



**MEMORANDUM**

TO: House Democratic Research Staff

FROM: Simon Sheaff

DATE: February 20, 2023

RE: Reduced-Price Lunch Program Fiscal Estimate, LSB 1999YH

**Description**

Per your request, this memo provides the estimated fiscal impact for LSB 1999YH. The Bill prohibits schools from collecting payment for lunch or breakfast from students eligible for reduced-price meals. The Bill requires the Department of Education (DE) to reimburse school districts, charter schools, and nonpublic schools that operate school meal programs the difference between the federal reimbursement for free school meals and the federal reimbursement for reduced price meals for each reduced-price meal they provide. The Bill creates a standing General Fund appropriation in the amount necessary to pay for these distributions.

**Background**

The School Lunch Program is a federally funded meal program that provides free and reduced-price meals to students. In Iowa, the program is administered under Iowa Code chapter [283A](#). The U.S. Department of Agriculture (USDA) reimburses schools for each lunch and breakfast they serve, with higher reimbursements for reduced-price and free meals. Free meals are provided to students from families making less than 130.0% of the federal poverty level, while reduced-price meals are provided to students from families making less than 185.0% of the federal poverty level. Participating schools must offer free or reduced-price lunches to eligible students, and meals must meet federal nutrition guidelines. According to the Iowa Department of Education (DE), 100.0% of public schools in Iowa offer a lunch program, and the October 2022 student participation rates were as follows:

	Meal Program	
	Student Participation Rates	
	Breakfast	Lunch
Free	35.0%	72.0%
Reduced Price	20.0%	55.0%
Full Price	18.0%	60.0%

A higher rate of meal reimbursement is paid for schools determined to be severe need. To be eligible for severe need rates, at least 40.0% of the lunches served during the second preceding

school year must have been served free or at a reduced price. For example, a school's severe need status in school year 2023-2024 would be calculated based on meals served in school year 2021-2022. The federal reimbursement rates are as follows:

<b>Federal Reimbursement Rates</b>		
	<u>Breakfast</u>	<u>Lunch</u>
<b>Standard Reimbursement</b>		
Free	\$2.26	\$3.56
Reduced Price	1.96	3.16
Full Price	0.50	0.77
<b>Severe Need Reimbursement</b>		
Free	\$2.67	\$3.95
Reduced Price	2.37	3.55
Full Price	0.50	0.79

According to the DE, 21,810 Iowa students in public, nonpublic, and charter schools are currently eligible for reduced-price meals.

**Assumptions**

- The State of Iowa will provide the difference between the federal reimbursement for free meals and the federal reimbursement for reduced-price meals.
- Participation rates in school meal programs will not change from October 2022 rates.
- There are 180 days in the school year.

**Fiscal Impact**

Beginning in FY 2024, the estimated impact on the General Fund of providing free lunch and breakfast to students eligible for reduced-price lunch would cost approximately \$1.1 million per year.

<b>Fiscal Impact of Providing Free Meals to Students Eligible for Reduced-Price Lunch</b>			
	<u>Number of Meals Provided</u>	<u>Reimbursement Rate Difference</u>	<u>Total Cost</u>
Lunch	2,159,190	\$ 0.40	\$ 863,676
Breakfast	785,160	0.30	235,548
<b>Total</b>	<b>2,944,350</b>		<b>\$ 1,099,224</b>

**Sources**

Iowa Department of Education  
 U.S. Department of Agriculture  
 Legislative Services Agency