

## HF2387 - 0 - School Lunch Milk Program Modified

Chief Author: **Keith Allen**  
 Committee: **Education Finance**  
 Date Completed: **3/24/2025 3:35:57 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  | FY2025   | FY2026       | FY2027       | FY2028       | FY2029       |
| General Fund          | -        | 4,680        | 4,617        | 4,613        | 4,604        |
| <b>Total</b>          | <b>-</b> | <b>4,680</b> | <b>4,617</b> | <b>4,613</b> | <b>4,604</b> |
| <b>Biennial Total</b> |          |              | <b>9,297</b> |              | <b>9,217</b> |

| Full Time Equivalent Positions (FTE) |          | Biennium |          | Biennium |          |
|--------------------------------------|----------|----------|----------|----------|----------|
|                                      | FY2025   | FY2026   | FY2027   | FY2028   | FY2029   |
| General Fund                         | -        | 1        | 1        | 1        | 1        |
| <b>Total</b>                         | <b>-</b> | <b>1</b> | <b>1</b> | <b>1</b> | <b>1</b> |

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 3/24/2025 3:35:57 PM  
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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.

| <b>State Cost (Savings) = 1-2</b>                        |               | <b>Biennium</b> |               | <b>Biennium</b> |               |
|--|---------------|-----------------|---------------|-----------------|---------------|
| <b>Dollars in Thousands</b>                              | <b>FY2025</b> | <b>FY2026</b>   | <b>FY2027</b> | <b>FY2028</b>   | <b>FY2029</b> |
| General Fund   | -             | 4,680           | 4,617         | 4,613           | 4,604         |
| <b>Total</b>   | <b>-</b>      | <b>4,680</b>    | <b>4,617</b>  | <b>4,613</b>    | <b>4,604</b>  |
| <b>Biennial Total</b>                                    |               |                 | <b>9,297</b>  |                 | <b>9,217</b>  |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |               |                 |               |                 |               |
| General Fund   | -             | 4,680           | 4,617         | 4,613           | 4,604         |
| <b>Total</b>   | <b>-</b>      | <b>4,680</b>    | <b>4,617</b>  | <b>4,613</b>    | <b>4,604</b>  |
| <b>Biennial Total</b>                                    |               |                 | <b>9,297</b>  |                 | <b>9,217</b>  |
| <b>2 - Revenues, Transfers In*</b>                       |               |                 |               |                 |               |
| General Fund   | -             | -               | -             | -               | -             |
| <b>Total</b>   | <b>-</b>      | <b>-</b>        | <b>-</b>      | <b>-</b>        | <b>-</b>      |
| <b>Biennial Total</b>                                    |               |                 | <b>-</b>      |                 | <b>-</b>      |

### Bill Description

Starting in fiscal year (FY) 2026, this bill reimburses each school participating in the Minnesota Free School Meals Program (MN-FSM) for each half-pint of milk served to a student who brings a meal from home or forgoes the no cost school lunch provided on that day. The commissioner may establish program guidelines. 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 daily attendance rate is 91.25%.
- It is assumed that 25% of students who forgo the no-cost lunch will take one free milk per day.
- It is assumed that 226 students statewide daily will no longer take a lunch to get the free milk. There are 2,260 schools in the state in the 2024-2025 school year, so this equates to one student in every 10 schools. This will be a reduction in the MN-FSM lunch appropriation.
- It is assumed a total of 54,501 students will take a milk each day.
- The greater reimbursement rate will be 50 cents per half-pint milk.
- Even though the February 2025 forecast \$387,000 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.

The bill says that the commissioner “may establish program guidelines for school lunch milk served in place of a school lunch.” It is assumed that MDE will establish these guidelines and that the division will not be able to use current federal funds to do so. Therefore, it is assumed that MDE will require 1.0 Nutritional Program Consultant in FY 2026 and later to monitor the program, conduct reviews, and process applications and adjustments.



In regards to information technology (IT) 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 IT work includes development, regression testing, project management, and report modifications, with costs calculated at an average \$118.73 per hour. There will be 10% for maintenance in FY 2027 and FY 2028.

**Expenditure and/or Revenue Formula**

| line # | Estimated cost for free milk when bringing a lunch from home  |                  |                  |                  |                  |
|--------|---|------------------|------------------|------------------|------------------|
| 1      | Estimated FY 2024 pupil units   | 898,865          |                  |                  |                  |
| 2      | Estimated # school days in Sept & Oct   | 41               |                  |                  |                  |
| 3      | Estimated # maximum meals in Sept & Oct (= line 1 X line 2)   | 36,853,465       |                  |                  |                  |
| 4      | Estimated daily attendance (91.25% X 3)   | 33,628,787       |                  |                  |                  |
| 5      | Lunches served in Sept & Oct 2024 (from Clics)  | 24,727,659       |                  |                  |                  |
| 6      | Difference which assumes bag lunch count (= line 4 - line 5)  | 8,901,128        |                  |                  |                  |
| 7      | Estimated percentage of students with bag lunch taking a milk (= 25% X line 6)                          | 2,225,282        |                  |                  |                  |
| 8      | Cost for each milk  | 0.50             |                  |                  |                  |
| 9      | Total cost for free milk (= line 7 X line 8)  | 1,112,641        |                  |                  |                  |
| 10     | Total # of lunches taken in Sept & Oct to get the free milk (= 41 days X 226 students)                  | 9,266            | 9,266            | 9,266            | 9,266            |
|        |   |                  |                  |                  |                  |
|        |   | <b>FY 2026</b>   | <b>FY 2027</b>   | <b>FY 2028</b>   | <b>FY 2029</b>   |
| 11     | State cost per paid lunch   | 4.274            | 4.411            | 4.518            | 4.602            |
| 12     | Reduction in paid lunch for those not getting a lunch for free milk (= line 10 X line 11)               | -39,603          | -40,872          | -41,864          | -42,642          |
| 13     | Increase in milk costs for those no longer getting a lunch for free milk (= \$0.50 X line 10)           | 4,633            | 4,633            | 4,633            | 4,633            |
| 14     | Subtotal of cost change for those no longer taking the lunch to get milk for free (= line 12 + line 13) | -34,970          | -36,239          | -37,231          | -38,009          |
| 15     | Net total cost for free milk - Sept & Oct (41 days) (= line 9 + line 14)                                | 1,077,671        | 1,076,402        | 1,075,410        | 1,074,632        |
| 16     | <b>Net total cost for free milk - full school year (170 days)</b>                                       | <b>4,468,392</b> | <b>4,463,129</b> | <b>4,459,018</b> | <b>4,455,791</b> |

| <b>HF2387</b>                         | <b>FY 2026</b>   | <b>FY 2027</b>   | <b>FY 2028</b>   | <b>FY 2029</b>   |
|---------------------------------------|------------------|------------------|------------------|------------------|
| Total increase in milk appropriation  | 4,632,599        | 4,632,600        | 4,632,600        | 4,632,600        |
| Total decrease in lunch appropriation | -164,207         | -169,471         | -173,582         | -176,809         |
| Net total MNIT costs                  | 62,689           | 6,269            | 6,269            | 0                |
| 1.0 Nutrition Program Consultant      | 148,416          | 148,019          | 148,087          | 148,087          |
| <b>Total Bill Costs</b>               | <b>4,679,498</b> | <b>4,617,417</b> | <b>4,613,374</b> | <b>4,603,878</b> |



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|  |  |  |  |  |
|--|--|--|--|--|

| <b>MNIT costs</b>                | Hours      | FY 2026       | FY 2027      | FY 2028      |
|----------------------------------|------------|---------------|--------------|--------------|
| CLiCS Development                | 150        | 17,810        | 1,781        | 1,781        |
| Regression Test Development (QA) | 102        | 12,110        | 1,211        | 1,211        |
| Project Management               | 90         | 10,686        | 1,069        | 1,069        |
| Report Modifications             | 186        | 22,084        | 2,208        | 2,208        |
| <b>Total MN IT Costs</b>         | <b>528</b> | <b>62,689</b> | <b>6,269</b> | <b>6,269</b> |

### **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 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 2024. This information is housed under the Cyber-Linked Interactive Child Nutrition System (CLiCS)

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