals.
- Meal participation increases, bringing in more federal reimbursement.
- All students in CEP schools are eligible for the federal Summer EBT program.

Assumptions and Calculations

Expansion or alteration of a current program or service:

This request is to fully fund the expansion of the Community Eligibility Provision (CEP) required under House Bill 1878 (2022). The Legislature allocated \$21.5 million in ongoing funding in the 2022 Supplemental Budget, Sec. 508 (4)(a). This request is for an additional \$26.5 million in fiscal year 2023.

Detailed assumptions and calculations:

Caseload Expansion

Original estimates for the caseload of CEP schools under House Bill 1878 (2022) changed dramatically after the bill passed. Eligibility for CEP is based on an annual snapshot of the student population as of April 1 each year. Under federal law, a school or group of schools needs an Identified Student Percentage (ISP) of 40% or greater to participate in CEP.

Based on data from April 1, 2021, there were 241 schools that were eligible but not currently participating in CEP. OSPI also pulled data from a few different points after April 1, 2021, to see if that data was still accurate, and it continued to be true. At the time OSPI prepared the fiscal

note in 2021, the agency estimated the costs for the newly added schools and budgeted them into the note, which was funded by the Legislature.

There are three major factors for the differences between the estimates used in the original fiscal note and the current numbers:

- 1) More schools became eligible:** Identified Student Percentages (ISPs) increased year over year across the state, making many more schools eligible this year. This is a combination of the effect of USDA allowing eligibility to carryover from the previous year along with more students being categorically eligible for free school meals.

Once April 2022 data was released, OSPI determined that the number of CEP-eligible schools that weren't already participating grew substantially to 407.

- 2) Grouping:** As ISPs across the state increased, not only did the number of schools eligible on their own grow, but the number of schools that could be grouped-in grew as well. There will be approximately 292 new grouped-in schools participating in the 2022–23 school year.

Statewide, there are 30 groups of schools applying for CEP at an ISP between 40% and 41%, showing the strong effort by districts to bring on as many schools they could to ensure as many students as possible have access to nutritious meals at school.

- 3) Increased Reimbursement:** The federal government increased the per-meal reimbursement by \$0.68 for lunches, plus a \$0.32 increase through USDA's annual inflation increase, as well as an unexpected \$0.40 increase by Congress in the Keep Kids Fed Act. This is a smaller part of the increased cost vs. the additional schools and students outlined above, but still contributed to it.

Explanation of Cost Estimate

The total cost of CEP supplementation under the new law is \$48 million per year. This request is for an additional \$26.5 million after the Legislature already appropriated \$21.5 million in the 2022 Supplemental Budget.

This total cost comes from the following calculations:

- 1) Identify the schools currently operating or applying to operate CEP in the 2022–23 school year.
 - There are 1,190 schools that are either currently operating CEP or have applied to operate.
 - These 1,190 schools operate or will operate CEP in one of two configurations: either as an individual site or as part of a group (which can be an entire district).
- 2) Find claiming ISPs and the corresponding Free Claiming Percentage of each group or individual school.
 - These 1,190 schools are operating as part of 236 entities, either a group or an individual school.

- Reviewing their claiming Identified Student Percentage (ISP), we can calculate the Free Claiming Percentage by multiplying this claiming ISP by the federal multiplier of 1.6.

Free Claiming Percentage is the percentage of meals that are reimbursed the USDA Free rate (\$4.35 for lunch). All other meals are reimbursed at the lower Paid rate (\$0.79 for lunch).

- 56,740 students attend a school that is being claimed at 62.5% ISP, therefore, has a Free Claiming Percentage of 100% and does not need any state supplement.
- 134,940 students attend a school claiming between 62.5–50% ISP and needs state supplement for fewer than 20% of meals served.
- 344,246 students attend a school claiming under 50% ISP and needs 20–36% of all meals to be supplemented.

3) Determine the count of 'State Breakfasts' and 'State Lunches.'

- Apply the Free Claiming Percentages to the actual school year 2021–22 meal participation in these schools to come up with the number of breakfasts and lunches that are reimbursed at the Paid rate by the federal government, and therefore, the number of meals the state will be responsible for supplementing.

4) Calculate the 'CEP supplement rate.'

- For all meals not reimbursed at the USDA Free rate, the state shall supplement federal funding to bring the total per-meal reimbursement up to the USDA Free rate.
- For the 2022–23 school year, the USDA reimbursement rates, as well as the gap, are as follows:
 - Breakfast:
 - Free Rate: \$2.67
 - Paid Rate: \$0.50
 - **Gap:** \$2.17
 - Lunch:
 - Free Rate: \$4.35
 - Paid Rate: \$0.79
 - **Gap:** \$3.56
- The 'CEP supplement rate' is the gap between the Free and Paid reimbursement rates, what the state will reimbursement on top of the federal funding to bring the total reimbursement to the Free rate.

5) Apply the CEP supplement rate to the number of state breakfasts and state lunches.

- Multiplying the state breakfasts with the breakfast CEP supplement (\$2.17) brings the state cost to \$11 million.
- Multiplying the state lunches with the lunch CEP Supplement (\$3.56) brings the state cost to \$37 million.

This brings the total cost to \$48 million for school year 2022–23 and the required supplemental funding to \$26.5 million annually (the Legislature currently appropriates \$21.5 million per year).

In future years, this total cost increases by \$2 million per year to a total of \$50 million in fiscal year 2024 and \$52 million in fiscal year 2025. This annual increase is based on estimated per-meal reimbursement rate increases from USDA of 3% each year.

Reimbursement rate adjustments are prescribed each year on July 1 based on changes in the Food Away from Home series of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the Department of Labor.

Workforce assumptions:

N/A

How is your proposal impacting equity in the state?

At the forefront of every program, policy, and decision, OSPI actively focuses on ensuring all students have access to the instruction and support they need to succeed in our schools. OSPI regularly engages with a wide array of partners and stakeholders to continuously connect with students, families, and community representatives as partners in decision-making. OSPI facilitates and participates in a significant number of committees and workgroups, regularly engaging with a variety of stakeholders to ensure voices are heard and ideas are incorporated.

This proposal promotes equity by ensuring all students have access to the nutrition they need to show up to school prepared for learning and success. Families across the state rely on school meals, including many families who may make just over the income thresholds to be eligible for free or reduced-price meals, and are still challenged by rising costs. Funding this request will expand access to universal meals to over half the state's student population.

Supporting CEP grouping also promotes equity within school districts. In some cases, for example, one elementary school is eligible and able to give free school meals to all students, but another elementary school across town is just below the eligibility threshold and cannot. By supporting grouping with additional funding, more districts can bring in most or all the schools within their district, providing an equal playing field regardless of where a student resides in the district.

Strategic and Performance Outcomes

Strategic framework:

This package aligns with the Governor's Results Washington Goal #1: World-class education, as well as Goal #5: Efficient, effective, and accountable government. Hungry students can't learn and by expanding universal meals we can improve the readiness of students. Additionally, the Community Eligibility Provision streamlines school district operations by removing several administrative requirements and simplifies school meal counting, improving the effectiveness of the program.

This proposal also aligns with OSPI's Strategic Goal #1: Equitable Access to Strong Foundations. We can guarantee students have strong foundations by making sure every student has access to the nutrition they need each day.

Other Collateral Connections

Intergovernmental:

N/A

Stakeholder response:

The Washington School Nutrition Association (WSNA), along with several other education stakeholders, supported the underlying bill, House Bill 1878 (2022), in committee.

Legal or administrative mandates:

House Bill 1878 (2022)

Changes from current law:

This proposal is seeking the funds to implement current law and does not require changes to existing statutory language.

State workforce impacts:

N/A

State facilities impacts:

N/A

Puget Sound recovery:

N/A

Other Documents

Reference documents:

A list of Community Eligibility Provision (CEP) schools by district will be made available by request.