

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.

1 **Summary and Analysis for Proposition ?**

2 **What does the measure do?**

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

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

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

17 The measure pays for the program by increasing taxes on households with more
18 than \$300,000 in adjusted gross income per year. It also requires the state and
19 school meal providers to participate in certain federal programs to bring in additional
20 federal funds.

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

22 Any school meal provider can participate in the program. A school meal provider
23 manages school food programs within its area, and may be a school district, charter
24 school, group representing several school districts or charter schools, or another
25 entity that participates in the National School Lunch Program. There are currently
26 183 school meal providers in Colorado.

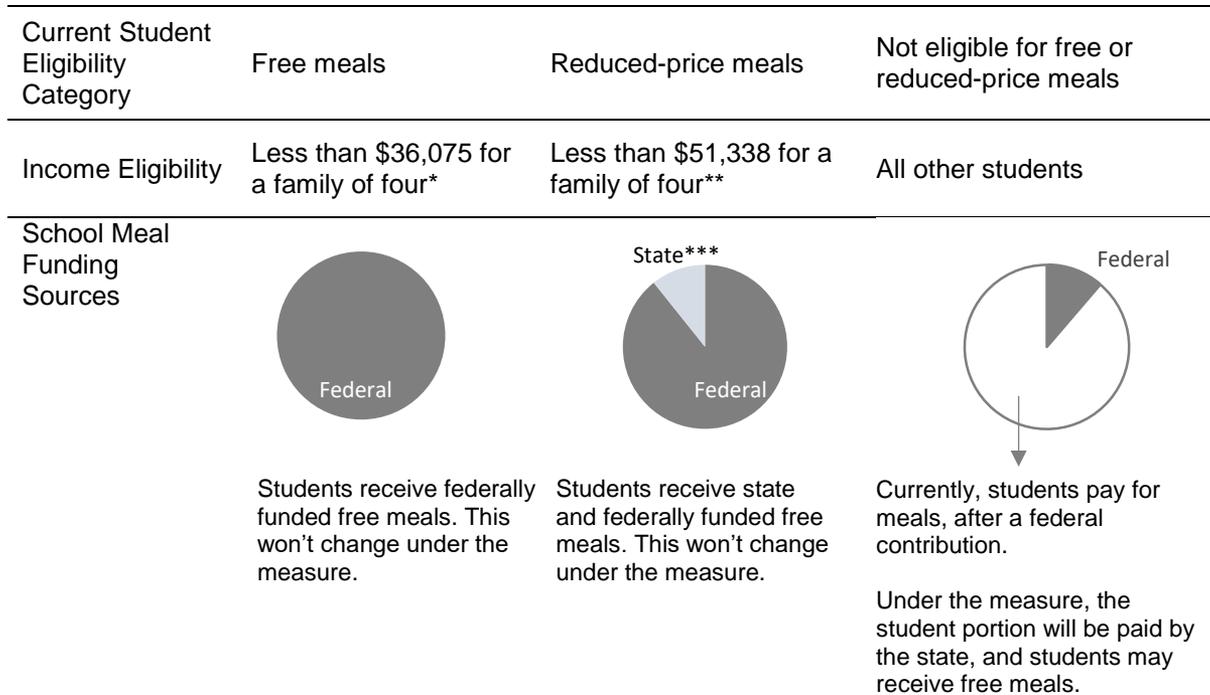
27 Any student at a participating school who wishes to receive a school meal will be
28 able to do so for free under the measure. This includes students in early childhood
29 education programs administered by public schools.

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

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

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2
3

Figure 1
School Meal Reimbursements
Eligibility Categories and Funding Sources



4 *Less than 130% of federal poverty guideline; annual income for budget year 2022-23
 5 **Less than 185% of federal poverty guideline; annual income for budget year 2022-23
 6 *** This portion is paid by the federal government in the 2022-23 school year only. The state covered
 7 this portion before the pandemic, and will continue to do so in future years.

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

14 All students received free meals during the 2020-21 and 2021-22 school years.
 15 Approximately 355,000 students, or 40 percent of all Colorado students in
 16 kindergarten through twelfth grade, would have met family income criteria to be
 17 eligible for free school meals in Colorado had universal free school meals not been
 18 available.

19 **How is the new program funded?**

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

23 **Increased state income tax revenue.** Beginning in tax year 2023, the measure
 24 increases state income taxes paid by households with at least \$300,000 in federal
 25 adjusted gross income by limiting the amount of money they can deduct from their

1 Colorado taxable income. These households will be limited to \$12,000 in state
 2 income tax deductions for single filers and to \$16,000 for joint filers. This will affect
 3 an estimated 101,444 returns, or 3 percent of returns filed in Colorado. Expenses
 4 most often included in itemized deductions are charitable contributions, state and
 5 local taxes, and mortgage interest.

6 The amount of additional taxes each household will owe depends on the amount of
 7 deductions the household claims on its federal tax returns. For example, if a
 8 household filing jointly claims the standard \$25,900 deduction on their federal
 9 income taxes, it will pay an additional \$450 in state income taxes. If the household
 10 claims \$50,000 in itemized deductions, it will pay an additional \$1,547 in state
 11 income taxes under the measure. Table 1 shows an example using the standard
 12 deduction for a couple making \$375,000. For a more detailed breakdown, see the
 13 Fiscal Impact Section below.

14 **Table 1**
 15 **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

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

19 ** \$25,900 standard deduction minus \$16,000 limit for joint filers. This example assumes no other add
 20 backs.

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

- 25 • First, the measure requires the state to participate in a federal project that makes
 26 students receiving Medicaid automatically eligible for federally funded free school
 27 meals.
- 28 • Second, school meal providers will be required to participate in the federal
 29 Community Eligibility Provision program, if eligible. This program allows schools
 30 with a high number of students qualifying for free and reduced-price meals to
 31 receive additional federal reimbursement, with some schools meeting the
 32 requirements to provide free meals to all students.

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

2 Beginning in 2024, the Colorado Department of Education must submit a report every
3 two years to the state legislature on the implementation and progress of the school
4 meal and grant programs created by the measure. The department must also contract
5 with an independent auditor to conduct a financial and performance audit of the
6 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>

7 **Arguments For Proposition ?**

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

26 **Arguments Against Proposition ?**

- 27 1) The measure raises taxes on some households at a time when inflation is
28 high and the cost of living is increasing. Higher taxes mean that those
29 taxpayers will have less money to save or invest in the economy. Those
30 dollars are best used by individuals and families in a way that they see fit.
- 31 2) The state should not pay to feed kids who can afford to purchase a school
32 meal or bring food from home. Feeding kids should be the role and
33 responsibility of the parents or caregivers, not the government. The measure
34 requires ongoing state funding, resources, and oversight for a program that is
35 not needed by all students.

1 3) Colorado schools are underfunded. If voters want to increase taxes to help
2 students, it would be better to give local school districts new funding to use in
3 a way that best serves their students, such as increasing teacher salaries or
4 providing additional educational materials and opportunities.

5 **Fiscal Impact for Proposition ?**

6 Proposition ? increases state revenue and spending beginning in state budget year
7 2022-23.

8 **State revenue.** By limiting state income tax deductions for taxpayers with at least
9 \$300,000 in adjusted gross income, the measure is expected to increase state
10 revenue by an estimated \$50.4 million in budget year 2022-23 (a half-year impact),
11 \$100.7 million in budget year 2023-24, \$104.2 million in budget year 2024-25, and by
12 increasing amounts in subsequent years. The revenue generated is not subject to
13 state constitutional spending limits. Of the total annual amount, an estimated at
14 \$3.7 million in budget year 2022-23, and \$7.5 million in budget year 2023-24 will be
15 deposited in the State Education Fund as a result of increasing Colorado taxable
16 income.

17 **State spending.** The measure is expected to increase state spending by an
18 estimated \$212,289 in budget year 2022-23 for administrative costs to set up the
19 new program, by up to \$115.3 million in budget year 2023-24 for school meal
20 reimbursements and administrative costs, and by between \$71.4 million and
21 \$101.4 million per year starting in the 2024-25 budget year when the new program is
22 fully operational.

23 This program will reimburse school meal providers for the cost of offering free meals
24 to all students (between \$48.5 million and \$78.5 million when fully implemented), and
25 provide grant funding to school meal providers to purchase Colorado grown food
26 (\$9.5 million), funding to increase wages for employees who prepare and serve
27 school meals (\$7.6 million), and grants to nonprofits to assist school food providers
28 with the promotion and utilization of local foods (\$5.0 million).

29 Costs to the state assume additional reimbursements from the federal government,
30 and will depend on the number of students who become eligible for federal meal
31 reimbursement as a result of the measure, as well as the school districts in which
32 they reside. Given this uncertainty, this analysis shows a wide range of potential
33 costs.

34 In addition, the Department of Revenue will have costs of \$209,855 in budget year
35 2023-24 and by \$98,292 in subsequent years to administer the tax changes under
36 the bill. State spending is paid from the state General Fund.

37 **School district revenue and spending.** School districts will have additional
38 revenue from meal reimbursements, employee wage support payments, and local
39 food purchasing grants. The amount each district receives will depend on the
40 number of meals served and the components of the program in which a district
41 chooses to participate. This revenue will be used to pay school district costs to
42 provide meals to students and increase employee wages. School districts will also
43 have additional workload to adjust to new data, documentation, and grant program
44 requirements.

1 **Taxpayer impact.** Proposition ? will increase the amount of income tax owed by
 2 taxpayers who have over \$300,000 in federal taxable income. State law requires
 3 Legislative Council Staff to estimate the potential tax burden on affected taxpayers
 4 within specified income categories. Table 2 shows the expected change in tax
 5 burden based on data on income and income tax deductions claimed on 2019 tax
 6 returns. The actual impact on any given taxpayer with income above \$300,000 will
 7 depend on the deductions taken on their federal income tax returns. For taxpayers
 8 with incomes above \$400,000, the new limits on deductions will be applied in
 9 addition to the existing limits on deductions in state law.

10 Table 2 shows an average impact per taxpayer of \$39; however, the measure only
 11 impacts taxpayers with adjusted gross income of at least \$300,000. For taxpayers
 12 impacted by the measure, the average impact is \$884.

13 **Table 2**
 14 **Estimated Impact on Taxpayers by Income Category**

Income Category	Estimated Number of Taxpayers¹	Total Change in Tax Burden	Average Change in Tax Burden
\$14,999 or less	394,516	No change	No change
\$15,000 to \$29,999	348,440	No change	No change
\$30,000 to \$39,999	234,632	No change	No change
\$40,000 to \$49,999	209,806	No change	No change
\$50,000 to \$69,999	328,119	No change	No change
\$70,000 to \$99,999	328,257	No change	No change
\$100,000 to \$150,000	319,212	No change	No change
\$150,000 to \$199,999	162,242	No change	No change
\$200,000 to \$249,999	85,851	No change	No change
\$250,000 to \$499,999	118,749		
\$250,000 - \$299,999	48,135	No change	No change
\$300,000 - \$499,999	70,614	\$57.4 million	\$813
\$500,000 to \$999,999	29,951	\$27.7 million	\$923
\$1,000,000 or more	13,423	\$15.7 million	\$1,166
Total	2,573,198	\$100.7 million	\$39²

15 ¹ The estimated number of taxpayers counts joint filers as one taxpayer.

16 ² Table 2 shows an average impact per taxpayer of \$39; however, the measure only impacts taxpayers
 17 with adjusted gross income of at least \$300,000. For taxpayers impacted by the measure, the average
 18 impact is estimated to be \$884.