

Proposition ? : Healthy School Meals for All

Placed on the ballot by the legislature • Passes with a majority vote

1 **Proposition ? proposes amending the Colorado statutes to:**

- 2 • create the Healthy School Meals for All program to provide access to free
3 meals for all public school students in Colorado; and
4 • pay for the program by increasing the taxes paid by households with incomes
5 of \$300,000 or more and by using additional federal funding for school meals.

6 **What Your Vote Means**

YES

7 A “yes” vote on
8 Proposition ? creates a

9 program to provide access to free meals to
10 all public school students in Colorado and
11 increases taxes for households with over
12 \$300,000 in federal adjusted gross income
13 by limiting state income tax deductions.

NO

A “no” vote on Proposition ? means that levels of funding for school meals under current law, which provide free meals to children from households with incomes below certain thresholds, will remain unchanged, and there will be no change to tax law.

Summary and Analysis for Proposition ?

1 **What does the measure do?**

2 The measure creates the Healthy School Meals for All program (program) to
3 reimburse school meal providers for offering free school breakfasts and lunches to all
4 public school students, regardless of family income, beginning with the 2023-24
5 school year.

6 Beginning in the 2024-25 school year, the program will also provide grant funding to
7 school meal providers to:

- 8 • purchase products grown and raised in Colorado to include in school meals;
- 9 • increase wages or provide stipends for employees who prepare and serve school
10 meals; and
- 11 • receive training, equipment, and technical assistance, via a nonprofit
12 organization, to help prepare healthy school meals using basic, nutritious
13 ingredients, and to support collaboration between schools, communities, and
14 local food growers.

15 The measure pays for the program by increasing taxes on households with more
16 than \$300,000 in adjusted gross income per year. It also requires the state to
17 participate in a federal project allowing students receiving Medicaid benefits to be
18 automatically eligible for free school meals, which will bring in additional federal
19 funding for the program.

20 **Who can participate in the program?**

21 Any school meal provider can participate in the program. A school meal provider
22 manages school food programs within its area, and may be a school district, charter
23 school, group representing several school districts or charter schools, or another
24 entity that participates in the National School Lunch Program. There are currently
25 183 school meal providers in Colorado.

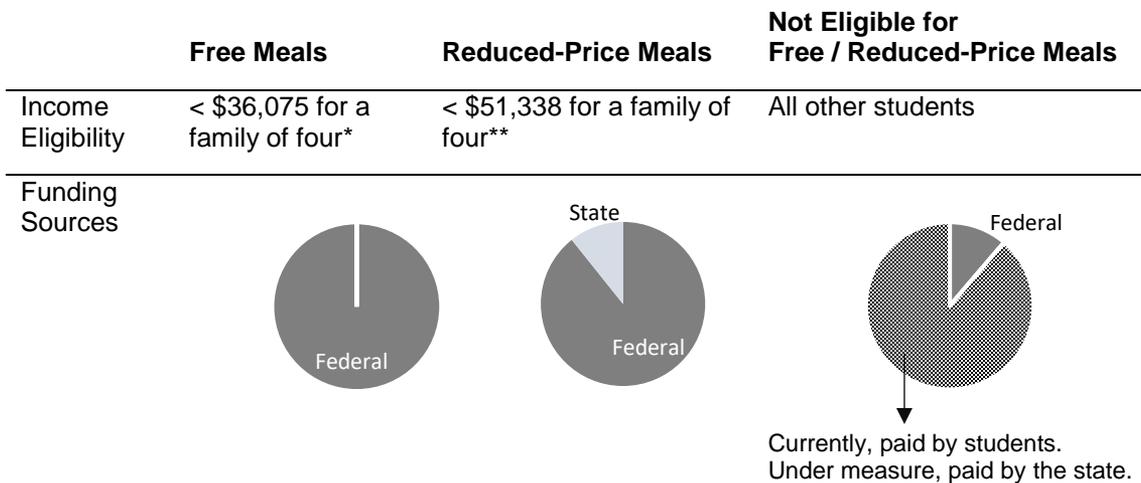
26 Any student at a participating school who wishes to receive a school meal will be
27 able to do so for free under the measure.

28 **Who pays for school meals now?**

29 Currently, schools receive money from the state and federal governments, as well as
30 payments from families, to pay for student meals. Federal programs, like the federal
31 School Breakfast Program and National School Lunch Program, reimburse school
32 meal providers for all or a portion of the cost of meals, based on a student's family
33 income. In Colorado, students eligible for reduced-price meals receive free meals
34 because the state covers the student's portion of the cost. As a result, some
35 students pay full price for a school meal and some eat for free, as shown in Figure 1.

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Figure 1
School Meal Reimbursements Funding Sources



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*<130% of federal poverty guideline; annual income for budget year 2022-23
**<185% of federal poverty guideline; annual income for budget year 2022-23

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Changes due to COVID-19. In the spring of 2020, when the COVID-19 pandemic first disrupted the country’s public education system, the federal government covered the cost to provide free school meals to all students. This temporary reimbursement ended in June 2022, meaning that students who are not eligible for free or reduced-price meals went back to paying for school meals at the start of the 2022-23 school year.

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All students received free meals during the 2020-21 school year. Approximately 355,000 students, or 40 percent of all Colorado students in kindergarten through twelfth grade, would have met family income criteria to be eligible for free school meals in Colorado had universal free school meals not been available.

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How is the new program funded?

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The new school meal program is funded through two sources: increased state income taxes for households with incomes of \$300,000 or above and increased federal funding.

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Increased state income tax revenue. Beginning in tax year 2023, the measure increases state income taxes paid by households with at least \$300,000 in federal adjusted gross income by limiting the amount of money they can deduct from their Colorado taxable income. These households will be limited to \$12,000 in state income tax deductions for single filers and to \$16,000 for joint filers. This will affect an estimated 101,444 returns, or 3 percent of returns filed in Colorado. Expenses most often included in itemized deductions are charitable contributions, state and local taxes, and mortgage interest.

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The amount of additional taxes each household will owe depends on the amount of deductions the household claims on its federal tax returns. For example, if a household filing jointly claims the standard \$25,900 deduction on their federal income taxes, it will pay an additional \$450 in state income taxes. If the household claims \$50,000 in itemized deductions, it will pay an additional \$1,547 in state

1 income taxes under the measure. Table 1 shows an example using the standard
 2 deduction for a couple making \$375,000. For a more detailed breakdown, see the
 3 Fiscal Impact Section below.

4 **Table 1**
 5 **Example of Income Tax Change Under Proposition ?**

Component	Current Law	Under Measure	Change
Adjusted Gross Income	\$375,000	\$375,000	
<i>minus</i>			
Standard Deduction*	\$25,900	\$25,900	
<i>equals</i>			
Federal Taxable Income	\$349,100	\$349,100	
<i>plus</i>			
Add Back (deductions - limit)	\$0	\$9,900**	
<i>equals</i>			
Colorado Taxable Income	\$349,100	\$359,000	
<i>multiplied by 4.55% equals</i>			
State Income Taxes Paid	\$15,884	\$16,335	\$450

6 * This example uses the standard deduction (\$12,950 for a single taxpayer, \$25,900 for a joint filer in tax
 7 year 2022). A taxpayer’s actual deductions will determine the change in income taxes paid; itemized
 8 deductions that exceed \$25,900 will result in higher state income taxes paid.

9 ** \$25,900 standard deduction minus \$16,000 limit for joint filers. This example assumes no other add
 10 backs.

11 **Increased federal funding.** The measure requires school meal providers to
 12 maximize their federal reimbursement by participating in certain federal programs,
 13 which will increase federal funding and reduce the amount of state funds necessary
 14 to support the new school meals program, as follows:

- 15 • First, the measure requires the state to participate in a federal project that makes
 16 students receiving Medicaid automatically eligible for federally funded free school
 17 meals.
- 18 • Second, school meal providers will be required to participate in the federal
 19 Community Eligibility Provision program, if eligible. This program allows schools
 20 with a high number of students qualifying for free and reduced-price meals to
 21 receive additional federal reimbursement, with some schools meeting the
 22 requirements to provide free meals to all students.

23 **How will the program be monitored?**

24 Beginning in 2024, the Colorado Department of Education must submit a report
 25 every two years to the state legislature on the implementation and progress of the
 26 school meal and grant programs created by the measure. The department must also
 27 contract with an independent auditor to conduct a financial and performance audit of
 28 the program. The audit report must be easily accessible by the public.

For information on those issue committees that support or oppose the measures on the ballot at the November 8, 2022, election, go to the Colorado Secretary of State's elections center web site hyperlink for ballot and initiative information:

<http://www.sos.state.co.us/pubs/elections/Initiatives/InitiativesHome.html>

1 **Arguments For Proposition ?**

- 2 1) Research shows that children experiencing hunger have lower grades than
3 their peers, and are more likely to struggle with behavioral problems and
4 experience emotional, mental, and physical health issues. By providing
5 school meals to all students, the measure ensures that every child has
6 access to food and is not hungry in school.
- 7 2) Providing free meals to all students helps families at a time when many are
8 facing higher costs of living. The cost of school meals can be a significant
9 expense, and the measure removes tradeoffs between paying for meals and
10 covering other necessary household expenses, particularly for families whose
11 income is only slightly higher than the current eligibility limit for free meals.
12 Even if a student can afford to bring or pay for a meal, the measure will take a
13 daily financial concern off of families' plates.
- 14 3) The measure removes a source of shame and embarrassment for students
15 who receive free meals. When some students receive free school meals and
16 others pay for their meal, it creates stigma and shame for the students who
17 receive the free meals. Feeling singled out may cause some students to skip
18 what may be their only healthy and balanced meal of the day.

19 **Arguments Against Proposition ?**

- 20 1) The measure raises taxes on some households at a time when inflation is
21 high and the cost of living is increasing. Higher taxes mean that those
22 taxpayers will have less money to save or invest in the economy. Those
23 dollars are best used by individuals and families in a way that they see fit.
- 24 2) The state should not pay to feed kids who can afford to purchase a school
25 meal or bring food from home. Feeding kids should be the role and
26 responsibility of the parents or caregivers, not the government. The measure
27 requires ongoing state funding, resources, and oversight for a program that is
28 not needed by all students.
- 29 3) Colorado schools are underfunded. If voters want to increase taxes to help
30 students, it would be better to give local school districts new funding to use in
31 a way that best serves their students, such as increasing teacher salaries or
32 providing additional educational materials and opportunities.

33 **Fiscal Impact for Proposition ?**

34 Proposition ? increases state revenue and spending beginning in state budget year
35 2022-23.

1 **State revenue.** By limiting state income tax deductions for taxpayers with at least
2 \$300,000 in adjusted gross income, the measure is expected to increase state
3 revenue by an estimated \$XXX in budget year 2022-23 (a half-year impact), \$XXX in
4 budget year 2023-24, \$XXX in budget year 2024-25, and by increasing amounts in
5 subsequent years. The revenue generated is not subject to state constitutional
6 spending limits. Of the total annual amount, an estimated at \$XXX million in budget
7 year 2022-23, and \$XXX million in budget year 2023-24 will be deposited in the State
8 Education Fund as a result of increasing Colorado taxable income.

9 **State spending.** The measure is expected to increase state spending by an
10 estimated \$212,289 in budget year 2022-23 for administrative costs to set up the
11 new program, by up to \$115.3 million in budget year 2023-24 for school meal
12 reimbursements and administrative costs, and by between \$71.4 million and
13 \$101.4 million per year starting in the 2024-25 budget year when the new program is
14 fully operational.

15 This program will reimburse school meal providers for the cost of offering free meals
16 to all students, and provide grant funding to school meal providers to purchase
17 Colorado grown food, funding to increase wages for employees who prepare and
18 serve school meals, and grants to nonprofits to assist school food providers with the
19 promotion and utilization of local foods. Costs to the state assume additional
20 reimbursements from the federal government, and will depend on the number of
21 students who become eligible for federal meal reimbursement as a result of the
22 measure, as well as the school districts in which they reside. Given this uncertainty,
23 this analysis shows a wide range of potential costs.

24 In addition, the Department of Revenue will have costs of \$209,855 in budget year
25 2023-24 and by \$98,292 in subsequent years to administer the tax changes under
26 the bill. State spending is paid from the state General Fund.

27 **School district revenue and spending.** School districts will have additional
28 revenue from meal reimbursements, employee wage support payments, and local
29 food purchasing grants. The amount each district receives will depend on the
30 number of meals served and the components of the program in which a district
31 chooses to participate. This revenue will be used to pay school district costs to
32 provide meals to students and increase employee wages. School districts will also
33 have additional workload to adjust to new data, documentation, and grant program
34 requirements.

35 **Taxpayer impact.** Proposition ? will increase the amount of income tax owed by
36 taxpayers who have over \$300,000 in federal taxable income. State law requires
37 Legislative Council Staff to estimate the potential tax burden on affected taxpayers
38 within specified income categories. Table 2 shows the expected change in tax
39 burden based on data on income and income tax deductions claimed on 2019 tax
40 returns. The actual impact on any given taxpayer with income above \$300,000 will
41 depend on the deductions taken on their federal income tax returns.

42 Table 2 shows an average impact per taxpayer of \$XXX; however, the measure only
43 impacts taxpayers with adjusted gross income of at least \$300,000. For taxpayers
44 impacted by the measure, the average impact is \$XXX.

1 **Table 2. Estimated Impact on Taxpayers by Income Category**

Income Category	Estimated Number of Taxpayers	Total Change in Tax Burden	Average Change in Tax Burden
\$14,999 or less	XXX	No change.	No change.
\$15,000 to \$29,999	XXX	No change.	No change.
\$30,000 to \$39,999	XXX	No change.	No change.
\$40,000 to \$49,999	XXX	No change.	No change.
\$50,000 to \$69,999	XXX	No change.	No change.
\$70,000 to \$99,999	XXX	No change.	No change.
\$100,000 to \$150,000	XXX	No change.	No change.
\$150,000 to \$199,999	XXX	No change.	No change.
\$200,000 to \$249,999	XXX	No change.	No change.
\$250,000 to \$499,999	XXX		
\$250,000 - \$299,999	XXX	No change.	No change.
\$300,000 - \$499,999	XXX	\$XX million	\$XX
\$500,000 to \$999,999	XXX	\$XX million	\$XX
\$1,000,000 or more	XXX	\$XX million	\$XX
Total	XXX	\$XX million	\$XX*

2 * Table 2 shows an average impact per taxpayer of \$XX; however, the measure only impacts taxpayers
 3 with adjusted gross income of at least \$300,000. For taxpayers impacted by the measure, the average
 4 impact is estimated to be \$XX.