

Fiscal Note

2023-2024 Legislative Session

SF3912 - 2A - Free School Milk

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 Committee: **Education Finance**
 Date Completed: **3/1/2024 4:34:21 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	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	2,370	2,315	2,314
Total	-	-	2,370	2,315	2,314
Biennial Total			2,370		4,629

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
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.

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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		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	2,370	2,315	2,314
Total		-	-	2,370	2,315	2,314
Biennial Total					2,370	4,629
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		-	-	2,370	2,315	2,314
Total		-	-	2,370	2,315	2,314
Biennial Total					2,370	4,629
2 - Revenues, Transfers In*						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total					-	-

Bill Description

Starting in fiscal year 2025, this bill reimburses each school participating in the Minnesota Free School Meals Program (MN-FSM) for up to one half-pint of milk served to a student in kindergarten through grade 5 who brings a meal from home and forgoes the no cost school lunch provided on that day. The reimbursement rate for each half-pint of milk will be the greater of 50 cents or the federal Special Milk Program rate established by the U.S. Department of Agriculture (USDA) Food and Nutrition Services (FNS) for that school year.

Assumptions

To come up with this cost estimate, the Minnesota Department of Education (MDE) used the following assumptions:

- This new milk reimbursement is only available for schools participating in the Minnesota Free School Meals Program (MN-FSM).
- The reimbursement is available for milk served to students in kindergarten through grade 5 who are not taking a school lunch and who bring a meal from home.
- The daily attendance rate is 91.25%.
- It is assumed that 25% of students who bring their own lunch will take one free milk per day.
- It is assumed that 100 students statewide daily will no longer take a lunch to get the free milk. There are 996 PK-6 schools in the state in 23-24, so this equates to approximately one student in every 10 schools. This will be a reduction in the school lunch appropriation.
- Reimbursement is limited to one half-pint milk per lunch per day.
- The greater reimbursement rate will be 50 cents per half-pint milk.
- With no way to split out the claim data for grades K-5, we are assuming the cost will approximate the cost of milk for grades K-12 divided by 13 times 6.
- Even though the \$659,000 appropriation for Kindergarten Milk has been stricken in the bill, it is assumed that the School Milk Program costs estimated here will be in addition to the current cost of the Kindergarten Milk Program.
- In regard to information technology costs, this program would be a significant change to the current Cyber-Linked Interactive Child Nutrition System (CLiCS), specifically the application and claim screens. Required Information Technology work includes development, regression testing, project management, and report modifications, with costs calculated at an average \$110 per hour. There will be 10% for maintenance in FY26 and FY27.

Expenditure and/or Revenue Formula

Estimated FY24 pupil units	909,469		
est. # school days in Sept & Oct	39		
est. # maximum meals in Sept & Oct	35,469,291		
Estimated daily attendance	32,365,728		
Lunches served in Sept & Oct 2023 (from Clics)	22,921,326		
Difference (assumed bag lunch)	9,444,402		
Estimated # of K-5 students with a bag lunch	4,358,955		
estimated percentage of K-5 students with bag lunch taking a milk	1,089,739		
Cost for each milk	0.50		
total cost for free milk	544,870		
Total # of daily K-5 lunches taken in Sept & Oct to get the free milk (students * 39 days)	3,900	3,900	3,900
	FY 2025	FY 2026	FY 2027
cost per paid lunch	4.225	4.388	4.478
reduction in paid lunch for those not getting a lunch for free milk	-16,478	-17,113	-17,464
increase in milk costs for those no longer getting a lunch for free milk	1,950	1,950	1,950
subtotal of cost change for those no longer taking the lunch to get milk for free	-14,528	-15,163	-15,514
net total cost for free milk - Sept & Oct (39 days)	530,342	529,706	529,355
net total cost for free milk - full school year (170 days)	2,311,747	2,308,976	2,307,446
	FY 2025	FY 2026	FY 2027
total increase in milk appropriation	2,383,572	2,383,572	2,383,572
total decrease in lunch appropriation	-71,825	-74,596	-76,126
Net total MNIT costs	58,080	5,808	5,808
Total Costs	2,369,827	2,314,784	2,313,254

Long-Term Fiscal Considerations

Milk reimbursement could increase at the federal level above the \$0.50 per half pint of milk, which could increase the cost of this program.

Local Fiscal Impact

Schools currently use Point-of-Sale (POS) systems in their meal service and a la carte options. A school would need to continue to charge for milk served to adults, to students in grades 6-12, and to students who take more than one milk, in addition to being able to account for the milks eligible under this program. Therefore, the schools in Minnesota might face IT costs to update their POS systems to account for this.

References/Sources

MDE Nutrition Program Services posts the MN Statewide attendance factor at <https://education.mn.gov/MDE/dse/FNS/SNP/conn/>

MDE utilized internal lunch claims served under Minnesota Free School Meals for September and October 2023, this information is housed under the Cyber-Linked Interactive Child Nutrition System (CLiCS)

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