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Fiscal Note

Drafting Number:	LLS 23-0813	Date:	March 27, 2023
Prime Sponsors:	Sen. Bridges; Zenzinger Rep. Bird; Sirota	Bill Status:	Senate Appropriations
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Bill Topic: HEALTHY SCHOOL MEALS FOR ALL PROGRAM FUND

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> School Districts
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

Budget package bill. The bill implements several measures related to revenue and expenditures for the Healthy School Meals for All Program, approved by voters in November 2022. It includes an appropriation for the program for FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires and includes an appropriation of \$115.3 million to the Colorado Department of Education.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was recommended by the Joint Budget Committee as part of its FY 2023-24 budget package.

**Table 1
State Fiscal Impacts Under SB 23-221**

		Budget Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-
Expenditures	Healthy School Meals General Fund Exempt Account	\$115,339,107	-
	Total FTE	3.1 FTE	-
Transfers		-	-
Other Budget Impacts			

Summary of Legislation

The bill creates a fiscal framework to implement the Healthy School Meals for All Program, approved by voters in November 2022.

General Fund Exempt Account. The bill creates the Healthy School Meals for All Program General Fund Exempt Account (account) to contain the revenue generated for the program from the income tax addition created in Proposition FF. The account is subject to annual appropriation by the General Assembly. The Colorado Department of Education (CDE) may spend money in the account to implement the program, including for meal and wage reimbursements, local food purchasing and technical assistance grants, and administrative expenses up to 1.5 percent of the appropriations for other program components.

If there is insufficient money in the account, CDE may make the required expenditures for meal and wage reimbursements from the General Fund. Local food purchasing and technical assistance grants are only paid out of the account if there are sufficient funds in the account after paying for meal and wage reimbursements and administrative expenses. Appropriations from the account are not subject to the General Fund reserve requirement, and unspent money in the account does not count as state surplus funds.

The bill requires that the Department of Revenue (DOR) deposit the money in the fund on a monthly basis, based on an estimate from the Office of State Planning and Budgeting (OSPB). OSPB must estimate the revenue received each month from the income tax addition created in Proposition FF, including adjustments to address any errors, and must annually report expenditures from the account and any overexpenditures paid from the General Fund to the Joint Budget Committee.

Appropriation. For FY 2023-24, the bill includes a \$115.3 million appropriation from the account to the CDE for the Healthy School Meals for All Program.

Background

Proposition FF, approved by voters in November 2022, created the Healthy School Meals for All Program in CDE. It provides reimbursement to participating school food authorities for offering free meals to all students, beginning in FY 2023-24. It also provides funding for school food authorities to increase wages or provide stipends to school meal employees and grants for purchasing local food and technical assistance related to using local products.

To fund the program, Proposition FF requires taxpayers with adjusted gross income of \$300,000 or more to add back a portion of their federal itemized or standard deductions when calculating their Colorado taxable income. Single filers are required to add back deductions above \$12,000, and joint filers are required to add back deductions above \$16,000. This is estimated to generate approximately \$100.7 million in FY 2023-24 and \$104.2 million in FY 2024-25.

State Expenditures

The bill increases state expenditures in CDE by \$115.3 million in FY 2023-24, paid from the new Healthy School Meals for All Program General Fund Exempt Account.

CDE. The increased expenditures, shown in Table 2 below, reflect the FY 2023-24 costs identified for the program in [the fiscal note for Proposition FF](#), with an adjustment to the indirect costs to align with updated common policies. Costs include staffing, legal, contracting, and meal reimbursement costs. Future year expenditures for the program, estimated in the Proposition FF fiscal note, will be handled through the annual budget process.

Table 2
Expenditures Under SB 23-221

	FY 2023-24
Department of Education	
Personal Services	\$246,053
Operating Expenses	\$4,185
Program Audit RFP	\$17,850
Legal Services	\$14,786
Meal Reimbursements	\$115,000,000
Indirect Costs	\$56,233
Total Cost	\$115,339,107
Total FTE	3.1 FTE

OSPB. The bill also increases workload for OSPB to identify the amounts to be deposited in the fund and report the information to the Joint Budget Committee.

School District

The bill includes an appropriation of \$115.0 million for reimbursements to school meal authorities, many of which are school districts. These funds will be distributed to districts bases on the number of meals served and the portion of meals eligible for state reimbursement.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2023-24, the bill requires and includes an appropriation of \$115,339,107 from the Healthy School Meals for All Program General Fund Exempt Account to the Colorado Department of Education, and 3.1 FTE.

State and Local Government Contacts

Education
Personnel

Legislative Council Staff
Revenue

Office of State Planning and Budgeting