



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300

State Fiscal Note for Bill Number:

2025-H 5742

Date of State Budget Office Approval: Wednesday, May 28, 2025

Date Requested: Tuesday, April 8, 2025

Date Due: Friday, April 18, 2025

Impact on Expenditures		Impact on Revenues	
FY 2025	N/A	FY 2025	\$0
FY 2026	\$0	FY 2026	\$0
FY 2027	\$12,638,347	FY 2027	\$0

Explanation by State Budget Office:

This bill would create a statewide universal school breakfast and lunch program for Rhode Island public schools. It would specifically require that the Department of Elementary and Secondary Education (RIDE) maximize access to federal funds to finance the costs of such a program and reimburse schools for the remaining difference of program costs, defined as the difference between the federal free reimbursement rate for school breakfast and lunch programs, and the rate received for each school breakfast and lunch served. This bill would also create a phased-in implementation for a school meals program, starting with free breakfast and lunch meals offered to all public-school elementary students in SY 2026-2027 (Fiscal Year 2027), public middle schools in SY 2027-2028 (Fiscal Year 2028), and public high schools in SY 2028-2029 (Fiscal Year 2029). The legislation also requires the general assembly to make annual appropriations for the cost of this program as well as one FTE at RIDE to aid with administration and implementation.

Summary of Facts and Assumptions:

To estimate the fiscal impact of this bill, several assumptions need to be made about the number of meals provided, the number of benefit applications returned by families, and the receipt of federal reimbursements, which are discussed below. The Budget Office assumes that higher or lower federal reimbursement received by school districts than assumed in the estimates provided in this note would substantially impact the cost of this bill to the state.

Discussions with RIDE indicate that there are several factors which may influence whether school districts pursue CEP, which are provided here for information purposes.

- **Partial District Eligibility.** In some districts, not all schools within an LEA are eligible for CEP. As a result, schools within a district that have adopted CEP would provide free meals to all students while other schools in the same district would not. Such partial district implementation is possible, however, RIDE notes that districts may be concerned that such a school-by-school implementation is confusing, and families may raise equity questions.



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- **Financial Viability for School Districts.** Reimbursements under CEP are based on the Identified School Percentage (ISP), which represents the number of students who are directly certified for free meals based on existing data. Reimbursements under CEP are based on the ISP multiplied by a factor of 1.6 to determine the percentage of meals claimed at the federal free rate. For schools that have a low ISP but qualify for CEP participation, adopting CEP may result in lower overall revenue to meal programs than what the district would generate by (1) claiming free meals based on meal benefit applications and (2) charging families that do not qualify. Under current law, LEAs may have an incentive to maximize federal reimbursement. Under this bill, it would be incumbent upon RIDE to enforce and LEAs to voluntarily comply with the mandate to maximize federal reimbursements. Under this bill, financial viability may no longer be an issue for school districts, as the state would cover the cost for non-qualifying meals.

Previous estimates for the cost of enacting statewide free lunch and breakfast programs have relied on estimates of student participation and have generally assumed a “maximum cost scenario” in which, if such programs were enacted, no students would return forms verifying family income and federal reimbursements would encompass only those directly certified through SNAP participation. The state would then be responsible for providing sufficient funding to cover the difference between the free and paid rate for school breakfast and lunch as established by the USDA. Other than the general rulemaking authority granted to RIDE, this bill does not include any specific enforcement provisions.

RIDE assumes a total of 7,422,480 breakfast meals and 14,410,800 lunch meals provided, based on the higher of annualized average daily participation (ADP) during October 2021 or March 2022. These numbers are based on 41,236 total breakfast meals and 80,060 lunch meals provided each day for 180 days of the school year. Using the higher of these data points assumes that participation will be similar to what was observed when federal pandemic provisions allowed schools to provide free meals for all regardless of income eligibility; using the higher of these two data points also accounts for potential attendance fluctuations in post-pandemic years.

Each of these scenarios assumes that the state would bear the cost of all meals that are not eligible for federal reimbursement and then constructs a cost estimate to the state based on the additional number of meals that the state would need to reimburse.

1. CEP and Federal Reimbursement Eligibility - \$27.1 million

Compared to prior year fiscal notes presented for similar bills, the Budget Office notes that a substantial difference to the estimate presented in Option 1 is the implementation of the Medicaid Demonstration Project, which has permitted the Department of Elementary and Secondary Education (RIDE), beginning in August 2024, to include Medicaid-enrolled children in direct certification for school meal benefits. The inclusion of Medicaid-enrolled children in direct certification for school meal benefits significantly impacts the estimate relative to prior fiscal notes. By using Medicaid enrollment data, more children are automatically eligible for federal reimbursement, meaning that a reduction in the number of meal benefit applications does not result in an increase in cost to the state that is as substantial as previously estimated.



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Assuming the cost scenario discussed above, in which schools currently participating in CEP continue to participate and no students return meal benefit applications but Medicaid-enrolled children are directly certified for school meal benefits, RIDE estimates a state cost of \$27.1 million to establish a statewide free school breakfast and lunch program. This is based on an assumed 7,422,480 breakfast meals and 14,410,800 lunch meals provided, of which the state would subsidize only those meals that do not qualify for the federal free reimbursement rate.

Under this scenario, RIDE estimates that 8,790,850, or 61.0% of lunch meals would be reimbursed at the free rate and 5,619,950, or 39.0% of lunch meals would be reimbursed at the paid rate. RIDE also estimates that 5,114,854, or 68.9% of breakfasts would be reimbursed at the free rate and 2,307,626, or 31.1% of breakfasts would be reimbursed at the paid rate. The Budget Office notes that these rates differ substantially from those presented in a prior year fiscal note for a similar bill. In the estimate for bill H-7400 during the 2024 session, which included provisions similar to H-5742, estimates assumed 41.12% of lunch meals would be reimbursed at the free rate, or 58.88% of lunch meals would be reimbursed at the paid rate. Similarly, for breakfast, prior year estimates showed an anticipated 48.79% of breakfasts reimbursed at the free rate and 51.21% of breakfasts reimbursed at the paid rate. As noted above, the substantial increase in anticipated federal free reimbursement rates is driven by changes made through the Medicaid Demonstration project, which, starting in August 2024, has permitted RIDE to include Medicaid-enrolled children in direct certification for school meal benefits. This change effectively means that the number of students estimated to be eligible for free and reduced meals has increased, lowering the total projected cost in a scenario where it is assumed that no lunch forms are returned and students eligible for federal reimbursement qualify through CEP, or through existing Medicaid eligibility.

The assumed cost of each non-qualifying meal is the difference between the rate at which breakfast and lunch are federally reimbursed and the paid rate for breakfast and lunch. For breakfast, this difference is \$1.98 ($=\$2.37 - \0.39) and for lunch the difference is \$4.01 ($=\$4.43 - \0.42). The total cost for lunch would be the number of lunches reimbursed at the paid rate, $5,619,950 * \$4.01 = \$22,535,998$. Total cost for breakfast would be $2,307,626 * \$1.98 = \$4,569,099$, with the combined cost of this scenario totaling \$27,105,097.

Bill H5742 requires that a school-meals-for-all program be phased in over the course of three years, beginning in SY 2026-2027 (Fiscal Year FY 2027) with all public elementary schools required to make breakfast and lunches available to elementary students attending those schools. RIDE estimates a total cost of \$12,346,711 for providing breakfast and lunch meals to all elementary school students statewide. This bill further requires that all middle schools be phased into a free-meals-for-all program beginning in SY 2027-2028 (Fiscal Year 2028), and that all high schools be phased into the program beginning in SY 2028-2029 (Fiscal Year 2029). RIDE estimates a total cost of \$5,597,395 for middle schools and \$8,217,720 for high schools. Note that these estimates for elementary, middle, and high schools, sum to a total projected cost of \$26,521,826, which is \$583,271 less than the projected total program cost outlined in the preceding paragraph. The difference in projections stems from some schools which are either Pre-K or K-8 are not classified as an elementary, middle or high school, leading to the slight difference in total estimates.



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If this difference were to be split evenly across elementary and middle schools, the estimated cost for elementary school implementation would be \$12,638,347 $(= (\$583,271/2) + \$12,346,711)$, and the estimated cost for middle school implementation would be \$5,889,031 $(= (\$483,271/2) + \$5,597,395)$.

The Budget Office considered alternative methodologies, in keeping with practice from prior years, which are described in Scenario 2 and Scenario 3, below.

2. Participation Based on ADM - \$36.6M

As in Scenario 1 above, Scenario 2 assumes 7,422,480 breakfast meals and 14,410,800 lunch meals provided, of which the state would subsidize those meals that do not already qualify for the federal free reimbursement rate. However, this scenario assumes that schools would continue collecting meal benefit application forms at the same rate as what is currently observed, and that the increase in meals would be attributed entirely to paid meals. These numbers are based on 41,236 total breakfast meals and 80,060 lunch meals provided each day for 180 days of the school year. The estimates presented below use October 2023 Average Daily Membership (ADM) data for free, reduced and paid meals, to determine the expected number of 'new' meals subsidized by the state under a free-meals-for-all program.

Under this scenario, the increase in the total number of meals that the state would pay for is expected to be 1,789,740 for breakfast and 2,041,740 for lunch. This difference represents the expected total of 7,422,480 breakfast meals and 14,410,800 lunch meals discussed above, minus the actual number of lunch and breakfast meals paid out in SY2023-2024, 12,369,060 for lunch and 5,632,740 for breakfast. The difference between expected meals and total meals provided in SY23-24 is added to the number of paid meals provided in SY23-24 (1,601,820 breakfast meals and 5,201,640 lunch meals), as the state would be responsible for shouldering the cost of additional meals as well as meals that were previously paid for by students. Applying the same costs (\$1.98 for breakfast and \$4.01 for lunch) to the total increase in meals described above, 3,391,560 $(= 1,789,740 \text{ new meals} + 1,601,820 \text{ previously paid meals})$ for breakfast and 7,243,380 $(= 2,041,740 \text{ new meals} + 5,201,640 \text{ previously paid meals})$ for lunch, the cost of this modified scenario is \$35.8 million. Scenario 2 reflects a higher cost than Scenario 1 presented above because it assumes that the entire increase in number meals served will be paid for by the state. Based on directly certified Medicaid enrollment data provided by RIDE, it is unlikely that none of the additional meals would be eligible for federal reimbursement, and as a result Option 2 may overstate the cost of H-5742 to the state.



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3. Participation Based on Paid Meals in the Prior Year - \$28.5 million

An alternative scenario is one where the increase in paid meals following the implementation of a statewide free meals for all program is proportional to the share of paid to total meals as observed in SY23-24. While it is likely that participation rates would increase if free meals were offered to all, based on trends observed when federal pandemic provisions allowed schools to provide free meals for all students regardless of income eligibility, as well as research showing reduced stigma and greater accessibility improve meal participation, it is nevertheless difficult to precisely project program uptake. In SY 2023 - 2024, 42.1% of total lunches served were paid lunches, and 28.4% of total breakfasts served were paid breakfasts. Applying these rates to the number of total meals expected in the above two scenarios, 7,422,480 breakfast meals and 14,410,800 lunch meals, the total number of expected lunches is 6,060,266 and the number of expected breakfasts is 2,110,780. Applying the same costs (\$1.98 for breakfast and \$4.01 for lunch), the cost of this scenario is \$28.5 million. This scenario does not reflect eligibility changes made through the Medicaid Demonstration project.

In addition to the cost of providing universal breakfast and lunch to all Rhode Island public school students, H-5742 requires the general assembly to make a general revenue appropriation to support the cost of 1 FTE at RIDE to aid in the administration and implementation of this program. RIDE currently employs several positions for which the responsibilities are assumed to be comparable to those that would be required for this role. The Budget Office estimates that the salary and benefits cost of 1 FTE responsible for data and management associated with school breakfast and lunch programs would be similar to that of a Nutrition, School Health Specialist position, for which the total salary and benefits cost in FY 2025 was \$165,539. The Budget Office notes that this cost could fluctuate depending on the demands for this specific role and based on the appropriation granted by the general assembly.

Comments on Sources of Funds:

This bill requires the general assembly to make annual general revenue appropriations to finance the difference between the school breakfast and lunch federal free reimbursement rates and the rate received for each school breakfast and lunch served to children in state-subsidized public education programs and in kindergarten through twelfth grade.



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Summary of Fiscal Impact:

The fiscal impact below reflects Scenario 1, which reflects RIDE estimates based on most recently available data, which incorporate the impact of the Medicaid Demonstration project.

FY 2025: No expenditure impact given the assumed effective date of this bill.

FY 2026: \$0

This note assumes no fiscal impact in FY 2026 because bill H-5742 designated implementation beginning with elementary schools in SY2026-2027 (Fiscal Year 2027).

FY 2027: \$12,638,347

Budget Office Signature: _____

Fiscal Advisor Signature: _____

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Joseph Codega
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