



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

Initiative 85

Fiscal Summary

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LCS TITLE: ESTABLISHMENT OF A NEW SCHOOL MEALS PROGRAM

Fiscal Summary of Initiative 85

This fiscal summary, prepared by the nonpartisan Director of Research of the Legislative Council, contains a preliminary assessment of the measure's fiscal impact. A full fiscal impact statement for this initiative is or will be available at www.colorado.gov/bluebook. This fiscal summary identifies the following impact.

State revenue. By limiting deductions for certain taxpayers, the measure increases state revenue by an estimated \$49.8 million in budget year 2022-23 and \$101.3 million in budget year 2023-24, with ongoing increases in future years. The estimate for budget year 2022-23 represents a half-year impact as the measure goes into effect January 1, 2023.

State expenditures. The measure increases state expenditures by about \$320,000 per year in the 2022-23 and 2023-24 budget years for administrative costs to set up the new program, and by between \$60 million and \$120 million per year starting in 2024-25 budget year when the Healthy School Meals Program is fully operational. This program will reimburse school meal providers for the cost of offering free meals to all students, and providing grants to school meal providers to purchase Colorado grown food, funding to increase wages for employees who prepare and serve school meals, and grants to nonprofits to assist school food providers with the promotion and utilization of local foods. Costs to the state assume additional reimbursements from the federal government, and will depend on the number of students who become eligible for federal meal reimbursement as a result of the measure, as well as the school districts in which they reside. Given this uncertainty, this fiscal summary shows a wide range of potential costs. In addition, the Department of Revenue will have costs of \$231,800 in budget year 2023-24 and by \$144,246 in subsequent years to administer the tax changes under the bill.

Local government impact. School districts will have additional revenue from meal reimbursements, employee wage support payments, and local food purchasing grants. The amount each district receives will depend on the number of meals served and which components of the program a district chooses to participate in. This revenue will be used to pay school district costs to provide meals to student and increase employee wages. School districts will also have additional workload to adjust to new data, documentation, and grant program requirements.

Economic impacts. Providing free school meals to all students will result in savings for families, increasing the amount families have to spend and save elsewhere in the economy. Additionally, certain taxpayers who will pay higher tax under the measure will have less after-tax income available to spend or save, decreasing their consumption of goods and services. Any overall change in economic activity will depend on the net economic impact of these changes.